



2022 GMIC Stock Pitch Competition

Team: The Intangibles

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Brandeis University
INTERNATIONAL BUSINESS SCHOOL

Stock Summary

- Oct.21, 2022 Close: \$149.5
- 12-Month Target: \$193.4
- Upside: 29.4%
- Recommendation: **BUY**



Stock
Summary

Investment
Thesis

Company

Industry

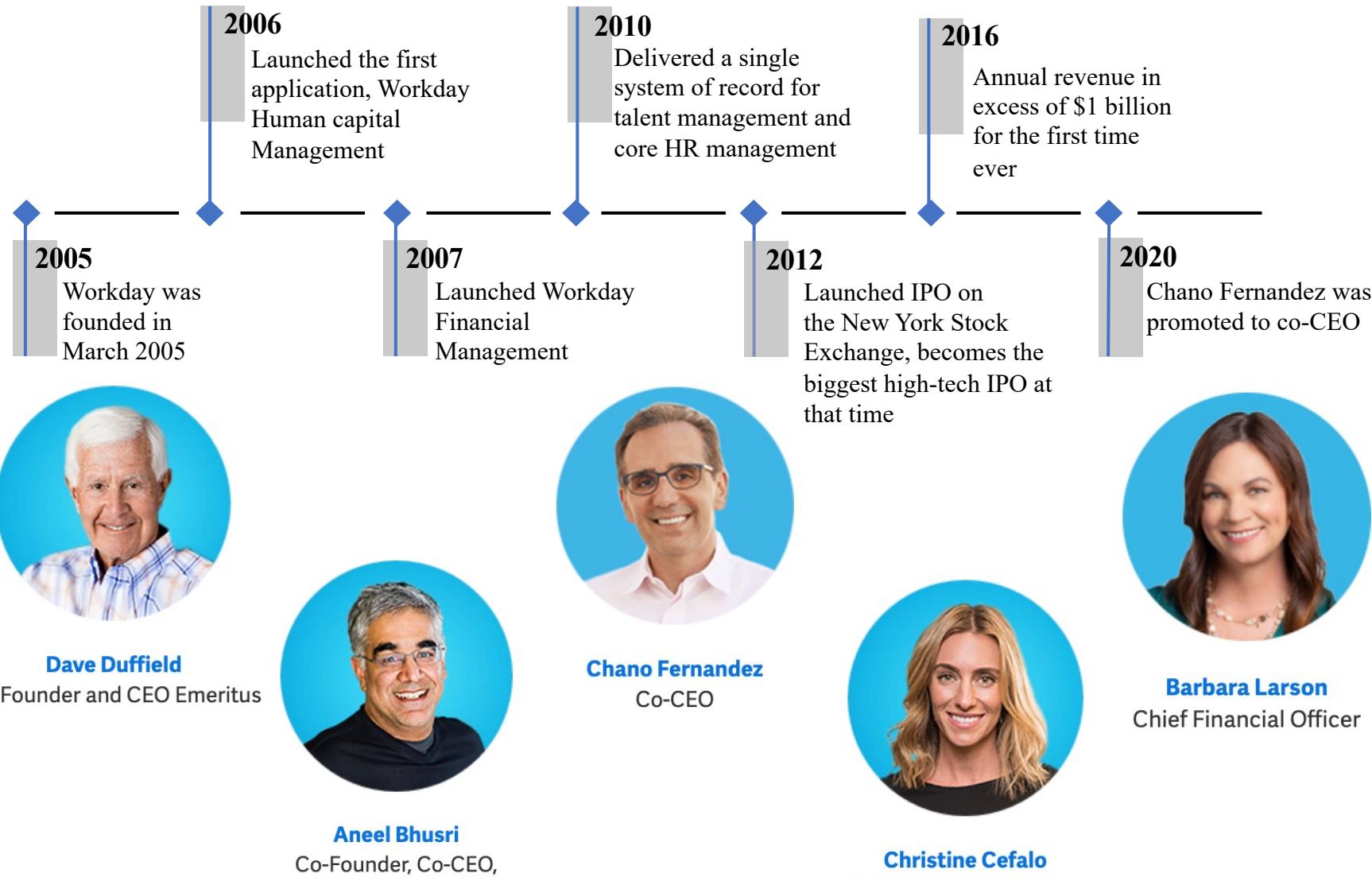
Investment
Thesis Revisit

Valuation

Risks

- Strong industry tailwind for cloud SaaS expands addressable market
- Born in the cloud, Workday has forged core competitiveness in its solutions
- Track record of securing growth opportunities to maintain strong competitive positioning

Company Milestones & Managements

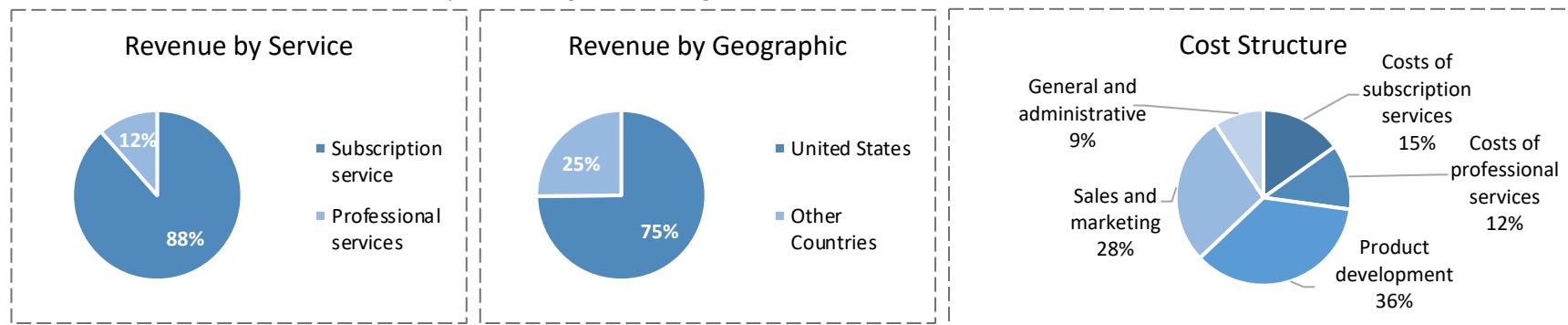


Business Model

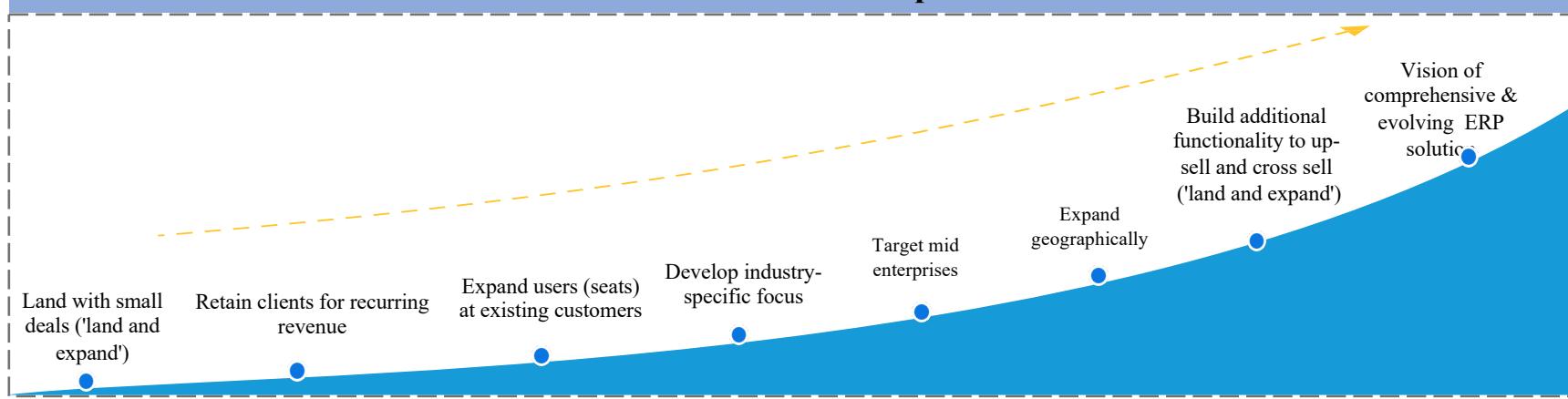


Revenue Stream

- **Subscription services** provide customers with access to one or more cloud-based application products: including finance, human capital management (HCM), work planning and analytics, etc.; contracts are typically for three years or more, billed annually in advance and cannot be cancelled in advance.
- **Professional services** include mainly consulting and training.



Business Roadmap



Source: Workday 10K

Product Architecture

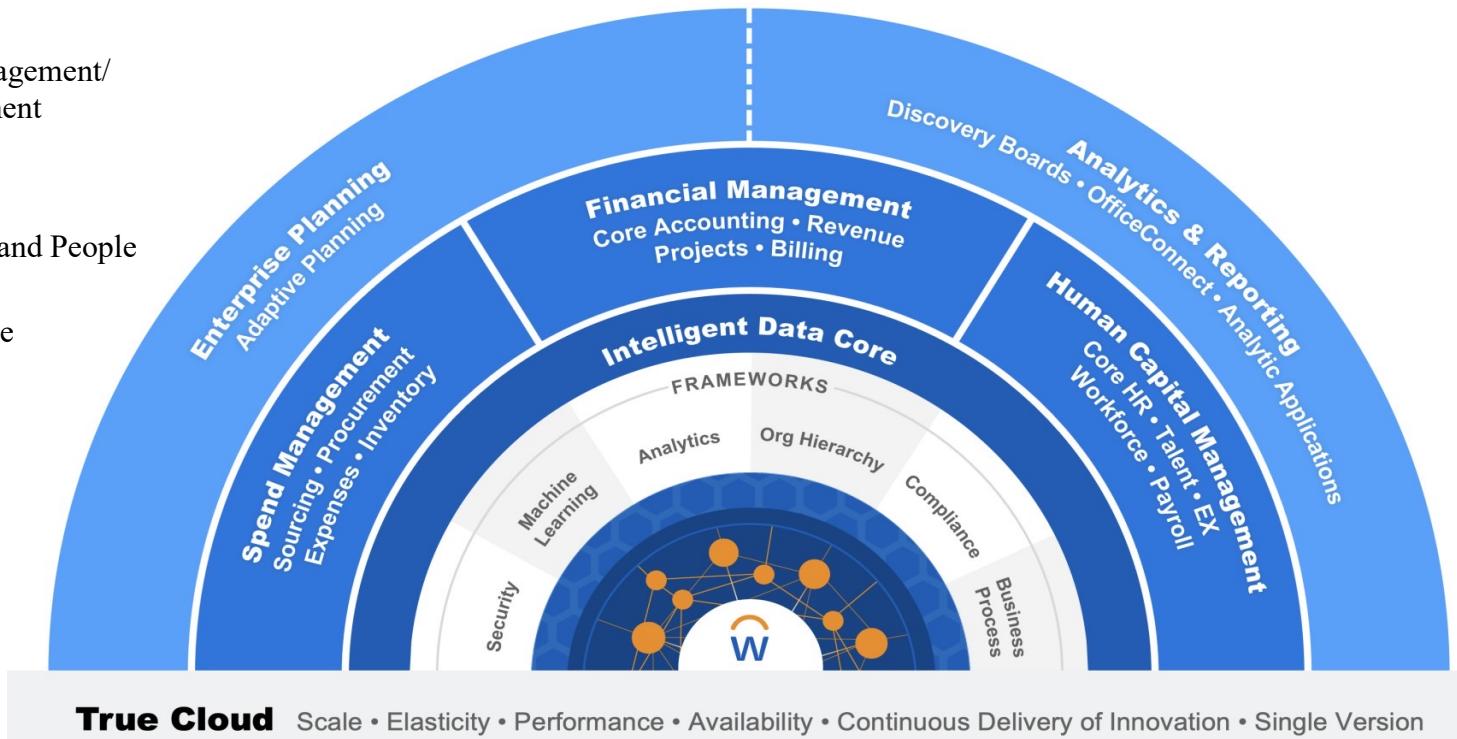


HCM

Human Capital Management/
Workforce Management
Talent Management
Payroll
Workforce Planning and People
Analytics
Employee Experience

FINS+

Financial
Management
Spend Management
Analytics
Financial Planning
Platform
Student



Reliable

- 99.7% Best-in-Class Availability SLA
- 99.97% Delivered Service Availability

Secure

- Configurable Security Model
- Privacy and Security by Design

Ambient

- Responsive, Omni-Channel, Accessible, Native Mobile

Performant

- 96% of All Transactions < 1 Second

Diverse

- Largest product is less than 15% of new ACV from customer base
- Top 10 products represent 2/3 of new ACV from customer base

Source: Workday 2022 Financial Analytics

Customer



9,500+

Global Customers

4,450+

Core Customers

\$480,000+

Average ACV per customer

50%+

Fortune 500

Financial Services					
Healthcare					
Education & Government					
Professional Services					
Retail and Hospitality					
Technology and Media					 WARNER BROS. DISCOVERY

95%+

Customer Satisfaction

98%

Average Gross Revenue
Retention Rate

<10%

Revenue from
any single customer

Source: Workday 2022 Financial Analytics

Acquisition Strategy

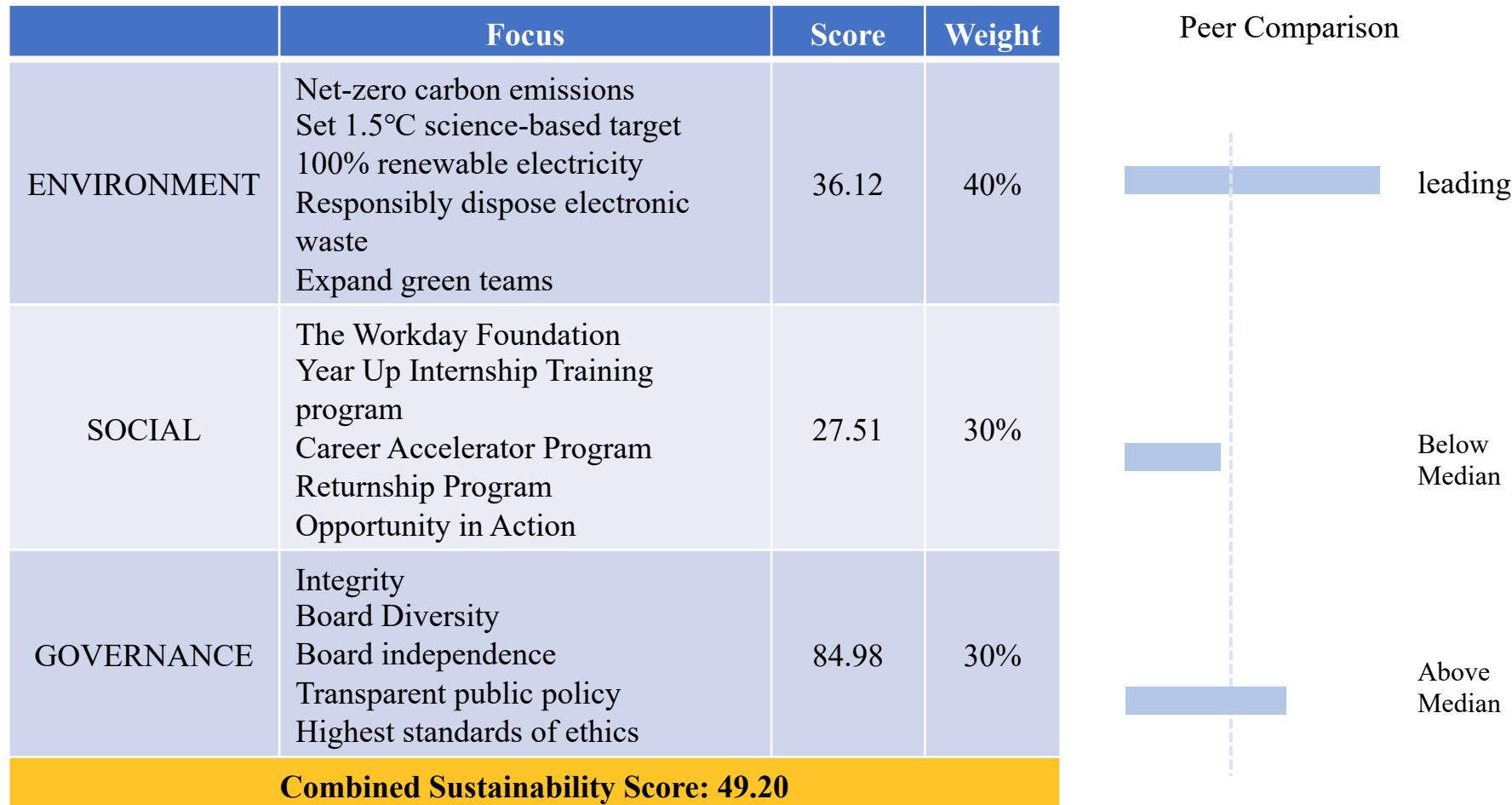


Refining ERP product lines through strategic acquisitions

Date	Target	Description	Reason
Feb 2008	CapeClear	ESB & SOA technology provider	Build out core platform
Feb 2014	Identified	Big data and analytics platform for social recruitment	Build out core platform
Apr 2015	Gridcraft	BI tools for business users	Build out core platform
Jul 2015	Upshotdata	Mobile based business intelligence reporting through speech recognition	Build out core platform
Sep 2015	MediaCore	Video Platform for Education sector	Expansion on education industry
Jun 2016	Zaption	Video learning tools for K-12 schools and higher education colleges	Expansion on education industry
Jul 2016	Platfora	Self service Big Data Analytics	Enhance data analysis capabilities
Aug 2017	Pattern	Productivity tool for Sales reps	Enhance team collaboration
Jan 2018	SkipFlag	Enterprise collaboration, team and knowledge management solution	Bolster machine learning capabilities
Jun 2018	Rallyteam	Contingent workforce management suite	Bolster machine learning capabilities
Jun 2018	Adaptive Insights	Cloud-based enterprise financial planning & budgeting software for businesses	Bolster business planning efforts
Jul 2019	Trusted Key	Federated user authentication, identity validation, and token issuing	Move work credentials onto blockchain
Nov 2019	Scout RFP	Cloud-based sourcing platform	Deliver a comprehensive source-to-pay solution
Jan 2021	Peakon	SaaS-based analytics platform for employee engagement and retention	Capture real-time employee sentiment data
Sep 2021	Zimit	Platform offering CPQ software to enterprises	Bring CPQ automation to the services industry
Nov 2021	Vndly	Sourcing and vendor management platform	Deliver external workforce management

Source: Tracxn

Inspiring a Brighter Work Day for All

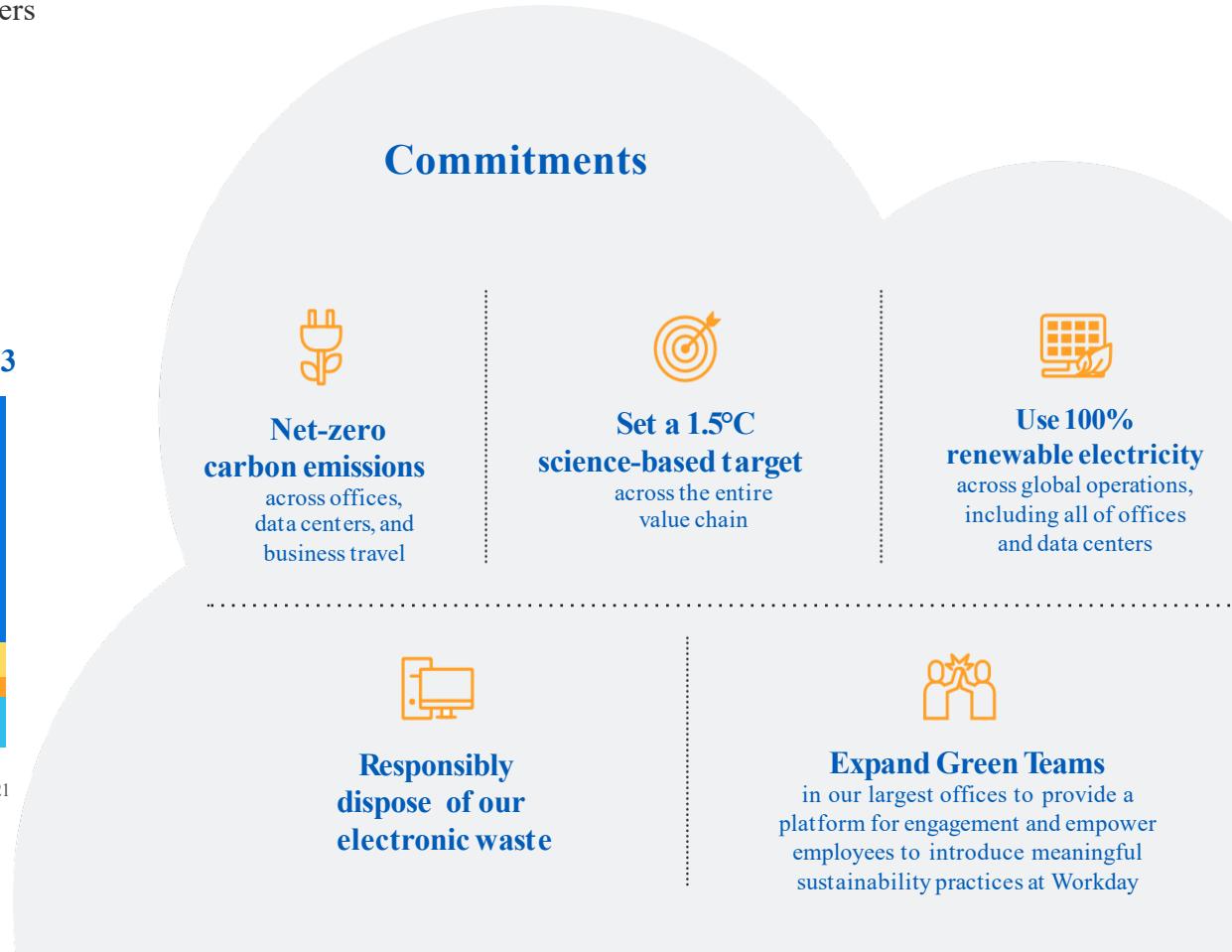
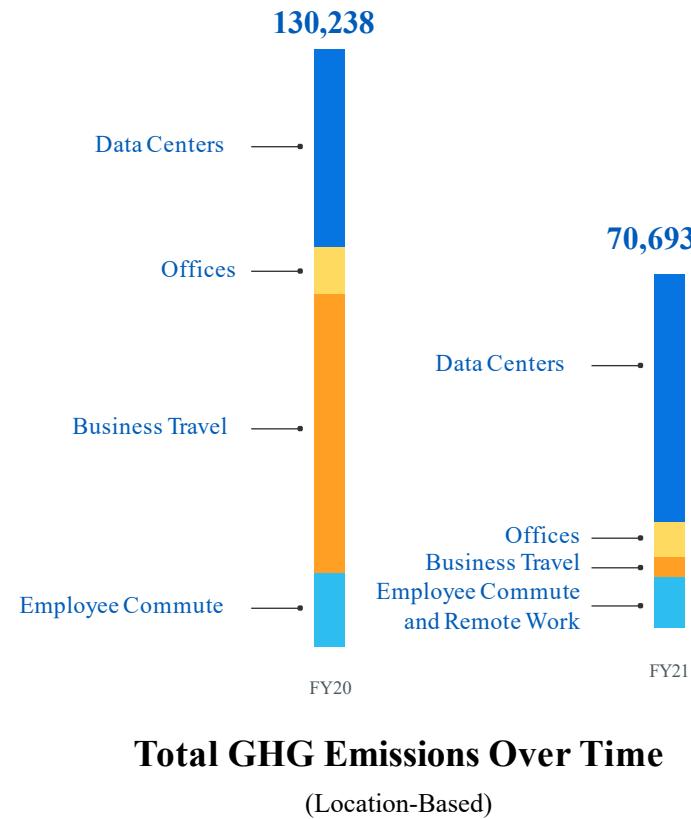


Source: Bloomberg

Sustainability in the Cloud



Workday is committed to caring for people and the planet, and focused on sustainability efforts that support the commitments to stakeholders and align with the core values.



Source: Company report

Board Structure and Committees



Workday Board of Directors

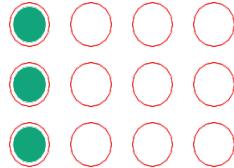
12

members

9

independent members
(as defined by
NASDAQ rules)

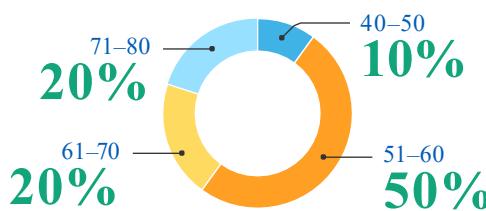
Gender



3
Women

9
Men

Age



Tenure



Leadership

Chairman is a co-founder and co-chief executive officer

Vice chairman is lead independent director

Committees

Audit
Compensation
Nominating and Governance
Investment

Board Diversity

50%

of all directors are gender and/or ethnically diverse¹

3
Women

2
Asian

2
Black

1
Hispanic or Latino



Software



Executive leadership



Cybersecurity



Risk management



Digital and innovation



Government and regulatory



Mergers & acquisitions and investment



Public company board



Financial expertise and accounting



Marketing and sales



Customer and product



Corporate culture



Diversity and inclusion

Source: Company report

The Workday Foundation

Total grants disbursed by the Workday Foundation since 2013:

\$20.8 million +

Opportunity In Action

Workday committed to donating

250,000

Volunteer hours by 2023 to help create opportunity for all

Workforce Week



Total number of participating location:

24

Workday offices

14+

tech sector



Partners total number of clients served:

1000+

Total volunteer hours:

850+

Movember Foundation

Workday has raised

\$1 Million +

for the Movember Foundation

Source: Company report

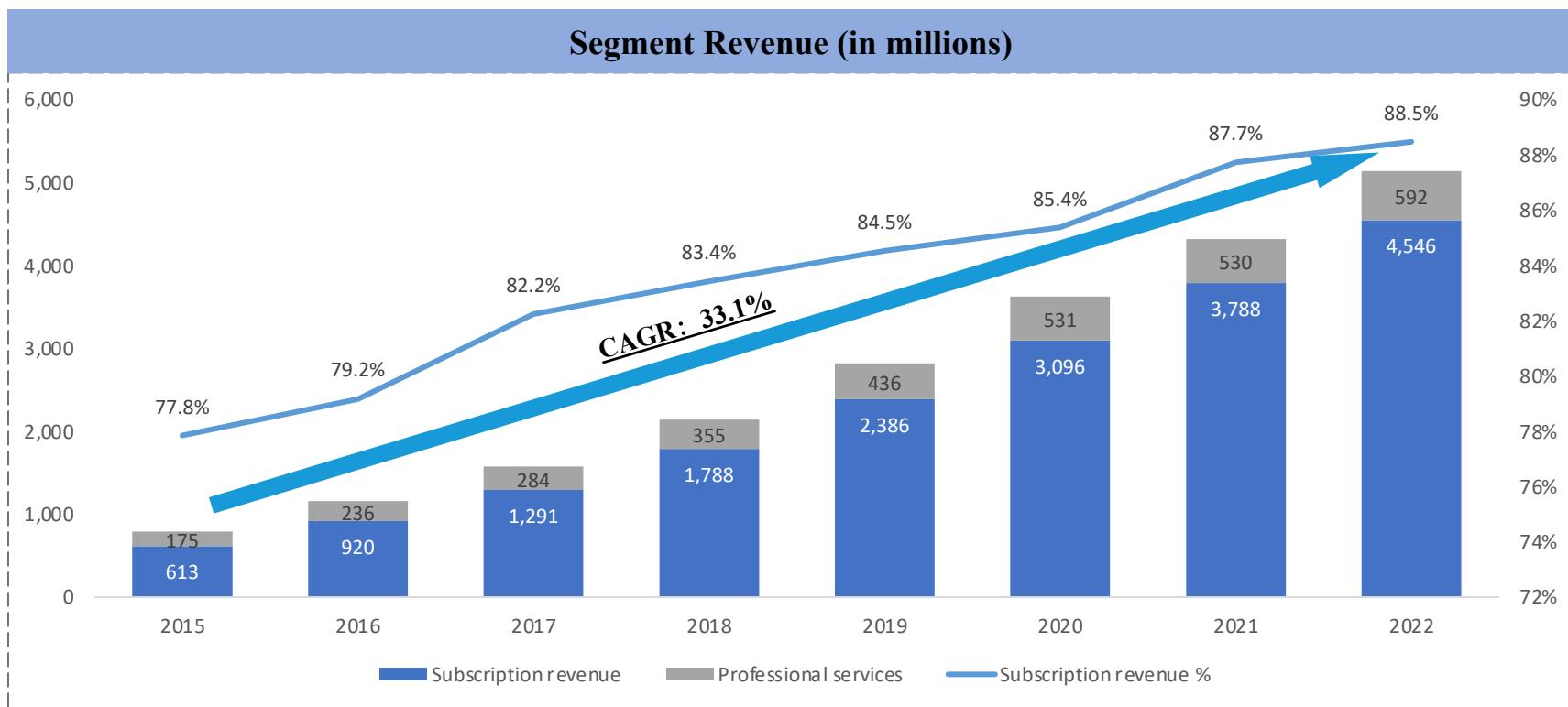
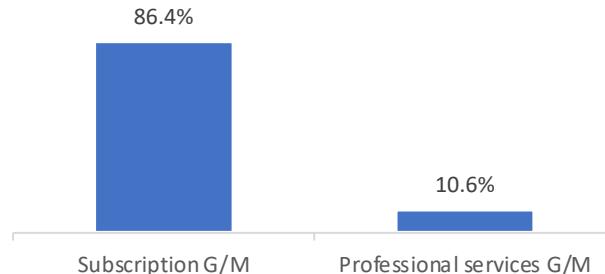
Workday Historical Financials: Revenue



■ Workday has demonstrated strong growth over the last 7 years

- **Sustained growth** - FYE 2022 sales is more than **7.4x** FYE 2015, with a CAGR of **33%**.
- **Evolving revenue structure** – subscription revenue as a % of total revenue is increased by over **10%**.

3-year Average Segment Gross Margin



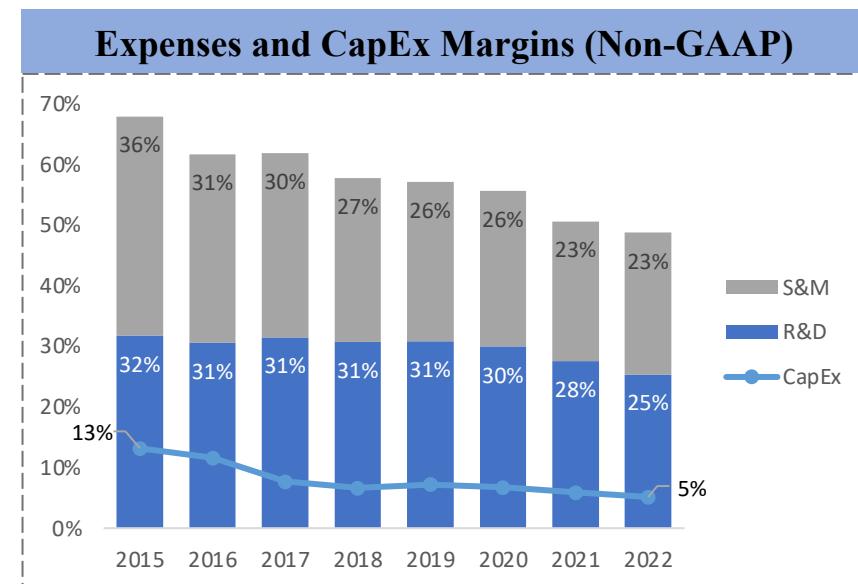
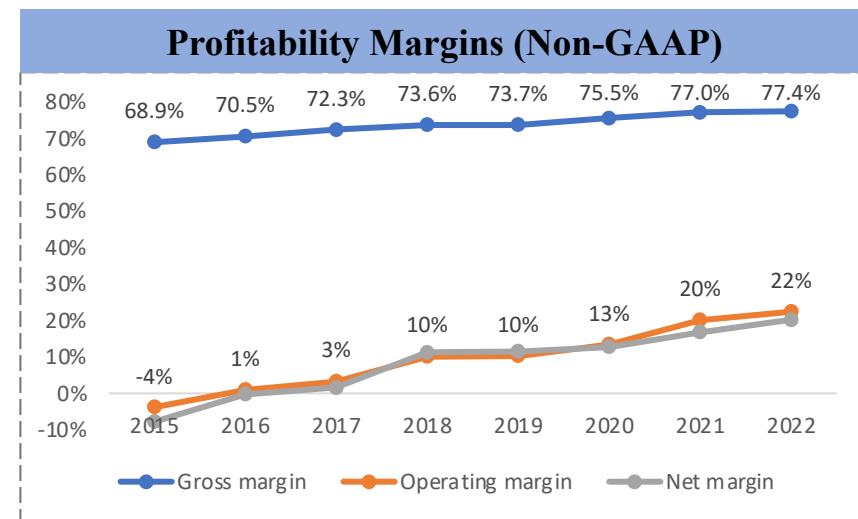
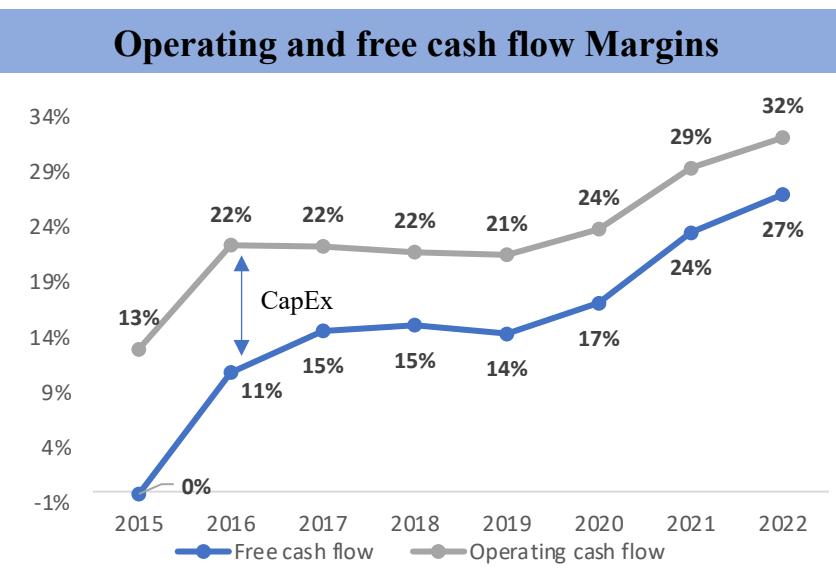
Source: 10K and Bloomberg

Workday Historical Financials: Margins



Margins and cash flows steadily improving

- Gross margin, operating margin, and net margin improved by **8.5%**, **26%**, and **28%** respectively.
- Declining R&D and marketing expenses are critical to the above margin expansion.
- Cash flows reached around **30%** of annual sales.

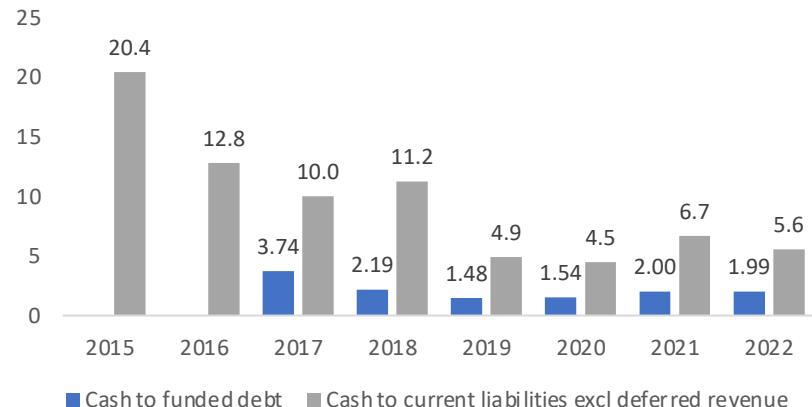


Source: 10K and Bloomberg

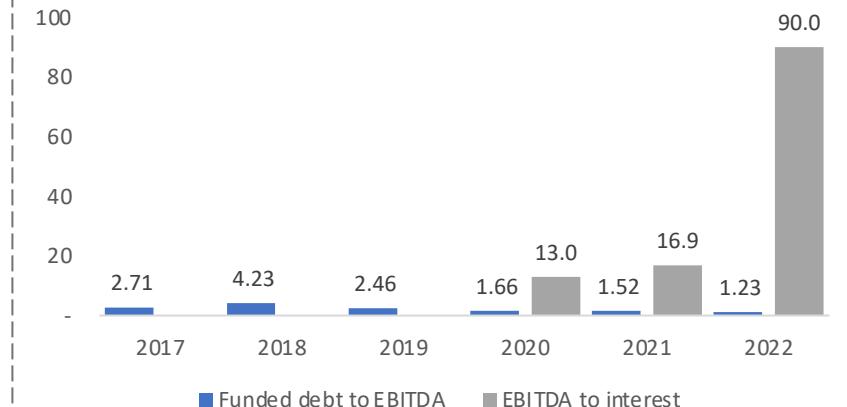
Workday Historical Financials: Credit



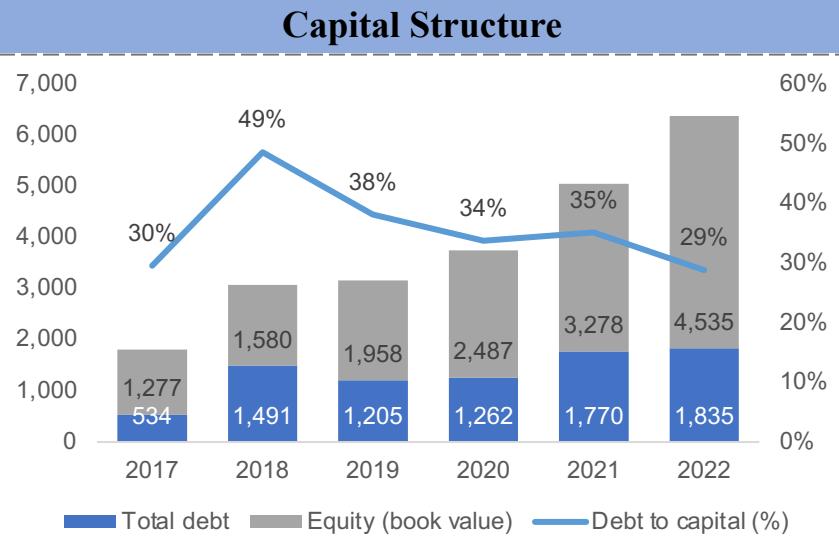
Cash¹ to liabilities and debt



EBITDA Ratios



Capital Structure



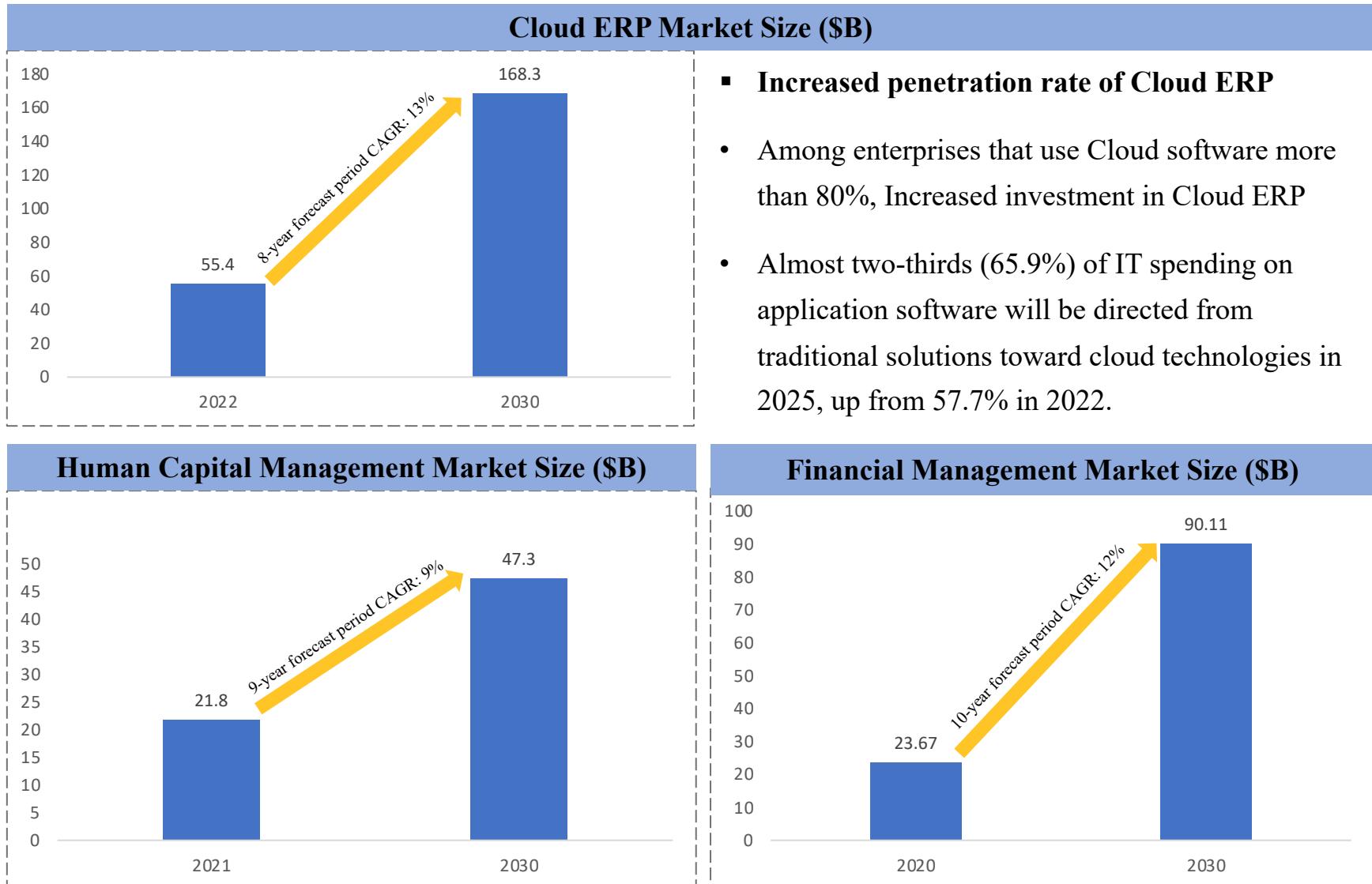
Margins and cash flows steadily improving

- War chest level of cash balance not only ensures operational liquidity but also supports acquisitions.
- Excellent EBITDA credit ratios and steady cash flows endorse huge debt capacity.
- A healthy debt-to-capital ratio indicates the potential to borrow more and reach a lower WACC.

¹includes cash and marketable securities

Source: 10K and Bloomberg

Industry Overview



Source: Verified Market Research; Allied Market Research

HCM Players



ORACLE

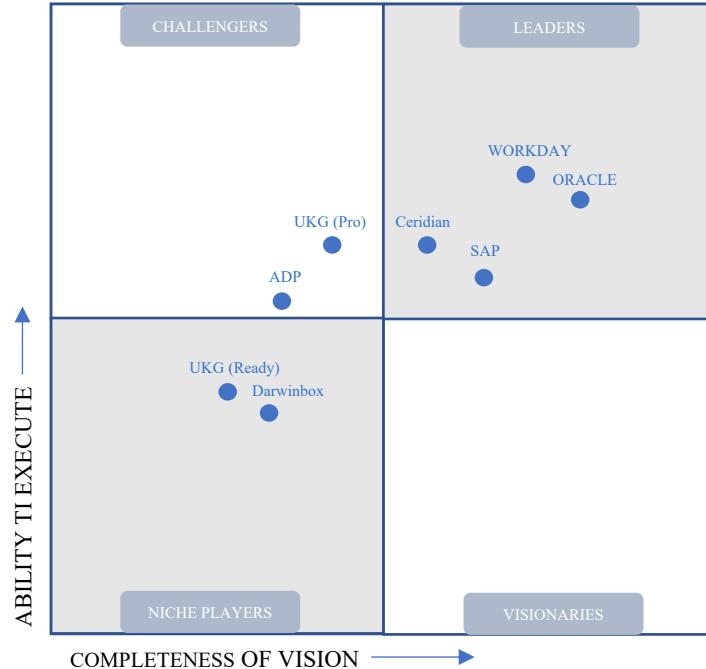


CERIDIAN



ÜKG

Figure: Magic Quadrant for Cloud HCM Suites



Company	Technology	Talent analytics and AI
Workday	robust integration	the highest performing
Oracle	the least robust workforce management	-
SAP	limited capabilities	lack of strategic workforce planning
Ceridian	limited integrated HR service	less useful insights
UKG (Pro)	less direct innovation and investment	lack of more advanced AI-enabled skills
ADP	limited integrated HR service	lack the talent functions

Source: Gartner

FINS Players



Figure: Magic Quadrant for Cloud Core Financial Management Suites



ORACLE
FUSION APPLICATIONS

ORACLE
NETSUITE

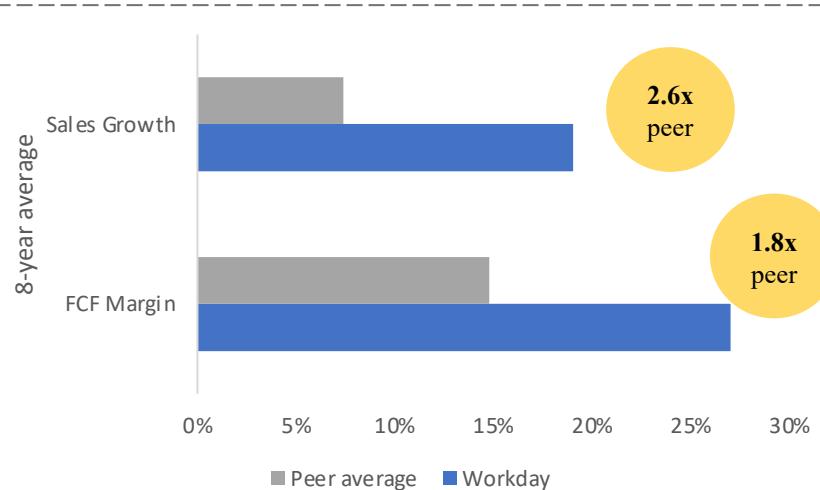
SAP S/4HANA

Company	Technology	Strategy
Workday	leading FP&A capabilities	the highest performing
Oracle Fusion Cloud ERP	-	concerns over long implementation about 18 months
Oracle NetSuite	limited capabilities	channel conflicts
SAP (S/4HANA Cloud)	-	inconsistent sales and marketing messaging

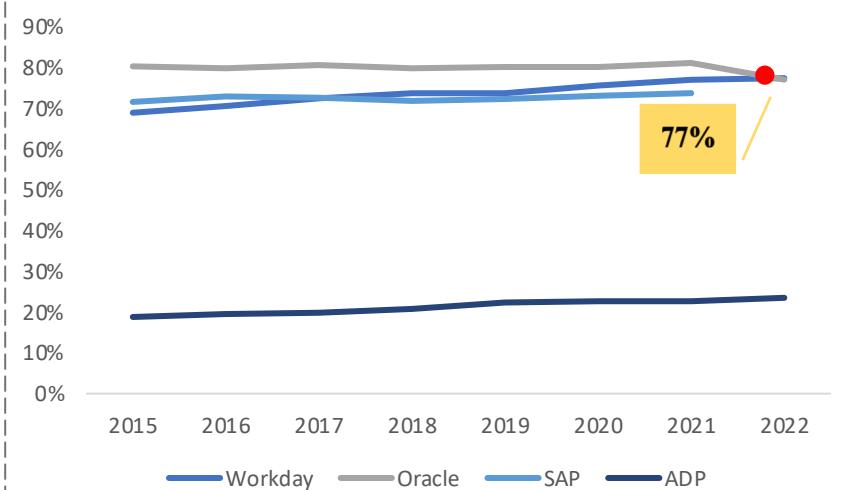
Source: Gartner

Financial Analysis of Players

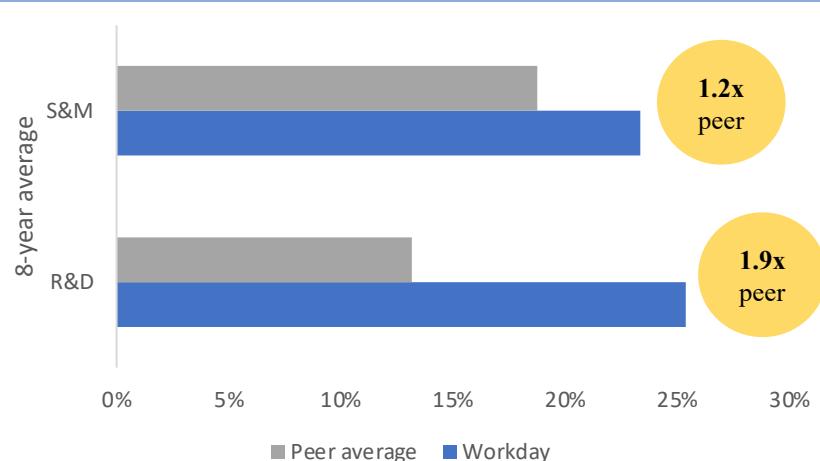
Sales Growth and FCF Margin



Gross Margin



Sales & Marketing and R&D

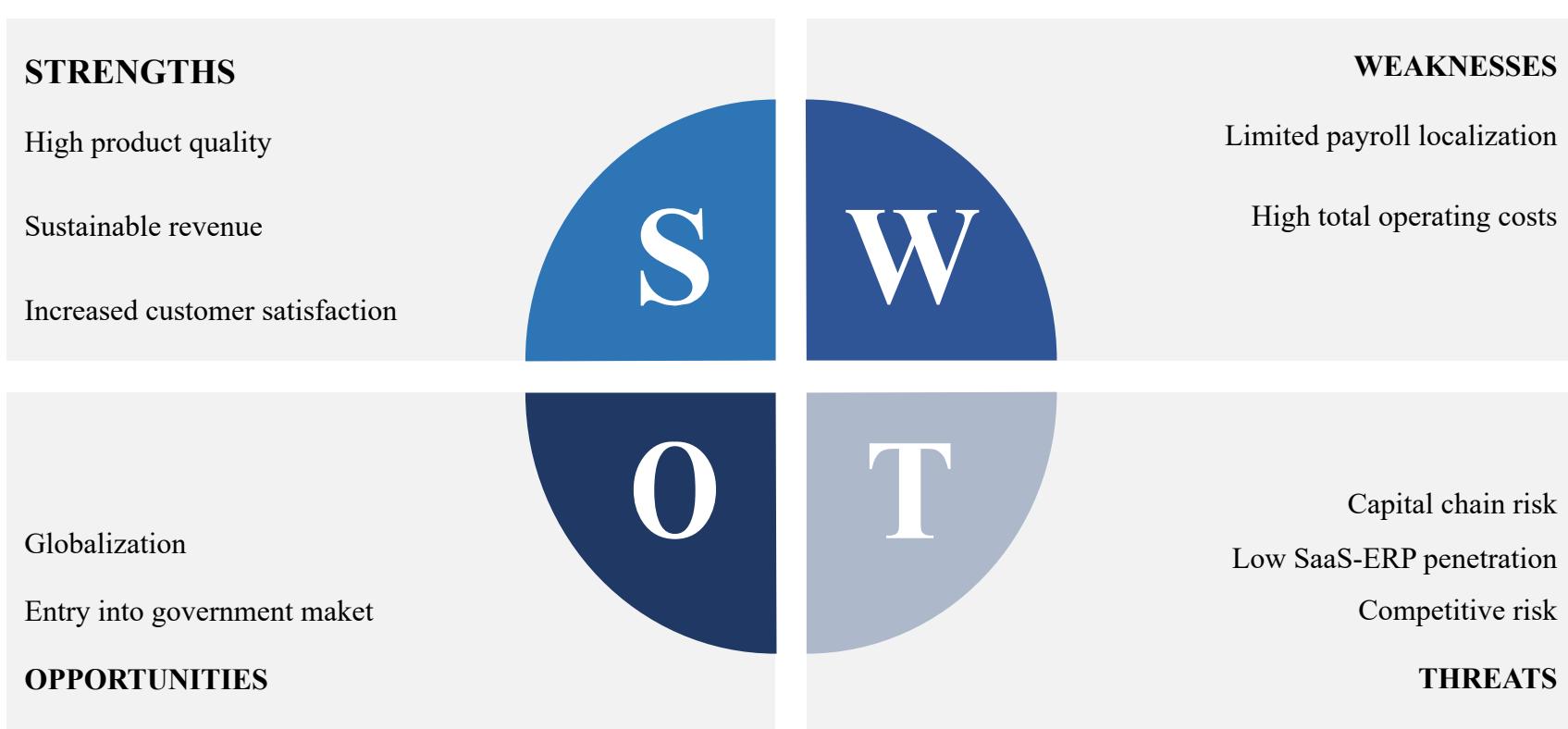


- **Superior and sustainable sales to peers**

- **2.6x** sales growth and **1.8x** FCF margin over peers indicate a strong cash-generating ability to support R&D and acquisition.
- **77%** gross margin catches up with Oracle's level, showing strong profitability.
- **1.2x** S&M and **1.9x** R&D reveal the strategy to gain market shares by increasing marketing campaigns and technology innovation.

Source: Bloomberg

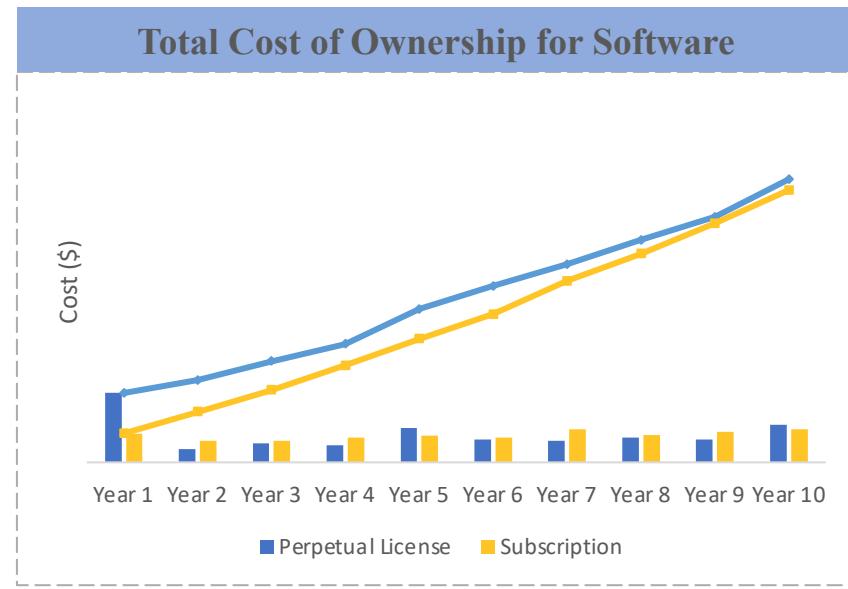
SWOT Analysis



Investment Thesis I

■ Strong industry tailwind for cloud SaaS expands addressable market

Difference between Cloud ERP & On-Premise ERP	
Cloud ERP	On-Premise ERP
Hosted on the vendor's servers and accessed through a web browser	Installed locally, on the company's computers and servers
Generally priced under a monthly or annual subscription	Generally priced under a one-time perpetual license fee
Operating Expenditure	Capital Expenditure
Implementation time is comparatively less	Implementation time is more due to customizations
Better suited for small and midsize enterprise business seeking lower front costs	Better suited for larger enterprise business with higher budgets and existing infrastructure
Better suited for system stability and ease of access	Better suited for customized system operations



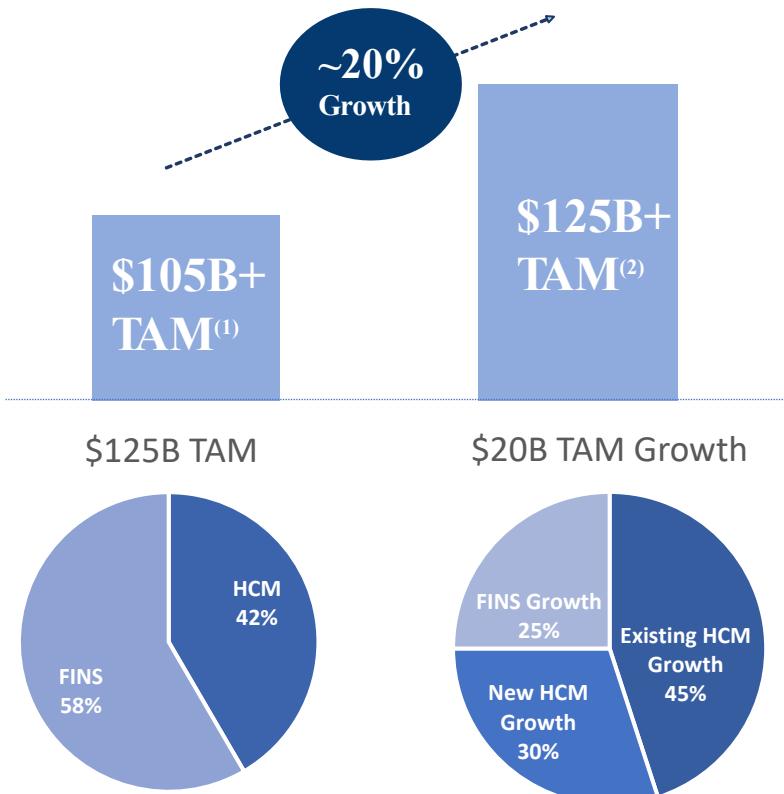
- ✓ **Migration to Cloud ERP:** In contrast to on-premise ERP which requires large upfront spending, cloud ERP allows companies to streamline their investments over the years. By 2021, the market share of Cloud ERP has doubled in the last four years, from 27% to 53%.

Source: SAP Business One

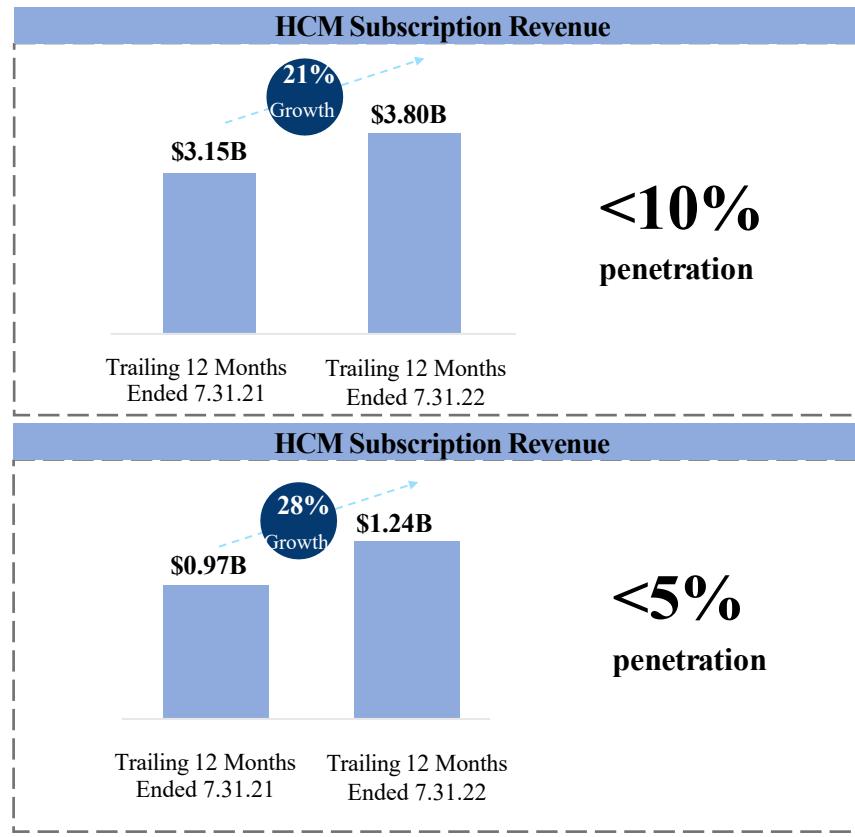
Investment Thesis I

■ Strong industry tailwind for cloud SaaS expands addressable market

- ✓ **Total addressable market:** Workday's total addressable market increased from \$105 billion in 2021 to \$125 billion in 2022, over 50% of which was derived from organic growth, with the rest coming from Workday's entry into new markets.



- ✓ **Market penetration:** Among the \$125 billion TAM, the Workday market penetration of enterprise software is less than 5%. Specifically, the penetration rate for HCM solutions and FINS products is less than 10% and 5%, respectively. The growth potential is uncapped.



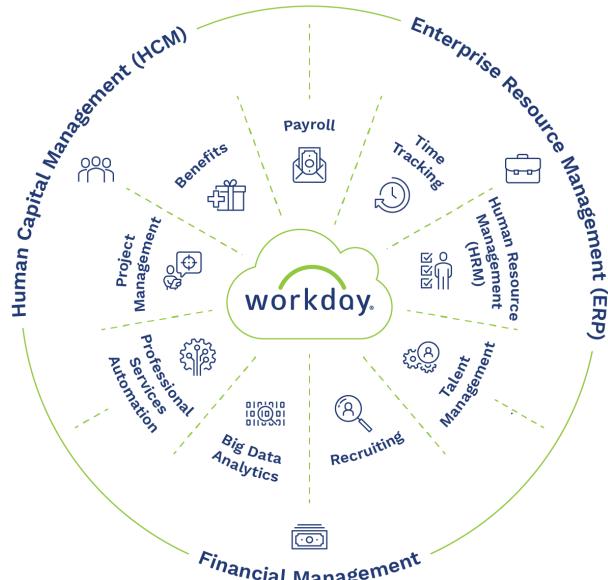
Source: Workday 2022 Financial Analytics

Investment Thesis II



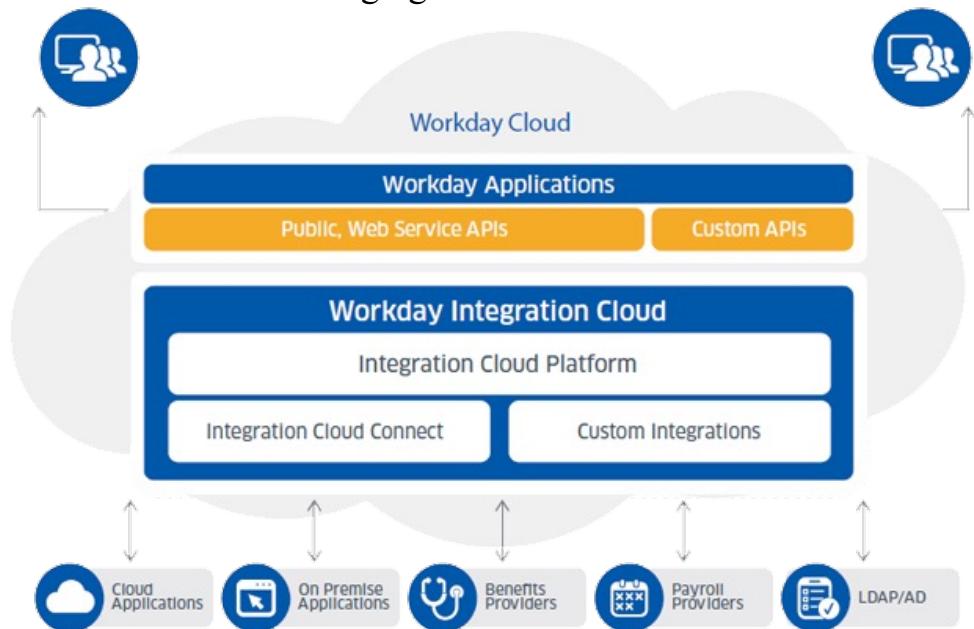
■ Born in the cloud, Workday has forged core competitiveness in its solutions

- ✓ **Provide a full range of one-stop services:** Having built HCM and Fins+ into flagship products, Workday strives to expand its product offerings to meet market demand. Additionally, Workday develops the technology that allows its users to securely and efficiently navigate data between Workday and third-party systems—no additional costs or middleware required, truly realizing “customer-centric”.



Source: Workday Blog

- ✓ **Cloud genetic advantage:** Unlike its competitors that struggle to move from traditional ERP software to cloud solutions, Workday has positioned itself in the SaaS sector since its inception. The first-mover advantage has been fueling Workday's rapid expansion. As industry veterans who founded Peoplesoft, Workday's visionary leaders were able to identify the shortcomings of traditional ERP software and have dedicated to bringing better substitutes.

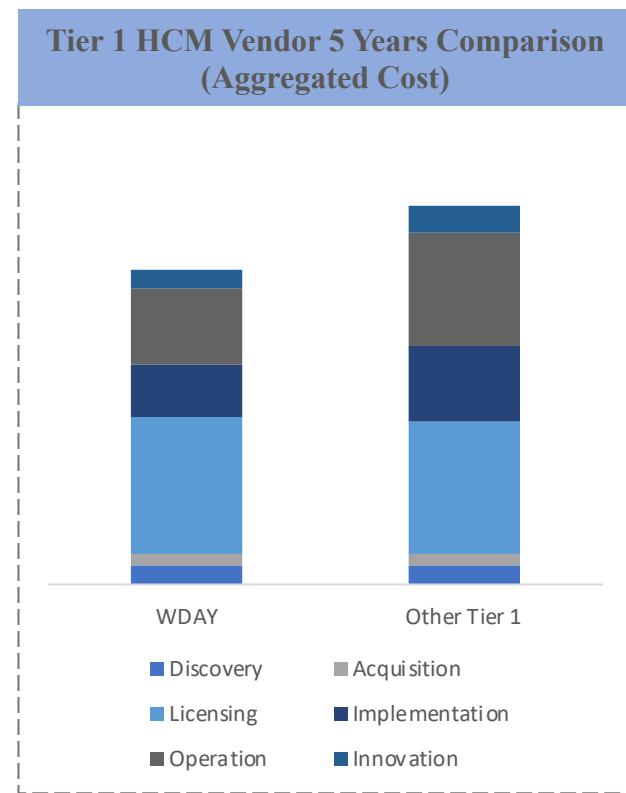


Investment Thesis II

■ Born in the cloud, Workday has forged core competitiveness in its solutions

- ✓ **Low total cost of ownership(TCO):** When fully costed, the average TCO for Workday is comparable or better to other Tier 1 solutions (Oracle and SAP), with potentially larger advantages for higher complexity customers. The majority of this advantage materializes via lower Operating and Innovating costs, and potentially some benefits in Implementing costs.

Vendor TCO impact over 5 years	WDAY	Other Tier 1
Discovering(Avg. 5%) • Understanding needs • Market research/options	Med	Med
Acquiring(Avg. 3%) • RFP, Assessment & Selection • Final Business Case	Med	Med
Licensing(Avg. 35%) • Subscription costs inc. software, hosting and support	High	Med-High
Implementing(Avg. 20%) • Configuration • Data Migration & Integrations • UAT, Deployment & Change	Med-High	High
Operating(Avg. 30%) • Support • Governance • Administration	Med	High
Innovating(Avg. 7%) • Adoption of new functionality, update features & processes	Low-Med	Med-High

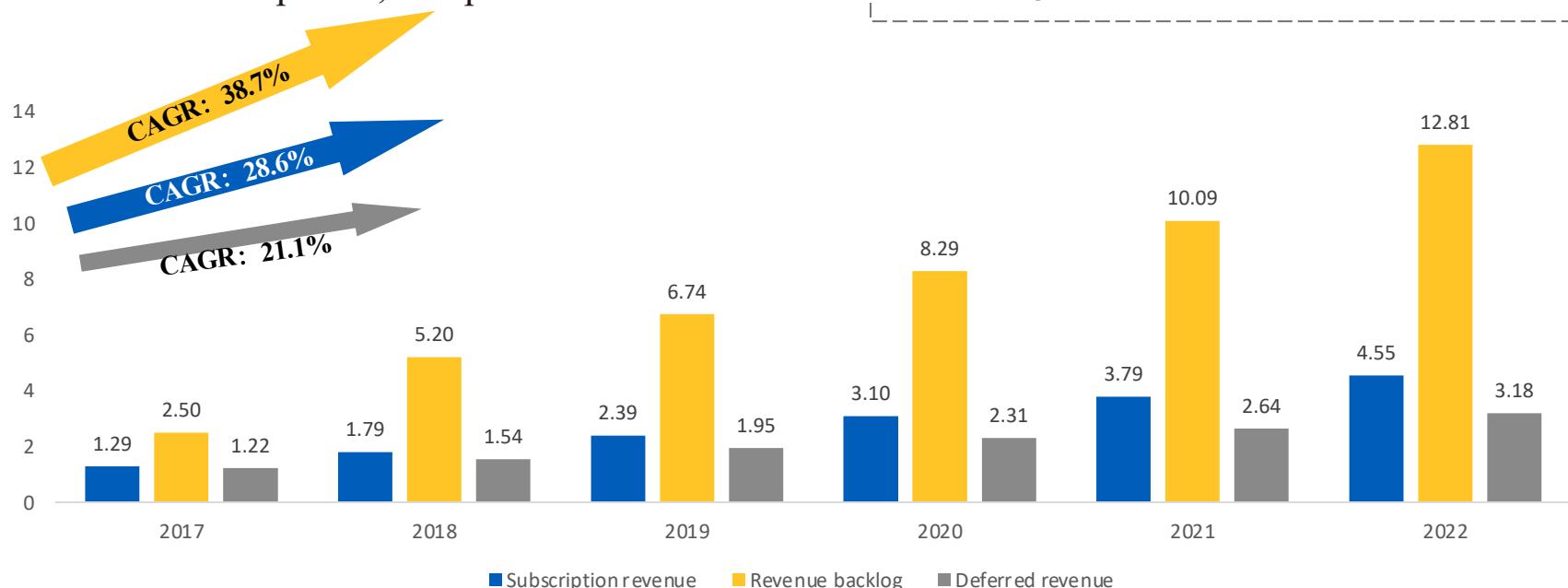
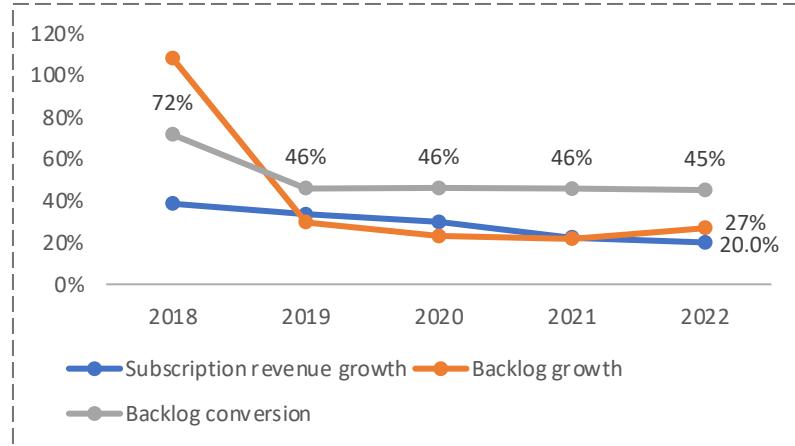


Source: Fosway Group

Investment Thesis III

■ Track record of securing growth opportunities to maintain strong competitive positioning

- ✓ Sustainable growth suggested by SaaS metrics
- Revenue backlog grew by **27%** for FY 2022, higher than the subscription revenue growth of **20%**.
- Historically, a stable **45%** of the backlog was converted into next year's subscription backlog, creating high revenue visibility.
- Revenue backlog is a forward-looking metric for SaaS companies, compared to revenue.



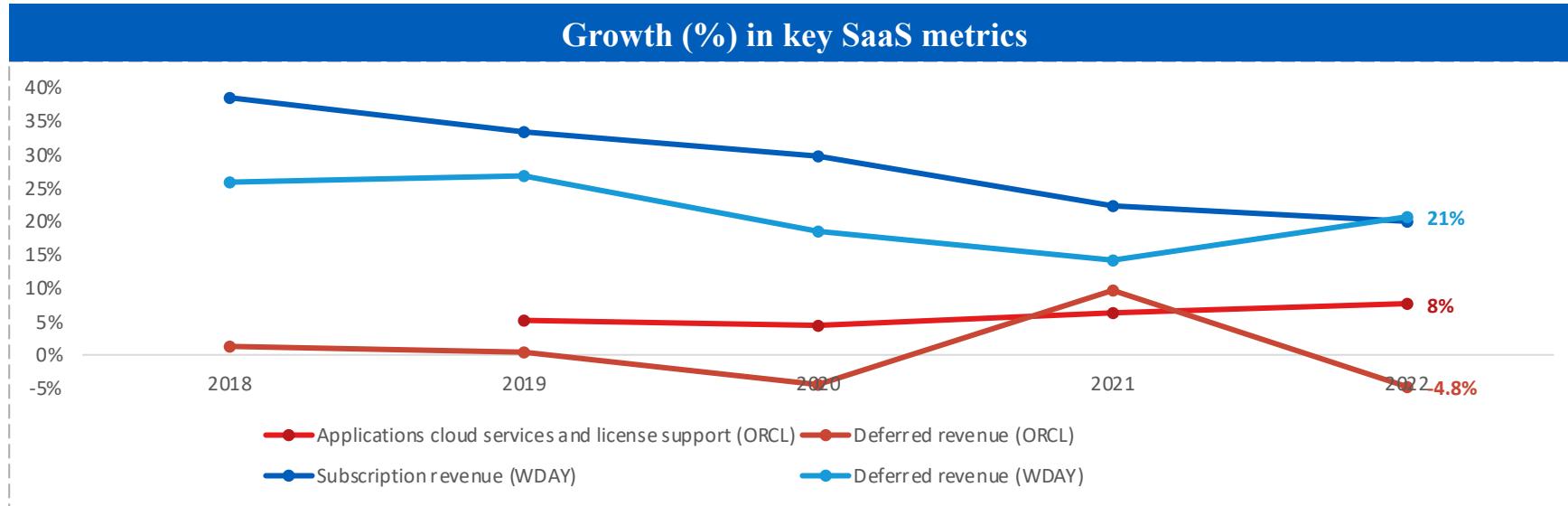
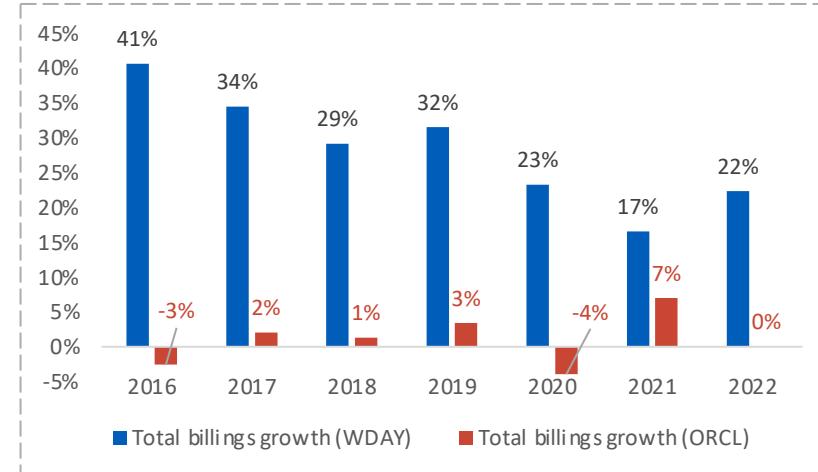
Investment Thesis III



■ Track record of securing growth opportunities to maintain strong competitive positioning

- ✓ Strong growth momentum outstrips Oracle, one of its largest competitors

- Workday's growth in subscription revenue and deferred revenue exceeds their counterparts at Oracle by 12% and 26%, respectively.
- Workday's fast growth in total billings reflects its capability of converting bookings into cash flows.

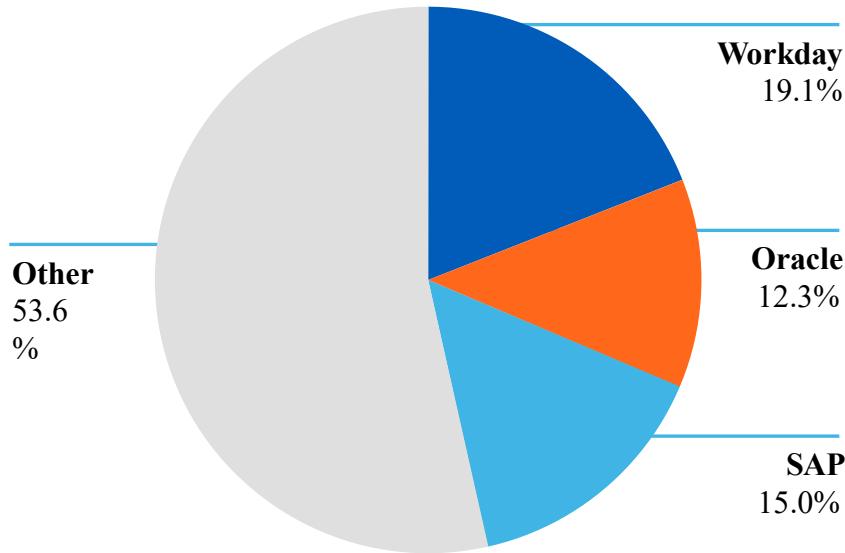


Source: 10K and Bloomberg

- Track record of securing growth opportunities to maintain strong competitive positioning

Cloud Market Leader

According to Gartner's market share research, Workday had the largest market share in 2021 for ERP Worldwide SaaS revenue at **19.1%**.



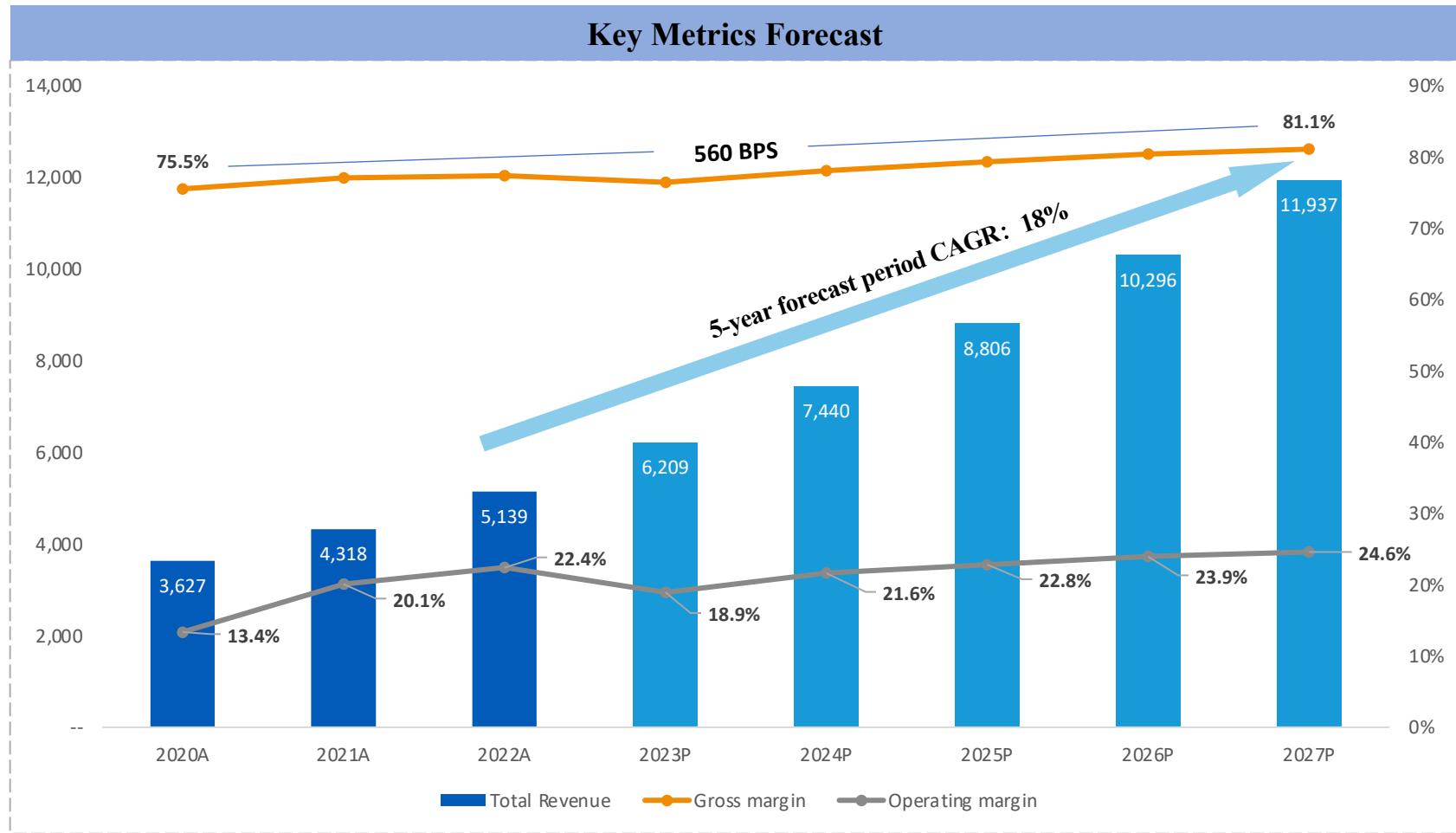
SaaS ERP Total Worldwide Revenue Market Share, 2021 (Millions of U.S. Dollars)

Charts/graphics created by Workday based on Gartner research. Gartner® Market Share: Enterprise Application Software as a Service, Worldwide, 2021, Neha Gupta, Yanna Dharmasthira, Chris Pang, Craig Roth, Jim Hare, Alys Woodward, Julian Poulter, Balaji Abbatulla, Eric Hunter, Kevin Quinn, Amarendra , Kanchi Bindal, Abhilash Khalkar, Mudit Sharma, Radu Miclaus, Roland Johnson, 19 May 2022

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Source: Gartner

Forecast Overview



Source: Team Model

Quarterly Results & Management Guidance



FY 2023 Quarterly Results				
	Total revenue Growth (YoY)	Subscription revenue growth (YoY)	Revenue backlog growth (YoY)	Operating margin same period difference
First quarter	22.1%	23.2%	25.5%	(4.5%)
Second quarter	21.9%	22.8%	27.4%	(3.6%)

Accuracy of Management Guidance for Full Year Results at Second Quarters					
	2018	2019	2020	2021	2022
Subscription revenue growth (mgmt.)	35.6%	30.9%	28.2%	20.5%	18.8%
Subscription revenue growth (actual)	38.5%	33.4%	29.8%	22.4%	20.0%
Difference	+2.9%	+2.5%	+1.6%	+1.9%	+1.2%
EBIT margin (mgmt.)	-	-	-	18.0%	21.0%
EBIT margin (actual)	-	-	-	20.1%	22.4%
Difference	-	-	-	+2.1%	+1.4%

Source: Workday Investor Relations, 10K

Key Assumptions

Revenue Growth					
	2023	2024	2025	2026	2027
Team model	22.0%	21.0%	19.5%	18.0%	17.0%
Consensus	22.1%	20.1%	-		
Mgmt. forecast & long-term goals	22.0%	-	-	Total revenue reaches \$10B	-
Gross Margin					
	2023	2024	2025	2026	2027
Team model	76.4%	78.1%	79.3%	80.4%	81.1%
Consensus	77.2%	77.9%	-	-	-
Mgmt. forecast & long-term goals	-	-	-	~80%	-
Operating Margin					
	2023	2024	2025	2026	2027
Team model	18.9%	21.6%	22.8%	23.9%	24.6%
Consensus	19.0%	20.2%	-	-	-
Mgmt. forecast & long-term goals	19.0%	-	-	~25%	-

Source: Workday investor relations, Team model, Bloomberg

Model Adjustments and Tuning



■ GAAP to Non-GAAP Reconciliation and EBITDA

Selected non-cash charges

Share-based compensation as a % of subscription sales	859,880 27.8%	1,004,854 26.5%	1,112,405 24.5%	1,275,695 23.0%	1,476,479 22.0%	1,684,193 21.0%	1,892,712 20.0%	2,103,749 19.0%
Non-cash lease expense as a % of sales	67,325 1.9%	84,376 2.0%	86,235 1.7%	113,597 1.8%	136,104 1.8%	161,097 1.8%	188,352 1.8%	218,376 1.8%

EBITDA Reconciliation

EBIT (GAAP)	(502,230)	(248,599)	(116,450)	(253,802)	(22,808)	170,339	417,498	677,075
Share-based compensation	859,880	1,004,854	1,112,405	1275,695	1476,479	1684,193	1892,712	2103,749
Other operating expenses	126,816	110,986	153,749	153,749	153,749	153,749	153,749	153,749
<i>Employee payroll tax-related items & stock transaction</i>	54,816	50,986	75,749	75,749	75,749	75,749	75,749	75,749
Acquisition-related amortization	72,000	60,000	78,000	78,000	78,000	78,000	78,000	78,000
EBIT (Non GAAP)	484,466	867,241	1,149,704	1,175,642	1,607,420	2,008,280	2,463,959	2,934,573
Depreciation and amortization	276,278	293,657	343,723	370,412	405,469	444,383	484,801	524,837
EBITDA	760,744	1,160,898	1,493,427	1,546,054	2,012,889	2,452,664	2,948,760	3,459,410

■ Timing of cash flows

Free cash flow	1,412,670	1,776,589	2,154,503	2,574,068	3,026,000
% growth	1.9%	25.8%	21.3%	19.5%	17.6%
<i>Fractional year adjustment</i>	27.8%	127.8%	227.8%	327.8%	427.8%
<i>Assmue cash flows are generated at² :</i>	<i>year end</i>				
<i>Mid-year adjustment factor</i>	<i>100.0%</i>				
Discount factor	0.97	0.89	0.81	0.73	0.67
Discounted free cash flow	1,376,125	1,574,799	1,737,827	1,889,300	2,021,022

■ Trading premium over comps

(in millions except per share data)

Mean ⁷		24.6x	16.9x	21.0x	5.1x	4.4x
Workday metric value		4.2	1,818	1,382	7,069	20.07
2-year Historical premium over comps		94%	62%	69%	37%	--
Adjusted premium	Adjustment factor	80%	53%	59%	31%	
Workday implied valuation, (equity value or enterprise value)		185.5	46,839	46,133	47,441	--

Source: Team Model

Two DCF Approaches Combined



(In thousands, except share and per value data)	2022A 1/31/22	2023P 1/31/23	2024P 1/31/24	2025P 1/31/25	2026P 1/31/26	2027P 1/31/27
EBIT (Non GAAP) ¹		1,175,642	1,607,420	2,008,280	2,463,959	2,934,573
Add back non-cash lease expense		113,597	136,104	161,097	188,352	218,376
Adj. tax rate		19%	19%	19%	19%	19%
NOPAT		1,044,283	1,412,255	1,757,195	2,148,372	2,553,888
Depreciation and amortization		370,412	405,469	444,383	484,801	524,837
Change in net working capital		463,680	479,645	525,305	558,637	603,801
Capital expenditure		(465,706)	(520,780)	(572,380)	(617,742)	(656,526)
Free cash flow	1,412,670	1,776,589	2,154,503	2,574,068	3,026,000	
% growth		1.9%	25.8%	21.3%	19.5%	17.6%
<i>Fractional year adjustment</i>		27.8%	127.8%	227.8%	327.8%	427.8%
<i>Assmue cash flows are generated at² :</i>	<i>year end</i>					
<i>Mid-year adjustment factor</i>	<i>100.0%</i>					
Discount factor		0.97	0.89	0.81	0.73	0.67
Discounted free cash flow	1,376,125	1,574,799	1,737,827	1,889,300	2,021,022	
Perpetuity Approach (millions except for per share data)						
Long-term growth rate	4.00%					
Terminal value	53,383					
Discounted terminal value	35,654					
Enterprise value	44,253					
Total debt ⁴	2,973					
Preferred stock	--					
Cash ⁴	6,303					
Applicable equity investments (non-controlling)	257					
Equity value	47,840					
Weighted average shares, diluted	256					
Equity value per share	\$ 187					
% weight used to calculate DCF equity value per share	50%					
DCF Equity value per share at 10/21/2022	\$ 193.4					
EBITDA multiple approach (millions except for per share data)						
Terminal year EBITDA Multiple ³						16.9x
Terminal value						58,369
Discounted terminal value						38,984
Enterprise value						47,583
Total debt ⁴						2,973
Preferred stock						--
Cash ⁴						6,303
Applicable equity investments (non-controlling)						257
Equity value						51,170
Weighted average shares, diluted						256
Equity value per share	\$ 200					
% weight used to calculate DCF equity value per share	50%					

Source: Team Model

Relative Valuation



■ High growth companies trade at premium

- With a CAGR of 33% for the past 5 years, Service Now is a fast-growing company that has a slightly larger size than Workday, trading at much higher multiples than its peers.
- Workday currently trades at 36.5x BF P/E and 5.3x BF EV/Revenue.

Relative Valuation

Name	2Y Correlation	Ticker	Market Cap (\$B)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
ServiceNow Inc	0.72	NOW US	74.87	41.9x	26.2x	32.3x	8.4x	17.8x
Intuit Inc	0.69	INTU US	120.05	29.8x	21.1x	22.5x	8.3x	7.3x
Salesforce Inc	0.69	CRM US	160.41	29.7x	14.8x	21.5x	4.7x	2.7x
ANSYS Inc	0.68	ANSS US	19.03	26.2x	19.9x	21.1x	8.9x	4.3x
Synopsys Inc	0.65	SNPS US	45.15	29.2x	21.6x	22.6x	7.8x	8.1x
Guidewire Software Inc	0.64	GWRE US	4.90	--	743.9x	--	4.8x	3.4x
Adobe Inc	0.64	ADBE US	150.99	21.3x	16.1x	17.7x	7.8x	10.6x
Veeva Systems Inc	0.63	VEEV US	25.76	36.5x	24.1x	24.8x	9.6x	7.9x
Cadence Design Systems Inc	0.62	CDNS US	41.25	32.9x	24.1x	27.1x	10.8x	15.2x
Autodesk Inc	0.62	ADSK US	46.45	28.6x	22.4x	23.6x	8.7x	62.8x
PTC Inc	0.53	PTC US	13.53	22.2x	17.3x	18.7x	6.9x	6.3x
Open Text Corp	0.50	OTEX CN	7.76	8.7x	7.5x	8.7x	2.9x	1.9x
Constellation Software Inc/Can	0.46	CSU CN	30.67	26.8x	15.5x	30.1x	4.2x	20.9x
SAP SE	0.44	SAP GR	120.45	18.5x	13.5x	15.7x	4.0x	2.8x
Dassault Systemes SE	0.44	DSY FP	47.96	30.7x	21.5x	25.8x	8.0x	6.0x
Sage Group PLC/The	0.39	SGE LN	8.79	24.7x	16.2x	19.0x	3.9x	6.8x
Oracle Corp	0.33	ORCL US	202.99	14.4x	10.8x	13.2x	5.6x	--
BlackBerry Ltd	0.25	BB CN	2.58	--	--	--	3.3x	1.9x
Xero Ltd	0.16	XRO AU	7.52	156.1x	36.7x	100.8x	8.3x	12.4x
<i>(in millions except per share data)</i>								
Mean ⁷				24.6x	16.9x	21.0x	5.1x	4.4x
Workday metric value				4.2	1,818	1,382	7,069	20.07
2-year Historical premium over comps				94%	62%	69%	37%	--
Adjusted premium	Adjustment factor	85%	80%	53%	59%	31%	--	--
Workday implied valuation, (equity value or enterprise value)								
Net debt				185.5	46,839	46,133	47,441	--
Preferred stock					(3,330)	(3,330)	(3,330)	
Applicable equity investments (non-controlling)						257	257	257
Equity value						50,169	49,463	50,771
Outstanding shares, diluted						256	256	256
Relative valuation equity value per share				185.5	196.0	193.2	198.3	
Average value from multiple valuation		\$	193.3					

Source: Bloomberg, 10K, Team model

Sensitivity Analysis



Sensitivity Analysis								
	Long term growth rate (g)							
	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	
WACC	7.0%	231	242	255	273	296	329	377
	8.0%	208	215	224	234	248	264	287
	9.0%	191	196	202	209	217	227	240
	10.1%	176	180	184	188	194	201	208
	11.0%	166	169	172	176	180	185	190
	12.0%	157	159	161	164	167	171	175
	13.0%	148	150	152	154	157	159	162
	14.0%	141	143	144	146	148	150	152
	Terminal EBITDA multiple							
	11.0x	13.0x	15.0x	16.9x	19.0x	21.0x	23.0x	
WACC	7.0%	266	276	286	296	307	317	328
	8.0%	218	228	238	248	258	268	278
	9.0%	189	199	208	217	227	237	246
	10.1%	167	176	185	194	204	213	222
	11.0%	154	163	172	180	189	198	207
	12.0%	142	151	159	167	176	185	193
	13.0%	133	141	149	157	165	174	182
	14.0%	125	133	140	148	156	164	172

Source: Team Model

Scenario Analysis

Bear case \$183

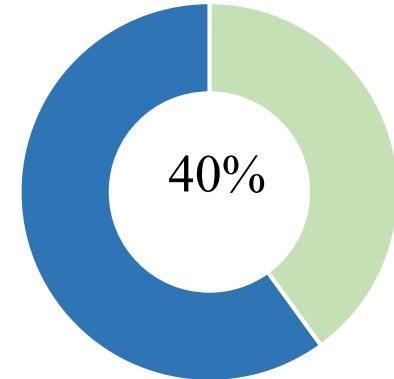
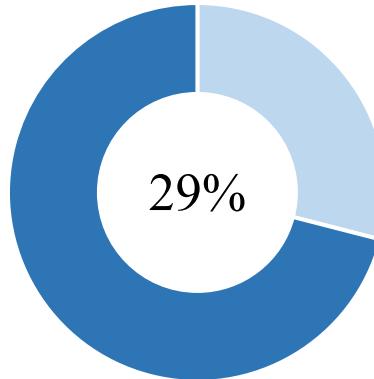
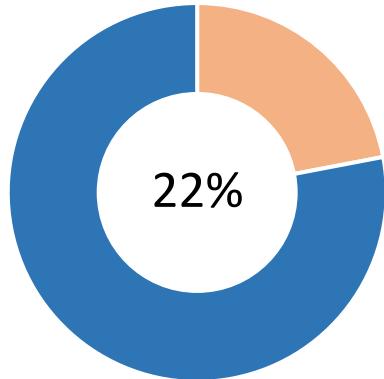
- Fails to carry out effective upgrades that address customer needs.
- Higher churn resulted from fierce competition
- Unexpected deviation from expectation

Base case
\$193

Bull case \$209

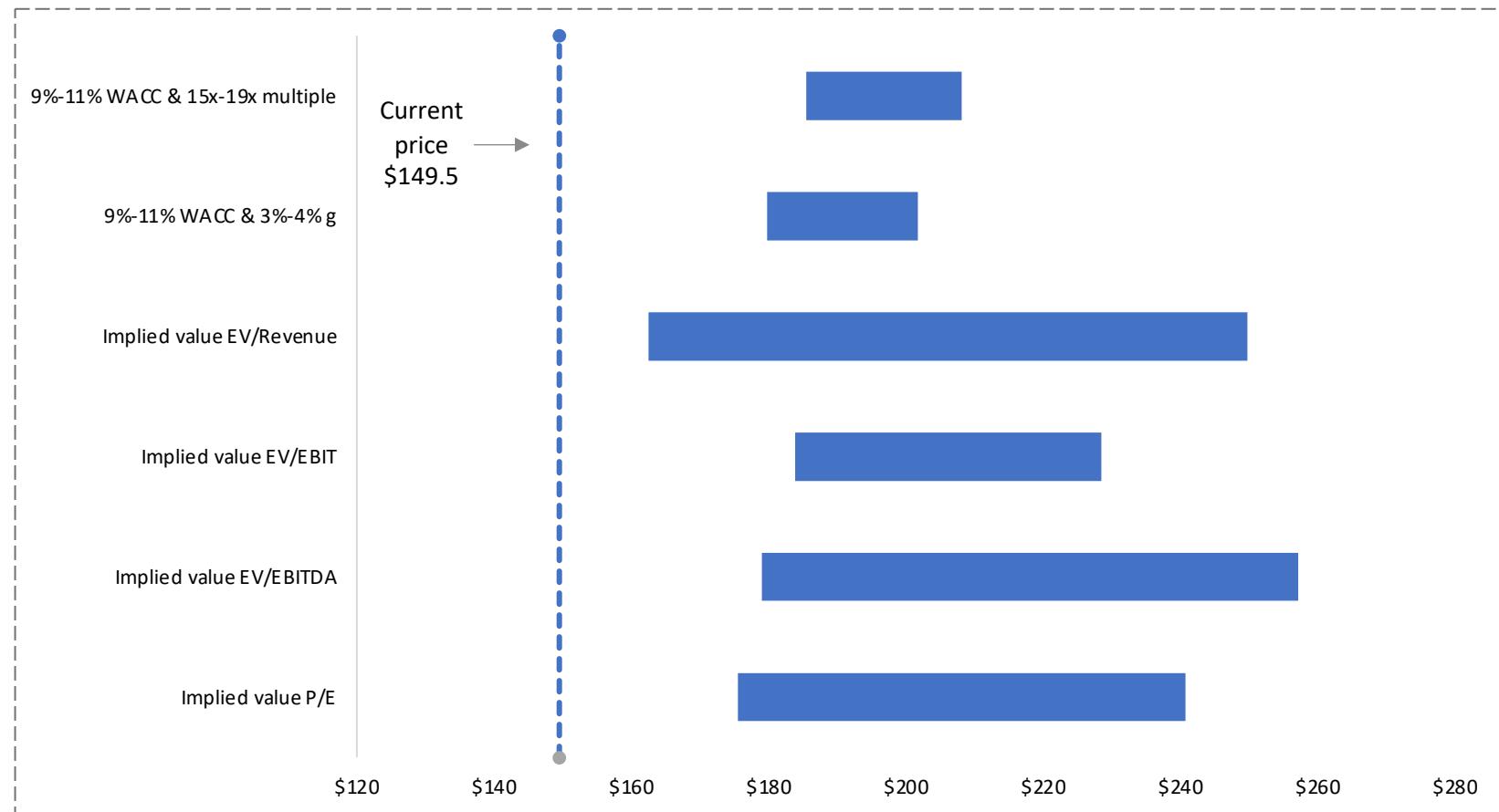
- ✓ Fast-expanding customer base and lower CAC drive down R&D and S&M margin
- ✓ Accretive acquisitions lift product attach rate
- ✓ Successful entries into previously untapped sectors

Upside Potential



Source: Team Model

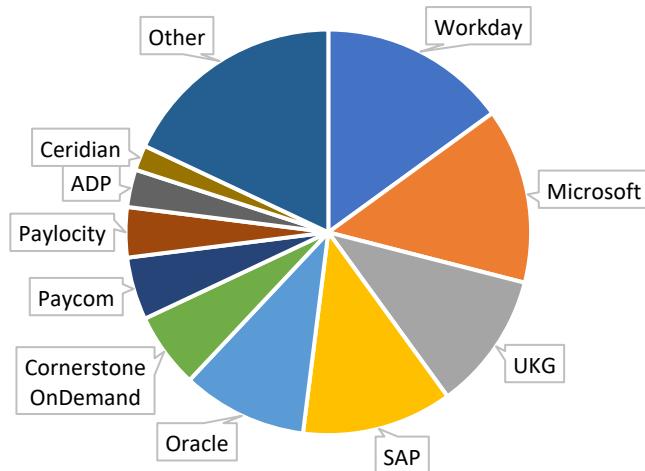
Football Field



Source: Team Model

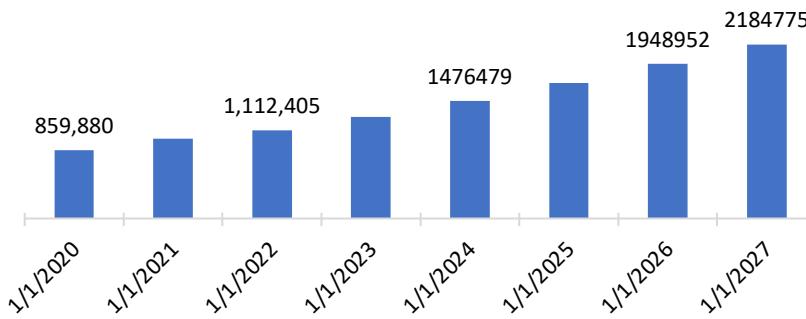
Risks

Top 10 Cloud HCM Applications Vendors



Source: Apps run the World

Share-based compensation



Source: 10-K

Fierce Competition:

1. The trend of traditional ERP giants Oracle and SAP migrating to the cloud
2. New cloud-based businesses continue to innovate and expand

Share-based Compensation:

1. Employee Compensation accounts for a significant portion of costs
2. Dilute current shareholders and harm the equity value.

Information Security:

1. Colocation data center providers increase the likelihood of data

Thank you!



Appendix 1



Workday, Inc. NYSE (WDAY)								
Income Statement	Currently running base case							
Year ended January, 31	2020A	2021A	2022A	2023P	2024P	2025P	2026P	2027P
(In thousands, except share and per value data)	1/31/20	1/31/21	1/31/22	1/31/23	1/31/24	1/31/25	1/31/26	1/31/27
Fiscal year end date								
Total Revenue	3,627,206	4,317,996	5,138,798	6,209,409	7,439,709	8,805,850	10,295,700	11,936,841
% Growth	19.0%	19.0%	19.0%	20.8%	19.8%	18.4%	16.9%	15.9%
Subscription Services	3,096,389	3,788,452	4,546,313	5,546,502	6,711,267	8,019,964	9,463,558	11,072,363
% of Sales	85.4%	87.7%	88.5%	89.3%	90.2%	91.1%	91.9%	92.8%
% Growth	22.4%	20.0%	22.0%	21.0%	19.5%	18.0%	17.0%	
Professional Services	530,817	529,544	592,485	662,907	728,441	785,885	832,142	864,478
% of Sales	14.6%	12.3%	11.5%	10.7%	9.8%	8.9%	8.1%	7.2%
% Growth	-0.2%	11.9%	11.9%	9.9%	7.9%	5.9%	3.9%	
Costs of Subscription Services	398,268	513,860	655,590	887,440	1,006,690	1,162,895	1,324,898	1,550,131
% as segment sales	12.9%	13.6%	14.4%	16.0% ↗	15.0%	14.5%	14.0%	14.0%
Costs of Professional Services	489,904	477,865	507,617	576,729	622,817	660,144	690,678	708,872
% as segment sales	92.3%	90.2%	85.7%	87.0% ↗	85.5%	84.0%	83.0%	82.0%
Gross profit	2,739,034	3,326,271	3,975,591	4,745,239	5,810,201	6,982,811	8,280,124	9,677,838
% of sales	75.5%	77.0%	77.4%	76.4% ↗	78.1%	79.3%	80.4%	81.1%
Product development	1,085,034	1,188,279	1,303,150	1,605,694	1,849,440	2,100,991	2,353,498	2,609,279
% of Sales	29.9%	27.5%	25.4%	25.9% ↗	24.9%	23.9%	22.9%	21.9%
Sales and marketing	929,016	994,557	1,198,772	1,510,617	1,884,320	2,318,392	2,813,595	3,381,452
% of Sales	25.6%	23.0%	23.3%	24.3%	25.3%	26.3%	27.3%	28.3%
General and administrative	240,518	276,194	323,965	453,287	469,021	555,147	649,071	752,534
% of Sales	6.6%	6.4%	6.3%	7.3% ↗	6.3%	6.3%	6.3%	6.3%
Operating Income (Non GAAP)	484,466	867,241	1,149,704	1,175,642	1,607,420	2,008,280	2,463,959	2,934,573
% of Sales	13.4%	20.1%	22.4%	18.9% ↗	21.6%	22.8%	23.9%	24.6%
Interest income	41,268	18,788	5,575	15,207	18,792	23,230	28,627	35,044
Cash & marketable securities	3,535,653	3,644,161	4,444,028	5,491,729	6,788,833	8,365,819	10,241,273	
% of marketable investments	0.5%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	
Interest expense	58,685	68,806	16,602	68,301	70,005	71,751	73,541	75,376
Funded debt	1,795,014	1,839,797	1,885,697	1,932,743	1,980,962	2,030,384	2,081,039	
Implied interest rate, incl. amor. of debt discount & issuance	3.8% ↗	0.9%	3.7% ↗	3.7% ↗	3.7% ↗	3.7% ↗	3.7% ↗	
Other income (loss)	37,200	23,483	143,659	85,999	85,999	85,999	85,999	85,999
Total equity investments	802,628	968,601	968,601	968,601	968,601	968,601	968,601	968,601
Implied return on equity investments	2.9%	14.8%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
Income (loss) before provision for (benefit from) income taxes	504,249	840,706	1,282,336	1,208,547	1,642,206	2,045,759	2,505,043	2,980,240
Adj. tax rate	19.0% ↗	19.0% ↗	19.0% ↗	19.0% ↗	19.0% ↗	19.0% ↗	19.0% ↗	19.0% ↗
Provision for (benefit from) income taxes	95,807	159,734	243,644	229,624	312,019	388,694	475,958	566,246
Net income (loss)	408,442	680,972	1,038,692	978,923	1,330,187	1,657,064	2,029,085	2,413,994
Net income (loss) per share, basic	1.80	2.87	4.20	3.96	5.38	6.70	8.21	9.76
Net income (loss) per share, diluted	1.80	2.87	4.09	3.85	5.24	6.52	7.99	9.50
Weighted-average shares, basic	227,185	237,019	247,249	247,249	247,249	247,249	247,249	
Weighted-average shares, diluted	227,185	237,019	254,032	254,032	254,032	254,032	254,032	



Built for the future.*

Base ▾

Scenario Toggle

Circuit Breaker OFF

Circular Reference

To address the intentional circularity, please enable Iterative Calculation function
If using Excel for Windows, File > Options > Formulas
If using Excel for Mac, click "Excel" menu > Preferences > Calculation

Appendix 2



Selected non-cash charges									
Share-based compensation	859,880	1,004,854	1,112,405	1,275,695	1,476,479	1,684,193	1,892,712	2,103,749	
<i>as a % of subscription sales</i>	27.8%	26.5%	24.5%	23.0%	22.0%	21.0%	20.0%	19.0%	
Non-cash lease expense									
<i>as a % of sales</i>	67,325	84,376	86,235	113,597	136,104	161,097	188,352	218,376	
<i>1.9%</i>	<i>2.0%</i>	<i>1.7%</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.8%</i>	
EBITDA Reconciliation									
EBIT (GAAP)	(502,230)	(248,599)	(116,450)	(253,802)	(22,808)	170,339	417,498	677,075	
Share-based compensation	859,880	1,004,854	1,112,405	1275695	1476479	1684193	1892712	2103749	
Other operating expenses	126,816	110,986	153,749	153,749	153,749	153,749	153,749	153,749	
<i>Employee payroll tax-related items & stock transaction</i>	54,816	50,986	75,749	75,749	75,749	75,749	75,749	75,749	
<i>Acquisition-related amortization</i>	72,000	60,000	78,000	78,000	78,000	78,000	78,000	78,000	
EBIT (Non GAAP)	484,466	867,241	1,149,704	1,175,642	1,607,420	2,008,280	2,463,959	2,934,573	
Depreciation and amortization	276,278	293,657	343,723	370,412	405,469	444,383	484,801	524,837	
EBITDA	760,744	1,160,898	1,493,427	1,546,054	2,012,889	2,452,664	2,948,760	3,459,410	

Appendix 3



Assumptions & Scenarios

	2020A 1/31/20	2021A 1/31/21	2022A 1/31/22	2023P 1/31/23	2024P 1/31/24	2025P 1/31/25	2026P 1/31/26	2027P 1/31/27
Subscription Services Revenue Growth								
Bull	-	-	-	23.0%	22.0%	21.0%	19.5%	18.5%
Base	-	-	-	22.0%	21.0%	19.5%	18.0%	17.0%
Bear	-	-	-	20.0%	20.0%	19.0%	18.0%	16.5%
Professional Services Revenue Growth								
Bull	-	-	-	11.9%	10.9%	9.9%	8.9%	7.9%
Base	-	-	-	11.9%	9.9%	7.9%	5.9%	3.9%
Bear	-	-	-	10.0%	9.0%	7.0%	6.0%	4.0%
Subscription Services cost as % of segment sales								
Bull	-	-	-	16.0%	14.5%	14.0%	14.0%	14.0%
Base	-	-	-	16.0%	15.0%	14.5%	14.0%	14.0%
Bear	-	-	-	16.5%	16.0%	15.5%	15.0%	14.5%
Professional Services cost as % of segment sales								
Bull	-	-	-	85.0%	83.0%	81.0%	79.0%	77.0%
Base	-	-	-	87.0%	85.5%	84.0%	83.0%	82.0%
Bear	-	-	-	87.0%	86.5%	86.0%	85.0%	84.0%
Product development cost as % of sales								
Bull	-	-	-	24.9%	23.9%	22.9%	21.9%	20.9%
Base	-	-	-	25.9%	24.9%	23.9%	22.9%	21.9%
Bear	-	-	-	26.5%	25.0%	24.5%	23.5%	22.5%
Sales and marketing cost as % of sales								
Bull	-	-	-	23.3%	23.8%	24.8%	25.8%	26.3%
Base	-	-	-	24.3%	25.3%	26.3%	27.3%	28.3%
Bear	-	-	-	24.3%	25.3%	26.8%	28.3%	29.8%
General and administrative as % of sales								
				7.3%	6.3%	6.3%	6.3%	6.3%
Share-based compensation as a % of sales								
Bull	-	-	-	18.0%	17.0%	16.0%	15.0%	14.0%
Base	-	-	-	19.5%	18.5%	17.5%	16.5%	15.5%
Bear	-	-	-	21.0%	20.0%	19.0%	18.0%	17.0%

Appendix 4



Balance Sheet

(In thousands)	2020A 1/31/20	2021A 1/31/21	2022A 1/31/22	2023P 1/31/23	2024P 1/31/24	2025P 1/31/25	2026P 1/31/26	2027P 1/31/27
Cash & cash equivalents	1,384,181	1,534,273	1,871,035	2,312,140	2,858,250	3,522,196	4,311,804	
Marketable securities	2,151,472	2,109,888	2,572,993	3,179,589	3,930,583	4,843,623	5,929,469	
Trade and other receivables, net	1,032,484	1,242,545	1,493,079	1,788,910	2,117,405	2,475,646	2,870,265	
Deferred costs	122,764	152,957	180,681	218,962	257,701	302,160	349,826	
Prepaid expenses and other current assets	111,160	174,402	185,294	222,007	262,774	307,232	356,206	
Total current assets	4,802,061	5,214,065	6,303,082	7,721,608	9,426,713	11,450,857	13,817,570	
Property and equipment, net	972,403	1,123,075	1,218,368	1,333,679	1,461,676	1,594,617	1,726,306	
Operating lease right-of-use assets	414,143	247,808	247,808	247,808	247,808	247,808	247,808	
Deferred costs, noncurrent	271,796	341,259	401,604	481,175	569,533	665,891	772,035	
Acquisition-related intangibles, net	248,626	391,002	313,002	235,002	157,002	79,002	1,002	
Good will	1,819,625	2,840,044	2,840,044	2,840,044	2,840,044	2,840,044	2,840,044	
Other assets	189,757	341,252	988,419	1,693,076	2,500,228	3,413,267	4,459,756	
Total assets	8,718,411	10,498,505	12,312,328	14,552,393	17,203,003	20,291,486	23,864,522	
Accounts payable	75,596	55,487	63,042	68,079	72,160	75,497	77,486	
Accrued expenses and other current liabilities	169,226	195,590	239,846	287,367	340,136	397,683	461,074	
Accrued compensation	285,061	402,885	455,775	508,881	558,296	601,275	637,435	
Unearned revenue	2,556,624	3,110,947	3,759,078	4,503,882	5,330,922	6,232,854	7,226,374	
Operating lease liabilities	93,000	80,503	85,578	72,807	56,920	30,665	10,464	
Total current liabilities	3,179,507	3,845,412	4,603,318	5,441,016	6,358,434	7,337,974	8,412,833	
Debt	1,795,014	1,839,797	1,885,697	1,932,743	1,980,962	2,030,384	2,081,039	
Unearned revenue, noncurrent	80,111	71,533	86,436	103,562	122,579	143,318	166,163	
Operating lease liabilities, noncurrent	350,051	182,456	182,456	182,456	182,456	182,456	182,456	
Other liabilities	35,854	24,225	40,416	48,423	57,315	67,012	77,694	
Total liabilities	5,440,537	5,963,423	6,798,323	7,708,200	8,701,746	9,761,145	10,920,185	
Total Equity	3,277,834	4,535,082	5,514,005	6,844,192	8,501,257	10,530,342	12,944,336	
Total liabilities and stockholder's equity	8,718,371	10,498,505	12,312,328	14,552,393	17,203,003	20,291,486	23,864,522	

Appendix 5



Cash Flow Statement

(In thousands)	2020A 1/31/20	2021A 1/31/21	2022A 1/31/22	2023P 1/31/23	2024P 1/31/24	2025P 1/31/25	2026P 1/31/26	2027P 1/31/27
Net Income (Non GAAP)				978,923	1,330,187	1,657,064	2,029,085	2,413,994
Depreciation and amortization			370,412	405,469	444,383	484,801	524,837	
(Gains) losses on investments			(85,999)	(85,999)	(85,999)	(85,999)	(85,999)	(85,999)
Changes in NWC			463,680	479,645	525,305	558,637	603,801	
Non-cash lease expenses			113,597	136,104	161,097	188,352	218,376	
Net cash provided by (used in) operating activities			1,840,613	2,265,406	2,701,850	3,174,876	3,675,009	
Capital expenditures			(465,706)	(520,780)	(572,380)	(617,742)	(656,526)	
Other investing activities			(620,941)	(743,971)	(880,585)	(1,029,570)	(1,193,684)	
Net cash provided by (used in) investing activities			(1,086,647)	(1,264,750)	(1,452,965)	(1,647,312)	(1,850,210)	
Net new borrowing			45,900	47,045	48,219	49,422	50,655	
Net cash provided by (used in) financing activities			45,900	47,045	48,219	49,422	50,655	
Net increase (decrease) in cash			799,867	1,047,701	1,297,104	1,576,986	1,875,454	
Cash, BOP			3,644,161	4,444,028	5,491,729	6,788,833	8,365,819	
Cash, EOP			4,444,028	5,491,729	6,788,833	8,365,819	10,241,273	

Appendix 6



Workday, Inc. NYSE (WDAY)



Built for the future.®

Discounted Cash Flow		Currently running base case					
Year Ended January, 31	(In thousands, except share and per value data)	2022A 1/31/22	2023P 1/31/23	2024P 1/31/24	2025P 1/31/25	2026P 1/31/26	2027P 1/31/27
EBIT (Non GAAP) ¹		1,175,642	1,607,420	2,008,280	2,463,959	2,934,573	
Add back non-cash lease expense		113,597	136,104	161,097	188,352	218,376	
Adj. tax rate		19%	19%	19%	19%	19%	19%
NOPAT		1,044,283	1,412,255	1,757,195	2,148,372	2,553,888	
Depreciation and amortization		370,412	405,469	444,383	484,801	524,837	
Change in net working capital		463,680	479,645	525,305	558,637	603,801	
Capital expenditure		(465,706)	(520,780)	(572,380)	(617,742)	(656,526)	
Free cash flow		1,412,670	1,776,589	2,154,503	2,574,068	3,026,000	
% growth		1.9%	25.8%	21.3%	19.5%	17.6%	
<i>Fractional year adjustment</i>		27.8%	127.8%	227.8%	327.8%	427.8%	
<i>Assume cash flows are generated at² :</i>	<i>year end</i>						
<i>Mid-year adjustment factor</i>	<i>100.0%</i>						
Discount factor		0.97	0.89	0.81	0.73	0.67	
Discounted free cash flow		1,376,125	1,574,799	1,737,827	1,889,300	2,021,022	

Appendix 7



Discounted free cash flow	1,376,125	1,574,799	1,737,827	1,889,300	2,021,022
Perpetuity Approach (millions except for per share data)					EBITDA multiple approach (millions except for per share data)
Long-term growth rate	4.00%				Terminal year EBITDA Multiple ³
Terminal value	53,383				16.9x
Discounted terminal value	35,654				58,369
Enterprise value	44,253				38,984
Total debt ⁴	2,973				Enterprise value
Preferred stock	--				47,583
Cash ⁴	6,303				Total debt ⁴
Applicable equity investments (non-controlling)	257				2,973
Equity value	47,840				Preferred stock
Weighted average shares, diluted	256				Cash ⁴
Equity value per share	\$ 187				Applicable equity investments (non-controlling)
% weight used to calculate DCF equity value per share	50%				Equity value
DCF Equity value per share at 10/21/2022	\$ 193.4				Weighted average shares, diluted
% weight used to calculate weighted average value	50%				Equity value per share
Current price	\$ 149.5				\$ 200
Upside potential	29%				% weight used to calculate DCF equity value per share

Comparison of different valuation methods and cur

Appendix 8



Cost of Capital	
Cost of debt	5.4%
After-tax cost of debt	4.4%
Tax rate	19%
Total debt ⁴	2,973
Debt as a % of total capital	7.2%
Risk free rate ⁵	4.18%
Beta	1.28
Market risk premium ⁶	4.80%
Cost of equity	10.3%
Current price	149.5
Current price date	10/21/22
Weighted average shares outstanding	256
Total Capitalization	38,267
Equity as a % of total capital	92.8%
Cost of capital (WACC)	9.9%

¹ 10K suggests a seasonality weighted toward the fourth quarter

² Non-GAAP EBIT is already reconciled by non-cash charges such as share-based compensation, employee payroll tax-related expense & stock transactions, and acquisition-related amortization

³ Bloomberg: average BF EV/EBITDA multiple for comparables group

⁴ As of 8/25/2022, end of 2nd quarter FY 2023

⁵ 10-year U.S. Treasury notes yield

⁶ Bloomberg: country/region market risk premium

Appendix 9



Relative Valuation

Name	2Y Correlation	Ticker	Market Cap (\$B)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
ServiceNow Inc	0.72	NOW US	74.87	41.9x	26.2x	32.3x	8.4x	17.8x
Intuit Inc	0.69	INTU US	120.05	29.8x	21.1x	22.5x	8.3x	7.3x
Salesforce Inc	0.69	CRM US	160.41	29.7x	14.8x	21.5x	4.7x	2.7x
ANSYS Inc	0.68	ANSS US	19.03	26.2x	19.9x	21.1x	8.9x	4.3x
Synopsys Inc	0.65	SNPS US	45.15	29.2x	21.6x	22.6x	7.8x	8.1x
Guidewire Software Inc	0.64	GWRE US	4.90	--	743.9x	--	4.8x	3.4x
Adobe Inc	0.64	ADBE US	150.99	21.3x	16.1x	17.7x	7.8x	10.6x
Veeva Systems Inc	0.63	VEEV US	25.76	36.5x	24.1x	24.8x	9.6x	7.9x
Cadence Design Systems Inc	0.62	CDNS US	41.25	32.9x	24.1x	27.1x	10.8x	15.2x
Autodesk Inc	0.62	ADSK US	46.45	28.6x	22.4x	23.6x	8.7x	62.8x
PTC Inc	0.53	PTC US	13.53	22.2x	17.3x	18.7x	6.9x	6.3x
Open Text Corp	0.50	OTEX CN	7.76	8.7x	7.5x	8.7x	2.9x	1.9x
Constellation Software Inc/Can	0.46	CSU CN	30.67	26.8x	15.5x	30.1x	4.2x	20.9x
SAP SE	0.44	SAP GR	120.45	18.5x	13.5x	15.7x	4.0x	2.8x
Dassault Systemes SE	0.44	DSY FP	47.96	30.7x	21.5x	25.8x	8.0x	6.0x
Sage Group PLC/The	0.39	SGE LN	8.79	24.7x	16.2x	19.0x	3.9x	6.8x
Oracle Corp	0.33	ORCL US	202.99	14.4x	10.8x	13.2x	5.6x	--
BlackBerry Ltd	0.25	BB CN	2.58	--	--	--	3.3x	1.9x
Xero Ltd	0.16	XRO AU	7.52	156.1x	36.7x	100.8x	8.3x	12.4x

(in millions except per share data)

Mean ⁷			24.6x	16.9x	21.0x	5.1x	4.4x
Workday metric value			4.2	1,818	1,382	7,069	20.07
2-year Historical premium over comps			94%	62%	69%	37%	--
Adjusted premium	Adjustment factor	85%	80%	53%	59%	31%	
Workday implied valuation, (equity value or enterprise value)			185.5	46,839	46,133	47,441	--
Net debt				(3,330)	(3,330)	(3,330)	
Preferred stock			--	--	--	--	
Applicable equity investments (non-controlling)				257	257	257	
Equity value				50,169	49,463	50,771	
Outstanding shares, diluted				256	256	256	
Relative valuation equity value per share			185.5	196.0	193.2	198.3	
Average value from multiple valuation	\$	193.3					
% weight used to calculate weighted average equity value per share			50%				
Weighted average equity value per share at 10/21/2022	\$	193.3	Target price			Currently running base case	
Current price	\$	149.5					
Upside potential		29%					

⁷ Excludes outliers and metrics supported by insufficient data

Appendix 10

Sensitivity Analysis								
	Long term growth rate (g)							
	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	
WACC	7.0%	226	236	249	266	289	320	368
	8.0%	203	210	219	229	242	258	280
	9.0%	187	192	197	204	212	222	234
	10.1%	172	176	180	184	190	196	204
	11.0%	163	165	168	172	176	181	186
	12.0%	153	156	158	161	164	167	171
	13.0%	145	147	149	151	153	156	159
	14.0%	139	140	141	143	145	147	149
Terminal EBITDA multiple								
	11.0x	13.0x	15.0x	16.9x	19.0x	21.0x	23.0x	
WACC	7.0%	259	269	279	289	299	310	320
	8.0%	213	223	233	242	252	262	271
	9.0%	185	194	203	212	222	231	241
	10.1%	163	172	181	190	199	208	217
	11.0%	151	159	168	176	185	194	202
	12.0%	139	147	156	164	172	181	189
	13.0%	130	138	146	154	162	170	178
	14.0%	122	130	138	145	153	161	169

