



Workday

What it does

Workday provides cloud-based enterprise software solutions for businesses. This extends beyond the company's main focus of Human Capital Management (HCM) into other aspects of their customers' core systems of record, with the long-term aim being offer a complete, cloud-based ERP suite rather than point solutions.

Why we own it

- We view the shift to cloud-based software as inevitable, but it is far from ubiquitous; on-premise providers still comprise the an estimated 80% of the enterprise IT market today.
- Workday has the opportunity to dominate enterprise human capital management software.
- Expanding the product offering – financials, followed by planning and analytics.
- Over 10,000 customers globally with a customer community representing more than 60 million workers.

How it could be worth many times more

With a radically simple product offering relative to its peers, Workday reaches ever more customers across different sectors and diversifies across multiple solutions (e.g. HR + Finance + Analytics).

Workday parlays its HCM (Human Capital Management) software strength today into a 25% share of Finance and Analytics – both in isolation slightly larger markets than HCM. Concurrently, Workday becomes the dominant vendor in HCM with a 50% share.

Where we might be wrong

- Competition not just from incumbents SAP and Oracle, but also Microsoft and AWS?
- Replicating Workday's HR success proves more challenging in other product categories.
- Clumsy integration of acquired businesses dilutes the culture.

Short 10 questions

Can sales double in the next five years?

1

Yes, through more enterprise customers and cross-selling.

Ten years and beyond?

2

Continued growth in customer numbers and spend per customer. Meanwhile building a parallel business in Finance and Analytics.

Competitive advantage?

3

Secure, reliable, intuitive and easy to customise, with consistency across the product suite.

Is the business culture different?

4

Founder-led and obsessed with customer satisfaction. 'Culture overwhelms strategy', as Bhusri believes.

Customers like you? Contribute to society?

5

Intuitive user experience, lower total costs.

Are returns worthwhile?

6

Loss-making due to investment in software and salesforce build-out

Will they rise or fall?

7

They will eventually rise as sales and marketing and R&D expense fall as a percentage of sales.

How is capital allocated?

8

Organic growth in salesforce and technology coupled with highly integrated acquisitions.

Could it be worth 5x as much?

9

ERP still in early stages of cloud transition and multiple, sizeable adjacencies to core product.

What doesn't the market understand?

10

This is a long-term opportunity requiring a 10-year view

Risk factors

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