

Guidewire Software, Inc. and subsidiaries
Condensed Consolidated Statement of Operations - GAAP
(unaudited, in thousands except share and per share amounts)

Description	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020	Q2 2020	Q3 2020
Revenue:								
License and subscription	\$ 94,680	86,713	76,218	127,711	\$ 385,322	82,423	104,954	93,182
Maintenance	21,003	21,264	21,335	21,822	85,424	20,971	21,116	20,694
Services	64,572	60,557	65,314	58,325	248,768	53,616	47,388	54,289
Total revenue	180,255	168,534	162,867	207,858	719,514	157,010	173,458	168,165
Cost of revenue:								
License and subscription	13,330	14,739	15,781	20,948	\$ 64,798	23,796	27,032	28,713
Maintenance	3,868	3,954	3,924	4,753	16,499	3,694	4,084	4,375
Services	64,410	60,987	60,573	57,083	243,053	53,366	52,480	52,664
Total cost of revenue	81,608	79,680	80,278	82,784	324,350	80,856	83,596	85,752
Gross profit:								
License and subscription	81,350	71,974	60,437	106,763	\$ 320,524	58,627	77,922	64,469
Maintenance	17,135	17,310	17,411	17,069	68,925	17,277	17,032	16,319
Services	162	(430)	4,741	1,242	5,715	250	(5,092)	1,625
Total gross profit	98,647	88,854	82,589	125,074	395,164	76,154	89,862	82,413
Operating expenses:								
Research and development	45,496	46,471	47,102	49,472	\$ 188,541	46,496	49,954	51,893
Sales and marketing	32,319	31,173	33,301	33,958	130,751	33,016	37,339	35,235
General and administrative	18,345	17,541	17,953	20,562	74,401	21,239	20,599	20,885
Total operating expenses	96,160	95,185	98,356	103,992	393,693	100,751	107,892	108,013
Income (loss) from operations	2,487	(6,331)	(15,767)	21,082	1,471	(24,597)	(18,030)	(25,600)
Interest income	6,851	7,553	7,748	8,030	30,182	7,636	6,958	6,072
Interest expense	(4,244)	(4,287)	(4,327)	(4,476)	(17,334)	(4,429)	(4,462)	(4,505)
Other income (expense), net	(1,489)	1,148	(617)	(909)	(1,867)	(251)	(182)	(12,356)
Income (loss) before provision for (benefit from) income taxes	3,605	(1,917)	(12,963)	23,727	12,452	(21,641)	(15,716)	(36,389)
Provision for (benefit from) income taxes	(2,704)	(1,916)	(4,382)	722	(8,280)	(6,650)	4,228	(5,351)
Net income (loss)	\$ 6,309	\$ (1)	\$ (8,581)	\$ 23,005	\$ 20,732	\$ (14,991)	\$ (19,944)	\$ (31,038)
Earnings per share:								
Basic	\$ 0.08	\$ —	\$ (0.11)	\$ 0.28	\$ 0.25	\$ (0.18)	\$ (0.24)	\$ (0.37)
Diluted	\$ 0.08	\$ —	\$ (0.11)	\$ 0.28	\$ 0.25	\$ (0.18)	\$ (0.24)	\$ (0.37)
Shares used in computing net earnings per share:								
Basic	80,821,227	81,217,511	81,606,088	81,977,722	82,701,267	82,360,891	82,725,641	83,024,291
Diluted	82,209,988	81,217,511	81,606,088	82,928,818	82,701,267	82,360,891	82,725,641	83,024,291
Impairment of strategic investment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10,672
Stock-based compensation	\$ 23,335	\$ 24,372	\$ 21,050	\$ 22,759	\$ 91,516	\$ 24,558	\$ 26,736	\$ 24,781

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Guidewire Software, Inc. and subsidiaries
Condensed Consolidated Statement of Operations - Non-GAAP Adjustments
(unaudited, in thousands)

Description	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020	Q2 2020	Q3 2020
Amortization of intangibles acquired in business combinations	\$ 4,945	\$ 4,945	\$ 4,945	\$ 4,945	\$ 19,780	\$ 4,945	\$ 4,945	\$ 4,805
Stock-based compensation	334	535	589	1,553	3,011	1,363	1,617	1,694
Total adjustment to cost of revenue - license and subscription	5,279	5,480	5,534	6,498	22,791	6,308	6,562	6,499
Stock-based compensation	534	558	274	455	1,821	450	457	469
Total adjustment to cost of revenue - maintenance	534	558	274	455	1,821	450	457	469
Stock-based compensation	5,968	6,210	5,721	4,883	22,782	5,332	5,469	4,862
Total adjustment to cost of revenue - services	5,968	6,210	5,721	4,883	22,782	5,332	5,469	4,862
Stock-based compensation	6,406	6,440	4,919	5,655	23,420	6,181	6,668	6,500
Total adjustment to research and development	6,406	6,440	4,919	5,655	23,420	6,181	6,668	6,500
Stock-based compensation	4,621	5,074	4,731	4,819	19,245	5,157	5,996	4,990
Amortization of intangibles acquired in business combinations	2,364	2,364	2,333	2,272	9,333	2,222	1,797	1,797
Total adjustment to sales and marketing	6,985	7,438	7,064	7,091	28,578	7,379	7,793	6,787
Stock-based compensation	5,472	5,555	4,816	5,394	21,237	6,075	6,529	6,266
Total adjustment to general and administrative	5,472	5,555	4,816	5,394	21,237	6,075	6,529	6,266
Amortization of debt discount and issuance costs	2,986	3,027	3,070	3,111	12,194	3,156	3,198	3,244
Total adjustment to interest expense	2,986	3,027	3,070	3,111	12,194	3,156	3,198	3,244
Changes in fair value of strategic investment	—	—	—	—	—	—	—	10,672
Total adjustment to other expense	—	—	—	—	—	—	—	10,672
Non-GAAP tax impact	(8,863)	(7,411)	(7,586)	(9,818)	(33,678)	(8,912)	826	(6,559)
Total adjustment to provision for (benefit from) income taxes	(8,863)	(7,411)	(7,586)	(9,818)	(33,678)	(8,912)	826	(6,559)

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Guidewire Software, Inc. and subsidiaries
Condensed Consolidated Statement of Operations - Other Reconciliations

Description	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020	Q2 2020	Q3 2020
Reconciliation of GAAP to Non-GAAP earnings per share:								
GAAP diluted earnings per share	\$ 0.08	\$ —	\$ (0.11)	\$ 0.28	\$ 0.25	\$ (0.18)	\$ (0.24)	\$ (0.37)
Amortization of intangibles acquired in business combinations	0.09	0.09	0.09	0.09	0.36	0.09	0.08	0.08
Stock-based compensation	0.28	0.30	0.26	0.27	1.11	0.30	0.32	0.30
Amortization of debt discount and issuance costs	0.04	0.04	0.04	0.04	0.16	0.04	0.04	0.04
Impairment of strategic investment	—	—	—	—	—	—	—	0.13
Non-GAAP tax impact	(0.11)	(0.10)	(0.09)	(0.12)	(0.42)	(0.11)	0.01	(0.08)
Non-GAAP dilutive shares excluded from GAAP EPS calculation (1)	—	—	(0.01)	—	(0.01)	(0.01)	—	(0.01)
Non-GAAP diluted earnings per share	\$ 0.38	\$ 0.33	\$ 0.18	\$ 0.56	\$ 1.45	\$ 0.13	\$ 0.21	\$ 0.09
Diluted weighted average shares outstanding	82,209,988	81,217,511	81,606,088	82,928,818	82,701,267	82,360,891	82,725,641	83,024,291
Non-GAAP dilutive shares excluded from GAAP EPS calculation (1)	—	1,488,107	1,031,086	—	—	788,902	842,001	486,398
Diluted pro forma shares outstanding	82,209,988	82,705,618	82,637,174	82,928,818	82,701,267	83,149,793	83,567,642	83,510,689
Gross margin:								
Licensing:								
GAAP gross margin	85.9 %	83.0 %	79.3 %	83.6 %	83.2 %	71.1 %	74.3 %	69.2 %
Stock-based compensation	0.4 %	0.6 %	0.8 %	1.2 %	0.8 %	1.7 %	1.5 %	1.8 %
Amortization of acquired intangibles	5.2 %	5.7 %	6.5 %	3.9 %	5.1 %	6.0 %	4.7 %	5.2 %
Non-GAAP gross margin	91.5 %	89.3 %	86.6 %	88.7 %	89.1 %	78.8 %	80.5 %	76.2 %
Maintenance:								
GAAP gross margin	81.6 %	81.4 %	81.6 %	78.2 %	80.7 %	82.4 %	80.6 %	78.8 %
Stock-based compensation	2.5 %	2.6 %	1.3 %	2.1 %	2.1 %	2.1 %	2.2 %	2.3 %
Non-GAAP gross margin	84.1 %	84.0 %	82.9 %	80.3 %	82.8 %	84.5 %	82.8 %	81.1 %
Services:								
GAAP gross margin	0.3 %	(0.7)%	7.2 %	2.1 %	2.3 %	0.4 %	(10.7)%	2.9 %
Stock-based compensation	9.2 %	10.3 %	8.8 %	8.4 %	9.2 %	10.0 %	11.5 %	9.0 %
Non-GAAP gross margin	9.5 %	9.6 %	16.0 %	10.5 %	11.5 %	10.4 %	0.8 %	11.9 %
Overall:								
GAAP gross margin	54.8 %	52.8 %	50.8 %	60.2 %	54.9 %	48.5 %	51.7 %	49.0 %
Amortization of acquired intangibles	2.7 %	2.9 %	3.0 %	2.4 %	2.7 %	3.1 %	2.9 %	2.8 %
Stock-based compensation	3.8 %	4.3 %	4.0 %	3.3 %	3.8 %	4.6 %	4.3 %	4.2 %
Non-GAAP gross margin	61.3 %	60.0 %	57.8 %	65.9 %	61.4 %	56.2 %	58.9 %	56.0 %

(1) Due to the occurrence of a net loss on a GAAP basis, potentially dilutive securities were excluded from the calculation of GAAP net income (loss) per share, as they would have an anti-dilutive effect. However, these shares have a dilutive effect on non-GAAP net income (loss) per share and, therefore, are included in the non-GAAP net income (loss) per share calculation.

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Guidewire Software, Inc. and subsidiaries
Condensed Consolidated Statement of Operations - Key Metrics
(unaudited, in thousands)

Description	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020	Q2 2020	Q3 2020
License and subscription revenue breakdown:								
Term license revenue	\$ 79,337	\$ 71,591	\$ 60,252	\$ 106,962	\$ 318,142	\$ 54,178	\$ 74,270	\$ 62,656
Subscription revenue	15,343	14,770	14,691	20,246	65,050	28,196	28,642	30,078
Perpetual license revenue	—	352	1,275	503	2,130	49	2,042	448
Total license and subscription revenue	\$ 94,680	\$ 86,713	\$ 76,218	\$ 127,711	\$ 385,322	\$ 82,423	\$ 104,954	\$ 93,182

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Guidewire Software, Inc. and subsidiaries
Condensed Consolidated Statement of Operations - Non-GAAP Gross Profit Reconciliations
(unaudited, in thousands except percentage)

Description	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020	Q2 2020	Q3 2020
Gross profit reconciliation:								
GAAP gross profit	\$ 98,647	\$ 88,854	\$ 82,589	\$ 125,074	\$ 395,164	\$ 76,154	\$ 89,862	\$ 82,413
Non-GAAP adjustments:								
Stock-based compensation	6,836	7,303	6,584	6,891	27,614	7,145	7,543	7,025
Amortization of intangibles	4,945	4,945	4,945	4,945	19,780	4,945	4,945	4,805
Non-GAAP tax impact	—	—	—	—	—	—	—	—
Non-GAAP gross profit	\$ 110,428	\$ 101,102	\$ 94,118	\$ 136,910	\$ 442,558	\$ 88,244	\$ 102,350	\$ 94,243
Non-GAAP gross margin	61.3 %	60.0 %	57.8 %	65.9 %	61.5 %	56.2 %	59.0 %	56.0 %
Gross profit reconciliation - license and subscription revenue:								
GAAP gross profit - license revenue	\$ 81,350	\$ 71,974	\$ 60,437	\$ 106,763	\$ 320,524	\$ 58,627	\$ 77,922	\$ 64,469
Non-GAAP adjustments:								
Stock-based compensation	334	535	589	1,553	3,011	1,363	1,617	1,694
Amortization of intangibles	4,945	4,945	4,945	4,945	19,780	4,945	4,945	4,805
Non-GAAP tax impact	—	—	—	—	—	—	—	—
Non-GAAP gross profit - license and subscription revenue	\$ 86,629	\$ 77,454	\$ 65,971	\$ 113,261	\$ 343,315	\$ 64,935	\$ 84,484	\$ 70,968
Non-GAAP gross margin - license revenue	91.5 %	89.3 %	86.6 %	88.7 %	89.1 %	78.8 %	80.5 %	76.2 %
Gross profit reconciliation - maintenance revenue:								
GAAP gross profit - maintenance revenue	\$ 17,135	\$ 17,310	\$ 17,411	\$ 17,069	\$ 68,925	\$ 17,277	\$ 17,032	\$ 16,319
Non-GAAP adjustments:								
Stock-based compensation	534	558	274	455	1,821	450	457	469
Amortization of intangibles	—	—	—	—	—	—	—	—
Non-GAAP tax impact	—	—	—	—	—	—	—	—
Non-GAAP gross profit - maintenance revenue	\$ 17,669	\$ 17,868	\$ 17,685	\$ 17,524	\$ 70,746	\$ 17,727	\$ 17,489	\$ 16,788
Non-GAAP gross margin - maintenance revenue	84.1 %	84.0 %	82.9 %	80.3 %	82.8 %	84.5 %	82.8 %	81.1 %
Gross profit reconciliation - service revenue:								
GAAP gross profit - service revenue	\$ 162	\$ (430)	\$ 4,741	\$ 1,242	\$ 5,715	\$ 250	\$ (5,092)	\$ 1,625
Non-GAAP adjustments:								
Stock-based compensation	5,968	6,210	5,721	4,883	22,782	5,332	5,469	4,862
Amortization of intangibles	—	—	—	—	—	—	—	—
Non-GAAP tax impact	—	—	—	—	—	—	—	—
Non-GAAP gross profit - service revenue	\$ 6,130	\$ 5,780	\$ 10,462	\$ 6,125	\$ 28,497	\$ 5,582	\$ 377	\$ 6,487
Non-GAAP gross margin - service revenue	9.5 %	9.5 %	16.0 %	10.5 %	11.5 %	10.4 %	0.8 %	11.9 %

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Condensed Consolidated Statement of Operations - Non-GAAP Reconciliations
(unaudited, in thousands)

Description	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020	Q2 2020	Q3 2020
GAAP income (loss) from operations	\$ 2,487	\$ (6,331)	\$ (15,767)	\$ 21,082	\$ 1,471	\$ (24,597)	\$ (18,030)	\$ (25,600)
Non-GAAP adjustments:								
Stock-based compensation	23,335	24,372	21,050	22,759	\$ 91,516	24,558	26,736	24,781
Amortization of intangibles	7,309	7,309	7,278	7,217	\$ 29,113	7,167	6,742	6,602
Non-GAAP income (loss) from operations	\$ 33,131	\$ 25,350	\$ 12,561	\$ 51,058	\$ 122,100	\$ 7,128	\$ 15,448	\$ 5,783
Net income (loss) reconciliation:								
GAAP net income (loss)	\$ 6,309	\$ (1)	\$ (8,581)	\$ 23,005	\$ 20,732	\$ (14,991)	\$ (19,944)	\$ (31,038)
Non-GAAP adjustments:								
Stock-based compensation	23,335	24,372	21,050	22,759	\$ 91,516	24,558	26,736	24,781
Amortization of intangibles	7,309	7,309	7,278	7,217	\$ 29,113	7,167	6,742	6,602
Amortization of debt discount and issuance costs	2,986	3,027	3,070	3,111	\$ 12,194	3,156	3,198	3,244
Changes in fair value of strategic investment(3)	—	—	—	—	\$ —	—	—	10,672
Non-GAAP tax impact	(8,863)	(7,411)	(7,586)	(9,818)	\$ (33,678)	(8,912)	826	(6,559)
Non-GAAP net income (loss)	\$ 31,076	\$ 27,296	\$ 15,231	\$ 46,274	\$ 119,877	\$ 10,978	\$ 17,558	\$ 7,702

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