

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
Revenue:							
License and subscription	\$ 94,680	86,713	76,218	127,711	\$ 385,322	82,423	104,954
Maintenance	21,003	21,264	21,335	21,822	85,424	20,971	21,116
Services	64,572	60,557	65,314	58,325	248,768	53,616	47,388
Total revenue	180,255	168,534	162,867	207,858	719,514	157,010	173,458
Cost of revenue:							
License and subscription	13,330	14,739	15,781	20,948	\$ 64,798	23,796	27,032
Maintenance	3,868	3,954	3,924	4,753	16,499	3,694	4,084
Services	64,410	60,987	60,573	57,083	243,053	53,366	52,480
Total cost of revenue	81,608	79,680	80,278	82,784	324,350	80,856	83,596
Gross profit:							
License and subscription	81,350	71,974	60,437	106,763	\$ 320,524	58,627	77,922
Maintenance	17,135	17,310	17,411	17,069	68,925	17,277	17,032
Services	162	(430)	4,741	1,242	5,715	250	(5,092)
Total gross profit	98,647	88,854	82,589	125,074	395,164	76,154	89,862
Operating expenses:							
Research and development	45,496	46,471	47,102	49,472	\$ 188,541	46,496	49,954
Sales and marketing	32,319	31,173	33,301	33,958	130,751	33,016	37,339
General and administrative	18,345	17,541	17,953	20,562	74,401	21,239	20,599
Total operating expenses	96,160	95,185	98,356	103,992	393,693	100,751	107,892
Income (loss) from operations	2,487	(6,331)	(15,767)	21,082	1,471	(24,597)	(18,030)
Interest income	6,851	7,553	7,748	8,030	30,182	7,636	6,958
Interest expense	(4,244)	(4,287)	(4,327)	(4,476)	(17,334)	(4,429)	(4,462)
Other income (expense), net	(1,489)	1,148	(617)	(909)	(1,867)	(251)	(182)
Income (loss) before provision for (benefit from) income taxes	3,605	(1,917)	(12,963)	23,727	12,452	(21,641)	(15,716)
Provision for (benefit from) income taxes	(2,704)	(1,916)	(4,382)	722	(8,280)	(6,650)	4,228
Net income (loss)	\$ 6,309	\$ (1)	\$ (8,581)	\$ 23,005	\$ 20,732	\$ (14,991)	\$ (19,944)
Earnings per share:							
Basic	\$ 0.08	\$ —	\$ (0.11)	\$ 0.28	\$ 0.25	\$ (0.18)	\$ (0.24)
Diluted	\$ 0.08	\$ —	\$ (0.11)	\$ 0.28	\$ 0.25	\$ (0.18)	\$ (0.24)
Shares used in computing net earnings per share:							
Basic	80,821,227	81,217,511	81,606,088	81,977,722	82,543,267	82,360,891	82,725,641
Diluted	82,209,988	81,217,511	81,606,088	82,928,818	82,543,267	82,360,891	82,725,641
Stock-based compensation	\$ 23,335	\$ 24,372	\$ 21,049	\$ 22,759	\$ 91,515	\$ 24,558	\$ 26,736

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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
Amortization of intangibles acquired in business combinations	\$ 4,945	\$ 4,945	\$ 4,945	\$ 4,945	\$ 19,780	\$ 4,945	\$ 4,945
Stock-based compensation	334	535	589	1,553	3,011	1,363	1,617
Total adjustment to cost of revenue - license and subscription	5,279	5,480	5,534	6,498	22,791	6,308	6,562
Stock-based compensation	534	558	274	455	1,821	450	457
Total adjustment to cost of revenue - maintenance	534	558	274	455	1,821	450	457
Stock-based compensation	5,968	6,210	5,720	4,883	22,781	5,332	5,469
Total adjustment to cost of revenue - services	5,968	6,210	5,720	4,883	22,781	5,332	5,469
Stock-based compensation	6,406	6,440	4,919	5,655	23,420	6,181	6,668
Total adjustment to research and development	6,406	6,440	4,919	5,655	23,420	6,181	6,668
Stock-based compensation	4,621	5,074	4,731	4,819	19,245	5,157	5,996
Amortization of intangibles acquired in business combinations	2,364	2,364	2,333	2,272	9,333	2,222	1,797
Total adjustment to sales and marketing	6,985	7,438	7,064	7,091	28,578	7,379	7,793
Stock-based compensation	5,472	5,555	4,816	5,394	21,237	6,075	6,529
Total adjustment to general and administrative	5,472	5,555	4,816	5,394	21,237	6,075	6,529
Amortization of debt discount and issuance costs	2,986	3,027	3,070	3,111	12,194	3,156	3,198
Total adjustment to interest expense	2,986	3,027	3,070	3,111	12,194	3,156	3,198
Non-GAAP tax impact	(8,863)	(7,411)	(7,586)	(9,818)	(33,678)	(8,912)	826
Total adjustment to provision for (benefit from) income taxes	(8,863)	(7,411)	(7,586)	(9,818)	(33,678)	(8,912)	826

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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
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)
Amortization of intangibles acquired in business combinations	0.09	0.09	0.09	0.09	0.36	0.09	0.08
Stock-based compensation	0.28	0.30	0.26	0.27	1.11	0.30	0.32
Amortization of debt discount and issuance costs	0.04	0.04	0.04	0.04	0.16	0.04	0.04
Non-GAAP tax impact	(0.11)	(0.10)	(0.09)	(0.12)	(0.42)	(0.11)	0.01
Non-GAAP dilutive shares excluded from GAAP EPS calculation (1)	—	—	(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
Diluted weighted average shares outstanding	82,209,988	81,217,511	81,606,088	82,928,818	82,543,267	82,360,891	82,725,641
Non-GAAP dilutive shares excluded from GAAP EPS calculation (1)	—	1,488,107	1,031,086	—	—	788,902	842,001
Diluted pro forma shares outstanding	82,209,988	82,705,618	82,637,174	82,928,818	82,543,267	83,149,793	83,567,642
Gross margin:							
Licensing:							
GAAP gross margin	85.9 %	83.0 %	79.3 %	83.6 %	83.2 %	71.1 %	74.3 %
Stock-based compensation	0.4 %	0.6 %	0.8 %	1.2 %	0.8 %	1.7 %	1.5 %
Amortization of acquired intangibles	5.2 %	5.7 %	6.5 %	3.9 %	5.1 %	6.0 %	4.7 %
Non-GAAP gross margin	91.5 %	89.3 %	86.6 %	88.7 %	89.1 %	78.8 %	80.5 %
Maintenance:							
GAAP gross margin	81.6 %	81.4 %	81.6 %	78.2 %	80.7 %	82.4 %	80.6 %
Stock-based compensation	2.5 %	2.6 %	1.3 %	2.1 %	2.1 %	2.1 %	2.2 %
Non-GAAP gross margin	84.1 %	84.0 %	82.9 %	80.3 %	82.8 %	84.5 %	82.8 %
Services:							
GAAP gross margin	0.3 %	(0.7)%	7.2 %	2.1 %	2.3 %	0.4 %	(10.7)%
Stock-based compensation	9.2 %	10.3 %	8.8 %	8.4 %	9.2 %	10.0 %	11.5 %
Non-GAAP gross margin	9.5 %	9.6 %	16.0 %	10.5 %	11.5 %	10.4 %	0.8 %
Overall:							
GAAP gross margin	54.8 %	52.8 %	50.8 %	60.2 %	54.9 %	48.5 %	51.7 %
Amortization of acquired intangibles	2.7 %	2.9 %	3.0 %	2.4 %	2.7 %	3.1 %	2.9 %
Stock-based compensation	3.8 %	4.3 %	4.0 %	3.3 %	3.8 %	4.6 %	4.3 %
Non-GAAP gross margin	61.3 %	60.0 %	57.8 %	65.9 %	61.4 %	56.2 %	58.9 %

(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
License and subscription revenue breakdown:							
Term license revenue	\$ 79,337	\$ 71,591	\$ 60,252	\$ 106,962	\$ 318,142	\$ 54,178	\$ 74,270
Subscription revenue	15,343	14,770	14,691	20,246	65,050	28,196	28,642
Perpetual license revenue	—	352	1,275	503	2,130	49	2,042
Total license and subscription revenue	\$ 94,680	\$ 86,713	\$ 76,218	\$ 127,711	\$ 385,322	\$ 82,423	\$ 104,954

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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
Gross profit reconciliation:							
GAAP gross profit	\$ 98,647	\$ 88,854	\$ 82,589	\$ 125,074	\$ 395,164	\$ 76,154	\$ 89,862
Non-GAAP adjustments:							
Stock-based compensation	6,836	7,303	6,583	6,891	27,613	7,145	7,543
Amortization of intangibles	4,945	4,945	4,945	4,945	19,780	4,945	4,945
Non-GAAP tax impact	—	—	—	—	—	—	—
Non-GAAP gross profit	\$ 110,428	\$ 101,102	\$ 94,117	\$ 136,910	\$ 442,557	\$ 88,244	\$ 102,350
Non-GAAP gross margin	61.3 %	60.0 %	57.8 %	65.9 %	61.5 %	56.2 %	59.0 %
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
Non-GAAP adjustments:							
Stock-based compensation	334	535	589	1,553	3,011	1,363	1,617
Amortization of intangibles	4,945	4,945	4,945	4,945	19,780	4,945	4,945
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
Non-GAAP gross margin - license revenue	91.5 %	89.3 %	86.6 %	88.7 %	89.1 %	78.8 %	80.5 %
Gross profit reconciliation - maintenance revenue:							
GAAP gross profit - maintenance revenue	\$ 17,135	\$ 17,310	\$ 17,411	\$ 17,069	\$ 68,925	\$ 17,277	\$ 17,032
Non-GAAP adjustments:							
Stock-based compensation	534	558	274	455	1,821	450	457
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
Non-GAAP gross margin - maintenance revenue	84.1 %	84.0 %	82.9 %	80.3 %	82.8 %	84.5 %	82.8 %
Gross profit reconciliation - service revenue:							
GAAP gross profit - service revenue	\$ 162	\$ (430)	\$ 4,741	\$ 1,242	\$ 5,715	\$ 250	\$ (5,092)
Non-GAAP adjustments:							
Stock-based compensation	5,968	6,210	5,720	4,883	22,781	5,332	5,469
Amortization of intangibles	—	—	—	—	—	—	—
Non-GAAP tax impact	—	—	—	—	—	—	—
Non-GAAP gross profit - service revenue	\$ 6,130	\$ 5,780	\$ 10,461	\$ 6,125	\$ 28,496	\$ 5,582	\$ 377
Non-GAAP gross margin - service revenue	9.5 %	9.5 %	16.0 %	10.5 %	11.5 %	10.4 %	0.8 %

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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
GAAP income (loss) from operations	\$ 2,487	\$ (6,331)	\$ (15,767)	\$ 21,082	\$ 1,471	\$ (24,597)	\$ (18,030)
Non-GAAP adjustments:							
Stock-based compensation	23,335	24,372	21,049	22,759	\$ 91,515	24,558	26,736
Amortization of intangibles	7,309	7,309	7,278	7,217	\$ 29,113	7,167	6,742
Non-GAAP income (loss) from operations	\$ 33,131	\$ 25,350	\$ 12,560	\$ 51,058	\$ 122,099	\$ 7,128	\$ 15,448
Net income (loss) reconciliation:							
GAAP net income (loss)	\$ 6,309	\$ (1)	\$ (8,581)	\$ 23,005	\$ 20,732	\$ (14,991)	\$ (19,944)
Non-GAAP adjustments:							
Stock-based compensation	23,335	24,372	21,049	22,759	\$ 91,515	24,558	26,736
Amortization of intangibles	7,309	7,309	7,278	7,217	\$ 29,113	7,167	6,742
Amortization of debt discount and issuance costs	2,986	3,027	3,070	3,111	\$ 12,194	3,156	3,198
Non-GAAP tax impact	(8,863)	(7,411)	(7,586)	(9,818)	\$ (33,678)	(8,912)	826
Non-GAAP net income (loss)	\$ 31,076	\$ 27,296	\$ 15,230	\$ 46,274	\$ 119,876	\$ 10,978	\$ 17,558

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