

REFINITIV

## DELTA REPORT

### 10-Q

GWRE - GUIDEWARE SOFTWARE, INC.

10-Q - JANUARY 31, 2024 COMPARED TO 10-Q - OCTOBER 31, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 1316

■ CHANGES	171
■ DELETIONS	495
■ ADDITIONS	650

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **October 31, 2023** **January 31, 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from **to**  
Commission file number: **001-35394**

---

**Guidewire Software, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

**36-4468504**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

970 Park Pl, Suite 200  
San Mateo, California

**94403**

(Address of principal executive offices)

(Zip Code)

**(650) 357-9100**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	GWRE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

On November 30, 2023 February 29, 2024, the registrant had 81,930,546 83,322,110 shares of common stock issued and outstanding.

## [Table of Contents](#)

### Guidewire Software, Inc.

#### Index

#### **Part I – Financial Information**

Item 1.	<a href="#">Financial Statements (unaudited):</a>	<a href="#">31</a>
	<a href="#">Condensed Consolidated Balance Sheets as of October January 31, 2023 2024 and July 31, 2023</a>	<a href="#">3</a>
	<a href="#">Condensed Consolidated Statements of Operations for the Three and Six Months Ended October January 31, 2023 2024 and 2022 2023</a>	<a href="#">4</a>
	<a href="#">Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended October January 31, 2023 2024 and 2022 2023</a>	<a href="#">5</a>
	<a href="#">Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Six Months Ended October January 31, 2023 2024 and 2022 2023</a>	<a href="#">6</a>
	<a href="#">Condensed Consolidated Statements of Cash Flows for the Three Six Months Ended October January 31, 2023 2024 and 2022 2023</a>	<a href="#">7</a>
	<a href="#">Notes to Condensed Consolidated Financial Statements</a>	<a href="#">9</a>
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">19 20</a>
Item 3.	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	<a href="#">34 41</a>
Item 4.	<a href="#">Controls and Procedures</a>	<a href="#">55 42</a>
<u><b>Part II – Other Information</b></u>		<a href="#">36 43</a>
Item 1.	<a href="#">Legal Proceedings</a>	<a href="#">36 43</a>
Item 1A.	<a href="#">Risk Factors</a>	<a href="#">36 43</a>
Item 5.	<a href="#">Other Information</a>	<a href="#">60 68</a>
Item 6.	<a href="#">Exhibits</a>	<a href="#">61 69</a>
<a href="#">Signatures</a>		<a href="#">62 70</a>

## [Table of Contents](#)

### FORWARD-LOOKING STATEMENTS

The section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as other parts of this Quarterly Report on Form 10-Q and certain information incorporated herein by reference contain forward-looking statements within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act") which are subject to risks and uncertainties. The forward-looking statements may include statements concerning, among other things, our business strategy (including anticipated trends and developments in, and management plans for, our business, growth, and the markets in which we operate), financial results, results of operations, revenue, gross margins, operating expenses, services, products, projected costs and capital expenditures, research and development programs, sales and marketing initiatives, competition, and competition. the impact of general economic, business, and market conditions. In some cases, you can identify these statements by forward-looking words, such as "will," "may," "might," "should," "could," "estimate," "expect," "suggest," "believe," "anticipate," "intend," "plan," and

"continue," the negative or plural of these words and other comparable terminology. Actual events or results may differ materially from those expressed or implied by these statements due to various factors, including but not limited to the matters discussed below, in the section titled "Part II – Other Information – Item 1A. Risk Factors," and elsewhere in this Quarterly Report on Form 10-Q. Many of the forward-looking statements are located in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on information available to us as of the filing date of this Quarterly Report on Form 10-Q and our current expectations about future events, which are inherently subject to change and involve risks and uncertainties. You should not place undue reliance on these forward-looking statements.

We do not undertake any obligation to update any forward-looking statements in this Quarterly Report on Form 10-Q or in any of our other communications, except as required by law. All such forward-looking statements should be read as of the time the statements were made and with the recognition that these forward-looking statements may not be complete or accurate at a later date.

#### SUMMARY OF MATERIAL RISKS ASSOCIATED WITH OUR BUSINESS

The principal risks and uncertainties affecting our business include the following:

- growth prospects of the property and casualty ("P&C") insurance industry and our company;
- the developing market for subscription services and uncertainties attendant on emerging sales and delivery models, including the migration of our existing term license customers to cloud-based offerings on a subscription basis or failure to meet stipulated service levels with our subscription services;
- trends in and timing of future sales, including the mix between license and subscription revenue and seasonality;
- our competitive environment and changes thereto;
- competitive attributes of our software applications and delivery models;
- change in our revenue mix resulting in potential declines in our subscription and support gross margin or our services gross margin;
- our reliance on orders from a relatively small number of customers in the P&C insurance industry for a substantial portion of our revenue and Annual Recurring Revenue ("ARR");
- our gross and operating margins and factors that affect such margins, including costs related to operating, securing, and enhancing our subscription services;
- the timing and number of professional services engagements and the billing rates and utilization of our professional services employees and contractors;
- challenges to further increase sales both in the United States and internationally;
- potential failure of any of our established services or products to satisfy customer demands or to maintain market acceptance;
- our sales and implementation cycles are lengthy and variable, depend upon factors outside our control, and could cause us to expend significant time and resources prior to generating revenue;
- our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that result in increased cost of revenue, decreased revenue, and lower average selling prices and gross margins;

---

#### [Table of Contents](#)

- our business depends on customers renewing and expanding their license, support, and subscription contracts for our services and products;
- potential inability to develop, introduce, market and localize new and enhanced versions of our services and products;
- effectiveness of our research and development and cloud operations investment and efforts;
- our ability to comply with current and evolving local and foreign data privacy laws, including the General Data Protection Regulation in the European Union ("EU") and in the United Kingdom ("U.K.") and the California Consumer Privacy Act, the California Privacy Rights Act, and regulations in various other jurisdictions in the United States and abroad, and maintain the security of our customers' data, our cloud-based services or products, and the related costs and liabilities that we may incur;
- retaining existing and hiring new personnel;
- expenses to be incurred, and benefits to be achieved, from our acquisitions;
- the political economies in which we operate internationally (including, without limitation, Argentina, whose government is limiting the amount of U.S. dollars that can be sent out of the country) and the associated impact on interest rates, collection timeframes, and our revenue given the multi-year term for many of our international customer agreements;
- our provision for tax liabilities, judgments related to revenue recognition, and other critical accounting estimates;
- the timing and amount of any share repurchases by us;

- the impact of new or revised regulations, laws, including tax laws in jurisdictions in which we operate, and accounting standards;
- our ability to apply accounting guidance that requires management to make estimates and assumptions and to adapt to and interpret the requirements of new guidance, or to clearly explain to stockholders how new guidance affects reporting of our results of operations;
- our exposure to market risks, including geographical and political events such as the ongoing wars between Israel and Hamas and between Russia and Ukraine, supply chain disruptions, and inflation, that may negatively impact our customers, partners, and vendors or our business operations;
- data privacy concerns could result in regulatory changes and impose additional costs and liabilities on us and limit our use of information;
- the effect of uncertainties related to the recent global pandemic and any mutations or related strains of harmful viruses on the U.S. and global economies, our business, our employees, results of operations, financial condition, demand for our products, sales and implementation cycles, and the health of our customers' and partners' businesses;
- data security breaches of our cloud-based services or products or unauthorized access to our customers' or employees' data;
- our stock price may be volatile, which could result in securities class action litigation against us;
- our ability to successfully defend litigation brought against us; and
- our ability to satisfy future liquidity requirements.

The summary risk factors described above should be read together with the text of the Risk Factors included in Item 1A of Part II of this Quarterly Report on Form 10-Q and the other information set forth in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes thereto, as well as in other documents that we file with the U.S. Securities and Exchange Commission (the "SEC"). Additional risks and uncertainties beyond those summarized above or discussed elsewhere in this Quarterly Report on Form 10-Q may apply to our business, activities, or operations as currently conducted or as we may conduct them in the future or in the markets in which we operate or may in the future operate.

Unless the context requires otherwise, we are referring to Guidewire Software, Inc., together with its subsidiaries, when we use the terms "Guidewire," the "Company," "we," "our," or "us." When using the term "products," we are generally referring to both our subscription services and term license software.

---

## [Table of Contents](#)

### **PART I – Financial Information**

#### **ITEM 1. Financial Statements (unaudited)**

3

---

## [Table of Contents](#)

### **GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited, in thousands)**

		October 31, 2023	July 31, 2023	
		January 31, 2024	January 31, 2024	July 31, 2023
ASSETS	ASSETS			
ASSETS				
ASSETS				
CURRENT ASSETS:				
CURRENT ASSETS:				

CURRENT ASSETS:		CURRENT ASSETS:	
Cash and cash equivalents	Cash and cash equivalents	\$ 301,419	\$ 401,813
Cash and cash equivalents			
Cash and cash equivalents			
Short-term investments	Short-term investments	411,528	396,872
Accounts receivable, net of allowances of \$346 and \$218, respectively		93,083	151,034
Accounts receivable, net of allowances of \$24 and \$218, respectively			
Unbilled accounts receivable, net	Unbilled accounts receivable, net	109,231	87,752
Prepaid expenses and other current assets	Prepaid expenses and other current assets	61,537	62,132
Total current assets	Total current assets	976,798	1,099,603
Long-term investments	Long-term investments	140,644	128,782
Unbilled accounts receivable, net	Unbilled accounts receivable, net	6,883	11,112
Property and equipment, net	Property and equipment, net	55,280	54,499
Operating lease assets	Operating lease assets	50,402	52,373
Intangible assets, net	Intangible assets, net	13,106	14,473
Goodwill	Goodwill	372,214	372,214
Deferred tax assets, net	Deferred tax assets, net	239,822	226,875
Other assets	Other assets	64,448	67,957
<b>TOTAL ASSETS</b>	<b>TOTAL ASSETS</b>	<b>\$1,919,597</b>	<b>\$2,027,888</b>
LIABILITIES AND STOCKHOLDERS' EQUITY		LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	CURRENT LIABILITIES:		
CURRENT LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	Accounts payable		
Accounts payable	Accounts payable		
Accounts payable	Accounts payable	\$ 19,210	\$ 34,627
Accrued employee compensation	Accrued employee compensation	46,686	103,980
Deferred revenue, net	Deferred revenue, net	171,103	206,923
Other current liabilities	Other current liabilities	25,376	27,731

Total current liabilities	Total current liabilities	262,375	373,261
Lease liabilities	Lease liabilities	40,872	42,972
Convertible senior notes, net	Convertible senior notes, net	397,601	397,171
Deferred revenue, net	Deferred revenue, net	3,915	5,988
Other liabilities	Other liabilities	9,185	9,030
Total liabilities	Total liabilities	713,948	828,422
STOCKHOLDERS' EQUITY:	STOCKHOLDERS' EQUITY:		
Common stock	Common stock	8	8
Common stock			
Common stock			
Additional paid-in capital	Additional paid-in capital	1,867,467	1,831,267
Accumulated other comprehensive income (loss)	Accumulated other comprehensive income (loss)	(16,805)	(13,859)
Retained earnings (accumulated deficit)	Retained earnings (accumulated deficit)	(645,021)	(617,950)
Total stockholders' equity	Total stockholders' equity	1,205,649	1,199,466
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,919,597	\$2,027,888

See accompanying Notes to Condensed Consolidated Financial Statements.

3

[Table of Contents](#)

**GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited, in thousands except shares and per share amounts)**

		Three Months Ended		Six Months Ended		January 31, 2023
				2024	2023	
		October 31,		January 31,		
		2023	2022	2024	2023	
Revenue:	Revenue:					
Subscription and support	Subscription and support					
Subscription and support	Subscription and support	\$ 127,627	\$ 99,068			
License	License	34,025	40,952			
Services	Services	45,755	55,262			
Total revenue	Total revenue	207,407	195,282			

Cost of revenue:	Cost of revenue:		
Subscription and support	Subscription and support	48,054	55,691
Subscription and support			
Subscription and support			
License	License	1,219	1,873
Services	Services	45,842	65,566
Total cost of revenue	Total cost of revenue	95,115	123,130
Gross profit:	Gross profit:		
Subscription and support	Subscription and support	79,573	43,377
Subscription and support			
Subscription and support			
License	License	32,806	39,079
Services	Services	(87)	(10,304)
Total gross profit	Total gross profit	112,292	72,152
Operating expenses:	Operating expenses:		
Research and development			
Research and development			
Research and development	Research and development	62,469	58,170
Sales and marketing	Sales and marketing	44,581	46,468
General and administrative	General and administrative	39,023	42,067
Total operating expenses	Total operating expenses	146,073	146,705
Income (loss) from operations	Income (loss) from operations	(33,781)	(74,553)
Interest income	Interest income	10,613	4,638
Interest expense	Interest expense	(1,683)	(1,674)
Other income (expense), net	Other income (expense), net	(13,742)	(13,824)
Income (loss) before provision for (benefit from) income taxes	Income (loss) before provision for (benefit from) income taxes	(38,593)	(85,413)
Provision for (benefit from) income taxes	Provision for (benefit from) income taxes	(11,522)	(16,095)
Net income (loss)	Net income (loss)	\$ (27,071)	\$ (69,318)
Net income (loss) per share:	Net income (loss) per share:		
Basic and diluted	Basic and diluted	\$ (0.33)	\$ (0.83)
Basic			

Basic		
Basic		
Diluted		
Shares used in computing net income (loss) per share:	Shares used in computing net income (loss) per share:	
Basic and diluted	81,690,912	83,320,967

See accompanying Notes to Condensed Consolidated Financial Statements.

4

[Table of Contents](#)

**GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(b unaudited, in thousands)

		Three Months Ended		Three Months Ended			
		October 31,				Six Months Ended	
		January 31,					
		2023	2022	2024	2023	2024	2023
Net income (loss)	Net income (loss)	\$(27,071)	\$(69,318)				
Other comprehensive income (loss):	Other comprehensive income (loss):						
Foreign currency translation adjustments	Foreign currency translation adjustments	(3,507)	(2,701)				
Unrealized gains (losses) on available-for-sale securities		1,024	(1,644)				
Tax benefit (expense) on unrealized gains (losses) on available-for-sale securities		(173)	443				
Reclassification adjustment for realized gains (losses) included in net income (loss)		(290)	(216)				
Foreign currency translation adjustments							
Foreign currency translation adjustments							
Unrealized gain (loss) on available-for-sale securities							
Tax benefit (expense) on unrealized gain (loss) on available-for-sale securities							
Reclassification adjustment for realized gain (loss) included in net income (loss)							

Total other comprehensive income (loss)	Total other comprehensive income (loss)	(2,946)	(4,118)
Comprehensive income (loss)	Comprehensive income (loss)	<u><u>\$(30,017)</u></u>	<u><u>\$(73,436)</u></u>

See accompanying Notes to Condensed Consolidated Financial Statements

5

[Table of Contents](#)

**GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
 (unaudited, in thousands except share amounts)

	Common stock						Accumulated other comprehensive income (loss)			Retained earnings (accumulated deficit)			Total stockholders' equity		
	Shares	Amount	Additional paid-in capital	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total stockholders' equity	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total stockholders' equity		
<b>Balance as of July 31, 2023</b>															
<b>Balance as of July 31, 2023</b>															
<b>Balance as of July 31, 2023</b>															
Net income (loss)	Net income (loss)	—	—	—	—	—	(27,071)	(27,071)	—	—	—	—	—	—	
Issuance of common stock upon exercise of stock options	Issuance of common stock upon exercise of stock options	42	—	1	—	—	—	1	—	—	—	—	—	—	
Issuance of common stock upon vesting of restricted stock units ("RSUs")	Issuance of common stock upon vesting of restricted stock units ("RSUs")	489,783	—	—	—	—	—	—	—	—	—	—	—	—	
Stock-based compensation	Stock-based compensation	—	—	36,199	—	—	—	36,199	—	—	—	—	—	—	
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	(3,507)	—	(3,507)	—	—	—	—	—	—	—	
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	
Unrealized gain (loss) on available-for-sale securities, net of tax	Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	851	—	—	851	—	—	—	—	—	—	
Reclassification adjustment for realized gain (loss) on available-for-sale securities, included in net income (loss)	Reclassification adjustment for realized gain (loss) on available-for-sale securities, included in net income (loss)	—	—	—	(290)	—	(290)	—	—	—	—	—	—	—	

Balance as of	Balance as of					
October 31, 2023	October 31, 2023	81,930,494	\$ 8	\$ 1,867,467	\$ (16,805)	\$ (645,021) \$ 1,205,649
<b>Balance as of October 31, 2023</b>						
<b>Balance as of October 31, 2023</b>						
Net income (loss)						
Issuance of common stock upon exercise of stock options						
Issuance of common stock upon vesting of RSUs						
Stock-based compensation						
Foreign currency translation adjustment						
Foreign currency translation adjustment						
Foreign currency translation adjustment						
Unrealized gain (loss) on available-for- sale securities, net of tax						
Reclassification adjustment for realized gain (loss) on available-for- sale securities, included in net income (loss)						
<b>Balance as of</b>						
<b>January 31, 2024</b>						

		Common stock	Additional paid-in capital	Other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total stockholders' equity	Common stock	Additional paid-in capital	Other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total stockholders' equity
Balance as of	Balance as of										
July 31, 2022	July 31, 2022	84,084,209	\$ 8	\$ 1,755,476	\$ (19,845)	\$ (283,982) \$ 1,451,657					
<b>Balance as of July 31, 2022</b>											
<b>Balance as of July 31, 2022</b>											
Net income (loss)	Net income (loss)	—	—	—	(69,318)	(69,318)					
Issuance of common stock upon vesting of RSUs											
Issuance of common stock upon vesting of RSUs											
Issuance of common stock upon vesting of RSUs	Issuance of common stock upon vesting of RSUs	373,380	—	—	—	—					

Stock-based compensation	Stock-based compensation	—	—	35,249	—	—	35,249
Repurchase and retirement of common stock	Repurchase and retirement of common stock	(2,581,478)	—	(40,000)	—	(160,000)	(200,000)
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	(2,701)	—	(2,701)
Unrealized gain (loss) on available-for-sale securities, net of tax	Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	(1,201)	—	(1,201)
Reclassification adjustment for realized gain (loss) on available-for-sale securities, included in net income (loss)	Reclassification adjustment for realized gain (loss) on available-for-sale securities, included in net income (loss)	—	—	—	(216)	—	(216)
Adoption of Accounting Standards Update ("ASU") 2020-06	Adoption of Accounting Standards Update ("ASU") 2020-06	—	—	(68,003)	—	39,694	(28,309)
<b>Balance as of October 31, 2022</b>	<b>Balance as of October 31, 2022</b>	<b>81,876,111</b>	<b>\$ 8</b>	<b>\$ 1,682,722</b>	<b>\$ (23,963)</b>	<b>\$ (473,606)</b>	<b>\$ 1,185,161</b>
Net income (loss)							
Issuance of common stock upon exercise of stock options							
Issuance of common stock upon vesting of RSUs							
Stock-based compensation							
Foreign currency translation adjustment							
Foreign currency translation adjustment							
Foreign currency translation adjustment							
Unrealized gain (loss) on available-for-sale securities, net of tax							

Reclassification  
adjustment for  
realized gain  
(loss) on  
available-for-  
sale securities,  
included in net  
income (loss)

**Balance as of**  
**January 31, 2023**

See accompanying Notes to Condensed Consolidated Financial Statements.

6

[Table of Contents](#)

		GUIDEWIRE SOFTWARE, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS			(unaudited, in thousands)
		Three Months Ended October 31,		Six Months Ended January 31,	
		2023	2022	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:	CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	Net income (loss)	\$ (27,071)	\$ (69,318)		
Net income (loss)					
Net income (loss)					
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	Depreciation and amortization				
Depreciation and amortization	Depreciation and amortization				
Depreciation and amortization	Depreciation and amortization	5,442	7,623		
Amortization of debt issuance costs	Amortization of debt issuance costs	430	423		
Amortization of contract costs	Amortization of contract costs	4,064	4,490		
Stock-based compensation	Stock-based compensation	36,097	35,096		
Changes to allowance for credit losses and revenue reserves	Changes to allowance for credit losses and revenue reserves	128	(72)		
Deferred income tax	Deferred income tax	(13,220)	(18,035)		

Amortization of premium (accretion of discount) on available-for-sale securities, net	Amortization of premium (accretion of discount) on available-for-sale securities, net	(2,927)	98
Gain on sale of strategic investment			
Other non-cash items affecting net income (loss)	Other non-cash items affecting net income (loss)	(29)	34
Other non-cash items affecting net income (loss)			
Other non-cash items affecting net income (loss)			
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	57,193	55,245
Unbilled accounts receivable	Unbilled accounts receivable	(17,250)	(20,659)
Prepaid expenses and other assets	Prepaid expenses and other assets	(6,560)	(839)
Operating lease assets	Operating lease assets	1,971	3,768
Accounts payable	Accounts payable	(16,982)	847
Accrued employee compensation	Accrued employee compensation	(54,576)	(45,548)
Deferred revenue	Deferred revenue	(37,893)	(33,575)
Lease liabilities	Lease liabilities	(1,601)	(4,441)
Other liabilities	Other liabilities	701	(2,572)
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	(72,083)	(87,435)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of available-for-sale securities			
Purchases of available-for-sale securities	Purchases of available-for-sale securities	(160,239)	(169,232)
Purchases of available-for-sale securities			

Purchases of available-for-sale securities			
Maturities and sales of available-for-sale securities	Maturities and sales of available-for-sale securities	137,386	119,291
Purchases of property and equipment	Purchases of property and equipment	(998)	(604)
Purchases of property and equipment			
Purchases of property and equipment			
Capitalized software development costs	Capitalized software development costs	(3,692)	(3,697)
Acquisition of strategic investments	Acquisition of strategic investments	(250)	(181)
Sale of strategic investment			
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	<u>(27,793)</u>	<u>(54,423)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock upon exercise of stock options			
Proceeds from issuance of common stock upon exercise of stock options			
Proceeds from issuance of common stock upon exercise of stock options			
Repurchase and retirement of common stock	Repurchase and retirement of common stock	<u>—</u>	<u>(200,000)</u>
Net cash provided by (used in) financing activities			
Net cash provided by (used in) financing activities			
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	<u>—</u>	<u>(200,000)</u>
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	<u>(4,303)</u>	<u>(2,992)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>(104,179)</u>	<u>(344,850)</u>

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	CASH, CASH EQUIVALENTS, AND RESTRICTED CASH
—Beginning of period	—Beginning of period <u>406,790</u> <u>614,686</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	CASH, CASH EQUIVALENTS, AND RESTRICTED CASH
—End of period	—End of period <u>\$302,611</u> <u>\$269,836</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest	\$	2,500	\$	2,500
Cash paid for income taxes, net of tax refunds	\$	883	\$	1,314
Accruals for purchase of property and equipment	\$	2,805	\$	632
Accruals for capitalized software development costs	\$	278	\$	257

7

[Table of Contents](#)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest	\$	2,500	\$	2,500
Cash paid for income taxes, net of tax refunds	\$	2,743	\$	2,725
Accruals for purchase of property and equipment	\$	759	\$	839
Accruals for capitalized software development costs	\$	458	\$	510

See accompanying Notes to Condensed Consolidated Financial Statements.

8

[Table of Contents](#)

**GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. The Company and Summary of Significant Accounting Policies and Estimates**

**Company**

Guidewire Software, Inc., a Delaware corporation, was incorporated on September 20, 2001. Guidewire Software, Inc., together with its subsidiaries (the "Company"), provides a technology platform and suite of products which combines core operations, digital engagement, analytics, and machine learning and artificial intelligence ("AI") applications. The Company's technology platform supports and suite of products support core insurance operations, including underwriting, policy administration, claim management, and billing; insights into data that can improve business decision making; and digital sales, service, and claims experiences for policyholders, agents, and other key stakeholders. The Company's customers are primarily property and casualty insurance carriers. The term "products" generally refers to both subscription services and term license software offerings.

**Basis of Presentation and Consolidation**

The Company's condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The condensed consolidated financial statements and notes include the Company and its wholly-owned subsidiaries and reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for a fair presentation of the interim periods presented. All intercompany balances and transactions have been eliminated in consolidation. Certain information and disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted under the rules and regulations of the SEC.

These condensed consolidated financial statements should be read in conjunction with the Company's financial statements and related notes, together with management's discussion and analysis of financial condition and results of operations, presented in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

**Use of Estimates**

In preparing the condensed consolidated financial statements and related disclosures in conformity with GAAP and pursuant to the rules and regulations of the SEC, the Company must make estimates and judgments that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results may differ materially from these estimates.

**Significant Accounting Policies**

There have been no changes in the Company's significant accounting policies from those that were disclosed in the Company's consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended July 31, 2023, except for those disclosed herein.

#### **Restricted Cash**

Unearned acquisition consideration holdback subject to service conditions is held in escrow and considered restricted cash. At **October 31, 2023** **January 31, 2024**, restricted cash in the amount of \$1.2 million was included in prepaid expenses and other current assets in the condensed consolidated balance sheet.

#### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents, investments, accounts receivable, and unbilled accounts receivable. The Company maintains its cash, cash equivalents, and investments with high-quality financial institutions. The Company is exposed to credit risk for cash held in financial institutions in the event of a default to the extent that such amounts recorded in the condensed consolidated balance sheets are in excess of amounts that are insured by the Federal Deposit Insurance Corporation.

No customer accounted for 10% or more of the Company's revenue in the three and six months ended **October 31, 2023** **January 31, 2024** and **2022**. One **2023**. No customer accounted for 10% or more of the Company's accounts receivable as of **October 31, 2023** **January 31, 2024** and no customer accounted for 10% or more **July 31, 2023**.

[Table of the Company's accounts receivable as of July 31, 2023](#) [Contents](#)

#### **Recent Accounting Pronouncements**

**Recent** In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. The new standard will be effective and the Company will adopt it for the annual period beginning August 1, 2024, and for the interim periods beginning after August 1, 2025 with early adoption permitted. The Company is currently assessing the impact of adopting this standard on the consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The new standard will be effective and the Company will adopt it beginning August 1, 2025 and early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company is currently assessing the impact of adopting this standard on the consolidated financial statements.

Other recent accounting pronouncements that will be applicable to the Company are not expected to have a material impact on its present or future financial statements.

9

[Table of Contents](#)

## **2. Revenue**

#### **Disaggregation of Revenue**

Revenue by service or product type is as follows (in thousands):

		Three Months Ended		Three Months Ended		Six Months Ended	
		October 31,		January 31,		January 31,	
		2023	2022	2024	2023	2024	2023
Subscription and support	Subscription and support						
Subscription							
Subscription	Subscription						
Subscription	Subscription	\$ 109,597	\$ 78,977				
Support	Support	18,030	20,091				
License	License						
Term license	Term license	33,977	40,889				
Term license	Term license						

Perpetual license	Perpetual license	48	63
Services	Services	45,755	55,262
Total revenue	Total revenue	\$ 207,407	\$ 195,282

Revenue by service or product type and by geography is as follows (in thousands):

		Three Months Ended January 31, 2024				Three Months Ended January 31, 2024			
		Subscription and support				Subscription and support			
		Three Months Ended October 31, 2023							
		Subscription and support		License	Services	Subscription and support			
United States	United States	\$ 86,751	\$ 12,731	\$ 31,001	\$ 130,483	License	Services	Total	Total
United States	United States	\$ 86,751	\$ 12,731	\$ 31,001	\$ 130,483				
Canada	Canada	18,442	2,918	2,194	23,554				
Other Americas	Other Americas	1,490	322	562	2,374				
Total Americas	Total Americas	106,683	15,971	33,757	156,411				
Total EMEA	Total EMEA	13,938	9,365	9,614	32,917				
Total EMEA									
Total APAC	Total APAC	7,006	8,689	2,384	18,079				
Total revenue	Total revenue	\$ 127,627	\$ 34,025	\$ 45,755	\$ 207,407				

		Three Months Ended October 31, 2022				
		Subscription and support		License	Services	Total
United States		\$ 67,081	\$ 17,509	\$ 38,525	\$ 123,115	
Canada		16,051	3,693	6,052	25,796	
Other Americas		1,475	320	422	2,217	
Total Americas		84,607	21,522	44,999	151,128	
Total EMEA		8,928	10,425	7,894	27,247	
Total APAC		5,533	9,005	2,369	16,907	
Total revenue		\$ 99,068	\$ 40,952	\$ 55,262	\$ 195,282	

		Three Months Ended January 31, 2023			
		Subscription and support			

	Subscription and support	License	Services	Total
United States	\$ 71,344	\$ 39,421	\$ 36,300	\$ 147,065
Canada	17,536	5,912	4,425	27,873
Other Americas	1,481	532	683	2,696
Total Americas	90,361	45,865	41,408	177,634
Total EMEA	9,712	15,708	10,264	35,684
Total APAC	5,681	11,542	2,070	19,293
Total revenue	\$ 105,754	\$ 73,115	\$ 53,742	\$ 232,611

	Six Months Ended January 31, 2024			
	Subscription and support	License	Services	Total
United States	\$ 176,926	\$ 49,506	\$ 57,567	\$ 283,999
Canada	36,779	7,803	4,133	48,715
Other Americas	2,985	502	921	4,408
Total Americas	216,690	57,811	62,621	337,122
Total EMEA	27,965	26,955	16,701	71,621
Total APAC	14,614	20,342	4,605	39,561
Total revenue	\$ 259,269	\$ 105,108	\$ 83,927	\$ 448,304

[Table of Contents](#)

	Six Months Ended January 31, 2023			
	Subscription and support	License	Services	Total
United States	\$ 138,425	\$ 56,930	\$ 74,825	\$ 270,180
Canada	33,587	9,605	10,477	53,669
Other Americas	2,956	852	1,105	4,913
Total Americas	174,968	67,387	86,407	328,762
Total EMEA	18,640	26,133	18,158	62,931
Total APAC	11,214	20,547	4,439	36,200
Total revenue	\$ 204,822	\$ 114,067	\$ 109,004	\$ 427,893

No country or region, other than those presented above, accounted for more than 10% of total revenue during the three and six months ended **October 31, 2023** **January 31, 2024** and **2022**.

**Customer Contract – Related Balance Sheet Amounts**

Amounts related to customer contract-related arrangements are included on the condensed consolidated balance sheets as follows (in thousands):

October 31, 2023		January 31, 2023	January 31, 2024	
January 31, 2024	Unbilled accounts receivable, net	Unbilled accounts receivable, net	January 31, 2024	July 31, 2023
Unbilled accounts receivable, net	\$ 116,114	\$ 98,864		
Contract costs, net	\$ 45,186	\$ 47,254		

Deferred revenue, net	Deferred revenue, net	\$ 175,018	\$ 212,911
-----------------------	-----------------------	------------	------------

As of **October 31, 2023** **January 31, 2024** and July 31, 2023, there was no allowance for credit losses associated with unbilled accounts receivable.

#### Contract costs

The current portion of contract costs of **\$15.6 million** **\$15.8 million** and \$15.9 million is included in prepaid and other current assets in the Company's condensed consolidated balance sheets as of **October 31, 2023** **January 31, 2024** and July 31, 2023, respectively. The non-current portion of contract costs of **\$29.6 million** **\$30.7 million** and \$31.3 million is included in other assets in the Company's condensed consolidated balance sheets as of **October 31, 2023** **January 31, 2024** and July 31, 2023, respectively. The Company amortized **\$4.1** **\$4.7** million and **\$4.5** **\$4.1** million of contract costs during the three months ended **October 31, 2023** **January 31, 2024** and **2022**, **2023**, respectively, and amortized **\$8.7** million and \$8.6 million during the six months ended January 31, 2024 and 2023, respectively.

#### Deferred revenue

During the three and six months ended **October 31, 2023** **January 31, 2024**, the Company recognized revenue of approximately **\$94.9** **\$56.9** million and **\$151.8** million, respectively, related to the Company's deferred revenue balance reported as of July 31, 2023.

#### Remaining Performance Obligations

The aggregate amount of consideration allocated to remaining performance obligations either not satisfied or partially satisfied was approximately \$1.5 billion as of **October 31, 2023** **January 31, 2024**. Subscription services are typically satisfied over three to five years, support services are generally satisfied within one year, and professional services are typically satisfied within one year. Professional services under time and material contracts are not included in the remaining performance obligations calculation as these arrangements can be cancelled at any time.

### 3. Fair Value of Financial Instruments

Available-for-sale investments within cash equivalents and investments consist of the following (in thousands):

	October 31, 2023			
	Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
Asset-backed securities	\$ 39,999	\$ 10	\$ (240)	\$ 39,769
Certificates of deposit	31,295	—	—	31,295
Commercial paper	191,145	—	—	191,145
Corporate bonds	218,184	18	(1,111)	217,091
Foreign government bonds	8,352	1	(123)	8,230
Money market funds	138,674	—	—	138,674
U.S. Government agency securities	71,445	1	(100)	71,346
U.S. Government bonds	85,180	—	(1,062)	84,118
<b>Total</b>	<b>\$ 784,274</b>	<b>\$ 30</b>	<b>\$ (2,636)</b>	<b>\$ 781,668</b>

11

#### Table of Contents

	January 31, 2024			
	Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
Asset-backed securities	\$ 41,461	\$ 105	\$ (89)	\$ 41,477
Certificates of deposit	54,059	—	—	54,059
Commercial paper	162,569	—	—	162,569
Corporate bonds	249,799	794	(304)	250,289
Foreign government bonds	8,353	32	(68)	8,317
Money market funds	188,952	—	—	188,952
U.S. Government agency securities	30,675	14	(20)	30,669
U.S. Government bonds	86,142	88	(531)	85,699
<b>Total</b>	<b>\$ 822,010</b>	<b>\$ 1,033</b>	<b>\$ (1,012)</b>	<b>\$ 822,031</b>

July 31, 2023

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Asset-backed securities	\$ 43,573	\$ 18	\$ (234)	\$ 43,357
Certificates of deposit	34,395	—	—	34,395
Commercial paper	150,254	—	—	150,254
Corporate bonds	200,691	41	(1,590)	199,142
Foreign government bonds	14,559	—	(203)	14,356
Money market funds	229,721	—	—	229,721
U.S. Government agency securities	84,180	9	(151)	84,038
U.S. Government bonds	87,064	1	(1,230)	85,835
<b>Total</b>	<b>\$ 844,437</b>	<b>\$ 69</b>	<b>\$ (3,408)</b>	<b>\$ 841,098</b>

The Company does not consider any portion of the unrealized losses at **October 31, 2023** **January 31, 2024** to be credit losses. The Company has recorded the securities at fair value in its condensed consolidated balance sheets, with unrealized gains and losses reported as a component of accumulated other comprehensive income (loss). The amount of unrealized gains and losses reclassified into earnings **are** **is** based on the specific identification of the securities sold. The realized gains and losses from sales of securities are presented in the condensed consolidated statements of comprehensive income (loss).

The following table summarizes the contractual maturities of the Company's available-for-sale investments measured at fair value (in thousands):

		October 31, 2023						
		12	Less Months	Than 12 or	Months	Total		
		Less Than	12 Months			January 31, 2024		
		Less Than	12 Months			Less Than 12 Months	12 Months or Greater	Total
Asset-backed securities	Asset-backed securities	\$ 141	\$ 39,628	\$ 39,769				
Certificates of deposit	Certificates of deposit	31,295	—	31,295				
Commercial paper	Commercial paper	191,145	—	191,145				
Corporate bonds	Corporate bonds	150,917	66,174	217,091				
Foreign government bonds	Foreign government bonds	4,827	3,403	8,230				
Money market funds	Money market funds	138,674	—	138,674				
U.S. Government agency securities	U.S. Government agency securities	68,548	2,798	71,346				
U.S. Government bonds	U.S. Government bonds	55,477	28,641	84,118				
<b>Total</b>	<b>Total</b>	<b>\$641,024</b>	<b>\$140,644</b>	<b>\$781,668</b>				
<b>Total</b>								
<b>Total</b>								

#### Fair Value Measurement

##### Available-for-sale investments

The following tables summarize the Company's available-for-sale investments measured at fair value, by level within the fair value hierarchy (in thousands):

	January 31, 2024				January 31, 2024				
	Level 1		Level 1		Level 2		Level 3		Total
<b>Cash equivalents:</b>									
Commercial paper									
Commercial paper									
Commercial paper									
Money market funds									
	October 31, 2023								
<b>Total cash equivalents</b>									
	Level								
	Level 1		Level 2		Level 3		Total		
<b>Cash equivalents:</b>									
Commercial paper	\$ —	\$ 75,657	\$ —	\$ 75,657					
Money market funds	138,674	—	—	138,674					
U.S. Government agency securities	—	7,177	—	7,177					
U.S. Government bonds	—	7,988	—	7,988					
<b>Total cash equivalents</b>									
<b>Total cash equivalents</b>	<b>Total cash equivalents</b>	138,674	90,822	—	229,496				
<b>Short-term investments:</b>	<b>Short-term investments:</b>								
Asset-backed securities									
Asset-backed securities									
Asset-backed securities	Asset-backed securities	—	141	—	141				
Certificates of deposit	Certificates of deposit	—	31,295	—	31,295				
Commercial paper	Commercial paper	—	115,488	—	115,488				
Corporate bonds	Corporate bonds	—	150,917	—	150,917				
Foreign government bonds	Foreign government bonds	—	4,827	—	4,827				
U.S. Government agency securities	U.S. Government agency securities	—	61,371	—	61,371				
U.S. Government bonds	U.S. Government bonds	—	47,489	—	47,489				
<b>Total short-term investments</b>	<b>Total short-term investments</b>	—	411,528	—	411,528				
<b>Total short-term investments</b>									

<b>Total short-term investments</b>									
<b>Long-term investments:</b>		<b>Long-term investments:</b>							
Asset-backed securities									
Asset-backed securities									
Asset-backed securities	Asset-backed securities	—	39,628	—	39,628				
Corporate bonds	Corporate bonds	—	66,174	—	66,174				
Foreign government bonds	Foreign government bonds	—	3,403	—	3,403				
U.S. Government agency securities	U.S. Government agency securities	—	2,798	—	2,798				
U.S. Government bonds	U.S. Government bonds	—	28,641	—	28,641				
<b>Total long-term investments</b>	<b>Total long-term investments</b>	—	140,644	—	140,644				
<b>Total long-term investments</b>									
<b>Total</b>	<b>Total</b>	\$138,674	\$642,994	\$ —	\$781,668				

13

[Table of Contents](#)

	July 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Cash equivalents:</b>				
Commercial paper	\$ —	\$ 61,296	\$ —	\$ 61,296
Money market funds	229,721	—	—	229,721
U.S. Government agency securities	—	8,478	—	8,478
U.S. Government bonds	—	15,949	—	15,949
<b>Total cash equivalents</b>	229,721	85,723	—	315,444
<b>Short-term investments:</b>				
Asset-backed securities	—	2,705	—	2,705
Certificates of deposit	—	34,395	—	34,395
Commercial paper	—	88,958	—	88,958
Corporate bonds	—	156,396	—	156,396
Foreign government bonds	—	10,717	—	10,717
U.S. Government agency securities	—	69,101	—	69,101
U.S. Government bonds	—	34,600	—	34,600
<b>Total short-term investments</b>	—	396,872	—	396,872
<b>Long-term investments:</b>				
Asset-backed securities	—	40,652	—	40,652
Corporate bonds	—	42,746	—	42,746

Foreign government bonds	—	3,639	—	3,639
U.S. Government agency securities	—	6,459	—	6,459
U.S. Government bonds	—	35,286	—	35,286
<b>Total long-term investments</b>	<b>—</b>	<b>128,782</b>	<b>—</b>	<b>128,782</b>
<b>Total</b>	<b>\$ 229,721</b>	<b>\$ 611,377</b>	<b>\$ —</b>	<b>\$ 841,098</b>

#### Convertible Senior Notes

In March 2018, the Company issued \$400.0 million aggregate principal amount of 1.25% Convertible Senior Notes due 2025 (the "Convertible Senior Notes"). The fair value of the Convertible Senior Notes was \$404.0 million \$444.0 million and \$388.2 million at **October 31, 2023** **January 31, 2024** and July 31, 2023, respectively. The Company estimates the fair value of the Convertible Senior Notes using commonly accepted valuation methodologies and market-based risk measurements that are directly observable, such as unadjusted quoted prices in markets that are not active (Level 2).

#### [Table of Contents](#)

#### Strategic **Equity** Investments

The Company's other assets include strategic **equity** investments in privately-held companies in which the Company does not have a controlling interest or the ability to exert significant influence. The strategic investments consist of non-marketable equity securities that do not have readily determinable market values (Level 3). The Company records these strategic investments, which are recorded using the measurement alternative at cost less impairment and adjusts cost for subsequent observable changes in fair value. value, and an investment in a limited partnership, which is recorded using the net asset value practical expedient (Level 3) in accordance with ASC 820. Changes in fair value are recorded in other income (expense) on the condensed consolidated statements of operations.

During the **three** **six** months ended **October 31, 2023** **January 31, 2024**, the Company invested \$0.2 million in a new strategic **equity** investment. At **October 31, 2023** and **July 31, 2023**

During the six months ended January 31, 2024, one of the Company's **total** **investees** was acquired by a privately-held limited partnership. As a result, the Company received \$12.1 million in consideration for its equity interest in the investee, composed of \$6.5 million cash and \$5.6 million of an ownership interest in the privately-held limited partnership, and recognized a \$1.8 million gain in excess of cost in other income (expense), net on the condensed consolidated statements of operations.

The following table summarizes the carrying amount of the Company's strategic **equity** investments was \$28.0 million and \$27.8 million, respectively. (in thousands):

	<b>January 31, 2024</b>	<b>July 31, 2023</b>
Equity investments using the measurement alternative	\$ 17,654	\$ 27,772
Equity investment using net asset value	\$ 5,618	—

No impairment charge or unrealized gain or loss related to strategic investments were recognized during the three and six months ended **October 31, 2023** **January 31, 2024** and **2022** **2023**.

14

#### [Table of Contents](#)

#### 4. Net Income (Loss) Per Share

The Company calculates basic earnings per share by dividing the net income (loss) by the weighted average number of shares of common stock outstanding for the period. For calculating diluted earnings per share, the Company uses the treasury stock method for options to purchase common stock and Stock Awards and the if-converted method for Convertible Senior Notes.

The following table sets forth the computation of the Company's basic and diluted net income (loss) per share for the three and six months ended **October 31, 2023** **January 31, 2024** and **2022** **2023** (in thousands, except share and per share amounts):

		<b>Three Months Ended</b>				<b>Three Months Ended</b>			
		<b>October 31,</b>				<b>January 31,</b>			
		<b>2023</b>	<b>2022</b>			<b>2024</b>	<b>2023</b>		
		<b>Three Months Ended</b>		<b>Three Months Ended</b>		<b>January 31,</b>		<b>Six Months Ended</b>	
		<b>2024</b>						<b>2024</b>	
<b>Numerator:</b>	<b>Numerator:</b>								
Net income (loss)	Net income (loss)	\$ (27,071)	\$ (69,318)						
Net income (loss)	Net income (loss)								

Net income (loss) per share:	Net income (loss) per share:	=====
Basic and diluted	\$ (0.33)	\$ (0.83)
Basic		
Basic		
Basic		
Diluted		
<b>Denominator:</b>	<b>Denominator:</b>	=====
Weighted average shares used in computing net income (loss) per share:	Weighted average shares used in computing net income (loss) per share:	
Basic and diluted	81,690,912	83,320,967
Weighted average shares used in computing net income (loss) per share:		
Weighted average shares used in computing net income (loss) per share:		
Basic		
Basic		
Basic		
Weighted average effect of dilutive stock options		
Weighted average effect of dilutive stock awards		
Diluted		
Diluted		
Diluted		

#### [Table of Contents](#)

The following weighted average shares of potential common stock were excluded from the computation of diluted net income (loss) per share for the periods presented because including them would have been anti-dilutive:

		Three Months Ended			
		October 31,			
		2023	2022		
		Three Months Ended	Three Months Ended	Six Months Ended	
		January 31,	January 31,		
		2024	2024	2024	2023
Stock options	Stock options	157,638	14,806		
Stock awards	Stock awards	2,255,096	1,188,284		

Convertible senior notes	Convertible senior notes	3,516,480	3,516,480
--------------------------	--------------------------	-----------	-----------

During the three and six months ended **October 31, 2023** **January 31, 2024** and **2022**, **2023**, the average market price of the Company's common stock did not exceed the initial conversion price of the Convertible Senior Notes.

15

## [Table of Contents](#)

### **5. Commitments and Contingencies**

There has been no material change in the Company's contractual obligations and commitments other than in the ordinary course of business since the Company's fiscal year ended July 31, 2023.

See the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2023 for additional information regarding the Company's contractual obligations.

#### **Legal Proceedings**

From time to time, the Company is involved in various legal proceedings and receives claims, arising from the normal course of business activities. The Company has not recorded any accrual for claims as of **October 31, 2023** **January 31, 2024** or July 31, 2023. The Company has not accrued for estimated losses in the accompanying condensed consolidated financial statements as the Company has determined that no provision for liability nor disclosure is required related to any claim against the Company because: (a) there is not a reasonable possibility that a loss exceeding amounts already recognized (if any) may be incurred with respect to such claim; (b) a reasonably possible loss or range of loss cannot be estimated; or (c) such estimate is immaterial. The Company expenses legal fees in the period in which they are incurred.

#### **Indemnification**

The Company sells software licenses and services to its customers under Software License Agreements ("SLA") and Software Subscription Agreements ("SSA"). SLAs and SSAs contain the terms of the contractual arrangement with the customer and generally include certain provisions for defending the customer against any claims that the Company's software infringes upon a patent, copyright, trademark, or other proprietary right of a third party, and in the case of SSAs, the Company may include certain provisions for limited liability for defending the customer against any claims for a data breach. SLAs and SSAs also generally indemnify the customer against judgments, settlements, fines, penalties, costs, and expenses resulting from a claim ("Losses") against the customer in the event the Company's software is found to infringe upon such third-party rights.

The Company has not had to reimburse any of its customers for Losses related to indemnification provisions and no material claims against the Company were outstanding as of **October 31, 2023** **January 31, 2024** or July 31, 2023. For several reasons, including the lack of prior indemnification claims and the lack of a monetary liability limit for certain infringement cases under various SLAs and SSAs, the Company cannot estimate the amount of potential future payments, if any, related to indemnification provisions.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines, and settlement amounts incurred by any of these persons in any action or proceeding to which any of these persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as the Company's director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that may enable the Company to recover a portion of any future amounts paid.

### **6. Stock-Based Compensation Expense and Shareholders' Equity**

#### **Stock-Based Compensation Expense**

Stock-based compensation expense related to stock options and Stock Awards is included in the Company's condensed consolidated statements of operations as follows (in thousands):

16

## [Table of Contents](#)

Three Months Ended				Six Months Ended			
January 31,		January 31,		January 31,		January 31,	
	2024		2024		2023		2023
Stock-based compensation expense	Stock-based compensation expense	\$36,199	\$35,249				
Net impact of deferred stock-based compensation	Net impact of deferred stock-based compensation	(102)	(153)				

Total stock-based compensation expense, net	Total stock-based compensation expense, net	\$36,097	\$35,096
Stock-based compensation expense is included in the following categories:			
Cost of subscription and support revenue			
Cost of subscription and support revenue			
Cost of subscription and support revenue	Cost of subscription and support revenue	\$ 3,462	\$ 3,468
Cost of license revenue	Cost of license revenue	95	147
Cost of services revenue	Cost of services revenue	4,789	5,349
Research and development	Research and development	9,986	9,291
Sales and marketing	Sales and marketing	7,729	6,887
General and administrative	General and administrative	10,036	9,954
Total stock-based compensation expense	Total stock-based compensation expense	\$36,097	\$35,096

Total unrecognized stock-based compensation expense related to the Company's stock options and Stock Awards as of **October 31, 2023** **January 31, 2024** is as follows:

		Weighted Average					
		Unrecognized Expense	Expected Recognition				
		Expense (in thousands)	Period (in years)				
<b>Unrecognized Expense</b>							
Stock Options		Stock Options	\$ 1,924	0.8	Stock Options	\$ 1,298	0.6
Stock Awards		Stock Awards	350,805	2.8	Stock Awards	310,253	2.6
Total unrecognized stock-based compensation expense	Total unrecognized stock-based compensation expense		\$ 352,729				

#### Stock Awards

A summary of Stock Awards activity under the Company's equity incentive plans is as follows:

#### Stock Awards Outstanding

		Weighted				
		Number of Stock Awards Outstanding	Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands) <sup>(1)</sup>		
<b>Stock Awards Outstanding</b>					<b>Stock Awards Outstanding</b>	
<b>Number of Stock Awards Outstanding</b>						
Balance as of July 31, 2023	Balance as of July 31, 2023	3,414,706	\$ 85.68	\$ 289,635	Number of Stock Awards Outstanding	Weighted Average Grant Date Fair Value
Granted	Granted	1,483,739	\$ 91.77			
Released	Released	(489,783)	\$ 94.18	\$ 44,580		
Released						
Canceled	Canceled	(25,556)	\$ 92.60			
Balance as of October 31, 2023		<u>4,383,106</u>	\$ 86.75	\$ 395,049		
Expected to vest as of October 31, 2023		<u>4,383,106</u>	\$ 86.75	\$ 395,049		
Balance as of January 31, 2024						
Balance as of January 31, 2024						
Balance as of January 31, 2024						
Expected to vest as of January 31, 2024						

<sup>(1)</sup> Aggregate intrinsic value at each period end represents the total market value of Stock Awards at the Company's closing stock price of \$90.13 \$111.68 and \$84.82 on October 31, 2023 January 31, 2024 and July 31, 2023, respectively. Aggregate intrinsic value for released Stock Awards represents the total market value of released Stock Awards at date of release.

In September 2023, certain executive officers were granted Stock Awards that vest in September 2026, subject to continued service until such time, with the opportunity to increase the number of vested awards based on Company financial performance and, for a select number of awards, the market performance of the Company's common stock. The fair value of the awards will be recognized over the performance period and may increase or decrease depending on the estimated attainment of Company financial performance criteria. The Company determined the fair value of the portion of the award subject to the market performance of the Company's common stock using a Monte Carlo simulation model, which included the following assumptions:

Performance Period	September 13, 2023 to September 13, 2026
3-year Historical Volatility	35.0%
3-year Risk Free Rate	4.5%

#### [Table of Contents](#)

For the portion of the award subject to the market performance of the Company's common stock, stock-based compensation expense is recognized over the requisite service period regardless of whether or not the market condition is ultimately satisfied, subject to continued service over the period.

Prior to fiscal year 2024, certain executives and employees of the Company received PSUs, which will vest over three years with 50% vesting annually over the three year period and the remaining 50% vesting at the end of the third year.

The Company recognized stock-based compensation related to PSUs of \$4.1 million \$3.0 million and \$4.0 million \$3.2 million during the three months ended October 31, 2023 January 31, 2024 and 2022, 2023, respectively, and \$7.1 million and \$7.2 million during the six months ended January 31, 2024 and 2023, respectively.

#### **Stock Options**

A summary of stock option activity under the Company's equity incentive plans is as follows:

#### **Stock Options Outstanding**

		Weighted Average			
		Stock Options Outstanding	Number of Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
		(in years)		(in thousands)	
<b>Stock Options Outstanding</b>					
Number of Stock Options Outstanding	—	Number of Stock Options Outstanding	—	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
	(in years)				
Balance as of July 31, 2023	Balance as of July 31, 2023	187,572	\$ 65.90	8.8	\$ 3,549
Granted	Granted	—	\$ —		
Exercised	Exercised	(42)	\$ 46.77	\$ 2	
Exercised					
Exercised					
Canceled	Canceled	—	\$ —		
Balance as of October 31, 2023	Balance as of October 31, 2023	187,530	\$ 65.90	8.6	\$ 4,543
Vested and expected to vest as of October 31, 2023	Vested and expected to vest as of October 31, 2023	187,530	\$ 65.90	8.6	\$ 4,543
Exercisable as of October 31, 2023	Exercisable as of October 31, 2023	8,182	\$ 11.46	3.3	\$ 644
Balance as of January 31, 2024					
Balance as of January 31, 2024					
Balance as of January 31, 2024					
Vested and expected to vest as of January 31, 2024	Vested and expected to vest as of January 31, 2024				
Exercisable as of January 31, 2024	Exercisable as of January 31, 2024				

(1) Aggregate intrinsic value at each period end represents the difference between the Company's closing stock price of \$90.13 \$111.68 and \$84.82 on October 31, 2023 January 31, 2024 and July 31, 2023, respectively, and the exercise price of outstanding options. Aggregate intrinsic value for exercised options represents the difference between the Company's stock price at date of exercise and the exercise price.

#### Share Repurchase Program

In September 2022, the Company's board of directors authorized and approved a share repurchase program of up to \$400.0 million of the Company's outstanding common stock. Share repurchases under the program may be made from time to time, in the open market, in privately negotiated transactions and otherwise, at the discretion of management of the Company and in accordance with applicable federal securities laws, including Rule 10b-18 of the Exchange Act, and other applicable legal requirements. Such repurchases may also be made in compliance with Rule 10b5-1 trading plans entered into by the Company.

During the three and six months ended October 31, 2023 January 31, 2024, the Company did not repurchase any shares of common stock. During the three months ended January 31, 2023, the Company did not repurchase any shares of common stock. During the six months ended January 31, 2023, the Company repurchased 2,581,478 shares of common stock.

As of October 31, 2023 January 31, 2024, \$138.2 million remained available for future share repurchases.

During **in** the three months ended October 31, 2022, **first quarter of fiscal year 2023**, the Company entered into an accelerated share repurchase ("ASR") agreement with a large financial institution whereupon the Company provided them with a prepayment of \$200.0 million and received an initial delivery of 2,581,478 shares of the Company's common stock. In the third quarter of fiscal year 2023, the ASR was settled in full with the delivery of an additional 648,001 shares of common stock which resulted in total repurchases under the ASR of 3,229,479 shares of common stock at an average purchase price of \$61.93 per share.

[Table of Contents](#)

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the Risk Factors included in Item 1A of Part II of this Quarterly Report on Form 10-Q. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references in this report to particular years or quarters refer to our fiscal years ended in July and the associated quarters of those fiscal years. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

### Overview

Guidewire delivers a platform **and a suite of products** that property and casualty ("P&C") insurers trust to engage, innovate, and grow efficiently. Guidewire's platform combines core operations, digital engagement, analytics, and machine learning and artificial intelligence ("AI") applications delivered as a cloud service or self-managed software. As a partner to our customers, we continually evolve to enable their success and assist them in navigating a rapidly changing insurance market.

Our core **operational services and products** are InsuranceSuite Cloud, InsuranceNow, and InsuranceSuite for self-managed installations. These **services and products** are transactional systems of record that support the entire insurance lifecycle, including insurance product definition, distribution, underwriting, policyholder services, and claims management. **We also sell digital engagement and analytics products.** Our **digital engagement applications products** enable digital sales, omni-channel service, and enhanced claims experiences for policyholders, agents, vendor partners, and field personnel. Our analytics offerings enable insurers to manage data more effectively, gain insights into their business, drive operational efficiencies, and underwrite new and evolving risks. To support P&C insurers globally, we have localized, and will continue to localize, our **platform suite of products** for use in a variety of international regulatory, language, and currency environments.

InsuranceSuite Cloud is a highly configurable and scalable product, delivered as a service, and primarily comprised of three core applications (PolicyCenter Cloud, BillingCenter Cloud, and ClaimCenter Cloud) that can be subscribed to separately or together. These applications are built on and optimized for our Guidewire Cloud Platform ("GWCP") architecture and leverage our in-house cloud operations team. InsuranceSuite Cloud is designed to support multiple releases each year to ensure that cloud customers remain on the latest version and gain fast access to our innovation efforts. Additionally, InsuranceSuite Cloud embeds digital and analytics capabilities natively into our platform. Most new sales and implementations are for InsuranceSuite Cloud.

InsuranceNow is a complete, cloud-based application that offers policy, billing, and claims management functionality to insurers.

InsuranceSuite for self-managed installations is comprised of three core applications (PolicyCenter, BillingCenter, and ClaimCenter) that can be licensed separately or together and can be deployed and updated by our customers and their implementation partners.

Our customers range from some of the largest global insurance companies or their subsidiaries to predominantly national or local insurers that serve specific states and/or regions. Our customer engagement is led by our direct sales team and supported by our system integrator ("SI") partners. We maintain and continue to grow our sales and marketing efforts globally, and maintain regional sales centers throughout the world.

Because our platform is critical to our new and existing customers' businesses, their decision-making and product evaluation process is thorough, which often results in an extended sales cycle. These evaluation periods can extend further if a customer purchases multiple **services and products** or is considering a move to a cloud-based subscription for the first time. Sales to new customers **also often** involve extensive customer due diligence and reference checks. The success of our sales efforts relies on continued improvements and enhancements to our current **services and products**, the introduction of new **services and products**, efficient operation of our cloud infrastructure, continued development of relevant local content and automated tools for updating content, and successful implementations and migrations.

We sell our **cloud-delivered offerings platform and suite of products** through subscription services **for our cloud-delivered products and term licenses for our self-managed products through term licenses products**. We generally price our **services and products** based on the amount of Direct Written Premium ("DWP") that will be managed by our **platform products**. Our subscription, term license, and support fees are typically invoiced annually in advance. Subscription services are generally sold with an initial term of between three and five years with optional annual renewals commencing after the initial term. Subscription revenue is recognized on a ratable basis over the committed term, once all revenue recognition criteria are met including providing access to the service. Term licenses are primarily sold **with to existing on-premise customers and are typically an initial two-year committed term annual commitment with optional annual renewals commencing after the initial term thereafter**. We may enter into term license arrangements with our customers that have an initial term of more than **two years one year** or may renew license arrangements for longer than one year. **A small portion of our Term license revenue is derived from perpetual licenses. Term and perpetual license revenue are typically recognized when software is made available to the customer, provided that all other revenue recognition criteria have been met.** Our support revenue is generally recognized ratably over the committed support term of the licensed software. Our support fees are typically priced as a fixed percentage of the associated license fees. We also offer professional services, both directly and through SI partners, to help our customers deploy, migrate, and utilize our **platform, services, and products**. A majority of our services revenue is billed monthly on a time and materials basis.

[Table of Contents](#)

Over the past few years, we have primarily been entering into cloud-based subscription arrangements with our new and existing customers, and we anticipate that subscription arrangements will be a **significant** majority of annual new sales going forward. As this sales model matures, we may decide to change certain contract terms in new arrangements to remain competitive or otherwise meet market demands.

To extend our technology leadership in the global market and to drive operating efficiency, we continue to invest in product development and cloud operations to enhance and improve our current **services** and products, introduce new **services** and products, and advance our ability to securely and cost-effectively deliver our services in the cloud. Continued investment is critical as we seek to assist our customers in achieving their technology goals, maintain our competitive advantage, grow our revenue, expand internationally, and meet evolving customer demands. In certain cases, we may also acquire skills and technologies to manage our cloud infrastructure and accelerate our time to market for new products, solutions, and upgrades.

Our track record of success with customers and their implementations is central to maintaining our strong competitive position. We rely on our global services team and SI partners to ensure that teams with the right combination of product, business, and language skills are used in the most efficient way to meet our customers' implementation and migration needs. We have extensive relationships with SI, consulting, technology, and other industry partners. Our network of partners has expanded as interest in and adoption of our platform has grown. We encourage our partners to co-market, pursue joint sales initiatives, and drive broader adoption of our technology, helping us grow our business more efficiently and enabling us to focus our resources on continued innovation and further enhancement of our solutions.

We work closely with our network of third-party SI partners to facilitate new sales and implementations of **both** our **subscription services and self-managed** products. Our partnership with leading SI partners allows us to increase efficiency and scale while reducing customer implementation and migration costs. We continue to invest time and resources to increase the number of qualified consultants employed by our SI partners, develop relationships with new partners in existing and new markets, and ensure that all SI partners are qualified to assist with implementing our **services and products**. We believe this model will continue to serve us well, and we intend to continue to expand our network of partners and the number of certified consultants with whom we work so we can leverage our SI partners more effectively, especially for future subscription migrations and implementations.

We face a number of risks in the execution of our strategy, including risks related to expanding to new markets, managing lengthy sales cycles, competing effectively in the global market, relying on sales to a relatively small number of large customers, developing new or acquiring existing **services and products** successfully, migrating our business towards a subscription model with ratable revenue recognition, increasing the overall adoption of our **services and products**, and cost-effectively and securely managing the infrastructure of our cloud-based customers. In response to these and other risks we might face, we continue to invest in many areas of our business, including product development, cloud operations, cybersecurity, implementation and migration services, and sales and marketing.

#### Seasonality

We have experienced seasonal variations in our license revenue and, to a lesser extent, in our subscription revenue as a result of increased customer orders in our fourth fiscal quarter, which is the quarter ending July 31. We generally see significantly increased orders in our fourth fiscal quarter due to efforts by our sales team to achieve annual incentives. Because we recognize revenue upfront for **new** term licenses and **multi-year term** license renewals compared to over time for subscription services, changes in the mix between term license and subscription services may impact our quarterly results. Additionally, any **quarter** in which a significant **multi-year term** license or **multi-year term** license **renewal** or **non-renewal** **occurs** **could be impacted**. As **subscriptions increase as a percentage** **impact** **quarterly results**. **Subscription sales** now **represent** the **significant majority** of **total sales** and, as a result when compared to **term license sales**, the **revenue** we **can** **recognize** in the **initial fiscal year** of an **order** **will be reduced**, **is lower**, **deferred revenue will increase**, **is higher**, and our **total reported revenue growth** **will** **be** **adversely affected** in the **near term** due to the **ratable nature** of these **arrangements**. **The concentration of our sales in our fourth fiscal quarter increases** **Over time, this impact as ratable revenue dynamic will dampen the revenue** **impact of most fourth fiscal quarter subscription sales will not be realized until the following fiscal year**. **seasonality on our revenue**.

Our services revenue is also subject to seasonal fluctuations, though to a lesser degree than our license revenue and subscription revenue. Our services revenue is impacted by the number of billable days in a given fiscal quarter. Our second fiscal quarter, which is the quarter ending January 31, usually has fewer billable days due to the impact of **calendar year end** **holidays** in the **Thanksgiving, Christmas, and New Year's holidays**, **United States**. Our fourth fiscal quarter usually has fewer billable days due to the impact of vacations taken by our services professionals. Because we pay our services professionals the same amount throughout the year, our gross margins on our services revenue are usually lower in these quarters. This seasonal pattern, however, may be absent in any given year.

#### Recent Global Events

Recent global events have adversely affected and are continuing to adversely affect workforces, organizations, economies, and financial markets globally, leading to economic downturns, inflation, and increased market volatility. For instance, the ongoing wars between Israel and Hamas and between Russia and Ukraine, escalating tensions in the South China Sea, **high inflation, higher than we have seen in decades**, the recent bank failures in the United States and Switzerland and the related impact on financial markets and

20

---

#### Table of Contents

institutions, and supply chain issues have contributed to global economic and market volatility. We are unable to accurately predict the full impact that these global events will have on our results of operations, financial condition, liquidity, and cash flows due to numerous uncertainties.

#### Table of Contents

Our business and financial results **since have been and may in the third quarter of fiscal year 2020 have been future be impacted** due to these disruptions, which **has affected** **may affect** our ARR and revenue growth rates, sales cycles, services revenue and margins, operating cash flow and expenses, **potentially higher** employee attrition, challenges in hiring and onboarding necessary personnel, allowance for collectibility of accounts receivable and unbilled receivables, and the change in fair value of strategic investments. **Our sales cycles, ARR growth rates, and revenue, especially services revenue, continue to be impacted as a result of these disruptions and challenges**. Additionally, **in recent quarters, inflation has reached levels that have not been seen for decades, which is are impacting the global economy and magnifying the impact of these disruptions**.

Our customers may be unable to pay or may request amended payment terms for their outstanding invoices due to the economic impacts from these disruptions, and we may need to increase our accounts receivable allowances. A decrease in orders in a given period could negatively affect our revenue and ARR in future periods, particularly if experienced on a sustained basis, because a substantial proportion of our new software subscription services orders is recognized as revenue over time. Also, the global economic impact of these disruptions could affect our customers' DWP, which could ultimately impact our revenue as we generally price our services and products based on the amount of DWP that will be managed by our platform products. Additionally, we may be required to record impairment related to our operating lease assets, investments, long-lived assets, intangible assets, or goodwill.

We will continue to monitor and evaluate the nature and extent of these global events on our business.

#### Key Business Metrics

We use certain key metrics and financial measures not prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") to evaluate and manage our business, including ARR and Free Cash Flow. For a further discussion of how we use key metrics and certain non-GAAP financial measures, see "Non-GAAP Financial Measures" in this Quarterly Report on Form 10-Q.

##### **Annual Recurring Revenue ("ARR")**

We use ARR to quantify the annualized recurring value outlined in active customer contracts at the end of a reporting period. ARR includes the annualized recurring value of term licenses, subscription agreements, support contracts, and hosting agreements based on customer contracts, contractual terms and invoicing activities for the current reporting period, which may not be the same as the timing and amount of revenue recognized. ARR reflects all fee changes due to contract renewals, non-renewals, expansion, cancellations, attrition, or renegotiations at a higher or lower fee arrangement that are effective as of the ARR reporting date. All components of the licensing and other arrangements that are not expected to recur (primarily perpetual licenses and professional services) are excluded from our ARR calculations. In some arrangements with multiple performance obligations, a portion of recurring license and support or subscription contract value is allocated to services revenue for revenue recognition purposes, but does not get allocated for purposes of calculating ARR. This revenue allocation generally only impacts the initial term of the contract. This means that as we increase arrangements with multiple performance obligations that include services at discounted rates, more of the total contract value will be recognized as services revenue, but our reported ARR amount will not be impacted. During the three six months ended October 31, 2023 January 31, 2024, the recurring license and support or subscription contract value recognized as services revenue was \$3.0 \$5.2 million.

If a customer contract contains invoicing amounts that increase over the contract term, then ARR reflects the annualized invoicing amount outlined in the contract for the current reporting period. For example, given a contract with annual invoicing of \$1.0 million at the beginning of year one, \$2.0 million at the beginning of year two, and \$3.0 million at the beginning of year three, and the reporting period is subsequent to year two invoicing and prior to year three invoicing, the reported ARR for that contract would be \$2.0 million.

As of October 31, 2023 January 31, 2024, ARR was \$770 \$800 million, compared to \$763 million as of July 31, 2023. We measure ARR results on a constant currency basis during the fiscal year and revalue ARR at year end to current currency rates.

##### **Free Cash Flow**

We monitor our free cash flow, as a key measure of our overall business performance, which enables us to analyze our financial performance without the effects of certain non-cash items such as depreciation, amortization, and stock-based compensation expenses. Additionally, free cash flow takes into account the impact of changes in deferred revenue, which reflects the receipt of cash payment for services and products before they are recognized as revenue, and unbilled accounts receivable, which reflects revenue that has been recognized that has yet to be invoiced to our customers. Our net cash provided by (used in) operating activities is significantly impacted by the timing of invoicing and collections of accounts receivable, the timing and amount of annual bonus payments, as well as payroll and tax payments. Our capital expenditures consist of purchases of property and equipment, primarily computer hardware, software, and leasehold improvements, and capitalized software development costs. Free cash flow in the three six months ended October 31, 2022 January 31, 2024 was impacted by severance payments of \$2.9 million. \$3.3 million. Free cash flow in the six months ended January 31, 2023 was impacted by severance payments of \$2.9 million. For a further discussion of our operating cash flows, see "Liquidity and Capital Resources – Cash Flows."

21

#### [Table of Contents](#)

		Three Months Ended October 31,			
		2023	2022		
		Six Months Ended January 31,			
		2024	2024	Six Months Ended January 31,	
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities				
Purchases of property and equipment	Purchases of property and equipment				

Capitalized software development costs	Capitalized software development costs	(3,692)	(3,697)
Free cash flow	Free cash flow	<u><u>\$(76,773)</u></u>	<u><u>\$(91,736)</u></u>

#### Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. Accounting policies, methods, and estimates are an integral part of the preparation of condensed consolidated financial statements in accordance with GAAP and, in part, are based upon management's current judgments. Those judgments are normally based on knowledge and experience with regard to past and current events and assumptions about future events. Certain accounting policies, methods, and estimates are particularly sensitive because of their significance to the condensed consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. While there are a number of significant accounting policies, methods, and estimates affecting our condensed consolidated financial statements, which are described in Note 1 "The Company and a Summary of Significant Accounting Policies and Estimates" to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023, our revenue recognition policies are critical to the periods presented.

There have been no material changes to our critical accounting policies as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

#### Recent Accounting Pronouncements

See Note 1 "The Company and Summary of Significant Accounting Policies and Estimates" to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a full description of recent accounting pronouncements adopted, including the dates of adoption, and recent account pronouncements not yet adopted.

#### Results of Operations

The following table sets forth our results of operations for the periods presented. The data has been derived from the condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q which, in the opinion of our management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position and results of operations for the interim periods presented. The results of operations for any period should not be considered indicative of results for any future period. This information should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

22

#### [Table of Contents](#)

	Three Months Ended October 31,				Three Months Ended January 31,					
	As a % of total revenue		As a % of total revenue		As a % of total revenue		As a % of total revenue			
	2023	2022	2024	2023	2024	2023	2024	2023		
(in thousands, except percentages)										
(in thousands, except percentages)										
Revenue:	Revenue:									
Subscription and support	Subscription and support									
Subscription and support	Subscription and support									
Subscription and support	\$127,627	62	\$ 99,068	51	\$ 131,642	55	55	\$ 105,754	46	
License	34,025	16	40,952	21						
Services	45,755	22	55,262	28						
Total revenue	207,407	100	195,282	100						
Cost of revenue:	Cost of revenue:									
Subscription and support	Subscription and support									
Subscription and support	48,054	23	55,691	29						
Subscription and support	Subscription and support									
License	1,219	1	1,873	1						
Services	45,842	22	65,566	34						

## Table of Contents

	Six Months Ended January 31,			
	2024	As a % of total revenue	2023	As a % of total revenue
(in thousands, except percentages)				

### Revenue:

REFINITIV CORPORATE DISCLOSURES | [www.refinitiv.com](http://www.refinitiv.com) | Contact Us

Subscription and support	\$ 259,269	58 %	\$ 204,822	48 %
License	105,108	23	114,067	27
Services	83,927	19	109,004	25
Total revenue	448,304	100	427,893	100
<b>Cost of revenue:</b>				
Subscription and support	97,988	22	104,615	24
License	2,702	1	3,718	1
Services	92,916	21	123,945	29
Total cost of revenue	193,606	44	232,278	54
<b>Gross profit:</b>				
Subscription and support	161,281	36	100,207	24
License	102,406	22	110,349	26
Services	(8,989)	(2)	(14,941)	(4)
Total gross profit	254,698	56	195,615	46
<b>Operating expenses:</b>				
Research and development	127,927	29	119,872	28
Sales and marketing	93,762	21	91,249	21
General and administrative	79,200	18	82,263	19
Total operating expenses	300,889	68	293,384	68
<b>Income (loss) from operations</b>				
Interest income	20,903	5	10,030	2
Interest expense	(3,375)	(1)	(3,351)	(1)
Other income (expense), net	(2,966)	(1)	(2,533)	(1)
<b>Income (loss) before provision for (benefit from) income taxes</b>				
Provision for (benefit from) income taxes	(14,245)	(3)	(15,116)	(4)
<b>Net income (loss)</b>	<b>\$ (17,384)</b>	<b>(6)%</b>	<b>\$ (78,507)</b>	<b>(18)%</b>

## Revenue

We derive our revenue primarily from delivering cloud-based services, licensing our software applications, providing support, and delivering professional services.

### [Table of Contents](#)

#### *Subscription and Support*

A growing portion of our revenue consists of fees for our subscription services, which are generally priced based on the amount of DWP that is managed by our subscription services. Subscription revenue is recognized ratably over the term of the arrangement, beginning at the point in time our provisioning process has been completed and access has been made available to the customer. The initial term of such arrangements is generally from three to five years. Subscription agreements contain optional annual renewals commencing upon the expiration of the initial contract term. A majority of our subscription customers are billed annually in advance. In some arrangements with multiple performance obligations, a portion of recurring subscription contract value may be allocated to license revenue or services revenue for revenue recognition purposes. For example, in arrangements with multiple performance obligations that include services at discounted rates, a portion of the total contract value related to subscription services will be allocated and recognized as services revenue. Additionally, agreements to migrate an existing term license customer to subscription services contain multiple performance obligations, including a provision to continue using the term license during the subscription

23

### [Table of Contents](#)

service implementation period. Under these migration agreements, a portion of the total contract value related to subscription services could be allocated and recognized as term license and support revenue in the period renewed or delivered.

Our support revenue is generally recognized ratably over the committed support term of the licensed software. Our support fees are typically priced as a fixed percentage of the associated term license fees. We generally invoice support annually in advance. Support related to subscription arrangements is included in subscription revenue, as support is not quoted or priced separately from the subscription services.

#### *License*

A substantial majority of our license revenue consists of term license fees. Our term license revenue is primarily generated through license fees that are billed annually in advance during the term of the contract, including any renewals. Our term license fees are generally priced based on the amount of DWP that will be managed by our licensed software. Our term licenses have generally been sold under a two-year initial term with optional annual renewals after the initial term. However, we do enter into license arrangements that have an initial term of more than two years and renewal terms of more than one year. Term license revenue for the committed term of the customer agreement is generally fully recognized upon delivery of the software or at the beginning of the renewal term.

In a limited number of cases, we license our software on a perpetual basis. Perpetual license revenue is generally recognized upon delivery. We invoice our perpetual license customers either in full at contract signing or on an installment basis.

#### Services

Our services revenue is primarily derived from implementation and migration services performed for our customers, reimbursable travel expenses, and training fees. A majority of our services engagements are billed and revenue is recognized on a time and materials basis upon providing our services.

	Three Months Ended October 31,					
	2023		2022		Change	
	Amount	As a % of total revenue	Amount	As a % of total revenue	(\$)	(%)
(in thousands, except percentages)						
Revenue:						
Subscription and support:						
Subscription	\$ 109,597	53 %	\$ 78,977	40 %	\$ 30,620	39 %
Support	18,030	9	20,091	10	(2,061)	(10)%
License:						
Term license	33,977	16	40,889	21	(6,912)	(17)%
Perpetual license	48	—	63	—	(15)	(24)%
Services	45,755	22	55,262	29	(9,507)	(17)%
Total revenue	\$ 207,407	100 %	\$ 195,282	100 %	\$ 12,125	6 %

#### [24 Table of Contents](#)

	Three Months Ended January 31,					
	2024		2023		Change	
	Amount	As a % of total revenue	Amount	As a % of total revenue	(\$)	(%)
(in thousands, except percentages)						
Revenue:						
Subscription and support:						
Subscription	\$ 113,125	47 %	\$ 86,015	37 %	\$ 27,110	32 %
Support	18,517	8	19,739	8	(1,222)	(6)%
License:						
Term license	71,035	29	73,067	31	(2,032)	(3)%
Perpetual license	48	—	48	—	—	— %
Services	38,172	16	53,742	24	(15,570)	(29)%
Total revenue	\$ 240,897	100 %	\$ 232,611	100 %	\$ 8,286	4 %

	Six Months Ended January 31,					
	2024		2023		Change	
	Amount	As a % of total revenue	Amount	As a % of total revenue	(\$)	(%)
(in thousands, except percentages)						
Revenue:						
Subscription and support:						
Subscription	\$ 222,722	50 %	\$ 164,992	39 %	\$ 57,730	35 %
Support	36,547	8	39,830	9	(3,283)	(8)%
License:						

Term license	105,012	23	113,956	27	(8,944)	(8)%
Perpetual license	96	—	111	—	(15)	(14)%
Services	83,927	19	109,004	25	(25,077)	(23)%
<b>Total revenue</b>	<b>\$ 448,304</b>	<b>100 %</b>	<b>\$ 427,893</b>	<b>100 %</b>	<b>\$ 20,411</b>	<b>5 %</b>

#### Subscription and Support

We anticipate subscriptions will continue to represent a significant majority of new arrangements, including customers migrating from existing term license arrangements to subscription services, in future periods. Due to the ratable recognition of subscription revenue, growth in subscription revenue will lag behind the growth of subscription orders and will impact the comparative growth of our reported revenue on a year-over-year basis. If we complete a higher percentage of subscription arrangements **in** towards the end of a given period, our short-term growth rates will be negatively impacted. Due to the seasonal nature of our business, the impact of new subscription orders in our fourth fiscal quarter, our historically largest quarter for new orders, is not fully reflected in revenue until the following fiscal year.

Subscription revenue increased by **\$30.6 million** **\$27.1 million** and **\$57.7 million** during the three **and six** months ended **October 31, 2023** **January 31, 2024**, respectively, compared to the same **period** **periods** a year ago, primarily due to the impact of cloud transition agreements, and new subscription agreements entered into and provisioned since **October 31, 2022** **January 31, 2023**, and the renewal or extension of subscription services at the fully ramped annual fees after the initial committed term.

Support revenue decreased by **\$2.1 million** **\$1.2 million** and **\$3.3 million** during the three **and six** months ended **October 31, 2023** **January 31, 2024**, respectively, compared to the same **period** **periods** a year ago, primarily due to **more** customers migrating from on-premise term licenses to subscription services. Support related to subscription arrangements is included in subscription revenue, as support is not quoted or priced separately from the subscription services. As customers enter into a subscription agreement to migrate from an existing term license agreement, the timing and amount of revenue recognized will be impacted by allocations of the total contract value between the license, subscription, and support performance obligations. As a result, we expect the increase in subscription orders as a percentage of total new sales and customers migrating from term licenses to subscription services will result in lower support revenue in the future.

#### License

Revenue related to new term licenses and multi-year term license renewals is generally recognized upfront and, as a result, no additional license revenue is recognized until after the committed term expires. As a customer enters into a subscription agreement to migrate from an existing term license agreement, the timing and amount of revenue recognition will be impacted by allocations of total contract value between license, subscription, and support performance obligations. License revenue growth has and will be negatively impacted as subscription sales increase as a percentage of total new sales and as customers migrate from term licenses to subscription services instead of renewing their term licenses.

Term license revenue decreased by **\$6.9 million** **\$2.0 million** during the three months ended **October 31, 2023** **January 31, 2024**, compared to the same period a year ago. This decrease is driven by lower new term license agreements as most of our new sales activity is for subscription services, the impact of contracts with an initial term of greater than two years or a renewal term of greater than one year, and the impact of customers that migrated from a term license to a subscription service. **There was no** **The** impact on term license revenue from contracts with an initial term of greater than two years or a renewal term of greater than one year during the three months ended **October 31, 2023** **January 31, 2024** was **\$2.4 million** compared with **\$3.4 million** **\$0.3 million** in the prior year period.

Perpetual **Term** license revenue accounted for less than 1% of total revenue decreased by **\$8.9 million** during the **three** **six** months ended **October 31, 2023** **January 31, 2024**, compared to the same period a year ago. This decrease is driven by lower new term license agreements as most of our new sales activity is for subscription services, the impact of contracts with an initial term of greater than two years or a renewal term of greater than one year, and **2022**. We expect perpetual the impact of customers that migrated from a term license to a subscription service. The impact on term license revenue to continue to represent from contracts with an initial term of greater than two years or a small percentage renewal term of our total license revenue. We also expect perpetual license revenue to potentially be volatile across quarters due to greater than one year during the large amount of perpetual revenue that may be generated from a single customer order. **six** months ended **January 31, 2024** was **\$2.4 million** compared with **\$3.7 million** in the prior year period.

#### Services

Services revenue decreased by **\$9.5 million** **\$15.6 million** and **\$25.1 million** during the three **and six** months ended **October 31, 2023** **January 31, 2024**, respectively, compared to the same period a year ago. The decrease is primarily driven by the completion of implementations, combined with our SI partners leading more new subscription implementation and migration projects than in the past. Additionally, services revenue overall continues to be impacted by investments in customer implementations, including fixed fee or capped arrangements. In these arrangements when a project extends longer than originally anticipated, the average billing rate we recognize may decrease, which can result in revenue adjustments and lower gross profit.

As we successfully leverage our SI partners to lead more implementations and migrations, we expect our services revenue to decline in the near-term. As we continue to expand into new markets and develop new **services** **and** products, we have, and may continue to, enter into contracts with lower average billing rates, make investments in customer implementation and migration engagements, and enter into fixed price contracts, which may impact services revenue and services margin.

#### Table of Contents

#### Cost of Revenue and Gross Profit

Our cost of subscription and support revenue primarily consists of personnel costs for our cloud operations and technical support teams, cloud infrastructure costs, development of online training curriculum, amortization of intangible assets, and royalty fees paid to third parties. Our cost of license revenue primarily consists of development of online training curriculum, royalty fees paid to third parties, and amortization of intangible assets. Our cost of services revenue primarily consists of personnel costs for our professional service

employees, third-party subcontractors or consultants, and travel costs. In instances where we have primary responsibility for the delivery of services, subcontractor fees are expensed as cost of services revenue. In each case, personnel costs include salaries, bonuses, benefits, and stock-based compensation.

We allocate overhead such as information technology infrastructure and software expenses, information security infrastructure and software expenses, and facilities expenses to all functional departments based on headcount. As such, these general overhead expenses are reflected in cost of revenue and each functional operating expense.

### ***Cost of Revenue:***

Three Months Ended October 31,				Three Months Ended January 31,				Three Months Ended January 31,			
2023	2022	Change		2024	2023	Change		2024	2023	Change	
Amount	Amount	(\$)	(%)	Amount	Amount	(\$)	(%)	Amount	Amount	(\$)	(%)
(in thousands, except percentages)											
Cost of revenue:	Cost of revenue:										
Subscription and support	Subscription and support										
Subscription and support	Subscription and support	\$48,054	\$ 55,691	\$ (7,637)	(14)%	\$ 49,934	\$ 48,924	\$ 1,010	\$ 2	2%	
License	License	1,219	1,873	(654)	(35)%	1,483	1,845	1,845	(362)	(362)	(20)%
Services	Services	45,842	65,566	(19,724)	(30)%	47,074	58,379	58,379	(11,305)	(11,305)	(19)%
Total cost of revenue	Total cost of revenue	\$95,115	\$123,130	\$ (28,015)	(23)%	\$98,491	\$109,148	\$109,148	\$ (10,657)	(10)	(10) 9%
Includes stock-based compensation of:	Includes stock-based compensation of:										
Includes stock-based compensation of:	Includes stock-based compensation of:										
Cost of subscription and support revenue	Cost of subscription and support revenue										
Cost of subscription and support revenue	Cost of subscription and support revenue										
Cost of subscription and support revenue	Cost of subscription and support revenue	\$ 3,462	\$ 3,468	\$ (6)							
Cost of license revenue	Cost of license revenue	95	147	(52)							
Cost of license revenue	Cost of license revenue										
Cost of services revenue	Cost of services revenue										
Cost of services revenue	Cost of services revenue										
Cost of services revenue	Cost of services revenue	4,789	5,349	(560)							
Total	Total	\$ 8,346	\$ 8,964	\$ (618)							

Total
Total

	Six Months Ended January 31,			
	2024		2023	
	Amount	Amount	(\$)	(%)
(in thousands, except percentages)				
Cost of revenue:				
Subscription and support	\$ 97,988	\$ 104,615	\$ (6,627)	(6)%
License	2,702	3,718	(1,016)	(27)%
Services	92,916	123,945	(31,029)	(25)%
Total cost of revenue	<u>\$ 193,606</u>	<u>\$ 232,278</u>	<u>\$ (38,672)</u>	<u>(17)%</u>
Includes stock-based compensation of:				
Cost of subscription and support revenue	\$ 6,876	\$ 6,908	\$ (32)	
Cost of license revenue	148	266	(118)	
Cost of services revenue	9,432	9,746	(314)	
Total	<u>\$ 16,456</u>	<u>\$ 16,920</u>	<u>\$ (464)</u>	

#### [Table of Contents](#)

Cost of subscription and support revenue during the three months ended **October 31, 2023** **January 31, 2024** increased by \$1.0 million, compared to the same period a year ago, primarily due to increases in cloud infrastructure expense of \$1.0 million, personnel costs of \$0.7 million, royalties of \$0.4 million, and internal-use software amortization of \$0.2 million, partially offset by a decrease in professional services of \$1.3 million.

Cost of subscription and support revenue during the six months ended **January 31, 2024**, decreased by **\$7.6 million** **\$6.6 million**, compared to the same period a year ago, primarily due to decreases in cloud infrastructure expense of **\$5.9 million** **\$4.9 million**, professional services of \$2.1 million, and amortization of intangibles of \$1.4 million due to certain acquired intangibles intangible assets being fully amortized, professional services of \$0.8 million, and personnel costs of \$0.7 million, partially offset by increases in internal-use software amortization of **\$0.7 million** **\$0.9 million** and royalties of **\$0.5 million** **\$0.9 million**.

Cloud hosting costs are benefiting from the efficiencies that we are achieving from our development efforts associated with GWCP and the cost benefits associated with the five-year agreement with a cloud infrastructure services provider that was entered into in the second quarter of fiscal year 2023. As a result of efficiencies that we are seeing from our previous investments in cloud operations and development efforts along with the challenges presented by the macroeconomic environment, we have also slowed hiring and are critically evaluating professional services contracts and third-party software costs. However, we expect cost of subscription and support revenue to increase in absolute dollars due to the increased number of customers utilizing our cloud product, services, the volume of transactions by our cloud customers, and the impact of inflation and other macroeconomic events.

The **\$0.7** **\$0.4** million decrease in our cost of license revenue during the three months ended **October 31, 2023** **January 31, 2024**, compared to the same period a year ago, was due to lower personnel costs associated with the development of online training curriculum included with the latest releases of InsuranceSuite of **\$0.5 million** **\$0.3 million** and a decrease in royalties of \$0.1 million.

The **\$1.0** million decrease in our cost of license revenue during the six months ended **January 31, 2024**, compared to the same period a year ago, was primarily due to decreases in personnel costs associated with the development of online training curriculum included with the latest releases of InsuranceSuite of \$0.8 million and royalties of \$0.2 million.

We continue to anticipate lower cost of license revenue over time as our term license customers transition to cloud subscription agreements.

#### [Table of Contents](#)

The **\$19.7 million** **\$11.3 million** decrease in cost of services revenue during the three months ended **October 31, 2023** **January 31, 2024**, compared to the same period a year ago, was primarily due to decreases in subcontractor expenses of **\$18.1 million** **\$14.1 million** due to the completion of certain fixed fee engagements and more customer engagements being led by SIs personnel costs of \$1.5 million, and professional services of \$0.1 million, partially offset by an increase in personnel costs of \$2.9 million which includes severance expense of \$3.3 million.

The \$31.0 million decrease in cost of services revenue during the six months ended **January 31, 2024**, compared to the same period a year ago, was primarily due to decreases in subcontractor expenses of \$32.2 million due to the completion of certain fixed fee engagements and more customer engagements being led by SIs and professional services of \$0.3 million, partially offset by an increase in personnel costs of \$1.4 million which includes severance expense of \$3.3 million.

We had 597 595 cloud operations and technical support employees and 826 770 professional services employees at October 31, 2023 January 31, 2024, compared to 692 649 cloud operations and technical support employees and 790 804 professional services employees at October 31, 2022 January 31, 2023.

### ***Gross Profit:***

Our gross profit increased \$40.1 million \$18.9 million during the three months ended October 31, 2023 January 31, 2024, compared to the same period a year ago. Gross profit was impacted by an increase in subscription and support gross profit due to the increase in subscription revenue and cloud operations efficiencies, partially offset by decreases in services gross profit due to the investments that we are making in our customers' transition to subscription services and the impact of a reduction-in-force during the quarter and, to a lesser extent, license gross profit due to customer migrations to subscription services.

## Table of Contents

Our gross margin increased to 59% during the three months ended January 31, 2024 from 53% during the same period a year ago. Gross margin was primarily impacted by the increase in subscription and support revenue at a higher margin due to cloud operations efficiencies, offset by a decrease in services revenue, which has a negative margin and was impacted by a reduction-in-force during the quarter, due to more SIs contracting directly with our customers.

	Six Months Ended January 31,					
	2024		2023		Change	
	Amount	Margin %	Amount	Margin %	(\$)	(%)
(in thousands, except percentages)						
Gross profit:						
Subscription and support	\$ 161,281	62 %	\$ 100,207	49 %	\$ 61,074	61 %
License	102,406	97	110,349	97	(7,943)	(7)%
Services	(8,989)	(11)	(14,941)	(14)	5,952	40 %
Total gross profit	\$ 254,698	57 %	\$ 195,615	46 %	\$ 59,083	30 %

Our gross profit increased \$59.1 million during the six months ended January 31, 2024, compared to the same period a year ago. Gross profit was impacted by an increase in subscription and support gross profit due to the increase in subscription revenue and cloud operations efficiencies and improvements in services gross profit due to the completion of certain implementation projects that required significant investment by us and more SIs contracting directly with our customers, partially offset by a decrease in license gross profit due to customer migrations lower license revenue as customers migrate to subscription services.

Our gross margin increased to 54%<sup>57%</sup> during the three<sup>six</sup> months ended October 31, 2023 January 31, 2024, from 37%<sup>46%</sup> during the same period a year ago. Gross margin was primarily impacted by the increase in subscription and support revenue at a higher margin due to cloud operations efficiencies and, to a lesser extent, improvements in services gross margin due to the completion of certain implementation projects that required significant investment by us and more SIs contracting directly with our customers, partially offset by lower license margin due to lower license revenue as more customers migrate to subscription services<sup>customers</sup>.

We expect subscription and support gross margin to improve over the next several years as we gain efficiencies and increase the number of cloud customers. We expect services gross margin will improve as we lower our reliance on subcontractors and enter into fewer fixed fee arrangements. We expect license gross profit and license gross margin

to decline based on changes in revenue due to customers migrating from licenses to subscription services, the timing of delivery of new multi-year term licenses, and the execution of multi-year term license renewals, as cost of license revenue is expected to be relatively consistent from period to period in the future. Overall, we expect gross margins to continue to improve over time as improvements in subscription and support gross margin and services gross margin will more than offset the negative impact of revenue shifts away from high margin license revenue.

#### **Operating Expenses**

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. The largest components of our operating expenses are personnel costs for our employees and, to a lesser extent, professional services. In each case, personnel costs include salaries, bonuses, commissions, benefits, and stock-based compensation. We allocate overhead such as information technology infrastructure and software expenses, information security infrastructure and software expenses, and facilities expenses to all functional departments based on headcount. As such, these general overhead expenses are reflected in cost of revenue and each functional operating expense.

27

#### [Table of Contents](#)

Three Months Ended October 31,																	
	2023		2022		Change												
	As a % of total		As a % of total														
	Amount		Revenue		Revenue		(\$)	(%)									
(in thousands, except percentages)																	
Three Months Ended January 31,																	
	2024					2024											
	Amount					Amount		As a % of total revenue	Amount								
(in thousands, except percentages)																	
Operating expenses:	Operating expenses:																
Research and development																	
Research and development																	
Research and development	Research and development	\$ 62,469	30%	\$ 58,170	30%	\$ 4,299	7 %	\$ 65,458	27%								
Sales and marketing	Sales and marketing	44,581	21	46,468	24	(1,887)	(4)%	49,181	20								
General and administrative	General and administrative	39,023	19	42,067	22	(3,044)	(7)%	40,177	17								
Total operating expenses	Total operating expenses	\$146,073	70	\$146,705	76	\$ (632)	— %	\$154,816	64%								
Includes stock-based compensation of:	Includes stock-based compensation of:																
Includes stock-based compensation of:	Includes stock-based compensation of:																
Research and development	Research and development																
Research and development	Research and development																
Research and development	Research and development	\$ 9,986		\$ 9,291		\$ 695											

Sales and marketing	Sales and marketing	7,729	6,887	842	
Sales and marketing					
Sales and marketing					
General and administrative					
General and administrative					
General and administrative	General and administrative	10,036	9,954	82	
Total	Total	\$ 27,751	\$ 26,132	\$ 1,619	
Total					
Total					

	Six Months Ended January 31,					
	2024		2023		Change	
	Amount	As a % of total revenue	Amount	As a % of total revenue	(\$)	(%)
(in thousands, except percentages)						
Operating expenses:						
Research and development	\$ 127,927	29 %	\$ 119,872	28 %	\$ 8,055	7 %
Sales and marketing	93,762	21	91,249	21	2,513	3 %
General and administrative	79,200	18	82,263	19	(3,063)	(4)%
Total operating expenses	\$ 300,889	68 %	\$ 293,384	68 %	\$ 7,505	3 %
Includes stock-based compensation of:						
Research and development	\$ 20,124		\$ 19,592		\$ 532	
Sales and marketing	15,919		14,911		1,008	
General and administrative	20,025		19,852		173	
Total	\$ 56,068		\$ 54,355		\$ 1,713	

#### Research and Development

Our research and development expenses primarily consist of personnel costs for our technical staff and consultants providing professional services.

The **\$4.3 million** **\$3.8 million** increase in research and development expenses during the three months ended **October 31, 2023** **January 31, 2024**, compared to the same period a year ago, was primarily due to increases in personnel costs of **\$6.2 million** **\$3.6 million** associated with higher headcount, professional services of **\$0.6 million**, and software subscription costs of **\$0.7 million** **\$0.1 million**. These increases **are** **were** partially offset by decreases in cloud hosting costs of **\$1.7 million**, professional services of **\$0.5 million**, and acquisition consideration holdback costs of **\$0.4 million** recognized over a service period relating to the HazardHub acquisition and cloud hosting costs of **\$0.2 million**.

The **\$8.1 million** increase in research and development expenses during the six months ended January 31, 2024, compared to the same period a year ago, was primarily due to increases in personnel costs of **\$9.8 million** associated with higher headcount, software subscription costs of **\$0.8 million**, and travel costs of **\$0.1 million**. These increases **were** partially offset by decreases in cloud hosting costs of **\$1.9 million**, and acquisition consideration holdback costs of **\$0.8 million** recognized over a service period relating to the HazardHub acquisition.

#### Table of Contents

Cloud hosting costs are benefiting from the efficiencies that we are achieving with GWCP and the five-year agreement with a cloud infrastructure services provider that was entered into in the second quarter of fiscal year 2023.

Our research and development headcount was **1,069** **1,087** at **October 31, 2023** **January 31, 2024**, compared with **940** **1,002** at **October 31, 2022** **January 31, 2023**.

We expect our research and development expenses to increase in absolute dollars due to inflation and investments to support our growing customer base, but decrease as a percentage of revenue after **our recent** period of significant investment in cloud platform capabilities as overall hiring slows and we focus on hiring in lower cost regions. We continue to dedicate internal resources to develop, improve, and expand the functionality of our solutions and migrate our solutions to the cloud. Research and development expenses may also increase if we pursue additional acquisitions.

#### Sales and Marketing

Our sales and marketing expenses primarily consist of personnel costs for our sales and marketing employees. Included in our personnel costs are commissions, which are considered contract acquisition costs and are capitalized when earned and expensed over the anticipated period of time that goods and services are expected to be provided to a

customer, which we estimate to be approximately five years. Sales and marketing expenses also include travel expenses, professional services for marketing activities, and amortization of certain acquired intangibles.

The \$1.9 million decrease \$4.4 million increase in sales and marketing expenses during the three months ended **October 31, 2023** **January 31, 2024**, compared to the same period a year ago, was primarily due to decreases increases in marketing and advertising expenses of \$2.5 million \$2.8 million due to the timing of Connections, our annual customer conference, which was held in the first quarter of fiscal year 2023 and is being held in as compared to the second quarter of fiscal year 2024, personnel costs of \$1.2 million, including \$1.0 million related to contract acquisition costs, travel costs of \$0.2 million, and professional services costs of \$0.2 million.

The \$2.5 million increase in sales and marketing expenses during the six months ended January 31, 2024, compared to the same period a year ago, was primarily due to increases in personnel costs of \$2.2 million, including \$0.9 million related to contract acquisition costs, marketing and advertising costs of \$0.3 million, and web hosting software subscription costs of \$0.2 million, partially offset by an increase in personnel lower cloud hosting costs of \$1.0 million \$0.2 million.

Our sales and marketing headcount was 465 469 at **October 31, 2023** **January 31, 2024**, compared with 454 470 at **October 31, 2022** **January 31, 2023**.

28

## [Table of Contents](#)

We expect our sales and marketing expenses to continue to increase in absolute dollars due to inflation and investments to support ongoing growth, but decrease as a percentage of revenue as overall hiring slows after a our recent period of investment in building to build out our customer success team and adding add analytics and cloud sales capabilities.

### *General and Administrative*

Our general and administrative expenses include executive, finance, human resources, information technology, information security, legal, and corporate development and strategy functions, and primarily consist of personnel costs and, to a lesser extent, professional services, software costs, and cloud hosting costs.

The \$3.0 million decrease in general General and administrative expenses was relatively flat during the three months ended **October 31, 2023** **January 31, 2024**, compared to the same period a year ago, which was primarily due to decreases a decrease in facilities costs of \$2.5 million \$1.1 million primarily due to the assignment of the lease agreement for our previous headquarters and concurrent sublease for less office space in San Mateo, California during the third quarter of fiscal year 2023, offset by increases in personnel costs of \$0.6 million due to the results of a payroll tax audit in Ireland and software subscription costs of \$0.4 million.

The \$3.1 million decrease in general and administrative expenses during the six months ended January 31, 2024, compared to the same period a year ago, was due to decreases in facilities costs of \$2.3 million primarily due to the assignment of the lease agreement for our previous headquarters and concurrent sublease for less office space in San Mateo, California during the third quarter of fiscal year 2023, personnel costs of \$0.8 million due to the results of a payroll tax audit in Ireland, and professional services of \$0.7 million, partially offset by an increase in software subscription and web hosting of \$0.6 million, partially offset by increases in software subscriptions of \$0.5 million and personnel costs of \$0.4 million \$0.9 million.

Our general and administrative headcount was 453 449 at **October 31, 2023** **January 31, 2024**, compared with 462 449 at **October 31, 2022** **January 31, 2023**. General and administrative headcount includes facilities personnel whose expenses are allocated across all functional departments.

We expect that our general and administrative expenses will increase in absolute dollars due to inflation and investments required to support our strategic initiatives, grow our business, and meet our product and information security, compliance and reporting obligations, but decrease as a percentage of revenue as overall hiring and investments slow. Additionally, we have three customers in Argentina, which represent approximately \$7 million \$6.5 million of accounts receivable and approximately \$5 million of ARR as of **October 31, 2023** **January 31, 2024**, who are currently unable to pay have limitations and restrictions on paying outstanding amounts due to us because of certain government restrictions limiting the amount of U.S. dollars that can be sent out of such country. If these customers are not able to send U.S. dollars outside of

## [Table of Contents](#)

Argentina, we may have to record a reserve against our accounts receivable and, potentially, make changes to the way we do business in such country that may have other adverse impacts to our business, financial condition, and results of operations.

### *Other Income (Expense)*

Three Months Ended October 31,			
2023	2022	Change	
Amount	Amount	(\$)	(%)
(in thousands, except percentages)			
Three Months Ended January 31,			
Three Months Ended January 31,			
Three Months Ended January 31,			
2024			
2024			
2024			

		Amount						
		Amount						
		Amount						
(in thousands, except percentages)								
(in thousands, except percentages)								
(in thousands, except percentages)								
Interest income								
Interest income								
Interest income	Interest income	\$ 10,613	\$ 4,638	\$ 5,975	129	%		
Interest expense	Interest expense	\$ (1,683)	\$ (1,674)	\$ (9)	1	%		
Interest expense								
Interest expense								
Other income (expense), net	Other income (expense), net	\$ (13,742)	\$ (13,824)	\$ 82	1	%		
Other income (expense), net								
Other income (expense), net								

	Six Months Ended January 31,			
	2024	2023	Change	
	Amount	Amount	(\$)	(%)
(in thousands, except percentages)				
Interest income	\$ 20,903	\$ 10,030	\$ 10,873	108 %
Interest expense	\$ (3,375)	\$ (3,351)	\$ (24)	1 %
Other income (expense), net	\$ (2,966)	\$ (2,533)	\$ (433)	17 %

#### Interest Income

Interest income represents interest earned on our cash, cash equivalents, and investments.

Interest income increased ~~\$6.0 million~~ \$4.9 million and \$10.9 million during the three and six months ended ~~October 31, 2023~~ January 31, 2024, compared to the same period a year ago, primarily due to higher interest rates on invested funds.

#### Interest Expense

Interest expense includes both stated interest and the amortization of debt issuance costs associated with our Convertible Senior Notes. The amortization of debt issuance costs are recognized on an effective interest basis. Stated interest expense is consistent in the comparative periods as the outstanding principal and stated interest rate have not changed.

Interest expense for the three months ended ~~October 31, 2023~~ January 31, 2024 consists of stated interest of \$1.3 million and non-cash interest expense of \$0.4 million related to amortization of debt issuance costs. Interest expense for the three months ended ~~October 31, 2022~~ January 31, 2023 consists of stated interest of \$1.3 million and non-cash interest expense of \$0.4 million related to the amortization of debt issuance costs.

Interest expense for the six months ended January 31, 2024 consists of stated interest of \$2.5 million and non-cash interest expense of \$0.9 million related to amortization of debt issuance costs. Interest expense for the six months ended January 31, 2023 consists of stated interest of \$2.5 million and non-cash interest expense of \$0.8 million related to the amortization of debt discount and issuance costs.

#### Other Income (Expense), Net

29

[Table of Contents](#)

Other income (expense), net includes foreign exchange gains and losses resulting from fluctuations in foreign exchange rates on monetary asset and monetary liability balances that are denominated in currencies other than the functional currency of the entity in which they are recorded. Our monetary assets and liabilities denominated in currencies other than the functional currency of the entity in which they are recorded consist primarily of trade accounts receivable, unbilled accounts receivable, trade accounts payable, and intercompany receivables and payables. We have significant transactions in the following currencies: Australian Dollar, British Pound, Canadian Dollar, Euro, Indian Rupee, Japanese Yen, Malaysian Ringgit, and Polish Zloty.

Other income (expense), net during the three and six months ended **October 31, 2023** **January 31, 2024** was income of \$10.8 million and expense of \$13.7 million \$3.0 million, respectively, as compared to income of \$11.3 million and expense of \$13.8 million \$2.5 million during the **same period** respective periods a year ago, due primarily to fluctuations in foreign currency exchange rates.

#### [Table of Contents](#)

In addition to foreign currency exchange rate fluctuations during the three months ended January 31, 2024, one of our strategic investments was acquired by a privately-held limited partnership. As a result, we received \$12.1 million in consideration for our equity interest in the investee, composed of \$6.5 million in cash and \$5.6 million of an ownership interest in the privately-held limited partnership, and recognized a \$1.8 million gain in excess of cost in other income (expense), net.

#### **Provision for (benefit from) Income Taxes**

We are subject to taxes in the United States as well as other tax jurisdictions and countries in which we conduct business. Earnings from our non-U.S. activities are subject to local country income tax and may also be subject to U.S. income tax.

Three Months Ended October 31,				Three Months Ended January 31,				Three Months Ended January 31,			
2023	2022	Change		2024	2023	Change		2024	2023	Change	
Amount	Amount	(\$)	(%)	Amount	Amount	(\$)	(%)	Amount	Amount	(\$)	(%)
(in thousands, except percentages)											
Provision for (benefit from) income taxes	Provision for (benefit from) income taxes			Provision for (benefit from) income taxes				Provision for (benefit from) income taxes			
taxes	taxes	\$11,522	\$(16,095)	\$4,573	(28)%			\$2,723	\$979	\$3,702	(378)
Effective tax rate	Effective tax rate	30 %	19 %								

Six Months Ended January 31,					
2024	2023	Change			
Amount	Amount	(\$)	(%)	(in thousands, except percentages)	
(in thousands, except percentages)					
Provision for (benefit from) income taxes		\$ (14,245)	\$ (15,116)	\$ 871	(6)%
Effective tax rate		45 %	16 %		

We recognized an income tax benefit of \$11.5 million \$2.7 million and \$16.1 million an income tax provision of \$1.0 million for the three months ended **October 31, 2023** **January 31, 2024** and **2022, 2023**, respectively; and an income tax benefit of \$14.2 million and \$15.1 million for the six months ended January 31, 2024 and 2023, respectively. The **decrease** change in the amount of income tax benefit recorded for the three months ended **October 31, 2023** **January 31, 2024**, compared to the same period a year ago, was primarily due to an increase in tax deductions from stock-based compensation, offset by a decrease in the loss before taxes. The change in the amount of income tax recorded for the six months ended January 31, 2024, compared to the same period a year ago, was primarily due to a decrease in the loss before taxes, offset by an increase in tax deductions from stock-based compensation, the U.S. Foreign Derived Foreign-Derived Intangible Income ("FDII") deduction, and research and development credits.

The effective tax rate of 30% (39%) and 45% for the three and six months ended **October 31, 2023** **January 31, 2024**, respectively, differs from the statutory U.S. Federal income tax rate of 21% primarily due to state taxes, tax deficiencies permanent differences related to stock-based compensation, research and development credits, foreign earnings taxed in the U.S., the FDII deduction, and certain non-deductible expenses, including but not limited to, the limitation on executive compensation limitation, compensation.

#### [Table of Contents](#)

#### Non-GAAP Financial Measures

In addition to the key business metrics presented above, we believe that the following non-GAAP financial measures provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Management uses these non-GAAP measures to compare our performance to that of prior periods for trend analysis, for purposes of determining executive and senior management incentive compensation, and for budgeting and planning purposes. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial results with other software companies because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, many of which present similar non-GAAP financial measures to investors. However, our management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP.

The non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. We urge investors to review the reconciliation of non-GAAP financial measures to the comparable GAAP financial measures included herein and not to rely on any single financial measure to evaluate the Company's business.

#### [Table of Contents](#)

The following table reconciles the specific items excluded from GAAP in the calculation of non-GAAP financial measures for the periods indicated below (in thousands, except share and per share data):

	Three Months Ended		Six Months Ended	
	January 31,		January 31,	
	2024	2023	2024	2023
<b>Gross profit reconciliation:</b>				
GAAP gross profit	\$ 142,406	\$ 123,463	\$ 254,698	\$ 195,615
Non-GAAP adjustments:				
Stock-based compensation	8,110	7,956	16,456	16,920
Amortization of intangibles	485	485	970	2,390
Non-GAAP gross profit	\$ 151,001	\$ 131,904	\$ 272,124	\$ 214,925
<b>Income (loss) from operations reconciliation:</b>				
GAAP income (loss) from operations	\$ (12,410)	\$ (23,216)	\$ (46,191)	\$ (97,769)
Non-GAAP adjustments:				
Stock-based compensation	36,427	36,179	72,524	71,275
Amortization of intangibles	1,367	1,367	2,734	4,154
Acquisition consideration holdback	299	730	685	1,503
Non-GAAP income (loss) from operations	\$ 25,683	\$ 15,060	\$ 29,752	\$ (20,837)
<b>Net income (loss) reconciliation:</b>				
GAAP net income (loss)	\$ 9,687	\$ (9,189)	\$ (17,384)	\$ (78,507)

30

#### [Table of Contents](#)

#### Non-GAAP adjustments:

- Stock-based compensation
- Stock-based compensation
- Stock-based compensation
- Amortization of intangibles
- Acquisition consideration holdback
- Amortization of debt issuance costs

Gain on sale of strategic investment <sup>(1)</sup>				
Gain on sale of strategic investment <sup>(1)</sup>				
Gain on sale of strategic investment <sup>(1)</sup>				
<b>Three Months Ended</b>				
Tax impact of non-GAAP adjustments	<b>October 31,</b>			
Tax impact of non-GAAP adjustments				
	<b>2023</b>		<b>2022</b>	
<b>Gross profit reconciliation:</b>				
GAAP gross profit	\$	112,292	\$	72,152
Tax impact of non-GAAP adjustments				
Non-GAAP net income (loss)				
<b>Tax provision (benefit) reconciliation:</b>				
<b>Tax provision (benefit) reconciliation:</b>				
<b>Tax provision (benefit) reconciliation:</b>				
GAAP tax provision (benefit)				
GAAP tax provision (benefit)				
GAAP tax provision (benefit)				
Non-GAAP adjustments:	Non-GAAP adjustments:			
Stock-based compensation	Stock-based compensation	8,346		8,964
Amortization of intangibles		485		1,905
Non-GAAP gross profit	\$	121,123	\$	83,021
<b>Income (loss) from operations reconciliation:</b>				
GAAP income (loss) from operations	\$	(33,781)	\$	(74,553)
Non-GAAP adjustments:				
Stock-based compensation	Stock-based compensation	36,097		35,096
Amortization of intangibles		1,367		2,787
Acquisition consideration holdback		386		773
Non-GAAP income (loss) from operations	\$	4,069	\$	(35,897)
<b>Net income (loss) reconciliation:</b>				
GAAP net income (loss)	\$	(27,071)	\$	(69,318)
Non-GAAP adjustments:				
Stock-based compensation	Stock-based compensation	36,097		35,096
Amortization of intangibles	Amortization of intangibles	1,367		2,787
Acquisition consideration holdback	Acquisition consideration holdback	386		773
Amortization of debt issuance costs	Amortization of debt issuance costs	430		423
Gain on sale of strategic investment <sup>(1)</sup>				
Gain on sale of strategic investment <sup>(1)</sup>				
Gain on sale of strategic investment <sup>(1)</sup>				
Tax impact of non-GAAP adjustments	Tax impact of non-GAAP adjustments	(11,493)		20,378
Non-GAAP net income (loss)	\$	(284)	\$	(9,861)
Tax impact of non-GAAP adjustments				
Tax impact of non-GAAP adjustments				
Non-GAAP tax provision (benefit)				
<b>Tax provision (benefit) reconciliation:</b>				
GAAP tax provision (benefit)	\$	(11,522)	\$	(16,095)
<b>Net income (loss) per share reconciliation:</b>				

<b>Net income (loss) per share reconciliation:</b>						
<b>Net income (loss) per share reconciliation:</b>						
GAAP net income (loss) per share — diluted						
GAAP net income (loss) per share — diluted						
GAAP net income (loss) per share — diluted						
Non-GAAP adjustments:	Non-GAAP adjustments:					
Stock-based compensation						
Stock-based compensation						
Stock-based compensation	Stock-based compensation	3,379				
Amortization of intangibles	Amortization of intangibles	128				
Acquisition consideration holdback	Acquisition consideration holdback	36				
Amortization of debt issuance costs	Amortization of debt issuance costs	40				
Gain on sale of strategic investment <sup>(1)</sup>						
Gain on sale of strategic investment <sup>(1)</sup>						
Gain on sale of strategic investment <sup>(1)</sup>						
Tax impact of non-GAAP adjustments	Tax impact of non-GAAP adjustments	7,910				
Non-GAAP tax provision (benefit)	\$	(29)	\$	(36,473)		
<b>Net income (loss) per share reconciliation:</b>						
GAAP net income (loss) per share — diluted	\$	(0.33)	\$	(0.83)		
Non-GAAP adjustments:						
Stock-based compensation		0.44		0.42		
Amortization of intangibles		0.02		0.03		
Acquisition consideration holdback		—		0.01		
Amortization of debt issuance costs		0.01		0.01		
Tax impact of non-GAAP adjustments	Tax impact of non-GAAP adjustments	(0.14)		0.24		
Tax impact of non-GAAP adjustments						
Interest expense on convertible debt						
Non-GAAP dilutive shares excluded from GAAP net income (loss) per share calculation						
Non-GAAP net income (loss) per share — diluted	Non-GAAP net income (loss) per share — diluted	\$	—	\$ (0.12)		
Shares used in computing	Shares used in computing					
Non-GAAP net income (loss) per share amounts:	Non-GAAP net income (loss) per share amounts:					
GAAP and pro forma weighted average shares — diluted		81,690,912		83,320,967		
Shares used in computing Non-GAAP net income (loss) per share amounts:						
Shares used in computing Non-GAAP net income (loss) per share amounts:						
GAAP weighted average shares — diluted						
GAAP weighted average shares — diluted						
GAAP weighted average shares — diluted						
Non-GAAP dilutive shares excluded from GAAP net income (loss) per share calculation						
Pro forma weighted average shares — diluted						

**Table(1) During the three months ended January 31, 2024, one of Contents** Guidewire's strategic investments was acquired by a privately-held limited partnership. As a result, Guidewire received \$12.1 million in consideration for its equity interest in the investee, composed of \$6.5 million in cash and \$5.6 million of an ownership interest in the privately-held limited partnership, and recognized a \$1.8 million gain in excess of cost in other income (expense), net. Prior to the second quarter of fiscal year 2024, there were no transactions similar to the gain on sale of strategic investment in any periods presented.

## Liquidity and Capital Resources

Our principal sources of liquidity are as follows (in thousands):

	October 31, 2023	July 31, 2023
Cash, cash equivalents, and investments	\$ 853,591	\$ 927,467
Working capital	\$ 714,423	\$ 726,342

## Table of Contents

	January 31, 2024	July 31, 2023
Cash, cash equivalents, and investments	\$ 932,684	\$ 927,467
Working capital	\$ 753,554	\$ 726,342

### **Cash, Cash Equivalents, and Investments**

Our cash and cash equivalents are comprised of cash and liquid investments with remaining maturities of 90 days or less from the date of purchase, primarily commercial paper and money market funds. Our investments primarily consist of corporate debt securities, U.S. government and agency debt securities, commercial paper, asset-backed securities, and non-U.S. government securities, which include state, municipal, and foreign government securities.

As of **October 31, 2023** **January 31, 2024**, approximately **\$52.7 million** **\$66.4 million** of our cash and cash equivalents were domiciled in foreign jurisdictions. We may repatriate foreign earnings to the United States in the future to the extent that the repatriation is not restricted by local laws or there are no substantial incremental costs associated with such repatriation.

### **Share Repurchase Program**

In September 2022, our board of directors authorized and approved a share repurchase program of up to \$400.0 million of our outstanding common stock. During the **three** **six** months ended **October 31, 2023** **January 31, 2024**, we did not repurchase any shares of our common stock. As of **October 31, 2023** **January 31, 2024**, \$138.2 million remained available for future share repurchases.

## **Cash Flows**

Our cash flows from operations are significantly impacted by timing of invoicing and collections of accounts receivable, annual bonus payments, as well as payments of payroll, commissions, payroll taxes, and other taxes. We expect that we will generate positive cash flows from operations on an annual basis in the future, although this may fluctuate significantly on a quarterly basis. In particular, we typically use more cash during our first fiscal quarter, which is the quarter ending October 31, as we generally pay cash bonuses to our employees for the prior fiscal year and seasonally higher sales commissions from increased customer orders booked in our fourth fiscal quarter of the prior year. Additionally, our capital expenditures may fluctuate depending on future office build outs and development activities subject to capitalization.

We believe that our existing cash and cash equivalents and sources of liquidity will be sufficient to fund our operations for at least the next 12 months. Our future cash requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of our spending to support our research and development and cloud operations efforts, investments in cloud infrastructure, cybersecurity, and operating costs, and expansion into other markets. We also may invest in or acquire complementary businesses, applications or technologies, or may execute on a board-authorized share repurchase program, which may require the use of significant cash resources and/or additional financing.

The following summary of cash flows for the periods indicated has been derived from our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q (in thousands):

	Three Months Ended October 31,		Six Months Ended January 31,		2023
	2023	2022	2024	2023	
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities			\$(72,083)	\$ (87,435)

Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	\$ (27,793)	\$ (54,423)
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	—	\$ (200,000)

#### **Cash Flows from Operating Activities**

Net cash used in operating activities was **\$72.1 million** \$2.8 million for the **three** six months ended **October 31, 2023** January 31, 2024 compared to net cash used in operating activities of **\$87.4 million** \$86.2 million during the **three** six months ended **October 31, 2022** January 31, 2023. This **\$15.4 million** \$83.4 million decrease in operating cash used was attributable to a **\$27.2 million** increase in cash used by working capital activities offset by a **\$42.6 million** \$52.9 million decrease in net loss, after excluding the impact of non-cash charges such as deferred taxes, stock-based compensation expense, depreciation and amortization expense, and other non-cash items. items, and by a **\$30.4 million** decrease in cash used by working capital activities. During the **first quarter** of fiscal year **six** months ended January 31, 2024 and 2023, changes in working capital included severance payments of **\$2.9 million**, \$3.3 million and \$2.9 million, respectively.

32

---

#### [Table of Contents](#)

#### **Cash Flows from Investing Activities**

Net cash used in investing activities was **\$27.8 million** \$51.2 million for the **three** six months ended **October 31, 2023** January 31, 2024 compared to net cash used in investing activities of **\$54.4 million** \$48.8 million during the **three** six months ended **October 31, 2022** January 31, 2023. The **\$26.6 million** decrease \$2.4 million increase in cash used in investing activities was primarily due to net purchases in excess of maturities and sales of available-for-sale securities being lower than prior year's net purchases higher compared to the same period a year ago by **\$27.1 million**. This decrease in the use of cash from available-for-sale securities was offset by \$12.5 million and higher capital expenditures and capitalized software development costs of \$0.4 million and an \$2.0 million. This increase in amounts paid for cash used in investing activities was partially offset by \$6.5 million cash received from the sale of a strategic investment and a decrease in cash used to acquire strategic investments of \$0.1 million. \$5.6 million.

#### **Cash Flows from Financing Activities**

There was no Net cash used in provided by financing activities for the **three** six months ended **October 31, 2023** January 31, 2024 was not significant compared to \$200.0 million used in financing activities for the **three** six months ended **October 31, 2022** January 31, 2023. This \$200.0 million decrease in cash used was because of shares repurchased under the authorized and approved share repurchase program in the **first quarter** half of fiscal year 2023. No shares were repurchased in during the **first quarter** half of fiscal year 2024.

#### **Commitments and Contractual Obligations**

There have been no material changes in our contractual obligations and commitments other than in the ordinary course of business since our fiscal year ended July 31, 2023.

See our Annual Report on Form 10-K for the fiscal year ended July 31, 2023 for additional information regarding our contractual obligations.

#### **Off-Balance Sheet Arrangements**

Through **October 31, 2023** January 31, 2024, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

33

---

#### [Table of Contents](#)

#### **ITEM 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes.

#### **Interest Rate Sensitivity**

Our exposure to market risk for changes in interest rates relates primarily to our cash, cash equivalents, and investments. Our cash, cash equivalents, and investments as of **October 31, 2023** January 31, 2024 and July 31, 2023 were **\$853.6 million** \$932.7 million and \$927.5 million, respectively, primarily consisting of cash, money market funds,

corporate debt securities, U.S. government and agency debt securities, commercial paper, asset-backed securities, and non-U.S. government securities, which include state, municipal, and foreign government securities. Changes in interest rates, primarily in the United States, affect the interest earned on our cash, cash equivalents, and investments, and their market value. A hypothetical 100 basis point increase in interest rates is estimated to result in a decrease of ~~\$3.4~~ ~~\$3.5~~ million and \$3.0 million in the market value of our available-for-sale securities as of **October 31, 2023** **January 31, 2024** and July 31, 2023, respectively. Any realized gains or losses resulting from such interest rate changes would only occur if we sold the investments prior to maturity.

#### **Foreign Currency Exchange Risk**

Our results of operations, ARR, and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Australian Dollar, British Pound, Canadian Dollar, Euro, Indian Rupee, and Polish Zloty, the currency of the locations within which we have significant operations. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We believe our operating activities act as a natural hedge for a substantial portion of our foreign currency exposure because we typically collect revenue and incur costs in the currency of the location in which we provide our services. However, our relationships with our customers are long-term in nature so it is difficult to predict if our operating activities will provide a natural hedge in the future. Additionally, changes in foreign currency exchange rates can affect our financial results due to transaction gains or losses related to revaluing certain monetary asset and monetary liability balances that are denominated in currencies other than the functional currency of the entity in which they are recorded. Our monetary assets and liabilities denominated in currencies other than the functional currency of the entity in which they are recorded consist primarily of trade accounts receivable, unbilled accounts receivable, trade accounts payable, and intercompany receivables and payables. For the ~~three~~ ~~six~~ months ended **October 31, 2023** **January 31, 2024** and **2022**, we recorded a foreign currency loss of ~~\$13.7 million~~ \$4.6 million and ~~\$13.8 million~~ \$2.5 million, respectively, in other income (expense) in our condensed consolidated statement of operations primarily due to currency exchange rate fluctuations. We will continue to experience fluctuations in foreign currency exchange rates. If a hypothetical ten percent change in foreign currency exchange rates were to occur in the future, the resulting transaction gain or loss is estimated to be approximately ~~\$27.2~~ ~~\$31.1~~ million. As our international operations grow, we will continue to assess our approach to managing our risk relating to fluctuations in currency rates.

#### **Fair Value of Financial Instruments**

We do not have material exposure to market risk with respect to investments in financial instruments, as our investments primarily consist of high-quality liquid investments purchased with a remaining maturity of three years or less. We do not use derivative financial instruments for speculative or trading purposes. However, this current position does not preclude our adoption of specific hedging strategies in the future.

Our strategic investments in privately held securities are in various classes of equity. The particular securities we hold, and their rights and preferences relative to those of other securities within the capital structure, may impact the magnitude by which our investment value moves in relation to movements in the total enterprise value of the company in which we are invested. As a result, our investment in a specific company may move by more or less than any change in value of that overall company. In addition, the financial success of our investment in any company is typically dependent on a liquidity event, such as a public offering, acquisition, or other favorable market event reflecting appreciation to the value of our investment. All of our investments, particularly those in privately held companies, are therefore subject to a risk of partial or total loss of invested capital.

34

---

#### [Table of Contents](#)

## **ITEM 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures were effective.

#### **Inherent Limitations of Internal Controls**

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended **October 31, 2023** **January 31, 2024** identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

35

---

#### [Table of Contents](#)

## **PART II – OTHER INFORMATION**

## **ITEM 1. Legal Proceedings**

REFINITIV CORPORATE DISCLOSURES | [www.refinitiv.com](http://www.refinitiv.com) | Contact Us

51/89

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

**REFINITIV** 

From time to time, we are involved in legal proceedings that arise in the ordinary course of our business. Any such proceedings, whether meritorious or not, could be time consuming, costly, and result in the diversion of significant operational resources and/or management time. Although the outcomes of legal proceedings are inherently difficult to predict, we are not currently involved in any legal proceeding in which the outcome, in our judgment based on information currently available, is likely to have a material adverse effect on our business or financial position.

As described in Note 5 "Commitments and Contingencies," to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, which are incorporated by reference herein, we are not party to any material pending legal proceedings.

#### ITEM 1A. Risk Factors

*A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider such risks and uncertainties, together with the other information contained in this Quarterly Report on Form 10-Q, and in our other public filings. If any of such risks and uncertainties actually occurs, our business, financial condition or results of operations could differ materially from the plans, projections and other forward-looking statements included in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q and in our other public filings. In addition, if any of the following risks and uncertainties, or if any other risks and uncertainties, actually occurs, our business, financial condition or results of operations could be harmed substantially, which could cause the market price of our stock to decline, perhaps significantly.*

##### **SUMMARY OF MATERIAL RISKS ASSOCIATED WITH OUR BUSINESS**

The principal risks and uncertainties affecting our business include (but are not limited to) the following:

- trends in and timing of future sales, including the impact of seasonality;
- the developing market for cloud services and associated sales and delivery models, including the migration of our existing term license customers to cloud-based offerings on a subscription basis;
- growth prospects of the property and casualty ("P&C") insurance industry;
- our reliance on orders from a relatively small number of customers in the P&C insurance industry for a substantial portion of our revenue and Annual Recurring Revenue ("ARR") and the related substantial negotiating leverage of these customers;
- data security breaches of our cloud-based products or unauthorized access to our customers' or employees' data;
- competitive attributes of our applications, including developing and establishing our products to satisfy customer demands, maintain market acceptance, and meet local requirements of international markets;
- the political economies in which we operate internationally and the associated impact on interest rates, inflation, collection timeframes, and our revenue given the multi-year term for many of our international customer agreements;
- exposure to market risks, including geographical and political events, supply chain disruptions, inflation, financial markets' volatility, and the recent global pandemic and their impact on our stock price and its volatility and our customers, partners, vendors, or our business operations;
- retaining existing and hiring new personnel, including managing personnel in a hybrid work environment;
- lengthy and variable sales and implementation cycles, with factors beyond our control including competitive pressures, potentially causing expenditure of significant time and resources prior to revenue generation;
- challenges to growing our business including increasing our sales, revenue, and international operations, and its impact on our stock price;
- factors that could affect our gross and operating margins, including revenue mix and costs related to operating, securing, and enhancing our subscription services;

##### [Table of Contents](#)

- the timing and number of professional services engagements and the billing rates and utilization of our professional services employees and contractors;
- dependence on customer renewals and expansions of their license, support, and subscription contracts for our products, which may not occur; and
- required compliance with current and evolving local data privacy laws in all jurisdictions where we have customers, and our ability to maintain the security of our customers' data and our cloud-based products, limit the use of information, and related costs and liabilities incurred.

##### **Risks Related to our Business and Industry**

***We may experience significant quarterly and annual fluctuations in our results of operations due to a number of factors.***

Our quarterly and annual results of operations may fluctuate significantly due to a variety of factors, many of which are outside of our control. This variability may lead to volatility in our stock price as investors and research analysts respond to quarterly fluctuations. In addition, comparing our results of operations on a period-to-period basis, particularly on a sequential quarterly basis, may not be meaningful. You should not rely on our past results as an indication of our future performance.

Factors that may affect our results of operations include:

- the impact of economic downturns and related market volatility caused by economic volatility, inflation, bank failures and associated financial instability and crises, or other national and worldwide events on our business and the businesses of our customers, partners, and vendors;
- our ability to attract new domestic and international customers and renew existing customers;
- seasonal buying patterns of our potential customers and our ability to sell additional software and services to existing customers;
- the proportion and timing of subscription sales as opposed to term or perpetual software licenses, and the variations in revenue recognition between these contract types;
- changes in contract durations of term software licenses and renewals or modifications of customer contracts;
- increases in costs related to cloud operations, product development, and services;
- our ability to develop and achieve market adoption of cloud-based services, including the impact of our customers transitioning from term software licenses to subscription services;
- erosion in services margins or significant fluctuations in services revenue caused by changing customer demand, negotiated professional services billing rates, investments in customer implementation and migration projects, or fixed fee contracts;

36

---

[Table of Contents](#)

- our ability to enter into contracts on favorable terms, including terms related to price, payment timing, service levels, acceptance, and product delivery, especially with customers and prospects that possess substantial negotiating leverage and procurement expertise;
- the incurrence of penalties or having to renegotiate contract terms for failing to meet certain contractual obligations, including service levels, product development cycles and functionality, and implementation times and objectives;
- security and privacy concerns related to employee data, customer data, and systems that are accessed or otherwise used by our hybrid workforce and customers;
- employee retention, the ability to hire and onboard appropriate personnel, and the timing of hiring personnel and employee related expenses;
- our ability to realize expected benefits from our acquisitions and other strategic business transactions;
- reductions in our customers' budgets for information technology purchases and delays in their purchasing decisions;
- the impact of a recession or any other adverse global economic condition on our business, including pandemics, geographic and political conflicts, trade tariffs, trade agreements, and other uncertainties that may cause a delay in

[Table of Contents](#)

- entering into, a failure to enter into, or cancel significant customer agreements or the fulfillment of professional service arrangements;
- adverse litigation judgments, dispute-related settlement payments, or litigation-related costs;
- future accounting pronouncements, changes in accounting rules, new tax laws or regulations, or tax interpretations and our related accounting policies, interpretations, and controls;
- fluctuations in foreign currency exchange rates; and
- the effects of inflation or deflation in the economies in which we operate, including Argentina, whose government is limiting the amount of U.S. dollars that can be sent out of the country, and their impact on interest rates, collection timeframes, and our revenue given the multi-year term of most customer agreements.

The foregoing factors are difficult to forecast, and these, as well as other factors, could materially adversely affect our quarterly and annual results of operations. Further, due to multi-year term licenses and multi-year term license renewals, increased cloud-based subscription services, timing of and billing rates for professional services engagements, and other ongoing changes to our business, it is challenging to forecast our quarterly and annual results.

We believe our ability to adjust spending quickly enough to compensate for a potential revenue shortfall is very limited and our inability to do so could magnify the adverse impact of a potential revenue shortfall on our results of operations. If we fail to achieve our quarterly forecasts, if our forecasts fall below the expectations of investors or research analysts, or if our actual results fail to meet the expectations of investors or research analysts, our stock price may decline.

***Seasonal sales patterns may cause significant fluctuations in our results of operations and cash flows and may prevent us from achieving our quarterly or annual forecasts, which may cause our stock price to decline.***

We generally see increased new orders in our fourth fiscal quarter, which is the quarter ending July 31, due to efforts by our sales team to achieve annual incentives. As a result, a significantly higher percentage of our annual license revenue and cash receipts have historically been recognized in our fourth fiscal quarter. Since a substantial majority of our

license revenue has annual renewals after the initial term of the contract, we expect to continue to experience this seasonality effect in subsequent years. Generally, accounting under ASC 606 has and may continue to heighten or change the seasonal impact due to license revenue for the entire committed term of our new term licenses and multi-year term license renewals being recognized at the beginning of the agreement. Because of the upfront nature of revenue recognition for new multi-year term licenses and multi-year term license renewals, any quarter in which a significant agreement of this nature is signed, renewed, cancelled, or not renewed when scheduled to do so may be impacted.

We currently anticipate that sales of, and revenue from, subscription services will continue to increase in the future. Subscriptions are recognized ratably over the term of the agreement after provisioning of the service. Over time, this may reduce the impact of our historic revenue seasonality, but in the near term the introduction of proportionally more subscription services into our revenue stream, together with their delayed and ratable recognition, will likely impact quarter-over-quarter and year-over-year revenue growth comparisons. Cash flow expectations and comparisons could also be impacted because of the ramped nature of the annual installments of these multi-year subscription services arrangements but will most likely remain concentrated in the fourth fiscal quarter. Additionally, ARR, which reflects the annualized recurring value of active customer contracts at the end of a reporting period, will be impacted by the seasonality of new sales orders, even if the revenue is recognized ratably.

#### [Table of Contents](#)

Our quarterly growth in revenue or ARR also may not coincide with new orders or cash flows in a given quarter, which could mask the impact of seasonal variations. This mismatch is primarily due to the following reasons:

- our subscription arrangements are recognized ratably and only a portion, if any, of the revenue from an order is recognized in the same fiscal period of the order;
- subscription arrangements generally have ramped invoicing schedules over the initial term, which affects ARR, but revenue is recognized ratably over the initial term;
- our term license agreements and multi-year term license renewals generally have annual billing arrangements even though revenue is recognized upfront for the entire committed term;
- as customers enter into a subscription agreement to migrate from an existing term license agreement or as we invest in certain cloud implementations to assist our customers with their migration to our cloud services, the timing of revenue recognition may be impacted by the allocation of revenue between different performance obligations;
- we may enter into agreements with future product delivery requirements, specified terms for product upgrades or functionality, acceptance terms, early termination rights, or unconditional return rights, which may require us to delay revenue recognition for a period of time; and

#### [Table of Contents](#)

- revenue recognition may not occur in the period when the order is placed due to certain revenue recognition criteria not being met, such as delivery of the software or providing access to the subscription services.

Additionally, seasonal patterns may be affected by the timing of particularly large transactions and the number of renewals in a given quarter. Seasonal and other variations may cause significant fluctuations in our revenue, ARR, results of operations and cash flows, may make it challenging for an investor to predict our performance on a quarterly basis, and may prevent us from achieving our quarterly or annual forecasts or meeting or exceeding the expectations of research analysts or investors, which in turn may cause our stock price to decline.

***If we fail to successfully manage our transition to a business model focused on delivering cloud-based offerings on a subscription basis or fail to meet stipulated service levels with our subscription services, our results of operations could be harmed.***

To address demand trends in the P&C insurance industry, we now offer customers the use of our software products through a cloud-based offering sold on a subscription basis in addition to our self-managed offering. This change to our business model requires a considerable investment of technical, operational, financial, legal, and sales resources. Our software and cloud services involve the storage and transmission of customer data, including in some cases, personal data, and security breaches could result in the loss of this information, which in turn could result in litigation, breach of contract claims, indemnity obligations, harm to our reputation, and other liabilities for us. Our transition to cloud offerings will continue to be the focus of existing resources, require us to hire additional resources, and increase costs, especially in cost of subscription and support revenue, cost of services revenue, and research and development, in any given period. We may not be able to efficiently scale such investments to meet customer demand and expectations, which may impact our long-term growth and results of operations. Further, the increase in some costs associated with our cloud services, such as the cost of third-party infrastructure in which we rely to host our subscription services, may be difficult to predict over time, especially in light of our limited experience with the costs of delivering cloud-based versions of our applications. Furthermore, we may assume greater responsibilities for implementation of subscription services due to our operating and maintaining the cloud environment for our customers. As a result, we may face risks associated with new and complex implementations or migrations, the cost of which may differ from original estimates. Our subscription contracts also contain penalty clauses, for matters such as failing to meet stipulated service levels or other contractual provisions, which represent new risks we are not accustomed to managing. Should these penalties be triggered, our results of operations may be adversely affected. These penalties and costs could take the form of monetary credits for current or future service engagements, reduced fees for additional services or products or upon renewal of existing agreements, and a customer's renegotiation or refusal to pay its contractually-obligated subscription or service fees.

Revenue under our cloud-based subscription model will generally be recognized ratably over the term of the contract. The transition to ratable revenue recognition will result in lower revenue than we otherwise would have recognized in the initial period of the customer agreement under term license agreements. This effect on recognized revenue may be magnified in any fiscal year due to the concentration of our orders in the fourth fiscal quarter. A combination of increased costs and delayed recognition of revenue would adversely impact our gross and operating margins compared to prior periods. Additionally, the change in our business model and the timing of our customers' decision to transition from self-managed licenses to cloud-based subscription services could negatively affect our ability to forecast the timing and amount of our revenue in any period.

In addition, market acceptance of our cloud-based offerings may be affected by a variety of factors, including, but not limited to, price, security, reliability, performance, customer preference, public concerns regarding privacy, and the enactment of restrictive laws

38

---

[Table of Contents](#)

or regulations. We are continually updating our existing **services and** products and developing **new services and** products in an effort to offer customers greater choices on how they utilize our software. As our business practices in this area develop and evolve over time, we may be required to revise our current subscription agreements, which may result in revised terms and conditions that impact how we recognize revenue and the costs and risks associated with these offerings. Whether our product development efforts or business model transition will prove successful and accomplish our business objectives is subject to numerous uncertainties and risks, including, but not limited to, customer demand, our ability to further develop, manage, and scale infrastructure, our ability to include functionality and usability in such offerings that address customer requirements, our customers' ability to successfully migrate to and implement our subscription services, tax and accounting implications, and our costs.

In addition, the metrics we and our investors use to gauge the status of our business model transition may evolve over the course of the transition as significant trends emerge. It may be difficult, therefore, to accurately determine the impact of this transition on our business on a contemporaneous basis, or to clearly communicate the appropriate metrics to our investors. If we are unable to successfully establish these new cloud offerings and navigate our business model transition in light of the foregoing risks and uncertainties, our reputation could suffer and our results of operations could be harmed, which may cause our stock price to decline.

***We have relied and expect to continue to rely on orders from a relatively small number of customers in the P&C insurance industry for a substantial portion of our revenue and ARR, and the loss of any of these customers would significantly harm our business, results of operations, and financial condition.***

[Table of Contents](#)

Our revenue and ARR are dependent on orders from customers in the P&C insurance industry, which may be adversely affected by worldwide economic, environmental, public health, and political conditions. A relatively small number of customers have historically accounted for a significant portion of our revenue. The composition of our individual top customers has and will vary from year to year. In fiscal years 2022 and 2023, our ten largest customers in each fiscal year accounted for 23% of our revenue. Additionally, our ten largest customers based on ARR accounted for 24% of total ARR at July 31, 2023. Customers for these metrics are calculated at the parent corporation level, while our total customer count is based on entities that have placed orders for our services or products. While we expect this reliance to decrease over time as our revenue, customer base and subscription services as a percentage of revenue grows, we expect that we will continue to depend upon a relatively small number of customers for a significant portion of our revenue and ARR for the foreseeable future. As a result, if we fail to successfully sell our **services** and products to one or more of these anticipated customers in any particular period or fail to identify additional potential customers or such customers purchase fewer of our **services** products or **products**, **professional services**, defer or cancel orders, fail to renew their license or subscription agreements or otherwise terminate or reduce their relationship with us, our business, results of operations, and financial condition would be harmed. Additionally, if one or more of these anticipated customers enters into or transitions to a subscription agreement in any particular period, or if we fail to achieve the required performance or acceptance criteria for one or more of this relatively small number of customers, our quarterly and annual results of operations may fluctuate significantly.

***Recent global events have adversely affected, and may continue to adversely affect, our business, results of operations, and financial condition.***

Recent global events have adversely affected and are continuing to adversely affect workforces, organizations, economies, and financial markets globally, leading to economic downturns, inflation, and increased market volatility. The ongoing wars between Israel and Hamas and between Russia and Ukraine, escalating tensions in the South China Sea, **high inflation, higher than we have seen in decades**, increasing interest rates, bank failures and associated financial instability and crises, and supply chain issues have added to global economic and market volatility. Our past business and financial results, including our ARR growth rates, services revenue, and margins, were adversely impacted due to the disruptions resulting from these events. These global events have also disrupted the normal operations of our customers' businesses and our SI partners' businesses. The related impacts of recent global events on the global economy could decrease or delay technology spending and adversely affect demand for our products. Further, our sales and implementation cycles have increased and could continue to increase, which has resulted in and could result in contract terms more favorable to customers and a potentially longer delay between incurring operating expenses and the generation of corresponding revenue, if any, or difficulty in accurately forecasting our financial results. Additionally, our customers may be unable to pay outstanding invoices or may request amended payment terms due to the economic impacts from these global events and related implementation delays. As a result of these developments and the related economic impact to our business, we may be required to record impairment related to our operating lease assets, investments, long-lived assets, or goodwill. We may experience further operational challenges, including increased costs, as a portion of our workforce returns to working in person and gradually shifts to assisting customers in person, difficulty in hiring necessary personnel, and higher employee attrition. Due to the continuing and evolving nature of these global events, it is not possible for us to accurately predict the duration or magnitude of the adverse impacts and effects on our business, results of operations, or financial condition. Further, to the extent recent global events adversely affects our business, results of operations, or financial condition, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

39

---

[Table of Contents](#)

***We have transitioned to a hybrid in-person and remote workforce, which will subject us to certain operational challenges and risks and potential harm to our business.***

We have transitioned to a hybrid work environment in which a significant portion of our workforce works either in-person on a part-time basis or remotely on a permanent basis. As a result, we expect to continue to be subject to the challenges and risks of having a remote workforce, as well as new challenges and risks from operating with a hybrid workforce. For example, certain security systems in homes or other remote workplaces may be less secure than those used in our offices, which may subject us to increased security risks, including cybersecurity-related events, and expose us to risks of data or financial loss and associated disruptions to our business operations. Members of our workforce who work remotely may not have access to technology that is as robust as that in our offices, which could cause the networks, information systems, applications, and

other tools available to those remote workers to be more limited or less reliable than in our offices. We may also be exposed to risks associated with the locations of remote workers, including compliance with local laws and regulations or exposure to compromised internet infrastructure. Allowing members of our workforce to work remotely may create intellectual property risk if employees create intellectual property on our behalf while residing in a jurisdiction with unenforced or uncertain intellectual property laws. Further, if employees fail to inform us of changes in their work location, we may be exposed to additional risks without our knowledge. The transition to hybrid in-person as well as remote working may also subject us to other operational challenges and risks. For example, our shift to hybrid working may adversely affect our ability to recruit and retain personnel who prefer a fully remote or fully in-person work environment. Operating our business with both remote and in-person workers, or workers who work in flexible locations and on flexible schedules, could have a negative impact on our corporate culture, decrease the ability of our workforce to collaborate and communicate effectively, decrease innovation and productivity, or negatively affect workforce morale and retention rates. In addition, we expect to incur costs related to the transition to a hybrid workforce to, among other things, facilitate permanent remote work for a portion of our workforce and update our offices to offer more collaborative workspaces. If we are unable to effectively transition to a hybrid workforce, manage the cybersecurity and other risks of remote work, and maintain our corporate culture and workforce morale, our business could be harmed or otherwise negatively impacted.

***We face intense competition in our market, which could negatively impact our business, results of operations, and financial condition and cause our market share to decline.***

The market for our **software and services** products is intensely competitive. The competitors we face in any sale opportunity may change depending on, among other things, the line of business purchasing the software, the application or service being sold, the geography in which the customer is operating, and the size of the insurance carrier to which we are selling. For example, we are more likely to face competition from small independent firms when addressing the needs of small insurers. These competitors may compete on the basis of price, the time and cost required for implementation, custom development, or unique product features or functions. Outside of the United States, we are more likely to compete against vendors that may differentiate themselves based on local advantages in language, market knowledge, and pre-built content applicable to that jurisdiction. We also compete with vendors of horizontal software products that may be customized to address needs of the P&C insurance industry.

Additionally, many of our prospective customers operate firmly entrenched legacy systems, some of which have been in operation for decades. Our implementation cycles may be lengthy, variable, and require the investment of significant time and expense by our customers. These expenses and associated operating risks attendant on any significant process re-engineering and new technology implementation, may cause customers to prefer maintaining legacy systems. Also, maintaining these legacy systems may be so time consuming and costly for our potential customers that they do not have adequate resources to devote to the purchase and implementation of our **services and** products. We also compete against technology consulting firms that either helped create such legacy systems or may own, in full or in part, subsidiaries that develop software and systems for the P&C insurance industry.

As we expand our product portfolio, we may begin to compete with software and service providers we have not competed against previously. Such potential competitors offer data and analytics tools that may, in time, become more competitive with our offerings.

If our competitors' products, services, or technologies become more accepted than our solutions, if they are successful in bringing their products or services to market earlier than we are, if their products or services are more technologically capable than ours (including, without limitation, as a result of new or better use of evolving AI technologies, such as generative AI), or if customers replace our solutions with custom-built software, then our revenue could be adversely affected.

#### [Table of Contents](#)

We expect the intensity of competition to remain high in the future, as the amount of capital invested in current and potential competitors, including insurtech companies, has increased significantly in recent years.

40

---

#### [Table of Contents](#)

As a result, our competitors or potential competitors may develop improved product or sales capabilities, or even a technology breakthrough that disrupts our market. Continuing intense competition could result in increased pricing pressure, increased sales and marketing expenses, and greater investments in research and development, each of which could negatively impact our profitability. In addition, the failure to increase, or the loss of, market share would harm our business, results of operations, financial condition, and/or future prospects. Our larger current and potential competitors may be able to devote greater resources to the development, promotion, and sale of their services and products than we can devote to ours, which could allow them to respond more quickly than we can to new technologies and changes in customer needs, thus leading to their wider market acceptance. We may not be able to compete effectively and competitive pressures may prevent us from acquiring and maintaining the customer base necessary for us to increase our revenue and profitability.

In addition, the insurance industry is evolving rapidly, and we anticipate the market for cloud-based solutions will become increasingly competitive. If our current and potential customers move a greater proportion of their data and computational needs to the cloud, new competitors may emerge that offer services either comparable or better suited than ours to address the demand for such cloud-based solutions, which could reduce demand for our offerings. To compete effectively we will likely be required to increase our investment in research and development, as well as the personnel and third-party services required to improve reliability **and security** and lower the cost of delivery of our cloud-based solutions. New competitors are able to develop cloud-based solutions without the cost of maintaining or migrating existing solutions and satisfying existing customer requirements, which may allow them to introduce new services and products more quickly and on more efficient technologies than us. This may increase our costs more than we anticipate and may adversely impact our results of operations.

Our current and potential competitors may also establish cooperative relationships among themselves or with third parties to further enhance their resources and offerings. Current or potential competitors may be acquired by other vendors or third parties with greater available resources. As a result of such acquisitions, our current or potential competitors might be more able than we are to adapt quickly to new technologies and customer needs, to devote greater resources to the promotion or sale of their services and products, to initiate or withstand substantial price competition, or to take advantage of emerging opportunities by developing and expanding their product and service offerings more quickly than we can. Additionally, they may hold larger portfolios of patents and other intellectual property rights as a result of such relationships or acquisitions. If we are unable to compete effectively with these evolving competitors for market share, our business, results of operations, and financial condition could be materially and adversely affected.

**Our sales and implementation cycles are lengthy and variable, depend upon factors outside our control, and could cause us to expend significant time and resources prior to generating revenue.**

The typical sales cycle for our **services and** products is lengthy and unpredictable, requires pre-purchase evaluation by a significant number of employees in our customers' organizations, often involves a significant operational decision by our customers, and could be affected by factors outside of our control. Our sales efforts involve educating our customers about the use and benefits of our **services and** products, including the technical capabilities of our **services and** products, the potential cost savings achievable by organizations deploying our **services and** products, and the benefits and risks associated with cloud-based services. Customers typically undertake a significant evaluation process, which frequently involves not only our **services and** products, but also those of our competitors. We spend substantial time, effort, and money in our sales efforts without any assurance that our efforts will produce sales, and our customers have significant negotiating power during the sales process which may result in a lengthy sales cycle and significant contractual complexity. Additionally, we may be unable to predict the size and terms of the initial contract until very late in the sales cycle, which affects our ability to accurately forecast revenue and ARR. In addition, we sometimes commit to include specific functions in our base **service and** product offering at the request of a customer or group of customers and are unable to recognize revenue until the specific functions have been added to our **services and** products. Providing this additional functionality may be time consuming and may involve factors that are outside of our control. Customers may also insist that we commit to certain time frames in which systems built around our **services and** products will be operational or that once implemented our **services and** products will be able to meet certain operational requirements. Our ability to meet such timeframes and requirements may involve factors that are outside of our control, and failure to meet such timeframes and requirements could result in us incurring penalties and costs and/or making additional resource commitments, which would adversely affect our business and results of operations.

41

#### [Table of Contents](#)

The implementation and testing of our **services and** products by our customers typically lasts six to 24 months or longer and unexpected implementation delays and difficulties can occur. Implementing our **services and** products typically involves integration with our customers' and third parties' systems and creating or updating the digital experience, as well as adding customer and third-party data to our platform. This process can be complex, time consuming, and expensive for our customers and can result in delays in the implementation and deployment of our **services and** products. Failing to meet the expectations of our customers during the implementation of our **services and** products could result in a loss of customers and negative publicity about us and our **services and** products. Such failure could result from deficiencies in our product capabilities, performance issues, or inadequate service engagements by us, our SI partners, or our customers' employees, the latter two of which are beyond our direct control. The consequences of such failure could include, and have included, monetary credits for current or future service engagements, reduced fees for additional **services or products sales** or upon **renewals renewal** of existing **services and** products, potential reversals of previously recognized revenue, renegotiating existing customers' contractual terms, and a customer's refusal to pay their contractually-obligated license, **subscription**, support, or service fees. In addition, time-consuming and delayed implementations may also increase the amount of services personnel we must allocate to the implementation for it to be successful, thereby increasing our costs and adversely affecting our business, results of operations, and financial condition.

Furthermore, our sales and implementation cycles could be interrupted or affected by other factors outside of our control. We have had, and may in the future have, restrictions on travel, which are in accordance with recommendations by the U.S. government, The Centers for Disease Control and Prevention, and other equivalent agencies in the locations in which we operate, and our customers, SI partners, and prospects have likewise enacted their own preventative policies and travel restrictions. Widespread restrictions on travel and in-person meetings have affected and could, in the future, affect services delivery, delay implementations, and interrupt sales activity. We cannot predict the duration or the extent of adverse impacts from pandemics and other global events on our business, results of operations, and financial condition.

#### **Failure to manage our expanding operations effectively could harm our business.**

We have experienced consistent growth and expect to continue to expand our operations, including the number of employees and the locations and scope of our international operations. Additionally, we have transitioned to a hybrid work environment in which a large portion of our workforce works either in-person on a part-time basis or remotely on a permanent basis, which brings new challenges to managing our business and workforce. This expansion and changing work environment has placed, and will continue to place, a significant strain on our operational and financial resources and our personnel. To manage our anticipated future operational expansion effectively, we must continue to maintain and may need to enhance our information technology and cybersecurity infrastructure and financial and accounting systems and controls, and manage expanded operations and employees in geographically distributed locations. Our growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of new, enhanced, or more secure **services and** products or investments in cloud operations. If we increase the size of our organization without experiencing an increase in sales of our **services and** products, we will experience reductions in our gross and operating margins and net income. If we are unable to effectively manage our expanding operations or hybrid work environment, our expenses may increase more than expected, our revenue could decline or grow more slowly than expected, and we may be unable to implement our business strategy.

**Revenue mix, as well as declines in our subscription and support gross margin or our services gross margin, could adversely affect our overall gross margin and profitability.**

Our subscription and support revenue was 48% and 42% of total revenue for fiscal years 2023 and 2022, respectively. Our subscription and support revenue produces lower gross margins than our license revenue. The gross margin of our subscription and support revenue was 51% and 41% for fiscal years 2023 and 2022, respectively, while the gross margin for license revenue was 98% and 97% for fiscal years 2023 and 2022, respectively. As our cloud transition continues, we expect that subscription revenue will continue to increase as a percentage of total revenue as we contract with new cloud customers and existing customers migrate from term licenses to subscription services. Additionally, we are incurring significant expenses to develop our cloud services and scale our cloud operations which may not result in an improvement of our subscription and support gross margin. These trends, along with other factors, some of which may be beyond our control, may adversely affect our overall gross and operating margins. These other factors include the percentage of new customers that enter into subscription services agreements as compared to term license agreements, the revenue impact of allocating total contract consideration between license revenue and subscription and support revenue when existing customers transition from term license to subscription services agreements, investments in certain cloud implementations to assist our customers with their migration to our cloud services, continued growth and efficiency of our cloud operations and technical support teams, and the impact on the global economy as a result of pandemics, inflation, or other global events and disasters.

Further, our services revenue was 23% and 26% of total revenue for fiscal years 2023 and 2022, respectively. Our services revenue produces lower gross margin than either our license revenue or our subscription and support revenue. The gross margin of our services revenue was negative in both fiscal years 2023 and 2022. If we experience an increase in the percentage of total revenue represented by services revenue, due to acquisitions or other factors, such increase could reduce our overall gross and operating margins. Fluctuation in our services revenue can result from several factors, some of which may be beyond our control, including the

42

---

[Table of Contents](#)

pace of our customers' migration from term license to subscription services as we continue our cloud transition, change in customer

[Table of Contents](#)

demand for our services team's involvement in the implementation of new services and products, the rates we charge or discounts we offer for our services, our ability to bill our customers for all time incurred to complete a project, the extent and quality of implementations and migrations provided by our SI partners, and the impact on the global economy as a result of economic volatility, inflation, or other global events and disasters. Additionally, the failure to improve, or the erosion of, our services margin, whether due to discounts related to encouraging clients to accelerate their cloud transition or otherwise, particularly in combination with any increase in services revenue, could adversely affect our overall gross and operating margins. Our services margin may erode if we hire and train additional services personnel to support cloud-based services or markets prior to having customer engagements, if we make investments in customer migrations from self-managed term licenses to subscription services, if we enter into fixed fee services arrangements, if our services personnel are underutilized, or if we require additional personnel on unexpectedly difficult projects to ensure customer success, perhaps without receiving commensurate compensation.

***Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that result in increased cost of sales, decreased revenue, and lower average selling prices and gross margins, all of which could harm our results of operations.***

Some of our customers include the world's largest P&C insurers. These customers have significant bargaining power when negotiating new licenses or subscriptions or renewals of existing agreements, and have the ability to buy similar services and products from other vendors or develop such systems internally. These customers have and may continue to seek advantageous pricing and other commercial and performance terms that may require us to develop additional features in the services and products we sell to them or add complexity to our customer agreements. These customers may also delay making payments under existing agreements, or at renewal, in an attempt to obtain more favorable terms from us. We have been required to, and may continue to be required to, reduce the average selling price and ARR of our services and products, along with agreeing to steeper ramps that delay reaching fully-ramped ARR, in response to these pressures. If we are unable to avoid reducing our average selling prices or ARR, our results of operations could be harmed.

***Our business depends on customers renewing and expanding their license, support, and subscription contracts for our services and products. A decline in our customer renewals and expansions could harm our future results of operations.***

Our customers have no obligation to renew their term licenses or subscriptions after their contract period expires, and these licenses and subscriptions, if renewed, may be done so on less favorable terms. Moreover, under certain circumstances, our customers have the right to cancel their licenses or subscriptions before they expire. We may not accurately predict future trends in customer renewals. In addition, our perpetual license customers have no obligation to renew their support arrangements after the expiration of the initial contractual period. Our customers' renewal rates may fluctuate or decline because of several factors, including their satisfaction or dissatisfaction with our services and products, the prices of our services and products, the prices of services and products offered by our competitors, reduction in our customers' business including their DWP, reductions in our customers' spending levels due to the macroeconomic environment or other factors, or the sale of their operations to a buyer that is not a current customer.

Also, in some cases, our customers have a right to exercise a perpetual buyout of their term licenses at the end of the initial contract term, which if exercised would eliminate future term license revenue. If our customers do not renew their term licenses or subscriptions for our solutions or renew on less favorable terms, our revenue may decline or grow more slowly than expected and our profitability may be harmed.

***Failure of any of our established services or products to satisfy customer demands or to maintain market acceptance could harm our business, results of operations, financial condition, and growth prospects.***

We derive a significant majority of our revenue and cash flows from our established product offerings, including Guidewire InsuranceSuite Cloud, Guidewire InsuranceNow, Guidewire InsuranceSuite for self-managed installations, and our digital and data services and products. We expect to continue to derive a substantial portion of our revenue from these sources. As such, continued market acceptance of these services and products is critical to our growth and success. Demand for our services and products is affected by a number of factors, some of which are beyond our control, including the successful implementation of our services and products, the timing of development and release of product upgrades, enhancements, and new products by us and our competitors, the cost and effort to migrate from self-managed products to subscription services, the ease of integrating our software to third-party software and services, technological advances that reduce the appeal of our services and products, changes in the regulations that our customers must comply with in the jurisdictions in which they operate, and the growth or contraction in the worldwide market for technological solutions for the P&C insurance industry. If we are unable to continue to meet customer demands, to achieve and maintain a technological advantage over competitors, or to maintain market acceptance of our services and products, our business, results of operations, financial condition and growth prospects may be adversely affected.

***If we are unable to develop, introduce, and market new and enhanced versions of our services and products, we may be put at a competitive disadvantage.***

43

---

[Table of Contents](#)

Our success depends on our continued ability to develop, introduce, and market new and enhanced versions of our services and products to meet evolving customer requirements. Because some of our services and products are complex and require rigorous testing, new features, new functionality, and updates to our existing products and services can take significant time and resources to develop and bring to market. As we expand internationally, our services and products must be modified and adapted to comply with regulations and other requirements of the countries in which our customers do business. Additionally, market conditions may dictate that we change the delivery method of our services and products or the technology platform underlying our existing services and products or that new services and products be developed on different technology platforms,

potentially adding material time and expense to our development cycles. The nature of these development cycles may cause us to experience delays between the time we incur expenses associated with research and development and the time we generate revenue, if any, from such expenses.

If we fail to develop new services and products, enhance our existing services and products, or migrate our products to the cloud, our business could be adversely affected, especially if our competitors are able to introduce services and products with enhanced functionality in the cloud. It is critical to our success for us to anticipate changes in technology, industry standards and regulations, and customer requirements and to successfully introduce new, enhanced, and competitive services and products to meet our customers' and prospective customers' needs on a timely basis. We have invested and intend to increase investments in research and development and cloud operations to meet these challenges. Revenue may not be sufficient to support the future product development that is required for us to remain competitive. If we fail to develop services and products in a timely manner that are competitive in technology and price or develop services and products that fail to meet customer demands, our market share will decline and our business and results of operations could be harmed. If our development efforts do not develop services, products or features that our customers find valuable, then we might incur impairment charges related to our capitalized software development costs.

**Real or perceived errors or failures in our services products and products, professional services, including implementation services, may affect our reputation, cause us to lose customers, and reduce sales and renewal rates, which may harm our business and results of operations and subject us to liability for breach of warranty claims.**

Because we offer complex services and products, undetected errors or failures may exist or occur, especially when services and products are first introduced or when new versions or updates are released. Our services and products are often installed and used in large-scale computing environments with different operating systems, system management software, and equipment and networking configurations, which may cause errors or failures in our services and products or may expose undetected errors, failures, or bugs in our services and products. Despite testing by us, we may not identify all errors, failures, or bugs in new services and products or releases until after commencement of commercial sales or installation. In the past, we have discovered software errors, failures, and bugs in some of our offerings after their introduction. Additionally, our Guidewire Cloud offerings rely on third-party hosting services, primarily AWS. Any material disruption or slowdown in these services or the systems of third parties who we depend upon could cause outages or delays in our services, products, which could harm our reputation and adversely affect our results of operations.

We provide our customers with upfront estimates regarding the duration, resources, and costs associated with the migration and implementation of our services and products. Failure to meet these upfront estimates and the expectations of our customers could result from our product capabilities or professional service engagements performed by us, our SI partners, or our customers' employees, the latter two of which are beyond our direct control. The consequences could include, and have included, monetary credits for current or future service engagements, reduced fees for additional services or product sales products or upon renewals renewal of existing licenses or services, products, renegotiation or modification of existing contracts that could potentially result in reversals of previously recognized revenue, or a customer's refusal to pay its contractually-obligated fees. In addition, time-consuming or difficult migrations and implementations may also increase the amount of services personnel we must allocate to the project, potentially without commensurate compensation, thereby increasing our costs, lowering our services margin, and adversely affecting our business, results of operations, and financial condition.

The license, subscription, and support of our services and products creates the risk of significant liability claims against us. Our license and subscription agreements with our customers contain provisions designed to limit our exposure to potential liability claims. It is possible, however, that the limitation of liability provisions contained in such agreements may not be enforced as a result of international, federal, state, and local laws or ordinances or unfavorable judicial decisions. Breach of warranty or damage liability, or injunctive relief resulting from such claims, could harm our results of operations and financial condition.

**Our ability to sell our services and products is highly dependent on the quality of our professional services and technical support services and the support of our SI partners, and the failure of us or our SI partners to offer high-quality professional services or technical support services could damage our reputation and adversely affect our ability to sell our services and products to new customers and renew agreements with our existing customers.**

44

---

## [Table of Contents](#)

If we or our SI partners do not effectively assist our customers in deploying our services and products, successfully help our customers quickly resolve post-deployment issues, assist our customers in migrating from self-managed licenses to subscription services, and provide effective ongoing support, our ability to renew existing agreements and sell additional services and products to existing customers would be adversely affected and our reputation with potential customers could be damaged. Once our services and products are deployed and integrated with our customers' existing information technology environment, our customers may depend on our technical support services and/or the support of SI partners or internal resources to resolve any issues relating to our services and products. High-quality support is critical for the continued successful marketing and sale of our services and products. In addition, as we continue to expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training, and documentation in multiple languages. Many enterprise customers require higher levels of support than smaller customers. If we fail to meet the requirements of our larger customers, it may be more difficult to sell additional services and products to these customers or to transition existing license customers to subscription services, a key strategy for the growth of our revenue and profitability. In addition, as we further expand our cloud-based services and products, our professional services, cloud operations and support organizations will face new challenges, including hiring, training, and integrating a large number of new personnel with experience in delivering high-quality services and support for cloud-based offerings. Further, as we continue to rely on SIs to provide deployment, migration, and on-going services, our ability to ensure a high level of quality in addressing customer issues and providing a maintainable and efficient cloud environment could be diminished as we may be unable to control the quality or timeliness of the implementation of our services and products by our SI partners. Our failure to maintain high-quality implementation and support services, or to ensure that SIs provide the same, could have a material adverse effect on our business, results of operations, financial condition, and growth prospects.

**Issues in the development and use of AI, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations.**

We use machine learning and AI technologies in our offerings and business, and we are making investments in expanding our AI capabilities in our products, professional services, and tools, including ongoing deployment and improvement of existing machine learning and AI technologies, as well as developing new product features using generative AI technologies. AI technologies are complex and generative AI technologies, in particular, are rapidly evolving. We face significant competition from other companies as well as an evolving regulatory landscape in relation to these technologies. The introduction of AI technologies, including generative AI, into new or existing products may result in new or

enhanced governmental or regulatory scrutiny, litigation, confidentiality or security risks, ethical concerns, or other complications that could adversely affect our business, reputation, or financial results. The intellectual property ownership and license rights, including without limitation copyright, surrounding AI technologies generally, and generative AI technologies specifically, has not been fully addressed by competent legal tribunals or applicable laws or regulations. Further, the use or adoption of third-party AI technologies, including generative AI technologies, into our products and services may result in exposure to claims of copyright infringement or other intellectual property-related causes of action.

Uncertainty around new and emerging AI technologies, such as generative AI, may require additional investment in the development and maintenance of proprietary datasets and machine learning models, development of new approaches and processes to provide attribution or remuneration to creators of training data, and development of appropriate protections and safeguards for handling the use of customer data with such technologies, which may be costly and could impact our expenses if we decide to expand AI technologies, including generative AI, into our product offerings. AI technologies, including without limitation generative AI, may create content that appears facially correct but is factually inaccurate or flawed. Our customers or others may rely on or use such factually incorrect or flawed content to their detriment, which may expose us to brand or reputational harm, competitive harm, and/or legal liability. In all events, the development, marketing and use of AI technologies, including, in particular, generative AI, presents emerging ethical and social issues, and if we enable or offer solutions that draw scrutiny or controversy due to their perceived or actual impact on customers or on society as a whole, we may experience brand or reputational harm, competitive harm, and/or legal liability.

***We may expand through acquisitions or partnerships with other companies, which may divert our management's attention and result in unexpected operating and technology integration difficulties, increased costs, and dilution to our stockholders.***

Our business strategy includes the potential acquisition of shares or assets of companies with software, cloud-based services, technologies, or businesses complementary to ours. Our strategy also includes alliances with such companies. For example, we have made several acquisitions in the past, including most recently in August 2021, we acquired HazardHub, Inc., a leading insurtech provider of property risk insights. Acquisitions and alliances, such as our strategic partnerships with One Inc. and Smart Communications, may result in unforeseen operating difficulties and expenditures, be dilutive to earnings, and may not result in the benefits anticipated by such corporate activity. In particular, we may fail to assimilate or integrate the businesses, technologies, services, products, personnel, or operations of the acquired companies, retain key personnel necessary to favorably execute the combined companies' business plan, or retain existing customers or sell acquired services and products to new customers. Acquisitions and alliances may also disrupt our ongoing business, divert our resources, and require significant management attention that would otherwise be available for ongoing development of our current business. In addition, we may be required to make additional capital investments or undertake remediation efforts to ensure the success of our acquisitions, which may reduce the benefits of such acquisitions. We also may be required to use a substantial amount of our cash or issue debt or equity securities to

45

---

#### [Table of Contents](#)

complete an acquisition or realize the potential of an alliance, which could deplete our cash reserves and/or dilute our existing stockholders.

#### [Table of Contents](#)

Following an acquisition or the establishment of an alliance offering new services and products, the timing of revenue from the sale of services and products that we acquired or that result from the alliance, or from the sale of a bundle of services and products that includes such new services and products, may be different than the timing of revenue from existing services and products. In addition, our ability to maintain favorable pricing of new services and products may be challenging if we bundle such services and products with existing services and products. A delay in the recognition of revenue from sales of acquired or alliance services and products, or reduced pricing due to bundled sales, may cause fluctuations in our quarterly financial results, may adversely affect our operating margins, and may reduce the benefits of such acquisitions or alliances.

Additionally, competition within the software industry for acquisitions of businesses, technologies, and assets has been, and may continue to be, intense. As such, even if we are able to identify an acquisition that we would like to pursue, the target may be acquired by another strategic buyer or financial buyer such as a private equity firm, or we may otherwise not be able to complete the acquisition on commercially reasonable terms, if at all. Moreover, in addition to our failure to realize the anticipated benefits of any acquisition, including our revenue or return on investment assumptions, we may be exposed to unknown liabilities or impairment charges to acquired intangible assets and goodwill as a result of acquisitions we do complete.

***If we are unable to continue the successful development of our global direct sales force and the expansion of our relationships with our strategic partners, sales of our services and products will suffer and our growth could be slower than we project.***

We believe that our future growth will depend on the continued recruiting, retention, and training of our global direct sales force and their ability to obtain new customers, both large and small P&C insurers, and to manage our existing customer base. New hires require significant training and may, in some cases, take more than a year before becoming productive, if at all. If we are unable to hire and develop sufficient numbers of productive global direct sales personnel, sales of our services and products will suffer and our growth will be impeded.

Our SI partners help us reach additional customers. We believe our future growth also will depend on the retention and expansion of successful relationships with SI partners, including with SI partners that will focus on services and products we may acquire in the future. Our growth in revenue, particularly in international markets, will be influenced by the development and maintenance of relationships with SI partners, including regional and local SI partners. Although we have established relationships with some of the leading SI partners, our services and products may compete directly against services and products that such leading SI partners support or market. Additionally, we are unable to control the quantity or quality of resources that our SI partners commit to migrating or implementing our services and products, the quality or timeliness of such migrations and implementations, or the effects of pandemics and other global events on our SI partners. If our partners do not commit sufficient or qualified resources to these activities, our customers will be less satisfied, be less supportive with references, or may require the investment of our resources at discounted rates. These, and other failures by our partners to successfully implement our services and products, would have an adverse effect on our business and our results of operations could fail to grow in line with our projections.

***Our international sales and operations subject us to additional risks that can adversely affect our business, results of operations, and financial condition.***

We sell our services and products to customers located outside the United States, and we are continuing to expand our international operations as part of our growth strategy. In fiscal years 2023, 2022, and 2021, \$331.5 million, \$296.2 million, and \$271.1 million of our revenue, respectively, was from customers outside of the United States. Our current international operations and our plans to expand our international operations subject us to a variety of risks, including:

- increased management, travel, infrastructure, legal, and compliance costs associated with having multiple international operations;
- unique terms and conditions in contract negotiations imposed by customers in foreign countries;
- longer payment cycles and difficulties in enforcing contracts and collecting accounts receivable;
- the need to localize our contracts and our services and products for international customers;
- lack of familiarity with and unexpected changes in foreign regulatory requirements;
- increased exposure to fluctuations in currency exchange rates, especially on revenue and ARR;
- highly inflationary international economies and certain governments, such as Argentina, which have placed controls on sending U.S. dollars outside of the country, resulting in extended collection periods and which may limit the collectibility of accounts receivable;

46

---

[Table of Contents](#)

- geographic and political conflicts, such as the wars between Israel and Hamas and between Russia and Ukraine and the escalating tensions in the South China Sea;

[Table of Contents](#)

- the burdens and costs of complying with a wide variety of foreign laws and legal standards, including without limitation any new or evolving laws and regulations relating to the use of data in AI, generative AI, machine learning technologies, climate-related disclosures, and the General Data Protection Regulation in the European Union ("EU") and the U.K.;
- compliance with the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.K. Bribery Act of 2010 and other anti-corruption regulations, particularly in emerging market countries;
- compliance by international staff with accounting practices generally accepted in the United States, including adherence to our accounting policies and internal controls;
- import and export license requirements, tariffs, taxes and other trade barriers;
- increased financial accounting, tax and reporting burdens and complexities;
- weaker protection of intellectual property rights in some countries;
- multiple and possibly overlapping tax regimes, including certain Organization for Economic Cooperation and Development ("OECD") proposals, including the implementation of the global minimum tax under the Pillar Two model rules;
- government sanctions that may interfere with our ability to sell into particular countries, such as Russia;
- disruption to our operations caused by epidemics or pandemics; and
- political, social, and economic instability abroad, terrorist attacks, and security concerns in general.

As we increase the number of products we offer, increase the number of countries in which we operate, and incorporate new technologies and capabilities into our products (including, without limitation, the use of AI, generative AI and machine learning technologies), the complexity of adjusting our offerings to comply with legal and regulatory changes will increase.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Any of these risks could harm our international operations and reduce our international sales, adversely affecting our business, results of operations, financial condition and growth prospects.

***Incorrect or improper use of our services and products or our failure to properly train customers on how to utilize our services and products could result in customer dissatisfaction and negatively affect our business, results of operations, financial condition, and growth prospects.***

Our services and products are complex and are deployed in a wide variety of environments. The proper use of our services and products requires training of the customer. If our services and products are not used correctly or as intended, inadequate performance may result. Our services and products may also be intentionally misused or abused by customers or their employees or third parties who are able to access or use our services and products. Because our customers rely on our services, products, and support to manage a wide range of operations, the incorrect or improper use of our services and products, our failure to properly train customers on how to efficiently and effectively use our services and products, or our failure to properly provide services to our customers may result in negative publicity or legal claims against us. Also, any failure by us to properly provide training or other services to existing customers will likely result in lost opportunities for follow-on and increased sales of our services and products.

In addition, if there is substantial turnover of customer personnel responsible, especially at the executive level, for the use and support of our services and products, or if customer personnel are not well trained in the use and support of our services and products, customers may defer the deployment of our services and products, may deploy them in a more limited manner than originally anticipated, or may not deploy them at all. Further, if there is substantial turnover of the customer personnel responsible for use of our services and products, our ability to renew existing licenses and make additional sales may be substantially limited.

***We may not be able to obtain capital when desired on favorable terms, if at all, and we may not be able to obtain capital or complete acquisitions through the use of equity without dilution to our stockholders.***

We may need additional financing to execute on our current or future business strategies, including to develop new or enhance existing services and products, acquire businesses and technologies, or otherwise to respond to competitive pressures.

47

---

[Table of Contents](#)

If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our existing stockholders could be significantly diluted, and newly-issued securities may have rights, preferences, or privileges senior to those of existing stockholders. If we accumulate additional funds through debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for our business activities. We cannot be assured that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available, or

[Table of Contents](#)

are not available on acceptable terms, when we desire them, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our services and products, or otherwise respond to competitive pressures would be significantly limited. Any of these factors could harm our results of operations.

**Risks Related to Data Security and Privacy, Intellectual Property, and Information Technology**

***If our products or cloud-based services experience cybersecurity breaches, there is unauthorized access to our customers' data, or unauthorized use of our services products or any of these events are perceived to happen, we may lose current or future customers and our reputation and business may be harmed.***

If our security measures are breached, unauthorized access to our or our customers' data, or unauthorized use of our services products or any of these events are perceived to happen, our cloud services may be perceived as not being secure, customers may reduce the use of or stop using our services, products, we may incur significant liabilities, and our reputation could be harmed. Our software and cloud services products involve the storage and transmission of customer data (including, in some cases, personal data), are involved in the collection and distribution of funds, and may provide business critical analytics necessary for our customers' operations. Security breaches could result in public disclosure of confidential information, loss or modification of data affecting our customers' operations, fraud or theft, ransom demands, or other misuse of confidential information, which in turn could result in litigation, breach of contract claims, indemnity obligations, additional reporting requirements and/or oversight, restrictions on processing customer data, and other liabilities for our Company. While we have taken, and are continually updating and enhancing, steps to protect the confidential information and customer data to which we have access, including confidential information we may obtain through our customer support services or customer usage of our cloud-based services, our security measures or the security measures of companies we rely on, such as AWS, could be breached. We rely on third-party technology and systems for a variety of services, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back-office support, and other functions, and our ability to control or prevent breaches of any of these systems may be beyond our control. Because techniques used to obtain unauthorized access or infiltrate systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures despite our efforts in implementing and deploying security measures. The use of constantly evolving technologies by threat actors are sophisticated and complex and may increase the velocity of such threats, frequency of incident cases, and otherwise magnifying the risks associated with these types of attacks. Although we have developed systems and processes designed to protect our and our customers' data, prevent loss or unauthorized modification of data, ensure only authorized use of services, and other cybersecurity breaches, including systems and processes designed to reduce the impact of a security breach at a third-party vendor, such measures cannot provide absolute security. Any or all of these issues could negatively impact our ability to attract new customers or to increase engagement with existing customers, could cause existing customers to elect not to renew their term licenses or subscription agreements, or could subject us to third-party lawsuits, regulatory fines or other action or liability, thereby adversely affecting our results of operations and reputation.

***Privacy concerns could result in regulatory changes and impose additional costs and liabilities on us, limit our use of information, and adversely affect our business.***

As adoption of our cloud-based services products occurs, the amount of customer data, including customer personal information, that we manage, hold, and/or collect continues to increase. In addition, our services and products may collect, process, store, and use transaction-level data aggregated across insurers using our common data model. We anticipate that over time we will continue to expand the use and collection of personal information as greater amounts of such personal information may be transferred from our customers to us and we recognize that privacy and data security has become a significant issue in the United States, Europe, the U.K., and many other jurisdictions where we operate.

48

---

[Table of Contents](#)

Many federal, state, and foreign legislatures and government agencies have imposed, are considering imposing, or are considering changing restrictions and requirements about the collection, use, and disclosure of personal information. Changes to laws or regulations affecting privacy could impose additional costs and liabilities, including fines, on us and could limit our use of such information to add value for customers, including for example, the California Consumer Privacy Act and the California Privacy Rights Act, which substantially went into effect on January 1, 2023, other state privacy laws enacted in recent years, and the Court of Justice of the EU's invalidation of the Privacy Shield framework in July 2020. On July 16, 2020, the Court of Justice of the EU issued a verdict that ruled that the EU-US Privacy Shield, on which many companies relied on to transfer their data between the EU and the U.S., was invalidated due to concerns around surveillance by U.S. state and law enforcement agencies, known as the Schrems II decision. Schrems II now requires companies to conduct case-by-case assessments of each data transfer to a non-EU country in order to ensure that such data is adequately protected. In July of 2023, the European Commission adopted a new adequacy decision in relation to the EU-US Data Privacy Framework ("DPF"), rendering the DPF effective as a General Data Protection Regulation 2016/679 ("GDPR") transfer mechanism to U.S. entities self-certified under the DPF. We expect the DPF Adequacy Decision to be challenged and international transfers to the U.S. and to other jurisdictions more generally to continue to be subject to enhanced scrutiny by regulators. If we were required to change our business activities or revise or eliminate services, or to implement burdensome compliance measures, our business and results of operations could be harmed. We may be subject to fines, penalties, and potential litigation if we fail to comply with applicable privacy and/or data security laws, regulations, standards, and other requirements. The costs of compliance with and other burdens imposed by privacy-related laws, regulations, and standards may limit the use and adoption of our services and products and reduce overall demand.

Furthermore, concerns regarding data privacy and/or security may cause our customers' customers to resist providing the data and information necessary to allow our customers to use our services and products effectively. Even the perception that the privacy and/or security of personal information is not satisfactorily managed, or does not meet applicable legal, regulatory, and other requirements, could inhibit sales of our services or products, and could limit adoption of our solutions, resulting in a negative impact on our sales, reputation, and results from operations.

***Emerging policy and regulatory responses to AI and machine learning and their potential implications for the fields of information technology, data privacy and security may result in increased compliance costs and associated concerns for us.***

At present, multiple jurisdictions are taking a heightened interest in AI and machine learning, which we make use of. There has been a recent wave of policy and regulatory responses from various governments rolling out action plans for risk mitigation to legislation being introduced to generally oversee the use of AI. For example, on October 30, 2023, the President of the United States issued an executive order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence, which issued guidelines and standards to certain executive departments for development and deployment of AI. Further, in 2021, in the European Commission proposed a regulation seeking to establish EU, there is now political agreement on the EU Artificial Intelligence Act ("EU AI Act"), which establishes a comprehensive, risk-based governance framework for AI in the EU market. The regulation EU AI Act is intended expected to become effective in 2024, and the majority of the substantive requirements will apply two years later. The EU AI Act will apply to companies that develop, use and/or provide AI in the EU and includes requirements around transparency, conformity assessments and monitoring, risk assessments, human oversight, security, accuracy, general purpose AI and accuracy, foundation models, and proposes fines for breach of up to 7% of worldwide annual turnover (revenue). In addition, in 2022, the European Commission proposed two directives seeking to establish a harmonized civil liability regime for AI in the EU, in order to facilitate civil claims in respect of harm caused by AI and to include AI-enabled products within the scope of the EU's existing strict liability regime.

Compliance with such global laws and regulations, if adopted, including those relating to rapidly evolving generative AI, has and will continue to require valuable management and employee time and resources, and any actual or perceived failure to comply with these laws and regulations could include severe penalties, reputational harm, and reduce demand for our products.

***Privacy concerns in the EU and the U.K. are evolving and we may face fines and other penalties, as well as reputational harm, if we fail to comply with these current and evolving laws, and compliance with these laws may increase our expenses and adversely affect our business and results of operations.***

On April 27, 2016, the EU adopted the GDPR, that took effect on May 25, 2018. The GDPR applies to any company established in the European Economic Area ("EEA") as well as to those outside the EEA if they carry out processing of personal data of individuals in the EEA that is related to the offering of goods or services to them or the monitoring of their behavior. The GDPR has enhanced data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal data is to be used, limitations on retention of personal data, enhanced data subject rights, mandatory data breach notification requirements, and onerous new obligations on data processors. Non-compliance with the GDPR can trigger fines of up to €20 million, or 4% of total worldwide annual revenues, whichever is higher. Given the breadth and depth of changes in data protection obligations, complying with GDPR requirements has caused us to expend significant resources and such expenditures are likely to continue into the near future as we respond to new interpretations, regulatory guidance, and enforcement decisions and as we continue to negotiate data processing agreements with our customers and business partners.

## [Table of Contents](#)

In addition, the GDPR restricts transfers of personal data outside of the EEA to countries deemed to lack adequate privacy protections, including the U.S., unless an appropriate safeguard specified by the GDPR is implemented, such as the Standard

49

---

## [Table of Contents](#)

Contractual Clauses ("SCCs") approved by the European Commission and, until July 16, 2020, the Privacy Shield for EU-U.S. data transfers. On July 16, 2020, the European Court of Justice ("ECJ") invalidated the EU-U.S. Privacy Shield, but it deemed that SCCs are valid, provided additional safeguards are in place. However, the ECJ ruled that transfers made pursuant to SCCs and other alternative transfer mechanisms need to be analyzed on a case-by-case basis to ensure EU standards of data protection are met in the jurisdiction where the data importer is based, and there continue to be concerns about whether SCCs will face additional challenges. For transfers to the U.S., the European Commission has now adopted an Adequacy Decision for entities self-certified under the new DPF, rendering the DPF effective as a GDPR transfer mechanism for such entities. However, we expect the existing legal complexity and uncertainty regarding international personal data transfers to continue. In particular, we expect the DPF Adequacy Decision to

be challenged and international transfers to the United States and to other jurisdictions more generally to continue to be subject to enhanced scrutiny by regulators. Moreover, on September 8, 2020, the Swiss Federal Data Protection and Information Commissioner announced that it no longer considers the Swiss-U.S. Privacy Shield to provide adequate protections for transfers of Swiss personal data to the U.S., following the invalidation of the EU-U.S. Privacy Shield by the ECJ. Further, on June 4, 2021, the European Commission published revised standard contractual clauses for data transfers from the EEA. We are required to implement the revised standard contractual clauses in relation to our customer arrangements within the relevant time frames, which could increase our compliance costs and adversely affect our business. We (and many other companies) may be required to adopt additional measures to accomplish and maintain legitimate means for the transfer and receipt of personal data from the EU to the United States and other countries. As data protection authorities continue to issue further guidance and orders on personal data export mechanisms and/or continue taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results.

We may experience hesitancy, reluctance, or refusal by European or multi-national customers to continue to use our **services products** due to the potential risk exposure to such customers as a result of such developments and the data protection obligations imposed on them by various data protection authorities. Such customers may also view any alternative approaches to the transfer of any personal data as being too costly, too burdensome, or otherwise objectionable, and therefore may decide not to do business with us.

Given our current transition to more cloud-based **services products** and the current data protection landscape in the EU, we may be subject to greater risk of potential inquiries and/or enforcement actions from regulators. We may find it necessary to establish alternative systems to maintain EEA personal data within the EEA, which may involve substantial expense and may cause us to need to divert resources from other aspects of our business, all of which may adversely affect our results from operations. Further, any inability to adequately address privacy concerns in connection with our cloud-based services, or comply with applicable privacy or data protection laws, regulations, and policies, could result in additional cost and liability to us, including fines and harm to our reputation, and adversely affect our ability to offer cloud-based services.

Since January 1, 2021, as a result of Brexit, the U.K. has brought the GDPR into domestic U.K. law with the Data Protection Act 2018 ("U.K. GDPR"), which remains in force. As we are subject to the supervision of relevant data protection authorities under both the GDPR and UK GDPR, we could be fined under each of those regimes independently in respect of the same breach. The U.K. GDPR mirrors the data protection obligations and fines under the GDPR, but there may be further developments about the regulation of particular issues such as U.K. data exports. The United Kingdom's Information Commissioner's Office has published new data transfer standard contracts for transfers from the U.K. under the U.K. GDPR. This new documentation will be mandatory for relevant data transfers from September 21, 2022; existing standard contractual clauses arrangements must be migrated to the new documentation by March 21, 2024. We will be required to implement the latest U.K. data transfer documentation for data transfers subject to the U.K. GDPR, in relation to relevant existing contracts and certain additional contracts and customer arrangements, within the relevant time frames. On June 28, 2021, the European Commission adopted an adequacy decision in favor of the U.K., enabling data transfers from EEA member states to the U.K. without additional safeguards. However, the U.K. adequacy decision will automatically expire in June 2025 unless the European Commission re-assesses and renews/extends that decision, and it remains under review by the Commission during this period. In September 2021, the U.K. government launched a consultation on its proposals for wide-ranging reform of U.K. data protection laws following Brexit. There is a risk that any material changes which are made to the U.K. data protection regime could result in the Commission reviewing the U.K. adequacy decision, and the U.K. losing its adequacy decision if the Commission deems the U.K. to no longer provide adequate protection for personal data. These changes may lead to additional costs and increase our overall risk exposure.

Anticipated further evolution of EU and U.K. regulations on data privacy and security and any related changes to the regulatory framework in these or other countries may increase substantially our risk exposure to the penalties to which we could be subject in the event of any non-compliance. We may incur substantial expense in complying with the new obligations to be imposed by new regulations and interpretations of existing regulations and we may be required to make significant changes to our software applications and expanding business operations, all of which may adversely affect our results of operations.

50

---

#### [Table of Contents](#)

#### ***Assertions by third parties of infringement or other violation by us of their intellectual property rights could result in significant costs and substantially harm our business and results of operations.***

The software industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents and other intellectual property rights. In particular, leading companies in the software industry own large numbers of patents, copyrights, trademarks, and trade secrets, which they may use to assert claims against us. From time to time, third parties holding such intellectual property rights, including leading companies, competitors, patent holding companies, and/or non-practicing entities, may assert patent, copyright, trademark, or other intellectual property claims against us, our customers and partners, and those from whom we license technology and intellectual property.

Although we believe that our **services and** products do not infringe upon the intellectual property rights of third parties, we cannot assure that we are not infringing or otherwise violating any third-party intellectual property rights or that third parties will not assert infringement or misappropriation claims against us with respect to current or future services or products, or that any such assertions will not require us to enter into royalty arrangements, result in costly litigation, or result in us being unable to use certain intellectual property. Infringement assertions from third parties may involve patent holding companies or other patent owners who have no relevant product revenue, and therefore our own issued and pending patents may provide little or no deterrence to these patent owners in bringing intellectual property rights claims against us.

If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims. Furthermore, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property; cease making, licensing, or using our services or products that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our services or products; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or works; and to indemnify our partners, customers, and other third parties. Any of these events could seriously harm our business, results of operations, and financial condition.

#### ***Failure to protect our intellectual property could substantially harm our business and results of operations.***

Our success depends in part on our ability to enforce and defend our intellectual property rights. We rely upon a combination of trademark, trade secret, copyright, patent, and unfair competition laws, as well as license agreements and other contractual provisions, to do so.

We have filed, and may in the future file, patent applications related to certain of our innovations. We do not know whether those patent applications will result in the issuance of a patent or whether the examination process will require us to narrow our claims. In addition, we may not receive competitive advantages from the rights granted under our patents and other intellectual property. Our existing patents and any patents granted to us or that we otherwise acquire in the future, may be contested, circumvented, or invalidated, and we may not be able to prevent third parties from infringing these patents. Therefore, the extent of the protection afforded by these patents cannot be predicted with certainty. In addition, given the costs, effort, risks, and downside of obtaining patent protection, including the requirement to ultimately disclose the invention to the public, we may choose not to seek patent protection for certain innovations; however, such patent protection could later prove to be important to our business.

We also rely on several registered and unregistered trademarks to protect our brand. Nevertheless, competitors may adopt service names similar to ours, or purchase our trademarks and confusingly similar terms as keywords in internet search engine advertising programs, thereby impeding our ability to build brand identity and possibly leading to confusion in the marketplace. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our trademarks. Any claims or customer confusion related to our trademarks could damage our reputation and brand and substantially harm our business and results of operations.

We attempt to protect our intellectual property, technology, and confidential information by generally requiring our employees and consultants to enter into confidentiality agreements and assignment of inventions agreements and third parties to enter into nondisclosure agreements, all of which offer only limited protection. These agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property, or technology. Despite our efforts to protect our confidential information, intellectual property, and technology, unauthorized third parties may gain access to our confidential proprietary information, develop and market services or products similar to ours, or use trademarks similar to ours, any of which could materially harm our business and results of operations. In addition, others may independently discover our trade secrets and confidential information, and in such cases, we could not assert any trade secret rights against such parties. Existing United States federal, state, and international intellectual property laws offer only limited protection. The laws of some foreign countries do not protect our intellectual property rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as governmental agencies and private parties in the United States. Moreover, policing our intellectual property rights is difficult, costly, and may not always be effective.

51

---

#### [Table of Contents](#)

From time to time, legal action by us may be necessary to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the intellectual property rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, reputation, results of operations, and financial condition. If we are unable to protect our technology and to adequately maintain and protect our intellectual property rights, we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time, and effort required to create the innovative services and products that have enabled us to be successful to date.

***We and our customers rely on technology and intellectual property of third parties, the loss of which could limit the functionality of our services and products and disrupt our business.***

We use technology and intellectual property licensed from unaffiliated third parties in certain of our services and products, and we may license additional third-party technology and intellectual property in the future. Any errors, defects or security issues in this third-party technology and intellectual property or the integration of third-party technology and intellectual property with our services and products could result in errors that could harm our brand and business. Moreover, licensed technology and intellectual property may not continue to be available on commercially reasonable terms, or at all, or otherwise will be subject to restrictions that under applicable law could adversely affect our proprietary software. The loss of the right to license and distribute this third-party technology could limit the functionality of our services and products and might require us to redesign our services and products.

In addition, our Guidewire Cloud offerings rely on third-party hosting and infrastructure services provided by AWS, for the continuous, reliable, and secure operation of servers, related hardware and software, and network infrastructure. A prolonged AWS service disruption or slowdown for any reason could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business.

***Some of our services products and technologies may use “open source” software, which may restrict how we use or distribute our services or require that we release the source code of certain services and products subject to those licenses.***

Some of our services products and technologies may incorporate software licensed under so-called “open source” licenses. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. Additionally, some open source licenses require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. These open source licenses typically mandate that proprietary software, when combined in specific ways with open source software, become subject to the open source license. If we combine our proprietary software in such ways with open source software, we could be required to release the source code of our proprietary software. Further, this third-party technology and intellectual property has the potential for security-related concerns, given that we do not create or maintain such third-party technology and intellectual property that may be exposed to unknown future security risks, such as the Log4j vulnerability.

We take steps to ensure that our proprietary software is not combined with, and does not incorporate, open source software in ways that would require our proprietary software to be subject to many of the restrictions in an open source license. However, few courts have interpreted open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty. Additionally, we rely on hundreds of software programmers to design our proprietary technologies, and although we take steps to prevent our programmers from including objectionable open source software in the technologies and software code that they design, write and modify, we do not exercise complete control over the development efforts of our programmers and we cannot be certain that our programmers have not incorporated such open source software into our proprietary services and products and technologies or that they will not do so in the future. In the event that portions of our proprietary technology are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited

in the licensing of our technologies, each of which could reduce or eliminate the value of our services and technologies and materially and adversely affect our business, results of operations, and prospects.

***We may be obligated to disclose our proprietary source code to our customers, which may limit our ability to protect our intellectual property and could reduce the renewals of our support services.***

Our software license agreements typically contain provisions permitting the customer to become a party to, or a beneficiary of, a source code escrow agreement under which we place the proprietary source code for our applicable services and products in escrow with a third party. Under these escrow agreements, the source code to the applicable product may be released to the customer, typically for its use to maintain, modify, and enhance the product, upon the occurrence of specified events, such as our filing for bankruptcy, discontinuance of our support services, and breaching our representations, warranties, or covenants of our agreements with our customers. Additionally, in some cases, customers have the right to request access to our source code upon demand. Some of our customers have obtained the source code for certain of our services and products by exercising this right, and others may do so in the future.

52

---

[Table of Contents](#)

Disclosing the content of our source code may limit the intellectual property protection we can obtain or maintain for that source code or the services and products containing that source code and may facilitate intellectual property infringement claims against us. It also could permit a customer to which a product's source code is disclosed to support and maintain that software product without being required to purchase our support services. Each of these could harm our business, results of operations, and financial condition.

**Risks Related to Legal, Regulatory, Accounting, and Tax Matters**

***The nature of our business requires the application of accounting guidance that requires management to make estimates and assumptions. Reported results under United States Generally Accepted Accounting Principles ("GAAP") may vary from key metrics used to measure our business. Additionally, changes in accounting guidance may cause us to experience greater volatility in our quarterly and annual results. If we are unsuccessful in adapting to and interpreting the requirements of new guidance, or in clearly explaining to stockholders how new guidance affects reporting of our results of operations, our stock price may decline.***

We prepare our consolidated financial statements to conform to GAAP. These accounting principles are subject to interpretation by the SEC, Financial Accounting Standards Board ("FASB"), and various bodies formed to interpret and create accounting rules and regulations. Accounting standards, such as ASC 606 - Revenue from Contracts with Customers or ASC 842 - Leases, or the guidance relating to interpretation and adoption of standards could have a significant effect on our financial results and could affect our business. Additionally, the FASB and the SEC are focused on the integrity of financial reporting, and our accounting policies are subject to scrutiny by regulators and the public.

We cannot predict the impact of future changes to accounting principles or our related accounting policies on our financial statements going forward. In addition, were we to change our accounting estimates, including those related to the timing of revenue recognition and those used to allocate revenue between various performance obligations, our reported revenue and results of operations could be significantly impacted. If we are unsuccessful in adapting to the requirements of any new standard, or if changes to our go-to-market strategy create new risks, then we may experience greater volatility in our quarterly and annual results, which may cause our stock price to decline.

In addition, GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources.

Further, revenue recognition standards require significant judgment and estimates that impact our reported revenue and results of operations. Additionally, reported revenue has and will vary from the ARR, a non-GAAP metric, and cash flow associated with each customer agreement. For example, for some arrangements with multiple performance obligations, a portion of recurring license and support or subscription contract value is allocated to services revenue for revenue recognition purposes, but does not get allocated for purposes of calculating ARR. This revenue allocation only impacts the initial term of the contract. This means that as we increase arrangements with multiple performance obligations that include services at discounted rates, more of the total contract value will be recognized as services revenue, but our reported ARR amount will not be impacted. This potential difference and variability in the trends of reported amounts may cause volatility in our stock price.

***If we fail to maintain effective internal control over financial reporting or identify a material weakness in our internal control over financial reporting, our ability to report our financial condition and results of operations in a timely and accurate manner could be adversely affected, investor confidence in our Company could diminish, and the value of our common stock may decline.***

Preparing our consolidated financial statements involves a number of complex manual and automated processes, which are dependent upon individual data input or review and require significant management judgment. One or more of these processes may result in errors that may not be detected and could result in a material misstatement of our consolidated financial statements. The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires, among other things, that as a publicly-traded company we disclose whether our internal control over financial reporting and disclosure controls and procedures are effective.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

While we continually undertake steps to improve our internal control over financial reporting as our business changes, we may not be successful in making the improvements and changes necessary to be able to identify and remediate control deficiencies or material weaknesses on a timely basis. If we are unable to successfully remediate any future material weaknesses in our internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected; our liquidity, access to capital markets and perceptions of our creditworthiness may be adversely affected; we may be unable to maintain compliance with securities laws, stock exchange listing requirements and debt instruments covenants regarding the timely filing of periodic reports; we

53

---

[Table of Contents](#)

may be subject to regulatory investigations and penalties; investors may lose confidence in our financial reporting; we may suffer defaults under our debt instruments; and our stock price may decline.

***If tax laws change or we experience adverse outcomes resulting from examination of our income tax returns, it could adversely affect our results of operations.***

We are subject to federal, state, and local income taxes in the United States and in foreign jurisdictions. Our future effective tax rates and the value of our deferred tax assets could be adversely affected by changes in, interpretations of, and guidance regarding tax laws, including impacts of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), the Coronavirus Aid, Relief, Economic Security Act of 2020, the Inflation Reduction Act of 2022, and certain OECD proposals, including the implementation of the global minimum tax under the Pillar Two model rules.

In addition, we are subject to the examination of our income tax returns by the IRS and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from such examinations to determine the adequacy of our provision for income taxes. Significant judgment is required in determining our worldwide provision for income taxes. Although we believe we have made appropriate provisions for taxes in the jurisdictions in which we operate, changes in the tax laws or challenges from tax authorities under existing tax laws could adversely affect our business, financial condition and results of operations.

**Risks Related to Ownership of Our Common Stock**

***Our stock price may be volatile, which could result in securities class action litigation against us.***

The market price of our common stock could be subject to wide fluctuations in response to, among other things, the risk factors described in this report, the timing and amount of any share repurchases by us, and other factors beyond our control, such as fluctuations in the valuation of companies perceived by investors to be comparable to us and research analyst coverage about our business.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political, and market conditions, such as recessions, interest rate changes, inflation or deflation, armed conflict, or international currency fluctuations, have and may continue to affect the market price of our common stock.

In the past, we and many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation and we may become the target of complaints of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from our business, which could seriously harm our business, results of operations, and financial condition.

***We currently do not intend to pay dividends on our common stock and, consequently, the only opportunity to achieve a return on investment is if the price of our common stock appreciates.***

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future. Consequently, the only opportunity to achieve a return on investment in our Company will be if the market price of our common stock appreciates and shares are sold at a profit.

***Certain provisions of our certificate of incorporation and bylaws and of Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.***

Our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that could delay or prevent a merger, acquisition, or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions may also prevent or delay attempts by stockholders to replace or remove our current management or members of our board of directors. These provisions include:

- not providing for cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- authorizing our board of directors to issue, without stockholder approval, preferred stock rights senior to those of common stock, which could be used to significantly dilute the ownership of a hostile acquirer;
- prohibiting stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- limiting the persons who may call special meetings of stockholders, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and

54

**Table of Contents**

- requiring advance notification of stockholder nominations and proposals, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

The affirmative vote of the holders of at least a majority of our shares of capital stock entitled to vote is generally necessary to amend or repeal the above provisions that are contained in our amended and restated certificate of incorporation. Also, absent approval of our board of directors, our amended and restated bylaws may only be amended or repealed by the affirmative vote of the holders of at least 50% of our shares of capital stock entitled to vote.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding common stock, from engaging in certain business combinations without approval of substantially all of our stockholders for a certain period of time.

These and other provisions in our amended and restated certificate of incorporation, our amended and restated bylaws, and under Delaware law could discourage potential takeover attempts, reduce the price that investors might be willing to pay for shares of our common stock in the future and result in the market price of our shares being lower than it would be without these provisions.

***Our amended and restated bylaws designate certain state or federal courts as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us.***

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any state law claim for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders;
- any action asserting a claim arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or
- any action asserting a claim that is governed by the internal affairs doctrine (the "Delaware Forum Provision").

The Delaware Forum Provision will not apply to any causes of action arising under the Securities Act or the Exchange Act. Further, our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the United States District Court for the Northern District of California will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the "Federal Forum Provision"), as we are based in the State of California. In addition, our amended and restated bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the Delaware Forum Provision and the Federal Forum Provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision in our amended and restated bylaws may impose additional litigation costs on stockholders in pursuing any such claims. Additionally, these forum selection clauses may limit our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers or employees (including, without limitation, any claims in respect of stockholder nominations of directors as permitted under our amended and restated bylaws), which may discourage the filing of lawsuits against us and our directors, officers and employees, even though an action, if successful, might benefit our stockholders. In addition, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court are "facially valid" under Delaware law, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be unenforceable, we may incur additional costs associated with resolving such matters. The Federal Forum Provision may also impose additional litigation costs on stockholders who assert that the provision is not enforceable or invalid. The Court of Chancery of the State of Delaware and the United States District Court for the Northern District of California may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

***We cannot guarantee that any share repurchase program will be fully consummated or it will enhance stockholder value, and share repurchases could affect the price of our common stock***

In September 2022, our board of directors authorized and approved a share repurchase program of up to \$400.0 million of our outstanding common stock. As of **October 31, 2023** **January 31, 2024**, \$138.2 million of the share repurchase program remained available for future

55

---

#### [Table of Contents](#)

repurchases. Share repurchases under the program may be made from time to time, in the open market, in privately negotiated transactions and otherwise, at the discretion of management and in accordance with applicable federal securities laws, including Rule 10b-18 of the Exchange Act, and other applicable legal requirements. Such repurchases may also be made in compliance with Rule 10b-5-1 trading plans entered into by us. The timing, pricing, and size of these repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The share repurchase program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time, which may result in a decrease in the price of our common stock. The share repurchase program could affect the price of our common stock, increase volatility, and diminish our cash reserves.

#### General Risk Factors

***If we are unable to retain our personnel and hire and integrate additional skilled personnel, we may be unable to achieve our goals and our business will suffer.***

Our future success depends upon our ability to continue to attract, train, integrate, and retain highly skilled employees, particularly our executive officers, sales and marketing personnel, professional services personnel, cloud operations personnel, and software engineers, especially as we transition to a business model focused on delivering cloud-based offerings. Additionally, our stakeholders increasingly expect us to have a culture that embraces diversity, inclusion, and belonging. Our inability to attract and retain diverse and qualified personnel, or delays in hiring required personnel, may seriously harm our business, results of operations, and financial condition. If U.S. immigration policy related to skilled foreign workers were materially adjusted, such a change could hamper our efforts to hire highly skilled foreign employees, including highly specialized engineers, which would adversely impact our business.

Any one of our executive officers and other key employees could terminate his or her relationship with us at any time. The loss of one or more of our executive officers or key employees, and any failure to have in place and execute an effective succession plan for key executive officers, could significantly delay or prevent us from achieving our business and/or development objectives and could disrupt or materially harm our business. Although we strive to reduce the challenges of any transition, failure to ensure effective transfer of knowledge and a smooth transition could disrupt or adversely affect our business, results of operations, financial condition, and prospects.

We face competition for qualified individuals from numerous software and other technology companies. Competition for qualified personnel is particularly intense in the San Francisco Bay Area, where our headquarters are located, though we also face significant competition in all of our domestic and foreign development centers. Further, significant amounts of time and resources are required to train technical, sales, services, operations, and other personnel. We may incur significant costs to attract, train, and retain such personnel, and we may lose new employees to our competitors or other technology companies before we realize the benefit of our investment after recruiting and training them.

Also, to the extent that we hire personnel from competitors, we may be subject to allegations that such personnel have been improperly solicited or have divulged proprietary or other confidential information. In addition, we have a limited number of sales people and the loss of several sales people within a short period of time could have a negative impact on our sales efforts. Additionally, current global events and recent economic conditions have increased attrition and decreased the number of available candidates for open positions, which has increased the time to identify and hire new employees. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing technical, operational, and managerial requirements, including managing employees and contractors remotely or in a hybrid environment, or we may be required to pay increased compensation in order to do so.

Further, our ability to expand geographically depends, in large part, on our ability to attract, retain, and integrate managers with the appropriate skills to lead the local business and employees. Similarly, our profitability depends on our ability to effectively utilize personnel with the right mix of skills and experience to perform services for our clients, including our ability to transition employees to new assignments on a timely basis. If we are unable to effectively deploy our employees globally on a timely basis to fulfill the needs of our clients, our reputation could suffer and our ability to attract new clients may be harmed.

Because of the technical nature of our services and products and the dynamic market in which we compete, any failure to attract, integrate, and retain qualified direct sales, professional services, cloud operations, and product development personnel, as well as our contract workers, could harm our ability to generate sales, deliver consulting services, manage our customers' cloud environments, or successfully develop new services and products and enhancements of existing services and products.

***Increased and complex scrutiny of environmental, social, and governance ("ESG") matters may require us to incur additional costs or otherwise adversely impact our business.***

Increased investor, governmental, and societal attention to and expectations around the wide range of issues generally referred to as ESG matters and our response to the same, may result in increased costs (including, but not limited to, increased costs related to

56

---

[Table of Contents](#)

compliance, stakeholder engagement and contracting), impact our reputation, or otherwise negatively affect our business performance. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on ESG matters, while other organizations are pushing corporations not to focus on ESG matters in decision making. Both unfavorable ESG ratings and engaging in activities designed to improve such ratings could lead to negative investor sentiment toward us and/or our industry, which could have a negative impact on our access to and costs of capital. To the extent ESG matters negatively impact our reputation, we may also not be able to compete as effectively to recruit or retain employees. We may take certain actions in relation to ESG matters in response to stakeholder demand; however, such actions may be costly or be subject to numerous conditions that are outside our control, and we cannot guarantee that such actions will have the desired effect or outcome.

Moreover, while we may create and publish voluntary disclosures regarding ESG matters (in particular, information related to environmental and human capital matters) from time to time, many of the statements in such voluntary disclosures are based on certain expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring and reporting on many environmental and human capital matters. Such disclosures may also be at least partially reliant on third-party information that we have not independently verified or that otherwise cannot be independently verified.

Statements about our environmental and human capital initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. If our related data, processing and reporting are incomplete or otherwise inaccurate, or if we fail to achieve progress on certain metrics on a timely basis, our reputation, business, financial performance and growth could be adversely affected.

In addition, we expect there will likely be increasing levels of regulation, disclosure-related and otherwise, with respect to ESG matters, and increased regulation will likely lead to increased compliance costs as well as scrutiny that could heighten all of the associated risks identified in this risk factor. Such compliance matters may also impact our customers, which could adversely impact our business, financial condition, or results of operations.

***Our customers may defer or forego purchases of our services or products in the event of weakened global economic conditions, political transitions, and industry consolidation.***

General worldwide economic conditions remain unstable, and prolonged economic uncertainties or downturns could harm our business, results of operations, or financial condition. In particular, global inflation concerns, the ongoing wars between Israel and Hamas and between Russia and Ukraine, the recent pandemic, and escalating tensions in the South China Sea, have created and may continue to create global economic uncertainty in regions in which we have significant operations. These conditions may make it difficult for our customers and us to forecast and plan future business activities accurately, and could cause our customers to reevaluate their decision to purchase our services and products, which could delay and lengthen our sales cycles, delay or increase pricing pressures on services engagements, or result in cancellations of planned purchases. Moreover, during challenging economic times our customers may face issues in gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. If that were to occur, we may not receive amounts owed to us and may be required to record an accounts receivable allowance, which would adversely affect our financial results. A substantial downturn in the P&C insurance industry may cause firms to react to worsening conditions by reducing their capital expenditures, reducing their spending on information technology, delaying or canceling information technology projects, or seeking to lower their costs by renegotiating vendor contracts. Negative or worsening conditions in the general economy both in the United States and abroad, including conditions resulting from financial and credit market fluctuations and inflation, could cause a decrease in corporate spending on enterprise software in general, and in the insurance industry specifically, and negatively affect the rate of growth of our business.

Furthermore, the increased pace of consolidation in the P&C insurance industry may result in reduced overall spending on our services products and products professional services. Acquisitions of customers or potential customers can delay or cancel sales cycles or result in existing arrangements not being renewed and because we cannot predict the timing or duration of such acquisitions, our results of operations could be materially impacted.

***Factors outside of our control, including, but not limited to, natural catastrophes, the geopolitical landscape, and terrorism may adversely impact the P&C insurance industry, preventing us from expanding or maintaining our existing customer base and increasing our revenue. Our business is subject to the risks of***

[Table of Contents](#)

Our customers are P&C insurers that have experienced, and will likely experience in the future, losses from catastrophes or terrorism that may adversely impact their businesses. Catastrophes can be caused by various events, including, without limitation, hurricanes, tsunamis, floods, windstorms, earthquakes, hail, tornadoes, explosions, severe weather, excessive heat, epidemics, pandemics, and fires. Climate change and other environmental factors are contributing to an increase in erratic weather patterns globally and intensifying the impact of certain types of catastrophes. Moreover, acts of terrorism or armed conflict or uncertainty in the geopolitical landscape, including as a result of escalation in the ongoing wars between Israel and Hamas and between Russia and Ukraine as well as the escalation of tensions in the South China Sea, could cause disruptions to our business or our customers' businesses or the economy as a whole. The risks associated with natural catastrophes, the geopolitical landscape, and terrorism are inherently unpredictable, and it is difficult to forecast the timing of such events or estimate the amount of losses they will generate. Recently, for example, various parts of the United States have suffered extensive damage due to hurricanes, droughts, floods, severe heat and cold events, fires, and other natural disasters, the island of Maui in the State of Hawaii has experienced severe fires, Turkey and Syria have experienced severe earthquakes, Germany, Pakistan, and other parts of Europe have experienced flooding, Canada has experienced fires, and Australia has experienced extensive damage due to fires and flooding. The combined and expected effect of those losses on P&C insurers is significant. Such losses and losses due to future events may adversely impact our current or potential customers, which may prevent us from maintaining or expanding our customer base and increasing our revenue, as such events may cause customers to postpone purchases and professional service engagements or to discontinue existing projects.

Our corporate headquarters and the majority of our operations are located in the San Francisco Bay Area, a region known for seismic activity and near an area subject to severe fire damage. A significant natural disaster, such as an earthquake, tsunami, fire, flood, epidemic, or pandemic could have a material adverse impact on our business, results of operations, and financial condition.

In addition, our information technology systems are vulnerable to computer viruses, break-ins, and similar disruptions from unauthorized tampering, such as the Log4j vulnerability. To the extent that such disruptions result in delays or cancellations of customer orders or collections, or the deployment or availability of our services and products, our business, results of operations, and financial condition would be adversely affected.

***Adverse developments affecting certain financial institutions, as well as the banking system as a whole, could negatively affect our current and projected business operations and our financial condition and results of operations.***

Adverse developments that may affect certain financial institutions and the banking system as a whole, such as events involving liquidity that are either rumored or actual, have in the past and may in the future lead to bank failures and market-wide liquidity concerns. On March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. Up until March of 2023, our primary banking partner in the United States was Silicon Valley Bank. Since such time, we have further diversified our banking relationships. In connection with such developments, we have not experienced any material adverse impact to our cash flow or to our current and projected business operations, financial condition or results of operations. Although we are continuing to evaluate and diversify our banking relationships, uncertainty remains over liquidity concerns in the broader financial services industry. As a consequence, our business, our business partners, or industry as a whole may be adversely impacted in ways that we cannot predict at this time. Uncertainty remains over liquidity concerns in the broader financial services industry, and there may be additional impacts to our business and our industry that we cannot currently predict. Further, a significant portion of our assets are held in cash, cash equivalent and marketable securities. If any financial uncertainty were to impact a broad segment of the financial services industry, our enterprise value and our future prospects could be harmed or otherwise negatively impacted.

***Our revenue, results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Australian Dollar, British Pound, Canadian Dollar, Euro, Indian Rupee, and Polish Zloty.***

The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. Although we believe our operating activities act as a natural hedge for a majority of our foreign currency exposure at the cash flow or operating income level because we typically collect revenue and incur costs in the currency of the location in which we provide our software and services, our relationships with our customers are long-term in nature so it is difficult to predict if our operating activities will provide a natural hedge in the future. In addition, because our contracts are characterized by large annual payments, significant fluctuations in foreign currency exchange rates that coincide with annual payments may affect our cash flows, revenue or financial results in such quarter. Our results of operations may also be impacted by transaction gains or losses related to revaluing certain current asset and liability balances that are denominated in currencies other than the functional currency of the entity in which they are recorded. Moreover, significant and unforeseen changes in foreign currency exchange rates may cause us to fail to achieve our stated projections for revenue, ARR, and operating income, which could have an adverse effect on our stock price. We do business in Argentina, which is experiencing extremely high inflation and currency fluctuations. The Argentina government has placed restrictions on sending U.S. dollars outside of the country, which has impacted our customers' timeliness in paying their obligations to us and could impact the collectibility of our accounts receivable in such respects. While we have limited currency exchange exposure to the Russian Ruble, we expect global exchange rates for various currencies may be more volatile than normal as a result of the ongoing wars between Israel

[Table of Contents](#)

and Hamas and between Russia and Ukraine and related events. We will

[Table of Contents](#)

continue to experience fluctuations in foreign currency exchange rates, which, if material, may harm our revenue or results of operations.

**Servicing our indebtedness requires a significant amount of cash. We may not have sufficient cash flow from our business to pay our substantial indebtedness, and we may not have the ability to raise the funds necessary to settle for cash conversions of the Convertible Senior Notes or to repurchase the Convertible Senior Notes upon a fundamental change, which could adversely affect our business and results of operations.**

As of **October 31, 2023** **January 31, 2024**, we had outstanding an aggregate principal amount of \$400.0 million of our 1.25% Convertible Senior Notes due 2025 (the "Convertible Senior Notes"). Our indebtedness may increase our vulnerability to any generally adverse economic and industry conditions, and we and our subsidiaries may, subject to the limitations in the terms of our existing and future indebtedness, incur additional debt, secure existing or future debt, or recapitalize our debt. If we incur additional indebtedness, the risks related to our business would increase and our ability to service or repay our indebtedness may be adversely impacted.

Pursuant to their terms, holders may convert their Convertible Senior Notes at their option prior to the scheduled maturities of their Convertible Senior Notes under certain circumstances. Upon conversion of the Convertible Senior Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be obligated to make cash payments. In addition, holders of our Convertible Senior Notes will have the right to require us to repurchase their Convertible Senior Notes upon the occurrence of a fundamental change (as defined in the Indenture, dated as of March 13, 2018, between the Company and U.S. Bank National Association, as trustee (the "Trustee") (the "Base Indenture"), as amended and supplemented by the First Supplemental Indenture, dated as of March 13, 2018, between the Company and the Trustee (together with the Base Indenture, the "Indenture")) at a repurchase price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus accrued and unpaid interest, if any, to, but not including, the fundamental change purchase date. Although it is our intention and we currently expect to have the ability to settle the Convertible Senior Notes in cash, there is a risk that we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Senior Notes surrendered therefor or Convertible Senior Notes being converted. In addition, our ability to make payments may be limited by law, by regulatory authority, or by agreements governing our future indebtedness. Our failure to repurchase Convertible Senior Notes at a time when the repurchase is required by the Indenture or to pay any cash payable on future conversions of the Convertible Senior Notes as required by such Indenture would constitute a default under such Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Convertible Senior Notes or make cash payments upon conversions thereof.

Our ability to make scheduled payments of the principal and interest on our indebtedness when due or to make payments upon conversion or repurchase demands with respect to our Convertible Senior Notes, or to refinance our indebtedness as we may need or desire, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our existing indebtedness, and any future indebtedness we may incur, and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance existing or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our existing or future indebtedness and have a material adverse effect on our business, results of operations, and financial condition.

***The conditional conversion feature of the Convertible Senior Notes, if triggered, may adversely affect our financial condition and results of operations.***

In the event the conditional conversion feature of the notes is triggered, holders of our Convertible Senior Notes will be entitled to convert the Convertible Senior Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Senior Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Senior Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***Transactions relating to our Convertible Senior Notes may affect the value of our common stock.***

The conversion of some or all of the Convertible Senior Notes would dilute the ownership interests of existing stockholders to the extent we satisfy our conversion obligation by delivering shares of our common stock upon any conversion of such Convertible Senior Notes. Our Convertible Senior Notes may become in the future convertible at the option of their holders under certain circumstances. If holders of our Convertible Senior Notes elect to convert their notes, we may settle our conversion obligation by delivering to them a significant number of shares of our common stock, which would cause dilution to our existing stockholders.

59

---

[Table of Contents](#)

In connection with the issuance of the Convertible Senior Notes, we entered into capped call transactions with certain financial institutions (the "option counterparties"). The capped call transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of the notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap.

From time to time, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Convertible Senior Notes. This activity could cause a decrease in the market price of our common stock.

***The accounting method for convertible debt securities that may be settled in cash, such as the Convertible Senior Notes, could have a material effect on our reported financial results.***

In August 2020, the FASB issued Accounting Standards Update ("ASU") 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), which we adopted on August 1, 2022. The ASU simplifies the accounting for convertible instruments, and among other things, eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. When calculating diluted EPS, the if-converted method requires us to assume that convertible debt instruments (and any applicable conversion premium) are converted to common stock as of the beginning of the period presented regardless of the price of our stock in periods that we have net income. Additionally, the if-converted method does not allow us to offset the impact of our capped call transactions on the calculation. We expect that such calculations will negatively affect our reported diluted EPS in the periods that we have net income irrespective of actual conversion of the Convertible Senior Notes.

**We are subject to counterparty risk with respect to the capped call transactions.**

The option counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past and recent global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the capped call transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

**ITEM 5. Other Information**

For purposes During the three months ended January 31, 2024, our officer listed below adopted a trading arrangement for the sale of this Item 5, "Net Shares" shall mean the shares of our common stock that in amounts and prices set forth in such plan:

Name and Title	Action	Date	Number of Shares to be Sold
John Mullen, President, Chief Revenue Officer	Adoption (1)	January 12, 2024	Up to 12,150

(1) Intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) with sales occurring periodically from the estimated selling start date of April 15, 2024 and continuing through December 31, 2024.

In addition to sales under Rule 10b5-1(c) plans, shares are received by the holder thereof in a given sold at vesting period for RSUs after such holder first engages in a sell-to-cover transaction to cover the holder's tax liability associated with the vesting of such RSUs.

On October 12, 2023, James Winston King, Chief Administrative Officer and General Counsel, adopted a Rule 10b5-1 trading arrangement ("10b5-1 Plan") that is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act. The 10b5-1 Plan allows for the sale of up to: (i) 105 stock option shares, plus (ii) 100% of the Net Shares acquired by Mr. King resulting from the vesting of 11,100 RSUs during the term of such 10b5-1 Plan, plus (iii) 75% of the Net Shares acquired by Mr. King resulting from the vesting of 8,899 RSUs during the term of such 10b5-1 Plan; with the specific amount of shares to be sold being dependent on the market price of the shares of our common stock and certain specified values, commencing on January 11, 2024 and continuing through December 31, 2024.

On October 12, 2023, Jeff Cooper, Chief Financial Officer, adopted a 10b5-1 Plan that is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act. The 10b5-1 Plan allows for the sale of 50% of the Net Shares acquired by Mr. Cooper from the vesting of 39,574 RSUs during the term of such 10b5-1 Plan at then current market prices of the shares of our common stock, commencing on January 16, 2024 and continuing through December 31, 2024.

60

[Table of Contents](#)

**ITEM 6. Exhibits**

The exhibits listed below are filed or incorporated by reference as part of this Report.

Exhibit Number	Exhibit Number	Description	Incorporated by Reference From			Exhibit Number	Date Filed	Exhibit Number	Incorporated by Reference From		
			Form	Exhibit Number	Date				Form	Exhibit Number	
3.1	3.1	Amended and Restated Certificate of Incorporation	8-K	3.1	December 21, 2022	3.1			Amended and Restated Certificate of Incorporation	8-K	3.1
3.2	3.2	Amended and Restated Bylaws	8-K	3.2	December 21, 2022	3.2			Amended and Restated Bylaws	8-K	3.2

<u>4.1</u>	<u>4.1</u>	Form of Common Stock Certificate of the Registrant	S-1/A	4.1	January 9, 2012	4.1	<u>Form of Common Stock Certificate of the Registrant</u>	S-1/A	4.1
		10.1							
		31.1							
		31.1	Certification of the Chief Executive Officer						
<u>31.1</u>	<u>31.1</u>	pursuant to Section 302 of the Sarbanes- Oxley Act		Filed herewith					
		31.2	Certification of the Chief Financial Officer						
<u>31.2</u>	<u>31.2</u>	pursuant to Section 302 of the Sarbanes- Oxley Act		Filed herewith					
		31.2							
		31.2							
		32.1*							
		32.1*	Certification of the Chief Executive Officer and the Chief Financial Officer						
<u>32.1*</u>	<u>32.1*</u>	pursuant to Section 906 of the Sarbanes- Oxley Act		Furnished herewith					
101.INS	101.INS	Inline XBRL Instance Document		Filed herewith					
		101.INS							
		101.INS							
		101.SCH							
		101.SCH	Inline XBRL Taxonomy Extension Schema Document						
		101.SCH		Filed herewith					
101.CAL	101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document		Filed herewith					
		101.CAL							
		101.CAL							
		101.DEF							
		101.DEF							

101.DEF	101.DEF	Inline XBRL	
		Taxonomy	
		Extension	
		Definition	
		Linkbase	
		Document	Filed herewith
101.LAB	101.LAB	Inline XBRL	
		Taxonomy	
		Extension Label	
		Linkbase	
		Document	Filed herewith
	101.LAB		
	101.LAB		
	101.PRE		
	101.PRE		
101.PRE	101.PRE	Inline XBRL	
		Taxonomy	
		Extension	
		Presentation	
		Linkbase	
		Document	Filed herewith
104	104	Cover Page	
		Interactive Data	
		File (formatted as	
		Inline XBRL with	
		applicable	
		taxonomy	
		extension	
		information	
		contained in	
		Exhibits 101)	Filed herewith
	104		
	104		

\* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

61

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 7, 2023

GUIDEWIRE SOFTWARE, INC.

By: /s/ JEFF COOPER

Jeff Cooper

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 10.1

#### GUIDEWIRE SOFTWARE, INC.

#### AMENDED AND RESTATED 2020 STOCK PLAN

## SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Guidewire Software, Inc. Amended and Restated 2020 Stock Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and Consultants of Guidewire Software, Inc. (the "Company") and its Affiliates upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

"Act" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"Administrator" means either the Board or the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two Non-Employee Directors who are independent.

"Affiliate" means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405 of the Act. The Board will have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

"Award" or "Awards," except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Units, Restricted Stock Awards, Unrestricted Stock Awards, Cash-Based Awards, and Dividend Equivalent Rights.

"Award Certificate" means a written or electronic document setting forth the terms and provisions applicable to an Award granted under the Plan. Each Award Certificate is subject to the terms and conditions of the Plan.

"Board" means the Board of Directors of the Company.

"Cash-Based Award" means an Award entitling the recipient to receive a cash-denominated payment.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

"Consultant" means a consultant or adviser who provides *bona fide* services to the Company or an Affiliate as an independent contractor and who qualifies as a consultant or advisor under Instruction A.1.(a)(1) of Form S-8 under the Act.

"Dividend Equivalent Right" means an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the

1

---

Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the grantee.

"Effective Date" means the date on which the Plan becomes effective as set forth in Section 19.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Fair Market Value" of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that if the Stock is listed on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), NASDAQ Global Market, The New York Stock Exchange or another national securities exchange or traded on any established market, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations.

"Incentive Stock Option" means any Stock Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

*"Non-Employee Director"* means a member of the Board who is not also an employee of the Company or any Subsidiary.

*"Non-Qualified Stock Option"* means any Stock Option that is not an Incentive Stock Option.

*"Option" or "Stock Option"* means any option to purchase shares of Stock granted pursuant to Section 5.

*"Restricted Shares"* means the shares of Stock underlying a Restricted Stock Award that remain subject to a risk of forfeiture or the Company's right of repurchase.

*"Restricted Stock Award"* means an Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant.

*"Restricted Stock Units"* means an Award of stock units subject to such restrictions and conditions as the Administrator may determine at the time of grant.

*"Sale Event"* shall mean (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Stock of the Company to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company.

*"Sale Price"* means the value as determined by the Administrator of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to a Sale Event.

2

---

*"Section 409A"* means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

*"Service Relationship"* means any relationship as an employee, director or Consultant of the Company or any Affiliate (e.g., a Service Relationship shall be deemed to continue without interruption in the event an individual's status changes from full-time employee to part-time employee or Consultant).

*"Stock"* means the Common Stock, par value \$0.0001 per share, of the Company, subject to adjustments pursuant to Section 3.

*"Stock Appreciation Right"* means an Award entitling the recipient to receive shares of Stock (or cash, to the extent explicitly provided for in the applicable Award Certificate) having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

*"Subsidiary"* means any corporation or other entity (other than the Company) in which the Company has at least a 50 percent interest, either directly or indirectly.

*"Ten Percent Owner"* means an employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation.

*"Unrestricted Stock Award"* means an Award of shares of Stock free of any restrictions.

## **SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS**

(a) *Administration of Plan.* The Plan shall be administered by the Administrator.

(b) **Powers of Administrator.** The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

- (i) to select the individuals to whom Awards may from time to time be granted;
- (ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Unrestricted Stock Awards, Cash-Based Awards, and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more grantees;
- (iii) to determine the number of shares of Stock to be covered by any Award;
- (iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and grantees, and to approve the forms of Award Certificates;
- (v) to accelerate at any time the exercisability or vesting of all or any portion of any Award in circumstances involving the grantee's death or disability;
- (vi) subject to the provisions of Section 5(c), to extend at any time the period in which Stock Options may be exercised; and

3

---

(vii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan grantees.

(c) **Delegation of Authority to Grant Awards.** Subject to applicable law, the Administrator, in its discretion, may delegate to a committee consisting of one or more officers of the Company including the Chief Executive Officer of the Company all or part of the Administrator's authority and duties with respect to the granting of Awards to individuals who are (i) not subject to the reporting and other provisions of Section 16 of the Exchange Act and (ii) not members of the delegated committee. Any such delegation by the Administrator shall include a limitation as to the amount of Stock underlying Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

(d) **Award Certificate.** Awards under the Plan shall be evidenced by Award Certificates that set forth the terms, conditions and limitations for each Award which may include, without limitation, the term of an Award and the provisions applicable in the event employment or service terminates.

(e) **Indemnification.** Neither the Board nor the Administrator, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Administrator (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under the Company's articles or bylaws or any directors' and officers' liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

(f) **Foreign Award Recipients.** Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have employees or other individuals eligible for Awards, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Subsidiaries shall be covered by the Plan; (ii) determine which individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to individuals outside the United States to comply with applicable foreign laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Administrator determines such actions to be necessary or advisable (and such subplans and/or modifications shall be attached to this Plan as

appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 3(a) hereof; and (v) take any action, before or after an Award is made, that the Administrator determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

4

---

### **SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION**

(a) **Stock Issuable.** The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 10,580,000 shares, subject to adjustment as provided in this Section 3. For purposes of this limitation, the shares of Stock underlying any awards under the Plan and under the Company's 2011 Stock Plan that are forfeited, canceled, or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan and, to the extent permitted under Section 422 of the Code and the regulations promulgated thereunder, the shares of Stock that may be issued as Incentive Stock Options. Notwithstanding the foregoing, the following shares shall not be added to the shares authorized for grant under the Plan: (i) shares tendered or held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, and (ii) shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right upon exercise thereof. In the event the Company repurchases shares of Stock on the open market, such shares shall not be added to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that no more than 10,580,000 shares of the Stock may be issued in the form of Incentive Stock Options. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

(b) **Changes in Stock.** Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, including the maximum number of shares that may be issued in the form of Incentive Stock Options, (ii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iii) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award, and (iv) the exercise price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of shares subject to Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The Administrator shall also make equitable or proportionate adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

(c) **Mergers and Other Transactions.** In the case of and subject to the consummation of a Sale Event, the parties thereto may cause the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree. To the extent the parties to such Sale Event do not provide for the assumption, continuation or substitution of Awards, upon the effective time of the Sale Event, the Plan and all outstanding Awards granted hereunder shall terminate. In such case, except as may be otherwise provided in

5

---

the relevant Award Certificate, all Options and Stock Appreciation Rights with time-based vesting conditions or restrictions that are not vested and/or exercisable immediately prior to the effective time of the Sale Event shall become fully vested and exercisable as of the effective time of the Sale Event, all other Awards with time-based vesting, conditions or restrictions shall become fully vested and nonforfeitable as of the effective time of the Sale Event, and all Awards with conditions and restrictions relating to the attainment of performance goals may become vested and nonforfeitable in connection with a Sale Event to the extent specified in the relevant Award Certificate. In the event of such termination, (i) the Company shall have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding Options and Stock Appreciation Rights, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the Sale Price multiplied by the number of shares of Stock subject to outstanding Options and Stock Appreciation Rights (to the extent then exercisable at prices not in excess of the Sale Price) and (B) the aggregate exercise price of all such outstanding Options and Stock Appreciation Rights (provided that, in the case of an Option or Stock Appreciation Right with an exercise price equal to or greater than the Sale Price, such Option or Stock Appreciation Right shall be cancelled for no consideration); or (ii) each grantee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Administrator, to exercise all outstanding Options and Stock Appreciation Rights (to the extent then exercisable) held by such grantee. The Company shall also have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding other Awards in an amount equal to the Sale Price multiplied by the number of vested shares of Stock under such Awards.

(d) Maximum Awards to Non-Employee Directors. Notwithstanding anything to the contrary in this Plan, the value of all Awards awarded under this Plan and all other cash compensation paid by the Company to any Non-Employee Director in any calendar year shall not exceed \$750,000. For the purpose of this limitation, the value of any Award shall be its grant date fair value, as determined in accordance with ASC 718 or successor provision but excluding the impact of estimated forfeitures related to service-based vesting provisions.

#### SECTION 4. ELIGIBILITY

Grantees under the Plan will be such employees, Non-Employee Directors or Consultants of the Company and its Affiliates as are selected from time to time by the Administrator in its sole discretion; provided that Awards may not be granted to employees, Directors or Consultants who are providing services only to any "parent" of the Company, as such term is defined in Rule 405 of the Act, unless (i) the stock underlying the Awards is treated as "service recipient stock" under Section 409A or (ii) the Company has determined that such Awards are exempt from or otherwise comply with Section 409A.

#### SECTION 5. STOCK OPTIONS

(a) Award of Stock Options. The Administrator may grant Stock Options under the Plan. Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

Stock Options granted pursuant to this Section 5 shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the

6

---

terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the optionee's election, subject to such terms and conditions as the Administrator may establish.

(b) **Exercise Price.** The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the exercise price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date. Notwithstanding the foregoing, Stock Options may be granted with an exercise price per share that is less than 100 percent of the Fair Market Value on the date of grant (i) pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code, (ii) to individuals who are not subject to U.S. income tax on the date of grant or (iii) the Stock Option is otherwise compliant with Section 409A.

(c) **Option Term.** The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than ten years after the date the Stock Option is granted. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the term of such Stock Option shall be no more than five years from the date of grant.

(d) **Exercisability; Rights of a Stockholder.** Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date. Subject to Section 2(b)(v), the Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(e) **Method of Exercise.** Stock Options may be exercised in whole or in part, by giving written or electronic notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods except to the extent otherwise provided in the Award Certificate:

(i) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(ii) Through the delivery (or attestation to the ownership following such procedures as the Company may prescribe) of shares of Stock that are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Company shall prescribe as a condition of such payment procedure; or

(iv) With respect to Stock Options that are not Incentive Stock Options, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price.

Payment instruments will be received subject to collection. The transfer to the optionee on the records of the Company or of the transfer agent of the shares of Stock to be purchased pursuant

7

---

to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Award Certificate or applicable provisions of laws (including the satisfaction of any withholding taxes that the Company is obligated to withhold with respect to the optionee). In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of attested shares. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Stock Options, such as a system using an internet website or interactive voice response, then the paperless exercise of Stock Options may be permitted through the use of such an automated system.

(f) **Annual Limit on Incentive Stock Options.** To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under

this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

## SECTION 6. STOCK APPRECIATION RIGHTS

(a) Award of Stock Appreciation Rights. The Administrator may grant Stock Appreciation Rights under the Plan. A Stock Appreciation Right is an Award entitling the recipient to receive shares of Stock (or cash, to the extent explicitly provided for in the applicable Award Certificate) having a value equal to the excess of the Fair Market Value of a share of Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

(b) Exercise Price of Stock Appreciation Rights. The exercise price of a Stock Appreciation Right shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant.

(c) Grant and Exercise of Stock Appreciation Rights. Stock Appreciation Rights may be granted by the Administrator independently of any Stock Option granted pursuant to Section 5 of the Plan.

(d) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined on the date of grant by the Administrator. The term of a Stock Appreciation Right may not exceed ten years. The terms and conditions of each such Award shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees.

## SECTION 7. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. The Administrator may grant Restricted Stock Awards under the Plan. A Restricted Stock Award is any Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other Service Relationship) and/or achievement of pre-established performance goals and objectives.

8

---

(b) Rights as a Stockholder. Upon the grant of the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a stockholder with respect to the voting of the Restricted Shares and receipt of dividends; provided that if the lapse of restrictions with respect to the Restricted Stock Award is tied to the attainment of vesting conditions, any dividends paid by the Company shall accrue and shall not be paid to the grantee until and to the extent the vesting conditions are met with respect to the Restricted Stock Award. Unless the Administrator shall otherwise determine, (i) uncertificated Restricted Shares shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Shares are vested as provided in Section 7(d) below, and (ii) certificated Restricted Shares shall remain in the possession of the Company until such Restricted Shares are vested as provided in Section 7(d) below, and the grantee shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Administrator may prescribe.

(c) Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award Certificate. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 16 below, in writing after the Award is issued, if a grantee's employment (or other Service Relationship) with the Company and its Subsidiaries terminates for any reason, any Restricted Shares that have not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price (if any) from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other Service Relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a stockholder. Following such deemed reacquisition of Restricted Shares that are represented by physical certificates, a grantee shall surrender such certificates to the Company upon request without consideration.

(d) Vesting of Restricted Shares. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Shares and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Shares and shall be deemed "vested."

## SECTION 8. RESTRICTED STOCK UNITS

(a) Nature of Restricted Stock Units. The Administrator may grant Restricted Stock Units under the Plan. A Restricted Stock Unit is an Award of stock units that may be settled in shares of Stock (or cash, to the extent explicitly provided for in the Award Certificate) upon the satisfaction of such restrictions and conditions at the time of grant. Conditions may be based on continuing employment (or other Service Relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees. Except in the case of Restricted Stock Units with a deferred settlement date that complies with Section 409A, at the end of the vesting period, the Restricted Stock Units, to the extent vested, shall be settled in the form of shares of Stock. Restricted Stock Units with deferred settlement dates are subject to Section 409A and shall contain such additional terms and conditions as the Administrator shall determine in its sole discretion in order to comply with the requirements of Section 409A.

(b) Election to Receive Restricted Stock Units in Lieu of Compensation. The Administrator may, in its sole discretion, permit a grantee to elect to receive a portion of future

9

---

cash compensation otherwise due to such grantee in the form of an award of Restricted Stock Units. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with Section 409A and such other rules and procedures established by the Administrator. Any such future cash compensation that the grantee elects to defer shall be converted to a fixed number of Restricted Stock Units based on the Fair Market Value of Stock on the date the compensation would otherwise have been paid to the grantee if such payment had not been deferred as provided herein. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate. Any Restricted Stock Units that are elected to be received in lieu of cash compensation shall be fully vested, unless otherwise provided in the Award Certificate.

(c) Rights as a Stockholder. A grantee shall have the rights as a stockholder only as to shares of Stock acquired by the grantee upon settlement of Restricted Stock Units; provided, however, that the grantee may be credited with Dividend Equivalent Rights with respect to the stock units underlying his Restricted Stock Units, subject to the provisions of Section 11 and such terms and conditions as the Administrator may determine.

(d) Termination. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 16 below, in writing after the Award is issued, a grantee's right in all Restricted Stock Units that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of Service Relationship) with the Company and its Subsidiaries for any reason.

## SECTION 9. UNRESTRICTED STOCK AWARDS

Grant or Sale of Unrestricted Stock. The Administrator may grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award under the Plan. An Unrestricted Stock Award is an Award pursuant to which the grantee may receive shares of Stock free of any restrictions under the Plan. Unrestricted Stock Awards may be granted in respect of past services or other valid consideration, or in lieu of cash compensation due to such grantee.

## SECTION 10. CASH-BASED AWARDS

Grant of Cash-Based Awards. The Administrator may grant Cash-Based Awards under the Plan. A Cash-Based Award is an Award that entitles the grantee to a payment in cash upon the attainment of specified performance goals. The Administrator shall determine the maximum duration of the Cash-Based Award, the amount of cash to which the Cash-Based Award pertains, the conditions upon which the Cash-Based Award shall become vested or payable, and such other provisions as the Administrator shall determine. Each Cash-Based Award shall specify a cash-denominated payment amount, formula or payment ranges as determined by the Administrator. Payment, if any, with respect to a Cash-Based Award shall be made in accordance with the terms of the Award and may be made in cash.

## SECTION 11. DIVIDEND EQUIVALENT RIGHTS

(a) **Dividend Equivalent Rights.** The Administrator may grant Dividend Equivalent Rights under the Plan. A Dividend Equivalent Right is an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other Award to which it relates) if such shares had been issued to the grantee. A Dividend Equivalent Right may be granted hereunder to any grantee as a component of an award of Restricted Stock Units or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the Award Certificate. Dividend

10

---

equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of another Award shall provide that such Dividend Equivalent Right shall be settled only upon vesting, settlement or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award.

(b) **Termination.** Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 16 below, in writing after the Award is issued, a grantee's rights in all Dividend Equivalent Rights shall automatically terminate upon the grantee's termination of employment (or cessation of Service Relationship) with the Company and its Subsidiaries for any reason.

## SECTION 12. TRANSFERABILITY OF AWARDS

(a) **Transferability.** Except as provided in Section 12(b) below, during a grantee's lifetime, his or her Awards shall be exercisable only by the grantee, or by the grantee's legal representative or guardian in the event of the grantee's incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a grantee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) **Administrator Action.** Notwithstanding Section 12(a), the Administrator, in its discretion, may provide either in the Award Certificate regarding a given Award or by subsequent written approval that the grantee (who is an employee or director) may transfer his or her Non-Qualified Stock Options to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award. In no event may an Award be transferred by a grantee for value.

(c) **Family Member.** For purposes of Section 12(b), "family member" shall mean a grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the grantee's household (other than a tenant of the grantee), a trust in which these persons (or the grantee) have more than 50 percent of the beneficial interest, a foundation in which these persons (or the grantee) control the management of assets, and any other entity in which these persons (or the grantee) own more than 50 percent of the voting interests.

(d) **Designation of Beneficiary.** To the extent permitted by the Company, each grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the grantee's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased grantee, or if the designated beneficiaries have predeceased the grantee, the beneficiary shall be the grantee's estate.

11

---

## SECTION 13. TAX WITHHOLDING

(a) Payment by Grantee. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld by the Company with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee. The Company's obligation to deliver evidence of book entry (or stock certificates) to any grantee is subject to and conditioned on tax withholding obligations being satisfied by the grantee.

(b) Payment in Stock. The Administrator may require the Company's tax withholding obligation to be satisfied, in whole or in part, by the Company withholding from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due; provided, however, that the amount withheld does not exceed the maximum statutory tax rate or such lesser amount as is necessary to avoid liability accounting treatment. For purposes of share withholding, the Fair Market Value of withheld shares shall be determined in the same manner as the value of Stock includable in income of the grantees. The Administrator may also require the Company's tax withholding obligation to be satisfied, in whole or in part, by an arrangement whereby a certain number of shares of Stock issued pursuant to any Award are immediately sold and proceeds from such sale are remitted to the Company in an amount that would satisfy the withholding amount due.

## SECTION 14. SECTION 409A AWARDS

Awards are intended to be exempt from Section 409A to the greatest extent possible and to otherwise comply with Section 409A. The Plan and all Awards shall be interpreted in accordance with such intent. To the extent that any Award is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A (a "409A Award"), the Award shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" (within the meaning of Section 409A) to a grantee who is then considered a "specified employee" (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the grantee's separation from service, or (ii) the grantee's death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any 409A Award may not be accelerated except to the extent permitted by Section 409A.

## SECTION 15. TERMINATION OF SERVICE RELATIONSHIP, TRANSFER, LEAVE OF ABSENCE, ETC.

(a) Termination of Service Relationship. If the grantee's Service Relationship is with an Affiliate and such Affiliate ceases to be an Affiliate, the grantee shall be deemed to have terminated his or her Service Relationship for purposes of the Plan.

(b) For purposes of the Plan, the following events shall not be deemed a termination of a Service Relationship:  
(i) a transfer to the employment of the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another;  
or

12

(ii) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

## SECTION 16. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall materially and adversely affect rights under any

outstanding Award without the holder's consent. Except as provided in Section 3(b) or 3(c), without prior stockholder approval, in no event may the Administrator exercise its discretion to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights, effect repricing through cancellation and re-grants or cancellation of Stock Options or Stock Appreciation Rights in exchange for cash or other Awards or effect cash buyouts of underwater Stock Options or Stock Appreciation Rights. To the extent required under the rules of any securities exchange or market system on which the Stock is listed or to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code, Plan amendments shall be subject to approval by Company stockholders. Nothing in this Section 16 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(b) or 3(c).

## SECTION 17. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a grantee, a grantee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

## SECTION 18. GENERAL PROVISIONS

(a) No Distribution. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

(b) Issuance of Stock. To the extent certificated, stock certificates to grantees under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the grantee, at the grantee's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the grantee by electronic mail (with proof of receipt) or by United States mail, addressed to the grantee, at the grantee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any evidence of book entry or certificates evidencing shares of Stock pursuant to the exercise or settlement of any Award, unless and until the Administrator has determined, with advice of counsel (to the extent the Administrator deems such advice necessary or advisable), that the issuance and delivery is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. Any Stock issued pursuant to the Plan shall be subject to any stop-transfer orders and other restrictions as the

13

---

Administrator deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Administrator may place legends on any Stock certificate or notations on any book entry to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that an individual make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems necessary or advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any individual to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(c) Stockholder Rights. Until Stock is deemed delivered in accordance with Section 18(b), no right to vote or receive dividends or any other rights of a stockholder will exist with respect to shares of Stock to be issued in connection with an Award, notwithstanding the exercise of a Stock Option or any other action by the grantee with respect to an Award.

(d) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

(e) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to the Company's insider trading policies and procedures, as in effect from time to time.

(f) Clawback Policy. Awards under the Plan shall be subject to the Company's clawback policy, as in effect from time to time.

## SECTION 19. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon stockholder approval in accordance with applicable state law, the Company's bylaws and articles of incorporation, and applicable stock exchange rules. No grants of Stock Options and other Awards may be made hereunder after December 14, 2030 and no grants of Incentive Stock Options may be made hereunder after September 9, 2030.

## SECTION 20. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the General Corporation Law of the State of Delaware as to matters within the scope thereof, and as to all other matters shall be governed by and construed in accordance with the internal laws of the State of California, applied without regard to conflict of law principles.

DATE APPROVED BY BOARD OF DIRECTORS: OCTOBER 17, 2023

DATE APPROVED BY STOCKHOLDERS: DECEMBER 19, 2023

14

Exhibit 31.1

### CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mike Rosenbaum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Guidewire Software, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - a) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - b) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **December March 7, 2023 2024**

By: **/s/ MIKE ROSENBAUM**

Mike Rosenbaum  
Chief Executive Officer  
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Jeff Cooper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Guidewire Software, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - a) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - b) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **December March 7, 2023 2024**

By: **/s/ JEFF COOPER**

Jeff Cooper  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Guidewire Software, Inc. for the quarterly period ended **October 31, 2023** **January 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mike Rosenbaum, as Chief Executive Officer of Guidewire Software, Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Guidewire Software, Inc.

Date: **December** **March** 7, **2023** **2024**

By: **/s/ MIKE ROSENBAUM**

Mike Rosenbaum  
Chief Executive Officer  
(Principal Executive Officer)

In connection with the Quarterly Report on Form 10-Q of Guidewire Software, Inc. for the quarterly period ended **October 31, 2023** **January 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeff Cooper, as Chief Financial Officer of Guidewire Software, Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Guidewire Software, Inc.

Date: **December** **March** 7, **2023** **2024**

By: **/s/ JEFF COOPER**

Jeff Cooper  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

#### DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.