

Workday, Inc.  
Form 10-Q  
September 02, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended July 31, 2014**

**OR**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
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**  
**(IRS Employer**  
**Identification No.)**

**6230 Stoneridge Mall Road**

**Pleasanton, California 94588**

**(Address of principal executive offices)**

**Telephone Number (925) 951-9000**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

As of August 15, 2014, there were approximately 186 million shares of the registrant's common stock outstanding.

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Workday, Inc.****Condensed Consolidated Balance Sheets**

(in thousands)

(unaudited)

	<b>July 31, 2014</b>	<b>January 31, 2014<sup>(1)</sup></b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 262,634	\$ 581,326
Marketable securities	1,559,748	1,305,253
Accounts receivable, net	100,534	92,184
Deferred costs	20,064	16,446
Prepaid expenses and other current assets	37,830	28,449
Total current assets	1,980,810	2,023,658
Property and equipment, net	105,855	77,664
Deferred costs, noncurrent	18,702	20,797
Goodwill and acquisition-related intangible assets, net	35,379	8,488
Other assets	54,152	45,658
Total assets	\$ 2,194,898	\$ 2,176,265
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 6,561	\$ 6,212
Accrued expenses and other current liabilities	30,180	17,999
Accrued compensation	38,565	55,620
Capital leases	5,133	9,377
Unearned revenue	409,026	332,682
Total current liabilities	489,465	421,890
Convertible senior notes, net	479,293	468,412
Capital leases, noncurrent	671	3,589
Unearned revenue, noncurrent	72,447	80,883
Other liabilities	14,181	14,274
Total liabilities	1,056,057	989,048
Stockholders equity:		

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Common stock	183	181
Additional paid-in capital	1,841,688	1,761,156
Accumulated other comprehensive income (loss)	(37)	269
Accumulated deficit	(702,993)	(574,389)
Total stockholders' equity	1,138,841	1,187,217
Total liabilities and stockholders' equity	\$ 2,194,898	\$ 2,176,265

(1) Amounts as of January 31, 2014 were derived from the January 31, 2014 audited financial statements.  
See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****Workday, Inc.****Condensed Consolidated Statements of Operations**

(in thousands, except per share data)

(unaudited)

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>				
Subscription services	\$ 143,652	\$ 81,111	\$ 267,059	\$ 149,529
Professional services	43,128	26,444	79,458	49,671
<b>Total revenues</b>	<b>186,780</b>	<b>107,555</b>	<b>346,517</b>	<b>199,200</b>
<b>Costs and expenses<sup>(1)</sup>:</b>				
Costs of subscription services	24,373	16,327	45,832	31,257
Costs of professional services	41,267	24,427	77,227	46,196
Product development	77,464	41,168	142,635	77,450
Sales and marketing	78,523	44,150	146,690	82,514
General and administrative	26,922	13,766	47,985	26,690
<b>Total costs and expenses</b>	<b>248,549</b>	<b>139,838</b>	<b>460,369</b>	<b>264,107</b>
Operating loss	(61,769)	(32,283)	(113,852)	(64,907)
Other expense, net	(6,953)	(3,479)	(13,952)	(3,735)
Loss before provision for income taxes	(68,722)	(35,762)	(127,804)	(68,642)
Provision for income taxes	493	216	800	351
<b>Net loss</b>	<b>\$ (69,215)</b>	<b>\$ (35,978)</b>	<b>\$ (128,604)</b>	<b>\$ (68,993)</b>
<b>Net loss per share, basic and diluted</b>	<b>\$ (0.38)</b>	<b>\$ (0.21)</b>	<b>\$ (0.70)</b>	<b>\$ (0.40)</b>
Weighted-average shares used to compute net loss per share, basic and diluted	184,319	173,375	183,733	170,617

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

Costs of subscription services	\$ 1,608	\$ 401	\$ 2,663	\$ 663
Costs of professional services	3,519	801	5,717	1,276
Product development	16,737	3,465	27,605	5,372
Sales and marketing	7,377	1,805	14,129	2,848

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General and administrative	11,541	3,311	19,542	7,040
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See Notes to Condensed Consolidated Financial Statements.

Table of Contents**Workday, Inc.****Condensed Consolidated Statements of Comprehensive Loss**

(in thousands)

(unaudited)

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net loss	\$ (69,215)	\$ (35,978)	\$ (128,604)	\$ (68,993)
Other comprehensive income (loss), net of tax:				
Changes in foreign currency translation adjustment	(15)		24	(86)
Net change in unrealized gains (losses) on available-for-sale investments	(503)	46	(330)	129
Other comprehensive income (loss), net of tax	(518)	46	(306)	43
Comprehensive loss	\$ (69,733)	\$ (35,932)	\$ (128,910)	\$ (68,950)

See Notes to Condensed Consolidated Financial Statements.



**Table of Contents****Workday, Inc.****Condensed Consolidated Statements of Cash Flows**

(in thousands)

(unaudited)

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>				
Net loss	\$ (69,215)	\$ (35,978)	\$ (128,604)	\$ (68,993)
Adjustments to reconcile net loss to net cash provided (used in) by operating activities:				
Depreciation and amortization	14,474	8,051	26,997	14,620
Share-based compensation expenses	40,782	9,783	69,656	17,199
Amortization of deferred costs	4,421	2,756	8,373	5,238
Amortization of debt discount and issuance costs	6,002	2,790	11,922	2,790
Other	242	196	846	170
Changes in operating assets and liabilities, net of business combinations:				
Accounts receivable	(1,441)	(6,808)	(8,454)	323
Deferred costs	(6,433)	(3,867)	(9,896)	(7,103)
Prepaid expenses and other assets	(2,748)	(6,579)	(10,098)	(10,142)
Accounts payable	(23)	1,251	(2,453)	3,672
Accrued expense and other liabilities	(14,602)	(9,191)	(13,511)	6,262
Unearned revenue	19,530	24,680	67,908	40,358
Net cash provided by (used in) operating activities	(9,011)	(12,916)	12,686	4,394
<b>Cash flows from investing activities</b>				
Purchases of marketable securities	(365,779)	(441,860)	(1,036,185)	(729,701)
Maturities of marketable securities	414,242	170,159	767,472	576,867
Sales of available-for-sale securities	8,138		8,138	
Business combinations, net of cash acquired			(26,317)	
Purchases of property and equipment	(28,409)	(29,732)	(38,282)	(31,627)
Purchase of cost method investment	(10,000)		(10,000)	
Other			1,000	90
Net cash provided by (used in) investing activities	18,192	(301,433)	(334,174)	(184,371)
<b>Cash flows from financing activities</b>				
Proceeds from borrowings on convertible senior notes, net of issuance costs		584,291		584,291
Proceeds from issuance of warrants		92,708		92,708
Purchase of convertible senior notes hedges		(143,729)		(143,729)
	15,169	2,110	18,165	6,675

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Proceeds from issuance of common stock from  
employee equity plans

Principal payments on capital lease obligations	(4,418)	(2,935)	(7,162)	(6,688)
Shares repurchased for tax withholdings on vesting of restricted stock	(3,284)		(8,291)	
Other		72	60	80
Net cash provided by financing activities	7,467	532,517	2,772	533,337