

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 31, 2024  
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-35680

**WORKDAY, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-2480422  
(I.R.S. Employer  
Identification No.)

6110 Stoneridge Mall Road  
Pleasanton, California 94588  
(Address of principal executive offices, including zip code)

(925) 951-9000  
(Registrant's telephone number, including area code)

| Securities registered pursuant to Section 12(b) of the Act: |                   | Name of each exchange on which registered                    |
|---|-------------------|--|
| Title of each class   | Trading Symbol(s) |  |
| Class A Common Stock, par value \$0.001                     | WDAY              | The Nasdaq Stock Market LLC<br>(Nasdaq Global Select Market) |
| Securities registered pursuant to section 12(g) of the Act: |                   |  |
| None  |                   |  |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933 ("Securities Act"). Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 ("Exchange Act"). Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock of the registrant as of July 31, 2023 (based on a closing price of \$237.13 per share) held by non-affiliates was approximately \$49.0 billion. As of March 6, 2024, there were approximately 211 million shares of the registrant's Class A common stock, net of treasury stock, and 53 million shares of the registrant's Class B common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for its 2024 Annual Meeting of Stockholders ("Proxy Statement"), to be filed within 120 days of the registrant's fiscal year ended January 31, 2024, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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## PART I

*As used in this report, the terms “Workday,” “registrant,” “we,” “us,” and “our” mean Workday, Inc. and its subsidiaries unless the context indicates otherwise. Our fiscal year ends on January 31. References to fiscal 2024, for example, refer to the year ended January 31, 2024.*

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This report contains forward-looking statements, which are subject to safe harbor protection under the Private Securities Litigation Reform Act of 1995. All statements contained in this report other than statements of historical fact, including statements regarding our future financial condition and operating results, business strategy and plans, and objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “seek,” “plan,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations, beliefs, and projections about future events, conditions, and trends that we believe may affect our financial condition, operating results, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, assumptions, and changes in circumstances that are difficult to predict and many of which are outside of our control, such as those arising from the impact of recent macroeconomic events, including inflation, increased interest rates, and geopolitical factors, as well as those described in the “Risk Factors” section, which we encourage you to read carefully. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make.*

*In light of these risks, uncertainties, assumptions, and potential changes in circumstances, the future events, conditions, and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied by the forward-looking statements. Accordingly, you should not rely upon any forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activities, performance, or achievements. We are under no duty to update any of these forward-looking statements after the date of this report or to conform these statements to actual results or revised expectations, except as required by applicable law. If we do update any forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.*

## ITEM 1. BUSINESS

### Overview

Workday is a leading enterprise platform that helps organizations manage their most important assets – their people and money. Workday provides more than 10,000 organizations with AI-powered cloud solutions to help solve some of today’s most complex business challenges, including supporting and empowering their workforce, managing their finances and spend in an ever-changing environment, and planning for the unexpected.

Our purpose is to inspire a brighter work day for all. We strive to make the world of work and business better, and hope to empower customers to do the same through an innovative suite of solutions licensed by more than 65 million users around the world and across industries – from medium-sized businesses to more than 50% of the Fortune 500. Central to our purpose is a set of core values – with our employees as number one – along with customer service, innovation, integrity, fun, and profitability. We believe that having happy employees leads to happy customers, and we are committed to helping our customers adapt and thrive in this increasingly dynamic business environment.

As organizations face changing conditions, we believe the need for an intuitive, scalable, and secure platform that ties finance, people, suppliers, and plans together in one version of truth is more important than ever. Workday’s Artificial Intelligence (“Workday AI”) is built into our platform, allowing us to rapidly deliver and sustain models that can solve countless business problems. As a result, Workday AI helps deliver better employee experiences, increase productivity, improve operational efficiencies, and provide insights for faster, data-driven decision-making. Workday provides organizations with a unified system that can help them plan, execute, analyze, and extend to other applications and environments, thereby helping them continuously adapt how they manage their business and operations. To support this, Workday delivers weekly product updates in addition to major feature releases twice a year. Through this model, Workday customers are able to deliver and adopt innovations quickly and adapt at a time that fits their business needs. We sell our solutions worldwide primarily through direct sales through our field sales teams. We also offer professional services, as do our Workday Services Partners, to help customers deploy our solutions and continually adopt new capabilities.

In fiscal 2024, we announced the new Workday AI Marketplace to help our customers easily find and deploy certified artificial intelligence (“AI”) and machine learning (“ML”) partner solutions to propel their businesses into the future. In addition, we announced several new generative AI capabilities that are expected to be available to our customers in fiscal 2025, including capabilities that will help customers generate job descriptions in minutes and analyze and correct contracts for more accurate revenue recognition. Workday AI Gateway will enable developers to develop customized applications by providing access to Workday AI and ML services.

## **Our Capabilities**

Workday’s suite of enterprise cloud applications addresses the evolving needs of the C-suite across various industries and are designed to be open, extensible, and configurable, allowing integration with other applications and the ability for users to build their own custom applications. Workday offers applications for Financial Management, Spend Management, Human Capital Management (“HCM”), Planning, and Analytics and Benchmarking.

### ***Financial Management: Solutions for the Office of the Chief Financial Officer (“CFO”)***

In the changing world of finance, Workday helps organizations accelerate their journeys towards becoming truly digital finance operations by giving them the tools they need to manage the strategic direction of their organizations while also supporting growth, profitability, and compliance and regulatory requirements. Workday’s suite of financial management applications, built on the Workday platform with Workday AI at the core, helps enable CFOs to maintain accounting information in the general ledger; manage core financial processes such as payables and receivables; identify real-time financial, operational, and management insights; improve financial consolidation; reduce time-to-close; promote internal control and auditability; and achieve consistency across global finance operations.

### ***Spend Management: Solutions for the Office of the CFO***

Workday provides procurement professionals with tools to support their businesses through the source-to-contract process, including a user experience designed for ease and collaboration. Workday offers a set of cloud-based spend management solutions that help organizations streamline supplier selection and contracts, manage indirect spend, and build and execute sourcing events, such as requests for proposals. Additionally, Workday offers an expense management solution that provides users with flexible ways to submit and approve expenses, while providing leaders the ability to set controls and analyze spend.

### ***Human Capital Management: Solutions for the Office of the Chief Human Resources Officer (“CHRO”)***

In the changing world of human resources (“HR”), Workday helps organizations identify and respond to rapidly changing conditions, whether they stem from shifting talent needs or a focus on belonging and diversity or employee engagement. Workday’s suite of HCM applications allows organizations to manage the entire employee lifecycle – from recruitment to retirement – enabling HR teams to hire, onboard, pay, develop and reskill, and provide meaningful employee experiences that are personalized and helpful, based on listening to the diverse needs of today’s workforce. For example, Workday Skills Cloud, one of our most widely-adopted AI use cases, helps organizations make the important shift to a skills-first approach, helping them prepare today for the jobs of tomorrow.

### ***Planning: Solutions for the Offices of the CFO and CHRO***

In today’s dynamic environment, businesses are continuously planning to model various scenarios and preparing to quickly respond to change. Workday provides an active planning process that can model across finance, workforce, sales, and operational data, helping organizations make more informed decisions and respond quickly to changing situations. Workday AI assists in creating forecasts that incorporate historical and third-party data, such as economic data and labor statistics. When combined with Workday’s financial management and HCM solutions, organizations are able to leverage real-time transactional data to dynamically adjust and recalibrate their plans.

### ***Analytics and Benchmarking and Workday Cloud Platform: Solutions for the Offices of the Chief Information Officer (“CIO”), CFO, and CHRO***

Workday helps leaders make sense of the vast amount of data they collect enterprise-wide. For example, information technology (“IT”) leaders are navigating the complexities of supporting employees in new environments, which requires them to deploy an adaptable, secure architecture to help ensure global continuity and productivity while remaining agile. Workday provides applications for analytics and reporting, including augmented analytics to surface insights to the line of business in simple-to-understand stories, machine learning to drive efficiency and automation, and benchmarks to compare performance against other organizations.

### ***Industries: Solutions for the Offices of the CIO, CFO, and CHRO***

Workday offers businesses flexible solutions to help them adapt to their industry-specific needs and respond to change. Workday's applications serve industries such as financial services, healthcare, higher education, state and local government, and professional services. For example, Workday provides supply chain and inventory solutions to healthcare organizations, allowing them to purchase, stock, track, and replenish their inventory to help support patient care. In addition, higher education institutions can deploy Workday's solutions to manage the end-to-end student and faculty lifecycle. Workday also enables its partner ecosystem to build industry-specific solutions. With Workday Extend, customers and their developers can build custom applications that can accommodate their unique industry business needs, complete with the same experience, security model, and reliability of the native applications offered by Workday.

### **Product Development**

At Workday, innovation is a core value. Our culture encourages out-of-the-box thinking and creativity, which enables us to create applications designed to change the way people work. Our architecture enables us to deploy our solutions rapidly to meet evolving business needs. We invest a significant percentage of our resources in product development and are committed to rapidly building and/or acquiring new applications and solutions. Our product development organization is responsible for product design, development, testing, and certification. We focus our efforts on developing new applications and core technologies, as well as further enhancing the usability, functionality, reliability, security, performance, and flexibility of existing applications. To grow our unified suite of Workday applications, we primarily invest in research and development, but we also selectively acquire companies that are consistent with our design principles, existing product set, corporate strategy, and company culture. We also manage a portfolio of strategic investments through Workday Ventures, our strategic investment arm. We invest primarily in enterprise cloud technology companies that we believe are digitally transforming their industries, improving customer experiences, helping us expand our solution ecosystem or supporting other corporate initiatives. We plan to continue making these types of strategic investments as opportunities arise that we find attractive.

### **Human Capital**

Workday was founded with the idea of putting people at the center of enterprise software, which is why employees are our number one core value. As of January 31, 2024, our global workforce consisted of approximately 18,800 employees in 32 countries, of which approximately 65% were located in the U.S. and 35% were located internationally. We consider our relations with our employees to be very good. Our Chief People Officer, in partnership with our Chief Diversity Officer, is responsible for developing and executing Workday's human capital strategy, including programs focused on total rewards; belonging and diversity; and employee development, engagement, and wellbeing. Our Chief People Officer and CEO regularly update our Board of Directors and Compensation Committee on human capital matters and seek their input on subjects such as succession planning, executive compensation, and our company-wide equity programs.

### ***Total Rewards***

Our compensation philosophy is designed to establish and maintain a fair and flexible compensation program that attracts and rewards talented individuals who possess the skills necessary to support our near-term objectives, create long-term value for our stockholders, grow our business, and assist in the achievement of our strategic goals. We believe that providing employees with competitive pay, ownership in the company, and a wide range of benefits is fundamental to employees feeling valued, motivated, and recognized for their contributions. Equity ownership is a key element of our compensation program, allowing employees to share in Workday's successes and aligning the interests of our employees with our stockholders. Additionally, our total rewards package includes a cash bonus program, an employee stock purchase plan, healthcare and retirement benefits, paid time off, family leave, and other wellness programs. We also offer specialized benefits such as a holistic global mental and emotional health program, onsite and virtual healthcare resources, a financial wellness program, and support for fertility options and new parents, as well as reimbursement of adoption costs.

### ***Our Commitment to Pay Parity***

We believe that all employees deserve to be paid fairly and equitably and be afforded an equal chance to succeed. We have a market-based pay structure that compares our roles to those of our peers in each region. This process helps ensure we pay according to the market value of the jobs we offer. We also have processes in place to make pay decisions based on internally consistent and fair criteria. Each year, we conduct a company-wide pay equity analysis to help ensure pay equity between men and women as well as a US-based analysis with respect to employees of different ethnicities. If we identify differences in pay, we research those differences and, where appropriate, make adjustments to employees' pay.

### ***Belonging and Diversity***

We strive to be a workplace where all employees are valued for their unique perspectives and where we all collectively contribute to Workday's success and innovation. Belonging and Diversity ("B&D") helps us cultivate an equitable and inclusive environment for all. Whether it's through creating resources and initiatives that enable and strengthen our culture, building inclusive products and technology, or hiring and developing diverse talent, our vision is to Value Inclusion, Belonging, and Equity ("VIBE") for all. Our 12 Employee Belonging Councils ("EBCs") play an integral role in fostering a culture of VIBE. Our EBCs, including Black @ Workday, Military and Veterans, and Workday for People with Disabilities, among others, provide a designated space for members and allies to advance inclusive business initiatives, enable professional development, promote connections, and bring greater visibility to diverse talent, as well as engage in community outreach activities.

As a part of our ongoing commitment to VIBE, we track progress and plan for the future by using our internally developed B&D products and solutions to assess equity and analyze diversity- and inclusion-related data that informs our VIBE strategy. Through these products, we can assess, measure, benchmark, and manage diversity and inclusion as well as empower our leaders to create B&D plans and measure performance and outcomes across areas such as hiring, development, and employee experience. Looking at our diversity data, we continue to make strides in our representation. As of January 31, 2024, women represented 42% of our global employees and 38% of our leadership positions globally, and underrepresented minorities (defined as those who identify as Alaskan native, American Indian, Black, Latinx, Native Hawaiian, Other Pacific Islander, and/or two or more races) represented 14% of our U.S. employees and 10% of our leadership positions in the U.S. We remain focused on increasing gender equity and representation globally, and continuing efforts to support our underrepresented communities.

We believe that talent is everywhere, but opportunity is not. Skills, education, and experience are gained in a variety of ways that are often not recognized in the traditional recruiting process. Talent acquisition at Workday ensures there is intentionality about weaving VIBE throughout our hiring practices to ensure an inclusive and equitable experience for all. We also invest in leading workforce development organizations who provide direct training and employment opportunities for candidates facing barriers to employment through our Opportunity Onramps programs.

### ***Learning and Development***

Our employees tell us they are most engaged when they are continuously being exposed to new things, empowered to build new skills, and able to make an impact. Our employees have instant access to training via several industry-leading learning platforms, which provide our global workforce with convenient, timely access to content from subject matter experts. We offer a number of educational resources, development opportunities, and a support community to guide employees throughout their Workday careers. For example, we developed Career Hub which helps our employees share skills and interests and receive relevant connections, curated learning content, and recommended jobs to help them on their career journeys. Using Workday AI, Career Hub provides workers with suggestions to grow their skills and capabilities and encourages them to build a plan as they explore opportunities for continued career development.

Additionally, to foster a strong culture of compliance and ethics, we conduct annual compliance and ethics training of our Code of Conduct for all employees. In fiscal 2024, we had a 100% completion rate for our annual Code of Conduct training.

### ***Communication and Engagement***

Our culture and how we treat people are paramount at Workday, and we believe that being transparent and facilitating information sharing are key to our success. Workday leverages multiple communication channels to engage and inform employees, including company meetings, town halls, internal websites, and social collaboration tools. We also use Workday Peakon Employee Voice to collect feedback in real time from our employees and turn that feedback into dialog and action. Since we introduced Workday Peakon Employee Voice in fiscal 2022, employees have provided over 486,000 confidential comments on the platform through weekly surveys and 95% of our employees have taken part in at least one survey, which reflects strong engagement by our employees. We receive data points from these surveys that help us identify actions to take to improve our company and our culture.

Buoyed by the opportunities offered by our own technology, our talent philosophy puts employees at the center of their own career and performance journey by providing them the tools and framework to further their careers. We have done this by establishing a clear philosophy and set of expectations. Every Workmate receives enablement on our performance and growth philosophy, what's expected of them, and how to leverage these practices to ensure their own personal success and career growth at Workday. Our talent and performance dashboard provides a snapshot view of performance-related tasks, with a visual summary of goals, feedback, and growth opportunities. Employees can take action to update their contributions, capabilities, career, and connections using the quick links provided in the dashboard.

### ***Health, Safety, and Wellbeing***

At Workday, we take a holistic approach to our employees' health and wellbeing and have created programs that focus on four core dimensions: Physical; Mental and Emotional; Financial; and Social and Flex. These programs go beyond traditional medical benefits and wellness offerings and allow employees to focus on their personal wellness goals as well as their mental health.

Our hybrid work model provides flexibility for our employees to work from home, while still bringing people together to foster collaboration and innovation. We offer new remote-based employees a stipend to enable them to have a comfortable work-from-home environment. To help keep health and mental wellness top of mind, we offer a series of programs and communications focused on mental health. These included tools and resources related to sleep, healthy eating, and mindfulness, as well as enhancements to our Employee Assistance Program to, among other things, facilitate timely access to culturally responsive mental health support for employees and their family members.

Our Global Workplace Safety team supports the traditional corporate areas of employee health and safety and physical security for Workday on a global scale. From the workplace to work-related travel, we strive to keep our employees safe with programs including safety awareness training, emergency response protocols, and our ergonomics and life safety team programs.

### ***Giving and Doing***

In support of our efforts to give back to the communities where we live and work and to further our culture, our employees donate time and expertise as mentors and volunteers to help close the skills gap. On top of our strategic, company-led social impact and employee volunteerism efforts, we also believe that giving back is even more rewarding when people get to make an impact through their favorite causes. We encourage and support employee giving and volunteering through programs such as our charitable donation matching gift program, our paid time off benefit for employees to volunteer and give back to their communities, and our team volunteer experience, where employee teams of five or more can volunteer with a charity partner of their choice and receive grants of up to \$5,000.

### **Customers**

We primarily sell to medium-sized and large, global organizations that span numerous industry categories, including professional and business services, financial services, healthcare, education, government, technology, media, retail, and hospitality.

We have built a company culture centered around customer success and satisfaction. As part of their subscription, customers are provided support services and tools to enhance their experience with Workday applications. This includes 24/7 support; training; a Customer Success Management group to assist customers in production; and Workday Community, an online portal where customers can collaborate and share knowledge and best practices. Additionally, we offer extensive customer training opportunities and a professional services ecosystem of experienced Workday consultants and system integrators to help customers achieve a timely adoption of Workday and enable them to enhance the value of our applications over the life of their subscription.

### **Sales and Marketing**

We sell our subscription contracts and related services globally, primarily through our direct sales organization, which consists of field sales and field sales support personnel. The Workday Field Sales team is aligned by geography, industry, and/or customer size. We also segment our sales teams into two distinct groups: those focused on landing new customer relationships, and those focused on expanding our relationship within our existing customers. We generate customer leads, accelerate sales opportunities, and build brand awareness through our marketing programs and strategic relationships. Our marketing programs largely target senior business leaders, including CFOs, CHROs, and CIOs.

Our sales strategy is focused on both adding new customers and on growing our relationships with our existing customers to expand the adoption of our suite of solutions over time. As our customers realize the benefits of our entire suite of service offerings, we aim to upgrade the customers' experience with new products and features, and gain additional subscriptions by targeting new functional areas and business units. Additionally, by extending our go-to-market capabilities globally, we aim to grow our business by selling to new customers in new regions.

## Partner Ecosystem

As a core part of our strategy, we have developed and continue to grow a global ecosystem of partners to both broaden and complement our application offerings and to provide services designed to meet the complex needs of our customers both large and small. These relationships include independent software vendors, technology partners, and system integrators, who help deliver technology solutions and expertise to support our joint customers, as well as less traditional partners such as benefits brokers, who help introduce our solutions to their customers. Our growing ecosystem of partners helps accelerate our customers' digital transformation initiatives. The Workday Marketplace allows customers to find solutions built on Workday's platform that meet their specific needs, including trusted solutions from Workday-certified partners. We have also expanded existing relationships with Automatic Data Processing, Inc. ("ADP") and Alight to enable a more streamlined experience for payroll administrators and with Amazon Web Services, Inc. ("AWS") and Google Cloud to accelerate innovation and time to value for our customers. Our Industry Accelerator program combines Workday partners, solutions, and services to help speed cloud transformation efforts for banking, healthcare, insurance, and technology companies.

## Seasonality

We have experienced seasonality in terms of when we enter into customer agreements for our services. Historically, we have signed a significantly higher percentage of agreements with new customers, as well as renewal agreements with existing customers, in the fourth quarter of each fiscal year due to customer buying patterns. Although these seasonal factors are common in the technology industry, historical patterns should not be considered a reliable indicator of our future sales activity or performance.

## Competition

The overall market for enterprise application software is rapidly evolving, highly competitive, and subject to changing technology, shifting customer needs, and frequent introductions of new products. We currently compete with large, well-established, enterprise software vendors, such as Oracle Corporation ("Oracle") and SAP SE ("SAP"). We also face competition from other enterprise software vendors, from regional competitors that only operate in certain geographic markets, and from vendors of specific applications that address only one or a portion of our applications, some of which offer cloud-based solutions. These vendors include Anaplan, Inc.; ADP; Coupa Software Inc.; Dayforce, Inc.; Infor, Inc.; Microsoft Corporation; and UKG Inc.

In addition, other cloud companies that provide services in different markets may develop applications or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal applications. However, the domain and industry expertise that is required for a successful solution in the areas of financial management, HCM, and analytics may inhibit new entrants that are unable to invest the necessary capital to accurately address global requirements and regulations. We expect continued consolidation in our industry that could lead to significantly increased competition.

We believe the principal competitive factors in our markets include:

- level of customer satisfaction and quality of customer references;
- speed to deploy and ease of use;
- breadth and depth of application functionality;
- total cost of ownership and flexibility of payment terms;
- brand awareness and reputation;
- adaptive technology platform;
- capability for configuration, integration, security, scalability, and reliability of applications;
- operational excellence to ensure system availability, scalability, and performance;
- ability to innovate and rapidly respond to customer needs;
- domain and industry expertise in applicable laws and regulations;
- size of customer base and level of user adoption;
- customer confidence in financial stability and future viability; and
- ability to integrate with legacy enterprise infrastructure and third-party applications.

We believe that we compete favorably based on these factors. Our ability to remain competitive will largely depend on our ongoing performance in product development and customer support.

For more information regarding the competitive risks we face, see "Risk Factors" included in Part I, Item 1A of this report.



### **Intellectual Property**

We rely on a combination of trade secrets, patents, copyrights, and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. We require our employees, contractors, consultants, suppliers, and other third parties to enter into confidentiality and proprietary rights agreements, and we control access to software, documentation, and other proprietary information. Although we rely on intellectual property rights, including trade secrets, patents, copyrights, and trademarks, as well as contractual protections and controls to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel; creation of new products, features, and functionality; and frequent enhancements to our applications are more essential to establishing and maintaining our technology leadership position.

### **Governmental Regulation**

As a public company with global operations, we are subject to various federal, state, local, and foreign laws and regulations. These laws and regulations, which may differ among jurisdictions, include, among others, those related to financial and other disclosures, accounting standards, privacy and data protection, intellectual property, AI ethics and machine learning, corporate governance, tax, government contracting, trade, antitrust, employment, immigration and travel, import/export, and anti-corruption. The costs to comply with these governmental regulations are not material to the understanding of our business. For a further discussion of the risks associated with government regulations that may materially impact us, see “Risk Factors” included in Part I, Item 1A of this report.

### **Available Information**

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings with the Securities and Exchange Commission (“SEC”), and all amendments to these filings, can be obtained free of charge from our website at [www.workday.com/sec-filings](http://www.workday.com/sec-filings). The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). Workday also uses its [blogs.workday.com](http://blogs.workday.com) website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Information contained on or accessible through any website reference herein is not part of, or incorporated by reference in, this Form 10-K, and the inclusion of such website addresses is as inactive textual references only. Workday, the Workday logo, VIBE, Peakon, Zimit, VNDLY, and Opportunity Onramps are trademarks of Workday, Inc., which may be registered in the United States and elsewhere. Other trademarks, service marks, or trade names appearing in this report are the property of their respective owners.

## ITEM 1A. RISK FACTORS

*Investing in our securities involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this report, including the consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K, before making an investment decision. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that materially and adversely affect our business. If any of the following risks actually occurs, our business operations, financial condition, operating results, and prospects could be materially and adversely affected. The market price of our securities could decline due to the materialization of these or any other risks, and you could lose part or all of your investment.*

### Summary of Risk Factors

The following summary provides an overview of the material risks we are exposed to in the normal course of our business activities. This risk factor summary does not contain all of the information that may be important to you, and you should read these together with the more detailed discussion of risks set forth following this section, as well as elsewhere in this Annual Report on Form 10-K under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Additional risks beyond those summarized below, or discussed elsewhere in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” may apply to our activities or operations as currently conducted or as we may conduct them in the future, or to the markets in which we currently operate or may in the future operate. Consistent with the foregoing, we are exposed to a variety of risks, including those associated with the following:

- any compromise of our information technology systems or security measures (including of our critical suppliers and service partners), or the unauthorized access of customer or user data;
- any slowdown or failure of our technical operations infrastructure, including our data centers and computing infrastructure operated by third parties, or the impact of service outages or delays in the deployment of our applications, or the failure of our applications to perform properly;
- privacy concerns and evolving domestic or foreign laws and regulations;
- the impact of continuing global economic and geopolitical volatility;
- any loss of key employees or the inability to attract, develop, and retain highly skilled employees;
- our ability to compete effectively in the intensely competitive markets in which we participate;
- our reliance on our network of partners to drive additional growth of our revenues;
- exposure to risks inherent to sales to customers outside the United States or with international operations;
- any dissatisfaction of our users with the deployment, training, and support services provided by us and our partners;
- the fluctuation of our quarterly results;
- our ability to realize a return on our current development efforts or offer new features, enhancements, and modifications to our products and services, and our ability to realize a return on the investments we have made toward entering new markets and new lines of business;
- delays in the reflection of downturns or upturns in new sales in our operating results associated with long sales cycles and our subscription model;
- our ability to predict the rate of customer subscription renewals or adoptions;
- new and evolving technologies such as AI;
- any adverse litigation results;
- our ability to successfully integrate our applications with third-party technologies;
- our ability to realize the expected business or financial benefits of company, employee, or technology acquisitions;
- any failure to protect our intellectual property rights or any lawsuits against us for alleged infringement of third-party proprietary rights;
- government contracts and related procurement regulations;
- our existing and future debt obligations; and
- the limited ability of third parties to influence corporate matters due to our dual class structure and to seek a merger, tender offer, or proxy contest due to Delaware law and provisions in our organizational documents.

## **Risks Related to Our Business and Industry**

### ***Any slowdown or failure in our technical operations infrastructure or applications may subject us to liabilities and adversely affect our reputation and operating results.***

We have experienced significant growth in the number of users, transactions, and data that our operations infrastructure supports. If we do not accurately predict our infrastructure requirements or fail to adapt and scale, we may experience service outages or delays, or significant increases in operating costs, which may adversely affect our business and operating results.

We have experienced, and may in the future experience, defects, system disruptions, outages, and other performance problems, including the failure of our applications to perform properly. These problems may be caused by a variety of factors, including infrastructure and software or code changes, vendor issues, software and system defects, human error, viruses, worms, security attacks (internal and external), fraud, spikes in customer usage, and denial of service issues. All of these issues may result in increased operational costs, delays in new feature rollouts, customer loss, reputational damage, and legal or regulatory liability, including liability under customer contracts or for losses suffered by our customers.

Such issues have, and may in the future, result in certain parties having unauthorized access to data. For example, in November 2023, we discovered that an issue in our product affecting certain customers resulted in document notifications and PDF documents being sent to unintended recipients within the same organization. Because of the large amount of data that we collect and process in our systems, and the sensitive nature of such data, it is possible that these issues could result in significant disruption, data loss or corruption, or cause the data to be incomplete or contain inaccuracies that our customers and other users regard as significant.

Furthermore, our financial management application is essential to our and our customers' financial planning, reporting, and compliance programs. Any interruption in our service may affect the availability, accuracy, or timeliness of such programs and as a result could damage our reputation, cause our customers to terminate their use of our applications, require us to issue refunds for prepaid and unused subscription services, require us to compensate our customers for certain losses, and prevent us from gaining additional business from current or future customers. In addition, because we use Workday's financial management application, any problems that we experience with financial reporting and compliance could be negatively perceived by prospective or current customers and negatively impact demand for our applications.

Our insurance policies, including our errors and omissions insurance, may be inadequate or may not be available in the future on acceptable terms, or at all, to protect against claims and other legal actions arising from breaches of our contracts, disruptions in our service, including those caused by cybersecurity incidents, failures or disruptions to our infrastructure, catastrophic events and disasters, or otherwise. In addition, our policy may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

### ***We depend on data centers and other infrastructure operated by third parties, as well as internet availability, and any disruption in these operations could adversely affect our business and operating results.***

We host our applications and serve our customers and users globally from data centers operated by third parties and rely upon third-party hosted infrastructure partners to operate certain aspects of our services. We control our applications and data but we do not control the facilities, operations, and physical security of these locations. Disruption of or interference at our data centers or hosted infrastructure partners has and could in the future impact our operations and our business could be adversely impacted. For example, we have experienced disruptions at certain of our data centers in the U.S. due to high temperatures and power outages that resulted in a brief temporary outage of our services for a subset of our customers. Our data center and hosted infrastructure partner facilities may also be subject to cybersecurity breaches, capacity constraints, financial difficulties, break-ins, sabotage, intentional acts of vandalism and similar misconduct, natural catastrophic events, as well as local administrative actions, changes to legal or permitting requirements, and litigation to stop, limit, or delay operations.

Furthermore, our customers and other users access our applications through their internet service providers. If a service provider fails to provide sufficient capacity to support our applications or otherwise experiences service outages, such failure could interrupt our customers' and other users' access to our applications, which could adversely affect their perception of our applications' reliability and our revenues. In addition, certain countries have implemented or may implement legislative and technological actions that either do or can effectively regulate access to the internet, including the ability of internet service providers to limit access to specific websites or content.

Any changes in third-party service levels at data centers or at our hosted infrastructure partners, or any errors, defects, disruptions, or other performance problems with our applications or the infrastructure on which they run, including internet infrastructure, could adversely affect our reputation and may damage our customers' or other users' stored files or result in lengthy interruptions in our services. Interruptions in our services might adversely affect our reputation and operating results, cause us to issue refunds or service credits to customers, subject us to potential liabilities, result in contract terminations, or adversely affect our renewal rates.

***The extent to which the continuing global economic and geopolitical volatility, and any resulting effect on customer spending, will continue to impact our business, financial condition, and operating results will depend on future developments, which are highly uncertain and difficult to predict.***

We operate on a global scale, and as a result, our business and revenues are impacted by global economic and geopolitical conditions. Global economic developments, geopolitical volatilities, downturns or recessions, and global health crises may negatively affect us or our ability to accurately forecast and plan our future business activity. In addition, geopolitical volatilities, including the Russia-Ukraine and Israel-Hamas conflicts, have led and could lead to further economic disruption. Any sustained adverse impacts from these and other recent macroeconomic events could materially and adversely affect our business, financial condition, operating results, and earnings guidance that we may issue from time to time, which could have a material effect on the value of our Class A common stock.

Our future revenues rely on continued demand by existing customers and the acquisition of new customers who may be subject to economic hardship due to recent macroeconomic events, including concerns about inflation or the interest rate environment, and may delay or reduce their enterprise software spending to preserve capital and liquidity. In connection with recent macroeconomic events, we have experienced and may continue to experience delays in purchasing decisions from existing and prospective customers, increased demand for price concessions and delayed payment terms, and a reduction in customer demand. Our business, financial condition, and operating results may be negatively impacted in future periods due to the prolonged impacts of recent macroeconomic events, which may not be fully reflected in our operating results and overall financial performance until future periods.

To the extent recent macroeconomic events adversely affect our business, financial condition, and operating results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section.

***We may lose key employees or be unable to attract, train, and retain highly skilled employees.***

Our success and future growth depend largely upon the continued services of our executive officers, other members of senior management, and other key employees. Effective February 1, 2024, the start of our fiscal 2025, in accordance with an established succession plan, Aneel Bhusri stepped down from his role as Co-CEO and assumed the role of Executive Chair, and Carl Eschenbach, formerly Co-CEO alongside Mr. Bhusri, assumed the role of sole CEO. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period, and they could terminate their employment with us at any time. Key employee changes have the potential to disrupt our business, impact our ability to preserve our culture, negatively affect our ability to attract and retain talent, or otherwise have a serious adverse effect on our business and operating results.

To execute our growth plan, we must attract, enable, and develop highly qualified talent. Our ability to compete and succeed in a highly competitive environment is directly correlated to our ability to recruit and retain highly skilled employees, especially in the areas of product development, cybersecurity, senior sales executives, and engineers with significant experience in designing and developing software and internet-related services, including in the areas of AI. The expansion of our sales infrastructure, both domestically and internationally, is necessary to grow our customer base and business. Our business may be adversely affected if our efforts to attract and enable new members of our direct sales force do not generate a corresponding increase in revenues. We have experienced, and we expect to continue to experience, significant competition in hiring and retaining employees with appropriate qualifications.

We must also continue to retain and motivate existing employees through our compensation practices, company culture, and career development opportunities. Further, our current and future office environments, such as our current hybrid work policies, may not meet the expectations of our employees or prospective employees, and may amplify challenges in recruiting. We believe that a critical component of our success has been our corporate culture and our core values. As we continue to grow and change, we may find it difficult to maintain our corporate culture among a larger number of employees who are dispersed throughout various geographic regions. Additionally, we and many of our stakeholders expect to have a corporate culture that embraces diversity and inclusion, and any inability to attract and retain diverse and qualified personnel may harm our corporate culture and our ability to innovate. Failure to maintain or adapt our culture could negatively affect our ability to attract new personnel or to retain our current personnel and our business and future growth prospects could be adversely affected.

***The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be adversely affected.***

The markets for enterprise cloud applications are highly competitive, with relatively low barriers to entry for some applications or services. Some of our competitors are larger and have greater name recognition, significantly longer operating histories, access to larger customer bases, larger marketing budgets, and significantly greater resources to devote to the development, promotion, and sale of their products and services than we do. This may allow our competitors to respond more effectively than us to new or emerging technologies and changes in market conditions.

Our primary competitors are Oracle and SAP, well-established providers of financial management and HCM applications, which have long-standing relationships with customers and partners. Some customers may be hesitant to switch vendors or to adopt cloud applications such as ours and may prefer to maintain their existing relationships with competitors. We also face competition from other enterprise software vendors, from regional competitors that only operate in certain geographic markets, and from vendors of specific applications that address only one or a portion of our applications, some of which offer cloud-based solutions. These vendors include, without limitation: Anaplan, Inc., ADP, Coupa Software Inc., Dayforce, Inc., Infor, Inc., Microsoft Corporation, and UKG Inc. In order to take advantage of customer demand for cloud applications, legacy vendors are expanding their cloud applications through acquisitions, strategic alliances, and organic development. In addition, other cloud companies that provide services in different target markets or industries may develop applications or acquire companies that operate in our target markets or industries, and some potential customers may elect to develop their own internal applications. As the market matures and as existing and new market participants introduce new types of technologies and different approaches that enable organizations to address their HCM and financial needs, we expect this competition to intensify in the future.

Furthermore, our current or potential competitors may be acquired by, or merge with, third parties with greater available resources and the ability to initiate or withstand substantial price competition. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their offerings or resources. Many of our competitors also have major distribution agreements with consultants, system integrators, and resellers and such partners may prefer to maintain their existing relationships with competitors. With the introduction of new technologies, such as generative AI, we expect competition to intensify in the future. If our competitors' products, services, or technologies become more accepted than our products, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, then our revenues could be adversely affected. In addition, our competitors may offer their products and services at a lower price, or may offer price concessions, delayed payment terms, financing terms, or other terms and conditions that are more enticing to potential customers. Due to the complex nature of implementing financial management solutions, the lifecycle of the contracts for such solutions tends to be long. Therefore, if we lose a current customer to a competitor or fail to secure a prospective customer for financials management solutions, there is a long duration before we will be able to approach that customer again with our sales efforts for such solutions. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses, or a failure to maintain or improve our competitive market position, any of which could adversely affect our business and operating results.

***We rely on our network of partners to drive additional growth of our revenues, and if these partners fail to perform, our ability to sell and distribute our products may be impacted, and our operating results and growth rate may be harmed.***

Our strategy for additional growth depends, in part, on sales generated through our network of partners and professional services provided by our partners. If the operations of these partners are disrupted, including as a direct or indirect result of recent macroeconomic conditions, our own operations may suffer, which could adversely impact our operating results. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources, and we cannot ensure that these partnerships will result in increased customer adoption or usage of our applications or increased revenue. We may be at a disadvantage if our competitors are effective in providing incentives to our current or potential partners to favor their products or services or to prevent or reduce subscriptions to our services, or in negotiating better rates or terms with such partners, particularly in international markets where our potential partners may have existing relationships with our competitors. In addition, acquisitions of our partners by our competitors could end our strategic relationship with such acquired partner and result in a decrease in the number of our current and potential customers.

Our partner training and educational programs may not be effective or utilized consistently by partners. New partners may require extensive training and/or may require significant time and resources to achieve productivity. Changes to our direct go-to-market models may cause friction with our partners and may increase the risk in our partner ecosystem. The actions of our partners may subject us to lawsuits, potential liability, and reputational harm if, for example, any of our partners misrepresent the functionality of our products to customers, fail to perform services to our customers' expectations, or violate laws or our corporate policies. In addition, our partners may utilize our platform to develop products and services that could potentially compete with products and services that we offer currently or in the future. Concerns over competitive matters or intellectual property ownership could constrain these partnerships. If we fail to effectively manage and grow our network of partners, maintain good relationships with our partners, or properly monitor the quality and efficacy of their service delivery, or if our partners do not effectively market and sell our subscription services, use greater efforts to market and sell their own products or services or those of our competitors, or fail to meet the needs or expectations of our customers, our ability to sell our products and efficiently provide our services may be impacted, and our operating results and growth rate may be harmed.

***Sales to customers outside the United States or with international operations expose us to risks inherent in global operations.***

The growth of our business and future prospects depends on our ability to increase our sales outside of the United States as a percentage of our total revenues. Operating globally requires significant resources and management attention and subjects us to regulatory, economic, and political risks that are different from those in the United States. Our investments and efforts to further expand internationally may not be successful in creating additional demand for our applications outside of the United States or in effectively selling subscriptions to our applications in all of the markets we enter. Risks associated with doing business on a global scale that could adversely affect our business, include:

- the need to develop, localize, and adapt our applications and customer support for specific countries;
- the need to successfully develop and execute on a localized go-to-market strategy;
- the need to adhere to local laws and regulations, including those related to data localization, privacy, and anti-corruption;
- difficulties in appropriately staffing and managing foreign operations and providing appropriate compensation for local markets;
- difficulties in leveraging executive presence and maintaining company culture globally;
- different pricing environments, longer sales cycles, and longer trade receivables payment cycles, and collections issues;
- new and different sources of competition;
- potentially weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights;
- laws, customs, and business practices favoring local competitors;
- restrictive governmental actions focused on cross-border trade, such as import and export restrictions, duties, quotas, tariffs, trade disputes, and barriers or sanctions, that may prevent us from offering certain portions of our products or services to a particular market, may increase our operating costs or may subject us to monetary fines or penalties;
- compliance challenges related to the complexity of multiple, conflicting, and changing governmental laws and regulations, including employment, tax, privacy, intellectual property, and data protection laws and regulations;
- increased compliance costs related to government regulatory reviews or audits, including those related to international cybersecurity and environmental, social, and governance (“ESG”) requirements;
- increased financial accounting and reporting burdens and complexities;
- the effects of currency fluctuations on our revenues and expenses and customer demand for our services;
- restrictions on the transfer of funds;
- adverse tax consequences and tax rulings; and
- unstable economic and political conditions.

Any of the above factors may negatively impact our ability to sell our applications and offer services globally, reduce our competitive position in foreign markets, increase our costs of global operations, reduce demand for our applications and services from global customers, or subject us to legal or regulatory liability. Additionally, the majority of our international costs are denominated in local currencies and we anticipate that over time an increasing portion of our sales contracts may be outside the U.S. and will therefore be denominated in local currencies. Fluctuations in the value of foreign currencies, which may be amplified by macroeconomic events, may impact our operating results when translated into U.S. dollars. Such fluctuations may also impact our ability to predict our future results accurately. If we are not able to successfully hedge against the risks associated with foreign currency fluctuations, our financial condition and operating results could be adversely affected.

***Our business could be adversely affected if our users are not satisfied with the deployment, training, and support services provided by us and our partners.***

Implementation of our applications may be technically complicated because they are designed to enable complex and varied business processes across large organizations, integrate data from a broad and complex range of workflows and systems, and may involve deployment in a variety of environments. Incorrect or improper implementation or use of our applications could result in customer and user dissatisfaction and hamper our business and operating results.

In order for our customers to successfully implement our applications, they need access to highly skilled and trained service professionals. Third parties provide a majority of deployment services for our customers, but professional services may also be performed by our own staff or by a combination of the two. If customers are not satisfied with the quality and timing of work performed by us or a third party or with the type of professional services or applications delivered, or if we or a third party have not delivered on commitments made to our customers, then we could incur additional costs to address the situation, the revenue recognition of the contract could be impacted, and the dissatisfaction with our services could damage our ability to expand the applications subscribed to by our customers. Negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers both domestic and abroad.

Customers and other users also depend on our support organization to provision the environments used by our customers and to resolve technical issues relating to our applications. Increased demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results. Failure to maintain high-quality technical support and training, or a market perception that we do not maintain high-quality support or training, could adversely affect our reputation, our ability to offer and sell our applications, our renewal rates, and our business and operating results.

***Our future success depends on the rate of customer subscription renewals, and our revenues or operating results could be adversely impacted if we do not achieve renewals at expected rates or on anticipated terms.***

Our customers have no obligation to renew their subscriptions for our applications after the expiration of either the initial or renewed subscription period. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our applications and pricing, their awareness and adoption of the benefits and features of our applications, their ability to continue their operations and spending levels, reductions in their headcount, and the evolution of their business. If our customers do not renew their subscriptions for our applications on similar pricing terms or renew for fewer elements of our applications, our revenues may decline, and we may not be able to meet our revenue projections, which could negatively impact our business and the market price of our Class A common stock.

Our future success also depends, in part, on our ability to sell additional products to our current customers, and the success rate of such endeavors is difficult to predict, especially with regard to any new lines of business that we may introduce from time to time. This may require increasingly costly marketing and sales efforts that are targeted at senior management, and if these efforts are not successful, our business and operating results may suffer. Additionally, acquisitions of our customers by other companies have led, and could continue to lead, to cancellation of our contracts with those customers, thereby reducing the number of our existing and potential customers.

***The use of new and evolving technologies in our offerings at Workday, including AI, may result in reputational harm and increased litigation.***

We are increasingly building AI into Workday's core and specific offerings. As with many cutting-edge innovations, these technologies can present new risks and challenges. A quickly evolving legal and regulatory environment may cause us to incur increased research and development costs, or divert resources from other development efforts, to address social, ethical, and other issues related to AI. Furthermore, existing laws and regulations may apply to us in new ways, the nature and extent of which are difficult to predict and subject to change over time. The risks and challenges presented by these technologies could undermine public confidence in AI, which could slow its adoption and affect our business. Many of our products are powered by AI, some of which include the use of large language models and generative AI, for use cases that could potentially impact human, civil, privacy, or employment rights and dignities. Our developers are also experimenting with the use of large language models provided by third parties for domain-specific use cases, and at this stage the line between developers and deployers of these technologies, including their respective responsibilities and liabilities, is unclear. Our failure to accurately identify and address our responsibilities and liabilities in this uncertain environment, and adequately address relevant ethical and social issues that may arise with such technologies and use cases, as well as failure by others in our industry, or actions taken by our customers, employees, or end users (including misuse of these technologies), could negatively affect the adoption of our solutions and subject us to reputational harm, regulatory action, or litigation, which may harm our financial condition and operating results. We already are defending against a lawsuit alleging that our products and services enable discrimination, and although we believe that such claims lack merit, and we succeeded in our initial motion to dismiss the claims, legal proceedings can be lengthy, expensive, and disruptive to our operations (particularly where, as in the present litigation, Plaintiff may seek to also litigate against certain of Workday's customers). We may be subject to other litigation and regulatory actions that may cause financial, competitive, and developmental impacts, and could lead to legal liability. In addition, regardless of outcome, these types of claims could cause reputational harm to our brand. Our employees, customers, or customers' employees who are dissatisfied with our public statements, policies, practices, or solutions related to the development and use of AI may express opinions that could introduce reputational or business harm, or cease their relationship with us.



***Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.***

Our quarterly operating results, including our revenues, subscription revenue backlog, operating margin, profitability, and cash flow, may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Additionally, we typically sign a significantly higher percentage of agreements with new customers as well as renewal agreements with existing customers in the fourth quarter of each year, and this year-over-year compounding effect in billing patterns causes the value of invoices that we generate in the fourth quarter to continually increase in proportion to our billings in the other three quarters of our fiscal year.

Our quarterly financial results may fluctuate as a result of a variety of factors, including the risks described in this “Risk Factors” section, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. The extent to which recent macroeconomic events could continue to impact our operating results will depend on future developments, which are highly uncertain and difficult to predict. Fluctuations in our quarterly results and related impacts to any earnings guidance we may issue from time to time, including any modification or withdrawal thereof, may negatively impact the value of our securities.

***If we are not able to realize a return on our current development efforts or offer new features, enhancements, and modifications to our services that are desired by current or potential customers, our business and operating results could be adversely affected.***

Developing software applications and related enhancements, features, and modifications is expensive, and the investment in product development often involves a long return on investment cycle. Accelerated application introductions and short application life cycles require high levels of expenditures that could adversely affect our operating results if not offset by revenue increases, and we believe that we must continue to dedicate a significant amount of resources to our development efforts to maintain our competitive position. However, we may not receive significant revenues from these investments for several years, if at all. If we are unable to provide new features, enhancements to user experience, and modifications in a timely and cost-effective manner that achieve market acceptance, align with customer expectations, and that keep pace with rapid technological developments and changing regulatory landscapes, it may negatively impact our customer renewal rates, limit the market for our solutions, or impair our ability to attract new customers and our business and operating results could be adversely affected. For example, AI is propelling advancements in technology, but if we fail to innovate and keep up with advancements in AI technology, if Workday AI solutions fail to operate as expected or do not meet customer expectations, or if we do not have sufficient access to development resources and the technologies required to build and improve our applications, such as the datasets required to train our AI models, our business and reputation may be harmed.

***If we fail to develop and maintain widespread positive awareness of our brand, our business may suffer.***

We believe that developing and maintaining widespread positive awareness of our brand is critical to our growth. However, brand promotion activities may not generate the customer awareness or increased revenues we anticipate, and even if they do, any increase in revenues may not offset the significant expenses we incur in building our brand.

If we fail to successfully promote and maintain positive awareness of our brand, or we fail to expand positive awareness of our newer solutions or products, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread positive brand awareness that is critical for broad customer adoption of our applications and for the end user experience. Any unfavorable publicity or perception of our brand or our applications could negatively impact our ability to attract and retain customers and also make it more difficult to hire and retain employees.

***If we are unable to successfully integrate our applications with a variety of third-party technologies, our business and operating results could be adversely affected.***

We depend on relationships with third-party technology and content providers and other key suppliers, and are also dependent on third parties for the license of certain software and development tools that are incorporated into or used with our applications or used to help improve our own internal systems, processes, or controls. For example, we leverage software and services for development tools and to deliver applications from many third-party suppliers including AWS and Google LLC. If the operations of these third parties are disrupted, our own operations may suffer, which could adversely impact our operating results. Additionally, if we are unsuccessful in establishing or maintaining our relationships with these third parties, or if the quality of their products or performance is inadequate, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results may suffer.

To the extent that our applications depend upon the successful integration and operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software, as well as cybersecurity threats or attacks related to such software could prevent the deployment or impair the functionality of our applications, delay new application introductions, result in a failure of our applications, result in increased costs, including warranty and other related claims from customers, and injure our reputation.



As Workday Mobile becomes increasingly important to Workday's customer experience, we also need to continuously modify and enhance our applications to keep pace with changes in third-party internet-related hardware, iOS, Android, other mobile-related operating systems, platforms, and technologies, and other third-party software, communication, browser, and database technologies, as well as with customer expectations. Any failure of our applications to operate effectively with future network platforms and other third-party technologies, or changes in such technologies that degrade the functionality of our products or give preferential treatment to competitive services, could reduce the demand for our applications, result in customer and end user dissatisfaction, and adversely affect our business and operating results.

***We have acquired, and may in the future acquire, other companies, employee teams, or technologies, which could divert our management's attention, result in additional indebtedness or dilution to our stockholders, and otherwise disrupt our operations and adversely affect our operating results.***

We have acquired, and may in the future acquire, other companies, employee teams, or technologies to complement or expand our applications, enhance our technical capabilities, obtain personnel, or otherwise offer growth opportunities. The pursuit of acquisitions may divert the attention of management, disrupt ongoing business, and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated.

These impacts may continue through integration activities. Moreover, we may be unable to complete proposed transactions timely or at all due to a failure to obtain any necessary funding to complete an acquisition in a timely manner or on favorable terms, the failure to obtain required regulatory or other approvals, litigation, or other disputes, which may obligate us to pay a termination fee. We also may not achieve the anticipated benefits from an acquisition due to a number of factors, including:

- inability or difficulty integrating the intellectual property, technology infrastructure, and operations of the acquired business, including difficulty in addressing security risks of the acquired business;
- inability to retain key personnel or challenges in integrating the workforce from the acquired company, including the inability to maintain our culture and values;
- acquisition-related costs, liabilities, or tax impacts, some of which may be unanticipated;
- difficulty in leveraging the data of the acquired business if it includes personal data;
- a failure to maintain the information systems of an acquired business, which could increase the risk of a security breach of such system;
- a failure to implement, restore, or maintain controls, procedures, or policies at the acquired company and an increased risk of non-compliance;
- multiple product lines or service offerings as a result of our acquisitions that are offered, priced, and supported differently, as well as the potential for such acquired product lines and service offerings to impact the profitability of existing products;
- the opportunity cost of diverting management and financial resources away from other products, services, and strategic initiatives;
- difficulties and additional expenses associated with synchronizing product offerings, customer relationships, and contract portfolio terms and conditions between Workday and the acquired business;
- unknown liabilities or risks associated with the acquired businesses, including those arising from existing contractual obligations or litigation matters;
- adverse effects on our brand or existing business relationships with business partners and customers as a result of the acquisition, including integrating acquired technologies and a delay in market acceptance of and difficulty in transitioning new and existing customers to acquired product lines or services;
- potential write-offs of acquired assets and potential financial and credit risks associated with acquired customers;
- inability to maintain relationships with key customers, suppliers, and partners of the acquired business;
- difficulty in predicting and controlling the effect of integrating multiple acquisitions concurrently;
- lack of experience in new markets, products, or technologies;
- difficulty in integrating operations and assets of an acquired foreign entity with differences in language, culture, or country-specific currency and regulatory risks;
- the inability to obtain (or a material delay in obtaining) regulatory approvals necessary to complete transactions or to integrate operations, or potential remedies imposed by regulatory authorities as a condition to or following the completion of a transaction, which may include divestitures, ownership or operational restrictions or other structural or behavioral remedies; and
- the failure of strategic acquisitions to perform as expected or to meet financial projections, which may be heightened due to recent macroeconomic events and market volatility.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our operating results. Moreover, we may experience additional or unexpected changes in how we are required to account for our acquisitions pursuant to U.S. generally accepted accounting principles ("GAAP"), including arrangements that we may assume in an acquisition.

Acquisitions could also result in use of substantial portions of our available cash, which may limit other potential uses of cash, and dilutive issuances of equity securities or the issuance of debt, which could adversely affect our operating results. If we finance acquisitions by issuing debt, we could face constraints related to the terms of and repayment obligation related to the incurrence of such indebtedness. In addition, if an acquired business fails to meet our expectations, our business, financial condition, and operating results may suffer.

***If we are not able to realize a return on the investments we have made toward entering new markets and new lines of business, our business and operating results could be adversely affected.***

We continue to seek opportunities to enter into new markets and/or new lines of business, some of which we may have very limited or no experience in. As an entrant to new markets and new lines of business, we may not be effective in convincing prospective customers that our solutions will address their needs, and we may not accurately estimate our infrastructure needs, human resource requirements, or operating expenses with regard to these new markets and new lines of business. We may also fail to accurately anticipate adoption rates of these new lines of business or their underlying technology. Also, we may not be able to properly price our solutions in these new markets, which could negatively affect our ability to sell to customers. Furthermore, customers in these new markets or of the new lines of business may demand more features and professional services, which may require us to devote even greater research and development, sales, support, and professional services resources to such customers. If we fail to generate adequate revenues from these new markets and lines of business, or if we fail to do so within the envisioned timeframe, it could have an adverse effect on our business, financial condition, and operating results.

***Catastrophic or climate-related events may disrupt our business.***

Our corporate headquarters are located in Pleasanton, California, and we have data centers located in the United States, Canada, and Europe. The west coast of the United States contains active earthquake zones and the southeast is subject to seasonal hurricanes or other extreme weather conditions. Additionally, we rely on internal technology systems, our website, our network, and third-party infrastructure and enterprise applications, which are located in a wide variety of regions, for our development, marketing, operational support, hosted services, and sales activities. In the event of a major earthquake, hurricane, or other natural disaster, or a catastrophic event such as fire, power loss, telecommunications failure, vandalism, civil unrest, cyber-attack, geopolitical instability, war, terrorist attack, insurrection, pandemics or other public health emergencies, or the effects of climate change (such as drought, flooding, heat waves, wildfires, increased storm severity, and sea level rise), we may be unable to continue our operations and have, and may in the future, endure system interruptions, and may experience delays in our product development, lengthy interruptions in our services, breaches of data security, and loss of critical data, all of which could cause reputational harm or otherwise have an adverse effect on our business and operating results. In addition, the impacts of climate change on the global economy and our industry are rapidly evolving. We may be subject to increased regulations, reporting requirements, standards, or stakeholder expectations regarding climate change that may impact our business, financial condition, and operating results.

***Our aspirations and disclosures related to ESG matters expose us to risks that could adversely affect our reputation and performance.***

The positions we take on ESG matters, human capital management initiatives, and ethical issues from time to time may impact our brand, reputation, or ability to attract or retain customers. In particular, our brand and reputation are associated with our public commitments to environmental sustainability (including our science-based targets), strong corporate governance practices, equality, inclusivity, and ethical use, and any perceived changes in our dedication to these commitments could impact our relationships with potential and current customers, employees, stockholders, and other stakeholders. These commitments reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our failure to accomplish or accurately track and report on these goals on a timely basis, or at all, could adversely affect our reputation, financial performance, and growth, and expose us to increased scrutiny from the investment community as well as enforcement authorities.

Our ability to achieve any ESG objective is subject to numerous risks, many of which are outside of our control. Examples of such risks include:

- the availability and cost of low- or non-carbon-based energy sources;
- the evolving regulatory requirements affecting ESG standards or disclosures;
- the ability of suppliers to meet our sustainability, diversity, and other ESG standards;
- our ability to recruit, develop, and retain diverse talent in our labor markets;
- the availability and cost of high-quality verified emissions reductions and renewable energy credits; and
- the ability to renew existing or execute on new virtual power purchase agreements.

Standards for tracking and reporting ESG matters continue to evolve. In addition, our processes and controls may not always comply with evolving standards for identifying, measuring, and reporting ESG metrics, including ESG-related disclosures that may be required of public companies by the SEC or other regulatory bodies, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or ability to achieve such goals in the future. It is likely that increasing regulatory requirements and regulatory scrutiny related to ESG matters will continue to expand globally and result in higher associated compliance costs. Further, we may rely on data and calculations provided by third parties to measure and report our ESG metrics and if the data input or calculations are incorrect or incomplete, our brand, reputation, and financial performance may be adversely affected.

If our ESG practices do not align with or meet evolving investor or other stakeholder expectations and standards, then our reputation, our ability to attract or retain employees, and our attractiveness as an investment, business partner, acquirer, or service provider could be negatively impacted. Further, our failure or perceived failure to pursue or fulfill our goals and objectives or to satisfy various reporting standards on a timely basis, or at all, could have similar negative impacts or expose us to government enforcement actions and private litigation.

#### **Risks Related to Cybersecurity, Data Privacy, and Intellectual Property**

***If our information technology systems are compromised or unauthorized access to customer or user data is otherwise obtained, our applications may be perceived as not being secure, our operations may be disrupted, our applications may become unavailable, customers and end users may reduce the use of or stop using our applications, and we may incur significant liabilities.***

Our applications involve the storage and transmission of our customers' and other users' sensitive and proprietary information, including personal or identifying information regarding our customers, their employees, job candidates, customers, prospectus, and suppliers, as well as financial, accounting, health, and payroll data. Additionally, our operations and the availability of the services we provide also depend on our information technology systems. As a result, a compromise of our applications or systems, or unauthorized access to, acquisition, use, tampering, release, alteration, theft, loss, or destruction of sensitive data, or unavailability of data or our applications, has and could disrupt our operations or impact the availability or performance of our applications; expose us and our customers to regulatory obligations and enforcement actions, litigation, investigations, remediation and indemnity obligations, or supplemental disclosure obligations; damage our reputation and brand; or result in loss of customer, consumer, and partner confidence in the security of our applications, an increase in our insurance premiums, loss of authorization under the Federal Risk and Authorization Management Program ("FedRAMP") or other authorizations, impairment to our business, and other potential liabilities or related fees, expenses, or loss of revenues.

The financial and personnel resources we employ to implement and maintain security measures, including our information security risk insurance policy, may not be sufficient to address our security needs. The security measures we have in place vary in maturity across the organization and may not be sufficient to protect against security risks, preserve our operations and services and the integrity of customer and personal information, and prevent data loss, misappropriation, and other security breaches. Our logging may also not be sufficient to fully investigate the scope of an incident. Our information systems may be compromised by computer hackers, employees, contractors, or vendors, as well as software bugs, human error, technical malfunctions, or other malfeasance.

Cybersecurity threats and attacks are often targeted at companies such as ours and may take a variety of forms ranging from individuals or groups of security researchers, including those who appear to offer a solution to a vulnerability in exchange for some compensation, to sophisticated hacker organizations, including state-sponsored actors who may launch coordinated attacks, such as retaliatory cyber attacks stemming from the Russia-Ukraine conflict. In the normal course of business, we are and have been the target of malicious cyber-attack attempts and have experienced other security events. As our market presence grows, we face increased risks of cybersecurity attack or other security threats. Key cybersecurity risks range from viruses, worms, ransomware, and other malicious software programs, to phishing attacks, to exploitation of software bugs or other defects, to targeted attacks against cloud services and other hosted software, to exploitation of unmanaged software or systems, any of which can result in a compromise of our applications or systems and the data we store or process, disclosure of Workday confidential information and intellectual property, production downtimes, reputational harm, and an increase in costs to the business. As the techniques used to obtain unauthorized access or sabotage systems change frequently, are becoming increasingly sophisticated and complex, and often are not identified until they are launched against a target, and because evidence of unauthorized activity may not have been captured or retained, or may be proactively destroyed by unauthorized actors, we may be unable to anticipate these attacks, assess the true impact they may have on our business and operations, or to implement adequate preventative measures. Future cyber-attacks and other security events may have a significant or material impact on our business and operating results.

There may also be attacks targeting any vulnerabilities in our applications, internally built infrastructure, enhancements, and updates to our existing offerings, or in the many different underlying networks and services that power the internet that our products depend on, most of which are not under our control or the control of our vendors, partners, or customers. Systems and processes designed to protect our applications, systems, software, and data, as well as customer data and other user data, and to prevent data loss and detect security breaches, may not be effective against all cybersecurity threats or perceived threats. We have been subject to such incidents, including through third-party service providers and in connection with acquisitions we have made. In addition, our software development practices have not and may not identify all potential privacy or security issues, and inadvertent disclosures of data have occurred and may occur.

Additionally, remote work and resource access, including our hybrid work model, has and may continue to result in an increased risk of cybersecurity-related events such as phishing attacks, exploitation of any cybersecurity flaws that may exist, an increase in the number cybersecurity threats or attacks, and other security challenges as a result of our employees and our service providers continuing to work remotely from non-corporate managed networks.

Furthermore, we have acquired or partnered with a number of companies, products, services, and technologies over the years, and incorporated third-party products, services, and technologies into our own products and services. Addressing security issues associated with acquisitions, partnerships, incorporated technologies, and our supply chain requires significant resources, and we have inherited and may in the future inherit additional risks upon integration with or use by Workday. In addition, if a high-profile security breach occurs with respect to an industry peer, our customers and potential customers may generally lose trust in the security of financial management, spend management, human capital management, planning, or analytics applications, or in cloud applications for enterprises in general. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect to terminate or not renew their subscriptions, result in reputational damage, cause us to pay remediation and indemnity costs and/or issue service credits or refunds to customers for prepaid and unused subscription services, or result in lawsuits, regulatory fines, or other action or liabilities, any of which could adversely affect our business and operating results.

We rely on sophisticated information systems and technology, including those provided by third parties, for the secure collection, processing, transmission, storage of confidential, proprietary, and personal information, and to support our business operations and the availability of our applications. In the past several years, supply chain attacks have increased in frequency and severity. As we are both a provider and consumer of information systems and technology, we are at higher risk of being impacted either directly or indirectly by these attacks. The control systems, cybersecurity program, infrastructure, physical facilities of, and personnel associated with third parties that we rely on are beyond our control. The audits we periodically conduct of some of our third-party vendors do not guarantee the security of and may be unable to prevent security events impacting the information technology systems of third parties that are part of our supply chain or that provide valuable services to us, which have resulted and could result in the unauthorized access to data of Workday, our employees, our customers, our third-party partners, or other end users; acquisition, destruction, alteration, use, tampering, release, unavailability, theft or loss of confidential, proprietary, or personal data of Workday, our employees, our customers, our third party partners, or other end users; or the disruption of our operations and our ability to conduct our business or the availability of our applications; or could otherwise adversely affect our business, financial condition, operating results, or reputation.

***Privacy concerns, evolving regulation of cloud computing, cross-border data transfer, and other domestic or foreign laws and regulations may reduce the adoption of our applications, result in significant costs and compliance challenges, and adversely affect our business and operating results.***

Legal requirements related to collecting, storing, handling, and transferring personal data are rapidly evolving at both the national and international level in ways that require our business to adapt to support customer compliance. As the regulatory focus on privacy intensifies worldwide, and jurisdictions increasingly consider and adopt privacy laws, the potential risks related to managing personal data by our business may grow. In addition, possible adverse interpretations of existing privacy-related laws and regulations by governments in countries where our customers operate, as well as the potential implementation of new legislation, could impose significant obligations in areas affecting our business or prevent us from offering certain services in jurisdictions where we operate.

Following the European Union's ("EU") passage of the General Data Protection Regulation ("GDPR"), which became effective in May 2018, the global data privacy compliance landscape has grown increasingly complex, fragmented, and financially relevant to business operations. As a result, our business faces current and prospective risks related to increased regulatory compliance costs, government enforcement actions and/or financial penalties for non-compliance, and reputational harm. For example, a new EU-U.S. Data Privacy Framework ("DPF") is in place under which EU data can legally be transferred to the United States. However, it is expected to face legal challenges. Until challenges to the DPF make their way through the court system, uncertainty may continue about the legal requirements for transferring customer personal data to and from Europe, an integral process of our business that remains governed by, and subject to, GDPR requirements. Failure to comply with the GDPR data processing requirements by either ourselves or our subcontractors could lead to regulatory enforcement actions, which can result in monetary penalties of up to 4% of worldwide revenue, private lawsuits, reputational damage, and loss of customers. Other countries such as Russia, China, and India have also passed laws imposing varying degrees of restrictive data residency requirements. Regulatory developments in the United States present additional risks. For example, the California Consumer Privacy Act ("CCPA") took effect on January 1, 2020, and the California Privacy Rights Act ("CPRA"), which expands upon the CCPA, came into effect on January 1, 2023. The CCPA and CPRA give California consumers, including employees, certain rights similar to those provided by the GDPR, and also provide for statutory damages or fines on a per violation basis that could be very large depending on the severity of the violation. Numerous states have enacted, or are considering, privacy laws as well, creating a patchwork of state laws that may create compliance challenges. Furthermore, the U.S. Congress is considering numerous privacy bills, and the U.S. Federal Trade Commission continues to fine companies for unfair or deceptive data protection practices and may undertake its own privacy rulemaking exercise. In addition to government activity, privacy advocacy and other industry groups have established or may establish various new, additional, or different self-regulatory standards that customers may require us to adhere to and which may place additional burdens on us. Increasing sensitivity of individuals to unauthorized processing of personal data, whether real or perceived, and an increasingly uncertain trust climate has and may continue to create a negative public reaction to technologies, products, and services such as ours or otherwise expose us to liability.

Taken together, the costs of compliance with and other obligations imposed by data protection laws and regulations may require modification of our services, limit use and adoption of our services, reduce overall demand for our services, lead to significant fines, penalties, or liabilities for noncompliance, or slow the pace at which we close sales transactions, or otherwise cause us to modify our operations, any of which could harm our business. The perception of privacy concerns, whether or not valid, may inhibit the adoption, effectiveness, or use of our applications or otherwise impact our business. Compliance with applicable laws and regulations regarding personal data may require changes in services, business practices, or internal systems that result in increased costs, lower revenue, reduced efficiency, or greater difficulty competing with foreign-based firms which could adversely affect our business and operating results.

***Any failure to protect our intellectual property rights domestically and internationally could impair our ability to protect our proprietary technology and our brand.***

Our success and ability to compete depend in part upon our intellectual property. We rely on patent, copyright, trade secret and trademark laws, trade secret protection, and confidentiality or license agreements with our employees, customers, suppliers, partners, and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. We have patent applications pending in the United States and throughout the world, but we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, any patents issued to us in the future may not provide us with competitive advantages or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties, including those affiliated with state-sponsored actors, to copy or reverse engineer our applications, including with the assistance of insiders, and use information that we regard as proprietary to create products and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer, and disclosure of our technology may be unenforceable under the laws of jurisdictions outside the United States. In addition, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. These agreements may not be effective in controlling access to and distribution of our applications and proprietary information. Further, these agreements do not prevent our competitors or partners from independently developing technologies that are substantially equivalent or superior to our applications.

We may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect, and enforce our intellectual property rights could have a serious adverse effect on our brand and business.

***We may be sued by third parties for alleged infringement of their proprietary rights.***

There is considerable patent and other intellectual property development activity in our industry. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, third parties may claim that our applications and underlying technology infringe or violate their intellectual property rights, even if we are unaware of the intellectual property rights that others may claim cover some or all of our technology or services, and we may be found to be infringing such rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, require us to change our products, technology, or business practices, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. In addition, we may be sued by third parties who seek to target us for actions taken by our customers, including through the use or misuse of our products. Even if we were to prevail in an intellectual property dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations. Furthermore, from time to time we may introduce or acquire new products, including in areas where we historically have not competed, which could increase our exposure to patent and other intellectual property claims.

***Some of our applications utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.***

Some of our applications include software covered by open source licenses, which may include, by way of example, GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our applications. We attempt to avoid adverse licensing conditions in our use of open source software in our products and services. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in a certain manner. In the event that portions of our proprietary software are determined to be impacted by an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and services. In addition, the open source license terms for future versions of open source software that we use might change, requiring us to pay for a commercial license or re-engineer all or a portion of our technologies. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated and could negatively affect our business.

#### **Risks Related to Legal and Regulatory Matters**

***Unfavorable laws, regulations, interpretive positions, or standards governing new and evolving technologies that we incorporate into our products and services could result in significant cost and compliance challenges and adversely affect our business and operating results.***

Some of our products and services, such as Workday's People Experience, Talent Optimization, and Financial product suites, currently utilize or will utilize new and evolving technologies such as AI. The overall regulatory environment governing these types of technologies is likely to evolve as government interest in these technologies increases. Regulation of these technologies, as well as other technologies that we utilize in our products and services, also varies greatly among international, federal, state, and local jurisdictions and is subject to significant uncertainty. Governments and agencies domestic and abroad may in the future change or amend existing laws, or adopt new laws, regulations, or guidance, or take other actions which may severely impact the permitted uses of our technologies. Any failure by us to comply with applicable laws, regulations, guidance, or other rules could result in costly litigation, penalties, or fines. In addition, these regulations and any related enforcement actions could establish and further expand our obligations to customers, individuals, and other third parties with respect to our products and services, limit the countries in which such products and services may be used, restrict the way we structure and operate our business, require us to divert development and other resources, and reduce the types of customers and individuals who can use our products and services. Furthermore, our customers may operate in foreign jurisdictions, including countries in which we don't operate, and may be subject to additional laws and regulations outside the scope of our products. Increased regulation and oversight of products or services which utilize or rely on these technologies may result in costly compliance burdens or otherwise increase our operating costs, detrimentally affecting our business. These new technologies could subject us to additional litigation brought by private parties, which could be costly, time-consuming, and distracting to management and could result in substantial expenses and losses.

***Adverse litigation results could have a material adverse impact on our business.***

We are regularly involved with claims, suits, purported class or representative actions, and may be involved in regulatory and government investigations and other proceedings, involving competition, intellectual property, data security and privacy, bankruptcy, tax and related compliance, labor and employment, commercial disputes, and other matters. Such claims, suits, actions, regulatory and government investigations, and other proceedings can impose a significant burden on management and employees, could prevent us from offering one or more of our applications, services, or features to others, could require us to change our technology or business practices, or could result in monetary damages, fines, civil or criminal penalties, reputational harm, or other adverse consequences. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact in our consolidated financial statements could occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

***We are subject to risks related to government contracts and related procurement regulations, which may adversely impact our business and operating results.***

Our contracts with federal, state, local, and foreign government entities are subject to various procurement regulations and other requirements relating to their formation, administration, performance, and termination, which could adversely impact our business and operating results. Government certification requirements applicable to our platform, including FedRAMP, may change and, in doing so, restrict our ability to sell into the governmental sector until we have attained the full or revised certification. These laws and regulations provide public sector customers various rights, many of which are not typically found in commercial contracts. For instance, the process of evaluating potential conflicts of interest and developing necessary provisions and contract clauses, where needed, may delay or prevent Workday from being awarded certain U.S. federal government contracts.

Additionally, we have obtained authorization under FedRAMP, which allows us to enter into the U.S. federal government market. Such certification is subject to rigorous compliance and if we lose our certification, it could inhibit or preclude our ability to contract with certain U.S. federal government customers. In addition, some customers may rely on our authorization under FedRAMP to help satisfy their own legal and regulatory compliance requirements and our failure to maintain FedRAMP authorization would result in a breach under public sector contracts obtained on the basis of such authorization. This could subject us to liability, result in reputational harm, and adversely impact our financial condition or operating results.

We may be subject to audits and investigations relating to our government contracts, and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refunding or suspending of payments, forfeiture of profits, payment of fines, and suspension or debarment from future government business. In addition, such contracts may provide for delays, interruptions, or termination by the government at any time, with or without cause, which may adversely affect our business and operating results and impact other existing or prospective government contracts.

***Unanticipated tax laws or any change in the application of existing tax laws to us or our customers and unanticipated changes in our effective tax rate may adversely impact our profitability and financial results.***

We operate and are subject to taxes in the United States and numerous other jurisdictions throughout the world. Changes to federal, state, local, or international tax laws on income, sales, use, indirect, or other tax laws, statutes, rules, regulations, or ordinances on multinational corporations are currently being considered by the United States and other countries where we do business. These contemplated legislative initiatives include, but are not limited to, changes to transfer pricing policies and definitional changes to permanent establishment that could be applied solely or disproportionately to services provided over the internet. These contemplated tax initiatives, if finalized and adopted by countries, may ultimately impact our effective tax rate and could adversely affect our sales activity resulting in a negative impact on our operating results and cash flows.

In addition, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us to pay additional tax amounts, fines or penalties, and interest for past amounts. Existing tax laws, statutes, rules, regulations, or ordinances could also be interpreted, changed, modified, or applied adversely to our customers (possibly with retroactive effect), which could require our customers to pay additional tax amounts with respect to services we have provided, fines or penalties, and interest for past amounts. If we are unsuccessful in collecting such taxes from our customers, we could be held liable for such costs, thereby adversely impacting our operating results and cash flows. If our customers must pay additional fines or penalties, it could adversely affect demand for our services.

Significant judgment is often required in the determination of our worldwide provision for (benefit from) income taxes. Our effective tax rate could be impacted by changes in the valuation of deferred tax assets and liabilities and our ability to utilize them. We are also subject to tax examinations and it is possible that the final determination of any examinations will have an adverse effect on our operating results or financial position.



## **Risks Related to Financial Matters**

***Because we encounter long sales cycles when selling to large customers and we recognize subscription services revenues over the term of the contract, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern.***

We generally recognize subscription services revenues over time as services are delivered to the customer, which typically occurs over a period of three years or longer. As a result, most of the subscription services revenues we report in each quarter are derived from the recognition of unearned revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscription contracts in any single quarter may not be reflected in our revenue results for that quarter but will negatively impact our revenue in future quarters. Additionally, because much of our sales efforts are targeted at large enterprise customers, we may face greater costs, longer sales cycles, less predictability in completing some of our sales, and varying deployment timeframes.

Our typical sales cycles for new customers are six to twelve months but can extend for eighteen months or more, and we expect that this lengthy sales cycle may continue or expand as customers increasingly adopt applications across our platform. We have seen and may continue to see instances of increased scrutiny from existing and prospective customers and the lengthening of certain sales cycles. Longer sales cycles could cause our operating and financial results to suffer in a given period. Accordingly, the effect of significant downturns in sales and market acceptance of new applications, as well as potential changes in our pricing policies or rate of renewals, may not be fully reflected in our operating results until future periods. Additionally, we may be unable to adjust our cost structure to reflect any such changes in revenues. As a result, increased growth in the number of our customers could result in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. Our subscription model also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as subscription services revenues from new customers generally are recognized over the applicable subscription term. Furthermore, our subscription-based model is largely based on the size of our customers' employee headcount. Therefore, the addition or loss of employees by our customers, including any significant reductions in force by our customers, or customer insolvencies resulting from severe economic hardship, could have an impact on our subscription services revenues in any given period. Should there be any prolonged decrease in our customers' headcounts, we could experience reduced subscription services revenues upon renewal or potentially outside of the renewal period, which could materially impact our business and operating results in any given period.

***We have a history of cumulative losses, and we may not sustain profitability on a GAAP basis in the future.***

Until recently, we had incurred significant net losses on a GAAP basis since our inception in 2005 and our quarterly operating results may fluctuate in the future. We expect our operating expenses to increase in the future due to substantial investments we have made and continue to make to acquire new customers and develop our applications, anticipated increases in sales and marketing expenses, employee headcount growth expenses, product development expenses, operations costs, and general and administrative costs. If our revenue growth does not meet estimates, we may not be able to adjust our spending quickly enough to avoid an adverse impact on our financial results, and therefore we may incur losses on a GAAP basis in the future. Furthermore, to the extent we are successful in increasing our customer base, we may incur net losses in the acquisition period because some costs associated with acquiring customers are incurred up front, while subscription services revenues are generally recognized ratably over the terms of the agreements, which are typically three years or longer. You should not consider any prior period GAAP-profitability and growth in revenues as indicative of our future performance. We cannot ensure that we will continue to achieve or sustain GAAP profitability in the future.

***Our current and future indebtedness may adversely affect our financial condition and operating results.***

In April 2022, we issued \$3.0 billion aggregate principal amount of senior notes, consisting of \$1.0 billion aggregate principal amount of 3.500% notes due April 1, 2027 ("2027 Notes"), \$750 million aggregate principal amount of 3.700% notes due April 1, 2029 ("2029 Notes"), and \$1.25 billion aggregate principal amount of 3.800% notes due April 1, 2032 ("2032 Notes," and together with the 2027 Notes and the 2029 Notes, "Senior Notes"). Additionally, in April 2022, we entered into a credit agreement ("2022 Credit Agreement") which provides for a revolving credit facility in an aggregate principal amount of \$1.0 billion. As of January 31, 2024, we had no outstanding revolving loans under the 2022 Credit Agreement.

We may incur substantial additional debt in the future, some of which may be secured debt. It is possible that we will not be able to repay this indebtedness when due or refinance this indebtedness on acceptable terms or at all.

In addition, our indebtedness could, among other things:

- make it difficult for us to pay other obligations;
- make it difficult to obtain favorable terms for any necessary future financing for working capital, capital expenditures, debt service requirements, or other purposes;
- adversely affect our liquidity and result in a material adverse effect on our financial condition upon repayment of the indebtedness;

- require us to dedicate a substantial portion of our cash flow from operations to service and repay the indebtedness, reducing the amount of cash flow available for other purposes;
- limit our flexibility in planning for and reacting to changes in our business;
- increase our vulnerability to the impact of adverse economic conditions, including rising interest rates (which can make refinancing existing indebtedness more difficult or costly); and
- negatively impact our credit rating, which could limit our ability to obtain additional financing in the future and adversely affect our business.

Our Senior Notes and 2022 Credit Agreement also impose restrictions on us and require us to maintain compliance with specified covenants. For example, our 2022 Credit Agreement includes a financial covenant that requires us to maintain a specific leverage ratio. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the lenders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable. Any required repayment of our debt as a result of a fundamental change or other acceleration would lower our current cash on hand such that we would not have those funds available for use in our business.

***We are subject to risks associated with our equity investments, including partial or complete loss of invested capital, and significant changes in the fair value of this portfolio could adversely impact our financial results.***

We invest in early to late stage companies for strategic reasons and to support key business initiatives, and we may not realize a return on our equity investments. Many such companies generate net losses and the market for their products, services, or technologies may be slow to develop or never materialize. These companies are often dependent on the availability of later rounds of financing from banks or investors on favorable terms to continue their operations. The financial success of our investment in any company is typically dependent on a liquidity event, such as a public offering, acquisition, or other favorable market event reflecting appreciation to the cost of our initial investment. The capital markets for public offerings and acquisitions are dynamic and the likelihood of liquidity events for the companies we have invested in has and could further deteriorate, which could result in a loss of all or a substantial part of our investment in these companies. Additionally, instability in the global banking system has created bank-specific and broader financial institution liquidity risks and concerns, which may have an adverse impact on the companies we have invested or may invest in.

Further, valuations of non-marketable equity investments are inherently complex due to the lack of readily available market data and the anticipated valuation at the time of our investment may not meet our expectations. In addition, we may experience additional volatility to our results of operations due to changes in market prices of our marketable equity investments and the valuation and timing of observable price changes or impairments of our non-marketable equity investments. Volatility in the global market conditions, including recent economic disruptions, inflation, and ongoing volatility in the public equity markets, may impact our equity investments. This volatility could be material to our results in any given quarter and may cause our stock price to decline. In addition, our ability to mitigate this volatility and realize gains on investments may be impacted by our contractual obligations to hold securities for a set period of time. For example, to the extent a company we have invested in undergoes an initial public offering ("IPO"), we may be subject to a lock-up agreement that restricts our ability to sell our securities for a period of time after the public offering or otherwise impedes our ability to mitigate market volatility in such securities.

***We may discover weaknesses in our internal controls over financial reporting, which may adversely affect investor confidence in the accuracy and completeness of our financial reports and consequently the market price of our securities.***

As a public company, we are required to design and maintain proper and effective internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal controls over financial reporting, which must be attested to by our independent registered public accounting firm. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated.

The process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 is challenging and costly. As we grow our operations and personnel, we will need to continue to improve our operational, financial, and management controls as well as our reporting systems and procedures. In the future, we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion. If we identify material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our securities could be negatively affected, and we could become subject to investigations by the Financial Industry Regulatory Authority, the SEC, or other regulatory authorities, which could require additional financial and management resources. In addition, because we use Workday's financial management application, any problems that we experience with financial reporting and compliance could be negatively perceived by prospective or current customers, and negatively impact demand for our applications.

#### **Risks Related to Ownership of Our Class A Common Stock**

##### ***Our Co-Founders have control over key decision making as a result of their control of a majority of our voting stock.***

As of January 31, 2024, our Co-Founder and CEO Emeritus David Duffield, together with his affiliates, held voting rights with respect to approximately 44 million shares of Class B common stock and 1 million shares of Class A common stock. As of January 31, 2024, our Co-Founder and Executive Chair, Aneel Bhusri, together with his affiliates, held voting rights with respect to approximately 8 million shares of Class B common stock and 0.3 million shares of Class A common stock. In addition, Mr. Bhusri holds 0.2 million restricted stock units, which will be settled in an equivalent number of shares of Class A common stock. Further, Messrs. Duffield and Bhusri have entered into a voting agreement under which each has granted a voting proxy with respect to certain Class B common stock beneficially owned by him effective upon his death or incapacity as described in our registration statement on Form S-1 filed in connection with our IPO. Messrs. Duffield and Bhusri have each initially designated the other as their respective proxies. Accordingly, upon the death or incapacity of either Mr. Duffield or Mr. Bhusri, the other would individually continue to control the voting of shares subject to the voting proxy. Collectively, the shares described above represent a substantial majority of the voting power of our outstanding capital stock. As a result, Messrs. Duffield and Bhusri have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. As stockholders, even as controlling stockholders, they are entitled to vote their shares in their own interests, which may not always be in the interests of our stockholders generally.

In addition, Mr. Bhusri has the ability to control the management and affairs of our company as a result of his position as a member of our Board of Directors and an officer of Workday. Mr. Bhusri, in his capacity as a board member and officer, however, owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders.

##### ***The dual class structure of our common stock has the effect of concentrating voting control with our Co-Founders, as well as with other executive officers, directors, and affiliates, which limits or precludes the ability of non-affiliates to influence corporate matters.***

Our Class B common stock has 10 votes per share and our Class A common stock, which is the stock that is publicly traded, has one vote per share. Stockholders who hold shares of Class B common stock, including our executive officers, directors, and other affiliates, together hold a substantial majority of the voting power of our outstanding capital stock as of January 31, 2024. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval until the conversion of all shares of all Class A and Class B shares to a single class of common stock on the date that is the first to occur of (i) October 17, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhusri, or (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock. This concentrated control will limit or preclude the ability of non-affiliates to influence corporate matters for the foreseeable future.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Duffield and Mr. Bhusri retain a significant portion of their holdings of Class B common stock for an extended period of time, they could, in the future, continue to control a majority of the combined voting power of our Class A common stock and Class B common stock.

***Our stock price has been volatile in the past and may be subject to volatility in the future.***

The trading price of our Class A common stock has historically been volatile and could be subject to wide fluctuations in response to the risks described in this “Risk Factors” section, and other risks which are beyond our control. The factors that have and may in the future affect the trading price of our securities include, but are not limited to:

- guidance regarding our operating results and other financial metrics that we provide to the public, differences between our guidance and market expectations, our failure to meet our guidance, any withdrawal of previous guidance or changes from our historical guidance;
- changes in investor and analyst valuation models for our Class A common stock;
- announcements of technological innovations, new applications or enhancements to services, acquisitions, strategic alliances, or significant agreements by us or by our competitors;
- disruptions in our services due to computer hardware, software, or network problems or any announcements related to security incidents;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- the economy as a whole, political and regulatory uncertainty, and market conditions in our industry and the industries of our customers;
- trading activity by directors, executive officers, and significant stockholders, or the perception in the market that the holders of a large number of shares intend to sell their shares;
- any future issuances of our securities; and
- changes in the amounts or frequency of stock repurchases.

Additionally, the stock markets have at times experienced extreme price and volume fluctuations that have affected and may in the future affect the market prices of equity securities of many companies. These fluctuations have, in some cases, been unrelated or disproportionate to the operating performance of these companies. Further, the trading prices of publicly traded shares of companies in our industry have been particularly volatile and may be very volatile in the future.

In the past, some companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from other business concerns, which could harm our business.

***We may not realize the anticipated long-term stockholder value of our share repurchase programs.***

In November 2022, our Board of Directors authorized a program under which we may repurchase up to \$500 million of our outstanding shares of Class A common stock (“2022 Share Repurchase Program”), and in February 2024, the Board of Directors authorized a new program under which we may purchase up to an additional \$500 million of our Class A common stock (“2024 Share Repurchase Program”). The 2022 and 2024 Share Repurchase Programs each have a term of 18 months, but the programs may be modified, suspended, or terminated at any time. Such repurchases may be made through open market transactions, through privately negotiated transactions, or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1, in accordance with applicable securities laws and other restrictions.

Any failure to repurchase stock after we have announced our intention to do so may negatively impact our reputation and investor confidence in us and may negatively impact our stock price.

The existence of the 2022 and 2024 Share Repurchase Programs could cause our stock price to trade higher than it otherwise would and could potentially reduce the market liquidity for our stock. The 2022 and 2024 Share Repurchase Programs may not enhance long-term stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares and short-term stock price fluctuations could reduce the effectiveness of this program.

Repurchasing our common stock will reduce the amount of cash we have available to fund working capital, repayment of debt, capital expenditures, strategic acquisitions or business opportunities, and other general corporate purposes, and we may fail to realize the anticipated long-term stockholder value of the 2022 and 2024 Share Repurchase Programs. Furthermore, the timing and amount of any repurchases, if any, will be subject to liquidity, market and economic conditions, compliance with applicable legal requirements such as Delaware surplus and solvency tests, and other relevant factors.

***Delaware law and provisions in our restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our Class A common stock.***

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law (“DGCL”) may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of Workday more difficult, including the following:

- any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- our dual class common stock structure, which provides our Co-Founders with the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A and Class B common stock;
- our Board of Directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock:
  - certain amendments to our restated certificate of incorporation or amended and restated bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock;
  - our stockholders will only be able to take action at a meeting of stockholders and not by written consent; and
  - vacancies on our Board of Directors will be able to be filled only by our Board of Directors and not by stockholders;
- only our chair of the board, chief executive officer, co-presidents, or a majority of our Board of Directors are authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- we will have two classes of common stock until the date that is the first to occur of (i) October 17, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhusri, or (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock;
- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without the approval of the holders of Class A common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

In addition, Section 203 of the DGCL imposes certain restrictions on mergers, business combinations, and other transactions between us and holders of 15% or more of our common stock, which may discourage, delay, or prevent a change in control of our company.

Furthermore, the change in control repurchase event provisions of our Senior Notes may delay or prevent a change in control of our company, because those provisions allow note holders to require us to repurchase such notes upon the occurrence of a fundamental change or change in control repurchase event.

These anti-takeover defenses could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could depress the market price of our securities.

***The exclusive forum provision in our organizational documents may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims.***

Our restated certificate of incorporation and our bylaws, to the fullest extent permitted by law, provide that the Court of Chancery of the State of Delaware is the exclusive forum for: any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our restated certificate of incorporation, or our amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. There is uncertainty as to whether a court would enforce this exclusive forum provision with respect to claims under the Securities Act. If a court were to find the choice of forum provisions contained in our restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, financial condition, and operating results.

Our bylaws include a provision providing that the federal district courts of the United States of America will, to the fullest extent permitted by law, be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act ("Federal Forum Provision"). Our decision to adopt a Federal Forum Provision followed a decision by the Supreme Court of the State of Delaware holding that such provisions are facially valid under Delaware law. Application of the Federal Forum Provision means that suits brought by our stockholders to enforce any duty or liability created by the Securities Act must be brought in federal court and cannot be brought in state court.

In addition, neither the exclusive forum provision in our restated certificate of incorporation nor the Federal Forum Provision applies to suits brought to enforce any duty or liability created by the Exchange Act. Accordingly, actions by our stockholders to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder must be brought in federal court, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities shall be deemed to have notice of and consented to our exclusive forum provisions, including the Federal Forum Provision. These provisions may limit a stockholders' ability to bring a claim in a judicial forum of their choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees.

***We do not intend to pay dividends for the foreseeable future.***

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 1C. CYBERSECURITY**

##### **Risk Management and Strategy**

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats. These risks include, among other things, operational risks; intellectual property theft; fraud; extortion; harm to employees or customers; violation of privacy or security laws and other litigation and legal risk; and reputational risks. Our process for identifying and assessing material risks from cybersecurity threats operates alongside our broader overall risk assessment process, covering all company risks. As part of this process appropriate disclosure personnel will collaborate with subject matter specialists, as necessary, to gather insights for identifying and assessing material cybersecurity threat risks, their severity, and potential mitigations.

We have implemented a variety of cybersecurity processes, technologies, and controls to aid in our efforts to identify, assess and manage such material risks. Our approach includes: (1) an enterprise risk management program, which includes cybersecurity risks and is periodically refreshed; (2) security and privacy reviews designed to identify risks from many new features, software, and vendors; (3) a vulnerability management program designed to identify hardware and software vulnerabilities; (4) a variety of tools designed to monitor our networks, systems and data for suspicious activity; (5) an internal red team program, which simulates cyber threats, intended to allow us to fix vulnerabilities before threat actors identify them; (6) a threat intelligence program designed to model and research our adversaries; and (7) a variety of privacy, cybersecurity, and incident response trainings and simulations. We leverage industry standard security frameworks, including from the National Institute for Standards in Technology (NIST), the International Organization for Standardization (ISO), and the American Institute of Certified Public Accountants (AICPA), to evaluate our security controls, which vary in maturity across the business and are processes we work to continually improve.

We also maintain a privacy and cybersecurity incident response program to prepare for, detect, respond to and recover from cybersecurity incidents, which include processes to triage, assess severity for, escalate, contain, investigate, and remediate the incident, as well as to comply with potentially applicable legal obligations and mitigate brand and reputational damage. Further, we conduct periodic tabletop exercises to test and fortify the controls of our cybersecurity incident response program. The incident response team assesses the severity and priority of incidents on a rolling basis, with escalations of higher severity cybersecurity incidents provided to our management team. If a cybersecurity incident is determined to be a potentially material cybersecurity incident, our disclosure controls and procedures define the steps to determine materiality and disclose such a material cybersecurity incident.

Our risk management approach is supplemented by external and internal enterprise risk management audits, which are designed to test the effectiveness of our security controls. We conduct penetration testing on a periodic basis and have established an external bug bounty program to allow security researchers to help identify vulnerabilities in our systems before they mature into real-world cybersecurity threats. We also maintain a vendor risk management program designed to identify and mitigate risks associated with third-party service providers, including those in our supply chain and those who have access to our customer or employee data or our systems. This program includes pre-engagement diligence, contractual security and notification provisions, and ongoing monitoring, as appropriate.

We describe whether and how risks from identified cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect us, including our business strategy, financial condition, or results of operations, under the headings “*We depend on data centers and other infrastructure operated by third parties, as well as internet availability, and any disruption in these operations could adversely affect our business and operating results;*,” “*If we are unable to successfully integrate our applications with a variety of third-party technologies, our business and operating results could be adversely affected;*” and “*If our information technology systems are compromised or unauthorized access to customer or user data is otherwise obtained, our applications may be perceived as not being secure, our operations may be disrupted, our applications may become unavailable, customers and end users may reduce the use of or stop using our applications, and we may incur significant liabilities*” included as part of our risk factor disclosures included in Item 1A of this report, which disclosures are incorporated by reference herein.

## **Governance**

Our Board of Directors is actively involved in overseeing risks from cybersecurity threats. At least once a year, the Board of Directors discusses our programs and policies related to cybersecurity and risk initiatives and considers them closely both from a risk management perspective and as part of Workday’s business strategy. Additionally, the Board has delegated to our Audit Committee oversight of cybersecurity risks and processes to manage them. Our Audit Committee is comprised entirely of independent directors who regularly evaluate cybersecurity risks.

The materials presented to our Board and Audit Committee include updates on our data security posture, results from third-party assessments, progress towards predetermined risk-mitigation-related goals, our incident response plan, and certain cybersecurity threat risks or incidents and developments, as well as the steps management has taken to respond to such risks. The Board and Audit Committee generally receive materials, including a cybersecurity scorecard and other materials indicating current and emerging cybersecurity threat risks, and describing the company’s ability to mitigate those risks, and discuss such matters with our Chief Information Security Officer (“CISO”). Material cybersecurity threat risks are also considered during separate Board and committee meeting discussions of important matters like enterprise risk management, operational budgeting, business continuity planning, and other relevant matters.

Our CISO leads all aspects of our global cybersecurity program, including the identification, evaluation, and prioritization of security risks, as well as the company's response to material security incidents. Our CISO joined Workday in 2010 and has served as our CISO since April 2018. Our CISO has more than 15 years of experience in cybersecurity and information technology risk management, including at a large public company and a recognized consulting firm. He also has a degree in information systems management.

Our cybersecurity program is also supported by a cross-functional leadership team that contributes to our information security and privacy programs and practices, as well as identifies and mitigates security and privacy risks. This team includes our CIO, our Chief Privacy Officer, and our Chief Legal Counsel. This team contributes to the development of the company's cybersecurity strategy and is periodically updated regarding evolving cybersecurity risks and the in-place responsive actions. This team is also informed about the prevention, mitigation, detection, and remediation of cybersecurity incidents through their management of, and participation in, the cybersecurity risk management and strategy processes described herein, including the operation of our incident response plan.

## **ITEM 2. PROPERTIES**

Our corporate headquarters, which includes operations and product development facilities, is located in Pleasanton, California. It consists of approximately 1.2 million square feet of owned facilities and a 6.9 acre parcel of leased land. The land lease will expire in 2108. In addition, we lease office space in various locations, including North America, Europe, and Asia Pacific, and data center capacity throughout North America and Europe.

We believe that our facilities are suitable to meet our current needs. In the future, we may expand our facilities or add new facilities as we add employees and enter new geographic markets, and we believe that suitable additional or alternative space will be available on commercially reasonable terms to accommodate any such growth.

## **ITEM 3. LEGAL PROCEEDINGS**

We are regularly involved with claims, suits, purported class or representative actions, and may be involved in regulatory and government investigations and other proceedings, involving competition, intellectual property, data security and privacy, bankruptcy, tax and related compliance, labor and employment, commercial disputes, and other matters. Such claims, suits, actions, regulatory and government investigations, and other proceedings can impose a significant burden on management and employees, could prevent us from offering one or more of our applications, services, or features to others, could require us to change our technology or business practices, or could result in monetary damages, fines, civil or criminal penalties, reputational harm, or other adverse consequences.

These claims, suits, actions, regulatory and government investigations, and other proceedings may include speculative, substantial, or indeterminate monetary amounts. We record a liability when we believe that it is probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both the likelihood of there being a liability and the estimated amount of a liability related to such matters. With respect to our outstanding matters, based on our current knowledge, we believe that the amount or range of reasonably possible liability will not, either individually or in aggregate, have a material adverse effect on our business, financial condition, operating results, or cash flows. However, the outcome of such matters is inherently unpredictable and subject to significant uncertainties.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information for Common Stock

Our Class A common stock is traded on the Nasdaq Global Select Market under the symbol "WDAY". Our Class B common stock is not listed or traded on any stock exchange.

#### Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business and do not expect to declare or pay any dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our Board of Directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our Board of Directors considers relevant.

#### Stockholders

As of March 6, 2024, there were 17 stockholders of record of our Class A common stock, including The Depository Trust Company, which holds shares of our common stock on behalf of an indeterminate number of beneficial owners, as well as 65 stockholders of record of our Class B common stock.

#### Securities Authorized for Issuance under Equity Compensation Plans

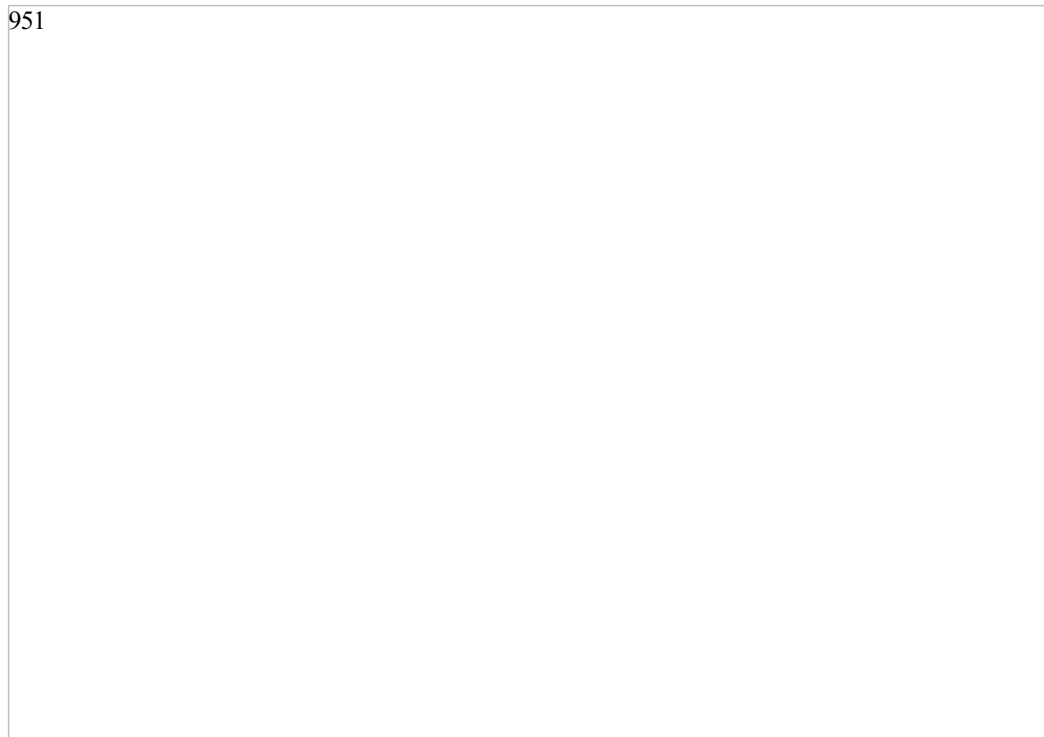
See Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for more information regarding securities authorized for issuance.

#### Stock Performance Graph

The following shall not be deemed "soliciting material" or deemed "filed" for purposes of Section 18 of the Exchange Act, or subject to Regulation 14A or 14C, other than as provided by this Item 5, or to the liabilities of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference into such filing.

This chart compares the cumulative total return on our common stock with that of the S&P 500 Index and the S&P 1500 Application Software Index. The chart assumes \$100 was invested at the close of market on January 31, 2019, in our Class A common stock, the S&P 500 Index, and the S&P 1500 Application Software Index, and assumes the reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

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| Company/Index                       | 1/31/2019 | 1/31/2020 | 1/31/2021 | 1/31/2022 | 1/31/2023 | 1/31/2024 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Workday, Inc.                       | \$ 100.00 | \$ 101.71 | \$ 125.34 | \$ 139.38 | \$ 99.94  | \$ 160.34 |
| S&P 500 Index                       | 100.00    | 121.67    | 142.63    | 175.83    | 161.36    | 194.90    |
| S&P 1500 Application Software Index | 100.00    | 133.60    | 176.27    | 195.48    | 158.36    | 238.99    |

**Recent Sales of Unregistered Securities**

None.

### Purchases of Equity Securities by the Issuer and Affiliated Purchases

The table below sets forth information regarding our purchases of our Class A common stock during the three months ended January 31, 2024 (in millions, except number of shares which are reflected in thousands and per share data):

| Period                               | Total Number of Shares Purchased <sup>(1)</sup> | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program <sup>(1)</sup> | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program <sup>(1)</sup> |
|--------------------------------------|---|------------------------------|---|---|
| November 1, 2023 - November 30, 2023 | 254   | \$ 231.93                    | 254   | \$ 80   |
| December 1, 2023 - December 31, 2023 | 204   | 273.53                       | 204   | 24  |
| January 1, 2024 - January 31, 2024   | 79  | 273.43                       | 79  | 2   |
| Total                                | 537   |                              | 537   |   |

- (1) In November 2022, our Board of Directors authorized the 2022 Share Repurchase Program, under which we may repurchase up to \$500 million of our outstanding shares of Class A common stock. As of January 31, 2024, we were authorized to purchase a remaining \$2 million of our outstanding shares of Class A common stock under the 2022 Share Repurchase Program. In February 2024, our Board of Directors authorized the 2024 Share Repurchase Program, under which we may repurchase up to an additional \$500 million of our outstanding shares of Class A common stock. For further information, see [Note 14, Stockholders' Equity](#) and [Note 21, Subsequent Events](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

### ITEM 6. [Reserved]

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in "Risk Factors" included in Part I, Item 1A of this report.*

*The following discussion of our financial condition and results of operations covers fiscal 2024 and 2023 items and year-over-year comparisons between fiscal 2024 and 2023. Discussions of fiscal 2022 items and year-over-year comparisons between fiscal 2023 and 2022 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, that was filed with the SEC on February 27, 2023.*

### Overview

Workday delivers applications for financial management, spend management, human capital management, planning, and analytics. With Workday, our customers have a unified system that can help them plan, execute, analyze, and extend to other applications and environments, thereby helping them continuously adapt how they manage their business and operations. Our diverse customer base includes medium-sized and large, global organizations within numerous industry categories, including professional and business services, financial services, healthcare, education, government, technology, media, retail, and hospitality.

We have achieved significant growth since our inception in 2005. Our current financial focus is on growing our revenues, operating margin, and operating cash flows, and expanding both our customer base and our footprint within our existing customers. While we have a history of GAAP operating losses prior to fiscal 2024, we strive to invest in a disciplined manner across all of our functional areas to sustain continued near-term revenue growth and support our long-term initiatives. We expect our product development, sales and marketing, and general and administrative expenses as a percentage of total revenues will decrease over the longer term as we grow our revenues, and we anticipate that we will gain economies of scale by increasing our customer base without direct incremental development costs.

We plan to reinvest a significant portion of our incremental revenues in future periods to grow our business. We have invested and expect to continue to invest heavily in our product development efforts to deliver additional compelling applications, enhance existing applications, and to address customers' evolving needs. In addition, we plan to continue to expand our ability to sell our applications globally, particularly in Europe and the Asia-Pacific region, by investing in product development and customer support to address the business needs of targeted local markets, increasing our sales organization and marketing programs, acquiring and leasing additional office space, and expanding our ecosystem of partners. We expect to make further significant investments in our data center capacity and equipment and third-party hosted infrastructure platforms as we plan for future growth. We are also investing in personnel to support our growing customer base.

We regularly evaluate acquisition and investment opportunities in complementary businesses, employee teams, services, technologies, and intellectual property rights in an effort to expand our product and service offerings, and expect to continue making acquisitions and investments in the future. While we remain focused on improving our operating margin, these acquisitions and investments may increase our costs on an absolute basis in the near term. Many of these investments will occur in advance of experiencing any direct benefit from them and could make it difficult to determine if we are allocating our resources efficiently.

Since inception, we have also invested heavily in our professional services organization to help ensure that customers successfully deploy and adopt our applications. Additionally, we continue to expand our professional services partner ecosystem to further support our customers. We believe our investment in professional services, as well as partners building consulting practices around Workday and helping to deliver additional innovation and solutions, will drive additional customer subscriptions and continued growth in revenues. As we continue to leverage our expanding partner ecosystem, we expect that professional services revenue will continue to decline over time as a percentage of total revenues.

### Impact of Current Economic Conditions

Recent macroeconomic events including higher inflation and interest rates, as well as geopolitical factors including the Russia-Ukraine and Israel-Hamas conflicts, have negatively impacted the global economy and created continued uncertainty, volatility, and disruption of financial markets. Despite this, we are confident in the long-term overall health of our business, the strength of our product offerings, and our ability to continue to execute on our strategy and help our customers on their human capital and finance digital transformation journeys. Demand for our products remains strong, we continue to achieve solid new subscription bookings, and our near-term revenues are relatively predictable as a result of our subscription-based business model.

We have experienced, and may continue to experience, the lengthening of certain sales cycles and moderation of revenue growth rates, particularly within net new opportunities, and have provided certain customers with more flexible payment terms. If the economic uncertainty continues, we may also experience a negative impact on customer renewals, customer collections, sales and marketing efforts, customer deployments, product development, or other financial metrics. Any of these factors could ham our business, financial condition, and operating results. For further discussion of the potential impacts of recent macroeconomic events on our business, financial condition, and operating results, see “Risk Factors” included in Part I, Item 1A of this report.

### Financial Results Overview

The following table provides an overview of our key metrics (in millions, except percentages, basis points, and headcount data):

|   | As of and for the Years Ended January 31, |           |         |
|---|---|-----------|---------|
|   | 2024                                      | 2023      | Change  |
| Total revenues                                    | \$ 7,259                                  | \$ 6,216  | 17 %    |
| Subscription services revenues                    | \$ 6,603                                  | \$ 5,567  | 19 %    |
| GAAP operating income (loss)                      | \$ 183                                    | \$ (222)  | 182 %   |
| Non-GAAP operating income <sup>(1)</sup>          | \$ 1,740                                  | \$ 1,210  | 44 %    |
| GAAP operating margin                             | 2.5 %                                     | (3.6)%    | 610 bps |
| Non-GAAP operating margin <sup>(1)</sup>          | 24.0 %                                    | 19.5 %    | 450 bps |
| Operating cash flows                              | \$ 2,149                                  | \$ 1,657  | 30 %    |
| Free cash flows <sup>(1)</sup>                    | \$ 1,917                                  | \$ 1,293  | 48 %    |
| Total subscription revenue backlog                | \$ 20,924                                 | \$ 16,448 | 27 %    |
| 12-month subscription revenue backlog             | \$ 6,623                                  | \$ 5,512  | 20 %    |
| 24-month subscription revenue backlog             | \$ 11,656                                 | \$ 9,677  | 20 %    |
| Cash, cash equivalents, and marketable securities | \$ 7,813                                  | \$ 6,121  | 28 %    |
| Headcount   | 18,824                                    | 17,744    | 6 %     |

(1) See “Non-GAAP Financial Measures” below for further information.

### Components of Results of Operations

#### Revenues

We derive our revenues from subscription services and professional services. Subscription services revenues primarily consist of fees that give our customers access to our cloud applications, which include related customer support. Professional services revenues include fees for deployment services, optimization services, and training.

Subscription services revenues accounted for approximately 91% of our total revenues during fiscal 2024, and represented 97% of our total unearned revenue as of January 31, 2024. Subscription services revenues are driven primarily by the number of customers, the number of workers at each customer, the specific applications subscribed to by each customer, and the price of our applications.

The mix of applications to which each customer subscribes can affect our financial performance due to price differentials in our applications. Pricing for our applications varies based on many factors, including the complexity and maturity of the application and its acceptance in the marketplace. New products or services offerings by competitors in the future could also impact the mix and pricing of our offerings.

Subscription services revenues are recognized over time as services are delivered and consumed concurrently over the contractual term, beginning on the date our service is made available to the customer. Our subscription contracts typically have a term of three years or longer and are generally noncancelable. We generally invoice our customers annually in advance for subscription services. We may provide certain customers flexible payment terms and the timing of revenue recognition may differ from the timing of invoicing to our customers.

Our professional services consulting engagements are billed on a time and materials basis or a fixed price basis. We generally invoice our customers in arrears for our professional services. For contracts billed on a time and materials basis, revenues are recognized over time as the professional services are performed. For contracts billed on a fixed price basis, revenues are recognized over time based on the proportion of the professional services performed. In some cases, we supplement our consulting teams by subcontracting resources from our service partners and deploying them on customer engagements. As the Workday-related consulting practices of our partner firms continue to develop, we expect these partners to increasingly contract directly with our subscription customers for services engagements.

### ***Subscription Revenue Backlog***

Our subscription revenue backlog, which is also referred to as remaining performance obligations for subscription contracts, represents contracted subscription services revenues that have not yet been recognized and includes billed and unbilled amounts. Subscription revenue backlog may fluctuate from period to period due to a number of factors, including the timing of renewals and overall renewal rates, new business growth, average contract duration, and seasonality.

### ***Costs and Expenses***

*Costs of subscription services revenues.* Costs of subscription services revenues consist primarily of expenses associated with hosting our applications and providing customer support, including employee-related expenses, expenses related to data center capacity and computing infrastructure operated by third parties, and depreciation of our data center equipment.

*Costs of professional services revenues.* Costs of professional services revenues consist primarily of employee-related expenses associated with these services, subcontractor expenses, and travel expenses.

*Product development expenses.* Product development expenses consist primarily of employee-related expenses associated with our efforts to add new features and applications, increase functionality, and enhance the ease of use of our cloud applications.

*Sales and marketing expenses.* Sales and marketing expenses consist primarily of employee-related expenses, sales commissions, marketing programs, and travel expenses. Marketing programs consist of advertising, events, corporate communications, brand awareness, brand ambassador campaigns, and product marketing activities. Sales commissions are considered incremental costs of obtaining a contract with a customer. Sales commissions for new revenue contracts are capitalized and amortized on a straight-line basis over a period of benefit that we have determined to be five years.

*General and administrative expenses.* General and administrative expenses consist of employee-related expenses for finance and accounting, legal, human resources, information systems personnel, professional fees, and other corporate expenses.

## Results of Operations

### Revenues

Our total revenues for fiscal 2024, 2023, and 2022, were as follows (in millions):

|                       | Year Ended January 31, |          |          |
|-----------------------|------------------------|----------|----------|
|                       | 2024                   | 2023     | 2022     |
| Subscription services | \$ 6,603               | \$ 5,567 | \$ 4,546 |
| Professional services | 656                    | 649      | 593      |
| Total revenues        | \$ 7,259               | \$ 6,216 | \$ 5,139 |

Total revenues were \$7.3 billion for fiscal 2024, compared to \$6.2 billion for fiscal 2023, an increase of \$1.0 billion, or 17%. Subscription services revenues were \$6.6 billion for fiscal 2024, compared to \$5.6 billion for fiscal 2023, an increase of \$1.0 billion, or 19%. The increase in subscription services revenues was primarily due to an increased number of new customers, expansion of our product offerings sold to existing customers, and strong customer renewals, with gross and net retention rates over 95% and over 100%, respectively. Professional services revenues were \$656 million for fiscal 2024, compared to \$649 million for fiscal 2023, an increase of \$7 million, or 1%. Professional services revenues remained relatively consistent as we continued to leverage our service partners to contract directly with our subscription customers for services engagements.

### Subscription Revenue Backlog

As of January 31, 2024, our total subscription revenue backlog was \$20.9 billion, with \$6.6 billion and \$11.7 billion expected to be recognized in revenues over the next 12 and 24 months, respectively. As of January 31, 2023, our total subscription revenue backlog was \$16.4 billion, with \$5.5 billion and \$9.7 billion expected to be recognized in revenues over the next 12 and 24 months, respectively. The increase in subscription revenue backlog was primarily driven by an increased number of new customers, timing of renewals for existing customers, expansion of our product offerings provided to existing customers, and longer duration of customer contracts.

### Costs and Expenses

Our costs and expenses for fiscal 2024, 2023, and 2022, were as follows (in millions):

|                                | Year Ended January 31, |          |          |
|--------------------------------|------------------------|----------|----------|
|                                | 2024                   | 2023     | 2022     |
| Costs of subscription services | \$ 1,031               | \$ 1,011 | \$ 796   |
| Costs of professional services | 740                    | 704      | 632      |
| Product development            | 2,464                  | 2,271    | 1,879    |
| Sales and marketing            | 2,139                  | 1,848    | 1,462    |
| General and administrative     | 702                    | 604      | 486      |
| Total costs and expenses       | \$ 7,076               | \$ 6,438 | \$ 5,255 |

Total costs and expenses were \$7.1 billion for fiscal 2024, compared to \$6.4 billion for fiscal 2023, an increase of \$638 million, or 10%. The increase in total costs and expenses was primarily due to an increase of \$516 million in employee-related expenses, including share-based compensation. The increase in employee-related expenses was mainly driven by higher headcount, partially offset by a \$40 million impact from a workforce realignment that occurred in fiscal 2023 and a \$28 million impact from a change in the vesting dates of all unvested restricted stock units ("RSU") from the 15th to the 5th of each month ("vest date change") in fiscal 2023. Additional increases in total costs and expenses included \$66 million in third-party expenses for hardware maintenance and data center capacity, \$56 million in facilities and IT-related expenses, \$54 million related to marketing programs, and \$38 million in travel expenses, offset by a decrease of \$93 million in depreciation expense due to a change in the estimated useful lives of our data center equipment from 3 years to 5 years, effective beginning fiscal 2024 ("change in useful lives of data center equipment").

#### *Costs of Subscription Services*

Costs of subscription services were \$1.0 billion for fiscal 2024, compared to \$1.0 billion for fiscal 2023, an increase of \$20 million, or 2%. The increase in costs of subscription services included increases of \$62 million in employee-related expenses, including share-based compensation, primarily due to higher average headcount, \$44 million in third-party expenses for hardware maintenance and data center capacity, and \$16 million in facilities and IT-related expenses, offset by a decrease of \$89 million in depreciation expense due to the change in useful lives of data center equipment.

We expect costs of subscription services will continue to increase in absolute dollars as we improve and expand our technical operations infrastructure, including our data centers and computing infrastructure operated by third parties.

#### *Costs of Professional Services*

Costs of professional services were \$740 million for fiscal 2024, compared to \$704 million for fiscal 2023, an increase of \$36 million, or 5%. The increase in costs of professional services included an increase of \$38 million in employee-related expenses, including share-based compensation, primarily due to higher average headcount.

We expect costs of professional services as a percentage of total revenues to continue to decline as we continue to rely on our service partners to deploy our applications and as our subscription services revenues continue to grow as we expand both our customer base and our footprint within our existing customers.

#### *Product Development*

Product development expenses were \$2.5 billion for fiscal 2024, compared to \$2.3 billion for fiscal 2023, an increase of \$193 million, or 8%. The increase in product development expenses included increases of \$148 million in employee-related expenses, including share-based compensation, primarily due to higher average headcount, \$22 million in third-party expenses for hardware maintenance and data center capacity, and \$15 million in facilities and IT-related expenses.

We expect product development expenses will continue to increase in absolute dollars as we improve and extend our applications and develop new technologies.

#### *Sales and Marketing*

Sales and marketing expenses were \$2.1 billion for fiscal 2024, compared to \$1.8 billion for fiscal 2023, an increase of \$291 million, or 16%. The increase in sales and marketing expenses included increases of \$191 million in employee-related expenses, including share-based compensation, primarily due to higher average headcount, \$51 million related to marketing programs, \$21 million in facilities and IT-related expenses, and \$21 million in travel expenses.

We expect sales and marketing expenses to increase in absolute dollars as we continue to invest in our domestic and international selling and marketing activities to expand awareness of our brand and product offerings to attract new and existing customers.

#### *General and Administrative*

General and administrative expenses were \$702 million for fiscal 2024, compared to \$604 million for fiscal 2023, an increase of \$98 million, or 16%. The increase in general and administrative expenses included increases of \$77 million in employee-related expenses, including share-based compensation, primarily due to higher average headcount and \$11 million in travel expenses.

We expect general and administrative expenses will continue to increase in absolute dollars as we invest in our general and administrative organizations to support business growth.



### Share-based compensation

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

|   | Year Ended January 31, |          |          |
|---|------------------------|----------|----------|
|   | 2024                   | 2023     | 2022     |
| Costs of subscription services          | \$ 120                 | \$ 106   | \$ 86    |
| Costs of professional services          | 116                    | 111      | 113      |
| Product development                     | 653                    | 619      | 543      |
| Sales and marketing                     | 282                    | 249      | 216      |
| General and administrative              | 245                    | 210      | 154      |
| Total share-based compensation expenses | \$ 1,416               | \$ 1,295 | \$ 1,112 |
| Percentage of total revenues            | 19.5 %                 | 20.8 %   | 21.6 %   |

Share-based compensation expenses increased by \$121 million during fiscal 2024, primarily due to additional grants to new and existing employees, partially offset by the \$28 million impact of the vest date change in fiscal 2023.

Share-based compensation expenses increased by \$183 million during fiscal 2023, primarily due to additional grants to new and existing employees, and an acceleration of \$28 million of expense related to the vest date change in fiscal 2023.

Equity compensation is an important element of our compensation philosophy. While we expect share-based compensation expense to grow in absolute dollars as we expand our global workforce, we expect it to continue to decline as a percentage of total revenues.

### Operating Income (Loss) and Operating Margin

GAAP operating income (loss) increased from \$(222) million, or (3.6)% of revenues, in fiscal 2023 to \$183 million, or 2.5% of revenues, in fiscal 2024, primarily due to our revenue growth outpacing headcount growth and moderation of operating expenses. This improvement also included a \$93 million, or 1.3% of revenues, benefit from the change in useful lives of data center equipment.

Non-GAAP operating income increased from \$1.2 billion, or 19.5% of revenues, in fiscal 2023 to \$1.7 billion, or 24.0% of revenues in fiscal 2024, primarily due to our revenue growth outpacing headcount growth and moderation of operating expenses. This improvement also included a \$93 million, or 1.3% of revenues, benefit from the change in useful lives of data center equipment.

Reconciliations of our GAAP to non-GAAP operating income (loss) and operating margin were as follows (in millions, except percentages). See “Non-GAAP Financial Measures” below for further information.

| Year Ended January 31, 2024 |        |                                   |   |   |          |
|-----------------------------|--------|-----------------------------------|---|---|----------|
|                             | GAAP   | Share-Based Compensation Expenses | Employer Payroll Tax-Related Items on Employee Stock Transactions | Amortization of Acquisition-Related Intangible Assets | Non-GAAP |
| Operating income (loss)     | \$ 183 | \$ 1,416                          | \$ 66   | \$ 75   | \$ 1,740 |
| Operating margin            | 2.5 %  | 19.5 %                            | 0.9 %   | 1.1 %   | 24.0 %   |

| Year Ended January 31, 2023 |          |                                   |   |   |          |
|-----------------------------|----------|-----------------------------------|---|---|----------|
|                             | GAAP     | Share-Based Compensation Expenses | Employer Payroll Tax-Related Items on Employee Stock Transactions | Amortization of Acquisition-Related Intangible Assets | Non-GAAP |
| Operating income (loss)     | \$ (222) | \$ 1,295                          | \$ 52   | \$ 85   | \$ 1,210 |
| Operating margin            | (3.6)%   | 20.8 %                            | 0.9 %   | 1.4 %   | 19.5 %   |

**Year Ended January 31, 2022**

|                         | GAAP     | Share-Based<br>Compensation<br>Expenses | Employer Payroll Tax-<br>Related Items on<br>Employee Stock<br>Transactions | Amortization of<br>Acquisition-Related<br>Intangible Assets | Non-GAAP <sup>(2)</sup> |
|-------------------------|----------|---|---|---|-------------------------|
| Operating income (loss) | \$ (116) | \$ 1,112                                | \$ 76   | \$ 78   | \$ 1,150                |
| Operating margin        | (2.3)%   | 21.6 %                                  | 1.6 %   | 1.5 %   | 22.4 %                  |

**Other Income (Expense), Net**

Other income (expense), net consisted of the following (in millions):

|                                   | <b>Year Ended January 31,</b> |             |             |
|-----------------------------------|-------------------------------|-------------|-------------|
|                                   | <b>2024</b>                   | <b>2023</b> | <b>2022</b> |
| Total other income (expense), net | \$ 173                        | \$ (38)     | \$ 132      |

Other income, net in fiscal 2024 was primarily due to interest income of \$296 million on our marketable debt securities from higher investment balances and rising interest rates, offset by interest expense of \$114 million related to our Senior Notes and net losses of \$24 million on our equity investments.

Other expense, net in fiscal 2023 was primarily due to interest expense of \$102 million on our debt primarily related to the Senior Notes and losses of \$27 million on our equity investments. Expenses were offset by interest income of \$98 million on our marketable securities from higher investment balances and rising interest rates.

**Provision For (Benefit From) Income Taxes**

The provision for (benefit from) income taxes consisted of the following (in millions):

|   | <b>Year Ended January 31,</b> |             |             |
|---|-------------------------------|-------------|-------------|
|   | <b>2024</b>                   | <b>2023</b> | <b>2022</b> |
| Provision for (benefit from) income taxes | \$ (1,025)                    | \$ 107      | \$ (13)     |

The income tax benefit for fiscal 2024 was primarily attributable to the \$1.1 billion release of our valuation allowance related to all U.S. federal and state deferred tax assets, excluding certain state tax credits. For further information, see [Note 17, Income Taxes](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

The income tax expense for fiscal 2023 was primarily attributable to a taxable gain recognized from integrating intellectual property, income tax expenses in profitable foreign jurisdictions, and an increase in state taxes due to capitalized research and development expenditures.

The income tax benefit for fiscal 2022 was primarily attributable to excess tax benefit from stock option deductions in foreign jurisdictions, reversal of previously accrued tax liabilities upon favorable tax audit results, and amortization of intangibles from business combinations.

The Organization for Economic Cooperation and Development (“OECD”) released Pillar Two model rules defining a 15% global minimum tax for large multinational corporations. The OECD continues to release additional guidance and countries are implementing legislation with widespread adoption of the Pillar Two Framework expected in the near future. We are in the process of evaluating the potential impacts of Pillar Two. While we do not currently expect Pillar Two to have a material impact on our effective tax rate, our analysis is ongoing and incomplete, and it is possible that Pillar Two could have a material adverse effect on our tax liability.

**Liquidity and Capital Resources**

As of January 31, 2024, our principal sources of liquidity were cash, cash equivalents, and marketable securities totaling \$7.8 billion, which were primarily held for working capital purposes. Our cash equivalents and marketable securities are composed of, in order from largest to smallest, corporate bonds, U.S. treasury securities, commercial paper, money market funds, and U.S. agency obligations. We have financed our operations primarily through customer payments, issuance of debt, and sales of our common stock.

We believe our existing cash, cash equivalents, marketable securities, cash provided by operating activities, unbilled amounts related to the remaining term of contracted noncancelable subscription agreements, which are not reflected on the Consolidated Balance Sheets, and, if necessary, our borrowing capacity under our 2022 Credit Agreement that provides for \$1.0 billion of unsecured financing, are sufficient to meet our working capital, capital expenditure, and debt repayment needs over the next 12 months and beyond.

Our long-term future capital requirements depend on many factors, including the effects of macroeconomic trends, customer growth rates, subscription renewal activity, headcount growth, the timing and extent of development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced services offerings, the timing and costs associated with the construction or acquisition of additional facilities, and our investment and acquisition activities. As part of our strategy, we may choose to seek additional debt or equity financing.

Our cash flows for fiscal 2024, 2023, and 2022 were as follows (in millions):

|  | Year Ended January 31, |          |          |
|--|------------------------|----------|----------|
|  | 2024                   | 2023     | 2022     |
| Net cash provided by (used in):  |                        |          |          |
| Operating activities   | \$ 2,149               | \$ 1,657 | \$ 1,651 |
| Investing activities   | (1,751)                | (2,506)  | (1,607)  |
| Financing activities   | (268)                  | 1,204    | 110      |
| Effect of exchange rate changes  | (1)                    | (1)      | (1)      |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | \$ 129                 | \$ 354   | \$ 153   |

### ***Operating Activities***

Cash provided by operating activities was \$2.1 billion and \$1.7 billion for fiscal 2024 and 2023, respectively. In fiscal 2024, the improvement in cash flow provided by operating activities was primarily due to an increase in sales and the related billings, strong cash collections, interest received from marketable debt securities, and a one-time intellectual property transfer tax payment made in fiscal 2023. The improvement was offset by higher cash operating expenses, including payouts under our new performance-based cash bonus program, an interest payment on our Senior Notes that did not occur in the prior fiscal year due to the timing of our debt offering, and payments related to the workforce realignment announced in fiscal 2023.

### ***Investing Activities***

Cash used in investing activities for fiscal 2024 was \$1.8 billion, which primarily resulted from a cash outflow of \$1.6 billion from the timing of purchases and maturities of marketable securities and total capital expenditures of \$232 million for data center and office space projects, offset by proceeds of \$144 million from sales of marketable securities.

Cash used in investing activities for fiscal 2023 was \$2.5 billion, which primarily resulted from purchases of marketable securities, net of maturities, of \$2.2 billion using the proceeds from the Senior Notes offering, total capital expenditures of \$364 million for data center and office space projects, and purchases of \$23 million for non-marketable equity and other investments. These payments were partially offset by proceeds of \$116 million from sales of marketable and non-marketable securities.

We expect capital expenditures will be approximately \$330 million in fiscal 2025. This includes investments in our customer data centers, office facilities, and corporate IT infrastructure to support our continued growth.

### ***Financing Activities***

For fiscal 2024, cash used by financing activities was \$268 million, which was due to \$423 million of repurchases of common stock under the 2022 Share Repurchase Program, offset by proceeds of \$155 million from the issuance of common stock from employee equity plans.

For fiscal 2023, cash provided by financing activities was \$1.2 billion, which was primarily due to proceeds of \$3.0 billion from borrowings on the Senior Notes, net of debt discount of \$22 million, and \$152 million from the issuance of common stock from employee equity plans, offset by the principal payment of \$1.15 billion in connection with the conversion of our 0.25% convertible senior notes ("2022 Notes"), repayment of \$694 million for the term loan under the credit agreement entered into in April 2020 ("2020 Credit Agreement"), and \$75 million of repurchases of common stock under the 2022 Share Repurchase Program.

Beginning in April 2024, we intend to fund withholding taxes due on employee equity awards by net share withholding, rather than our current approach of selling shares of our common stock on our employees' behalf to cover taxes upon vesting of such awards. We expect this net share withholding approach will increase our financing cash outflows and reduce the number of shares that will be issued in connection with the vesting of our employee equity awards.

### Free Cash Flows

In evaluating our performance internally, we focus on long-term, sustainable growth in free cash flows. We define free cash flows, a non-GAAP financial measure, as net cash provided by (used in) operating activities minus total capital expenditures. See "Non-GAAP Financial Measures" below for further information.

Free cash flows improved to \$1.9 billion for fiscal 2024, compared to \$1.3 billion for fiscal 2023. The improvement was primarily due to increases in sales and the related billings, strong cash collections, interest received from marketable debt securities, a one-time intellectual property transfer tax payment made in fiscal 2023, and a reduction in capital expenditures for data center and office space projects. The improvement was offset by higher cash operating expenses, including payouts under our new performance-based cash bonus program, an interest payment on our Senior Notes that did not occur in the prior fiscal year due to the timing of our debt offering, and payments related to the workforce realignment announced in fiscal 2023.

Reconciliation of our GAAP net cash provided by (used in) operating activities to non-GAAP free cash flows is as follows (in millions):

|   | Year Ended January 31, |                 |                 |
|---|------------------------|-----------------|-----------------|
|   | 2024                   | 2023            | 2022            |
| Net cash provided by (used in) operating activities | \$ 2,149               | \$ 1,657        | \$ 1,651        |
| Less: Total capital expenditures <sup>(1)</sup>     | (232)                  | (364)           | (435)           |
| Free cash flows                                     | <u>\$ 1,917</u>        | <u>\$ 1,293</u> | <u>\$ 1,216</u> |

(1) Total capital expenditures consists of Capital expenditures, excluding owned real estate projects of \$228 million, \$360 million, and \$264 million for fiscal 2024, 2023, and 2022, respectively, and Owned real estate projects of \$4 million, \$4 million, and \$171 million for fiscal 2024, 2023, and 2022, respectively.

### Share Repurchase Programs

In November 2022, our Board of Directors authorized the 2022 Share Repurchase Program, under which we may repurchase up to \$500 million of our outstanding shares of Class A common stock. The 2022 Share Repurchase Program has a term of 18 months, may be suspended or discontinued at any time, and does not obligate us to acquire any amount of Class A common stock. For further information, see [Note 14, Stockholders' Equity](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

In February 2024, our Board of Directors authorized the 2024 Share Repurchase Program, under which we may repurchase up to an additional \$500 million of our outstanding shares of Class A common stock. For further information, see [Note 21, Subsequent Events](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

### Contractual Obligations

Our contractual obligations primarily consist of borrowings under our Senior Notes, agreements for third-party hosted infrastructure platforms for business operations, leases for office space and co-location facilities for data center capacity, and other purchase obligations entered into in the ordinary course of business. The table below includes our material contractual obligations, excluding imputed interest, as of January 31, 2024 (in millions). For further information, see the associated Notes to Consolidated Financial Statements included in Part II, Item 8 of this report referenced in the table below.

|  | Total           | Payments Due by Period |                 | Reference               |
|--|-----------------|------------------------|-----------------|-------------------------|
|  |                 | Short-term             | Long-term       |                         |
| Senior Notes <sup>(1)</sup>                            | \$ 3,679        | \$ 110                 | \$ 3,569        | <a href="#">Note 11</a> |
| Third-party hosted infrastructure platform obligations | 1,857           | 180                    | 1,677           | <a href="#">Note 13</a> |
| Operating leases                                       | 359             | 100                    | 259             | <a href="#">Note 12</a> |
| Other purchase obligations                             | 463             | 120                    | 343             | <a href="#">Note 13</a> |
|  | <u>\$ 6,358</u> | <u>\$ 510</u>          | <u>\$ 5,848</u> |                         |

(1) Consists of principal and interest payments on the Senior Notes.

## **Non-GAAP Financial Measures**

Regulation S-K Item 10(e), "Use of non-GAAP financial measures in Commission filings," defines and prescribes the conditions for use of non-GAAP financial information. Our measures of non-GAAP operating income, non-GAAP operating margin, and free cash flows meet the definition of non-GAAP financial measures.

### ***Non-GAAP Operating Income and Non-GAAP Operating Margin***

We use the non-GAAP financial measures of non-GAAP operating income and non-GAAP operating margin 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 our financial performance. We believe that these non-GAAP financial measures reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in our business.

Our non-GAAP operating income and non-GAAP operating margin exclude the components listed below. For the reasons set forth below, we believe that excluding these components provides useful information to investors and others in understanding and evaluating our operating results and prospects in the same manner as management, in comparing financial results across accounting periods and to those of peer companies, and to better understand the long-term performance of our core business.

- *Share-based compensation expenses.* Although share-based compensation is an important aspect of the compensation of our employees and executives, we believe 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.
- *Employer payroll tax-related items on employee stock transactions.* We exclude the employer payroll tax-related items on employee stock transactions in order to show the full effect that excluding share-based compensation expenses has on our operating results. Similar to share-based compensation expenses, this tax expense is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of the business.
- *Amortization of acquisition-related intangible assets.* For business combinations, we generally allocate a portion of the purchase price to intangible assets. The amount of the allocation is based on estimates and assumptions made by management and is subject to amortization. The amount of purchase price allocated to intangible assets and the term of its related amortization can vary significantly and are unique to each acquisition and thus we do not believe it is reflective of ongoing operations. Although we exclude the amortization of acquisition-related intangible assets from these non-GAAP financial measures, we believe that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.

### ***Free Cash Flows***

We define free cash flows as net cash provided by (used in) operating activities minus total capital expenditures. We use free cash flows as a measure of financial progress in our business, as it balances operating results, cash management, and capital efficiency. We believe information regarding free cash flows provides investors and others with an enhanced view of cash flow generation from the ongoing operations of our business.

### ***Limitations on the Use of Non-GAAP Financial Measures***

A limitation of our non-GAAP financial measures of non-GAAP operating income, non-GAAP operating margin, and free cash flows is that they do not have uniform definitions. Our definitions will likely differ from the definitions used by other companies, including peer companies, and therefore comparability may be limited. Further, the non-GAAP financial measures of non-GAAP operating income, non-GAAP operating margin, and free cash flows have certain limitations as they do not reflect all items of expense or cash that affect our operations and are reflected in the corresponding GAAP financial measures. In the case of share-based compensation, if we did not pay out a portion of compensation in the form of share-based compensation, the cash salary expense included in operating expenses would be higher, which would affect our cash position.

We compensate 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. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure, and to view our non-GAAP financial measures in conjunction with the most comparable GAAP financial measures.

See “Results of Operations—Operating Income (Loss) and Operating Margin” for reconciliations from the most directly comparable GAAP financial measures of GAAP operating income (loss) and GAAP operating margin, to the non-GAAP financial measures of non-GAAP operating income and non-GAAP operating margin, for fiscal 2024, 2023, and 2022.

See “Liquidity and Capital Resources—Free Cash Flows” for a reconciliation from the most comparable GAAP financial measure, net cash provided by (used in) operating activities, to the non-GAAP financial measure, free cash flows, for fiscal 2024, 2023, and 2022.

### **Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates, judgments, and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in [Note 2, Accounting Standards and Significant Accounting Policies](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report, the following accounting policies and specific estimates involve a greater degree of judgment and complexity. Accordingly, these are the policies and estimates we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and operating results.

#### ***Revenue Recognition***

We derive our revenues from subscription services and professional services. Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to receive in exchange for services rendered.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenues when, or as, we satisfy a performance obligation.

We believe the area we apply the most critical judgment when determining revenue recognition relates to the identification of distinct performance obligations.

#### ***Identification of Performance Obligations***

A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Our contracts with customers may include multiple promises to transfer services to a customer. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as a single performance obligation may require significant judgment that requires us to assess the nature of the promise and the value delivered to the customer.

Our primary performance obligations consist of subscription services and professional services. We satisfy these performance obligations over time as we transfer the promised services to our customers. Subscription services are made up of a daily requirement to deliver the service to the customer. Each day the delivery of the service provides value to the customer and each day represents a measure toward completion of the service. As such, subscription services meet the criteria to be a series of distinct services. In determining whether professional services are distinct, we consider the following factors for each professional services agreement: availability of the services from other vendors, the nature of the professional services, the timing of when the professional services contract was signed in comparison to the subscription start date, and the contractual dependence of the service on the customer's satisfaction with the professional services work. To date, we have concluded that professional services included in contracts with multiple performance obligations are generally distinct as the professional services are not interrelated with subscription services nor do they result in significant customization of the subscription service. As such, we view professional services as a performance obligation to the customer.

At contract inception, we evaluate whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. We combine contracts entered into at or near the same time with the same customer if we determine that the contracts are negotiated as a package with a single commercial objective; the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or the services promised in the contracts are a single performance obligation. For contracts that contain multiple performance obligations, we assess each promise separately and allocate the transaction price on a relative standalone selling price ("SSP") basis. We apply significant judgment in identifying and evaluating any terms and conditions in contracts which may impact revenue recognition.

#### ***Deferred Commissions***

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new revenue contracts are capitalized and then amortized on a straight-line basis over a period of benefit that we have determined to be five years. We determined the period of benefit by taking into consideration our customer contracts, our technology, and other factors.

Periodically, we review whether events or changes in circumstances have occurred that could impact the period of benefit. Any future changes in circumstances around the terms of our initial and renewal contracts, customer attrition, underlying technology life, and certain other factors may materially change the period of benefit and therefore the amortization amounts recognized on the Consolidated Statements of Operations. There was no change to the period of benefit during the periods presented.

#### ***Income Taxes***

We record a provision for (benefit from) income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the net amount that is more likely than not to be realized. Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, both positive and negative, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for (benefit from) income taxes in the period in which such determination is made.

We recognize the tax benefit of an uncertain tax position only if it is more likely than not that the position is sustainable upon examination by the taxing authority, based on the technical merits. The tax benefit recognized is measured as the largest amount of benefit which is greater than 50% likely to be realized upon settlement with the taxing authority. Significant judgment is required to evaluate uncertain tax positions. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law or guidance, correspondence with tax authorities during the course of audits, and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our provision for (benefit from) income taxes in the period in which we make the change.

#### ***Business Combinations, Goodwill, and Acquisition-Related Intangible Assets***

We allocate the purchase consideration of acquired companies to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date, with the excess recorded to goodwill. The purchase price allocation process requires us to make significant estimates and assumptions related to the fair value of identifiable intangible assets, deferred tax asset valuation allowances, liabilities related to uncertain tax positions, and contingencies. Critical estimates used in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customer contracts, expected life cycle and innovation timelines for acquired technologies, forecasted customer attrition rates and revenue growth, the fair value of pre-existing relationships, royalty rates for comparable market technologies, and discount rates. The amounts and estimated useful lives assigned to acquisition-related intangible assets impact the amount and timing of future amortization expense.

We test goodwill and acquisition-related intangible assets for impairment on an annual basis, or more frequently if a significant event or circumstance indicates impairment, by considering qualitative and quantitative factors. Significant qualitative inputs used in our impairment tests include, but are not limited to, consideration of general macroeconomic conditions, industry market conditions, Workday's overall financial performance, and growth or declines in Workday's share price. The primary quantitative input for our impairment test is Workday's market capitalization as of the date of the analysis. We also evaluate the estimated remaining useful lives of acquisition-related intangible assets for changes in circumstances that warrant a revision to the remaining periods of amortization at least annually, or more frequently if significant events or circumstances indicate a change in expected use.

#### ***Non-Marketable Equity Investments***

Non-marketable equity investments include investments in privately held companies without readily determinable fair values in which we do not own a controlling interest or exercise significant influence. We adjust the carrying values of non-marketable equity investments based on both observable and unobservable inputs or data in an inactive market. Valuations of non-marketable equity investments are inherently complex due to the lack of readily available market data, and require our judgment due to the absence of market prices and an inherent lack of liquidity. In addition, the rights and preferences related to the particular non-marketable equity investments, as compared to the rights and preferences of other securities within the company's capital structure, may impact the magnitude of change in the fair value of our investment as compared to the change in total enterprise value of the company.

We assess our non-marketable equity investments quarterly for impairment. Our impairment analysis encompasses a qualitative and quantitative analysis of key factors including the investee's financial metrics, such as growth or decline in revenues and operating expenses, market acceptance of the investee's product or technology, other competitive products or technology in the market, general market conditions, and the rate at which the investee is using its cash. These factors require significant judgment. If impairment indicators are identified, we will assess the severity and duration of the impairment.

#### ***Change in Accounting Estimate***

See [Note 1, Overview and Basis of Presentation](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for additional information on our change in estimated useful lives of our data center equipment in fiscal 2024.

#### ***Recent Accounting Pronouncements***

See [Note 2, Accounting Standards and Significant Accounting Policies](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report for a full description of recent accounting pronouncements.



## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Recent macroeconomic events have resulted in negative impacts on global economies and financial markets, which may increase our foreign currency exchange risk and interest rate risk. For further discussion of the potential impacts of these events on our business, financial condition, and operating results, see “Risk Factors” included in Part I, Item 1A of this report.

### Foreign Currency Exchange Risk

We transact business globally in multiple currencies. As a result, our operating results and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. As of January 31, 2024, our most significant currency exposures were the euro, British pound, Canadian dollar, and Australian dollar.

Due to our exposure to market risks that may result from changes in foreign currency exchange rates, we enter into foreign currency derivative hedging transactions to mitigate these risks. For further information, see [Note 10, Derivative Instruments](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

### Interest Rate Risk on our Investments

We had cash, cash equivalents, and marketable securities totaling \$7.8 billion and \$6.1 billion as of January 31, 2024, and 2023, respectively. Cash equivalents and marketable securities were invested primarily in U.S. treasury securities, U.S. agency obligations, corporate bonds, commercial paper, money market funds, and marketable equity investments. The cash, cash equivalents, and marketable securities are held primarily for working capital purposes. Our investment portfolios are managed to preserve capital and meet liquidity needs. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of debt securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fluctuate due to changes in interest rates or we may suffer losses in principal if we sell securities that decline in market value due to changes in interest rates. Further, since our debt securities are classified as “available-for-sale,” if the fair value of the security declines below its amortized cost basis, then any portion of that decline attributable to credit losses, to the extent expected to be nonrecoverable before the sale of the impaired security, is recognized on the Consolidated Statements of Operations.

An immediate increase or decrease of 100 basis points in interest rates would have resulted in an approximately \$57 million market value reduction or increase in our investment portfolio as of January 31, 2024. An immediate increase or decrease of 100 basis points in interest rates would have resulted in an approximately \$29 million market value reduction or increase in our investment portfolio as of January 31, 2023. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur.

### Interest Rate Risk on our Debt

The Senior Notes have fixed annual interest rates, and therefore we do not have economic interest rate exposure on these debt obligations. However, the fair values of the Senior Notes are exposed to interest rate risk. Generally, the fair values of the Senior Notes will increase as interest rates fall and decrease as interest rates rise.

Borrowings under our 2022 Credit Agreement will bear interest, at our option, at a base rate plus a margin of 0.000% to 0.500% or a secured overnight financing rate (“SOFR”) plus 10 basis points, plus a margin of 0.750% to 1.500%, with such margin being determined based on our consolidated leverage ratio or debt rating. Because the interest rates applicable to borrowings under the 2022 Credit Agreement are variable, we are exposed to market risk from changes in the underlying index rates, which affect our cost of borrowing.

For further information, see [Note 11, Debt](#), of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this report.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**WORKDAY, INC.**

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## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Workday, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Workday, Inc. (the Company) as of January 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended January 31, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 8, 2024 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

|  |  |
|--|--|
| <i>Description of the Matter</i>   | <p><b>Revenue Recognition</b></p> <p>As described in Note 2 to the consolidated financial statements, the Company recognizes revenue primarily from subscription services and professional services contracts. Some of the Company’s contracts contain multiple performance obligations. For these contracts, the Company assesses the performance obligations and accounts for those obligations separately if they are distinct. In such cases, the transaction price is allocated to the distinct performance obligations on a relative standalone selling price basis.</p> <p>Auditing the Company’s determination of distinct performance obligations was challenging. For example, there were nonstandard terms and conditions that required judgment to determine whether the distinct performance obligations were identified and accounted for appropriately.</p> |
| <i>How We Addressed the Matter in Our Audit</i>  | <p>We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s process to identify distinct performance obligations.</p> <p>Among other audit procedures, we selected a sample of contracts and evaluated whether management appropriately identified and considered the terms and conditions and the appropriate revenue recognition. As part of our procedures, we evaluated the assessment of distinct performance obligations.</p>  |
| <p>/s/ Ernst &amp; Young LLP</p> <p>We have served as the Company’s auditor since 2008.</p> <p>San Francisco, California<br/>March 8, 2024</p> |  |

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Workday, Inc.

### **Opinion on Internal Control Over Financial Reporting**

We have audited Workday, Inc.'s internal control over financial reporting as of January 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Workday, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 31, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended January 31, 2024, and the related notes and our report dated March 8, 2024 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Francisco, California  
March 8, 2024

**WORKDAY, INC.**
**CONSOLIDATED BALANCE SHEETS**

(in millions, except number of shares which are reflected in thousands and per share data)

|   | As of January 31, |                  |
|---|-------------------|------------------|
|   | 2024              | 2023             |
| <b>Assets</b>   |                   |                  |
| Current assets:   |                   |                  |
| Cash and cash equivalents   | \$ 2,012          | \$ 1,886         |
| Marketable securities   | 5,801             | 4,235            |
| Trade and other receivables, net of allowance for credit losses of \$11 and \$9, respectively   | 1,639             | 1,570            |
| Deferred costs  | 232               | 191              |
| Prepaid expenses and other current assets   | 255               | 226              |
| Total current assets  | 9,939             | 8,108            |
| Property and equipment, net   | 1,234             | 1,201            |
| Operating lease right-of-use assets   | 289               | 249              |
| Deferred costs, noncurrent  | 509               | 421              |
| Acquisition-related intangible assets, net  | 233               | 306              |
| Deferred tax assets   | 1,065             | 13               |
| Goodwill  | 2,846             | 2,840            |
| Other assets  | 337               | 348              |
| <b>Total assets</b>   | <b>\$ 16,452</b>  | <b>\$ 13,486</b> |
| <b>Liabilities and stockholders' equity</b>   |                   |                  |
| Current liabilities:  |                   |                  |
| Accounts payable  | \$ 78             | \$ 154           |
| Accrued expenses and other current liabilities  | 287               | 260              |
| Accrued compensation  | 544               | 564              |
| Unearned revenue  | 4,057             | 3,559            |
| Operating lease liabilities   | 89                | 91               |
| Total current liabilities   | 5,055             | 4,628            |
| Debt, noncurrent  | 2,980             | 2,976            |
| Unearned revenue, noncurrent  | 70                | 75               |
| Operating lease liabilities, noncurrent   | 227               | 182              |
| Other liabilities   | 38                | 40               |
| Total liabilities   | 8,370             | 7,901            |
| Commitments and contingencies (Note 13)   |                   |                  |
| Stockholders' equity:   |                   |                  |
| Preferred stock, \$0.001 par value; 10,000 shares authorized; no shares issued or outstanding   | —                 | —                |
| Class A common stock, \$0.001 par value; 750,000 shares authorized; 213,676 and 204,507 shares issued; 210,674 and 203,354 shares outstanding, respectively | —                 | —                |
| Class B common stock, \$0.001 par value; 240,000 shares authorized; 53,188 and 54,637 shares issued and outstanding, respectively                           | —                 | —                |
| Additional paid-in capital  | 10,400            | 8,829            |
| Treasury stock, at cost; 3,002 and 1,153 shares held, respectively  | (608)             | (185)            |
| Accumulated other comprehensive income (loss)   | 21                | 53               |
| Accumulated deficit   | (1,731)           | (3,112)          |
| Total stockholders' equity  | 8,082             | 5,585            |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 16,452</b>  | <b>\$ 13,486</b> |

*See Notes to Consolidated Financial Statements*

**WORKDAY, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except number of shares which are reflected in thousands and per share data)

|  | Year Ended January 31, |                 |              |
|--|------------------------|-----------------|--------------|
|  | 2024                   | 2023            | 2022         |
| <b>Revenues:</b>   |                        |                 |              |
| Subscription services  | \$ 6,603               | \$ 5,567        | \$ 4,546     |
| Professional services  | 656                    | 649             | 593          |
| Total revenues   | 7,259                  | 6,216           | 5,139        |
| <b>Costs and expenses (1):</b>   |                        |                 |              |
| Costs of subscription services   | 1,031                  | 1,011           | 796          |
| Costs of professional services   | 740                    | 704             | 632          |
| Product development  | 2,464                  | 2,271           | 1,879        |
| Sales and marketing  | 2,139                  | 1,848           | 1,462        |
| General and administrative   | 702                    | 604             | 486          |
| Total costs and expenses   | 7,076                  | 6,438           | 5,255        |
| Operating income (loss)  | 183                    | (222)           | (116)        |
| Other income (expense), net  | 173                    | (38)            | 132          |
| Income (loss) before provision for (benefit from) income taxes               | 356                    | (260)           | 16           |
| Provision for (benefit from) income taxes                                    | (1,025)                | 107             | (13)         |
| <b>Net income (loss)</b>   | <b>\$ 1,381</b>        | <b>\$ (367)</b> | <b>\$ 29</b> |
| Net income (loss) per share, basic   | \$ 5.28                | \$ (1.44)       | \$ 0.12      |
| Net income (loss) per share, diluted   | \$ 5.21                | \$ (1.44)       | \$ 0.12      |
| Weighted-average shares used to compute net income (loss) per share, basic   | 261,344                | 254,819         | 247,249      |
| Weighted-average shares used to compute net income (loss) per share, diluted | 265,285                | 254,819         | 254,032      |

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

|   | Year Ended January 31, |          |          |
|---|------------------------|----------|----------|
|   | 2024                   | 2023     | 2022     |
| Costs of subscription services          | \$ 120                 | \$ 106   | \$ 86    |
| Costs of professional services          | 116                    | 111      | 113      |
| Product development                     | 653                    | 619      | 543      |
| Sales and marketing                     | 282                    | 249      | 216      |
| General and administrative              | 245                    | 210      | 154      |
| Total share-based compensation expenses | \$ 1,416               | \$ 1,295 | \$ 1,112 |

*See Notes to Consolidated Financial Statements*

**WORKDAY, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in millions)

|  | <b>Year Ended January 31,</b> |                 |              |
|--|-------------------------------|-----------------|--------------|
|  | <b>2024</b>                   | <b>2023</b>     | <b>2022</b>  |
| <b>Net income (loss)</b>   | <b>\$ 1,381</b>               | <b>\$ (367)</b> | <b>\$ 29</b> |
| Other comprehensive income (loss), net of tax:   |                               |                 |              |
| Net change in foreign currency translation adjustment  | (1)                           | (2)             | (3)          |
| Net change in unrealized gains (losses) on available-for-sale debt securities, net of tax provision of \$5, \$0, \$0, respectively | 18                            | (11)            | (6)          |
| Net change in unrealized gains (losses) on cash flow hedges, net of tax provision of \$2, \$0, and \$0, respectively               | (49)                          | 58              | 72           |
| <b>Other comprehensive income (loss), net of tax</b>   | <b>(32)</b>                   | <b>45</b>       | <b>63</b>    |
| <b>Comprehensive income (loss)</b>   | <b>\$ 1,349</b>               | <b>\$ (322)</b> | <b>\$ 92</b> |

*See Notes to Consolidated Financial Statements*



**WORKDAY, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in millions, except number of shares which are reflected in thousands)

|   | Year Ended January 31, |                 |                 |
|---|------------------------|-----------------|-----------------|
|   | 2024                   | 2023            | 2022            |
| <b>Additional paid-in capital:</b>  |                        |                 |                 |
| Balance, beginning of period  | \$ 8,829               | \$ 7,284        | \$ 6,255        |
| Issuance of common stock under employee equity plans, net of shares withheld for employee taxes | 155                    | 152             | 148             |
| Share-based compensation  | 1,416                  | 1,295           | 1,101           |
| Exercise of convertible senior notes hedges   | —                      | 98              | —               |
| Cumulative effect of accounting changes   | —                      | —               | (220)           |
| Balance, end of period  | 10,400                 | 8,829           | 7,284           |
| <b>Treasury stock:</b>  |                        |                 |                 |
| Balance, beginning of period  | (185)                  | (12)            | (12)            |
| Exercise of convertible senior notes hedges   | —                      | (98)            | —               |
| Common stock repurchases under share repurchase program   | (423)                  | (75)            | —               |
| Balance, end of period  | (608)                  | (185)           | (12)            |
| <b>Accumulated other comprehensive income (loss):</b>   |                        |                 |                 |
| Balance, beginning of period  | 53                     | 8               | (55)            |
| Other comprehensive income (loss)   | (32)                   | 45              | 63              |
| Balance, end of period  | 21                     | 53              | 8               |
| <b>Accumulated deficit:</b>   |                        |                 |                 |
| Balance, beginning of period  | (3,112)                | (2,745)         | (2,910)         |
| Net income (loss)   | 1,381                  | (367)           | 29              |
| Cumulative effect of accounting changes   | —                      | —               | 136             |
| Balance, end of period  | (1,731)                | (3,112)         | (2,745)         |
| <b>Total stockholders' equity</b>   | <b>\$ 8,082</b>        | <b>\$ 5,585</b> | <b>\$ 4,535</b> |

|   | Year Ended January 31, |         |         |
|---|------------------------|---------|---------|
|   | 2024                   | 2023    | 2022    |
| <b>Common stock shares:</b>   |                        |         |         |
| Balance, beginning of period  | 257,991                | 251,209 | 242,667 |
| Issuance of common stock under employee equity plans, net of shares withheld for employee taxes | 7,720                  | 7,156   | 8,417   |
| Purchase of treasury stock from the exercise of convertible senior notes hedges                 | —                      | (635)   | —       |
| Settlement of convertible senior notes  | —                      | 635     | —       |
| Common stock repurchased  | (1,849)                | (450)   | —       |
| Other   | —                      | 76      | 125     |
| Balance, end of period  | 263,862                | 257,991 | 251,209 |

*See Notes to Consolidated Financial Statements*

**WORKDAY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)

|  | Year Ended January 31, |                 |                 |
|--|------------------------|-----------------|-----------------|
|  | 2024                   | 2023            | 2022            |
| <b>Cash flows from operating activities:</b>   |                        |                 |                 |
| Net income (loss)  | \$ 1,381               | \$ (367)        | \$ 29           |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:       |                        |                 |                 |
| Depreciation and amortization  | 282                    | 364             | 344             |
| Share-based compensation expenses  | 1,416                  | 1,295           | 1,101           |
| Amortization of deferred costs   | 213                    | 175             | 139             |
| Non-cash lease expense   | 96                     | 92              | 86              |
| (Gains) losses on investments  | 19                     | 31              | (146)           |
| Accretion of discounts on marketable debt securities, net  | (149)                  | (42)            | 3               |
| Deferred income taxes  | (1,058)                | 4               | (22)            |
| Other  | (17)                   | 57              | 9               |
| Changes in operating assets and liabilities, net of business combinations:                               |                        |                 |                 |
| Trade and other receivables, net   | (87)                   | (319)           | (208)           |
| Deferred costs   | (342)                  | (293)           | (238)           |
| Prepaid expenses and other assets  | 69                     | (14)            | (35)            |
| Accounts payable   | (72)                   | 86              | 9               |
| Accrued expenses and other liabilities   | (95)                   | 136             | 51              |
| Unearned revenue   | 493                    | 452             | 529             |
| Net cash provided by (used in) operating activities  | 2,149                  | 1,657           | 1,651           |
| <b>Cash flows from investing activities:</b>   |                        |                 |                 |
| Purchases of marketable securities   | (6,150)                | (7,183)         | (2,859)         |
| Maturities of marketable securities  | 4,519                  | 4,949           | 2,804           |
| Sales of marketable securities   | 144                    | 104             | 199             |
| Owned real estate projects   | (4)                    | (4)             | (171)           |
| Capital expenditures, excluding owned real estate projects   | (228)                  | (360)           | (264)           |
| Business combinations, net of cash acquired  | (8)                    | —               | (1,190)         |
| Purchase of other intangible assets  | (10)                   | (1)             | (8)             |
| Purchases of non-marketable equity and other investments   | (16)                   | (23)            | (123)           |
| Sales and maturities of non-marketable equity and other investments                                      | 2                      | 12              | 5               |
| Net cash provided by (used in) investing activities  | (1,751)                | (2,506)         | (1,607)         |
| <b>Cash flows from financing activities:</b>   |                        |                 |                 |
| Proceeds from issuance of debt, net of debt discount   | —                      | 2,978           | —               |
| Repayments and extinguishment of debt  | —                      | (1,844)         | (38)            |
| Payments for debt issuance costs   | —                      | (7)             | —               |
| Repurchases of common stock  | (423)                  | (75)            | —               |
| Proceeds from issuance of common stock from employee equity plans, net of taxes paid for shares withheld | 155                    | 152             | 148             |
| Net cash provided by (used in) financing activities  | (268)                  | 1,204           | 110             |
| Effect of exchange rate changes  | (1)                    | (1)             | (1)             |
| <b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>                            | <b>129</b>             | <b>354</b>      | <b>153</b>      |
| <b>Cash, cash equivalents, and restricted cash at the beginning of period</b>                            | <b>1,895</b>           | <b>1,541</b>    | <b>1,388</b>    |
| <b>Cash, cash equivalents, and restricted cash at the end of period</b>                                  | <b>\$ 2,024</b>        | <b>\$ 1,895</b> | <b>\$ 1,541</b> |

*See Notes to Consolidated Financial Statements*

|  | Year Ended January 31, |                 |                 |
|--|------------------------|-----------------|-----------------|
|  | 2024                   | 2023            | 2022            |
| <b>Supplemental cash flow data</b>   |                        |                 |                 |
| Cash paid for interest   | \$ 110                 | \$ 60           | \$ 13           |
| Cash paid for income taxes, net of refunds   | 39                     | 89              | 13              |
| <b>Non-cash investing and financing activities:</b>  |                        |                 |                 |
| Purchases of property and equipment, accrued but not paid  | 52                     | 51              | 47              |
|  |                        |                 |                 |
|  | As of January 31,      |                 |                 |
|  | 2024                   | 2023            | 2022            |
| <b>Reconciliation of cash, cash equivalents, and restricted cash as shown in the Consolidated Statements of Cash Flows</b> |                        |                 |                 |
| Cash and cash equivalents  | \$ 2,012               | \$ 1,886        | \$ 1,534        |
| Restricted cash included in Prepaid expenses and other current assets  | 12                     | 9               | 7               |
| Total cash, cash equivalents, and restricted cash  | <u>\$ 2,024</u>        | <u>\$ 1,895</u> | <u>\$ 1,541</u> |

*See Notes to Consolidated Financial Statements*

**Workday, Inc.**

**Notes to Consolidated Financial Statements**

**Note 1. Overview and Basis of Presentation**

***Description of the Business***

Workday delivers applications for financial management, spend management, human capital management, planning, and analytics. With Workday, our customers have a unified system that can help them plan, execute, analyze, and extend to other applications and environments, thereby helping them continuously adapt how they manage their business and operations.

***Fiscal Year***

Our fiscal year ends on January 31. References to fiscal 2024, for example, refer to the fiscal year ended January 31, 2024.

***Basis of Presentation***

These consolidated financial statements have been prepared in accordance with GAAP and include the results of Workday, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Certain prior period amounts reported in our consolidated financial statements and notes thereto have been reclassified to conform to current period presentation.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with GAAP requires us to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates, judgments, and assumptions include, but are not limited to, the identification of distinct performance obligations for revenue recognition, the determination of the period of benefit for deferred commissions, the realizability of deferred tax assets, the measurement of uncertain tax positions, the fair value and useful lives of assets acquired and liabilities assumed through business combinations, and the valuation of non-marketable equity investments. Actual results could differ from those estimates, judgments, and assumptions, and such differences could be material to our consolidated financial statements.

In February 2023, we completed an assessment of the useful lives of our data center equipment, including servers, network equipment, and integrated complete server and network racks. Due to advances in technology, as well as investments in software that increased efficiencies in how we operate our data center equipment, we determined we should increase the estimated useful lives of data center equipment from 3 years to 5 years. This change in accounting estimate was effective beginning fiscal 2024. Based on the carrying amount of data center equipment that was in-service as of January 31, 2023, this change decreased depreciation expense by \$93 million for fiscal 2024.

***Segment Information***

We operate in one operating segment, cloud applications. Operating segments are defined as components of an enterprise where separate financial information is evaluated regularly by a chief operating decision maker ("CODM") in deciding how to allocate resources and assessing performance. Our CODM allocates resources and assesses performance based upon discrete financial information at the consolidated level. For fiscal 2024, our co-chief executive officers together served as CODM for purposes of segment reporting.

Effective February 1, 2024, Mr. Bhusri stepped down from his role as Co-CEO and assumed the role of Executive Chair, and Mr. Eschenbach became the sole CEO. In conjunction with the transition, Mr. Bhusri no longer serves as CODM for purposes of segment reporting effective February 1, 2024. Despite the change in the CODM, we determined that no change to segment reporting is necessary as there is no change in the components for which separate financial information are regularly evaluated.

## **Note 2. Accounting Standards and Significant Accounting Policies**

### ***Summary of Significant Accounting Policies***

#### *Revenue Recognition*

We derive our revenues from subscription services and professional services. Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to receive in exchange for services rendered. Revenues are recognized net of any taxes collected from customers which are subsequently remitted to governmental authorities.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenues when, or as, we satisfy a performance obligation.

#### *Subscription Services Revenues*

Subscription services revenues primarily consist of fees that provide customers access to one or more of our cloud applications for financial management, spend management, human capital management, planning, and analytics, with routine customer support. Revenues are generally recognized on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Our subscription contracts are generally three years or longer in length and are generally noncancelable.

#### *Professional Services Revenues*

Professional services revenues primarily consist of consulting fees for deployment and optimization services, as well as training. Our consulting contracts are billed on a time and materials basis or a fixed price basis. For contracts billed on a time and materials basis, revenues are recognized over time as the professional services are performed. For contracts billed on a fixed price basis, revenues are recognized over time based on the proportion of the professional services performed.

#### *Contracts with Multiple Performance Obligations*

Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, the cloud applications sold, customer demographics, geographic locations, and the number and types of users within our contracts.

We use a range of amounts to estimate SSP for both subscription and professional services sold together in a contract to determine whether there is a discount to be allocated based on the relative SSP of the performance obligations. We use historical sales transaction data, among other factors, to determine the SSP for each distinct performance obligation. Our SSP ranges are reassessed on a periodic basis or when facts and circumstances change. Changes in SSP for our services can evolve over time due to changes in our pricing practices that are influenced by market competition, changes in demand for our services, and other economic factors. As our go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes to SSP and may therefore impact revenue recognized in our consolidated financial statements.

#### *Contract Balances*

We generally invoice our customers annually in advance for our subscription services and in arrears for our professional services. Payment terms and conditions vary by contract type and by customer, and payment is generally required within 30 days from date of invoicing. The timing of revenue recognition may differ from the timing of invoicing customers, and these timing differences result in trade receivables, contract assets, or contract liabilities (unearned revenue) on our Consolidated Balance Sheets.

#### *Trade Receivables and Contract Assets*

We record a trade receivable when an unconditional right to consideration exists, such that only the passage of time is required before payment of consideration is due. A contract asset is recognized when a conditional right to consideration exists and transfer of control has occurred. The current and noncurrent portions of contract assets are included in Trade and other receivables and Other assets, respectively, on the Consolidated Balance Sheets.

We maintain an allowance for credit losses for expected uncollectible trade receivables and contract assets, which is recorded as an offset to trade receivables or contract assets. We assess our allowance for credit losses by taking into consideration forecasts of future economic conditions, information about past events, such as our historical trend of write-offs, and customer-specific circumstances, such as bankruptcies and disputes. The allowance for credit losses is recorded in General and administrative expenses on the Consolidated Statements of Operations.

#### *Unearned Revenue*

Contract liabilities consist of unearned revenue, which is recorded when we invoice in advance of revenues being recognized from our contracts. Unearned revenue that is anticipated to be recognized during the succeeding twelve-month period is recorded as current unearned revenue and the remaining portion is recorded as noncurrent.

#### *Fair Value Measurement*

We measure our cash equivalents, marketable securities, and foreign currency derivative contracts at fair value at each reporting period using a fair value hierarchy that requires that we maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In addition, we measure our non-marketable equity investments for which there has been an impairment or an observable price change from an orderly transaction for identical or similar investments of the same issuer at fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs that are supported by little or no market activity.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase. Our cash equivalents primarily consist of investments in U.S. treasury securities, U.S. agency obligations, corporate bonds, commercial paper, and money market funds.

#### *Debt Securities*

Debt securities primarily consist of investments in U.S. treasury securities, U.S. agency obligations, corporate bonds, and commercial paper. We classify our debt securities as available-for-sale at the time of purchase and reevaluate such classification as of each balance sheet date. We consider all debt securities as funds available for use in current operations, including those with maturity dates beyond one year, and therefore classify these securities as current assets on the Consolidated Balance Sheets. Debt securities included in Marketable securities on the Consolidated Balance Sheets consist of securities with original maturities at the time of purchase greater than three months, and the remaining securities are included in Cash and cash equivalents. Realized gains or losses from the sales of debt securities are based on the specific identification method.

When the fair value of a debt security is below its amortized cost, the amortized cost should be written down to its fair value if (i) it is more likely than not that management will be required to sell the impaired security before recovery of its amortized basis or (ii) management has the intention to sell the security. If neither of these conditions are met, we must determine whether the impairment is due to credit losses. To determine the amount of credit losses, we compare the present value of the expected cash flows of the security, derived by taking into account the issuer's credit ratings and remaining payment terms, with its amortized cost basis. The amount of impairment recognized is limited to the excess of the amortized cost over the fair value of the security. An allowance for credit losses for the excess of amortized cost over the expected cash flows is recorded in Other income (expense), net on the Consolidated Statements of Operations. Non-credit related losses are recorded in Accumulated other comprehensive income (loss) ("AOCI").

If quoted prices for identical instruments are available in an active market, debt securities are classified within Level 1 of the fair value hierarchy. If quoted prices for identical instruments in active markets are not available, fair values are estimated using quoted prices of similar instruments and are classified within Level 2 of the fair value hierarchy. To date, all of our debt securities can be valued using one of these two methodologies.

### *Equity Investments*

We determine at the inception of each arrangement whether an investment or other interest is considered a variable interest entity (“VIE”). If the investment or other interest is determined to be a VIE, we must evaluate whether we are considered the primary beneficiary. The primary beneficiary of a VIE is the party that meets both of the following criteria: (1) has the power to direct the activities that most significantly impact the VIE’s economic performance; and (2) has the obligation to absorb losses or the right to receive benefits from the VIE. For investments in VIEs in which we are considered the primary beneficiary, the assets, liabilities, and results of operations of the VIE are included in our consolidated financial statements. As of January 31, 2024, and 2023, there were no VIEs for which we were the primary beneficiary.

#### *Non-Marketable Equity Investments Measured Using the Measurement Alternative*

Non-marketable equity investments measured using the measurement alternative include investments in privately held companies without readily determinable fair values in which we do not own a controlling interest or exercise significant influence. These investments are recorded at cost and are adjusted for observable transactions for same or similar securities of the same issuer or impairment events. These investments are included in Other assets on the Consolidated Balance Sheets. Additionally, we assess our non-marketable equity investments quarterly for impairment. Adjustments and impairments are recorded in Other income (expense), net on the Consolidated Statements of Operations.

#### *Marketable Equity Investments*

We may hold marketable equity investments with readily determinable fair values over which we do not own a controlling interest or exercise significant influence. Marketable equity investments are included in Marketable securities on the Consolidated Balance Sheets. They are measured using quoted prices in active markets with changes recorded in Other income (expense), net on the Consolidated Statements of Operations. As of January 31, 2024, we had no marketable equity investments.

### *Deferred Commissions*

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new revenue contracts are capitalized and then amortized on a straight-line basis over a period of benefit that we have determined to be five years. We determined the period of benefit by taking into consideration our customer contracts, our technology, and other factors. Amortization expense is included in Sales and marketing expenses on the Consolidated Statements of Operations.

### *Derivative Financial Instruments and Hedging Activities*

We use derivative financial instruments to manage foreign currency exchange risk. Derivative instruments are measured at fair value and recorded as either an asset or liability on the Consolidated Balance Sheets. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. For derivative instruments designated as cash flow hedges (“cash flow hedges”), which we use to hedge a portion of our forecasted foreign currency revenue and expense transactions, the gains or losses are recorded in AOCI on the Consolidated Balance Sheets and subsequently reclassified to the same line item as the hedged transaction on the Consolidated Statements of Operations in the same period that the hedged transaction affects earnings. For derivative instruments not designated as hedging instruments (“non-designated hedges”), which we use to hedge a portion of our net outstanding monetary assets and liabilities, the gains or losses are recorded in Other income (expense), net on the Consolidated Statements of Operations in the period incurred. Cash flows from the settlement of forward contracts designated as cash flow hedges and non-designated hedges are classified as operating activities on the Consolidated Statements of Cash Flows.

Our foreign currency contracts are classified within Level 2 of the fair value hierarchy because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates.

*Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation, except for land which is stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as shown in the table below. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

|   |  |
|---|--|
| Computers, equipment, and software                | 2 - 10 years                                   |
| Buildings   | 10 - 60 years                                  |
| Leasehold improvements                            | shorter of the related lease term or ten years |
| Furniture, fixtures, and transportation equipment | 5 - 12 years                                   |
| Land improvements                                 | 15 years                                       |

*Business Combinations*

We allocate the purchase consideration of acquired companies to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date, with the excess recorded to goodwill. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, including uncertain tax positions and tax-related valuation allowances, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Consolidated Statements of Operations.

In the event that we acquire a company in which we previously held an equity interest, the difference between the fair value of the shares as of the date of the acquisition and the carrying value of the equity investment is recorded as a non-cash gain or loss and recorded within Other income (expense), net on the Consolidated Statements of Operations.

*Goodwill and Acquisition-Related Intangible Assets*

Acquisition-related intangible assets with finite lives are amortized over their estimated useful lives. Goodwill amounts are not amortized. Acquisition-related intangible assets and goodwill are tested for impairment at least annually, and more frequently upon the occurrence of certain events.

*Leases*

We have entered into operating lease agreements for our office space, data centers, and other property and equipment. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Right-of-use assets also include adjustments related to prepaid or deferred lease payments and lease incentives. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate to determine the present value of lease payments.

We have elected to combine lease and non-lease components for each of our existing underlying asset classes and to not include leases with a term of 12 months or less on our Consolidated Balance Sheets. We recognize variable lease costs, including common area maintenance, utilities, real estate taxes, insurance, and other operating costs that are passed on from the lessor, in the Consolidated Statements of Operations in the period incurred. Options to extend or terminate a lease are included in the lease term when it is reasonably certain that we will exercise such options.

*Treasury Stock*

Treasury stock is accounted for using the cost method and recorded as a reduction to Stockholders' equity on the Consolidated Balance Sheets. Incremental direct costs to purchase treasury stock are included in the cost of the shares acquired.

To determine the cost of treasury stock that is either sold or re-issued, we use the first in, first out method. When treasury stock is re-issued at a price higher than its cost, the increase is recorded in Additional paid-in capital on the Consolidated Balance Sheets. When treasury stock is re-issued at a price lower than its cost, the decrease is recorded in Additional paid-in capital to the extent that there are previously recorded increases to offset the decrease. Any decreases in excess of that amount are recorded in Accumulated deficit on the Consolidated Balance Sheets.

*Advertising Expenses*

Advertising is expensed as incurred. Advertising expense was \$194 million, \$172 million, and \$131 million for fiscal 2024, 2023, and 2022, respectively.



### *Share-Based Compensation*

We measure and recognize compensation expense for share-based awards issued to employees and non-employees, primarily including RSUs and purchases under the Amended and Restated 2012 Employee Stock Purchase Plan ("ESPP"), on the Consolidated Statements of Operations.

For RSUs, fair value is based on the closing price of our common stock on the grant date. Compensation expense, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period. The requisite service period of the awards is generally the same as the vesting period.

For shares issued under the ESPP, fair value is estimated using the Black-Scholes option-pricing model. Compensation expense is recognized on a straight-line basis over the offering period. We determine the assumptions for the option-pricing model as follows:

- *Risk-Free Interest Rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date closest to the grant date for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the ESPP purchase rights.
- *Expected Term.* The expected term represents the period that our ESPP is expected to be outstanding. The expected term for the ESPP approximates the offering period.
- *Volatility.* The volatility is based on a blend of historical volatility and implied volatility of our common stock. Implied volatility is based on market traded options of our common stock.
- *Dividend Yield.* The dividend yield is assumed to be zero as we have not paid and do not expect to pay dividends.

### *Income Taxes*

We record a provision for (benefit from) income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the net amount that is more likely than not to be realized. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for (benefit from) income taxes in the period in which such determination is made.

We recognize the tax benefit of an uncertain tax position only if it is more likely than not that the position is sustainable upon examination by the taxing authority, based on the technical merits. The tax benefit recognized is measured as the largest amount of benefit which is greater than 50% likely to be realized upon settlement with the taxing authority. To the extent the assessment of such tax position changes, such difference will affect the provision for (benefit from) income taxes in the period in which we make the determination. We recognize interest accrued and penalties related to unrecognized tax benefits in the provision for (benefit from) income taxes.

### *Warranties and Indemnification*

Our cloud applications are generally warranted to perform materially in accordance with our online documentation under normal use and circumstances. Additionally, our contracts generally include provisions for indemnifying customers against liabilities if use of our cloud applications infringe a third party's intellectual property rights. We may also incur liabilities if we breach the security, privacy, and/or confidentiality obligations in our contracts. To date, we have not incurred any material costs, and we have not accrued any liabilities in the accompanying consolidated financial statements, as a result of these obligations.

In our standard agreements with customers, we commit to defined levels of service availability and performance and, under certain circumstances, permit customers to receive credits in the event that we fail to meet those levels. In the event our failure to meet those levels triggers a termination right for a customer, we permit a terminating customer to receive a refund of prepaid amounts related to unused subscription services. To date, we have not experienced any significant failures to meet defined levels of availability and performance and, as a result, we have not accrued any liabilities related to these agreements on the consolidated financial statements.

### Foreign Currency Exchange

The functional currency for certain of our foreign subsidiaries is the U.S. dollar, while others use local currencies. We translate the foreign functional currency financial statements to U.S. dollars for those entities that do not have the U.S. dollar as their functional currency using the exchange rates at the balance sheet date for assets and liabilities, the period average exchange rates for revenues and expenses, and the historical exchange rates for equity transactions. The effects of foreign currency translation adjustments are recorded in AOCI on the Consolidated Balance Sheets. Foreign currency transaction gains and losses are included in Other income (expense), net on the Consolidated Statements of Operations.

### Concentrations of Risk and Significant Customers

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, debt securities, derivative instruments, and trade and other receivables. Our deposits exceed federally insured limits.

No customer individually accounted for more than 10% of trade and other receivables, net as of January 31, 2024, or 2023. No customer individually accounted for more than 10% of total revenues during fiscal 2024, 2023, or 2022.

Other than the United States, no country individually accounted for more than 10% of total revenues during fiscal 2024, 2023, or 2022.

In order to reduce the risk of disruption of our cloud applications, we have established data centers in various geographic regions. We serve our customers and users from data center facilities operated by third parties, located in North America and Europe. We have internal procedures to restore services in the event of disruption at one of our data center facilities. Even with these procedures for disaster recovery in place, our cloud applications could be significantly interrupted during the implementation of the procedures to restore services.

In addition, we rely upon third-party hosted infrastructure partners globally, including AWS, Google LLC, and Microsoft Corporation, to serve customers and operate certain aspects of our services. Given this, any disruption of or interference at our hosted infrastructure partners may impact our operations and our business could be adversely impacted.

### Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure of incremental segment information on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. We are currently evaluating the impacts of the new standard.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Disclosures*, which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation, and modifies other income tax-related disclosures. This ASU is effective for fiscal years beginning after December 15, 2024, and allows for adoption on a prospective basis, with a retrospective option. We are currently evaluating the impacts of the new standard.

## Note 3. Investments

### Debt Securities

As of January 31, 2024, debt securities consisted of the following (in millions):

|                                       | Amortized Cost  | Unrealized Gains | Unrealized Losses | Aggregate Fair Value |
|---------------------------------------|-----------------|------------------|-------------------|----------------------|
| U.S. treasury securities              | \$ 2,072        | \$ 4             | \$ (2)            | \$ 2,074             |
| U.S. agency obligations               | 753             | 2                | (1)               | 754                  |
| Corporate bonds                       | 2,496           | 9                | (5)               | 2,500                |
| Commercial paper                      | 1,232           | —                | —                 | 1,232                |
| <b>Total debt securities</b>          | <b>\$ 6,553</b> | <b>\$ 15</b>     | <b>\$ (8)</b>     | <b>\$ 6,560</b>      |
| Included in Cash and cash equivalents | \$ 759          | \$ —             | \$ —              | \$ 759               |
| Included in Marketable securities     | \$ 5,794        | \$ 15            | \$ (8)            | \$ 5,801             |

As of January 31, 2023, debt securities consisted of the following (in millions):

|                                       | Amortized Cost | Unrealized Gains | Unrealized Losses | Aggregate Fair Value |
|---------------------------------------|----------------|------------------|-------------------|----------------------|
| U.S. treasury securities              | \$ 2,456       | \$ —             | \$ (7)            | \$ 2,449             |
| U.S. agency obligations               | 325            | —                | (3)               | 322                  |
| Corporate bonds                       | 967            | 1                | (7)               | 961                  |
| Commercial paper                      | 1,017          | —                | —                 | 1,017                |
| Total debt securities                 | \$ 4,765       | \$ 1             | \$ (17)           | \$ 4,749             |
| Included in Cash and cash equivalents | \$ 595         | \$ —             | \$ —              | \$ 595               |
| Included in Marketable securities     | \$ 4,170       | \$ 1             | \$ (17)           | \$ 4,154             |

The contractual maturities of debt securities were as follows (in millions):

|                            | January 31, 2024 |
|----------------------------|------------------|
| Due within 1 year          | \$ 3,749         |
| Due 1 year through 5 years | 2,811            |
| Total debt securities      | \$ 6,560         |

As of January 31, 2024, and 2023, the fair value of debt securities in an unrealized loss position was \$2.4 billion and \$3.1 billion, respectively, the majority of which had been in a continuous unrealized loss position for less than 12 months. We do not intend to sell these debt securities and it is not more likely than not that we will be required to sell the debt securities before recovery of their amortized cost bases, which may be at maturity. We did not recognize any credit or non-credit related losses related to our debt securities during fiscal 2024, 2023, or 2022.

We sold \$59 million, \$98 million, and \$162 million of debt securities during fiscal 2024, 2023, and 2022, respectively. The realized gains and losses from the sales were immaterial.

### Equity Investments

Equity investments consisted of the following (in millions):

|  | Consolidated Balance Sheets Location | As of January 31, |          |
|--|--------------------------------------|-------------------|----------|
|  |                                      | 2024              | 2023     |
| Money market funds   | Cash and cash equivalents            | \$ 1,017          | \$ 902   |
| Non-marketable equity investments measured using the measurement alternative | Other assets                         | 248               | 262      |
| Marketable equity investments  | Marketable securities                | —                 | 81       |
| Total equity investments   |                                      | \$ 1,265          | \$ 1,245 |

Total realized and unrealized gains and losses associated with our equity investments consisted of the following (in millions):

|   | Year Ended January 31, |         |        |
|---|------------------------|---------|--------|
|   | 2024                   | 2023    | 2022   |
| Net realized gains (losses) recognized on equity investments sold <sup>(1)</sup>                | \$ 6                   | \$ (1)  | \$ 22  |
| Net unrealized gains (losses) recognized on equity investments held as of the end of the period | (30)                   | (26)    | 122    |
| Total net gains (losses) recognized in Other income (expense), net                              | \$ (24)                | \$ (27) | \$ 144 |

(1) Reflects the difference between the sale proceeds and the carrying value of the equity investments at the beginning of the fiscal year.

#### *Non-Marketable Equity Investments Measured Using the Measurement Alternative*

The carrying values for our non-marketable equity investments are summarized below (in millions):

|  | As of January 31, |        |
|--|-------------------|--------|
|  | 2024              | 2023   |
| Total initial cost                       | \$ 213            | \$ 207 |
| Cumulative net unrealized gains (losses) | 35                | 55     |
| Carrying value                           | \$ 248            | \$ 262 |

In fiscal 2024, we recorded impairment losses of \$30 million. In fiscal 2023, we recorded upward adjustments to the carrying value of non-marketable equity investments of \$8 million and impairment losses of \$16 million. In fiscal 2022, we recorded upward adjustments to the carrying value of non-marketable equity investments of \$58 million and a non-cash gain of \$12 million related to our acquisition of Zinit.

#### *Marketable Equity Investments*

The carrying values for our marketable equity investments are summarized below (in millions):

|  | As of January 31, |       |
|--|-------------------|-------|
|  | 2024              | 2023  |
| Total initial cost                       | \$ —              | \$ 39 |
| Cumulative net unrealized gains (losses) | —                 | 42    |
| Carrying value                           | \$ —              | \$ 81 |

During fiscal 2024, we sold all of our marketable equity investments for proceeds of \$87 million, with corresponding realized gains of \$6 million. During fiscal 2023, we sold marketable equity investments for proceeds of \$6 million, and the realized gains from the sales were not material. During fiscal 2022, we sold marketable equity investments for proceeds of \$37 million, with corresponding realized gains of \$7 million.

During fiscal 2023 and 2022, we recorded unrealized net losses of \$18 million, and gains of \$67 million, respectively, on marketable equity investments held as of the end of each period.

#### **Note 4. Fair Value Measurements**

##### *Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The following table presents information about our assets and liabilities that are measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy as of January 31, 2024 (in millions):

|   | Level 1  | Level 2  | Level 3 | Total    |
|---|----------|----------|---------|----------|
| U.S. treasury securities                | \$ 2,074 | \$ —     | \$ —    | \$ 2,074 |
| U.S. agency obligations                 | —        | 754      | —       | 754      |
| Corporate bonds                         | —        | 2,500    | —       | 2,500    |
| Commercial paper                        | —        | 1,232    | —       | 1,232    |
| Money market funds                      | 1,017    | —        | —       | 1,017    |
| Foreign currency derivative assets      | —        | 46       | —       | 46       |
| Total assets                            | \$ 3,091 | \$ 4,532 | \$ —    | \$ 7,623 |
| Foreign currency derivative liabilities | \$ —     | \$ 27    | \$ —    | \$ 27    |
| Total liabilities                       | \$ —     | \$ 27    | \$ —    | \$ 27    |

The following table presents information about our assets and liabilities that are measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy as of January 31, 2023 (in millions):

|   | Level 1  | Level 2  | Level 3 | Total    |
|---|----------|----------|---------|----------|
| U.S. treasury securities                | \$ 2,449 | \$ —     | \$ —    | \$ 2,449 |
| U.S. agency obligations                 | —        | 322      | —       | 322      |
| Corporate bonds                         | —        | 961      | —       | 961      |
| Commercial paper                        | —        | 1,017    | —       | 1,017    |
| Money market funds                      | 902      | —        | —       | 902      |
| Marketable equity investments           | 81       | —        | —       | 81       |
| Foreign currency derivative assets      | —        | 65       | —       | 65       |
| Total assets                            | \$ 3,432 | \$ 2,365 | \$ —    | \$ 5,797 |
| Foreign currency derivative liabilities | \$ —     | \$ 34    | \$ —    | \$ 34    |
| Total liabilities                       | \$ —     | \$ 34    | \$ —    | \$ 34    |

#### ***Non-Marketable Equity Investments Measured at Fair Value on a Non-Recurring Basis***

Non-marketable equity investments that have been remeasured due to an observable event or impairment are classified within Level 3 in the fair value hierarchy because we estimate the value based on valuation methods which may include a combination of the observable transaction price at the transaction date and other unobservable inputs including volatility, rights, and obligations of the investments we hold. For further information, see [Note 3, Investments](#).

#### ***Fair Value Measurements of Other Financial Instruments***

We carry our debt at face value less unamortized debt discount and issuance costs on our Consolidated Balance Sheets and present the fair value for disclosure purposes only. All of our debt obligations are categorized as Level 2 financial instruments. For further information on the fair values of our debt and the inputs used in the calculations, see [Note 11, Debt](#).

#### **Note 5. Deferred Costs**

Deferred costs, which consist of deferred sales commissions, were \$741 million and \$612 million as of January 31, 2024, and 2023, respectively. Amortization expense for the deferred costs was \$213 million, \$175 million, and \$139 million for fiscal 2024, 2023, and 2022, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

#### **Note 6. Property and Equipment, Net**

Property and equipment, net consisted of the following (in millions):

|   | As of January 31, |          |
|---|-------------------|----------|
|   | 2024              | 2023     |
| Computers, equipment, and software                | \$ 1,387          | \$ 1,286 |
| Buildings   | 726               | 720      |
| Leasehold improvements                            | 213               | 202      |
| Furniture, fixtures, and transportation equipment | 99                | 91       |
| Land and land improvements                        | 81                | 81       |
| Property and equipment, gross                     | 2,506             | 2,380    |
| Less accumulated depreciation and amortization    | (1,272)           | (1,179)  |
| Property and equipment, net                       | \$ 1,234          | \$ 1,201 |

Depreciation expense totaled \$203 million, \$275 million, and \$263 million for fiscal 2024, 2023, and 2022, respectively.

#### ***Related-Party Transactions***

There were no material related party transactions related to our property and equipment in fiscal 2024 or 2023.

### *Aircraft Purchase*

During fiscal 2022, we purchased an aircraft from an affiliate of our Co-Founder and CEO Emeritus, David Duffield, for approximately \$24 million in cash. The aircraft was purchased primarily for the purpose of business travel by our Co-Founder and Executive Chair, Mr. Bhusri, and other Workday executives. In approving the related-party transaction, the Audit Committee of our Board of Directors considered the benefits to Workday of purchasing the aircraft, independent appraisals, the terms of the related purchase agreement, and the extent and nature of Mr. Duffield's interest in the transaction. The aircraft is included in the Furniture, fixtures, and transportation equipment category in the table above.

### *Leased Property Purchase*

During fiscal 2022, we purchased certain leased office space ("Property") within our corporate headquarters from an affiliate of Mr. Duffield for \$173 million in cash. In deciding to purchase the Property, the independent members of our Board of Directors considered the benefits to Workday, including the importance of obtaining control of the Property, which is part of Workday's headquarters campus, and the long-term cost savings from ownership as compared to continuing to lease the Property. Our Board of Directors also considered independent appraisals, comparable transaction data, and the extent and nature of Mr. Duffield's interest in the transaction. The carrying value of the Property upon purchase was \$158 million, calculated as the purchase price less approximately \$15 million which represents the difference between the carrying values of the right-of-use asset and lease liability of the Property immediately prior to the purchase. For further information, see [Note 12, Leases](#).

## **Note 7. Business Combinations**

There were no material business combinations in fiscal 2024 or 2023.

### **Fiscal 2022**

#### *VNDLY Acquisition*

On December 21, 2021, we acquired all outstanding stock of VNDLY, a cloud-based external workforce and vendor management technology. With VNDLY, Workday provides organizations with a unified workforce optimization solution that helps organizations manage all types of workers—salaried, hourly, contingent, and outsourced—and support a holistic talent strategy, including insight into costs, workforce planning needs, and compliance. We have included the financial results of VNDLY in our consolidated financial statements from the date of acquisition.

The total acquisition-date fair value of the purchase consideration was \$473 million, which was paid in cash. In connection with the acquisition, we issued approximately 152 thousand shares of our Class A common stock to certain key VNDLY employees, with 50% of such shares issued following the first anniversary of the closing date of the acquisition and the remaining 50% to be issued following the second anniversary of the closing date, subject to service conditions. The aggregate fair value of the equity was accounted for as post-acquisition share-based compensation expense.

The purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill. The purchase consideration allocation, which includes measurement period adjustments, was as follows (in millions):

|                                       |    |     |
|---------------------------------------|----|-----|
| Cash                                  | \$ | 23  |
| Acquisition-related intangible assets |    | 40  |
| Goodwill                              |    | 412 |
| Other assets                          |    | 3   |
| Deferred tax liability                |    | (3) |
| Other liabilities                     |    | (2) |
| Total                                 | \$ | 473 |

The fair values and weighted-average useful lives of the acquired intangible assets by category were as follows (in millions, except years):

|   | Estimated Fair Values | Weighted-Average Useful Lives (in Years) |
|---|-----------------------|--|
| Developed technology                        | \$ 27                 | 4  |
| Customer relationships                      | 13                    | 13                                       |
| Total acquisition-related intangible assets | <u>\$ 40</u>          | <u>7</u>                                 |

The goodwill recognized was primarily attributable to the assembled workforce and the expected synergies from integrating VNDLY's technology into our product portfolio. The goodwill is not deductible for income tax purposes.

Separate operating results and pro forma results of operations for VNDLY have not been presented as the effect of this acquisition was not material to our financial results.

#### *Zimit Acquisition*

On September 28, 2021, we acquired all outstanding stock of Zimit, a CPQ solution built for services industries. With Zimit, Workday delivers a comprehensive quote-to-cash process automation offering that provides services organizations increased visibility across the entire revenue cycle. We have included the financial results of Zimit in our consolidated financial statements from the date of acquisition.

The acquisition-date fair value of the purchase consideration was \$76 million, with \$62 million attributable to cash consideration and \$14 million attributable to the fair value of a previously held equity interest. We recorded developed technology intangible assets of \$7 million (to be amortized over an estimated useful life of 4 years), customer relationships intangible assets of \$3 million (to be amortized over an estimated useful life of 13 years), and goodwill of \$67 million. Goodwill was primarily attributable to the expected synergies from integrating Zimit's technology into our product portfolio. The goodwill is not deductible for income tax purposes.

We invested \$2 million in Zimit prior to the acquisition, which was accounted for as a non-marketable equity investment. We recognized a non-cash gain of approximately \$12 million as a result of remeasuring our prior equity interest in Zimit held before the business combination. The gain is included in Other income (expense), net on the Consolidated Statements of Operations.

Separate operating results and pro forma results of operations for Zimit have not been presented as the effect of this acquisition was not material to our financial results.

#### *Peakon Acquisition*

On March 9, 2021, we acquired all outstanding stock of Peakon, an employee success platform that converts feedback into actionable insights, for \$702 million. With Peakon, Workday provides organizations with a continuous listening platform, including real-time visibility into employee experience, sentiment, and productivity, to help drive employee engagement and improve organizational performance. We have included the financial results of Peakon in our consolidated financial statements from the date of acquisition.

The acquisition-date fair value of the purchase consideration consisted of the following (in millions):

|   |               |
|---|---------------|
| Cash paid to stockholders, warrant holders, and vested option holders | \$ 684        |
| Transaction costs paid by Workday on behalf of Peakon                 | 18            |
| Total   | <u>\$ 702</u> |

Additionally, we granted certain Peakon employees restricted stock awards ("RSAs") with service conditions, which totaled approximately 82 thousand shares of our Class A common stock. The aggregate grant date fair value of the RSAs was accounted for as post-acquisition share-based compensation expense.

The purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill. The purchase consideration allocation, which includes measurement period adjustments, was as follows (in millions):

|                                       |    |      |
|---------------------------------------|----|------|
| Acquisition-related intangible assets | \$ | 171  |
| Goodwill                              |    | 541  |
| Other assets                          |    | 35   |
| Deferred tax liability                |    | (20) |
| Other liabilities                     |    | (25) |
| Total                                 | \$ | 702  |

The fair values and weighted-average useful lives of the acquired intangible assets by category were as follows (in millions, except years):

|   | Estimated Fair Values | Weighted-Average Useful Lives (in Years) |
|---|-----------------------|--|
| Developed technology                        | \$ 94                 | 5  |
| Customer relationships                      | 72                    | 13                                       |
| Backlog                                     | 4                     | 3  |
| Trade name                                  | 1                     | 1  |
| Total acquisition-related intangible assets | \$ 171                | 8  |

The goodwill recognized was primarily attributable to the assembled workforce and the expected synergies from integrating Peakon's technology into our product portfolio. A portion of the goodwill was deductible for income tax purposes.

Separate operating results and pro forma results of operations for Peakon have not been presented as the effect of this acquisition was not material to our financial results.

#### Note 8. Acquisition-Related Intangible Assets, Net

Acquisition-related intangible assets, net consisted of the following (in millions):

|  | As of January 31, |        |
|--|-------------------|--------|
|  | 2024              | 2023   |
| Developed technology                         | \$ 318            | \$ 343 |
| Customer relationships                       | 311               | 311    |
| Backlog                                      | 15                | 15     |
| Trade name                                   | 13                | 13     |
| Acquisition-related intangible assets, gross | 657               | 682    |
| Less accumulated amortization                | (424)             | (376)  |
| Acquisition-related intangible assets, net   | \$ 233            | \$ 306 |

Amortization expense related to acquisition-related intangible assets was \$74 million, \$86 million, and \$78 million for fiscal 2024, 2023, and 2022, respectively.



As of January 31, 2024, our future estimated amortization expense related to acquisition-related intangible assets was as follows (in millions):

|                |               |
|----------------|---------------|
| Fiscal Period: |               |
| 2025           | \$ 62         |
| 2026           | 56            |
| 2027           | 32            |
| 2028           | 27            |
| 2029           | 17            |
| Thereafter     | 39            |
| Total          | <u>\$ 233</u> |

#### Note 9. Other Assets

Other assets consisted of the following (in millions):

|   | As of January 31, |               |
|---|-------------------|---------------|
|   | 2024              | 2023          |
| Non-marketable equity and other investments         | \$ 248            | \$ 263        |
| Technology patents and other intangible assets, net | 26                | 21            |
| Contract assets                                     | 21                | —             |
| Derivative assets                                   | 14                | 22            |
| Prepayments for goods and services                  | 14                | 23            |
| Deposits  | 8                 | 6             |
| Other   | 6                 | 13            |
| Total other assets                                  | <u>\$ 337</u>     | <u>\$ 348</u> |

Technology patents and other intangible assets with estimable useful lives are amortized on a straight-line basis. As of January 31, 2024, the future estimated amortization expense was as follows (in millions):

|                |              |
|----------------|--------------|
| Fiscal Period: |              |
| 2025           | \$ 4         |
| 2026           | 3            |
| 2027           | 3            |
| 2028           | 3            |
| 2029           | 3            |
| Thereafter     | 10           |
| Total          | <u>\$ 26</u> |

#### Note 10. Derivative Instruments

We conduct business on a global basis in multiple foreign currencies, subjecting Workday to foreign currency exchange risk. To mitigate this risk, we utilize derivative hedging contracts as described below. We do not enter into any derivatives for trading or speculative purposes.

##### Cash Flow Hedges

We enter into foreign currency forward contracts to hedge a portion of our forecasted revenue and expense transactions. We designate these forward contracts as cash flow hedging instruments since the accounting criteria for such designation has been met.

As of January 31, 2024, we estimate that \$26 million of net gains recorded in AOCI related to our cash flow hedges will be reclassified into income within the next 12 months.

As of January 31, 2024, and 2023, the notional values of the cash flow hedges that we held to buy U.S. dollars in exchange for other currencies were \$2.5 billion and \$1.7 billion, respectively. The notional values of the cash flow hedges that we held to sell U.S. dollars in exchange for other currencies were \$399 million and \$324 million as of January 31, 2024, and 2023, respectively. All contracts had maturities of less than 60 months.

### Non-Designated Hedges

We also enter into foreign currency forward contracts to hedge a portion of our net outstanding monetary assets and liabilities. These forward contracts are intended to offset foreign currency gains or losses associated with the underlying monetary assets and liabilities and are recorded on the Consolidated Balance Sheets at fair value.

As of January 31, 2024, and 2023, the notional values of the non-designated hedges that we held to buy U.S. dollars in exchange for other currencies were \$237 million and \$235 million, respectively, and the notional values of the non-designated hedges that we held to sell U.S. dollars in exchange for other currencies were \$11 million and \$2 million, respectively.

The fair values of outstanding derivative instruments were as follows (in millions):

|                              | Consolidated Balance Sheets Location           | As of January 31, |              |
|------------------------------|--|-------------------|--------------|
|                              |  | 2024              | 2023         |
| Derivative assets:           |  |                   |              |
| Cash flow hedges             | Prepaid expenses and other current assets      | \$ 30             | \$ 43        |
| Cash flow hedges             | Other assets                                   | 14                | 22           |
| Non-designated hedges        | Prepaid expenses and other current assets      | 2                 | —            |
| Total derivative assets      |  | <u>\$ 46</u>      | <u>\$ 65</u> |
| Derivative liabilities:      |  |                   |              |
| Cash flow hedges             | Accrued expenses and other current liabilities | \$ 14             | \$ 13        |
| Cash flow hedges             | Other liabilities                              | 12                | 16           |
| Non-designated hedges        | Accrued expenses and other current liabilities | 1                 | 5            |
| Total derivative liabilities |  | <u>\$ 27</u>      | <u>\$ 34</u> |

The effect of cash flow hedges on the Consolidated Statements of Operations was as follows (in millions):

| Consolidated Statements of Operations Location | Year Ended January 31, |  |          |  |          |  |
|--|------------------------|--|----------|--|----------|--|
|  | 2024                   |  | 2023     |  | 2022     |  |
|  | Total                  | Gains (losses) related to cash flow hedges | Total    | Gains (losses) related to cash flow hedges | Total    | Gains (losses) related to cash flow hedges |
| Revenues                                       | \$ 7,259               | \$ 62                                      | \$ 6,216 | \$ 17                                      | \$ 5,139 | \$ (9)                                     |
| Costs and expenses                             | 7,076                  | 1  | 6,438    | (29)                                       | 5,255    | —  |
| Provision for (benefit from) income taxes      | (1,025)                | —  | 107      | (6)  | (13)     | —  |

Pre-tax gains (losses) associated with cash flow hedges were as follows (in millions):

|   | Consolidated Statements of Operations and Statements of Comprehensive Income (Loss) Locations | Year Ended January 31, |       |       |
|---|---|------------------------|-------|-------|
|   |   | 2024                   | 2023  | 2022  |
| Gains (losses) recognized in OCI                                      | Net change in unrealized gains (losses) on cash flow hedges                                   | \$ 16                  | \$ 40 | \$ 63 |
| Gains (losses) reclassified from AOCI into income (effective portion) | Revenues  | 62                     | 17    | (9)   |
| Gains (losses) reclassified from AOCI into income (effective portion) | Costs and expenses  | 1                      | (29)  | —     |
| Gains (losses) reclassified from AOCI into income (effective portion) | Provision for (benefit from) income taxes   | —                      | (6)   | —     |

Gains (losses) associated with non-designated hedges were as follows (in millions):

|   | Consolidated Statements of<br>Operations Location | Year Ended January 31, |       |      |
|---|---|------------------------|-------|------|
|   |   | 2024                   | 2023  | 2022 |
| Gains (losses) related to non-designated hedges | Other income (expense), net                       | \$ 5                   | \$ 10 | \$ 7 |

We are subject to netting agreements with all of the counterparties of the foreign exchange contracts, under which we are permitted to net settle transactions of the same currency with a single net amount payable by one party to the other. It is our policy to present the derivatives gross on the Consolidated Balance Sheets. Our foreign currency forward contracts are not subject to any credit contingent features or collateral requirements. We manage our exposure to counterparty risk by entering into contracts with a diversified group of major financial institutions and by actively monitoring outstanding positions.

As of January 31, 2024, information related to these offsetting arrangements was as follows (in millions):

|                    | Gross Amounts of<br>Recognized Assets | Gross Amounts Offset<br>on the Consolidated<br>Balance Sheets | Net Amounts of Assets<br>Presented on the<br>Consolidated Balance<br>Sheets | Gross Amounts Not Offset on the<br>Consolidated Balance Sheets |                             |                    |
|--------------------|---------------------------------------|---|---|--|-----------------------------|--------------------|
|                    |                                       |   |   | Financial<br>Instruments                                       | Cash Collateral<br>Received | Net Assets Exposed |
| Derivative assets: |                                       |   |   |  |                             |                    |
| Counterparty A     | \$ 13                                 | \$ —  | \$ 13   | \$ (4)   | \$ —                        | \$ 9               |
| Counterparty B     | 11                                    | —   | 11  | (6)  | —                           | 5                  |
| Counterparty C     | 2                                     | —   | 2   | (1)  | —                           | 1                  |
| Counterparty D     | 17                                    | —   | 17  | (14)   | —                           | 3                  |
| Counterparty E     | 3                                     | —   | 3   | (2)  | —                           | 1                  |
| Total              | \$ 46                                 | \$ —  | \$ 46   | \$ (27)  | \$ —                        | \$ 19              |

|                         | Gross Amounts of<br>Recognized<br>Liabilities | Gross Amounts Offset<br>on the Consolidated<br>Balance Sheets | Net Amounts of<br>Liabilities Presented<br>on the Consolidated<br>Balance Sheets | Gross Amounts Not Offset on the<br>Consolidated Balance Sheets |                            |                            |
|-------------------------|---|---|--|--|----------------------------|----------------------------|
|                         |   |   |  | Financial<br>Instruments                                       | Cash Collateral<br>Pledged | Net Liabilities<br>Exposed |
| Derivative liabilities: |   |   |  |  |                            |                            |
| Counterparty A          | \$ 4  | \$ —  | \$ 4   | \$ (4)   | \$ —                       | \$ —                       |
| Counterparty B          | 6   | —   | 6  | (6)  | —                          | —                          |
| Counterparty C          | 1   | —   | 1  | (1)  | —                          | —                          |
| Counterparty D          | 14  | —   | 14   | (14)   | —                          | —                          |
| Counterparty E          | 2   | —   | 2  | (2)  | —                          | —                          |
| Total                   | \$ 27   | \$ —  | \$ 27  | \$ (27)  | \$ —                       | \$ —                       |

#### Note 11. Debt

Outstanding debt consisted of the following (in millions):

|  | As of January 31, |          |
|--|-------------------|----------|
|  | 2024              | 2023     |
| 2027 Notes   | \$ 1,000          | \$ 1,000 |
| 2029 Notes   | 750               | 750      |
| 2032 Notes   | 1,250             | 1,250    |
| Total principal amount                             | 3,000             | 3,000    |
| Less: unamortized debt discount and issuance costs | (20)              | (24)     |
| Net carrying amount                                | 2,980             | 2,976    |
| Debt, noncurrent                                   | \$ 2,980          | \$ 2,976 |

As of January 31, 2024, the future principal payments for the outstanding debt were as follows (in millions):

|                        |          |
|------------------------|----------|
| Fiscal Period:         |          |
| 2025                   | \$ —     |
| 2026                   | —        |
| 2027                   | —        |
| 2028                   | 1,000    |
| 2029                   | —        |
| Thereafter             | 2,000    |
| Total principal amount | \$ 3,000 |

### Senior Notes

In April 2022, we issued \$3.0 billion aggregate principal amount of senior notes, consisting of \$1.0 billion aggregate principal amount of 3.500% notes due April 1, 2027, \$750 million aggregate principal amount of 3.700% notes due April 1, 2029, and \$1.25 billion aggregate principal amount of 3.800% notes due April 1, 2032. Interest is payable semi-annually in arrears on April 1 and October 1 of each year, which commenced in October 2022.

The Senior Notes are unsecured obligations and rank equally with all existing and future unsecured and unsubordinated indebtedness of Workday. We may redeem the Senior Notes in whole or in part at any time or from time to time, at specified redemption dates and prices. In addition, upon the occurrence of certain change of control triggering events, we may be required to repurchase the Senior Notes under specified terms. The indenture governing the Senior Notes also includes covenants (including certain limited covenants restricting our ability to incur certain liens and enter into certain sale and leaseback transactions), events of default, and other customary provisions. As of January 31, 2024, we were in compliance with all covenants associated with the Senior Notes.

We incurred debt discount and issuance costs of approximately \$27 million in connection with the Senior Notes offering, which were allocated on a pro rata basis to the 2027 Notes, 2029 Notes, and 2032 Notes. The debt discount and issuance costs are amortized on a straight-line basis, which approximates the effective interest rate method, to interest expense over the contractual term of each arrangement. The effective interest rates on the 2027 Notes, 2029 Notes, and 2032 Notes, which are calculated as the contractual interest rates adjusted for the debt discount and issuance costs, are 3.67%, 3.82%, and 3.90%, respectively.

As of both January 31, 2024, and 2023, the total estimated fair value of the Senior Notes was \$2.8 billion. The estimated fair values of the Senior Notes, which we have classified as Level 2 financial instruments, were determined based on quoted bid prices in an over-the-counter market on the last trading day of the reporting period.

### Credit Agreement

In April 2022, we entered into the 2022 Credit Agreement which provides for a revolving credit facility in an aggregate principal amount of \$1.0 billion. The 2022 Credit Agreement replaced our 2020 Credit Agreement, which provided for a term loan facility in an aggregate original principal amount of \$750 million and a revolving credit facility in an aggregate principal amount of \$750 million. Concurrently with entering into the 2022 Credit Agreement, we paid off the remaining principal balance of \$694 million on the term loan under the 2020 Credit Agreement and terminated the revolving credit facility under the 2020 Credit Agreement which had no outstanding balance. The modification to our revolving credit facility and extinguishment of the term loan under the 2020 Credit Agreement did not have a material impact to our Consolidated Statements of Operations for fiscal 2023.

As of January 31, 2024, and 2023, we had no outstanding revolving loans under the 2022 Credit Agreement. The revolving loans under the 2022 Credit Agreement may be borrowed, repaid, and reborrowed until April 6, 2027, at which time all amounts borrowed must be repaid. The revolving loans under the 2022 Credit Agreement will bear interest, at our option, at a base rate plus a margin of 0.000% to 0.500% or a SOFR plus 10 basis points, plus a margin of 0.750% to 1.500%, with such margin being determined based on our consolidated leverage ratio or debt rating. We are also obligated to pay an ongoing commitment fee on undrawn amounts.

The 2022 Credit Agreement contains customary representations, warranties, and affirmative and negative covenants, including a financial covenant, events of default, and indemnification provisions in favor of the lenders. The negative covenants include restrictions on the incurrence of liens and indebtedness, certain merger transactions, and other matters, all subject to certain exceptions. The financial covenant, based on a quarterly financial test, requires that we do not exceed a maximum leverage ratio of 3.50:1.00, subject to a step-up to 4.50:1.00 at our election for a certain period following an acquisition. As of January 31, 2024, and 2023, we were in compliance with all covenants included in the 2022 Credit Agreement.

### **Convertible Senior Notes**

#### **2022 Notes**

In September 2017, we issued 0.25% convertible senior notes due October 1, 2022, with a principal amount of \$1.15 billion. The 2022 Notes were unsecured, unsubordinated obligations, and interest was payable in cash in arrears at a fixed rate of 0.25% on April 1 and October 1 of each year. During the third quarter of fiscal 2023, the 2022 Notes were converted by note holders, and we repaid the \$1.15 billion principal balance in cash. We also distributed approximately 0.6 million shares of our Class A common stock to note holders during fiscal 2023, which represented the conversion value in excess of the principal amount.

#### **Notes Hedges**

In connection with the issuance of the 2022 Notes, we entered into convertible note hedge transactions ("Purchased Options") which gave us the option to purchase, subject to anti-dilution adjustments substantially identical to those in the 2022 Notes, approximately 7.8 million shares of our Class A common stock, respectively, for \$147.10 per share. During the third quarter of fiscal 2023, we received approximately 0.6 million shares of our Class A common stock from the exercise of the Purchased Options, which offset the economic dilution to our Class A common stock upon conversion of the 2022 Notes. These shares were recorded as Treasury stock on the Consolidated Balance Sheets. The Purchased Options were separate transactions and were not part of the terms of the 2022 Notes, and the unexercised Purchased Options expired on October 1, 2022.

#### **Warrants**

In connection with the issuance of the 2022 Notes, we also entered into transactions to sell warrants ("Warrants") to acquire, subject to anti-dilution adjustments, up to approximately 7.8 million shares of our Class A common stock over 60 scheduled trading days beginning in January 2023 at an exercise price of \$213.96 per share. During the first quarter of fiscal 2024, the Warrants fully expired without exercise.

### **Interest Expense on Debt**

The following table sets forth total interest expense recognized related to our debt (in millions):

|   | Year Ended January 31, |        |       |
|---|------------------------|--------|-------|
|   | 2024                   | 2023   | 2022  |
| Contractual interest expense  | \$ 110                 | \$ 95  | \$ 13 |
| Interest cost related to amortization and write-off of debt discount and issuance costs | 4                      | 7      | 4     |
| Total interest expense  | \$ 114                 | \$ 102 | \$ 17 |

### **Note 12. Leases**

We have entered into operating lease agreements for our office space, data centers, and other property and equipment. Operating lease right-of-use assets were \$289 million and \$249 million as of January 31, 2024, and 2023, respectively, and operating lease liabilities were \$316 million and \$273 million as of January 31, 2024, and 2023, respectively. We have also entered into finance lease agreements for other property and equipment. As of January 31, 2024, and 2023, finance leases were not material.

The components of operating lease expense were as follows (in millions):

|                            | Year Ended January 31, |               |               |
|----------------------------|------------------------|---------------|---------------|
|                            | 2024                   | 2023          | 2022          |
| Operating lease cost       | \$ 109                 | \$ 99         | \$ 93         |
| Short-term lease cost      | 3                      | 4             | 6             |
| Variable lease cost        | 46                     | 45            | 26            |
| Total operating lease cost | <u>\$ 158</u>          | <u>\$ 148</u> | <u>\$ 125</u> |

Supplemental cash flow information related to our operating leases was as follows (in millions):

|  | Year Ended January 31, |       |       |
|--|------------------------|-------|-------|
|  | 2024                   | 2023  | 2022  |
| Cash paid for operating lease liabilities  | \$ 112                 | \$ 94 | \$ 91 |
| Operating lease right-of-use assets obtained in exchange for new operating lease liabilities | 139                    | 96    | 55    |

Other information related to our operating leases was as follows:

|  | As of January 31, |        |
|--|-------------------|--------|
|  | 2024              | 2023   |
| Weighted average remaining lease term (in years) | 5                 | 5      |
| Weighted average discount rate                   | 3.95 %            | 2.79 % |

As of January 31, 2024, maturities of operating lease liabilities were as follows (in millions):

|                                   |               |
|-----------------------------------|---------------|
| Fiscal Period:                    |               |
| 2025                              | \$ 100        |
| 2026                              | 80            |
| 2027                              | 61            |
| 2028                              | 47            |
| 2029                              | 32            |
| Thereafter                        | 39            |
| Total lease payments              | 359           |
| Less imputed interest             | (43)          |
| Total operating lease liabilities | <u>\$ 316</u> |

As of January 31, 2024, we have additional operating leases for data centers and office space that had not yet commenced with total undiscounted lease payments of \$91 million. These operating leases will commence in fiscal 2025 and fiscal 2026, with lease terms ranging from approximately five to nine years.

#### **Related-Party Transactions**

There were no material related party transactions related to our leases in fiscal 2024 or 2023.

#### **Leased Property Purchase**

As discussed in [Note 6, Property and Equipment, Net](#), during fiscal 2022, we purchased certain leased office space within our corporate headquarters from an affiliate of Mr. Duffield for \$173 million in cash. Subsequent to the purchase, the Property was included in Property and equipment, net on the Consolidated Balance Sheets. Total rent expense under these agreements was \$2 million for fiscal 2022.

## Note 13. Commitments and Contingencies

### Purchase Obligations

Our purchase obligations are primarily related to agreements for third-party hosted infrastructure platforms, data center equipment and software, business technology software and support, and sales and marketing activities. These obligations consist of agreements to purchase goods and services that are enforceable and legally binding, and specify all significant terms and the approximate timing of the payments. For purchase obligations with cancellation provisions, the amounts included in the following table were limited to the non-cancelable portion of the agreement terms or the minimum cancellation fees.

Future payments under purchase obligations with a remaining term in excess of one year as of January 31, 2024, were as follows (in millions):

|                | Third-Party Hosted<br>Infrastructure<br>Platform Obligations | Other Purchase<br>Obligations |
|----------------|--|-------------------------------|
| Fiscal Period: |  |                               |
| 2025           | \$ 180   | \$ 120                        |
| 2026           | 314  | 94                            |
| 2027           | 358  | 71                            |
| 2028           | 414  | 70                            |
| 2029           | 591  | 50                            |
| Thereafter     | —  | 58                            |
| Total          | <u>\$ 1,857</u>  | <u>\$ 463</u>                 |

### Legal Matters

We are a party to various legal proceedings and claims that arise in the ordinary course of business. We make a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular matter. In our opinion, as of January 31, 2024, there was not at least a reasonable possibility that we had incurred a material loss, or a material loss in excess of a recorded accrual, with respect to such loss contingencies.

## Note 14. Stockholders' Equity

### Common Stock

As of January 31, 2024, there were 211 million shares of Class A common stock, net of treasury stock, and 53 million shares of Class B common stock outstanding. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to 10 votes per share. Each share of Class B common stock can be converted into a share of Class A common stock at any time at the option of the holder. All of our Class A and Class B shares will convert to a single class of common stock upon the date that is the first to occur of (i) October 17, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A common stock and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhushri, and (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock.

### Share Repurchase Programs

In November 2022, our Board of Directors authorized the repurchase of up to \$500 million of our outstanding shares of Class A common stock. Under the 2022 Share Repurchase Program, we may repurchase shares of Class A common stock from time to time through open market purchases, in privately negotiated transactions, or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act, in accordance with applicable securities laws and other restrictions. The timing and total amount of stock repurchases will depend upon business, economic, and market conditions, corporate and regulatory requirements, prevailing stock prices, and other considerations. The 2022 Share Repurchase Program has a term of 18 months, may be suspended or discontinued at any time, and does not obligate us to acquire any amount of Class A common stock.

During fiscal 2024 and 2023, we repurchased approximately 1.8 million and 0.5 million shares of Class A common stock for approximately \$423 million and \$75 million, at an average price per share of \$228.67 and \$165.75, respectively. All repurchases were made in open market transactions. As of January 31, 2024, we were authorized to purchase a remaining \$2 million of our outstanding shares of Class A common stock under the 2022 Share Repurchase Program.

In February 2024, our Board of Directors authorized the 2024 Share Repurchase Program, under which we may repurchase up to an additional \$500 million of our outstanding shares of Class A common stock. For further information, see [Note 21. Subsequent Events](#).

### Employee Equity Plans

In June 2022, our stockholders approved the 2022 Equity Incentive Plan ("2022 Plan"), with a reserve of 30 million shares for issuance. The 2022 Plan serves as the successor to our 2012 Equity Incentive Plan ("2012 Plan" and, together with the 2022 Plan, "Stock Plans"). Awards that are granted on or after the effective date of the 2022 Plan will be granted pursuant to and subject to the terms and provisions of the 2022 Plan. Prior awards granted under the 2012 Plan continue to be subject to the terms and provisions of the 2012 Plan. As of January 31, 2024, we had 21 million shares of Class A common stock available for future grants.

In June 2022, our stockholders approved the ESPP. Under the ESPP, eligible employees are granted options to purchase shares at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value at the time of exercise. Options to purchase shares are granted twice yearly on or about June 1 and December 1, and are exercisable on or about the succeeding November 30 and May 31, respectively. As of January 31, 2024, 4 million shares of Class A common stock were available for issuance under the ESPP.

### Restricted Stock Units

The Stock Plans provide for the issuance of RSUs to employees and non-employees. RSUs generally vest over four years. RSU activity during fiscal 2024 was as follows (in thousands, except per share data):

|                                | Number of Shares | Weighted-Average<br>Grant Date Fair Value |
|--------------------------------|------------------|---|
| Balance as of January 31, 2023 | 14,099           | \$ 206.38                                 |
| RSUs granted                   | 8,961            | 197.22                                    |
| RSUs vested                    | (6,489)          | 201.71                                    |
| RSUs forfeited                 | (1,551)          | 196.93                                    |
| Balance as of January 31, 2024 | 15,020           | 203.94                                    |

The weighted-average grant date fair value of RSUs granted during fiscal 2024, 2023, and 2022 was \$197.22, \$200.98, and \$259.61, respectively. The total fair value of RSUs vested as of the vesting dates during fiscal 2024, 2023, and 2022 was \$1.4 billion, \$977 million, and \$1.6 billion, respectively.

In the fourth quarter of fiscal 2023, we modified the vesting date of all unvested RSU awards from the 15th to the 5th of each month. This change impacted awards vesting after December 31, 2022, and resulted in an acceleration of share-based compensation expense in fiscal 2023 of \$28 million.

As of January 31, 2024, there was a total of \$2.3 billion in unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested RSUs, which is expected to be recognized over a weighted-average period of approximately three years.



### Market-Based Restricted Stock Units

In December 2022, 0.3 million shares of market-based RSUs were granted to Mr. Eschenbach, in connection with his appointment as Co-CEO, that vest based on appreciation of the price of our Class A common stock over a multi-year period and upon continued service ("PVU Award"). We estimated the fair value of the PVU Award on the grant date using the Monte Carlo simulation model with the following assumptions: (i) expected volatility of 40%, (ii) risk-free interest rate of 4%, and (iii) total performance period of six years. The weighted-average grant date fair value of the PVU Award was \$124.80 per share. We recognize expense for the PVU Award over the requisite service period of five years using the accelerated attribution method. Provided that the requisite service is rendered, the total fair value of the PVU Award at the date of grant is recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the achievement of the specified market criteria.

As of January 31, 2024, there was a total of \$19 million in unrecognized compensation cost related to the PVU Award, which is expected to be recognized over approximately four years.

### Performance-Based Restricted Stock Units

During fiscal 2022, 0.4 million shares of PRSUs were granted to employees below the level of vice president that included both service conditions and performance conditions related to company-wide goals. These performance conditions were met and the PRSUs vested on March 15, 2022. We did not grant any company-wide PRSUs in fiscal 2024 or 2023.

### Stock Options

The Stock Plans provide for the issuance of incentive and nonstatutory stock options to employees and non-employees. Stock options issued under the Stock Plans generally are exercisable for periods not to exceed ten years and generally vest over five years. Stock option activity during fiscal 2024 was as follows (in thousands, except aggregate intrinsic value, which is reflected in millions, and per share data):

|  | Outstanding Stock Options | Weighted-Average Exercise Price | Aggregate Intrinsic Value |
|--|---------------------------|---------------------------------|---------------------------|
| Balance as of January 31, 2023                     | 115                       | \$ 30.36                        | \$ 17                     |
| Stock options exercised                            | (27)                      | 34.10                           |                           |
| Stock options canceled                             | —                         | —                               |                           |
| Balance as of January 31, 2024                     | 88                        | 29.20                           | 23                        |
| Vested and expected to vest as of January 31, 2024 | 88                        | 29.20                           | 23                        |
| Exercisable as of January 31, 2024                 | 88                        | 29.20                           | 23                        |

As of January 31, 2024, all stock options were fully vested with no remaining unrecognized compensation cost.

The total intrinsic value of stock options exercised during fiscal 2024, 2023, and 2022 was \$5 million, \$41 million, and \$209 million, respectively. The intrinsic value is the difference between the current fair value of the stock and the exercise price of the stock option.

As of January 31, 2024, stock options have a weighted-average remaining contractual life of approximately four years.

### Employee Stock Purchase Plan

For fiscal 2024, approximately 1 million shares of Class A common shares were purchased under the ESPP at a weighted-average price of \$159.64 per share, resulting in cash proceeds of \$176 million.

The fair value of stock purchase rights granted under the ESPP was estimated using the following assumptions:

|                                 | Year Ended January 31, |                     |                     |
|---------------------------------|------------------------|---------------------|---------------------|
|                                 | 2024                   | 2023                | 2022                |
| Expected volatility             | 31.5% - 33.2%          | 46.2% - 48.5%       | 30.4% - 41.5%       |
| Expected term (in years)        | 0.5                    | 0.5                 | 0.5                 |
| Risk-free interest rate         | 5.33% - 5.44%          | 1.63% - 4.65%       | 0.04% - 0.10%       |
| Dividend yield                  | —%                     | —%                  | —%                  |
| Grant date fair value per share | \$215.31 - \$272.92    | \$156.56 - \$169.48 | \$225.70 - \$260.86 |

**Note 15. Contract Balances and Performance Obligations**
**Contract Balances**

Contract assets and unearned revenue balances were as follows (in millions):

|                                   | Consolidated Balance Sheets Location | As of January 31, |          |
|-----------------------------------|--------------------------------------|-------------------|----------|
|                                   |                                      | 2024              | 2023     |
| Contract assets:                  |                                      |                   |          |
| Contract assets, current          | Trade and other receivables, net     | \$ 240            | \$ 160   |
| Contract assets, noncurrent       | Other assets                         | 21                | —        |
| Total contract assets             |                                      | \$ 261            | \$ 160   |
| Unearned revenue <sup>(1)</sup> : |                                      |                   |          |
| Unearned revenue, current         | Unearned revenue                     | \$ 4,057          | \$ 3,559 |
| Unearned revenue, noncurrent      | Unearned revenue, noncurrent         | 70                | 75       |
| Total unearned revenue            |                                      | \$ 4,127          | \$ 3,634 |

(1) Included in this balance are amounts related to professional services that are subject to cancellation and pro-rated refund rights of \$76 million and \$68 million as of January 31, 2024, and 2023, respectively.

Revenues of \$3.5 billion, \$3.0 billion, and \$2.5 billion were recognized during fiscal 2024, 2023, and 2022, respectively, that were included in the unearned revenue balances at the beginning of the respective periods.

**Transaction Price Allocated to the Remaining Performance Obligations**

As of January 31, 2024, approximately \$20.9 billion of revenues are expected to be recognized from remaining performance obligations for subscription contracts. We expect to recognize revenues on approximately \$6.6 billion and \$11.7 billion of these remaining performance obligations over the next 12 and 24 months, respectively, with the balance recognized thereafter. Revenues from remaining performance obligations for professional services contracts as of January 31, 2024, were not material.

**Note 16. Other Income (Expense), Net**

Other income (expense), net consisted of the following (in millions):

|                                   | Year Ended January 31, |         |        |
|-----------------------------------|------------------------|---------|--------|
|                                   | 2024                   | 2023    | 2022   |
| Interest income                   | \$ 301                 | \$ 97   | \$ 5   |
| Interest expense <sup>(1)</sup>   | (114)                  | (102)   | (17)   |
| Other <sup>(2)</sup>              | (14)                   | (33)    | 144    |
| Total other income (expense), net | \$ 173                 | \$ (38) | \$ 132 |

(1) Interest expense primarily includes the contractual interest expense of our debt obligations, and the related non-cash interest expense attributable to amortization of the debt discount and issuance costs. For further information, see [Note 11, Debt](#).

(2) Other primarily includes the net gains (losses) from our equity investments. For further information, see [Note 3, Investments](#).

**Note 17. Income Taxes**

The components of income (loss) before provision for (benefit from) income taxes were as follows (in millions):

|  | Year Ended January 31, |          |        |
|--|------------------------|----------|--------|
|  | 2024                   | 2023     | 2022   |
| Domestic   | \$ 465                 | \$ (59)  | \$ 309 |
| Foreign  | (109)                  | (201)    | (293)  |
| Income (loss) before provision for (benefit from) income taxes | \$ 356                 | \$ (260) | \$ 16  |

The provision for (benefit from) income taxes consisted of the following (in millions):

|   | Year Ended January 31, |        |         |
|---|------------------------|--------|---------|
|   | 2024                   | 2023   | 2022    |
| Current:                                  |                        |        |         |
| Federal                                   | \$ 2                   | \$ —   | \$ —    |
| State                                     | 19                     | 14     | 1       |
| Foreign                                   | 14                     | 97     | 7       |
| Total                                     | 35                     | 111    | 8       |
| Deferred:                                 |                        |        |         |
| Federal                                   | (855)                  | 1      | (2)     |
| State                                     | (207)                  | 1      | (1)     |
| Foreign                                   | 2                      | (6)    | (18)    |
| Total                                     | (1,060)                | (4)    | (21)    |
| Provision for (benefit from) income taxes | \$ (1,025)             | \$ 107 | \$ (13) |

The items accounting for the difference between income taxes computed at the federal statutory income tax rate and the provision for (benefit from) income taxes consisted of the following:

|   | Year Ended January 31, |         |          |
|---|------------------------|---------|----------|
|   | 2024                   | 2023    | 2022     |
| Federal statutory rate                  | 21.0 %                 | 21.0 %  | 21.0 %   |
| Effect of:                              |                        |         |          |
| Foreign income at other than U.S. rates | 10.9 %                 | (44.7)% | 321.0 %  |
| Intercompany transactions               | (4.3)%                 | 3.5 %   | (158.2)% |
| Research tax credits                    | (26.3)%                | 26.5 %  | (447.7)% |
| State taxes, net of federal benefit     | 5.1 %                  | (4.7)%  | (0.7)%   |
| Changes in valuation allowance          | (315.5)%               | (14.9)% | 558.5 %  |
| Share-based compensation                | 19.1 %                 | (26.5)% | (365.4)% |
| Permanent difference                    | 1.2 %                  | (0.9)%  | 4.6 %    |
| Nontaxable gain on investment           | — %                    | — %     | (15.7)%  |
| Other                                   | 1.2 %                  | (0.4)%  | 1.0 %    |
| Total                                   | (287.6)%               | (41.1)% | (81.6)%  |

The benefit from income taxes increased in fiscal 2024 primarily due to the release of a portion of our valuation allowance related to U.S. federal and state deferred tax assets.

Significant components of our deferred tax assets and liabilities were as follows (in millions):

|   | As of January 31, |         |
|---|-------------------|---------|
|   | 2024              | 2023    |
| Deferred tax assets:                            |                   |         |
| Unearned revenue                                | \$ 16             | \$ 11   |
| Other reserves and accruals                     | 47                | 61      |
| Tax attributes carryforward                     | 1,431             | 1,587   |
| Capitalized research and development expense    | 367               | 255     |
| Property and equipment                          | —                 | 30      |
| Share-based compensation                        | 69                | 75      |
| Intangibles                                     | 483               | 503     |
| Operating lease liabilities                     | 69                | 63      |
| Other   | 16                | 15      |
| Total deferred tax assets                       | 2,498             | 2,600   |
| Valuation allowance                             | (1,182)           | (2,358) |
| Deferred tax assets, net of valuation allowance | 1,316             | 242     |
| Deferred tax liabilities:                       |                   |         |
| Deferred commissions                            | (145)             | (127)   |
| Operating lease right-of-use assets             | (62)              | (57)    |
| Property and equipment                          | (13)              | —       |
| Other   | (33)              | (47)    |
| Total deferred tax liabilities                  | (253)             | (231)   |
| Net deferred tax assets                         | \$ 1,063          | \$ 11   |

We periodically evaluate the realizability of our deferred tax assets based on all available evidence, both positive and negative. Prior to fiscal 2024, we considered global cumulative losses as a significant piece of negative evidence. During fiscal 2024, we recognized cumulative earnings on a global basis and were profitable in the U.S. Our ability to sustain and grow our profitability is supported by the continued positive operating performance in the U.S. We also considered forecasts of future taxable income and evaluated the utilization of tax attributes before their expiration. After considering these factors, we determined that the positive evidence outweighed the negative evidence and concluded that it was more likely than not that the majority of U.S. deferred tax assets were realizable. As a result, we released the valuation allowance against all U.S. federal deferred tax assets and state deferred tax assets, excluding certain state tax credits. The remaining valuation allowance of \$1.2 billion as of January 31, 2024, was primarily related to tax credits in certain state jurisdictions and net operating loss in certain foreign jurisdictions. We will continue to evaluate the need for valuation allowances for our deferred tax assets.

The valuation allowance on our net deferred tax assets decreased by \$1.2 billion during fiscal 2024, primarily due to the release of the U.S. federal and state valuation allowance discussed above. The valuation allowance increased by \$116 million during fiscal 2023 primarily due to an increase in deferred tax assets on amortization of intangibles from business combinations and capitalized research and development expenditures and credits, which were partially offset by the utilization of net operating losses.

As of January 31, 2024, we had approximately \$1.7 billion of federal, \$1.9 billion of state, and \$3.5 billion of foreign net operating loss and other tax attributes carryforwards available to offset future taxable income. If not utilized, the pre-fiscal 2018 federal and the state net operating loss carryforwards expire in varying amounts between fiscal 2025 and 2042. The federal net operating losses generated in and after fiscal 2018 and the foreign net operating losses and other tax attributes do not expire and may be carried forward indefinitely.

We also had approximately \$387 million of federal and \$345 million of California research and development tax credit carryforwards as of January 31, 2024. The federal credits expire in varying amounts between fiscal 2025 and 2044. The California research credits do not expire and may be carried forward indefinitely.

Our ability to utilize the net operating loss and tax credit carryforwards in the future may be subject to substantial restrictions in the event of past or future ownership changes as defined in Section 382 of the Internal Revenue Code of 1986, as amended, and similar state tax law.

We intend to permanently reinvest any future earnings in our foreign operations unless such earnings are subject to U.S. federal income taxes. As of January 31, 2024, we estimate any such hypothetical foreign withholding tax expense to be immaterial to our financial statements.

A reconciliation of the gross unrecognized tax benefit is as follows (in millions):

|  | Year Ended January 31, |        |        |
|--|------------------------|--------|--------|
|  | 2024                   | 2023   | 2022   |
| Unrecognized tax benefits at the beginning of the period | \$ 196                 | \$ 174 | \$ 160 |
| Additions for tax positions taken in prior years         | 30                     | 1      | —      |
| Reductions for tax positions taken in prior years        | —                      | —      | (1)    |
| Additions for tax positions related to the current year  | 27                     | 21     | 15     |
| Unrecognized tax benefits at the end of the period       | \$ 253                 | \$ 196 | \$ 174 |

Our policy is to include interest and penalties related to unrecognized tax benefits within our provision for income taxes. We did not accrue any material interest expense or penalties during fiscal 2024, 2023, or 2022.

Of the total amount of unrecognized tax benefits of \$253 million, \$125 million, if recognized, would impact the effective tax rate as of January 31, 2024.

We file federal, state, and foreign income tax returns in jurisdictions with varying statutes of limitations. Due to our net operating loss carryforwards, our income tax returns generally remain subject to examination by federal and most state and foreign tax authorities.

#### Note 18. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the period, net of treasury stock. Diluted net income (loss) per share is computed by giving effect to all potentially dilutive shares of common stock, including our convertible senior notes, outstanding warrants related to the issuance of the convertible senior notes, and outstanding share-based awards consisting primarily of unvested RSUs and ESPP obligations. We determine the dilutive effect of outstanding share-based awards and warrants using the treasury stock method, and the dilutive effect of shares underlying our convertible senior notes using the if-converted method.

The net income (loss) per share is allocated based on the contractual participation rights of the Class A common shares and Class B common shares as if the income (loss) for the period had been distributed. As the liquidation and dividend rights are identical, the net income (loss) is allocated on a proportionate basis. The computation of the diluted net income per share of Class A common stock assumes the conversion of our Class B common stock to Class A common stock, while the diluted net income (loss) per share of Class B common stock does not assume the conversion of those shares.

Basic and diluted net loss per share was the same for fiscal 2023, as the inclusion of potentially outstanding weighted-average shares of common stock would have been anti-dilutive due to the incurrence of net loss during the period.

The following table presents the calculation of basic and diluted net income (loss) per share (in millions, except number of shares, which are reflected in thousands, and per share data):

|   | Year Ended January 31, |                |                  |                  |                |                |
|---|------------------------|----------------|------------------|------------------|----------------|----------------|
|   | 2024                   |                | 2023             |                  | 2022           |                |
|   | Class A                | Class B        | Class A          | Class B          | Class A        | Class B        |
| <b>Net income (loss) per share, basic:</b>  |                        |                |                  |                  |                |                |
| Numerator:  |                        |                |                  |                  |                |                |
| Net income (loss)   | \$ 1,094               | \$ 287         | \$ (288)         | \$ (79)          | \$ 22          | \$ 7           |
| Denominator:  |                        |                |                  |                  |                |                |
| Weighted-average shares outstanding, basic  | 207,001                | 54,343         | 199,805          | 55,014           | 189,864        | 57,385         |
| Net income (loss) per share, basic  | <u>\$ 5.28</u>         | <u>\$ 5.28</u> | <u>\$ (1.44)</u> | <u>\$ (1.44)</u> | <u>\$ 0.12</u> | <u>\$ 0.12</u> |
| <b>Net income (loss) per share, diluted:</b>  |                        |                |                  |                  |                |                |
| Numerator:  |                        |                |                  |                  |                |                |
| Net income (loss)   | \$ 1,094               | \$ 287         | \$ (288)         | \$ (79)          | \$ 22          | \$ 7           |
| Reallocation of net income as a result of conversion of Class B to Class A common stock | 287                    | —              | —                | —                | 7              | —              |
| Reallocation of net income to Class B common stock                                      | —                      | (4)            | —                | —                | —              | —              |
| Net income (loss) for diluted calculation   | 1,381                  | 283            | (288)            | (79)             | 29             | 7              |
| Denominator:  |                        |                |                  |                  |                |                |
| Weighted-average shares outstanding, basic  | 207,001                | 54,343         | 199,805          | 55,014           | 189,864        | 57,385         |
| Conversion of Class B to Class A common stock   | 54,343                 | —              | —                | —                | 57,385         | —              |
| Dilutive effect of share-based awards   | 3,941                  | —              | —                | —                | 5,549          | —              |
| Dilutive effect of warrants related to the issuance of convertible senior notes         | —                      | —              | —                | —                | 1,234          | —              |
| Weighted-average shares outstanding, diluted  | 265,285                | 54,343         | 199,805          | 55,014           | 254,032        | 57,385         |
| Net income (loss) per share, diluted  | <u>\$ 5.21</u>         | <u>\$ 5.21</u> | <u>\$ (1.44)</u> | <u>\$ (1.44)</u> | <u>\$ 0.12</u> | <u>\$ 0.12</u> |

The computation of diluted net income (loss) per share does not include the effect of the following potentially outstanding weighted-average shares of common stock. The effects of these potentially outstanding shares were not included in the calculation of diluted net income (loss) per share because the effect would have been anti-dilutive (in thousands):

|  | Year Ended January 31, |               |              |
|--|------------------------|---------------|--------------|
|  | 2024                   | 2023          | 2022         |
| Shares related to outstanding share-based awards                               | 2,206                  | 15,454        | 1,436        |
| Shares related to the convertible senior notes                                 | —                      | 5,182         | 7,817        |
| Shares subject to warrants related to the issuance of convertible senior notes | —                      | 7,762         | —            |
| Total  | <u>2,206</u>           | <u>28,398</u> | <u>9,253</u> |

## Note 19. Geographic Information

### Revenues

We sell our subscription contracts and related services in two primary geographical markets: to customers located in the United States and to customers located outside of the United States. Revenues by geography are generally based on the address of the customer as specified in our customer subscription agreement. The following table sets forth revenues by geographic area (in millions):

|                 | Year Ended January 31, |                 |                 |
|-----------------|------------------------|-----------------|-----------------|
|                 | 2024                   | 2023            | 2022            |
| United States   | \$ 5,457               | \$ 4,682        | \$ 3,846        |
| Other countries | 1,802                  | 1,534           | 1,293           |
| Total revenues  | <u>\$ 7,259</u>        | <u>\$ 6,216</u> | <u>\$ 5,139</u> |

### ***Long-Lived Assets***

Our long-lived assets, which primarily consist of property and equipment and operating lease right-of-use assets, are attributed to a country based on the physical location of the assets. Aggregate Property and equipment, net and Operating lease right-of-use assets by geographic area was as follows (in millions):

|                         | As of January 31, |          |
|-------------------------|-------------------|----------|
|                         | 2024              | 2023     |
| United States           | \$ 1,199          | \$ 1,206 |
| Ireland                 | 213               | 159      |
| Other countries         | 111               | 85       |
| Total long-lived assets | \$ 1,523          | \$ 1,450 |

### **Note 20. 401(k) Plan**

We have a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. We match a certain portion of employee contributions up to a fixed maximum per employee. Our contributions to the plan were \$64 million, \$57 million, and \$46 million during fiscal 2024, 2023, and 2022, respectively.

### **Note 21. Subsequent Events**

#### ***HiredScore, Inc.***

In February 2024, we entered into a definitive agreement to acquire HiredScore, Inc. a provider of AI powered talent orchestration solutions. The transaction is expected to close during the first quarter of fiscal 2025, subject to the satisfaction of customary closing conditions, including required regulatory approval.

#### ***2024 Share Repurchase Program***

In February 2024, our Board of Directors authorized the 2024 Share Repurchase Program, under which we may purchase up to \$500 million of our outstanding shares of Class A common stock. We may repurchase shares of Class A common stock from time to time through open market purchases, in privately negotiated transactions or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, in accordance with applicable securities laws and other restrictions. The timing and total amount of stock repurchases will depend on business, economic, and market conditions, corporate and regulatory requirements, prevailing stock prices, and other considerations. The 2024 Share Repurchase Program has a term of 18 months, may be suspended or discontinued at any time, and does not obligate us to acquire any amount of Class A common stock.

#### ***Tax Withholding Method on Employee Equity Awards***

Beginning in April 2024, we intend to fund withholding taxes due on employee equity awards by net share withholding, rather than our current approach of selling shares of our common stock on our employees' behalf to cover taxes upon vesting of such awards. We expect this net share withholding approach will increase our financing cash outflows and reduce the number of shares that will be issued from our equity plans. However, we are unable to estimate the cash outflows and number of shares that will be withheld since they will depend on the market price of our Class A common stock.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**(a) Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

**(b) Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was effective as of January 31, 2024, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part II, Item 8, and is incorporated herein by reference.

**(c) Changes in Internal Control Over Financial Reporting**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during the fourth quarter of fiscal 2024 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**(d) Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting**

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

See Management's Report on Internal Control over Financial Reporting above and the Report of Independent Registered Public Accounting Firm on our internal control over financial reporting in Item 8, which are incorporated herein by reference.



**ITEM 9B. OTHER INFORMATION**

**Insider Trading Arrangements**

During the three months ended January 31, 2024, no directors and/or officers of Workday adopted or terminated a “Rule 10b5-1 trading arrangement,” as defined in item 408(a) of Regulation S-K intending to satisfy the affirmative defense of Rule 10b5-1(c).

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The information concerning our directors, our Audit Committee, and any changes to the process by which stockholders may recommend nominees to the Board of Directors required by this Item are incorporated herein by reference to information contained in the Proxy Statement, including “Proposal No. 1: Election of Directors” and “Directors and Corporate Governance.”

The information concerning our executive officers required by this Item is incorporated herein by reference to information contained in the Proxy Statement including “Executive Officers and Other Executive Management.”

With regard to the information required by this Item regarding compliance with Section 16(a) of the Exchange Act, we will provide disclosure of delinquent Section 16(a) reports, if any, in our Proxy Statement, and such disclosure, if any, is incorporated herein by reference.

We have adopted a code of ethics, our Code of Conduct, which applies to all employees, including our principal executive officer, our principal financial officer, and all other executive officers. The Code of Conduct is available on our website at [www.workday.com/codeofconduct](http://www.workday.com/codeofconduct). A copy may also be obtained without charge by contacting Investor Relations, Workday, Inc., 6110 Stoneridge Mall Road, Pleasanton, California 94588 or by emailing [ir@workday.com](mailto:ir@workday.com).

We plan to post on our website at the address described above any future amendments or waivers of our Code of Conduct.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including “Directors and Corporate Governance” and “Executive Compensation.”

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management.”

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including “Directors and Corporate Governance,” “Related Party Transactions,” and “Employment Arrangements and Indemnification Agreements.”

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including “Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm.”

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### 1. Consolidated Financial Statements

See Index to Consolidated Financial Statements at Item 8 herein.

#### 2. Financial Statement Schedules

All schedules have been omitted because they are not required, not applicable, or not present in amounts sufficient to require submission of the schedule.

#### 3. Exhibits

| Exhibit No. | Exhibit   | Incorporated by Reference |            |                    | Exhibit No. | Filed Herewith |
|-------------|---|---------------------------|------------|--------------------|-------------|----------------|
|             |   | Form                      | File No.   | Filing Date        |             |                |
| 3.1         | <a href="#">Restated Certificate of Incorporation of the Registrant</a>   | 10-Q                      | 001-35680  | December 7, 2012   | 3.1         |                |
| 3.2         | <a href="#">Amended and Restated Bylaws of the Registrant</a>   | 8-K                       | 001-35680  | January 26, 2023   | 3.1         |                |
| 4.1         | <a href="#">Form of Registrant's Class A common stock certificate</a>   | S-1/A                     | 333-183640 | October 1, 2012    | 4.1         |                |
| 4.2         | <a href="#">Form of Registrant's Class B common stock certificate</a>   | S-8                       | 333-184395 | October 12, 2012   | 4.9         |                |
| 4.3         | <a href="#">Description of Securities</a>   | 10-K                      | 001-35680  | March 3, 2020      | 4.3         |                |
| 4.4         | <a href="#">2022 Indenture dated September 15, 2017 between Workday, Inc. and Wells Fargo Bank, National Association</a>                            | 8-K                       | 001-35680  | September 15, 2017 | 4.1         |                |
| 4.5         | <a href="#">Supplemental Indenture to the 2022 Indenture dated January 2, 2018 between Workday, Inc. and Wells Fargo Bank, National Association</a> | 8-K                       | 001-35680  | January 2, 2018    | 4.4         |                |
| 4.6         | <a href="#">Indenture, dated as of April 1, 2022, between Workday and U.S. Bank Trust Company National Association, as trustee</a>                  | 8-K                       | 001-35680  | April 1, 2022      | 4.1         |                |
| 4.7         | <a href="#">Form of 3.500% Note due 2027</a>  | 8-K                       | 001-35680  | April 1, 2022      | 4.3         |                |
| 4.8         | <a href="#">Form of 3.700% Note due 2029</a>  | 8-K                       | 001-35680  | April 1, 2022      | 4.4         |                |
| 4.9         | <a href="#">Form of 3.800% Note due 2032</a>  | 8-K                       | 001-35680  | April 1, 2022      | 4.5         |                |
| 10.1        | <a href="#">Form of Indemnification Agreement</a>   | S-1                       | 333-183640 | August 30, 2012    | 10.1        |                |
| 10.2†       | <a href="#">2012 Equity Incentive Plan, as amended</a>  | DEF 14A                   | 001-35680  | April 27, 2018     | Annex A     |                |
| 10.3†       | <a href="#">2012 Equity Incentive Plan forms of Award Agreements, as amended</a>  | 10-K                      | 001-35680  | March 3, 2020      | 10.4        |                |
| 10.4†       | <a href="#">2022 Equity Incentive Plan</a>  | S-8                       | 333-265766 | June 22, 2022      | 4.4         |                |
| 10.5†       | <a href="#">2022 Equity Incentive Plan forms of Award Agreements</a>  |                           |            |                    |             | X              |
| 10.6†       | <a href="#">Amended and Restated 2012 Employee Stock Purchase Plan</a>  | S-8                       | 333-265766 | June 22, 2022      | 4.6         |                |
| 10.7†       | <a href="#">Amended and Restated 2012 Employee Stock Purchase Plan forms of Award Agreements, as amended</a>  |                           |            |                    |             | X              |
| 10.8†       | <a href="#">Adaptive Insights, Inc. 2013 Equity Incentive Plan</a>  | S-8                       | 333-226907 | August 17, 2018    | 99.1        |                |
| 10.9†       | <a href="#">Adaptive Insights, Inc. 2013 Equity Incentive Plan forms of Award Agreements</a>  | S-8                       | 333-226907 | August 17, 2018    | 99.2        |                |

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|        |   |       |            |                    |       |   |
|--------|---|-------|------------|--------------------|-------|---|
| 10.10† | <a href="#">Workday, Inc. Executive Severance and Change in Control Policy</a>  | 8-K   | 001-35680  | December 1, 2023   | 10.1  |   |
| 10.11† | <a href="#">Letter Agreement between Carl Eschenbach and the Registrant dated December 20, 2022</a>   | 10-K  | 001-35680  | February 27, 2023  | 10.16 |   |
| 10.12† | <a href="#">Offer Letter between Zane Rowe and Workday, Inc. dated May 23, 2023</a>   | 8-K   | 001-35680  | May 25, 2023       | 10.1  |   |
| 10.13† | <a href="#">Separation and Transition Services Agreement between Barbara Larson and Workday, Inc. dated May 24, 2023</a>  | 8-K   | 001-35680  | May 25, 2023       | 10.2  |   |
| 10.14† | <a href="#">Workday, Inc. Omnibus Bonus Plan</a>  | 8-K   | 001-35680  | March 3, 2023      | 10.1  |   |
| 10.15† | <a href="#">2022 Equity Incentive Plan Global Notice of Performance Restricted Stock Unit Award for Carl Eschenbach</a>   | 10-K  | 001-35680  | February 27, 2023  | 10.17 |   |
| 10.16  | <a href="#">Restated and Amended Pleasanton Ground Lease by and between San Francisco Bay Area Rapid Transit District and CREA/Windstar Pleasanton, LLC and related assignment agreement dated January 30, 2014</a>             | 10-K  | 001-35680  | March 31, 2014     | 10.11 |   |
| 10.17  | <a href="#">Stock Restriction Agreement, by and among the Registrant, David A. Duffield and Aneel Bhusri</a>  | S-1/A | 333-183640 | October 1, 2012    | 10.11 |   |
| 10.18  | <a href="#">Form of Convertible Bond Hedge Confirmation (2022)</a>  | 8-K   | 001-35680  | September 15, 2017 | 99.1  |   |
| 10.19  | <a href="#">Form of Warrant Confirmation (2022)</a>   | 8-K   | 001-35680  | September 15, 2017 | 99.2  |   |
| 10.20  | <a href="#">Form of Additional Convertible Bond Hedge Confirmation (2022)</a>   | 8-K   | 001-35680  | September 15, 2017 | 99.3  |   |
| 10.21  | <a href="#">Form of Additional Warrant Confirmation (2022)</a>  | 8-K   | 001-35680  | September 15, 2017 | 99.4  |   |
| 10.22  | <a href="#">Credit Agreement, dated as of April 6, 2022, among Workday, certain subsidiaries of Workday, Bank of America, N.A., Wells Fargo Bank, National Association, and the other L/C Issuers and Lenders party thereto</a> | 8-K   | 001-35680  | April 7, 2022      | 10.1  |   |
| 21.1   | <a href="#">List of Subsidiaries of the Registrant</a>  |       |            |                    |       | X |
| 23.1   | <a href="#">Consent of Independent Registered Public Accounting Firm</a>  |       |            |                    |       | X |
| 24.1   | <a href="#">Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)</a>  |       |            |                    |       | X |
| 31.1   | <a href="#">Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002</a>   |       |            |                    |       | X |
| 31.2   | <a href="#">Certification of Periodic Report by Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002</a>   |       |            |                    |       | X |
| 32.1*  | <a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>   |       |            |                    |       | X |
| 32.2*  | <a href="#">Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>   |       |            |                    |       | X |

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|         |   |   |
|---------|---|---|
| 97      | <a href="#">Compensation Recovery Policy</a>  | X |
| 101.INS | XBRL Instance Document - Instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document  | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document  | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document  | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document   | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document  | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document   | X |
| 104     | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)  | X |
| †       | Indicates a management contract or compensatory plan.   |   |
| *       | These exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the SEC and are not incorporated by reference in any filing of Workday, Inc. under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in such filings. |   |

**ITEM 16. FORM 10-K SUMMARY**

Not applicable.

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Pleasanton, State of California, on this 8th day of March, 2024.

**WORKDAY, INC.**

/s/ Zane Rowe

**Zane Rowe**  
**Chief Financial Officer (Principal Financial and Accounting Officer)**

#### POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Zane Rowe or Richard H. Sauer, or any of them, his or her attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature  | Title  | Date          |
|--|--|---------------|
| <u>/s/ Carl M. Eschenbach</u><br><b>Carl M. Eschenbach</b>                 | Chief Executive Officer<br><i>(Principal Executive Officer)</i>                | March 8, 2024 |
| <u>/s/ Zane Rowe</u><br><b>Zane Rowe</b>                                   | Chief Financial Officer<br><i>(Principal Financial and Accounting Officer)</i> | March 8, 2024 |
| <u>/s/ Aneel Bhusri</u><br><b>Aneel Bhusri</b>                             | Director   | March 8, 2024 |
| <u>/s/ Thomas F. Bogan</u><br><b>Thomas F. Bogan</b>                       | Director   | March 8, 2024 |
| <u>/s/ Ann-Marie Campbell</u><br><b>Ann-Marie Campbell</b>                 | Director   | March 8, 2024 |
| <u>/s/ Christa Davies</u><br><b>Christa Davies</b>                         | Director   | March 8, 2024 |
| <u>/s/ Lynne M. Doughtie</u><br><b>Lynne M. Doughtie</b>                   | Director   | March 8, 2024 |
| <u>/s/ Wayne A.I. Frederick, M.D.</u><br><b>Wayne A.I. Frederick, M.D.</b> | Director   | March 8, 2024 |
| <u>/s/ Mark J. Hawkins</u><br><b>Mark J. Hawkins</b>                       | Director   | March 8, 2024 |
| <u>/s/ Michael M. McNamara</u><br><b>Michael M. McNamara</b>               | Director   | March 8, 2024 |
| <u>/s/ George J. Still, Jr.</u><br><b>George J. Still, Jr.</b>             | Director   | March 8, 2024 |
| <u>/s/ Jerry Yang</u><br><b>Jerry Yang</b>                                 | Director   | March 8, 2024 |