

Workday, Inc.
Fourth Quarter & Fiscal 2026
Prepared Remarks
February 24, 2026

Introduction

Thank you, Operator.

Welcome to Workday's fourth quarter fiscal 2026 earnings conference call. On the call we have Aneel Bhusri, our CEO, Gerrit Kazmaier, our President, Product & Technology, Rob Enslin, our President, Chief Commercial Officer, and Zane Rowe, our CFO. Following prepared remarks, we will take questions. Our press release was issued after close of market and is posted on our website, where this call is being simultaneously webcast.

Before we get started, we want to emphasize that some of our statements on this call, particularly our guidance, are based on the information we have as of today, and include forward-looking statements regarding our financial results, applications, customer demand, operations and other matters. These statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially. Please refer to the press release and the risk factors in documents we file with the Securities and Exchange Commission, including our fiscal 2025 Annual Report on Form 10-K and our most recent Quarterly Report on Form 10-Q for additional information on risks, uncertainties and assumptions that may cause actual results to differ materially from those set forth in such statements.

In addition, during today's call, we will discuss non-GAAP financial measures, which we believe are useful as supplemental measures of Workday's performance. These non-GAAP measures should be considered in addition to, and not as a substitute for or in isolation from GAAP results. You can find additional disclosures regarding these non-GAAP measures, including reconciliations with comparable GAAP results, in our earnings press release, in our investor presentation, and on the Investor Relations page of our website.

The webcast replay of this call will be available for the next 90 days on our company website under the Investor Relations link. Additionally, the prepared remarks of this call and our quarterly investor presentation will be posted on our Investor Relations website following this call.

Our first quarter fiscal 2027 quiet period begins on April 15th, 2026. Unless otherwise stated, all financial comparisons in this call will be to our results for the comparable period of our fiscal 2025.

With that, I will hand the call over to Aneel.

Co-Founder, CEO and Chair Remarks

Thank you, Justin and thanks to everyone for joining us today. It's really nice to be back with all of you.

Before I get into my remarks, I wanted to thank Carl for his service to Workday over the past three years. He brought the operational rigor and discipline that we needed at the time to make Workday a larger and more global company. That work helped us set the foundation for this next chapter for Workday, and we're all grateful to him.

In terms of chapters, we talk internally about this next chapter of Workday as chapter four.

First was the founding of the company by Dave and myself back in 2005, based on a new idea of HR and Finance in the cloud and built on a set of core values around employees, customers, innovation, integrity and fun.

The second chapter was the period of hypergrowth that led to our success with many organizations around the world and product & technology leadership in HR and Finance.

The third and most recent chapter, which started in 2023, was all about operational excellence and efficiency as we grew into a Fortune 500 global company.

Well, chapter four is now upon us, and it's a return to focusing on innovation. When we founded Workday, we transformed the enterprise by reimagining HR and Finance in the cloud. Now, we have the opportunity to transform it again by reimagining HR and Finance with AI, and taking advantage of this new vector of growth.

You've all heard the narrative out there that HR and ERP will be replaced or relegated to the background by AI. I personally just don't see that happening. Our application domains are really, really hard to build. I've been working in the HR and ERP space for over 30 years. These are true systems of record that must process transactions with absolute accuracy and speed, enforce complex security models, and comply with statutory and regulatory requirements all over the world. That kind of complexity is very hard to replicate. No amount of vibe coding is going to produce an HR or ERP system.

And importantly, our underlying business processes are deterministic by nature. There is a start and end to a business process. Its goal is to deliver consistent, auditable outcomes.

AI, for all of its incredible capabilities, is probabilistic by nature. It reasons, predicts, and recommends based on patterns and likelihoods. Maybe it will eventually become a state machine—a system that follows the same steps and gets the same result, every time—but it is not there today.

You can't have probabilistic outcomes in running a payroll, it needs to be 100% accurate and completed, 100% of the time.

So what is the future? It's the marriage of deterministic enterprise apps with probabilistic AI that leads to three things:

- A redefined user experience that is prompt based;

- A greatly improved business process automation and execution platform, with work done by agents and humans;
- And lastly, much deeper, AI generated insights.

Taken together, these changes will lead to much better business outcomes, and deliver far higher ROI for customers.

As you'll hear from Gerrit, this hybrid world and architecture is exactly what Workday is building today. Marrying the best system of record for HR and Finance with the reasoning capabilities of domain specific LLMs. That's the future.

It's like peanut butter and jelly, they just go together. And it's all rooted in the trust we've built with our customers over the past 20 years from managing their systems and their most critical data.

All you have to do is look back at the past year to know that this hybrid world is coming to fruition. We experienced accelerating agentic AI adoption across the solutions we acquired—HiredScore, Evisort, Paradox and most recently Sana. They all had a great Q4 and I'm pleased to say that Sana is now seamlessly integrated into the Workday stack! It's very cool.

So as we move into FY27, what should you expect from us? Our core enterprise apps in HR, Finance and Student will continue to thrive, recognizing that in some areas like HR, we have high levels of market share so the growth will come from new apps sold to the customer base.

The accelerating growth will come from the agents we build on top of Workday, both inorganic and organic. If FY26 proved that customers trusted Workday to buy our acquired agents, we believe that FY27 and beyond will prove that customers will buy our organically built agents that are in early access today.

Across the board, these new agents are deeply embedded into the Workday core, are meaningful in their scope and have significant ROI attached to each and every one of them.

Those of you who know me know that I am an unabashed optimist. I truly believe that our investments in Agentic AI will enable Workday to reaccelerate growth, increase customer satisfaction, and set us up for long-term leadership.

I will end by saying that I am excited to be back. This is a fun time to be a product person. And now, I will turn it over to my friend, and leader of all things ERP and AI, Gerrit!

President, Product & Technology Remarks

Thanks, Aneel, and hello everyone.

Aneel described the opportunity really well. AI is changing how work gets done and we are unlocking its transformative power for HR and Finance.

The foundation for Enterprise AI is taking the right action inside a governed business process, with the right permissions, oversight, and policy configuration—whether that’s hiring and onboarding, payroll, or the financial close.

Simply connecting powerful language models directly to enterprise data—well, that risks creating “lawless agents” that may have vast capability but they have zero guardrails.

We are building Workday as a context and tools engine for AI, with deep HR and finance data, a business process framework, and a strong security model to deliver enterprise-grade accuracy and business outcomes.

Based on this, we leverage AI for entirely new business processes. We build for enterprise AI transformation where, for instance, every employee can have a career coach who develops them along their journey. Every sales team can have an AI contracts agent specialized in every engagement. Every candidate can have an AI personal job search agent, every finance professional their personal AI analyst and every employee their own AI HR business partner agent.

So now let’s look at some real customer AI usage in Workday. We measure every time an AI model produces a result in Workday as an “AI Action.”

In full year 26, we delivered 1.7 billion AI actions across the Workday platform, and this is all organically developed AI in Workday.

You can also see this incredible momentum commercially. In Q4, we generated over \$100 million in new ACV from emerging AI products, that’s growing over 100% year-over-year, and our overall ARR from these solutions is now over \$400 million.

We expect AI usage and business impact to continue to expand meaningfully in FY27.

Today, we have 12 new organically developed role-based agents that are now starting to move into general availability for all our customers. And more than 400 customers are already using them and get real ROI. With our Self-Service Agent, early access customers have reduced HR case volume by 25% and increased employee productivity by 20%.

And with our R1 release in March, in addition to our Self Service agent, Planning Agent, Deployment Agent, Payroll Agent, and Business Process Optimize Agent are all entering into general availability for all our customers.

And here’s another real highlight for us: the release of Sana Core and Sana Enterprise into general availability. Sana Core brings conversational AI directly into Workday, so employees can get answers and complete tasks using Workday agents. Sana Enterprise extends this same experience beyond Workday by connecting to enterprise tools like Outlook and Google Drive and so many more, so employees can find information, create agents and automate workflows all in one place. That will create an entirely new way for our 75 million users to engage with Workday.

Sana Core and Sana Enterprise went into GA on February 15th, which we executed with world-class speed, from project start to finish in just 3 months.

We used AI to dramatically accelerate our product innovation cycle time.

- We accelerated key API development by roughly 30x on Workday's core platform using AI;
- More than 75% of our software engineers are using AI coding assistance, and more than 50% of the committed code is AI-generated;
- We've seen an incredible 22% growth in engineering output over the last six months, measured by the number of code updates we delivered.

Our strategy is to build new business processes designed around virtually unlimited AI reasoning. To automate entire business processes into the background with AI agents. And to deliver a beautiful AI-first user experience that brings super intelligence to work.

And with that, I'll turn it over to Rob.

President, Chief Commercial Officer Remarks

Thanks, Gerrit, and hello everyone. It's great to be on the call today.

As we look back at Q4, one thing is very clear: our customers trust Workday with the parts of their business that have to run flawlessly—from payroll to closing the books. And that trust continues to show up in our high retention rates and in customers expanding their use of the platform year after year.

With over 11,500 global customers, expansions remain our largest growth engine. In the quarter, we expanded with customers like Anthropic, Ally Financial, and Otis Elevator.

In Q4, AI played an increasingly meaningful role. It was involved in roughly half of our customer base transactions. And, expansion deals that included AI were nearly 50% larger, on average.

While it's still early days, we're seeing great initial traction with Sana, since the acquisition closed in November.

We're starting to see customers go all-in on agents and agentic workflows, and Accenture is a great example. They're reinventing HR and recruiting at scale—using our AI solutions to elevate the employee and candidate experience, while driving improvements in productivity, speed, and agility.

Accenture has also been a key design partner for us, helping to develop our Agent System of Record.

And with our Flex Credits pricing model, customers can better align their spend with the value

they're getting. Accenture, Nike, and Merck are among the first of nearly 50 customers signing on to use our new model.

We expect Flex Credits adoption to continue to grow as we expand our AI roadmap and mature the model. We're also investing in our customer base motion, including forward-deployed engineers to activate agents faster and with less friction for our customers.

Turning to net new, we formed several strategic relationships in the quarter, including Boston Children's Hospital, the State of New York Unified Court System, and Sargent & Lundy.

We're seeing particularly strong momentum in net new medium enterprise deals. ME customers drove roughly 60% of net new ACV in FY26. To accelerate time to value in this segment, we're expanding Workday GO globally—helping customers get up and running faster, in a more standardized way.

At the same time, some net new large enterprise deals are taking longer to close, particularly in Fed, SLED, and healthcare, and across parts of the commercial market. While this impacted the volume of net new deals that closed in Q4, most opportunities remain active in our pipeline, and a few have already closed in Q1.

As we look at our international business, we see significant opportunities ahead. We're making good progress in Canada, EMEA, ASEAN, and Japan. We've been investing in local talent, partners, product localization, and new routes to customers with Workday resellers. While there's still work to do, we believe international will become a much bigger part of our growth story over time.

And partners play an important role in scaling. In Q4, about 25% of our net new ACV was sourced through our partner ecosystem. They're helping customers go live faster, expand more efficiently on Workday, and enhance the value of our platform. Workday Wellness is a great example of how we're expanding employee services, while creating new revenue streams with partners. In Q4, we welcomed Lyra Health, Empathy, and Airvet to the program.

As we move into FY27, the team and I are focused on turning all of the innovation Gerrit talked about into tangible outcomes for our customers—faster time to value, broader adoption, and deeper platform commitments.

We're well positioned to build on this momentum and play an even more important role as customers modernize their HR and finance operations.

With that, I'll hand it over to Zane to share more details on our results.

CFO Remarks

Thanks, Rob, and thank you to everyone for joining today's call. As Rob mentioned, our results this quarter reflect the deep trust customers place in Workday to manage their most critical

assets. This is creating a durable expansion opportunity, particularly as adoption of our AI solutions accelerate.

Turning to results, subscription revenue in Q4 was \$2.360 billion, up 16%, and full year FY26 subscription revenue was \$8.833 billion, growth of 14%. Revenue in the quarter benefitted from the successful delivery of the DIA contract, which added nearly a point to Q4 subscription revenue growth.

Total revenue in Q4 was \$2.532 billion, growth of 15%, and for the full year was \$9.552 billion, up 13%.

U.S. revenue in Q4 totaled \$1.91 billion, up 15%, and international revenue in the quarter was \$626 million, growing 13%. For the year, U.S. revenue was \$7.18 billion, up 13%, and international revenue was \$2.38 billion, up 12%.

12-month subscription revenue backlog, or cRPO, was \$8.83 billion at the end of Q4, growing 15.8%.

Total subscription revenue backlog at the end of Q4 was \$28.10 billion, up 12%. Average contract duration in the quarter was down year-over-year driven by a higher mix of renewal and customer base activity.

Gross revenue retention rates remained strong at 97%, demonstrating the mission-critical nature of our platform and our high customer satisfaction. In addition, net expansion rates remained consistent through FY26, contributing roughly 60% of our subscription revenue growth for the quarter and the full year.

Non-GAAP operating income for the fourth quarter was \$774 million, representing a non-GAAP operating margin of 30.6%. Margin strength was the result of solid revenue growth, ongoing efficiencies we are driving across the business, and a slightly slower ramp in hiring. Full-year non-GAAP operating income was \$2.82 billion, reflecting a non-GAAP operating margin of 29.6%.

Q4 operating cash flow was \$1.28 billion, resulting in full-year operating cash flow of \$2.94 billion, growth of 19%. Free cash flow for the quarter was \$1.22 billion, and for the year it was \$2.78 billion, up 27%.

We repurchased \$1.5 billion dollars of our shares during the quarter and \$2.9 billion dollars for the full year. We had \$2.9 billion in remaining authorization as of quarter end.

We ended the year with \$5.4 billion in cash and marketable securities.

Our headcount as of January 31 was 21,070 workmates around the globe.

Now turning to guidance. We are focused on driving adoption of our agentic solutions, including Sana, Paradox, and other Workday agents as well as our data cloud which ramp in availability throughout the year.

We expect FY27 subscription revenue of approximately \$9.925 billion to \$9.950 billion, growth of 12% to 13%.

We anticipate Q1 FY27 subscription revenue to be approximately \$2.335 billion, growth of 13%. As we mentioned last quarter, this year's sequential performance is impacted by the DIA contract, which added nearly a point to Q4 subscription revenue growth and is not expected to continue in Q1.

We expect cRPO to increase between 14.5% and 15.5% in Q1.

We expect subscription revenue to increase roughly 5% sequentially in Q2.

We anticipate FY27 professional services revenue of approximately \$710 million, as we continue to leverage our partner ecosystem. For Q1, we expect professional services revenue of \$180 million.

We expect FY27 non-GAAP operating margin of approximately 30%, and for Q1 we expect a non-GAAP operating margin of 30.5%. This outlook incorporates an accelerated pace of AI investment across both product and go-to-market.

We expect the Q1 GAAP operating margin to be approximately 19 points lower than our non-GAAP operating margin, and the full-year FY27 GAAP operating margin to be approximately 18 to 19 points lower.

The FY27 non-GAAP tax rate is expected to be 19%.

We expect FY27 operating cash flow of \$3.450 billion, and capital expenditures of approximately \$270 million, resulting in free cash flow of \$3.180 billion, growth of 15%.

As Aneel mentioned, we are focused on what we believe is a generational opportunity for AI to revolutionize our HCM and Finance solutions, as well as open new markets. While we remain committed to our medium-term subscription revenue growth targets, we are prioritizing incremental investment in our agentic AI roadmap to capture a larger market opportunity. We remain focused on both GAAP and non-GAAP margin expansion, albeit at a slower pace in the near term than what we previously communicated. We believe this investment will drive a more durable growth profile that optimizes for long-term operating profit and free cash flow. We look forward to sharing our progress over the next several quarters.

With that, I'll turn it back over to the operator to begin Q&A.

