



Guidewire's Acquisition of Cyence

October 6, 2017

Marcus Ryu, CEO, Guidewire Software

Arvind Parthasarathi, CEO, Cyence

Richard Hart, CFO, Guidewire Software

Safe Harbor

This presentation is for informational purposes only and is not an offer to sell securities or a solicitation of an offer to buy any securities, and may not be relied upon in connection with the purchase or sale of any security.

This presentation is proprietary and is intended solely for the information of the persons to whom it is presented. It may not be retained, reproduced or distributed, in whole or in part, by any means (including electronic) without the prior written consent of Guidewire Software.

This presentation contains forward-looking statements relating to expectations, plans, and prospects including expectations relating to our ability to close, and the timing of the closing of, this transaction and the benefits that will be derived from this transaction. All statements other than statements of historical fact contained in this presentation are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are only current predictions and are subject to known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking statements. These forward-looking statements are subject to a number of risks, including those described under the heading “Risk Factors” in our periodic reports we have filed with the Securities and Exchange Commission (the “SEC”). Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by law, we are under no duty to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this presentation.

In addition to U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with U.S. GAAP.

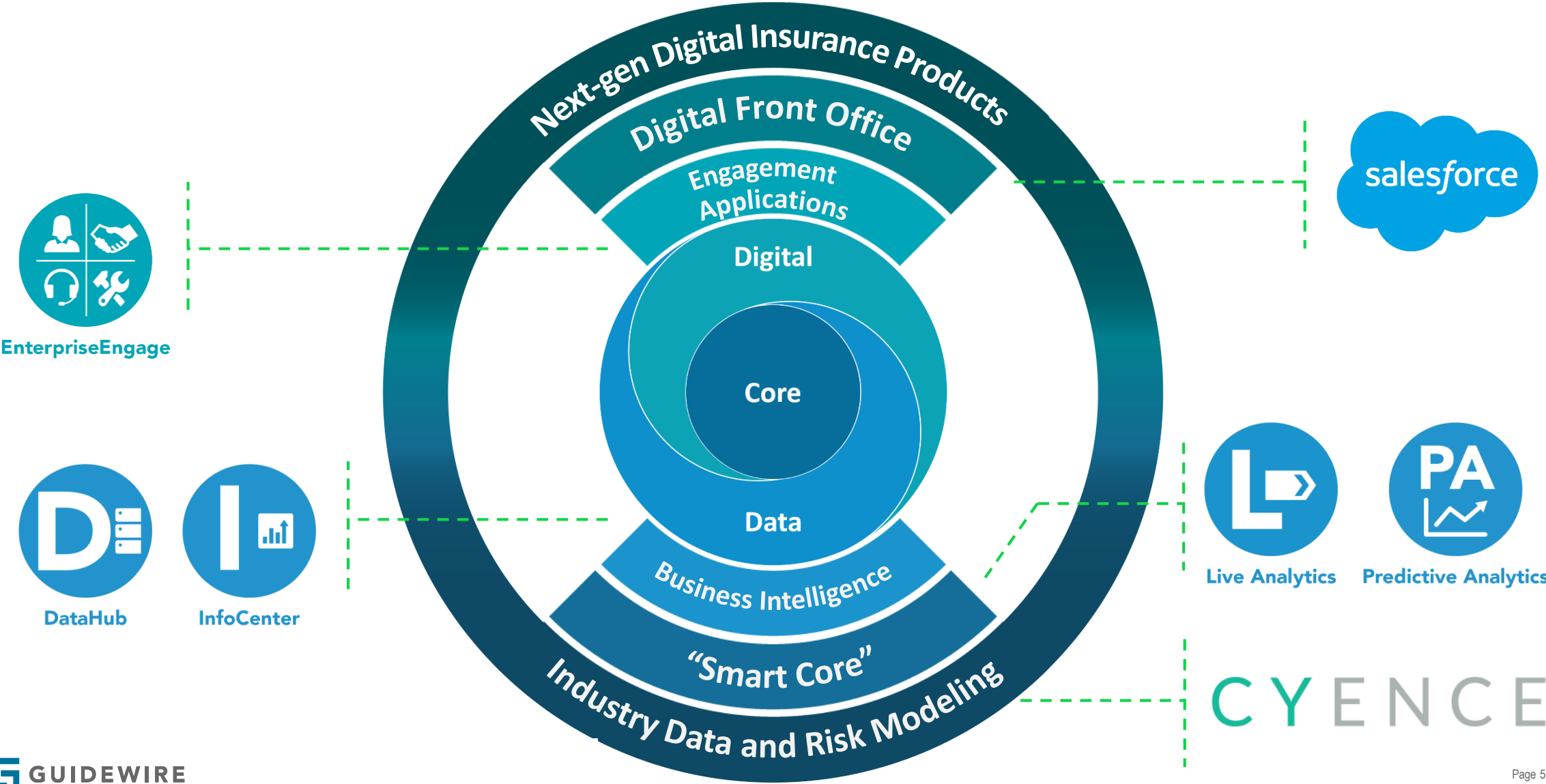
Cyence Joins Guidewire – Closing ~30 Days

- **Founded in 2014 by data science specialists to serve P&C insurance industry**
- **90+ employees, headquartered in San Mateo, CA**
- **Highly technical team of cloud engineers, data scientists, modelers, and P&C experts**
- **Cyence's data listening and risk analytics solution combines internet-scale data collection, adaptive machine learning, and insurance risk modeling**
- **Serving 30+ customers spanning insurers, reinsurers, brokers, regulators, and rating agencies**
- **Empowers P&C insurers to model, underwrite and price “21st century risks” starting with cyber**
- **Customer benefits: (1) business growth through underwriting new products (2) profitability through accurate pricing, underwriting and reserving**
- **100% subscription model that grows with DWP**

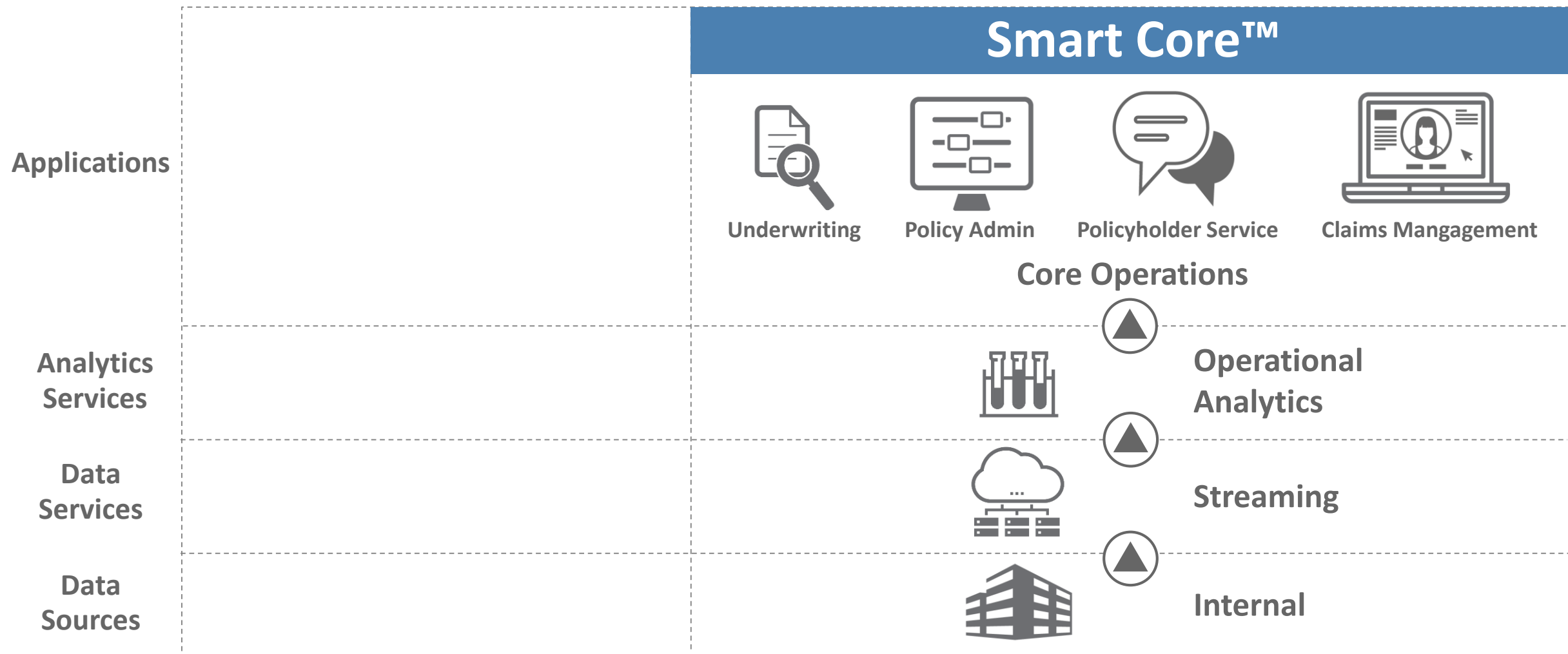
Our Mission

To deliver the software that P&C insurers need to adapt and succeed in a time of rapid industry change – and to ensure that every customer succeeds in the journey

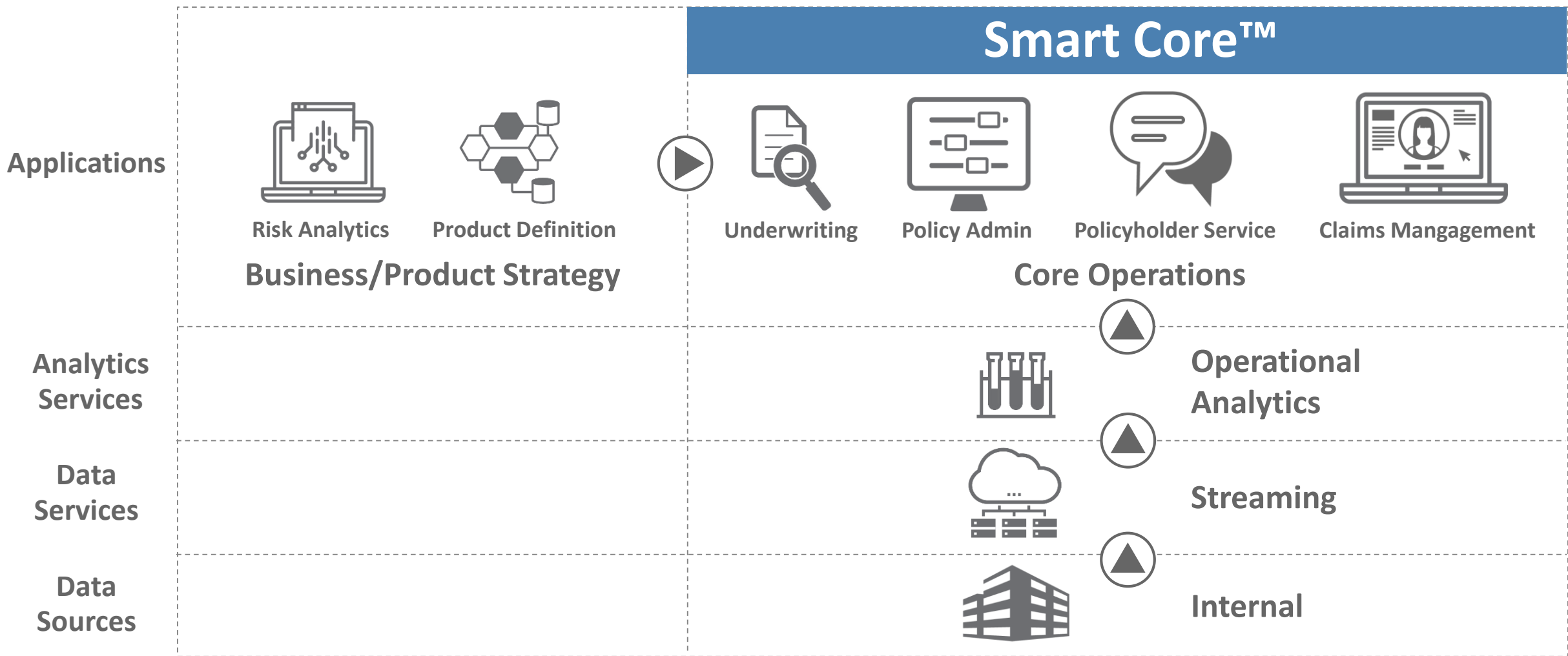
InsurancePlatform Evolution: New Frontiers



From Core to Smart Core™



Key Inputs to a Smart Core™



21st Century Risks and their Challenges



Internet of Things



Cyber



Reputational Risk

New



Business Interruption



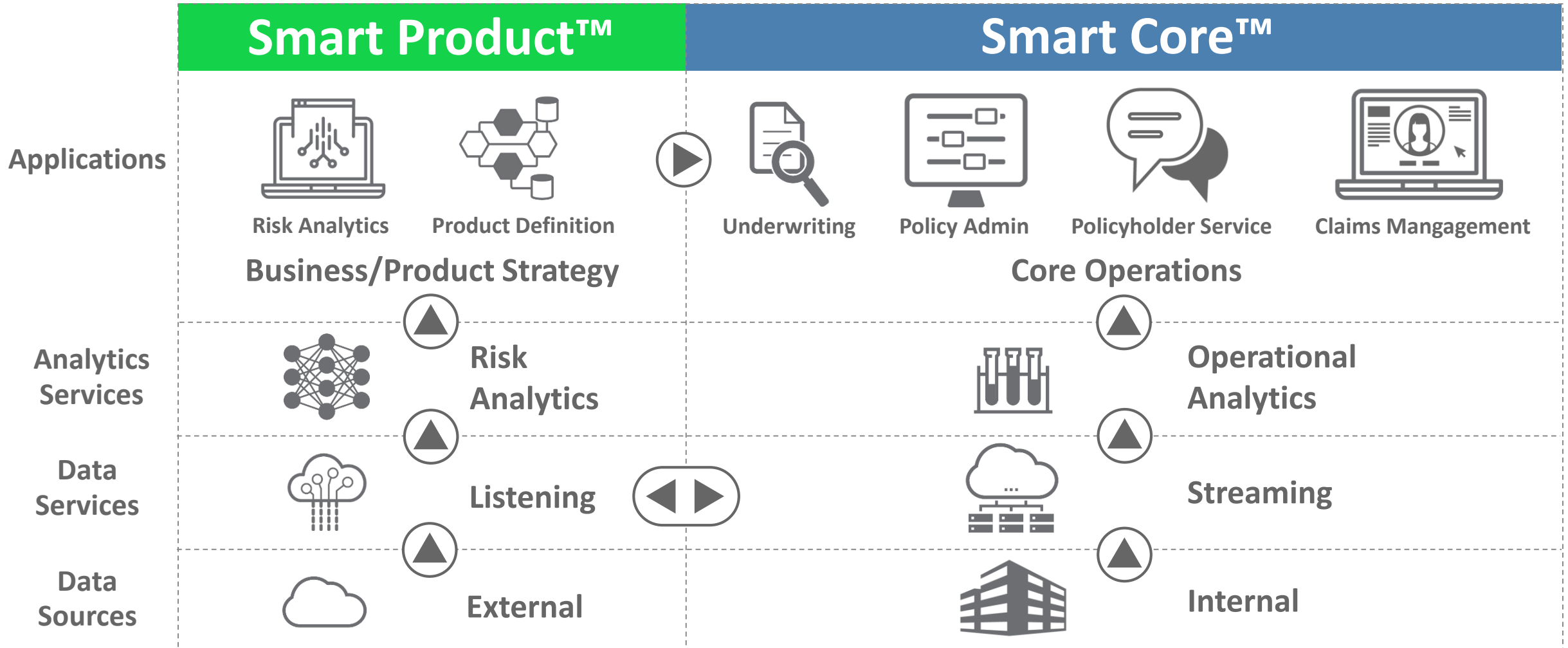
Small Business

Changing

Challenges for Insurers

- 1) Rapidly changing risk characteristics and lack of claims history
- 2) Complex and non-obvious patterns of risk linkage and risk accumulation
- 3) High-volume, diverse, and dynamic external data needed to model risks

Smart Core™ + Smart Product™ → Smart Insurance™



The Cyence Approach to 21st Century Risks

Data Sources

Public Data

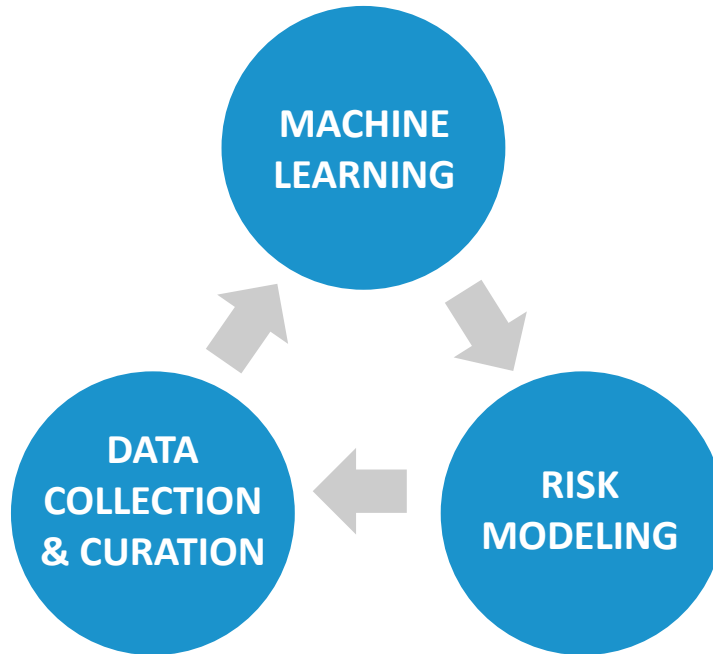
Open Source Data

Proprietary Data

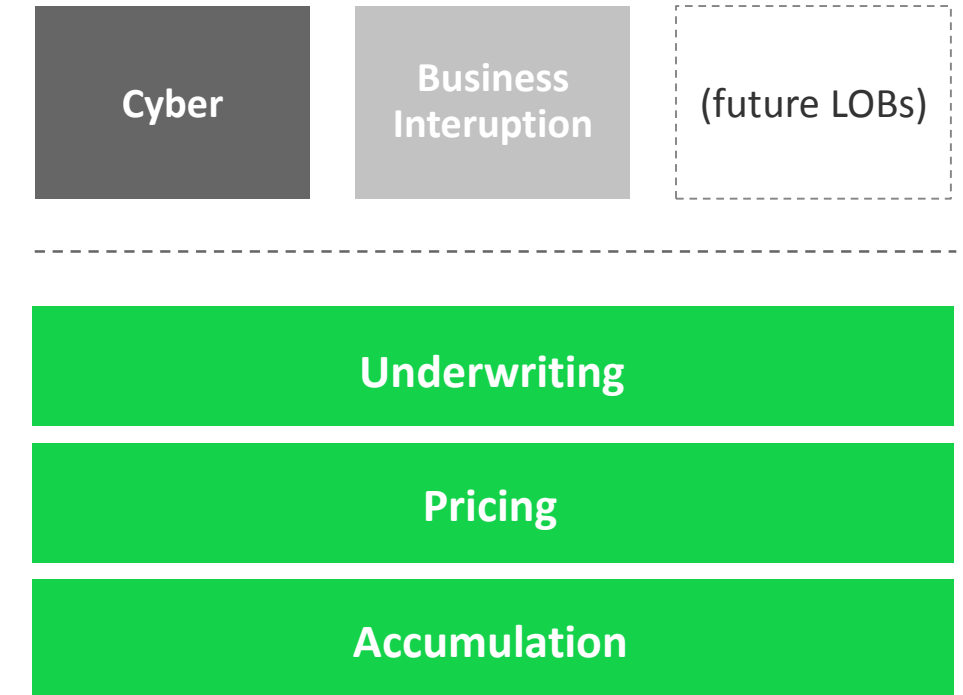
Customer Data

3rd party Data

Data Listening and Risk Analytics



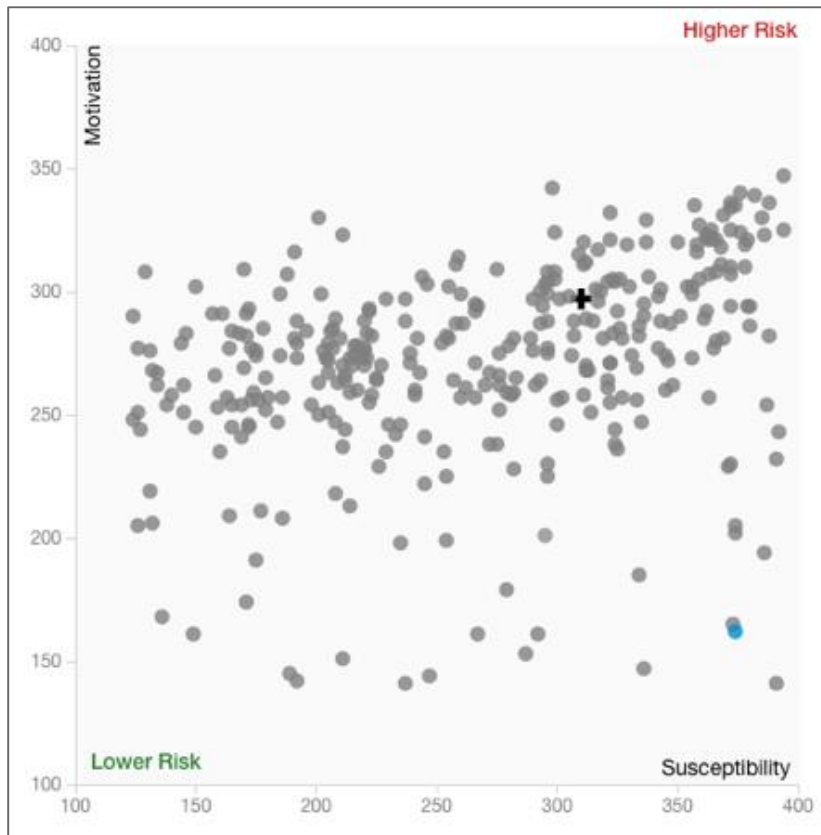
Application Framework



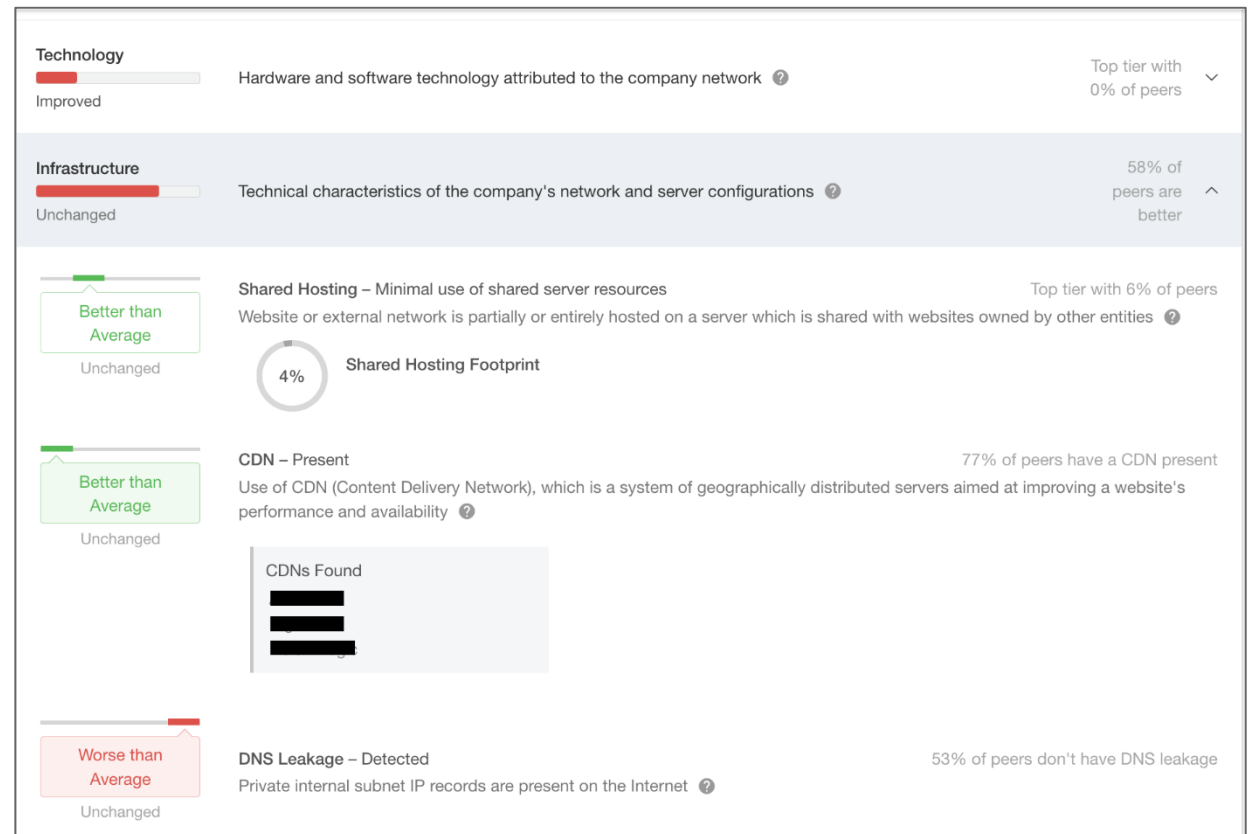
Use Case 1: Underwriting

Select, Assess, Prospect Risks

Compare a company to a group of peers or portfolio



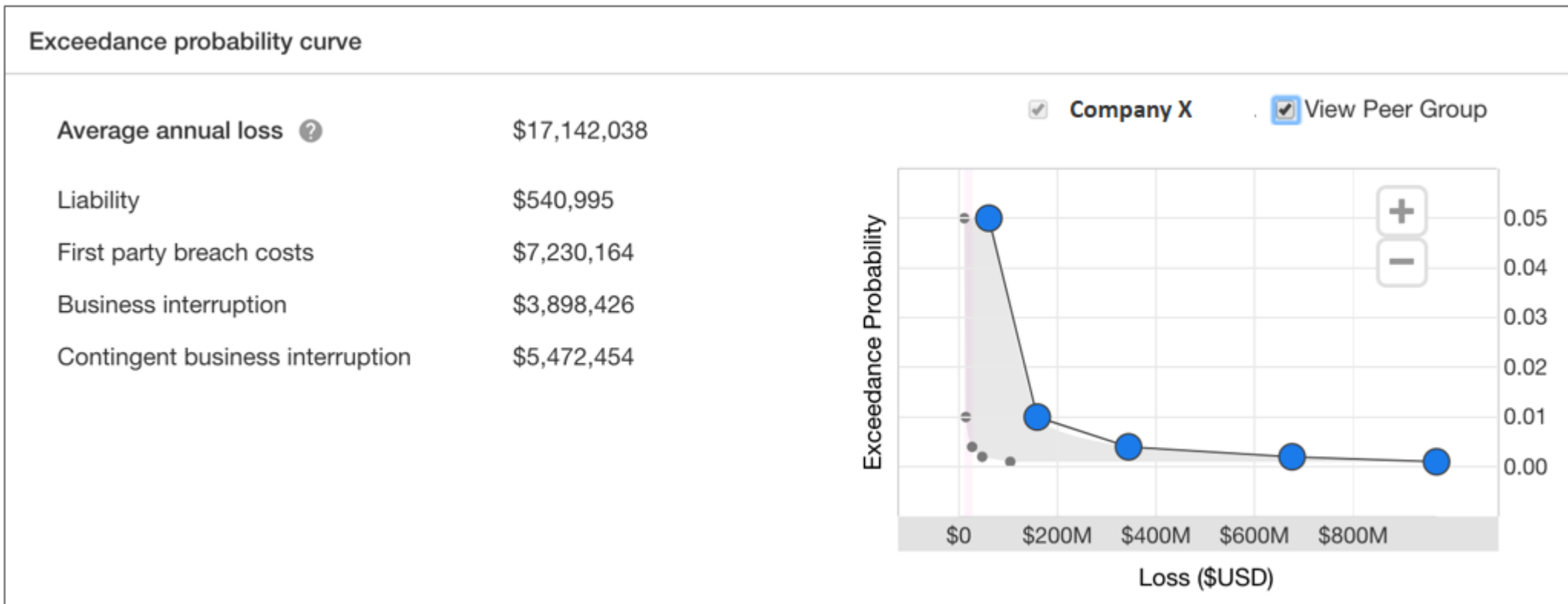
Analyze and benchmark insured's risks across data collected



Use Case 2: Pricing

Price risks by coverage and terms

Develop pricing strategies by coverage based on stochastic event simulations for single risks



Use Case 3: Accumulation and Exposure Management

Estimate Aggregate Losses, Determine Risk Appetite, Allocate Capital, Regulatory Reporting

Identify non-obvious accumulation paths and model portfolio impact



Define shock scenarios and model portfolio losses both stochastic and deterministic


Define scenario analysis


1. Select Portfolio(s) [Add more portfolios](#)

\$20M-\$100M: Healthcare ×

Fin Svcs \$1B+ ×

2. Choose scenario type


Scenario library by
Cyence


Create your own
scenario

Losses by return period ?	
20 year (0.05)	\$21,279,442
100 year (0.01)	\$34,029,676
250 year (0.004)	\$55,965,292
500 year (0.002)	\$111,969,869
1000 year (0.001)	\$144,418,787

First Insurance Application: Cyber

Forbes

Life/Health

Yes, You Can Hack A Pacemaker (And Other Medical Devices Too)

CNN

Auto

Your car is a giant computer - and it can be hacked

WIRED

Property

Vulnerability lets hackers control building locks, lifts and CCTV

REUTERS

Marine

All at sea: global shipping fleet exposed to hacking threat

JAPANTODAY

Nuclear

Malware based attack hit Monju Nuclear Power Plant

Money

Power Grid

Hackers attacked the U.S. energy grid 79 times this year

WALL STREET JOURNAL

Airports

Hacked X-Rays Could Make TSA Scanners Useless

FT FINANCIAL TIMES

Oil/Gas

Hackers target US natural gas pipelines

Expected to grow to \$25 billion in premium by 2025¹

Growth Opportunity for Insurers

Unfactored Risk on Balance Sheet

“Silent Cyber” coverage already being provided

Cyence Customers in the Press



"We are pleased to collaborate with Cyence and apply their innovative analytics to develop new insurance solutions for a wide segment of clients from small businesses to multinationals."¹



"A.M. Best is happy to be working with Cyence and leveraging their economics and risk modeling perspective on cybersecurity to move the cyber risk discussion onto the critical topics of probabilities and dollars, severity curves and probable maximum loss"¹



"The 150 year old Insurer, using an economic model developed by Cyence, quantifies cyber risk in dollars and probabilities to aid insurers in pricing cyber policies efficiently and cost-effectively."²



"The Tokio Marine Holdings unit seeks to model its insurance against various risk factors based on Cyence's massive amount of data."³



"Lloyd's worked with Cyence to collect data at internet scale to model cyber risk and evaluate the financial, economic and insurance impact of these scenarios."⁴



"AGCS also plans to integrate cyber risk analytics of Cyence into new digital distribution platforms, which enable low-touch, automated underwriting of cyber policies for medium-size companies."⁵

Summary of Rationale

Guidewire

- Addresses key problem insurers face as they seek to underwrite 21st century risks
- Aligns with industry platform aspiration through provision of new data-based service
- Augments Guidewire's IP, talent in rapidly evolving field of data science
- Strong cultural fit

Cyence

- Integrate Cyence data science and intelligence into core operations
- Guidewire's global reach and scale
- Shared mission and focus serving P&C Insurers
- Strong cultural fit

Financial Considerations

Subscription Model

- Fixed minimum subscription
- Variable subscription based on DWP

Strong Growth in ARR

- 30+ customers; ~60% growth in sales
- Expected to contribute \$9 - \$11 million in revenue in FY18 post purchase price adjustments

Dilution

- Estimating 3 percentage points of dilution to non-GAAP operating margin in FY18, including ~\$5 million in transaction fees
- Accretive to quarterly non-GAAP operating income during FY20

Transaction Consideration

- Total Consideration of \$275 million (or \$265 million, net of cash)
- Consideration a combination of cash and stock (~1.6 million shares; ~\$140 million net cash)
- Stock consideration includes ~250,000 shares of deferred equity consideration, released upon achievement of certain retention and operating milestones



Q&A

