



## Guidewire Software Announces Second Quarter Fiscal 2018 Financial Results

March 6, 2018

FOSTER CITY, Calif.--(BUSINESS WIRE)--Mar. 6, 2018-- Guidewire Software, Inc. (NYSE: GWRE), a provider of software products to Property and Casualty insurers, today announced its financial results for the fiscal quarter ended January 31, 2018.

"The breadth of Guidewire InsurancePlatform contributed to a successful second quarter in which we exceeded our guidance for revenue and non-GAAP profitability," said Marcus Ryu, chief executive officer, Guidewire Software. "We continue to benefit from the enduring demand for legacy core system replacement in all our major markets, as well as adoption of our complementary offerings for digital engagement, data management and visualization, and advanced analytics."

Ryu continued, "By continuing to invest in new products, distribution in international markets, and delivery of InsurancePlatform in the cloud, we are enabling P&C insurers to adapt their products and operations to a time of rapid industry change."

### Second Quarter Fiscal 2018 Financial Highlights

#### Revenue

- Total revenue for the second quarter of fiscal 2018 was \$163.8 million, an increase of 42% from the same quarter in fiscal 2017. License and other revenue was \$84.2 million, an increase of 31%, services revenue was \$60.5 million, an increase of 73%, and maintenance revenue was \$19.1 million, an increase of 15%. License and other revenue benefited from approximately \$4.6 million of payments received in the quarter in advance of their due date.
- Rolling four-quarter recurring revenue was \$345.9 million for the period ended January 31, 2018, an increase of 21% compared to the same metric for the period ended January 31, 2017.

#### Profitability

- GAAP loss from operations was \$0.7 million for the second quarter of fiscal 2018, compared with income of \$8.2 million in the comparable period in fiscal 2017.
- Non-GAAP income from operations was \$32.0 million for the second quarter of fiscal 2018, compared with income of \$28.4 million in the comparable period in fiscal 2017.
- GAAP net loss, adversely impacted by a net tax expense of \$28.6 million, driven primarily by the effects of the provisions of The Tax and Jobs Act passed in December 2017, was \$45.6 million for the second quarter of fiscal 2018, compared with a net income of \$4.0 million for the comparable period in fiscal 2017. GAAP net loss per share was \$0.59, based on diluted weighted average shares outstanding of 76.9 million, compared with \$0.05 net income per share for the comparable period in fiscal 2017, based on diluted weighted average shares outstanding of 74.8 million. The net tax expense of \$28.6 million resulted from the remeasurement of deferred tax assets and liabilities required by the passage of the Tax Cuts and Jobs Act which lowered the Company's U.S. statutory tax rate.
- Non-GAAP net income was \$25.5 million for the second quarter of fiscal 2018, compared with a net income of \$20.6 million in the comparable period in fiscal 2017. Non-GAAP net income per diluted share was \$0.33, based on diluted weighted average shares outstanding of 78.3 million, compared with net income per diluted share of \$0.28 in the comparable period in fiscal 2017, based on diluted weighted average shares outstanding of 74.8 million.

#### Liquidity

- The Company had \$569.5 million in cash, cash equivalents and investments at January 31, 2018, compared with \$687.8 million at July 31, 2017. The decline was due to the use of approximately \$130.1 million of cash in connection with the acquisition of Cyence, offset by approximately \$47.7 million of cash generated from operations in the second quarter of fiscal 2018, compared to \$42.6 million cash from operations in the second quarter of fiscal 2017.

#### Business Outlook

Guidewire is issuing the following outlook for the third quarter and fiscal 2018, based on current expectations:

| <i>(in \$ millions, except per share outlook)</i> | Third Quarter | Full Year     |
|---|---------------|---------------|
|   | Fiscal 2018   | Fiscal 2018   |
| Revenue   | 135.0 - 139.0 | 644.0 - 650.0 |

|                                      |                 |               |
|--------------------------------------|-----------------|---------------|
| License and other revenue            | 47.0 - 49.0     | 304.0-312.0   |
| Maintenance revenue                  | 18.5 - 19.0     | 75.0 - 77.0   |
| Services revenue                     | 69.0 - 71.0     | 260.0-266.0   |
| GAAP operating loss                  | (38.5) - (34.5) | (27.7)-(21.7) |
| Non-GAAP operating income (loss)     | (5.0) - (1.0)   | 97.0 -103.0   |
| GAAP net loss                        | (39.7) - (35.4) | (44.6)-(38.6) |
| GAAP net loss per share              | (0.51) - (0.46) | (0.58)-(0.51) |
| Non-GAAP net income (loss)           | (2.6) - 0.3     | 76.3 - 80.6   |
| Non-GAAP net income (loss) per share | (0.03) - 0.0    | 0.98 - 1.04   |

Non-GAAP operating income (loss) and non-GAAP net income (loss) exclude stock-based compensation expense and amortization of intangible assets. The GAAP and non-GAAP estimated annual tax rates used to compute net income and EPS exclude discrete items such as forecasted tax benefits related to stock-based compensation, and are impacted by the passage of the Tax Cuts and Jobs Act.

#### Conference Call Information

What: Guidewire Software Second Quarter Fiscal 2018 Financial Results Conference Call  
When: Tuesday, March 6, 2018  
Time: 2:00 p.m. PT (5:00 p.m. ET)  
Live Call: (800) 239-9838, Domestic  
(323) 794-2551, International  
Replay: (844) 512-2921, Passcode 3804361, Domestic  
(412) 317-6671, Passcode 3804361, International  
Webcast: <http://ir.guidewire.com> (live and replay)

The webcast will be archived on Guidewire's website ( [www.guidewire.com](http://www.guidewire.com)) for a period of three months.

#### Non-GAAP Financial Measures

This press release contains the following non-GAAP financial measures: Non-GAAP operating income, Non-GAAP net income (loss), Non-GAAP income tax provision (benefit), and Non-GAAP net income (loss) per share. These Non-GAAP financial measures exclude stock-based compensation and amortization of intangibles, and the tax effect of these adjustments for Non-GAAP net income (loss) and Non-GAAP net income (loss) per share.

Guidewire believes that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to Guidewire's financial condition and results of operations. The Company's management uses these non-GAAP measures to compare the Company's 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. The Company believes 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 the Company's financial measures with other software companies, many of which present similar non-GAAP financial measures to investors.

Management of the Company does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. 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 the Company's 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. Guidewire urges investors to review the reconciliation of its non-GAAP financial measures to the comparable GAAP financial measures, which it includes in press releases announcing quarterly financial results, including this press release, and not to rely on any single financial measure to evaluate the Company's business.

Reconciliation tables of the most comparable GAAP financial measures to the non-GAAP financial measures used in this press release are included with the financial tables at the end of this release.

#### About Guidewire Software

Guidewire delivers the software that Property and Casualty (P&C) insurers need to adapt and succeed in a time of rapid industry change. We combine three elements -- core operations, data and analytics, and digital engagement -- into an insurance platform that enhances insurers' ability to engage and empower their customers and employees. More than 300 P&C insurers around the world have selected Guidewire. For more information, please visit [www.guidewire.com](http://www.guidewire.com). Follow us on twitter: [@Guidewire\\_PandC](https://twitter.com/Guidewire_PandC).

NOTE: For information about Guidewire's trademarks, visit <https://www.guidewire.com/legal-notice>.

#### Cautionary Language Concerning Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our financial outlook, market positioning and future investments. These forward-looking statements are made as of the date they were first issued and were based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. Words such as "expect," "anticipate," "should," "believe," "hope," "target," "project," "goals," "estimate," "potential," "predict," "may," "will," "might," "could," "intend," variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond Guidewire's control. Guidewire's actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to, risks detailed in Guidewire's most recent Forms 10-K and 10-Q filed with the Securities and Exchange Commission as well as other documents that may be filed by the Company from time to time with the Securities and Exchange Commission. In particular, the following factors, among others, could cause results to differ materially from those expressed or implied by

such forward-looking statements: the market for our software may develop more slowly than expected or than it has in the past; quarterly and annual operating results may fluctuate more than expected; seasonal and other variations related to our revenue recognition may cause significant fluctuations in our results of operations and cash flows; our reliance on sales to and renewals from a relatively small number of large customers for a substantial portion of our revenues; our services revenues produce lower gross margins than our license and maintenance revenues; assertions by third parties that we violate their intellectual property rights could substantially harm our business; we face intense competition in our market; weakened global economic conditions may adversely affect the P&C insurance industry including the rate of information technology spending; our product development and sales cycles are lengthy; the risk of losing key employees; changes in foreign exchange rates; general political or destabilizing events, including war, conflict or acts of terrorism; and other risks and uncertainties. Past performance is not necessarily indicative of future results. The forward-looking statements included in this press release represent Guidewire's views as of the date of this press release. The Company anticipates that subsequent events and developments will cause its views to change. Guidewire undertakes no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements should not be relied upon as representing Guidewire's views as of any date subsequent to the date of this press release.

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

|   | <b>January 31,<br/>2018</b> | <b>July 31,<br/>2017</b> |
|---|-----------------------------|--------------------------|
| <b>ASSETS</b>                                     |                             |                          |
| <b>CURRENT ASSETS:</b>                            |                             |                          |
| Cash and cash equivalents                         | \$ 205,287                  | \$ 263,176               |
| Short-term investments                            | 299,891                     | 310,027                  |
| Accounts receivable                               | 100,046                     | 79,433                   |
| Prepaid expenses and other current assets         | 33,714                      | 26,604                   |
| Total current assets                              | 638,938                     | 679,240                  |
| Long-term investments                             | 64,273                      | 114,585                  |
| Property and equipment, net                       | 16,205                      | 14,376                   |
| Intangible assets, net                            | 110,671                     | 71,315                   |
| Deferred tax assets, net                          | 89,701                      | 37,430                   |
| Goodwill  | 343,248                     | 141,851                  |
| Other assets                                      | 20,658                      | 20,104                   |
| <b>TOTAL ASSETS</b>                               | <b>\$1,283,694</b>          | <b>\$1,078,901</b>       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>       |                             |                          |
| <b>CURRENT LIABILITIES:</b>                       |                             |                          |
| Accounts payable                                  | \$ 18,570                   | \$ 13,416                |
| Accrued employee compensation                     | 33,681                      | 48,882                   |
| Deferred revenues, current                        | 109,047                     | 91,243                   |
| Other current liabilities                         | 11,431                      | 10,075                   |
| Total current liabilities                         | 172,729                     | 163,616                  |
| Deferred revenues, non-current                    | 21,845                      | 19,892                   |
| Other liabilities                                 | 1,631                       | 2,112                    |
| Total liabilities                                 | 196,205                     | 185,620                  |
| <b>STOCKHOLDERS' EQUITY:</b>                      |                             |                          |
| Common stock                                      | 8                           | 8                        |
| Additional paid-in capital                        | 993,559                     | 830,014                  |
| Accumulated other comprehensive loss              | (4,778)                     | (5,796)                  |
| Retained earnings                                 | 98,700                      | 69,055                   |
| Total stockholders' equity                        | 1,087,489                   | 893,281                  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> | <b>\$1,283,694</b>          | <b>\$1,078,901</b>       |

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

|                   | <b>Three Months Ended January 31,</b> |             | <b>Six Months Ended January 31,</b> |             |
|-------------------|---------------------------------------|-------------|-------------------------------------|-------------|
|                   | <b>2018</b>                           | <b>2017</b> | <b>2018</b>                         | <b>2017</b> |
| <b>Revenues:</b>  |                                       |             |                                     |             |
| License and other | \$ 84,221                             | \$ 64,075   | \$ 114,314                          | \$ 102,796  |
| Maintenance       | 19,110                                | 16,582      | 38,040                              | 33,114      |
| Services          | 60,457                                | 34,964      | 119,605                             | 73,838      |

|   |             |            |             |            |
|---|-------------|------------|-------------|------------|
| Total revenues  | 163,788     | 115,621    | 271,959     | 209,748    |
| Cost of revenues: <sup>(1)</sup>                      |             |            |             |            |
| License and other                                     | 9,040       | 2,781      | 15,755      | 5,211      |
| Maintenance   | 3,593       | 3,079      | 7,060       | 6,404      |
| Services  | 55,136      | 34,951     | 107,848     | 71,215     |
| Total cost of revenues                                | 67,769      | 40,811     | 130,663     | 82,830     |
| Gross profit:   |             |            |             |            |
| License and other                                     | 75,181      | 61,294     | 98,559      | 97,585     |
| Maintenance   | 15,517      | 13,503     | 30,980      | 26,710     |
| Services  | 5,321       | 13         | 11,757      | 2,623      |
| Total gross profit                                    | 96,019      | 74,810     | 141,296     | 126,918    |
| Operating expenses: <sup>(1)</sup>                    |             |            |             |            |
| Research and development                              | 43,657      | 30,025     | 79,368      | 60,775     |
| Sales and marketing                                   | 31,961      | 23,520     | 55,571      | 49,020     |
| General and administrative                            | 21,066      | 13,060     | 39,737      | 27,220     |
| Total operating expenses                              | 96,684      | 66,605     | 174,676     | 137,015    |
| Income (loss) from operations                         | (665)       | 8,205      | (33,380)    | (10,097)   |
| Interest income                                       | 1,566       | 1,544      | 3,474       | 2,886      |
| Other income (expense), net                           | 1,658       | 335        | 1,396       | (346)      |
| Income (loss) before income taxes                     | 2,559       | 10,084     | (28,510)    | (7,557)    |
| Provision for (benefit from) income taxes             | 48,114      | 6,110      | 25,959      | (3,673)    |
| Net income (loss)                                     | \$ (45,555) | \$ 3,974   | \$ (54,469) | \$ (3,884) |
| Net income (loss) per share:                          |             |            |             |            |
| Basic   | \$ (0.59)   | \$ 0.05    | \$ (0.72)   | \$ (0.05)  |
| Diluted   | \$ (0.59)   | \$ 0.05    | \$ (0.72)   | \$ (0.05)  |
| Shares used in computing net income (loss) per share: |             |            |             |            |
| Basic   | 76,859,040  | 73,738,810 | 76,023,237  | 73,516,140 |
| Diluted   | 76,859,040  | 74,793,240 | 76,023,237  | 73,516,140 |

<sup>(1)</sup> Amounts include stock-based compensation expense as follows:

|  | <b>Three Months Ended January 31,</b> |             | <b>Six Months Ended January 31,</b> |             |
|--|---------------------------------------|-------------|-------------------------------------|-------------|
|  | <b>2018</b>                           | <b>2017</b> | <b>2018</b>                         | <b>2017</b> |
|  | (unaudited, in thousands)             |             |                                     |             |
| Stock-based compensation expense:      |                                       |             |                                     |             |
| Cost of license revenue                | \$ 258                                | \$ 90       | \$ 432                              | \$ 141      |
| Cost of maintenance revenues           | 481                                   | 436         | 936                                 | 849         |
| Cost of services revenues              | 5,446                                 | 4,815       | 10,672                              | 9,510       |
| Research and development               | 7,697                                 | 4,650       | 12,609                              | 9,117       |
| Marketing and sales                    | 5,024                                 | 4,283       | 9,241                               | 8,506       |
| General and administrative             | 6,126                                 | 4,313       | 10,765                              | 8,341       |
| Total stock-based compensation expense | \$ 25,032                             | \$ 18,587   | \$ 44,655                           | \$ 36,464   |

**GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited, in thousands)

|  | <b>Three Months Ended<br/>January 31,</b> |             | <b>Six Months Ended<br/>January 31,</b> |             |
|--|---|-------------|---|-------------|
|  | <b>2018</b>                               | <b>2017</b> | <b>2018</b>                             | <b>2017</b> |
| CASH FLOWS FROM OPERATING ACTIVITIES:  |   |             |   |             |
| Net income (loss)  | (45,555)                                  | 3,974       | \$ (54,469)                             | \$ (3,884)  |
| Adjustments to reconcile net loss to net cash provided by operating activities:    |   |             |   |             |
| Depreciation and amortization  | 9,681                                     | 3,309       | 16,315                                  | 6,383       |
| Stock-based compensation   | 25,032                                    | 18,587      | 44,655                                  | 36,464      |
| Deferred income tax  | 47,995                                    | 4,885       | 24,287                                  | (5,617)     |
| Amortization of premium on available-for-sale securities, and other non-cash items | 151                                       | 401         | 361                                     | 868         |

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Changes in operating assets and liabilities:                          |           |           |           |           |
| Accounts receivable   | (17,200)  | (9,505)   | (16,345)  | (823)     |
| Prepaid expenses and other assets                                     | 436       | (3,880)   | (3,139)   | (3,689)   |
| Accounts payable  | 2,966     | (2,617)   | 4,834     | (1,715)   |
| Accrued employee compensation   | 6,406     | 6,216     | (17,547)  | (15,084)  |
| Other liabilities   | 1,160     | 636       | 804       | (615)     |
| Deferred revenues   | 16,622    | 20,553    | 16,690    | 17,361    |
| Net cash provided by operating activities                             | 47,694    | 42,559    | 16,446    | 29,649    |
| CASH FLOWS FROM INVESTING ACTIVITIES:                                 |           |           |           |           |
| Purchases of available-for-sale securities                            | (43,977)  | (90,718)  | (110,820) | (291,611) |
| Sales of available-for-sale securities                                | 77,277    | 141,508   | 170,316   | 298,671   |
| Purchases of property and equipment                                   | (2,721)   | (143)     | (4,620)   | (2,617)   |
| Capitalized software development costs                                | (252)     | —         | (769)     | —         |
| Acquisitions of business, net of acquired cash                        | (130,376) | 59        | (130,376) | (33,534)  |
| Net cash provided by (used in) investing activities                   | (100,049) | 50,706    | (76,269)  | (29,091)  |
| CASH FLOWS FROM FINANCING ACTIVITIES:                                 |           |           |           |           |
| Proceeds from issuance of common stock upon exercise of stock options | 362       | 922       | 727       | 2,034     |
| Net cash provided by financing activities                             | 362       | 922       | 727       | 2,034     |
| Effect of foreign exchange rate changes on cash and cash equivalents  | 1,881     | 113       | 1,207     | (811)     |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                  | (50,112)  | 94,300    | (57,889)  | 1,781     |
| CASH AND CASH EQUIVALENTS—Beginning of period                         | 255,399   | 131,063   | 263,176   | 223,582   |
| CASH AND CASH EQUIVALENTS—End of period                               | \$205,287 | \$225,363 | \$205,287 | \$225,363 |

**GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
(unaudited, in thousands except share and per share data))

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP financial measures for the periods indicated below:

|  | Three Months Ended January 31, |           | Six Months Ended January 31, |             |
|--|--------------------------------|-----------|------------------------------|-------------|
|  | 2018                           | 2017      | 2018                         | 2017        |
| <b>Income (loss) from operations reconciliation:</b> |                                |           |                              |             |
| GAAP income (loss) from operations                   | \$ (665)                       | \$ 8,205  | \$ (33,380)                  | \$ (10,097) |
| Non-GAAP adjustments:                                |                                |           |                              |             |
| Stock-based compensation <sup>(1)</sup>              | 25,032                         | 18,587    | 44,655                       | 36,464      |
| Amortization of intangibles <sup>(1)</sup>           | 7,669                          | 1,656     | 12,445                       | 3,094       |
| Non-GAAP income from operations                      | \$ 32,036                      | \$ 28,448 | \$ 23,720                    | \$ 29,461   |
| <b>Net income (loss) reconciliation:</b>             |                                |           |                              |             |
| GAAP net income (loss)                               | \$ (45,555)                    | \$ 3,974  | \$ (54,469)                  | \$ (3,884)  |
| Non-GAAP adjustments:                                |                                |           |                              |             |
| Stock-based compensation <sup>(1)</sup>              | 25,032                         | 18,587    | 44,655                       | 36,464      |
| Amortization of intangibles <sup>(1)</sup>           | 7,669                          | 1,656     | 12,445                       | 3,094       |
| Tax impact on non-GAAP adjustments <sup>(2)</sup>    | 38,364                         | (3,591)   | 18,081                       | (13,927)    |
| Non-GAAP net income                                  | \$ 25,510                      | \$ 20,626 | \$ 20,712                    | \$ 21,747   |
| <b>Tax provision (benefit) reconciliation:</b>       |                                |           |                              |             |
| GAAP tax provision (benefit)                         | \$ 48,114                      | \$ 6,110  | \$ 25,959                    | \$ (3,673)  |
| Non-GAAP adjustments:                                |                                |           |                              |             |
| Stock-based compensation                             | 6,721                          | 5,948     | 13,191                       | 11,669      |
| Amortization of intangibles                          | 2,060                          | 530       | 3,635                        | 990         |
| Other income tax effects and adjustments             | (47,145)                       | (2,887)   | (34,907)                     | 1,268       |
| Non-GAAP tax provision                               | \$ 9,750                       | \$ 9,701  | \$ 7,878                     | \$ 10,254   |
| <b>Earnings (loss) per share reconciliation:</b>     |                                |           |                              |             |
| GAAP earnings (loss) per share - Diluted             | \$ (0.59)                      | \$ 0.05   | \$ (0.72)                    | \$ (0.05)   |
| Stock-based compensation                             | 0.33                           | 0.25      | 0.59                         | 0.49        |

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Amortization of intangibles acquired in business combinations                                    | 0.10           | 0.02           | 0.16           | 0.04           |
| Tax impact of non-GAAP adjustments   | 0.49           | (0.04)         | 0.23           | (0.18)         |
| Non-GAAP dilutive shares excluded from GAAP earnings (loss) per share calculation <sup>(3)</sup> | —              | —              | —              | 0.01           |
| Non-GAAP earnings per share - Diluted  | <u>\$ 0.33</u> | <u>\$ 0.28</u> | <u>\$ 0.26</u> | <u>\$ 0.31</u> |

**Shares used in computing non-GAAP per share amounts:**

|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| GAAP weighted average shares - Diluted   | 76,859,040        | 74,793,240        | 76,023,237        | 73,516,140        |
| Non-GAAP dilutive shares excluded from GAAP earnings (loss) per share calculation <sup>(3)</sup> | <u>1,460,188</u>  | <u>—</u>          | <u>1,429,707</u>  | <u>1,258,762</u>  |
| Pro forma weighted average shares - Diluted  | <u>78,319,228</u> | <u>74,793,240</u> | <u>77,452,944</u> | <u>74,774,902</u> |

(1) Adjustments relate to amortization of acquired intangibles and stock-based compensation recognized during the period for GAAP purposes.

(2) Adjustment reflects the tax benefit (provision) resulting from all non-GAAP adjustments.

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

**GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES**

**Reconciliation of GAAP to Non-GAAP Outlook**

The following tables reconcile the specific items excluded from GAAP in the calculation of non-GAAP outlook for the periods indicated below:

| <i>(in \$ millions)</i>  | <b>Third Quarter<br/>Fiscal 2018</b> | <b>Full Year<br/>Fiscal 2018</b> |
|--|--------------------------------------|----------------------------------|
| <b>Outlook reconciliation: GAAP and non-GAAP operating income (loss)</b> |                                      |                                  |
| GAAP operating loss  | (38.5) - (34.5)                      | (27.7) - (21.7)                  |
| Non-GAAP adjustments:  |                                      |                                  |
| Stock-based compensation   | 25.0 - 26.0                          | 95.3 - 98.3                      |
| Amortization of intangibles  | <u>7.8 - 8.3</u>                     | <u>27.3 - 28.3</u>               |
| Non-GAAP operating income (loss)   | <u>(5.0) - (1.0)</u>                 | <u>97.0 - 103.0</u>              |
| <b>Outlook reconciliation: GAAP and non-GAAP net income (loss)</b>       |                                      |                                  |
| GAAP net loss  | (39.7) - (35.4)                      | (44.6) - (38.6)                  |
| Non-GAAP adjustments:  |                                      |                                  |
| Stock-based compensation   | 25.0 - 26.0                          | 95.3 - 98.3                      |
| Amortization of intangibles  | 7.8 - 8.3                            | 27.3 - 28.3                      |
| Non-GAAP tax impact  | <u>3.6 - 2.2</u>                     | <u>(3.8) - (5.4)</u>             |
| Non-GAAP net income (loss)   | <u>(2.6) - 0.3</u>                   | <u>76.3 - 80.6</u>               |

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