



## **William & Mary**

**Ishita Garg, Olivia Hettinger, Elizabeth Kasten, Jordan Leder**

# Investment Theses | A Continued Growth Story

**Recommendation: BUY WDAY**

**Price Target: \$293**

**14% premium from last close of \$256.75 on March 16, 2021.**



# Investment Theses | A Continued Growth Story

1

**Market Penetration**

2

**Product Innovation**

3

**New SEC Regulations**

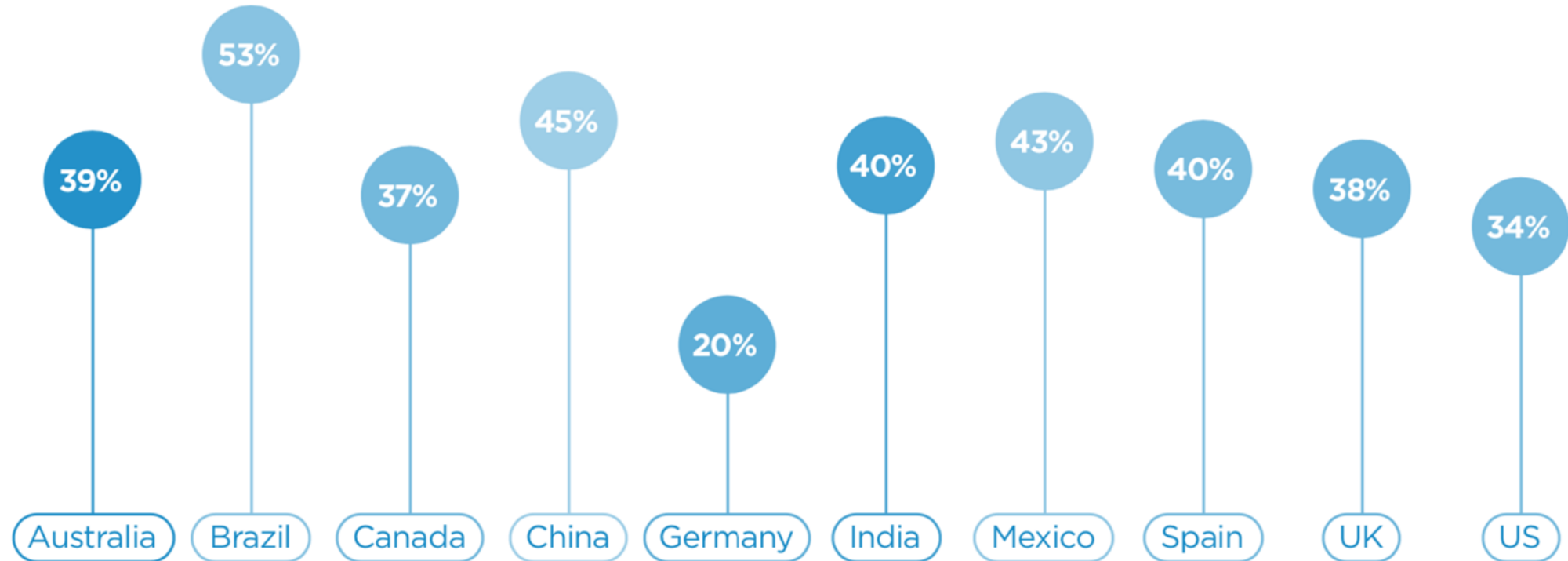


# COVID-19 Transformed The Workplace...

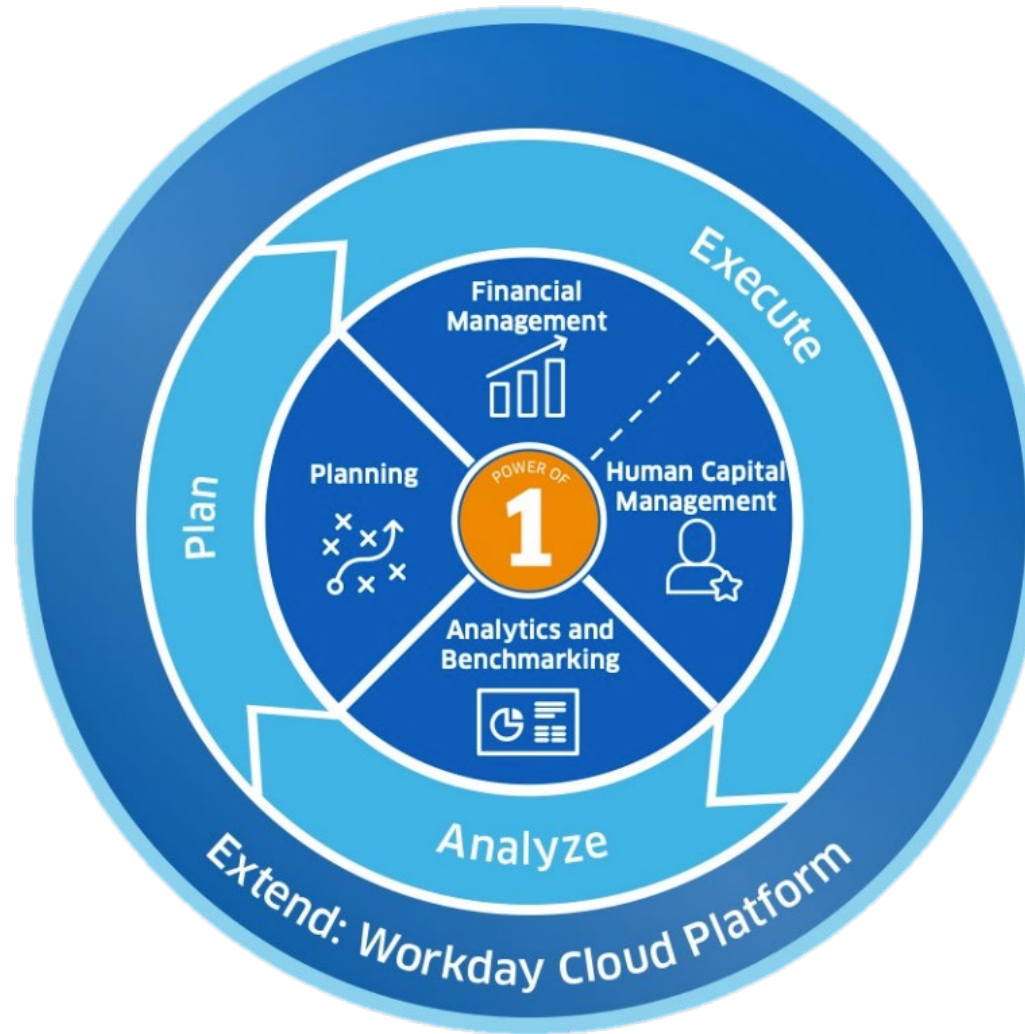


# ... And Company-Employee Interactions Will Never Be The Same

Remote collaboration tools



# Business Overview | The Power Of One



# Customer Base | Leaders In Every Industry

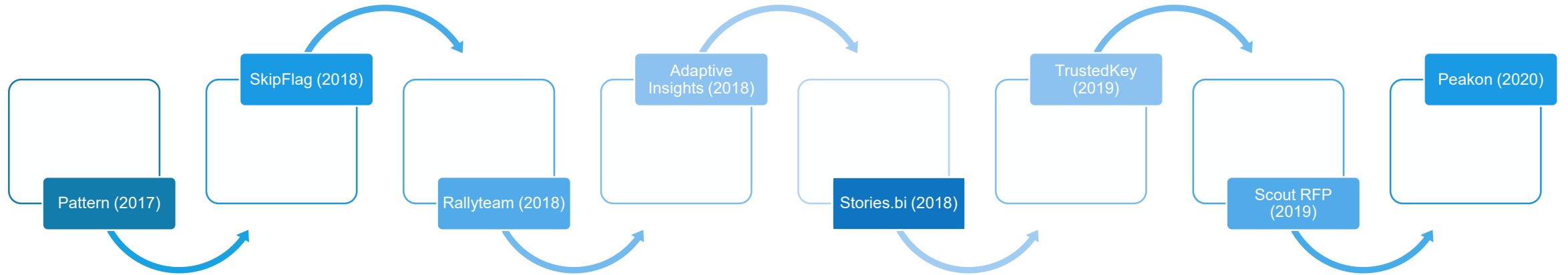
~8,000  
Customers

45% of  
Fortune 500

NET  
RETENTION  
OF 100%+



# Acquisitions | A Strategic Approach To Expansion





# Industry Overview | Room To Grow

**WDAY**  
**34.4%**  
**YoY**  
**Growth**

versus 10%  
industry  
average

Gartner Cloud ERP Market Estimates (\$ billions, constant currency)



# Competition | Strength In WDAY's Economic Moat

**Workday's  
Cloud Native  
Strategy**

**Cloud Adapted  
Competitors**



The diagram shows four logos arranged in a 2x2 grid within a blue circle. Top-left: Salesforce logo (a blue cloud shape with the word 'salesforce' in white). Top-right: Ceridian logo (a blue 'C' shape above the word 'CERIDIAN' in blue). Bottom-left: SAP logo (the letters 'SAP' in white on a dark blue background with a white diagonal line). Bottom-right: Oracle logo (the word 'ORACLE' in red).

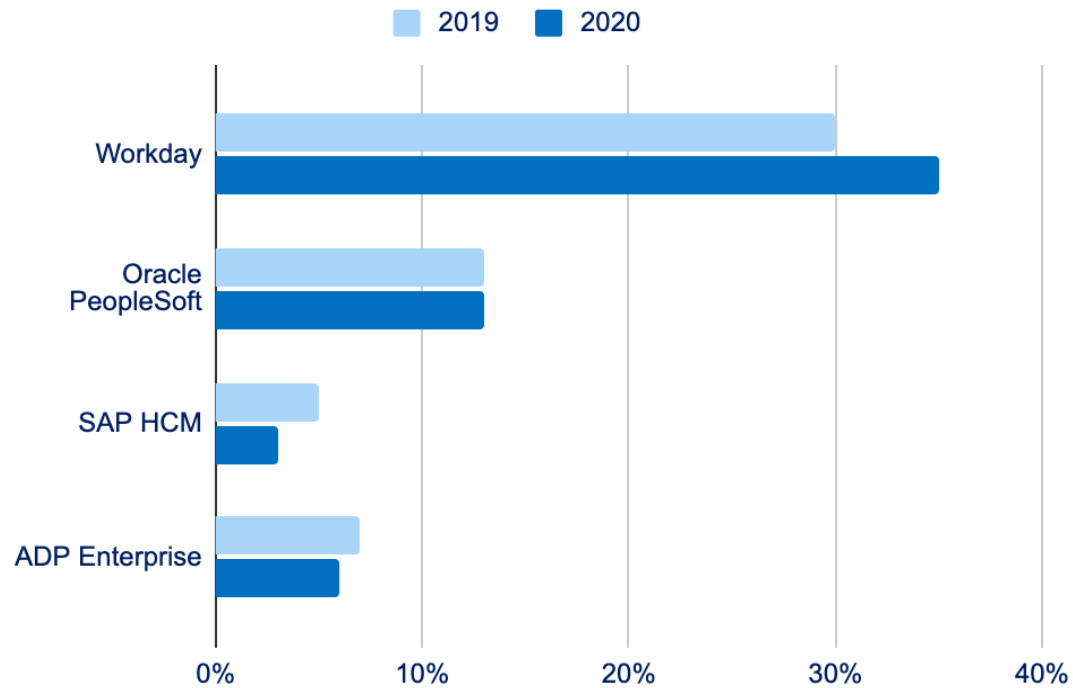
# Market Penetration

## Customer Retention and Growth

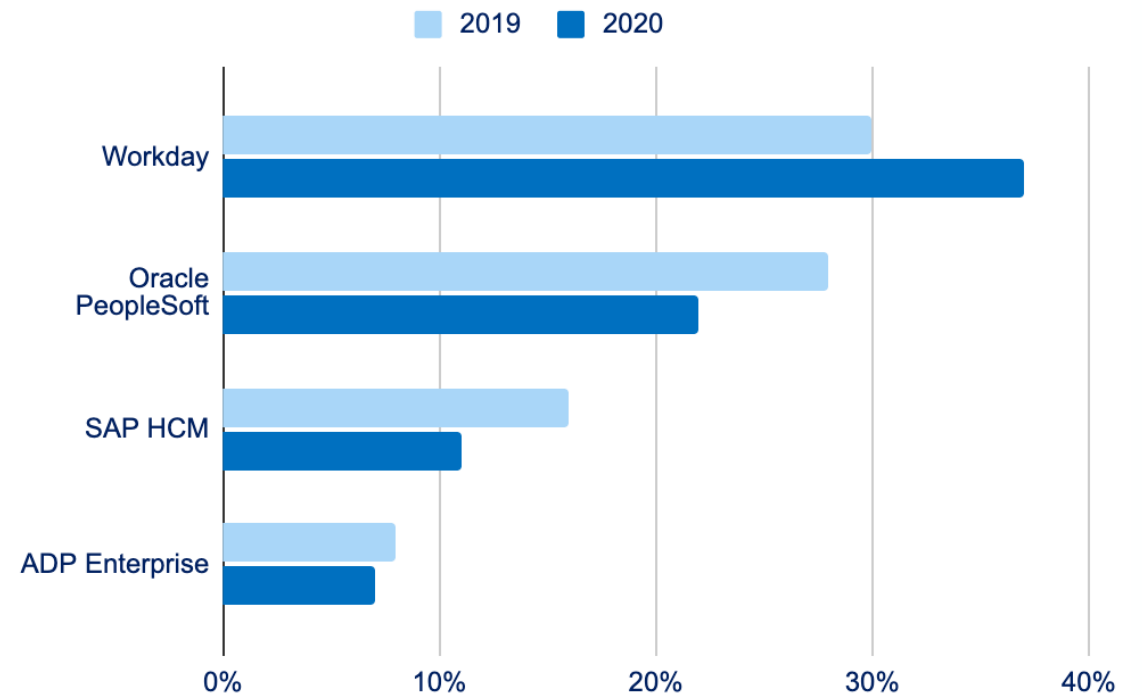


# HCM | A Leader With Room To Grow

## Medium Sized Company HCM Adoption by Provider



## Large Company HCM Adoption by Provider



# Introduction of FINS | Growth In System Dependency



# Peakon Acquisition | HCM And EU Penetration

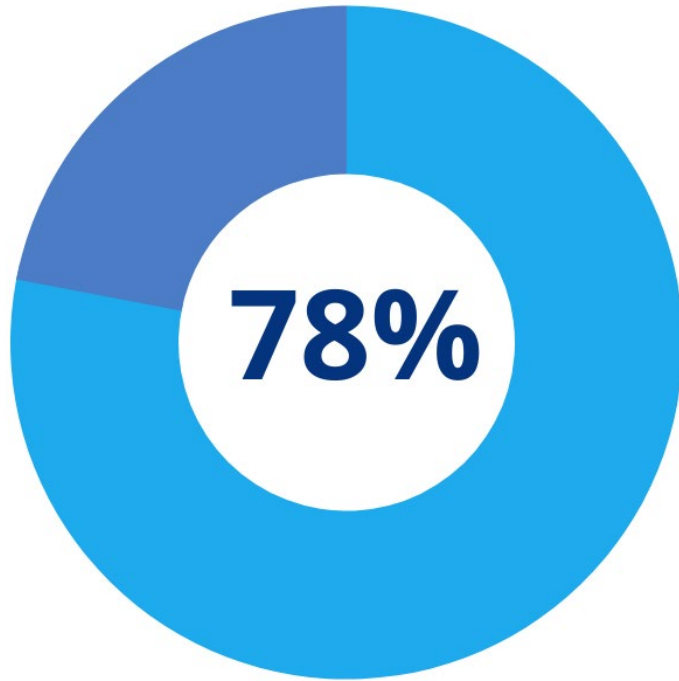


# Innovation

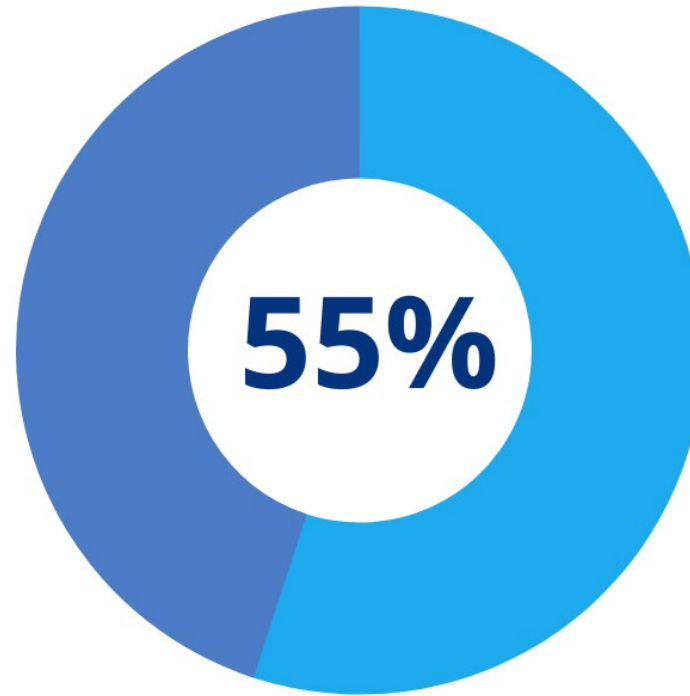
Continuing To Diversify Workday's Product Base



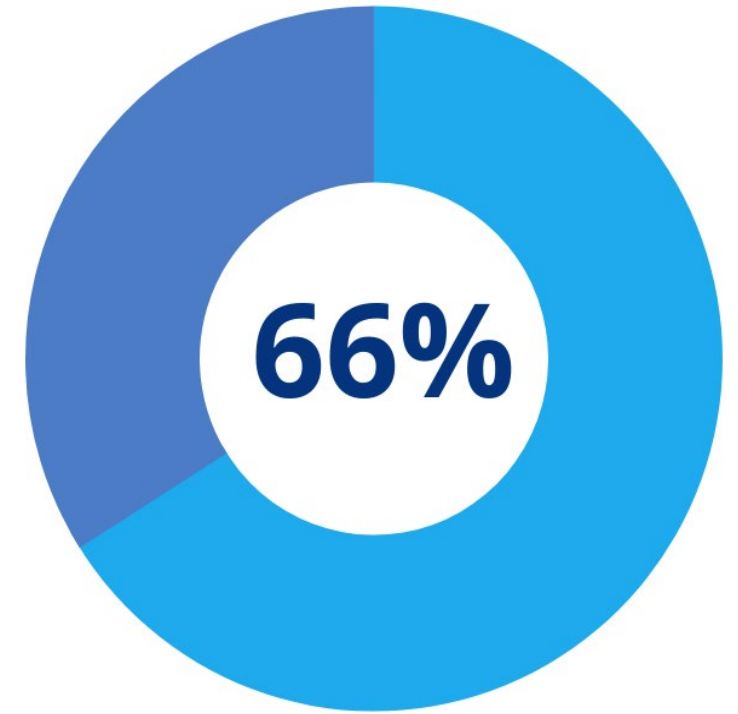
# The Changing of HR | Innovating Post-COVID



78% of employers plan to increase employee communication as a result of COVID-19



55% of employers plan to stagger the number of employees in the workplace



66% of employers plan to train their employees on new safety protocols



# Shifting Focuses | Planning Your Company's Future

  
workday®

+



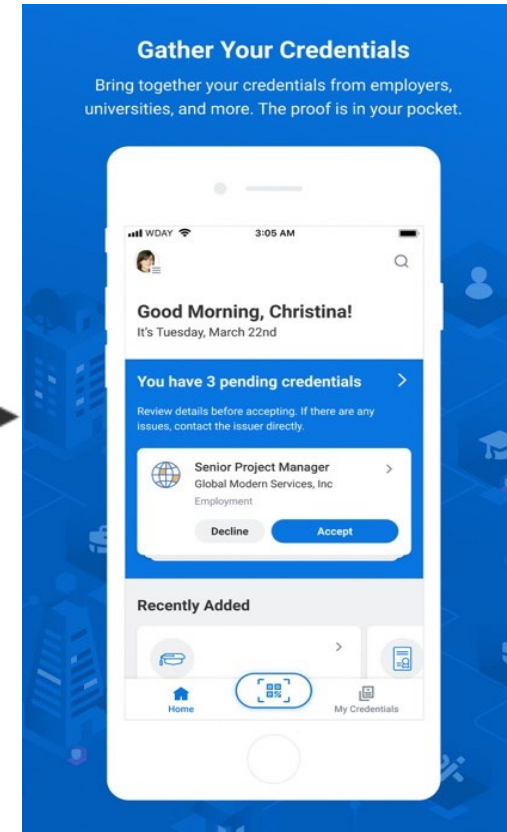
## Employer "Return to Work" Planning & Analytics Dashboard

- ✓ Modeling a return to work plan that encompasses facility and worker
- ✓ Monitoring of specific locations and workers at each location
- ✓ Projection of community risk at each location based on COVID-19 trends

# Talent Optimization | Recruiting Platform Launch



Offer  
Credentials

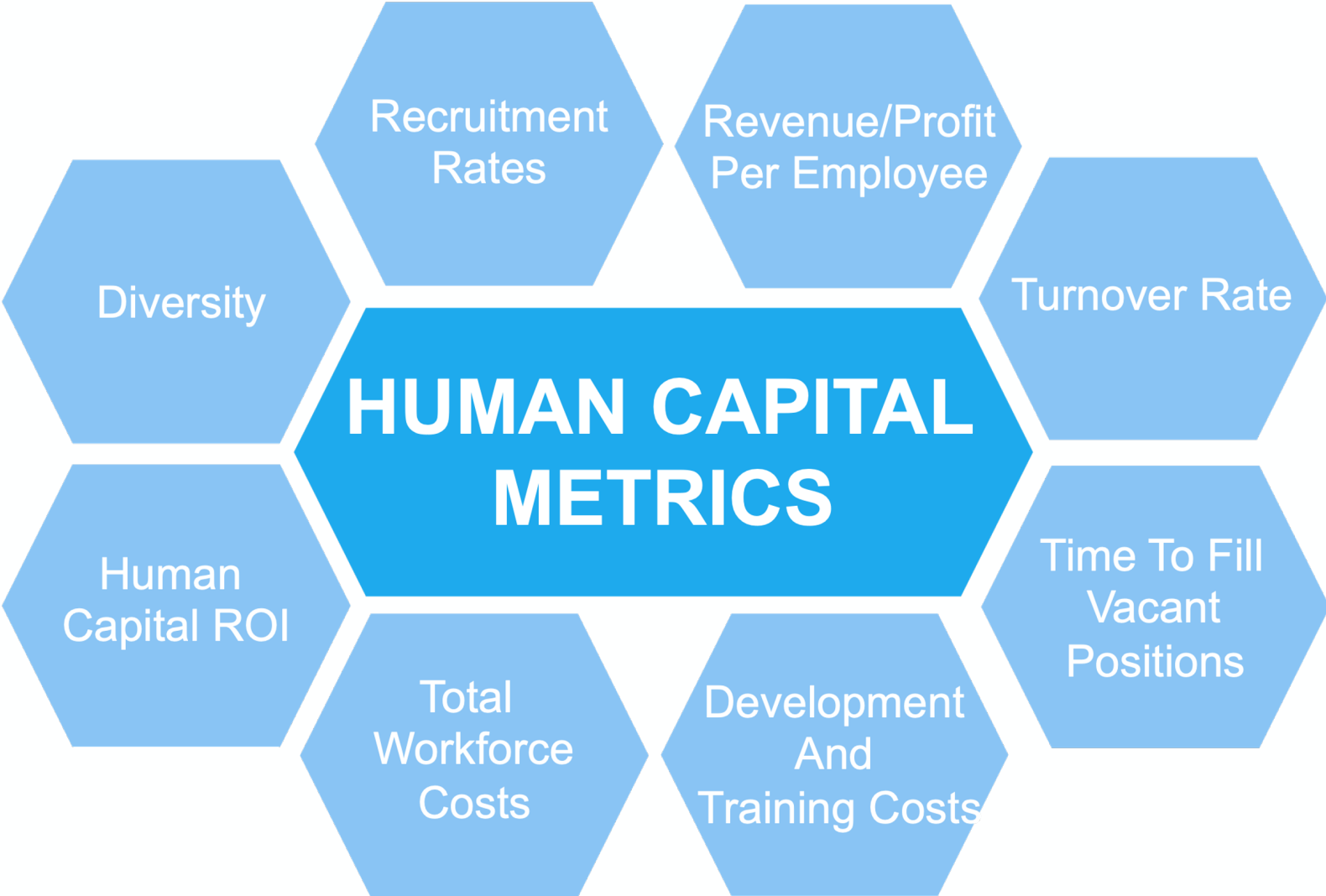


# SEC Regulations

Investors Now Demand Human Capital Data



# SEC | Disclosure Mandate Creates An Opportunity



# VIBE | A New Approach To D&I In The Workplace

# VIBE

VALUE INCLUSION, BELONGING, AND EQUITY™



## Commit

Commit to move the needle.



## Drive

Put actions in place to drive ongoing belonging and diversity progress.



## Thrive

Provide the ability to thrive and achieve the goals and objectives set for belonging and diversity.

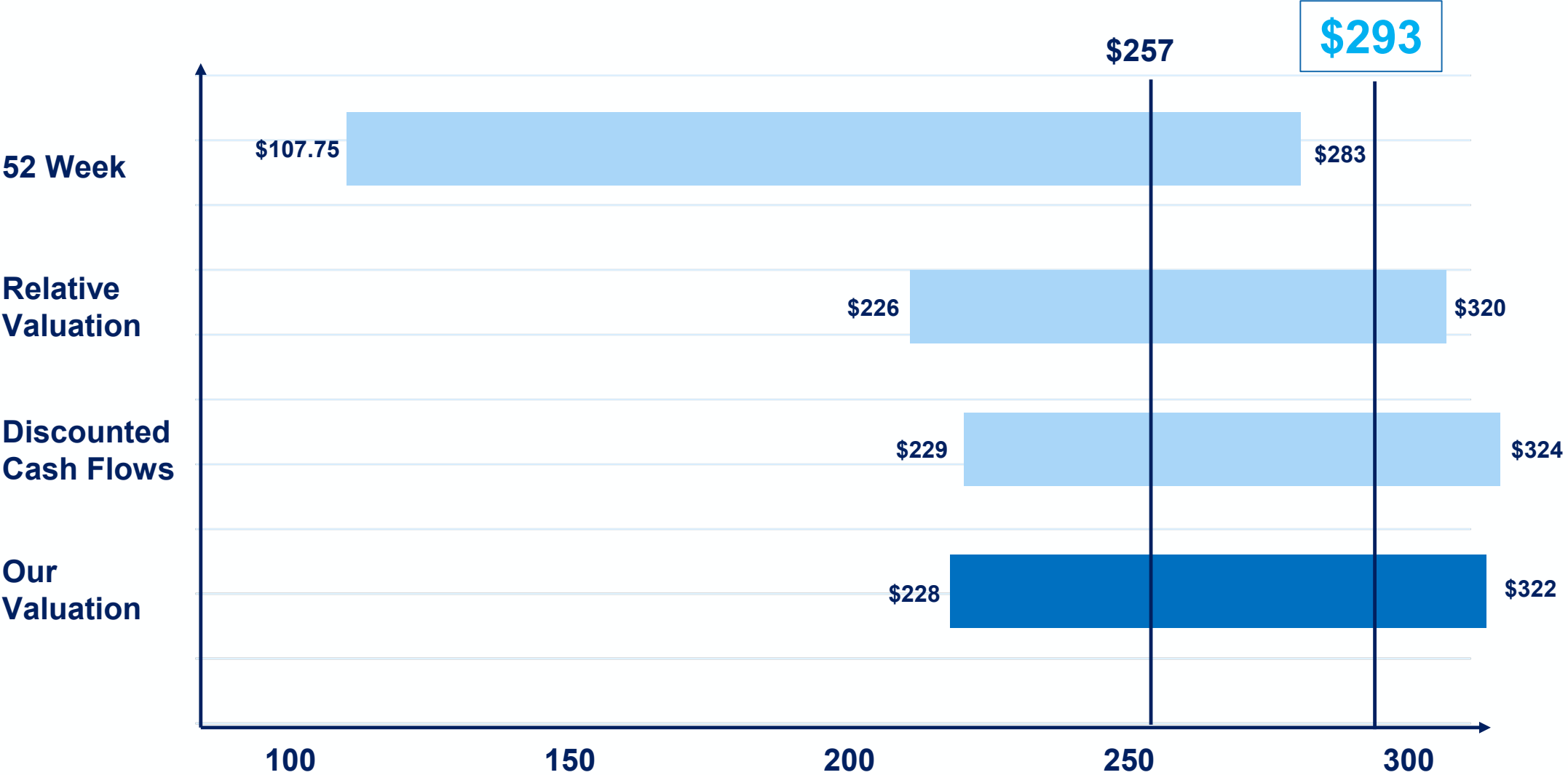


# Financial Information | Key Metrics

	2017	2018	2019	2020	2021	2022E
Sales Growth	36%	36%	32%	29%	19%	26%
Gross Profit	69%	71%	70%	71%	72%	73%
R&D Intensity	43%	43%	43%	43%	40%	35%
Current Ratio	2.0	1.9	1.1	1.0	1.1	1.1
Leverage	16%	30%	22%	19%	21%	20%



# Valuation | A Relative And DCF Valuation



# Investment Risks | Key Risks To Our Valuation





# Conclusion | Continuing To Prosper

Target

\$293

Recommendation

BUY

1

Market Penetration

2

Product Innovation

3

SEC Regulations



## **Workday Inc. (WDAY) Executive Summary**

Women's Stock Pitch & Leadership Summit

William & Mary

Ishita Garg, Olivia Hettinger, Elizabeth Kasten, Jordan Leder

*We initiate coverage on WDAY with a BUY recommendation based on a 12-month price target of \$293, a 14% upside from its last close of \$256.75 on March 16, 2021. We are confident in this valuation and predict significant growth within WDAY due to its future potential with market penetration, upcoming product innovation and diversification, and upcoming opportunities through increased investor demand for human capital information.*

### **COVID-19**

Primarily, we believe that COVID-19 has permanently impacted the workplace; according to Forbes, "data shows most office workers want some option for remote work: 83% want to work from home at least one day a week, and 55% of employers anticipate the majority of their workforce will do so long after COVID-19 stops being a concern." Furthermore, companies plan to invest in collaboration tools in the future.

### **Company Overview**

Workday Incorporated is a leading cloud provider of Human Capital Management (HCM) and Financial Management Systems (FMS) software. Workday has nearly 8,000 customers and serves 45% of Fortune 500 companies.

Workday's primary competitors are Oracle, ADP, and SAP. We believe that WDAY has a significant economic MOAT due to its cloud-native technology, partner network, and growth rate.

### **Industry**

HCM software offers customers the ability to organize and automate human resource functions, such as payroll, workforce analytics, and hiring. The automation and efficiency that HCM software offers allows for its market to be estimated to grow to \$33B by 2024. Additionally, the increased emphasis on Cloud Computing ensures that customers can easily access and use company data.

### **Thesis I- Market Penetration**

2020 predictions saw Workday increasing in share of new HCM installations while competitors were all expected to drop in share of new installations. Furthermore, CFOs plan to cut T&E budgets by 25-50%, while CIOs expect growing budgets and prioritize

employee engagement software. With Workday's 97% total customer satisfaction and cloud-native nature, they are positioned well for future HCM gains.

The Peakon Acquisition provides additional opportunities—not only does Peakon have over 1,000 customers, but it is also a primarily European company. The Peakon acquisition creates opportunities for Workday to expand into new geographies and offer more services to its existing customers.

FINS accounted for 20% of Workday's revenue in FY2021, and over 890 of their 3,000+ customers use it. Considering the prevalence of legacy ERP software and Workday's high customer satisfaction and retention rates, FINS is well-positioned to expand to both new and existing customers.

## **Thesis II- Innovation**

We are confident that Workday Product Innovation will allow the company to continue to grow its revenue. Workday has the opportunity to innovate to accommodate the changing workplace after COVID-19. 55% of employers plan to stagger the number of employees in the workplace, 66% of employers plan to train their employees in safety protocols, and 78% plan to increase employee communication. Additionally, Workday's new partnership with IBM to plan for vaccine management is just one of the many examples of Workday's Product Innovation to adapt for COVID-19.

Additionally, Workday is launching Workday Credentials, a platform for employees and customers to verify their credentials, and a new mobile app, Wayto, to manage and share those credentials.

## **Thesis III- New SEC Regulations**

In November 2020, the SEC introduced new disclosure requirements for all public companies. These requirements now force companies to disclose certain human capital measures such as diversity, recruiting, and training statistics. These requirements were passed after the SEC saw greater investor demand for ESG information. Workday's VIBE platform (Value Inclusion, Belonging, and Equity) will allow for customers to easily report their human capital measures to satisfy investor demand.

## **Risks**

Our key highlighted risks are IP Regulations, Big Tech Regulations, Data Breaches, and Data Outages. As with many HCM and cloud computing services, these risks are always relevant. However, as WDAY continues to grow, and because they are cloud-based, these risks can be combated.

## **Valuation**

We value WDAY with a target price of \$293, a 14% premium on its current price of \$256.75 (as of the close on March 16, 2021). This projection is based on both a DCF and a relative valuation. Considering the room for growth within HCM, expansion of Financial Management Services, and new SEC regulations, we consider Workday an excellent buy.