

Workday, Inc.
Form 10-Q
September 04, 2015
Table of Contents

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, 2015

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	20-2480422
(State or other jurisdiction of incorporation or organization)	(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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 31, 2015, there were approximately 192 million shares of the registrant's common stock outstanding.

Table of Contents

Workday, Inc.

Page No.

PART I. FINANCIAL INFORMATIONItem 1. Financial Statements (unaudited):Condensed Consolidated Balance Sheets as of July 31, 2015 and January 31, 2015 3Condensed Consolidated Statements of Operations for the Three and Six Months ended July 31, 2015 and 2014 4Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months ended July 31, 2015 and 2014 5Condensed Consolidated Statements of Cash Flows for the Three and Six Months ended July 31, 2015 and 2014 6Notes to Condensed Consolidated Financial Statements 7Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 21Item 3. Quantitative and Qualitative Disclosures About Market Risk 31Item 4. Controls and Procedures 32PART II. OTHER INFORMATIONItem 1. Legal Proceedings 33Item 1A. Risk Factors 34Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 50Item 3. Defaults Upon Senior Securities 50Item 4. Mine Safety Disclosures 50Item 5. Other Information 50Item 6. Exhibits 51Signatures 52Exhibit Index 53

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Workday, Inc.

Condensed Consolidated Balance Sheets

(in thousands)

(unaudited)

	July 31, 2015	January 31, 2015 ⁽¹⁾
Assets		
Current assets:		
Cash and cash equivalents	\$230,578	\$298,192
Marketable securities	1,676,351	1,559,517
Accounts receivable, net	156,282	188,357
Deferred costs	18,905	20,471
Prepaid expenses and other current assets	58,412	42,502
Total current assets	2,140,528	2,109,039
Property and equipment, net	172,701	140,136
Deferred costs, noncurrent	20,787	20,998
Goodwill and acquisition-related intangible assets, net	42,953	34,779
Other assets	66,915	53,681
Total assets	\$2,443,884	\$2,358,633
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$23,668	\$10,623
Accrued expenses and other current liabilities	31,706	24,132
Accrued compensation	48,347	56,152
Capital leases	743	3,207
Unearned revenue	601,807	547,151
Total current liabilities	706,271	641,265
Convertible senior notes, net	502,045	490,501
Unearned revenue, noncurrent	81,281	85,593
Other liabilities	22,312	15,299
Total liabilities	1,311,909	1,232,658
Stockholders' equity:		
Common stock	190	186
Additional paid-in capital	2,084,815	1,948,300
Accumulated other comprehensive income (loss)	320	(140)
Accumulated deficit	(953,350)	(822,371)
Total stockholders' equity	1,131,975	1,125,975
Total liabilities and stockholders' equity	\$2,443,884	\$2,358,633

⁽¹⁾ Amounts as of January 31, 2015 were derived from the January 31, 2015 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)

	Three Months Ended		Six Months Ended	
	July 31,		July 31,	
	2015	2014	2015	2014
Revenues:				
Subscription services	\$223,742	\$143,652	\$424,735	\$267,059
Professional services	58,954	43,128	108,918	79,458
Total revenues	282,696	186,780	533,653	346,517
Costs and expenses ⁽¹⁾ :				
Costs of subscription services	35,287	24,373	67,069	45,832
Costs of professional services	56,792	41,267	102,924	77,227
Product development	115,345	77,464	214,680	142,635
Sales and marketing	106,430	78,523	201,325	146,690
General and administrative				