

# Hyperion Asset Management

## Company Profile

## Workday, Inc. Class A

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### ***Main Business Activities***

Workday Inc. is a Software-as-a-Service-based (SaaS) enterprise software provider, with its main product focusing on the Human Capital Management (HCM) market. Workday competes in large addressable markets. The HCM market is valued at approximately \$38 billion while the Financials market is worth an approximate \$67 billion. Workday has with early stage penetration of less than 10% penetration in HCM and less than 5% penetration in Financials. Workday's strategy to win share in the HCM market by expanding the breadth of their product offering, and their goal in Financials is to be the dominant provider in service-based industries.

### ***Key Value Proposition to Customers***

Hyperion believe Workday's modern, SaaS-based software improves the efficiency of an enterprise, saving time and money. The value proposition is reflected in Workday's very high client retention (with over 95% gross retention and more than 100% net retention rate) and increasing upsell within the first year (45% of customers make an add-on purchase within one year of going live).

The focus on core HCM and core financials enables targeted research and development (R&D) and best of breed cloud native products versus traditionally on-premises major competitors such as Oracle and SAP. The key to Workday's customer value proposition is simplicity, decision-making agility, and integration which reduces information silos within large enterprises.

### ***Sustainable Competitive Advantages and Outlook***

Hyperion believe Workday has a sustainable competitive advantage over competitors, both on a smaller and larger scale. At the enterprise end, Workday competes with SAP and Oracle. Historically, competition from SAP and Oracle has been beneficial for a cloud native provider such as Workday, as these larger incumbent businesses have trailed in their under-investment in native product development and acquisition-based product strategy. Hyperion also believe smaller competitors will struggle to provide the functionality that an enterprise needs and that Workday provides. This is a results of their lack of R&D scale. Further, these businesses are unlikely to have the reputation required for an enterprise to select their solution, given the high quality reference sites that Workday has amassed.

### ***Overall Company Growth Options***

Workday has significant organic growth opportunities in its core markets of human capital management, as well as financials, with the structural shift of global enterprises from on-premise software to cloud-based software remaining in its early stages. The COVID-19 pandemic has highlighted the need for enterprises to have modern, flexible, cloud-based software solutions to support their businesses.

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