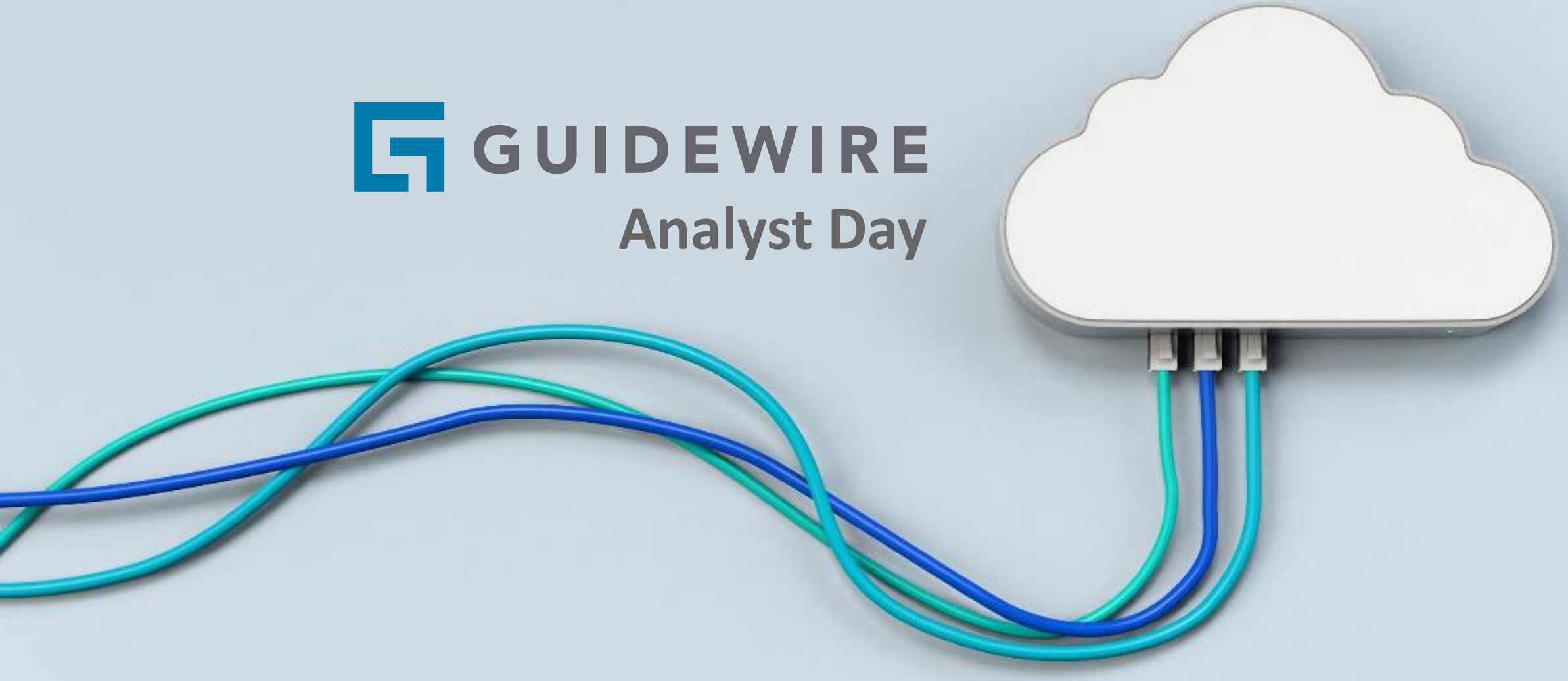
GUIDEWIRE

Analyst Day



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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. See the Appendix for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure. **These non-GAAP financial measures may be different from non-GAAP financial measures used by other companies.**

This presentation contains statistical data that we obtained from industry publications and reports generated by third parties. Although we believe that the publications and reports are reliable, we have not independently verified this statistical data.

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Agenda

Time	Topic	Speaker
1:00–2:00	Company Update and Vision	Marcus Ryu, CEO
2:00–2:30	Cloud Readiness	Priscilla Hung, COO
2:30–3:00	Product Strategy Update	Ali Kheirolomoom Chief Product Officer
3:00–3:15	Break	
3:15–3:45	Customer Story: Nationwide	Michael Keller Former EVP & CIO, Nationwide
3:45–4:30	Financial Highlights	Curtis Smith, CFO Jeff Cooper, VP Finance
4:30–5:15	Cocktail reception	

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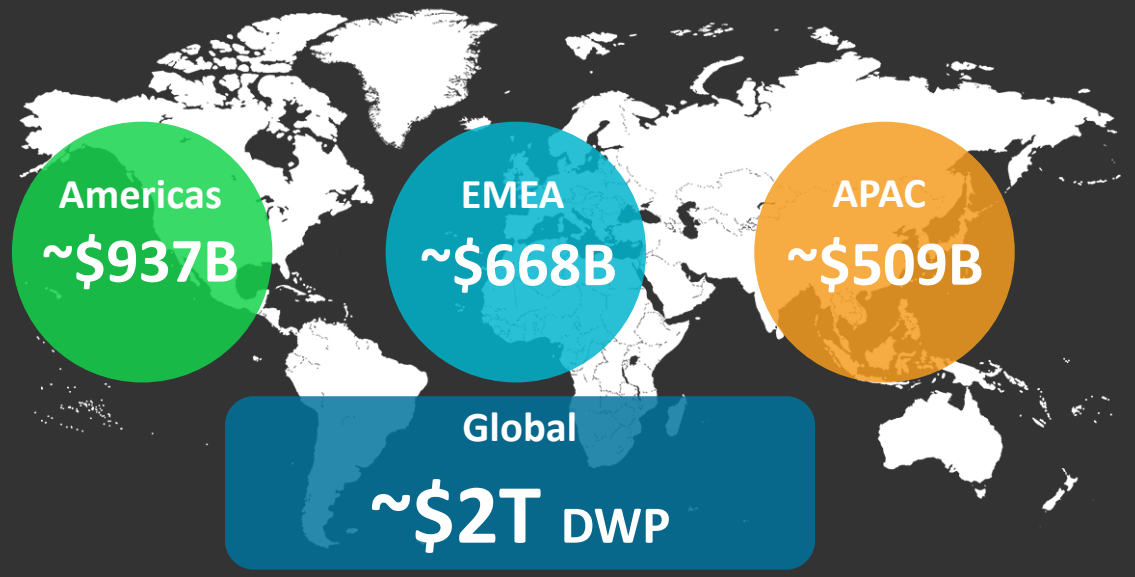
Company Update

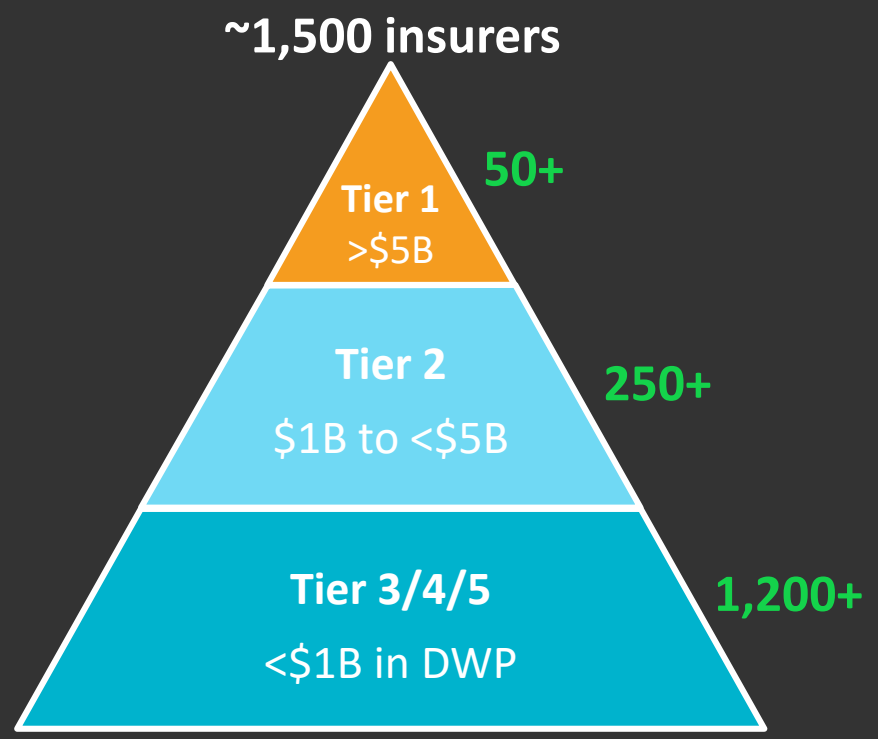
Marcus Ryu, CEO

September 20, 2018

Our chosen domain: the global P&C insurance industry

P&C Insurance Market Overview





1.2B
vehicles insured

$171B
insured cat economic loss

128M
insured employees

Source: SwissRe, World Bank, World Development Indicators and EconStats; AIR; Social Security Administration; Insurance Research Council; Kaiser; Guidewire analysis

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To deliver the industry platform that P&C insurers rely upon to adapt and succeed in a time of accelerating change—and to ensure that every customer succeeds in the journey

Optimize Operations
Meet digital imperative
Use data in new ways
Cover new risks
Embrace InsurTech
Simplify IT complexity

Guidewire InsurancePlatform™

Software

Services

Ecosystem

Run

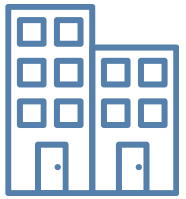
Differentiate

Grow

“How do we simplify IT?”

API
aws
Guidewire Cloud

Transforming Engagement Model



On-Premise

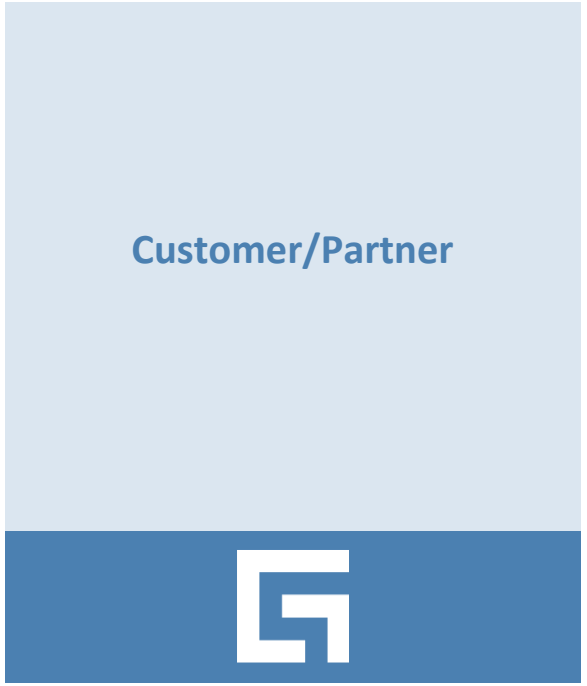
Cloud

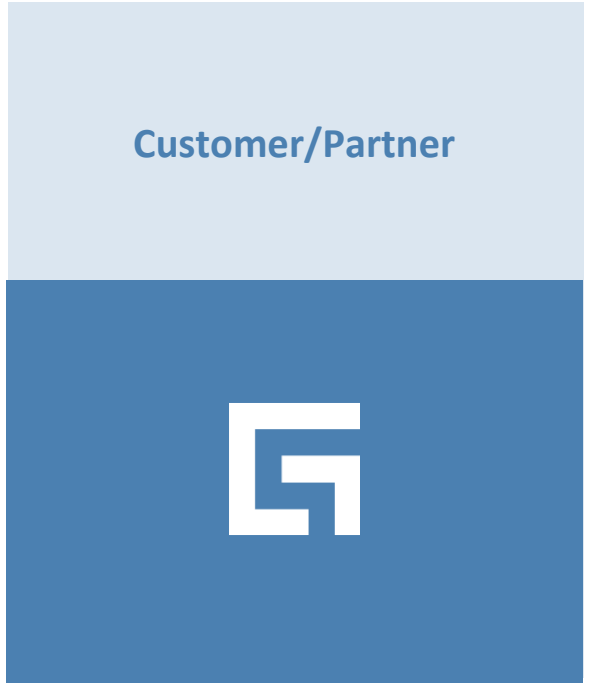
Business requirements

Implementation, Upgrades + Support

Infrastructure

Software





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Customer Motivations for Cloud

Legacy Replacement

1,100+ with no Guidewire core

GRINNELL MUTUAL

VERMONT MUTUAL INSURANCE GROUP

Dryden Mutual Insurance Co.

On-Prem Migration

575+ installations at 275+ customers

icare™

Greenfield

~300 tier 1 and 2 insurers

Nationwide is on your side

MetLife

BerkleyOne a Berkley Company

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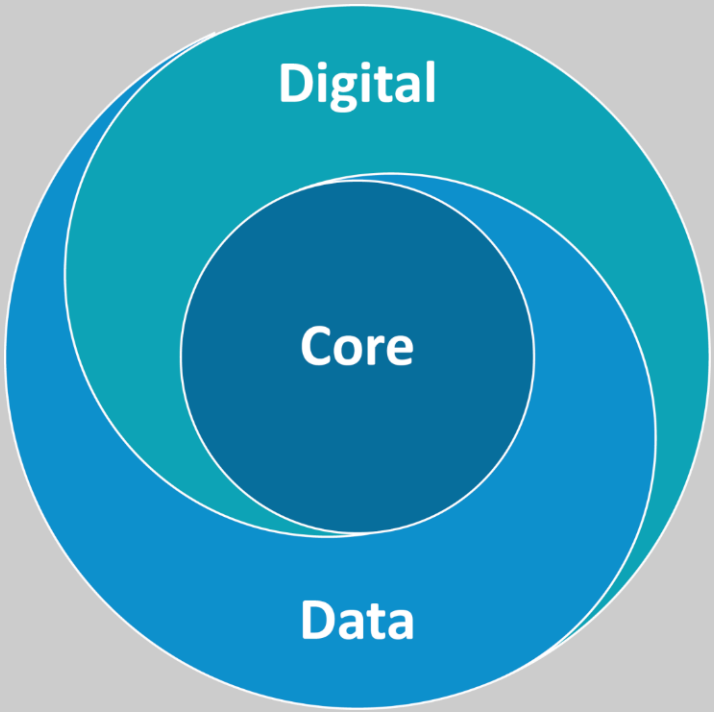
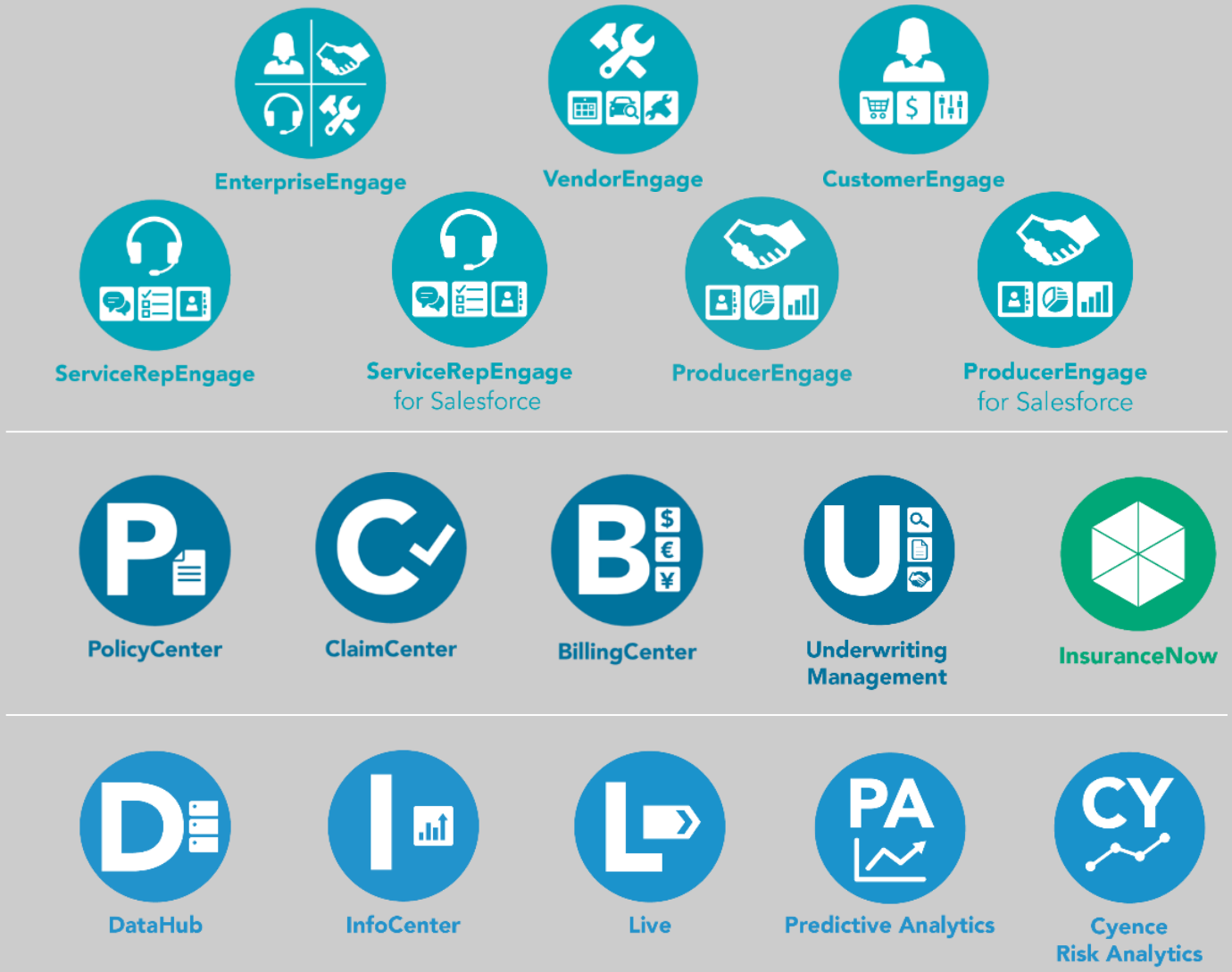
Guidewire InsurancePlatform™





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GUIDEWIRE

+

salesforce

- Partnering to deliver CRM for P&C
- Launched first products in May
- 50+ joint customers

GUIDEWIRE

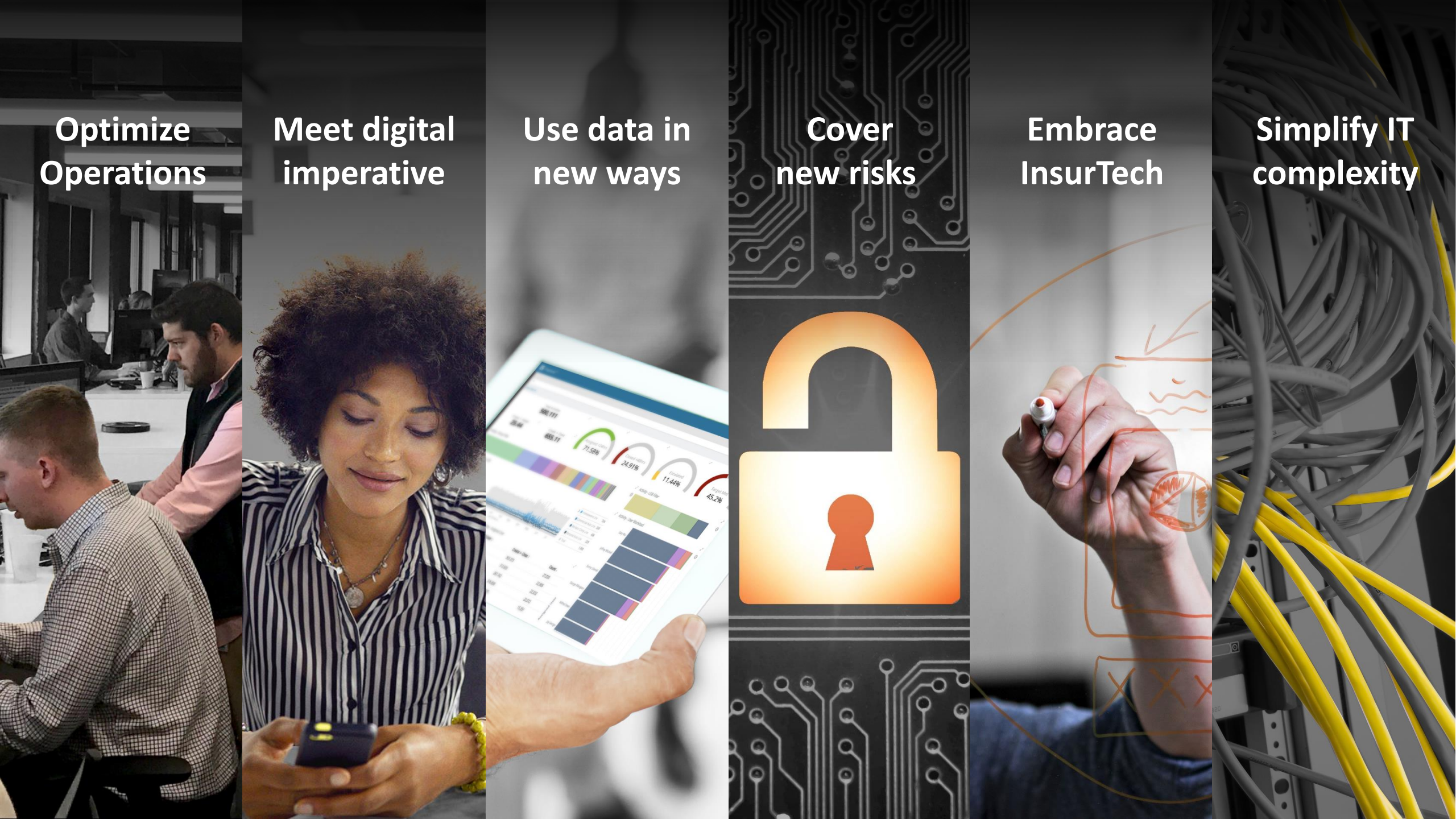
+

salesforce

“Today, when our customers contact us they expect us to know them. Salesforce and Guidewire will enable that, accelerating our ability to use our data and take action on it, improving first-call resolution and overall customer satisfaction.

Peter Moreau, CIO, Amica Mutual

Analytics and Data Services Business Unit


Optimize Operations
Meet digital imperative
Use data in new ways
Cover new risks
Embrace InsurTech
Simplify IT complexity

Analytics and Data Services Opportunity

Customer Challenges

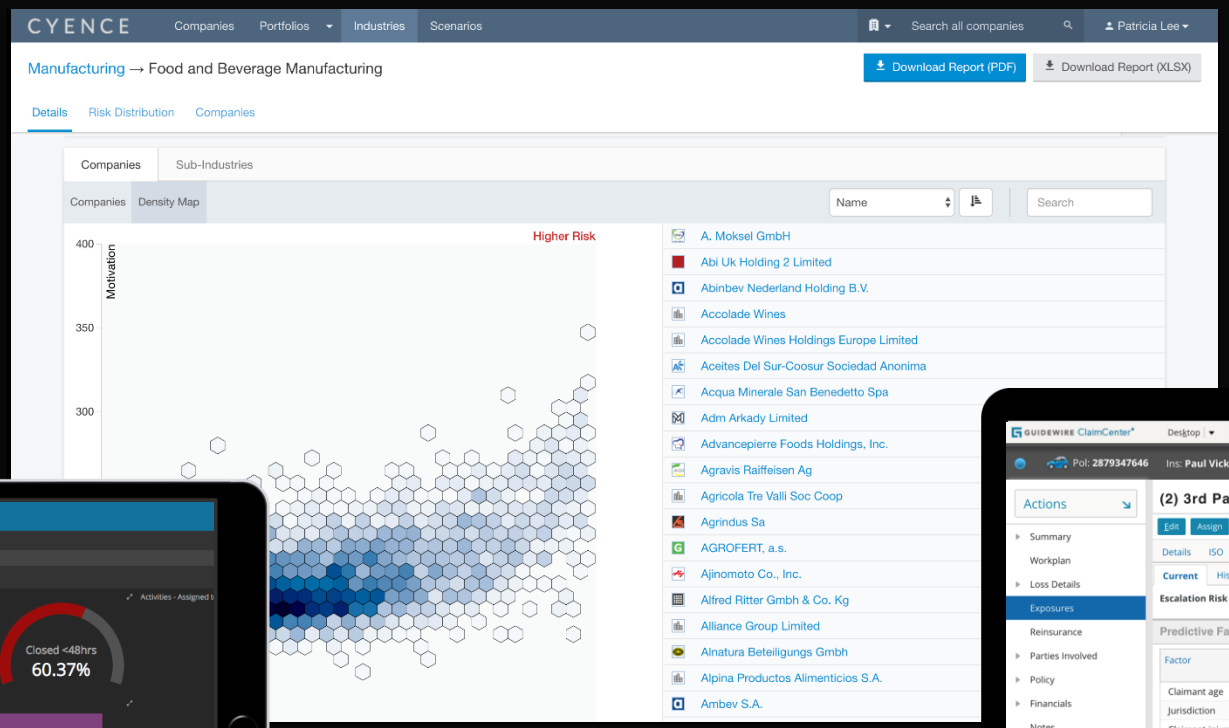
- Over-abundance of data sources
- New risks to intermediate
- Data science needed to automate high-volume decisions

Requirements

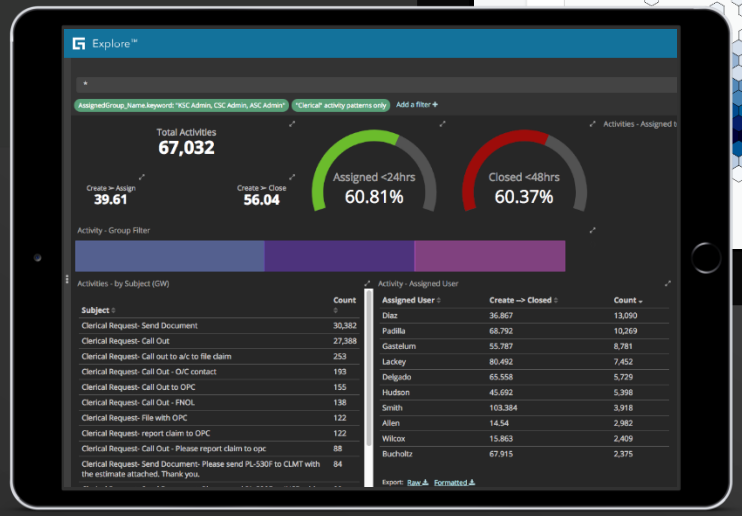
- Advanced data listening, ML/AI
- P&C models
- Targeted business applications
- Cloud elasticity and scale

Building on Momentum

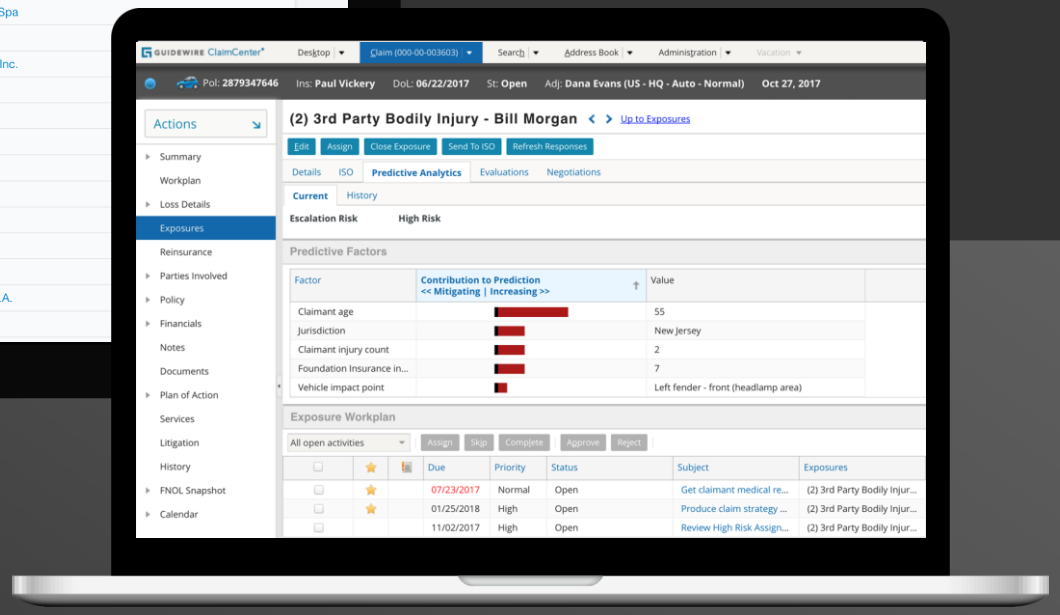
Cyence Risk Analytics: 37 customers



Guidewire Live: 17 customers



Predictive Analytics: 39 customers



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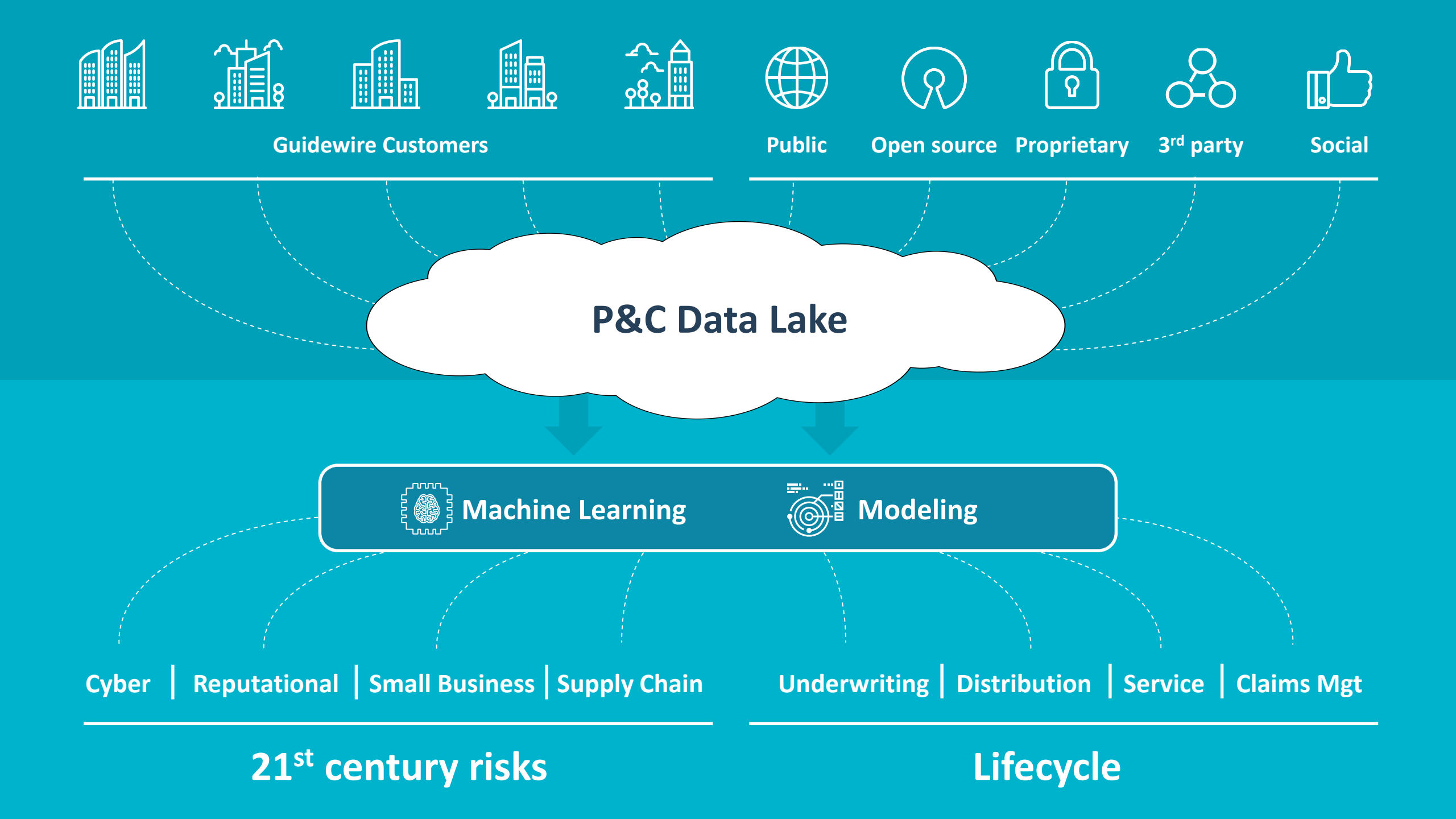
Guidewire Customers
Public
Open source
Proprietary
3rd party
Social
P&C Data Lake
Machine Learning
Modeling
Cyber | Reputational | Small Business | Supply Chain
Underwriting | Distribution | Service | Claims Mgt
21st century risks
Lifecycle

New Leader: Paul Mang

- Leader, Enterprise Analytics, Aon plc
- Global CEO of Analytics, Aon Benfield
- Partner, McKinsey & Company

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Example 1: Risk Assessment

Conventional

	Bob's Hardware	Thompson Tools
Revenue	$2M	$2.2M
Employees	20	18
% off-prem work	0%	0%
Work done >15 ft	None	None
Seasonal employees	0	0
	"Low risk" ✓	"Low risk" ✓

Cyence

	Bob's Hardware	Thompson Tools
Services	assembly, installation	small engine repair, glass repair
Products	garden supplies, paint, hardware	power tools; large landscape equipment
Social media	"great advice"	"not well trained, clueless"
Nearest hospital	0.5 miles	7 miles
	"Low risk" ✓	Medium to High Risk ✗

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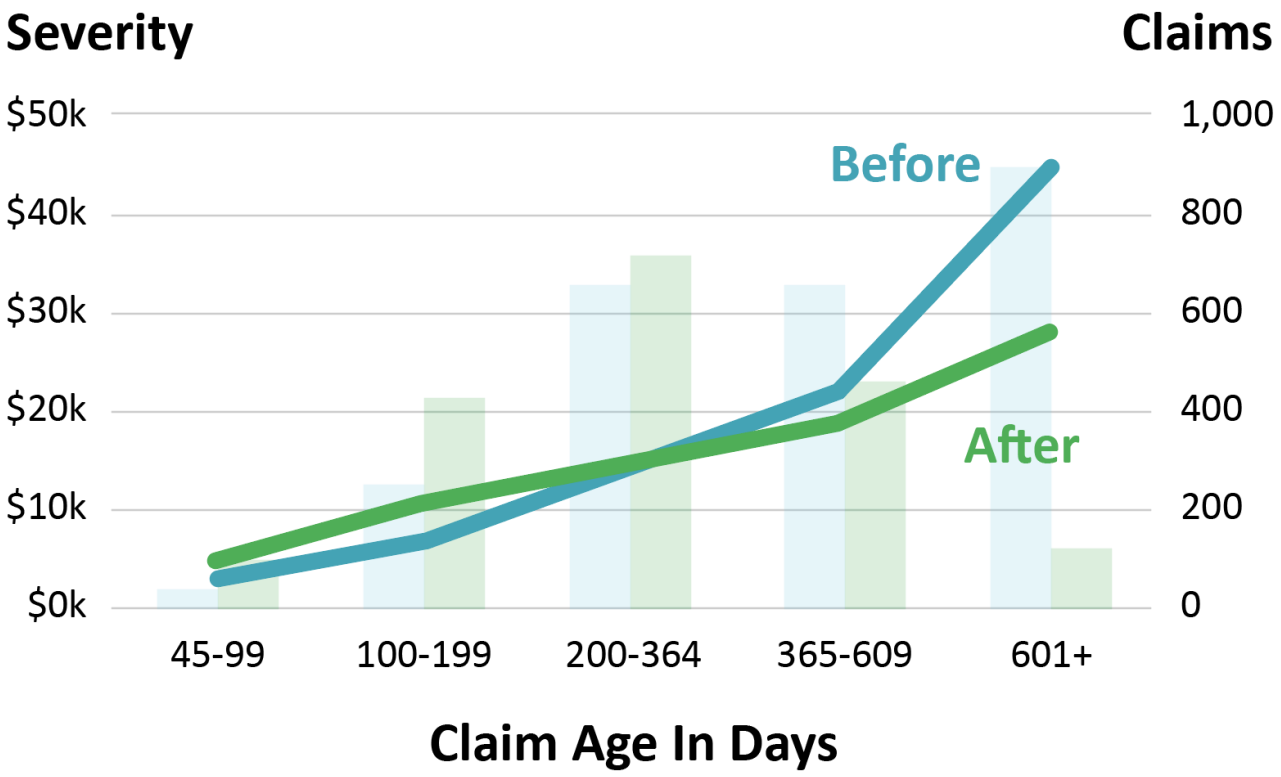
Example 2: Claims Triaging

Situation

- Goal of improving specialty claim process
- 9% large loss claims ID'd at 45 days
- Desire: Accelerate triage, and settle or defend

Predictive Analytics

- Expect 3-5 pct pt loss ration reduction
- 66% additional large loss claims ID'd at 45 days
- Acceleration of meritorious settlements



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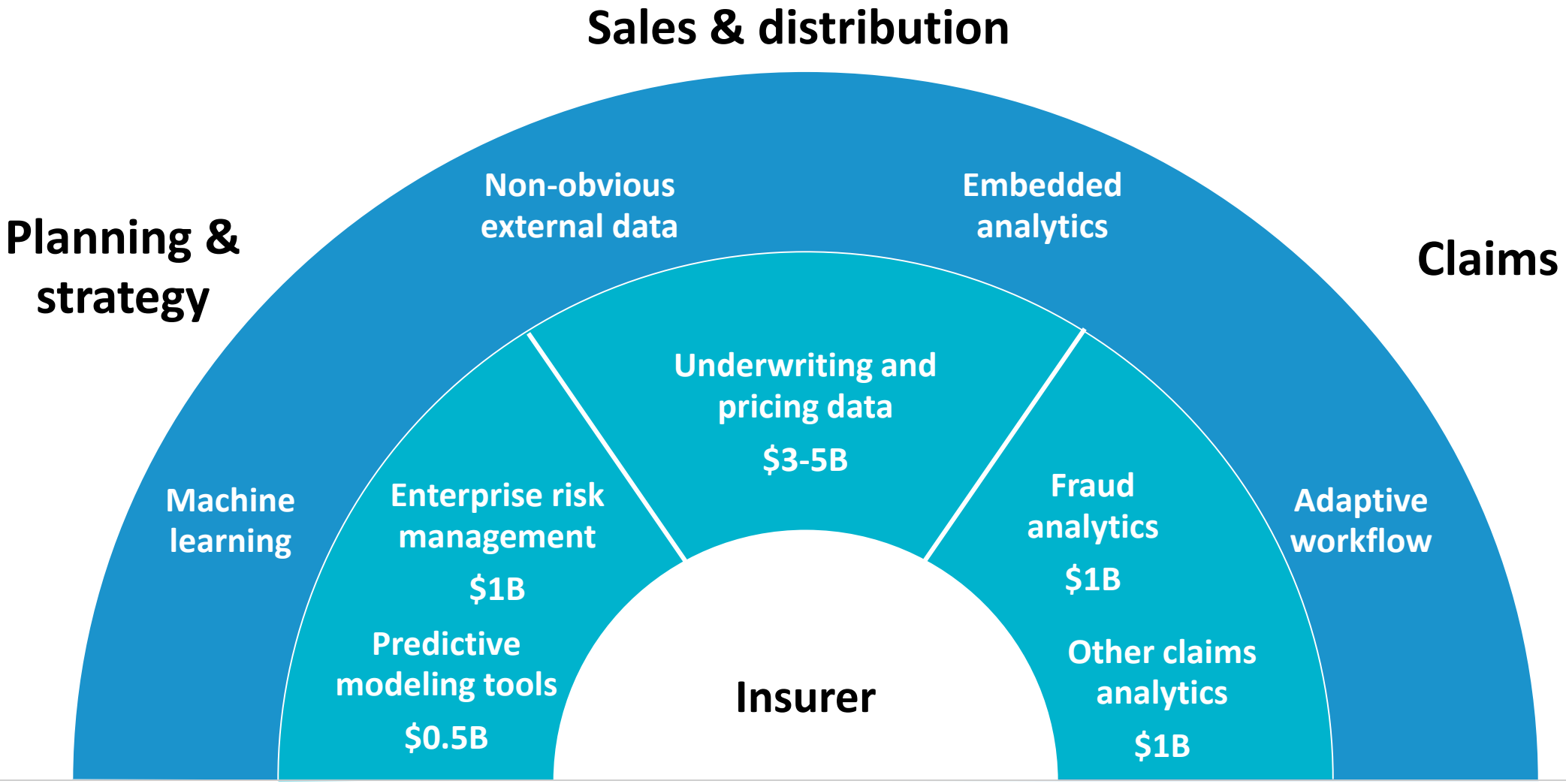
Sizing The Opportunity



Current gen solutions Next gen solutions

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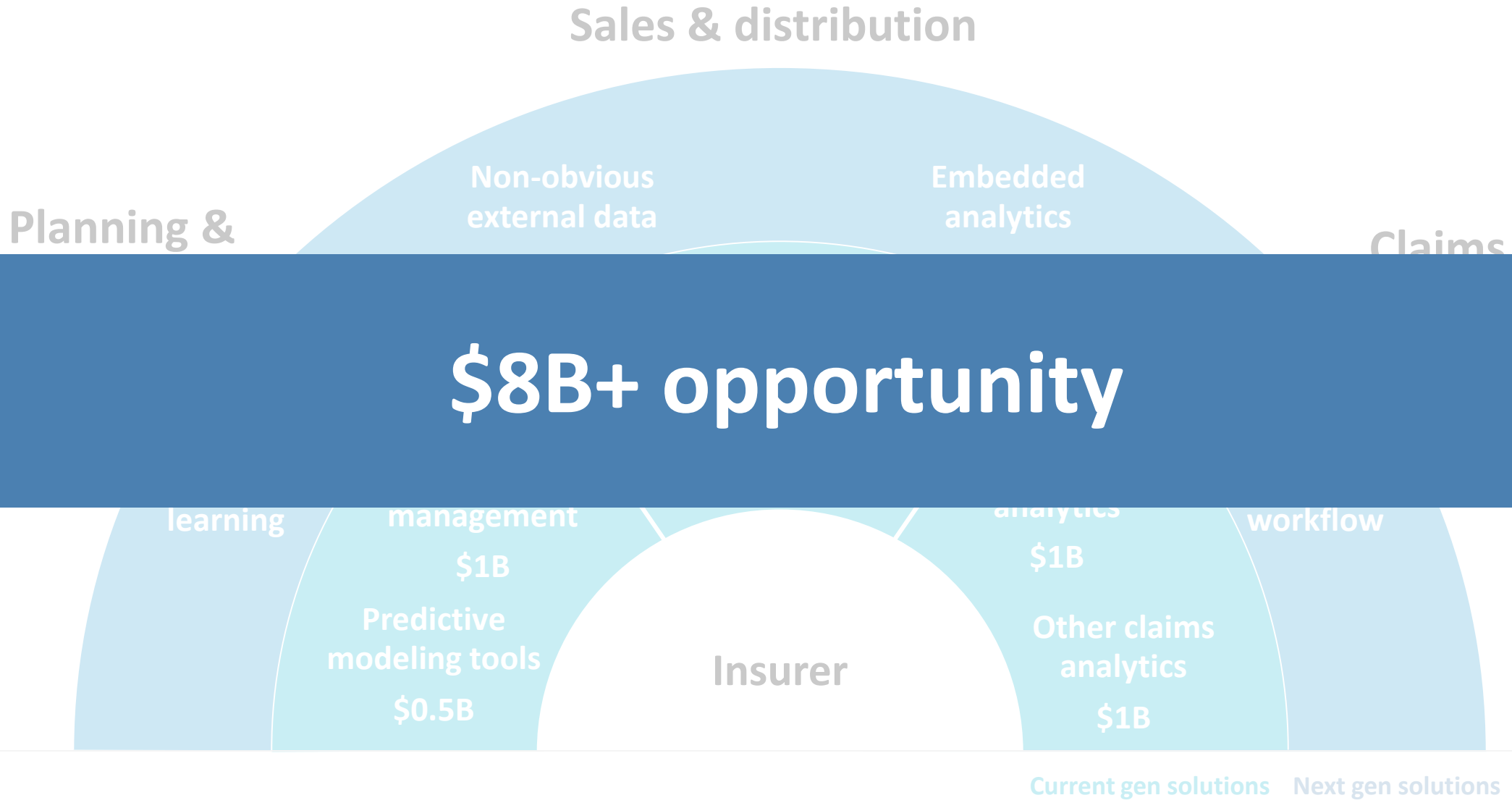
Sizing The Opportunity



$8B+ opportunity

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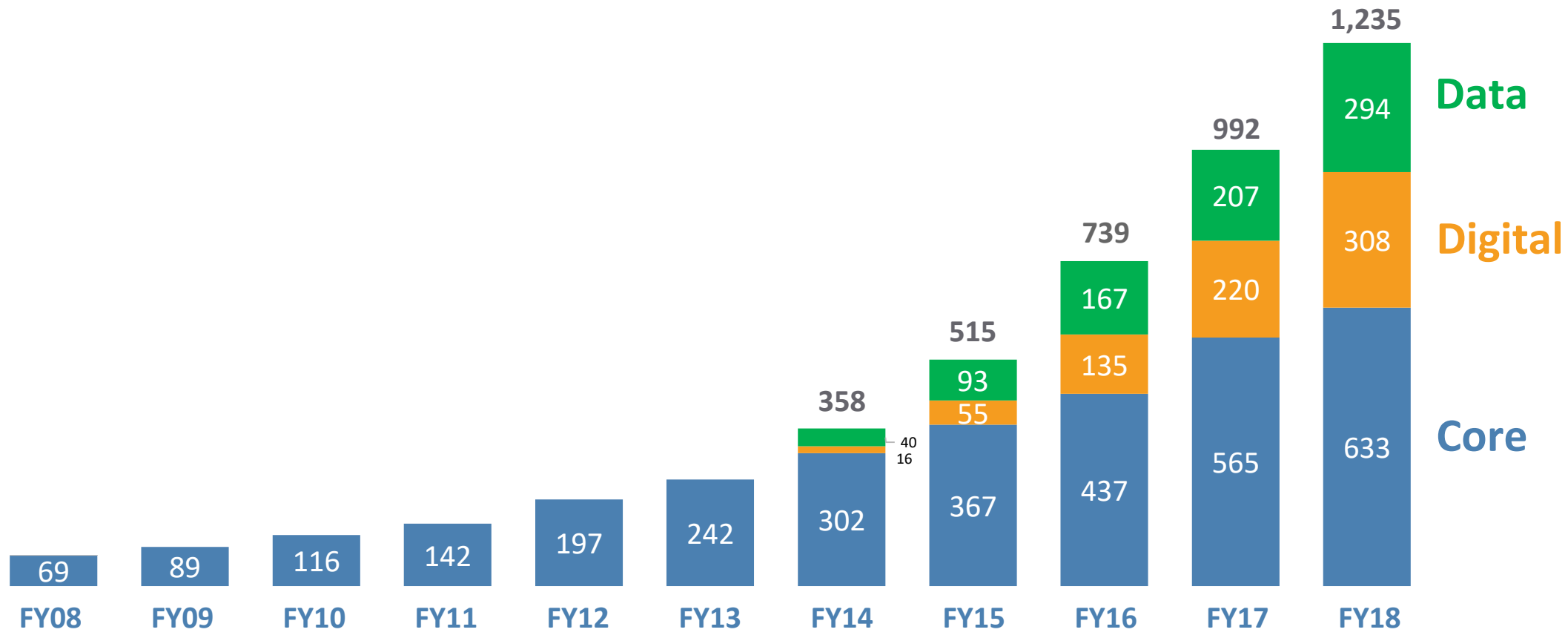
Winning in Our Market

Growth in Licenses of Core, Data, and Digital



Growth in licenses accelerating due to expanding product portfolio

Source: Guidewire analysis, licenses include subscription

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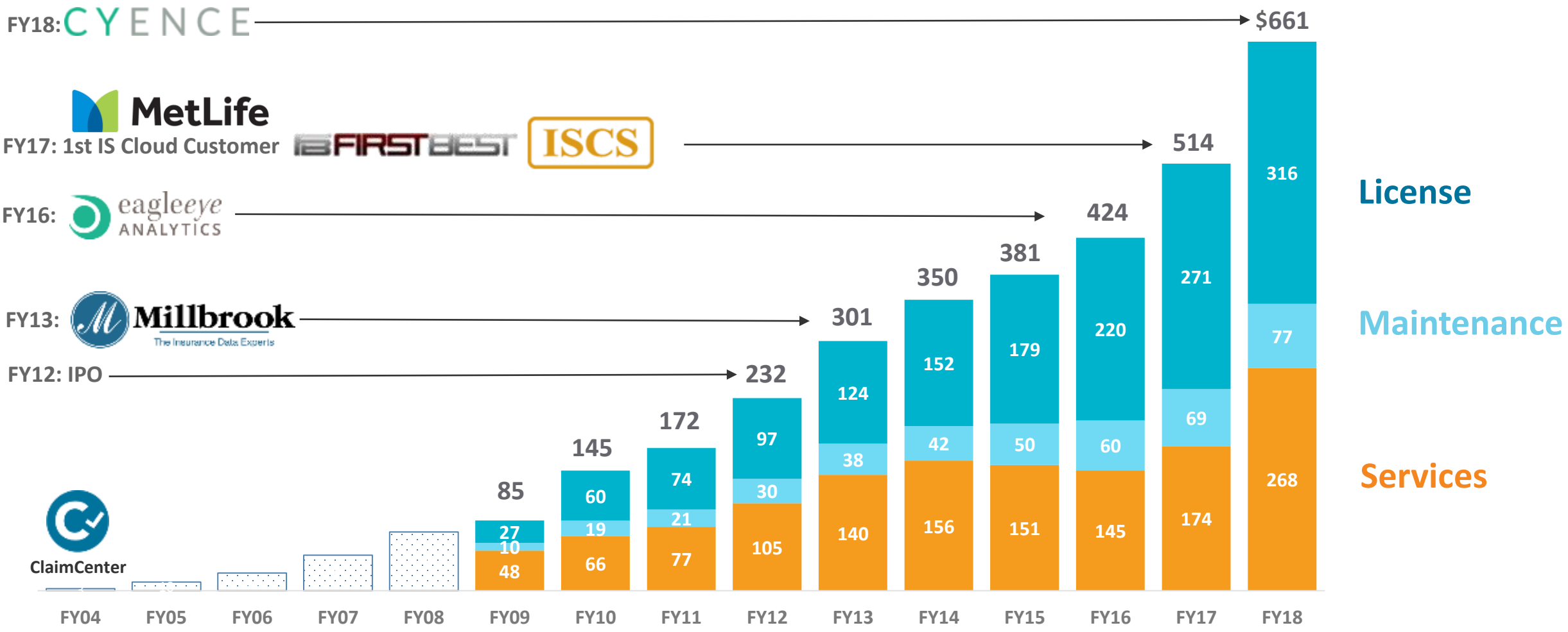
Total Company Revenues: FY 2004-2018

($ in Millions)



Note: Prior to 2009 financials were not audited

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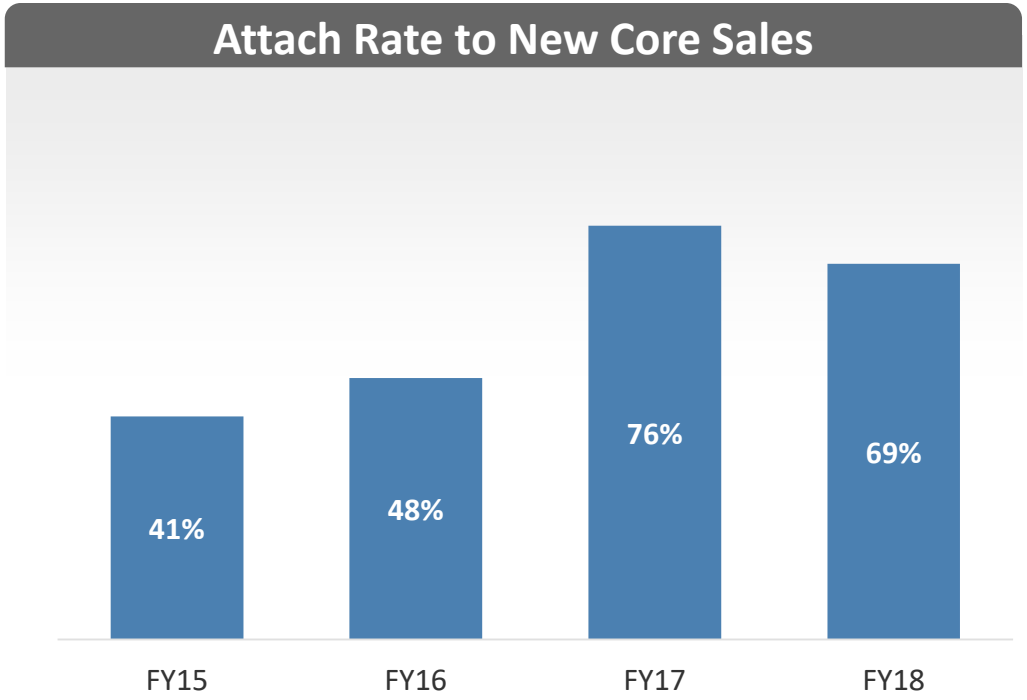
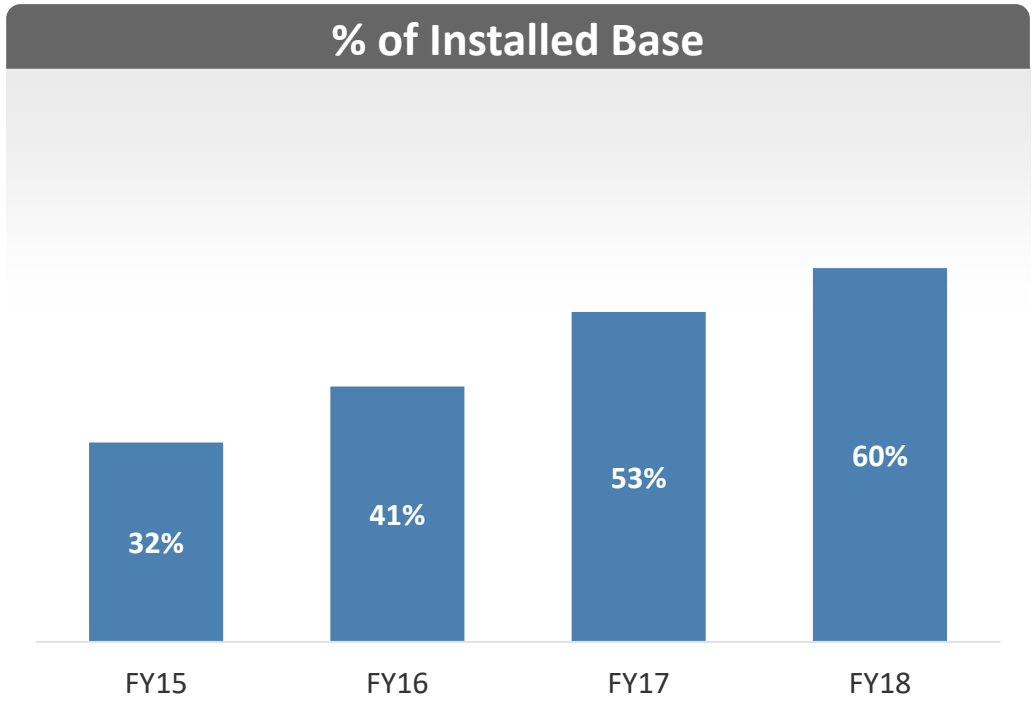
Growth in Data and Digital Products





Proven ability to expand beyond the core

Source: Guidewire analysis, does not include Cyence or InsuranceNow

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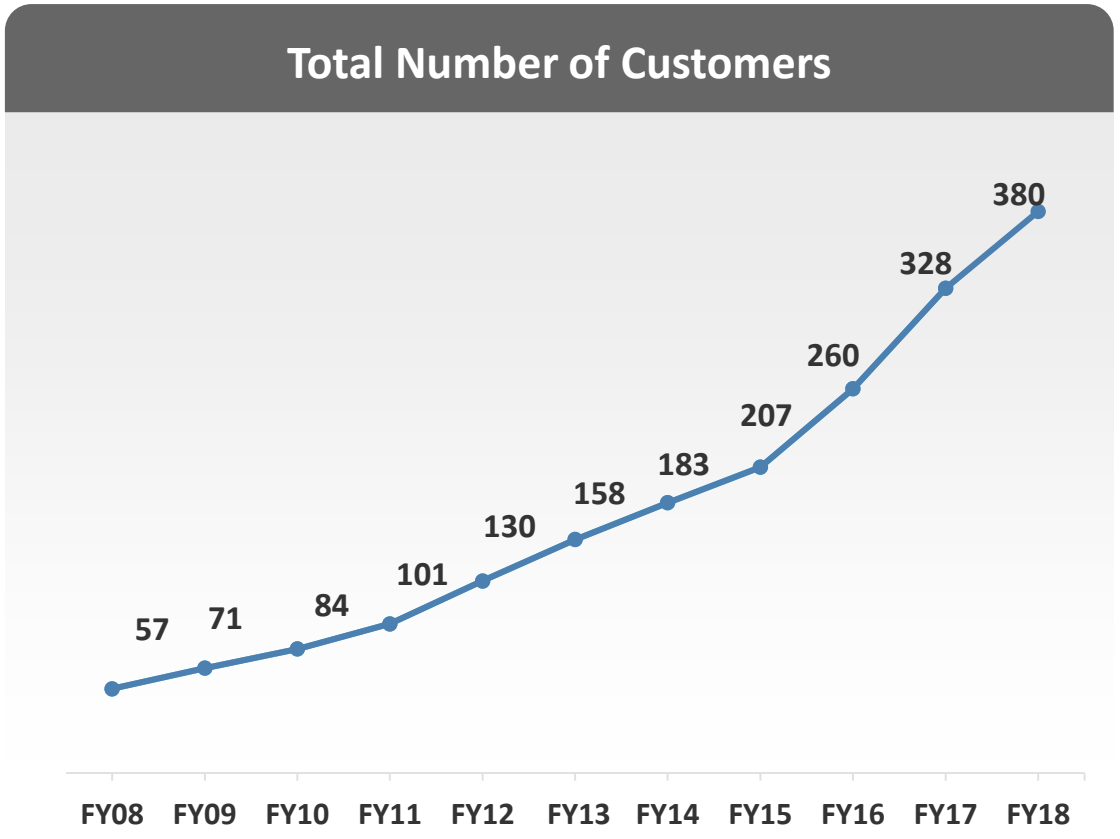
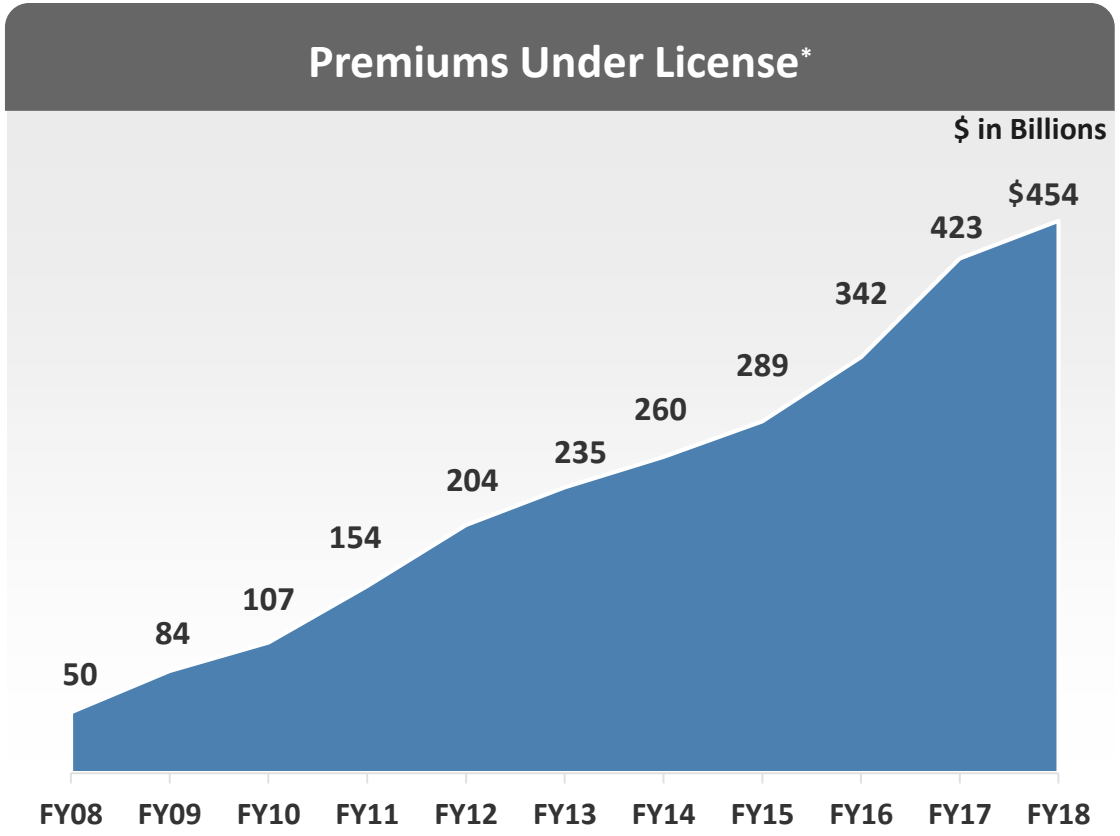
Growth in Market Metrics





Customer community comprises ~25% of insurers and premiums

** Premium Under License = Total of licensed premiums, across all customers that are licensing one or more products (excludes Cyence)*

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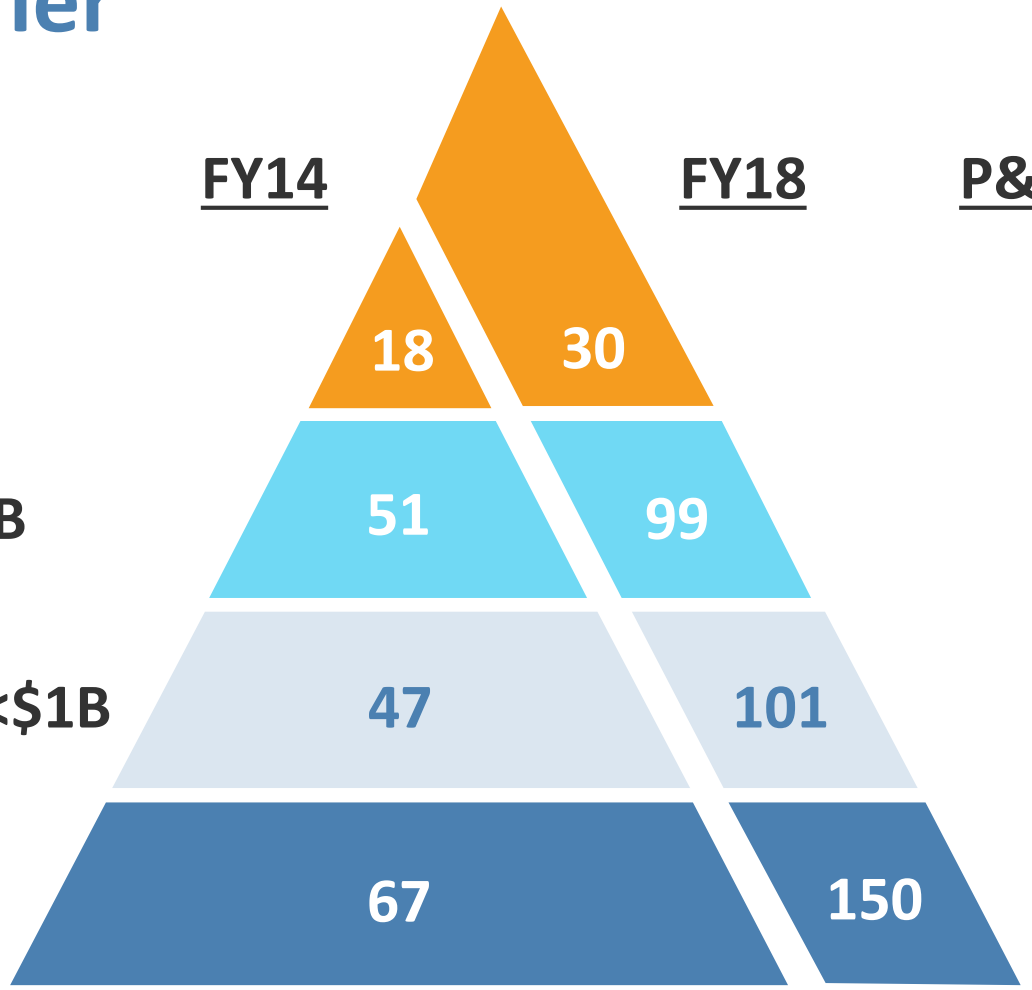
Customers by Tier

DWP	FY14	FY18	P&C Insurance Industry
Tier 1: >$5B	18	30	50+
Tier 2: $1B to <$5B	51	99	250+
Tier 3: $300M to <$1B	47	101	1,200+
Tier 4/5: <$300M	67	150	



Industry adoption across insurers of all sizes

Note: Guidewire analysis; Customers may include non-P&C Insurers and reinsurers

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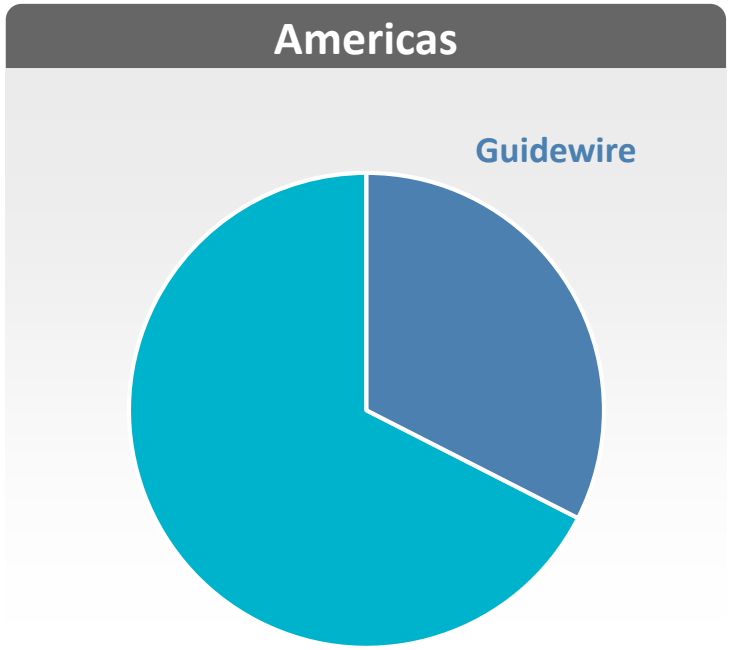
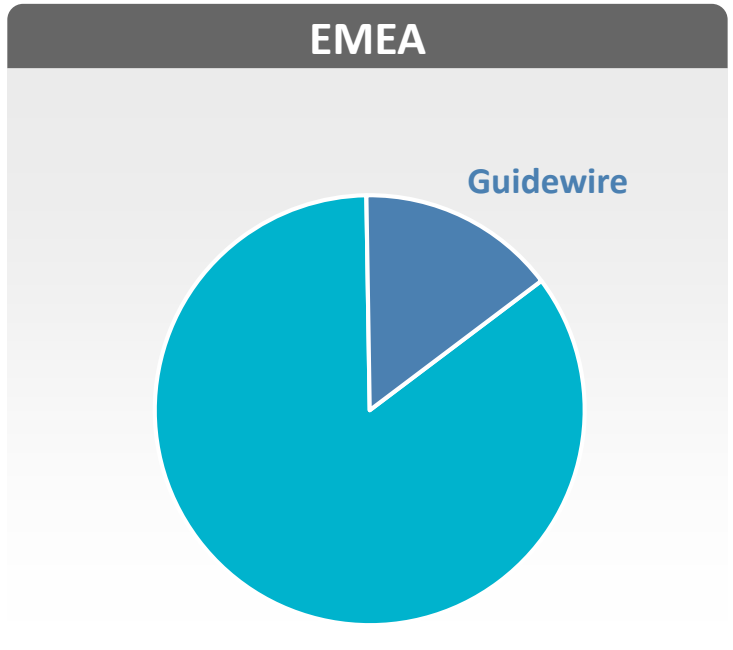
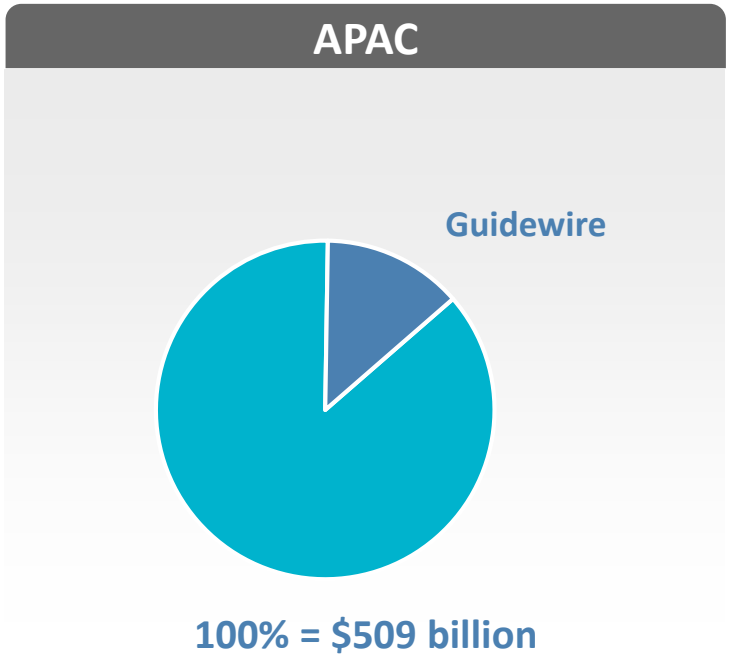
Core DWP Penetration by Region



100% = $937 billion



100% = $668 billion



100% = $509 billion

Significant opportunities still continue to exist in all markets

Source: Guidewire analysis, SwissRe

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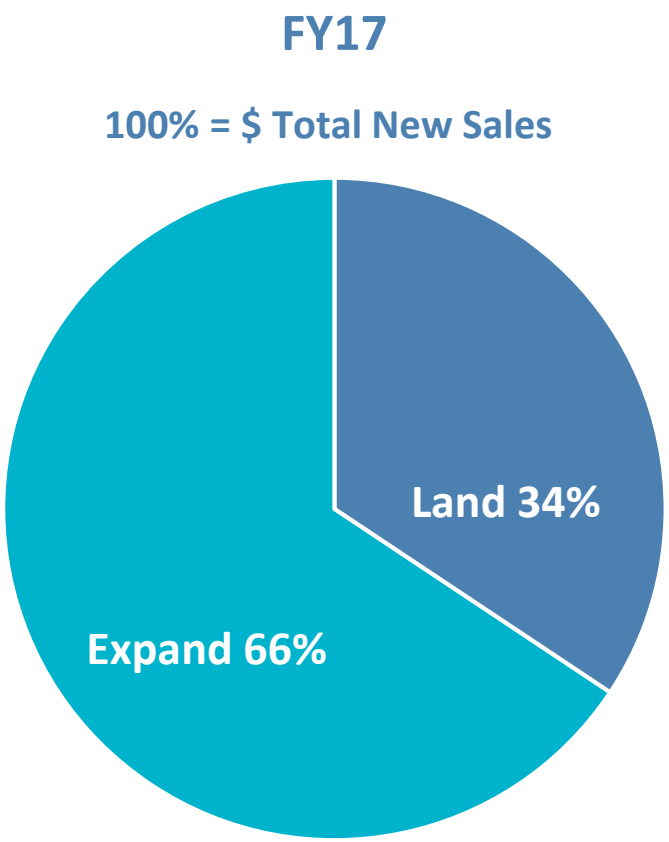
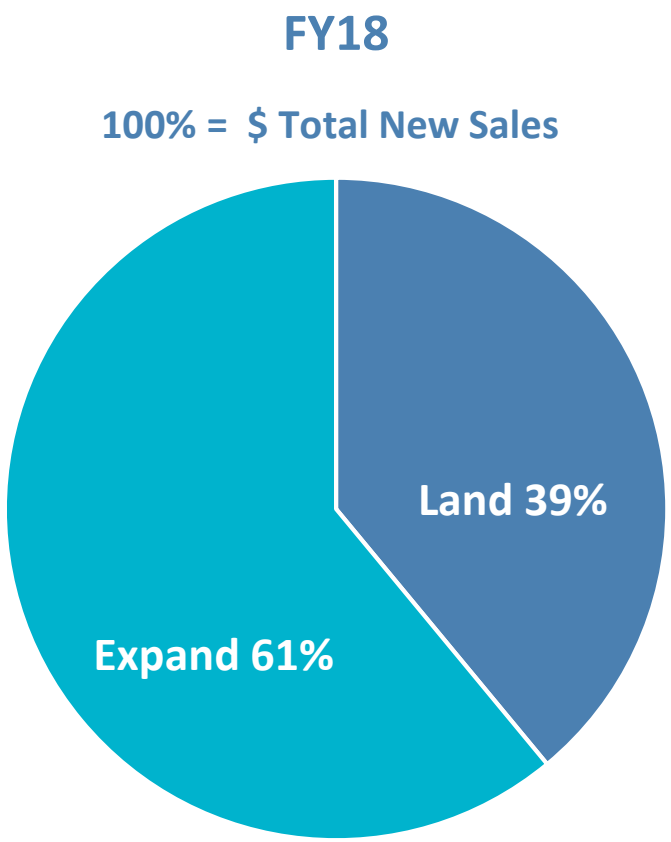
Land and Expand





Broadening product portfolio increases expansion opportunity

Source: Guidewire analysis, excludes New Sales from Cyence

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Global Footprint and Credentials

620+ projects completed or underway in 30+ countries; 240+ customers now live

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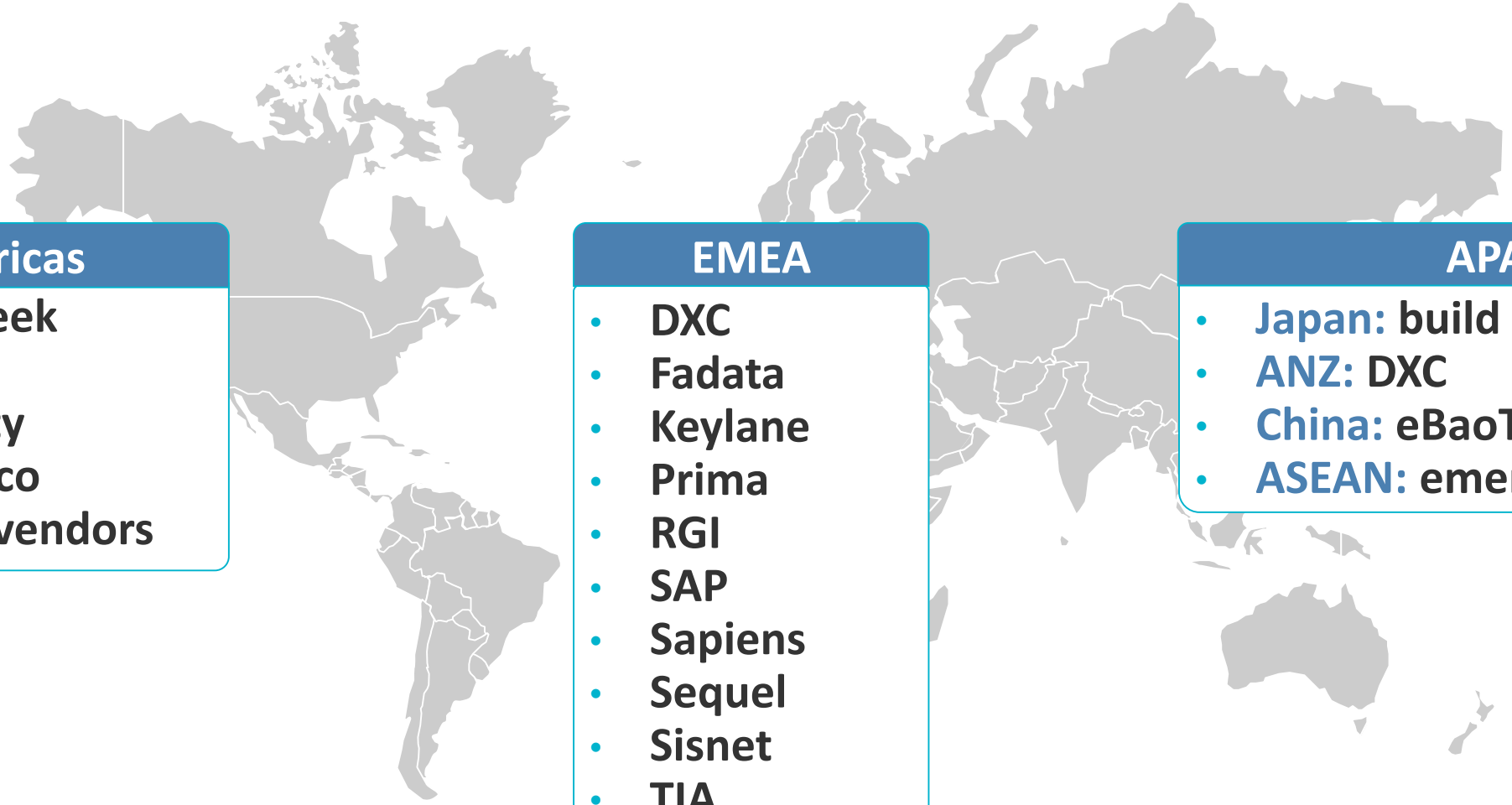
Competitive Landscape



Americas

- Duck Creek
- Tier 3-4:
  - Insurity
  - Majesco
  - niche vendors

EMEA

- DXC
- Fadata
- Keylane
- Prima
- RGI
- SAP
- Sapiens
- Sequel
- Sisnet
- TIA

APAC

- Japan: build
- ANZ: DXC
- China: eBaoTech, Sinosoft
- ASEAN: emerging

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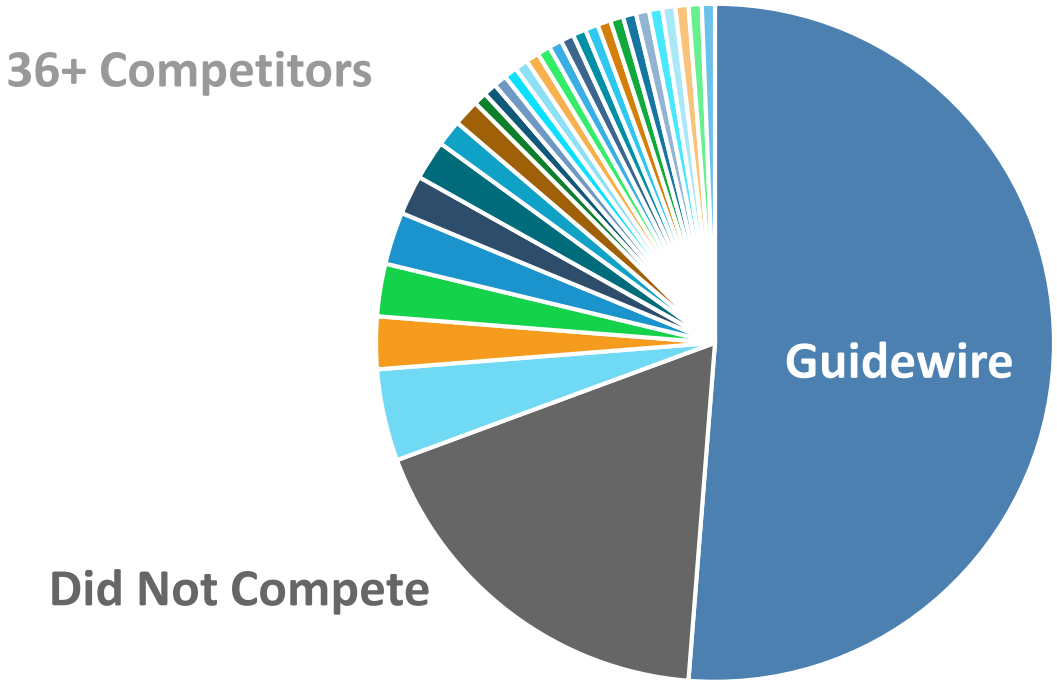
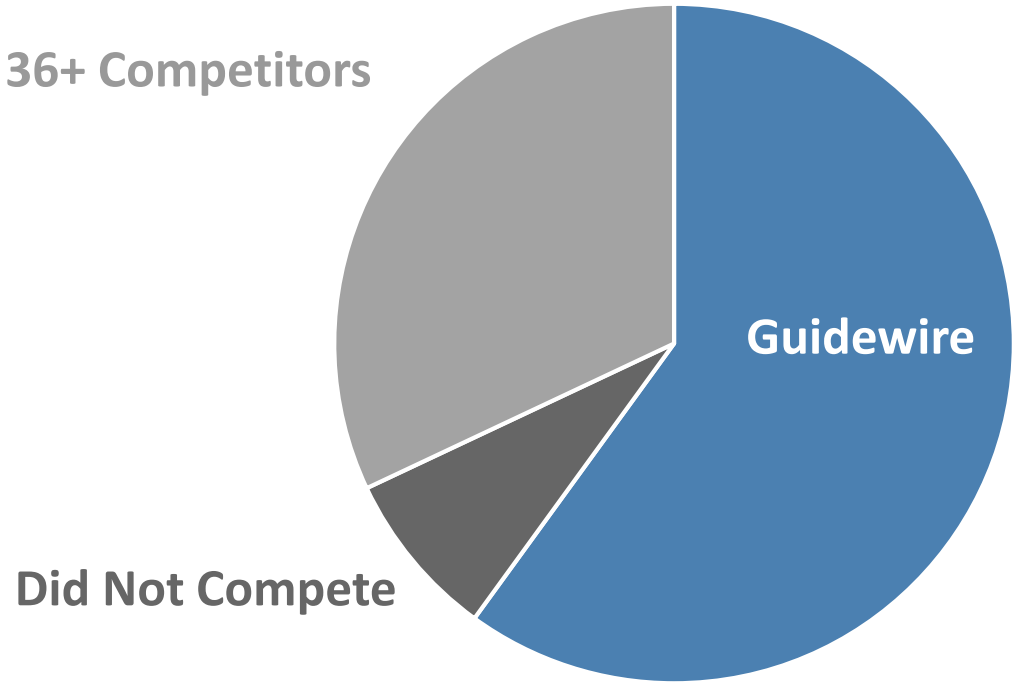
Win-Loss Rate for Core System Decisions: FY17-FY18

100% = Total Number of Decisions



100% = Total Amount of DWP



Winning more than half of global decisions and ~2/3 of total DWP

Source: Guidewire analysis

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Measures of Core Market Penetration

$$\text{DWP Penetration} = \frac{\text{DWP Under Contract}}{\text{Total DWP}}$$

$$\text{Revenue Opportunity} = \frac{\text{Annual Fees}}{\text{Total Fees Possible for All Products}}$$

Measures can be applied to existing customers and overall market

Note: DWP = Direct Written Premium

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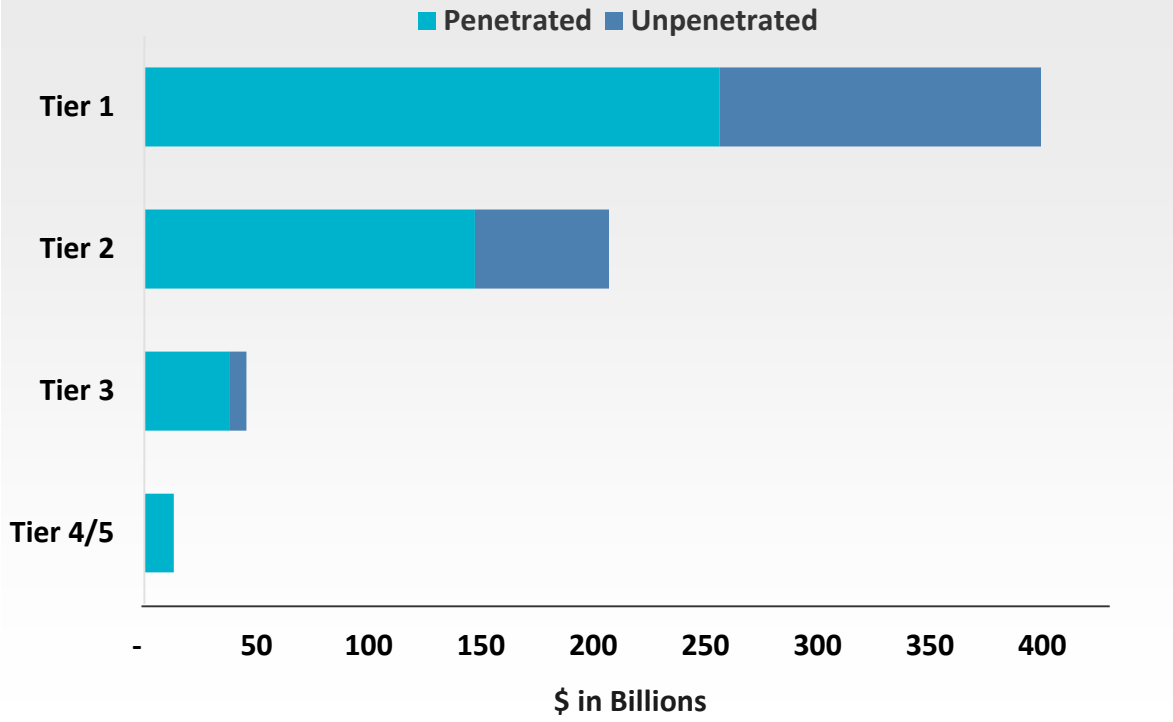
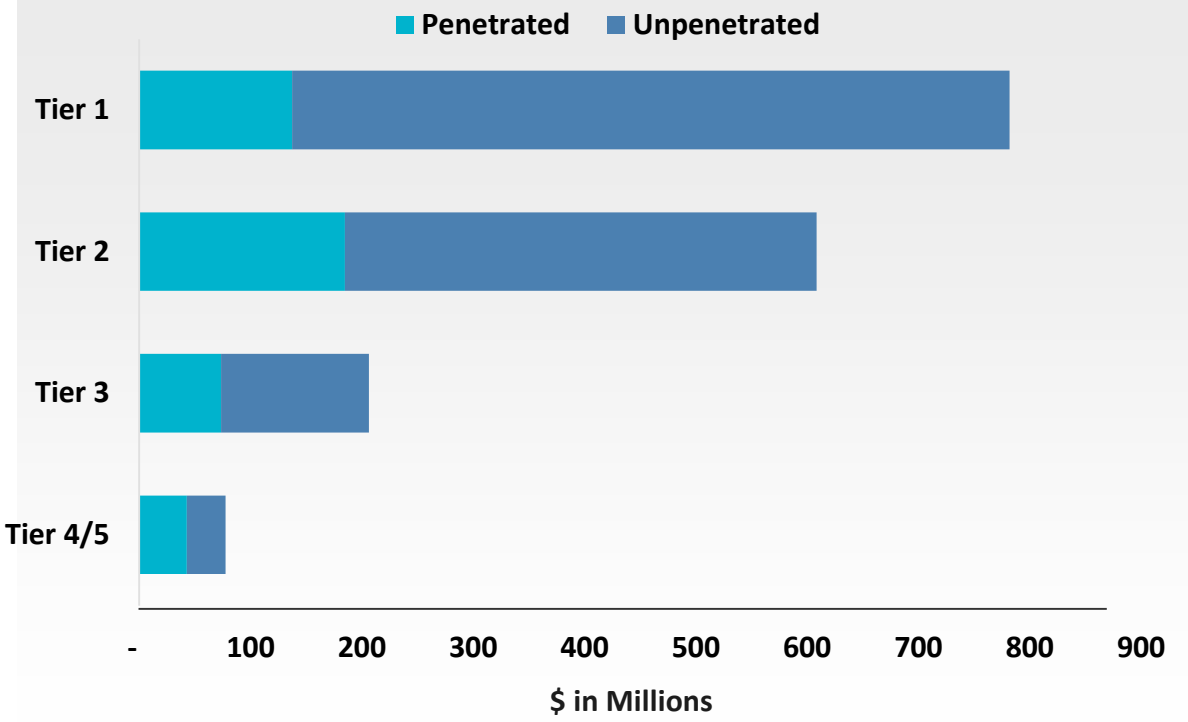
Customer Penetration (excluding Cloud and ADS)

Customer DWP Penetration



Customer Revenue Opportunity



Significant revenue opportunity in installed base

Source: Swiss Re, AM Best, NAIC (2013); Guidewire analysis

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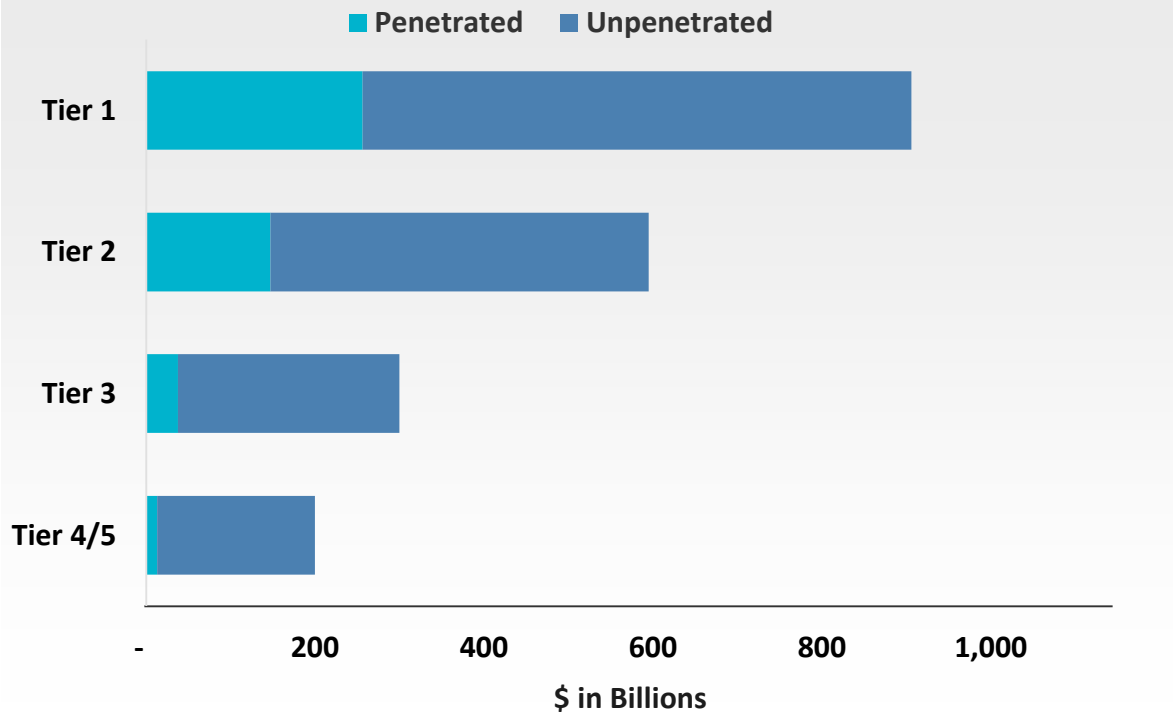
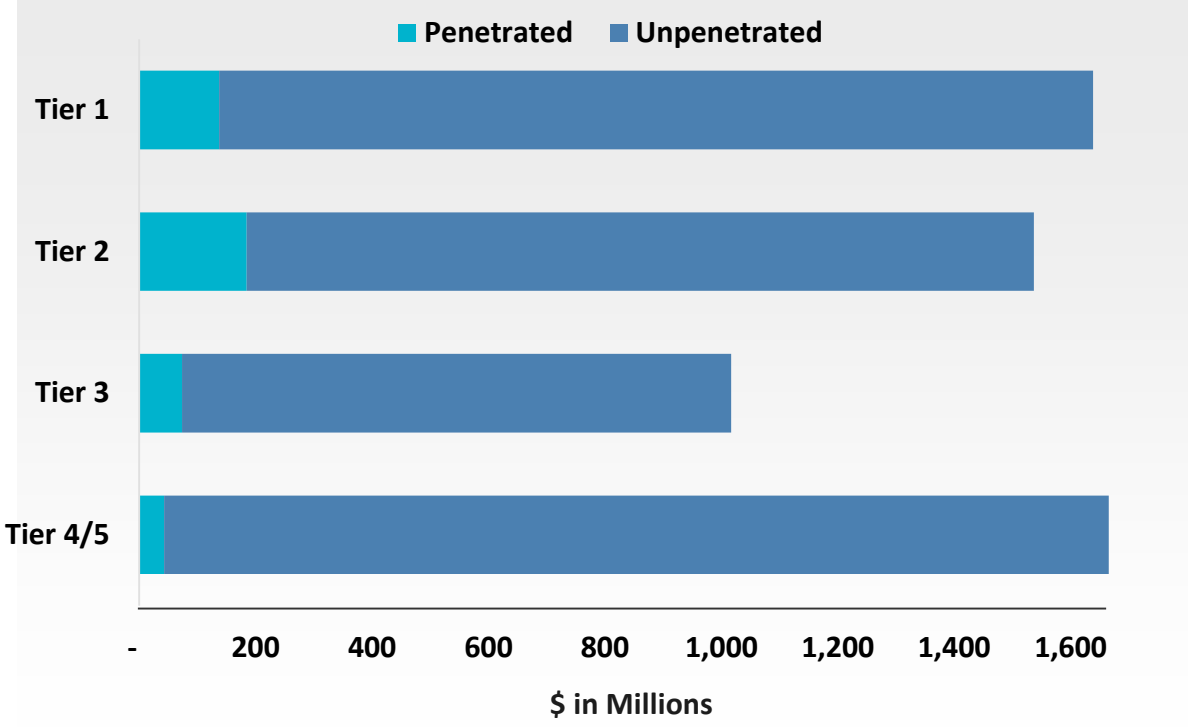
Market Penetration (excluding Cloud and ADS)

Market DWP Penetration



Market Revenue Opportunity



Significant global revenue opportunity

Source: Swiss Re, AM Best, NAIC (2013); Guidewire analysis

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Continued Growth of InsurTech

Digital Attackers

Simply Business, Metromile, COVA, ZENSURANCE, INSURIFY, next insurance, EMBROKER, GUSTO, SURE., PIE INSURANCE, HISCOX, pablow, friendsurance, BERK, attune, BUNKER, Hippo, Goji, JUMPSTART, ZEGO, DIGITAL INSURANCE GROUP, neos, EVERQUOTE, KELLY KLEE, insureon, Matic, WRISK, MetLife Auto & Home direct, swyft, ROOT, Talage, CAKE, Slice, kin., Coalition, buzzmove, trōv, Quilt, the zebra, acko, Cuvva, Coverfox, 众安保险 ZhongAn Insurance, BOUGHT BY MANY, konsileo, wefox, policygenius, aqeed., PasarPolis, compare.com, laka, qover, brolly, COVER GENIUS, Digital Risks, CyberPolicy, CLARK, sonnet, coverwallet, clearcover, digit, policybazaar, Lemonade

Process Improvers

NUANCE, Cognitive Scale, Kasisto, Lob, AUTOMAT, ARTIFICIAL SOLUTIONS, Elafris, pypestream, Livegenic, SightCall, SPIXII, Rescue, SaleMove, EAGLEVIEW TECHNOLOGIES, OnSource, snapsheet, Spex, WINDWARD, AUTOMATION ANYWHERE, AUREUS ANALYTICS, Betterview, carebridge, CAPE ANALYTICS, CLARA, Cytora, datacubes, DATAROLE, SYMBILITY, WeGoLook, HOVER, dropin, ENOVA DECISIONS, DataRobot, demyst.data, Digital Fineprint, DMS DIGITAL MATRIX SYSTEMS, Descartes Labs, planet., thirdpartytrust, HONK, Xybion Corporation, sipree, kespry, GetmeIns, FRISS, Groundspeed, HazardHub, PLANCK RE, Orbital Insight, Collision Sciences, Tractable, LEXITAS, FairClaims, PLNAR, matterport, AcceptEmail, PREMONITION, Praedicat, risk genius, SpatialKey, Shift Technology, CARPE DATA, ChronWell, QuanTemplate, ViewSpection, ControlExpert, INZMO, RANK MINER, Weather Analytics, SKOPENOW, CRUX, intellect SEEC RISK ANALYST, TRUEPIC, MediaAlpha, BACKBASE, hearsay, indio, TechCanary, Vlocity, BOLD PENGUIN, JORNAYA, AskKODIAK, otonomo, nauto, senseware, THE FLOOW, LEAKBOT, EVERYTHING, arity, xagent, predictiveBid, DECIBEL INSIGHT, Zendrive, notion, nexar, sentiance, LifeSaver, ORZOTA, BRITECORE, eBaoTech, INSTANDA, RightIndem, ScopeTechnologies, InsureVue, senseware, vivint., THE FLOOW, AUTOMATIC, PILLAR TECHNOLOGIES, AUGURY, roost, ONE INC., Claimatic, KASKO, MotionsCloud, mnubo, snapsheet, outshared, intrasurance, REIN, towerIQ, KOVRR, insurdata, CORAX, AMODO, UNDERSTORY, roundcube, Concirrus, CLAIMABLE, Trusted Choice, VALEN ANALYTICS, boundlss, EARNIX, Galaxy.AI, Denim, TrueMotion, socotra, reply.ai, Covii Analytics, GEOSPATIAL INSIGHT, Relativity6, CyberCube, cogito, hubio, 360Globalnet, Claim Di, TERRENE Labs

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Graphic not drawn to scale

Significant Investment in New Insurtech Entrants

100% = ~$2.5B investment since 2012

Emerging Technologies

- Cyber
- Underwriting Analytics
- Fraud Detection
- Internet of Things Data
- Auto Claims Estimation
- Claims Supply Chain
- Field Estimation
- Agent Enablement
- Customer Communication
- Property Claims Analytics

300+

P&C New InsurTech Start-ups since 2012

83%

of Invested Dollars from Insurers and Reinsurers

An expanding universe of strategic, partnerships, and sales opportunities

Sources: Willis Towers Watson, CB Insights, Guidewire analysis

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Goals for Next 12 Months

Win the Platform Mandate

Increase Momentum in Europe

Accelerate Cloud Transition

Succeed with ADS Business

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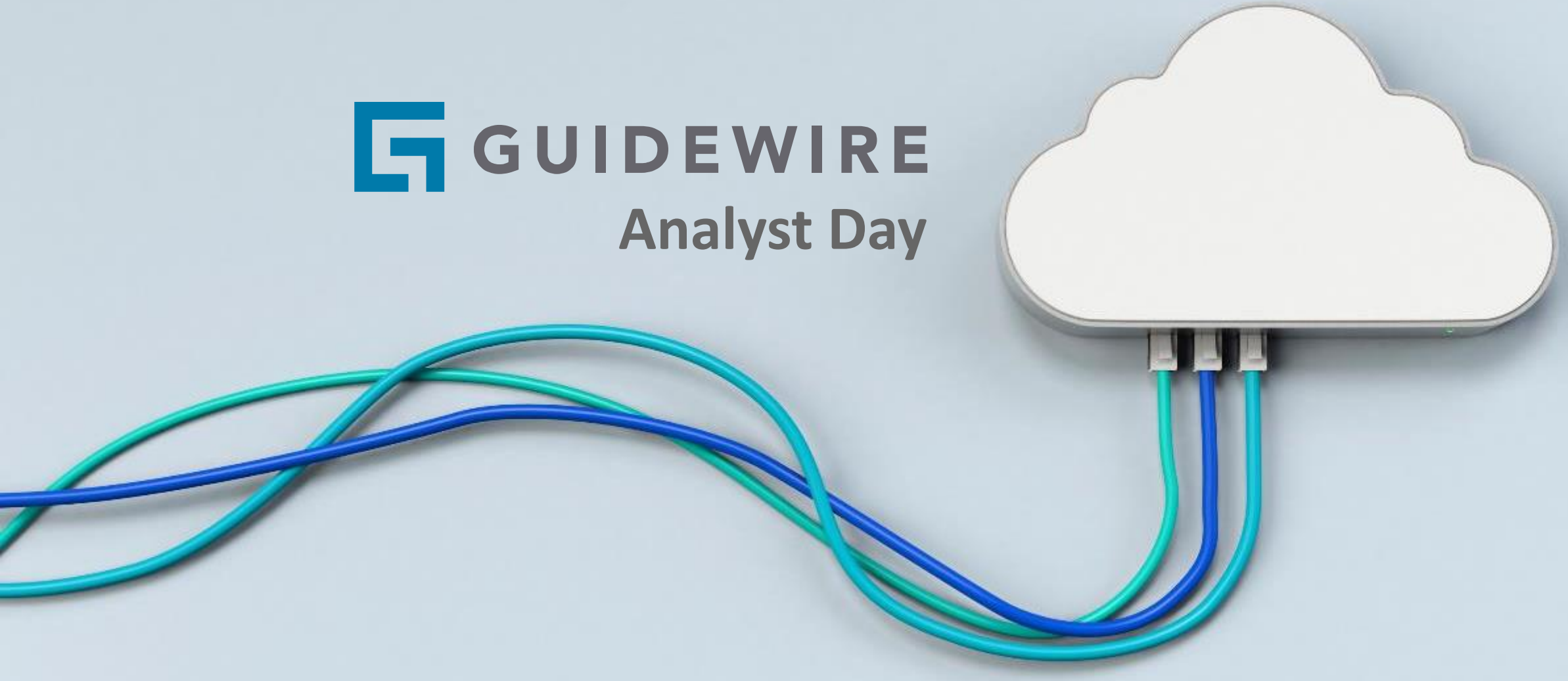
GUIDEWIRE

Analyst Day



GUIDEWIRE

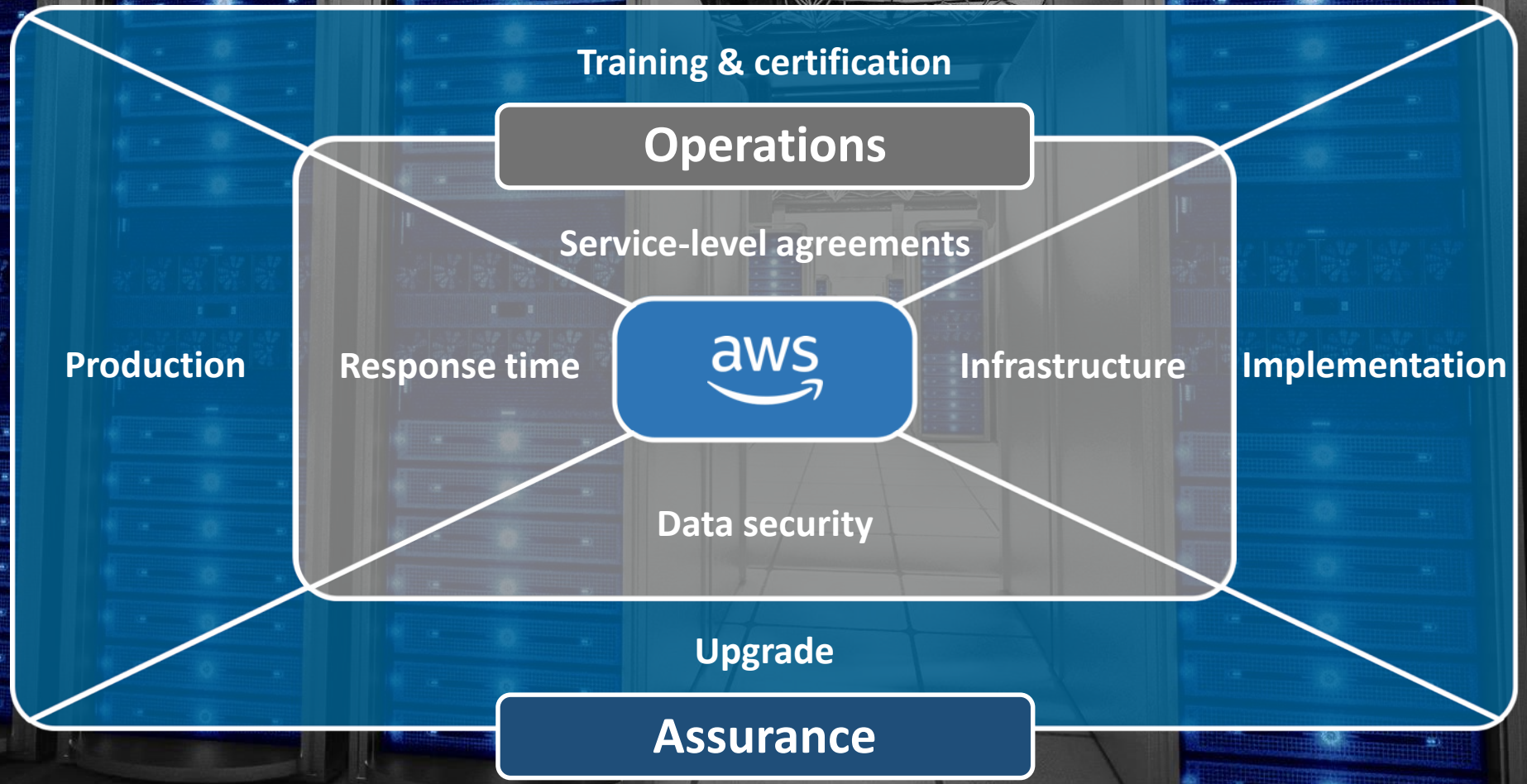
Cloud Readiness

Priscilla Hung, Chief Operating Officer

September 2018

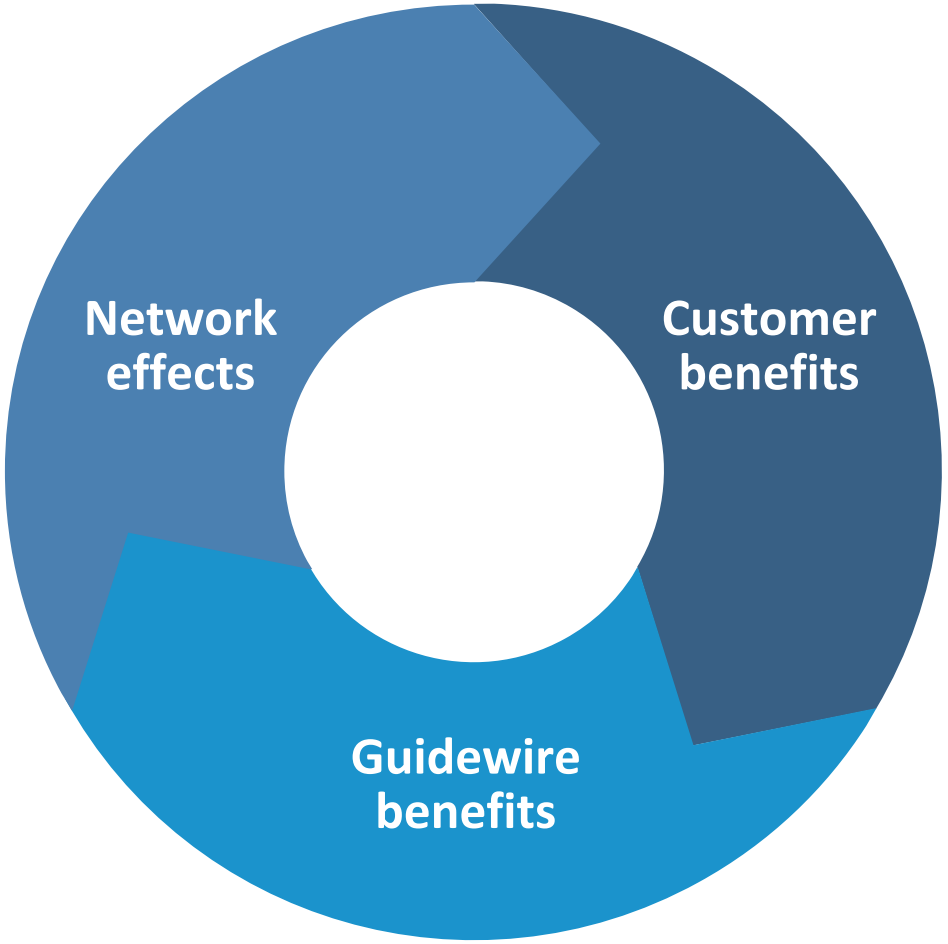
Guidewire Cloud™

Guidewire Cloud™



Benefits of Cloud

- Scale partner ecosystem
- Accelerate best practices
- Lower run-time costs



- Accelerate speed to market
- Transfer risk and complexity
- Innovate with InsurTech

- Empower platform mission
- Increase R&D focus
- Increase revenue

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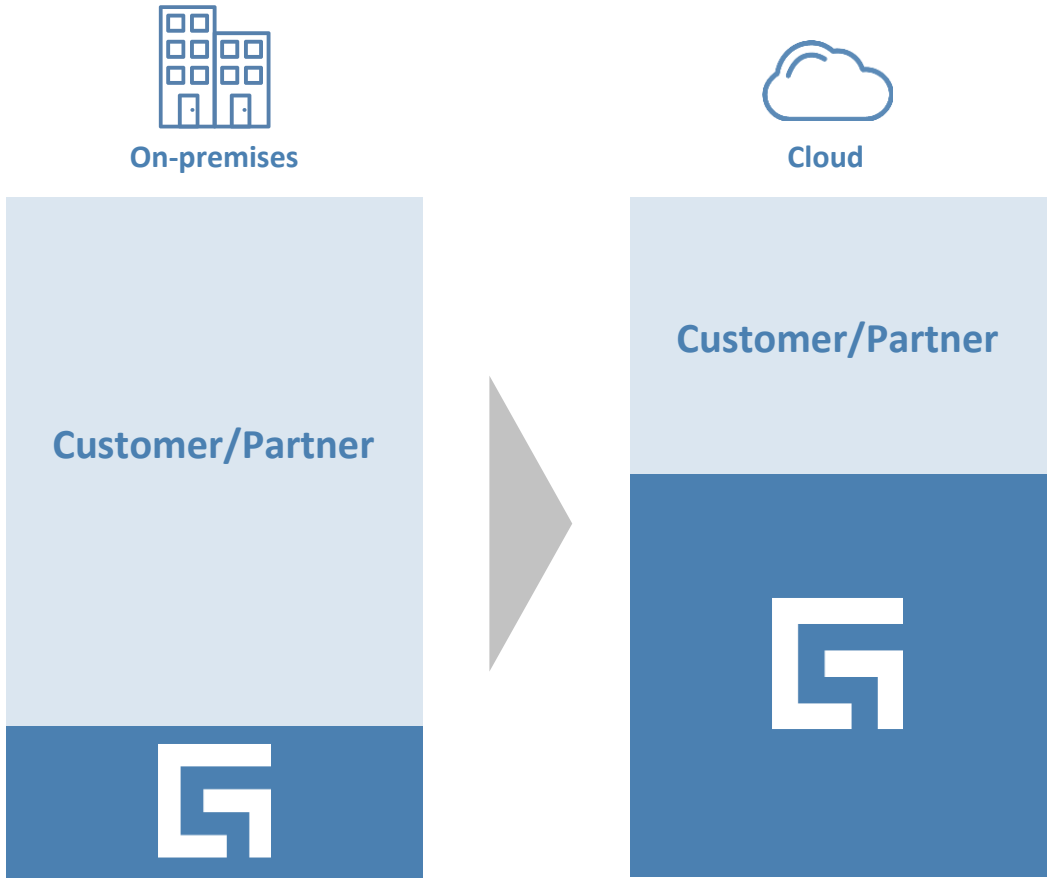
Cloud Drives a New Division of Labor

Business requirements

Implementation, Upgrades + Support

Infrastructure

Software



Key Cloud Business Terms

- SaaS subscription pricing
- SLA - Uptime, response time, security guarantees, compliance
- Rapid release cadence
- Quarterly success review
- Implementation by Guidewire Services and cloud-certified SIs

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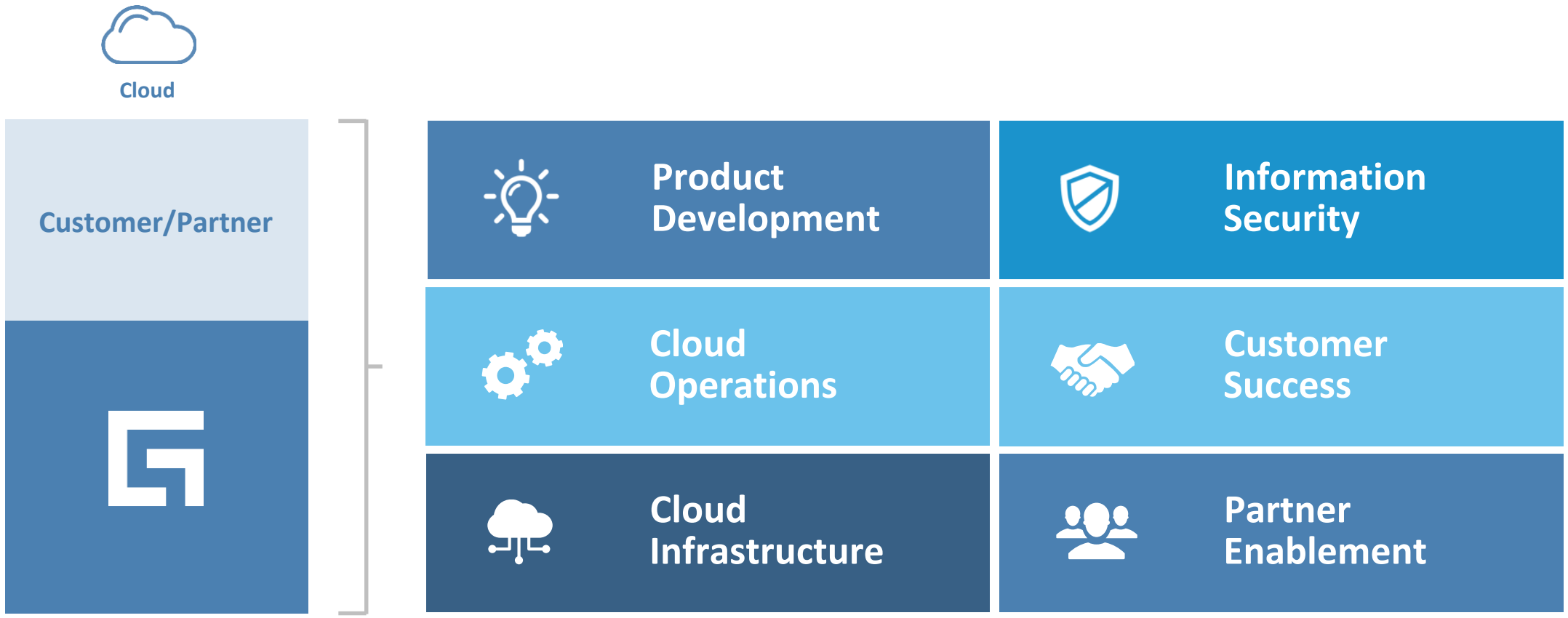
Unifying Company Functions Behind Cloud



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Guidewire Cloud™ Credentials

100%

Of platform deployable in cloud

150+

Customers with at least one product

35 InsuranceNow Customers

4 InsuranceSuite Customers

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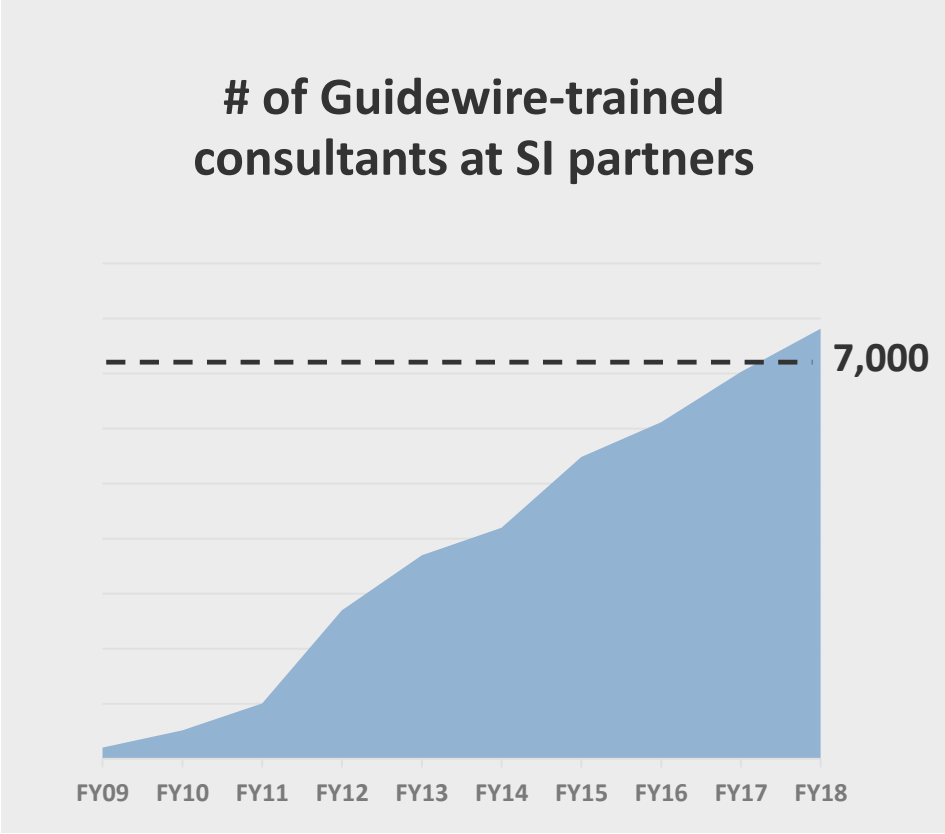
Scaling SI Partners for Cloud

GUIDEWIRE PARTNERCONNECT™



Partners fully engaged for cloud and on-premises deployments

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AWS Partnership

Advanced

Technology Partner

Financial Services Competency

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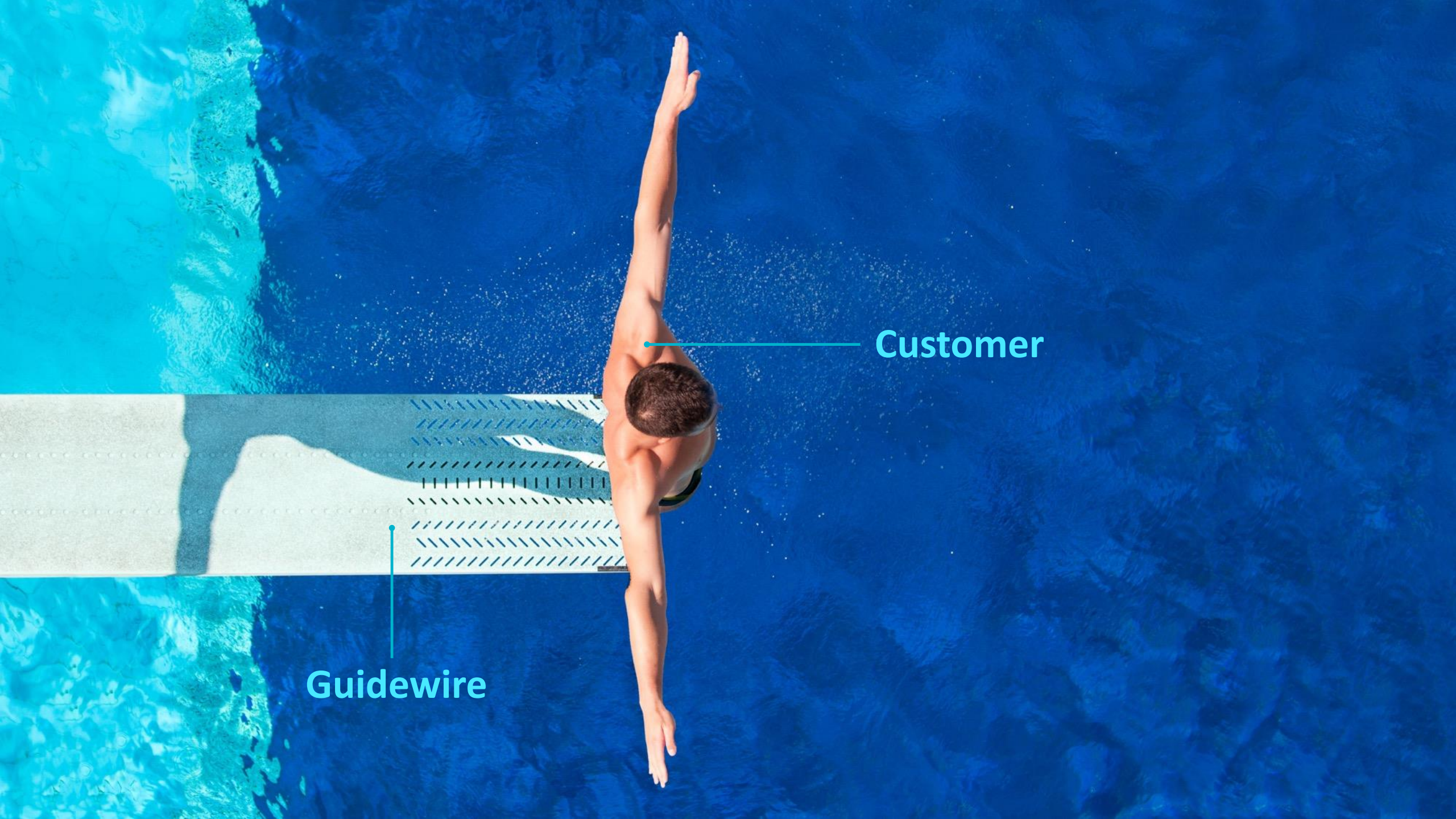
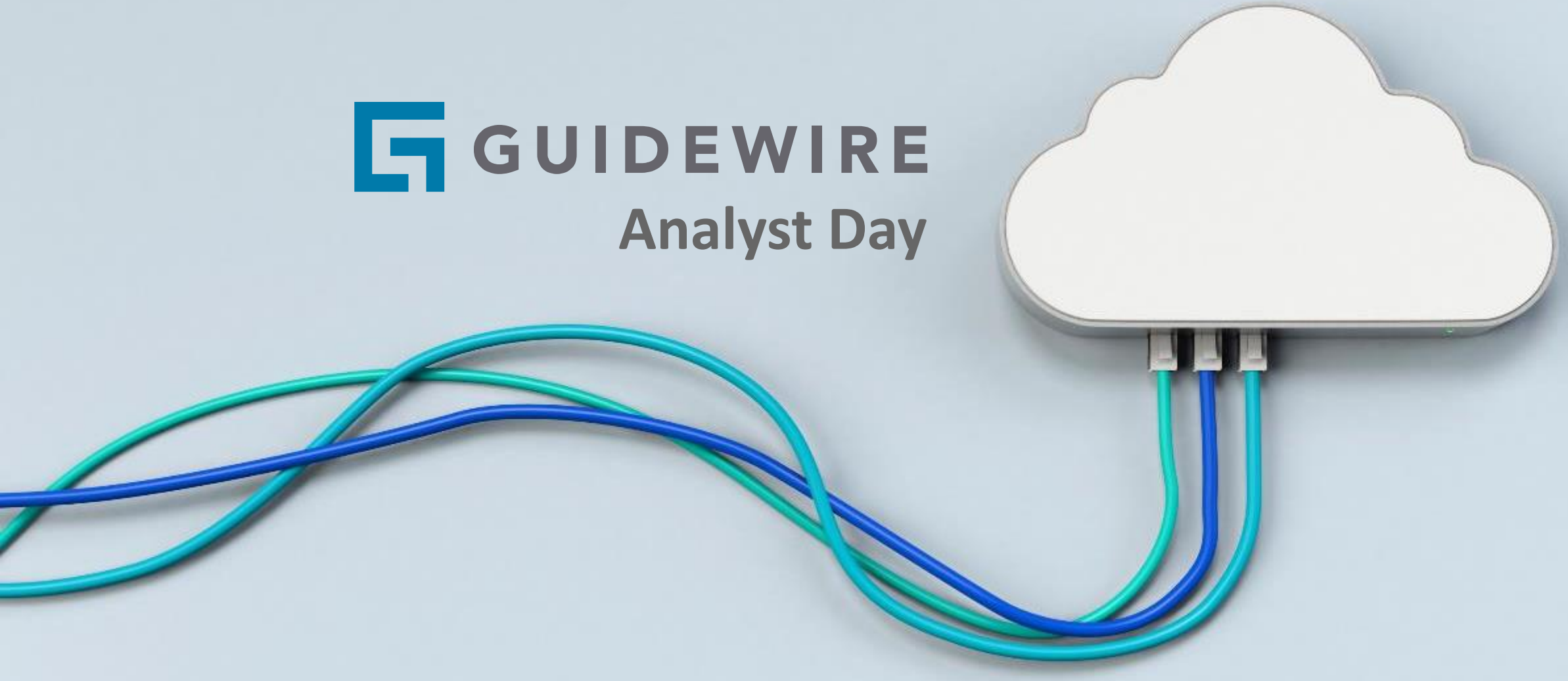

Customer
Guidewire

GUIDEWIRE

Adapt and succeed™

GUIDEWIRE

Analyst Day

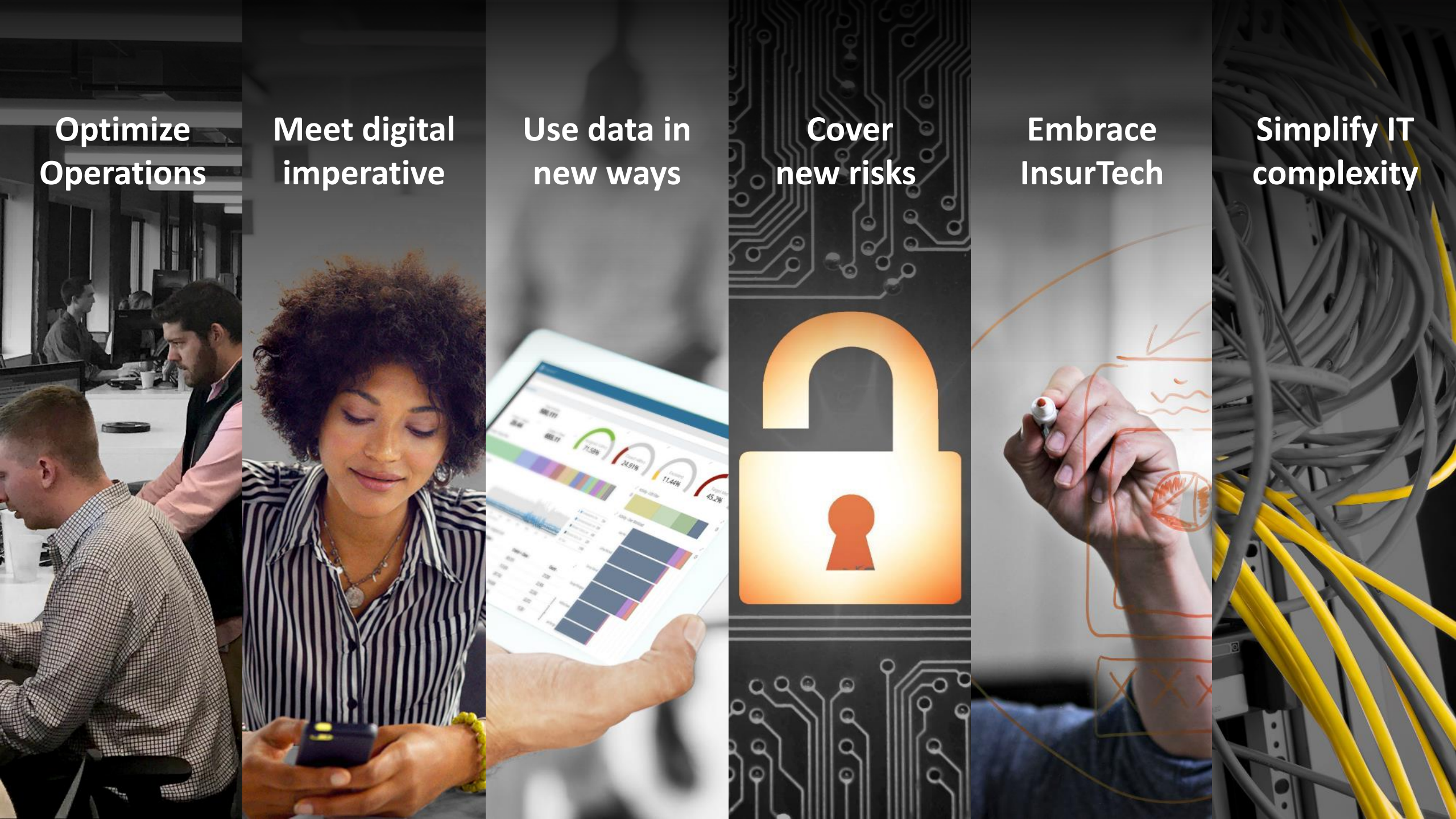


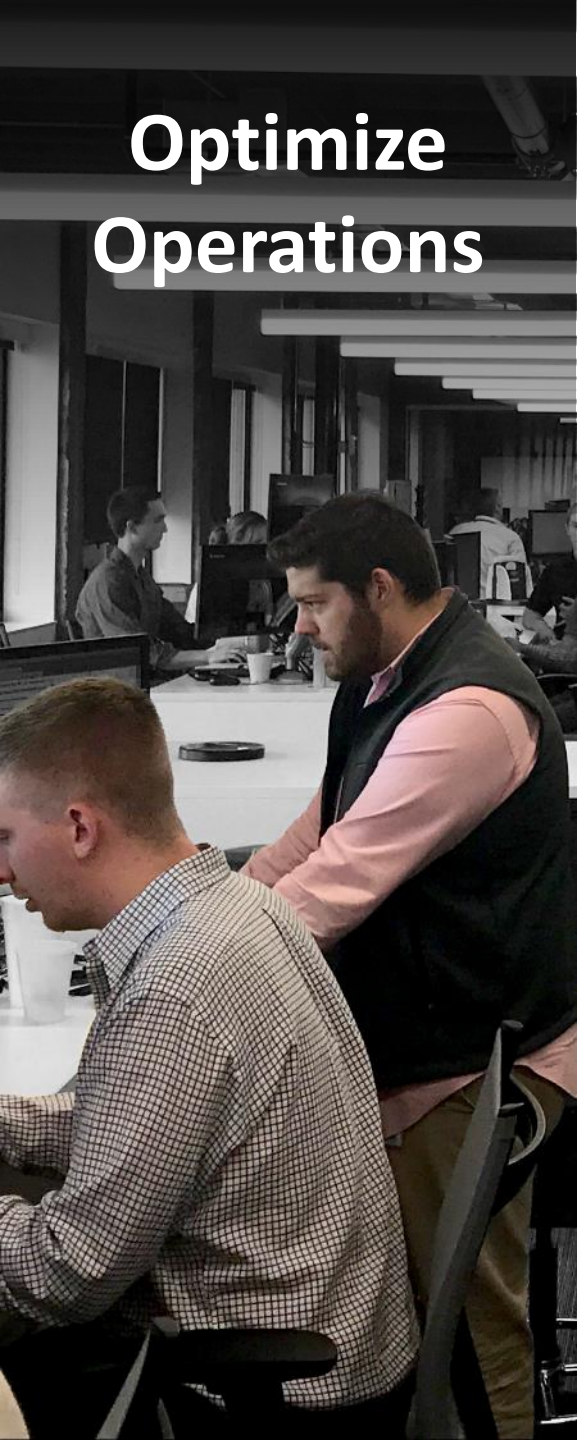
GUIDEWIRE

InsurancePlatform Strategy Update

Ali Kheirolomoom, Chief Product Officer

September 2018

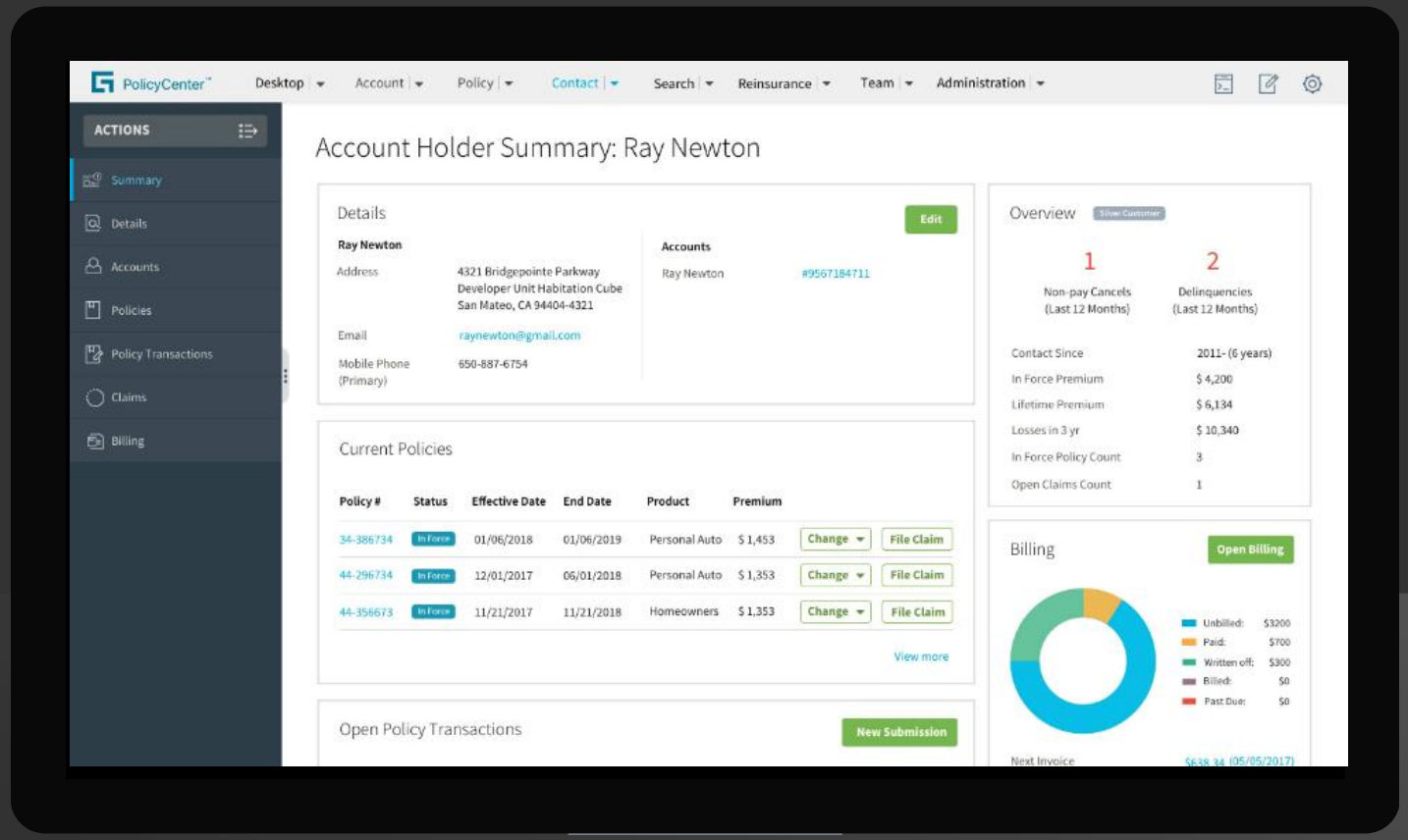

Optimize Operations
Meet digital imperative
Use data in new ways
Cover new risks
Embrace InsurTech
Simplify IT complexity



Guidewire Imperatives

- Modernize user experiences
- Standardize insurance product definition
- Data-driven, straight-through processing

InsuranceSuite 10 – Unified Customer View



360° policyholder view, unified engagement timeline, & 1-Click actions

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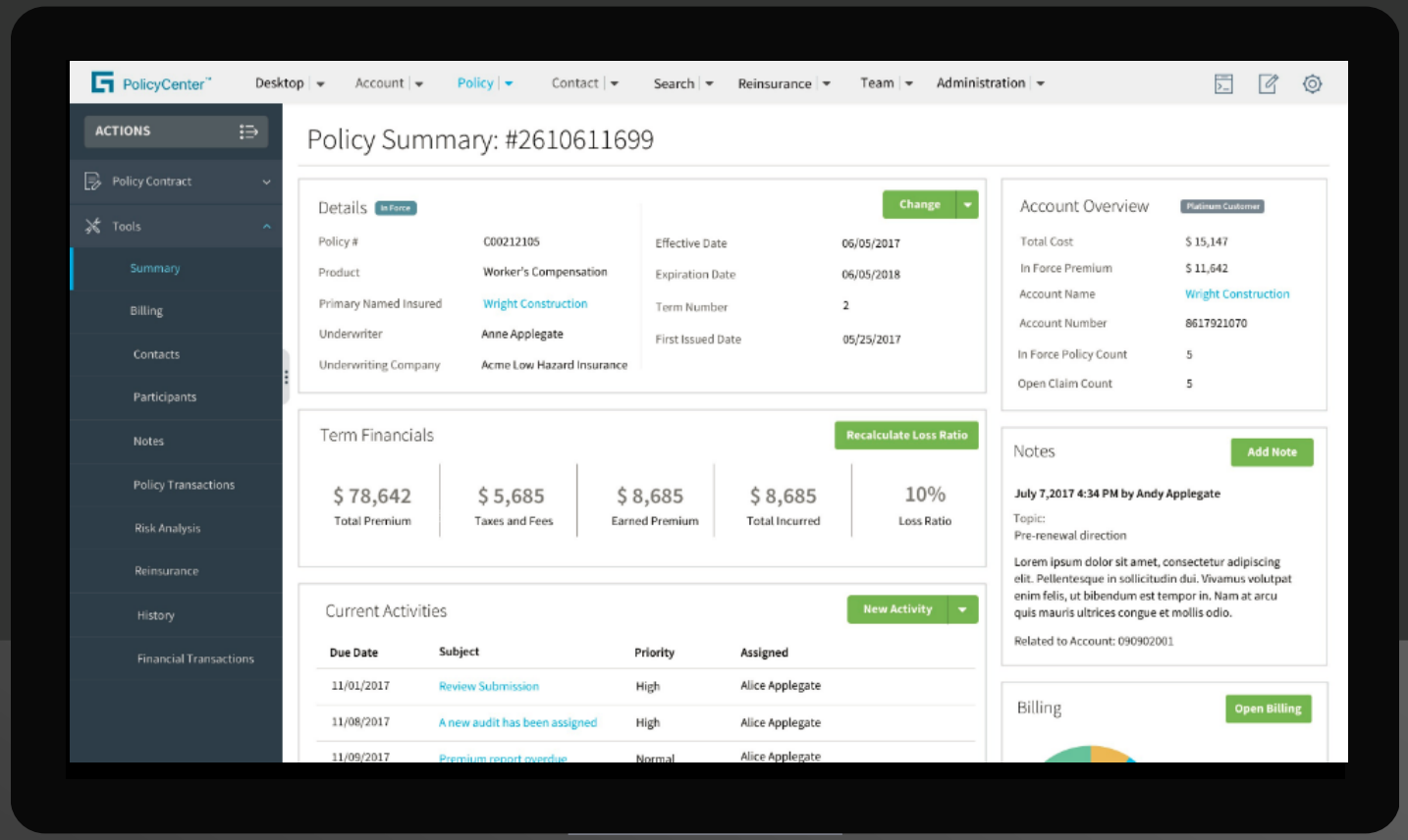
InsuranceSuite 10 – Underwriter Dashboard

Syndicated content, actionable insight, & straight-through processing



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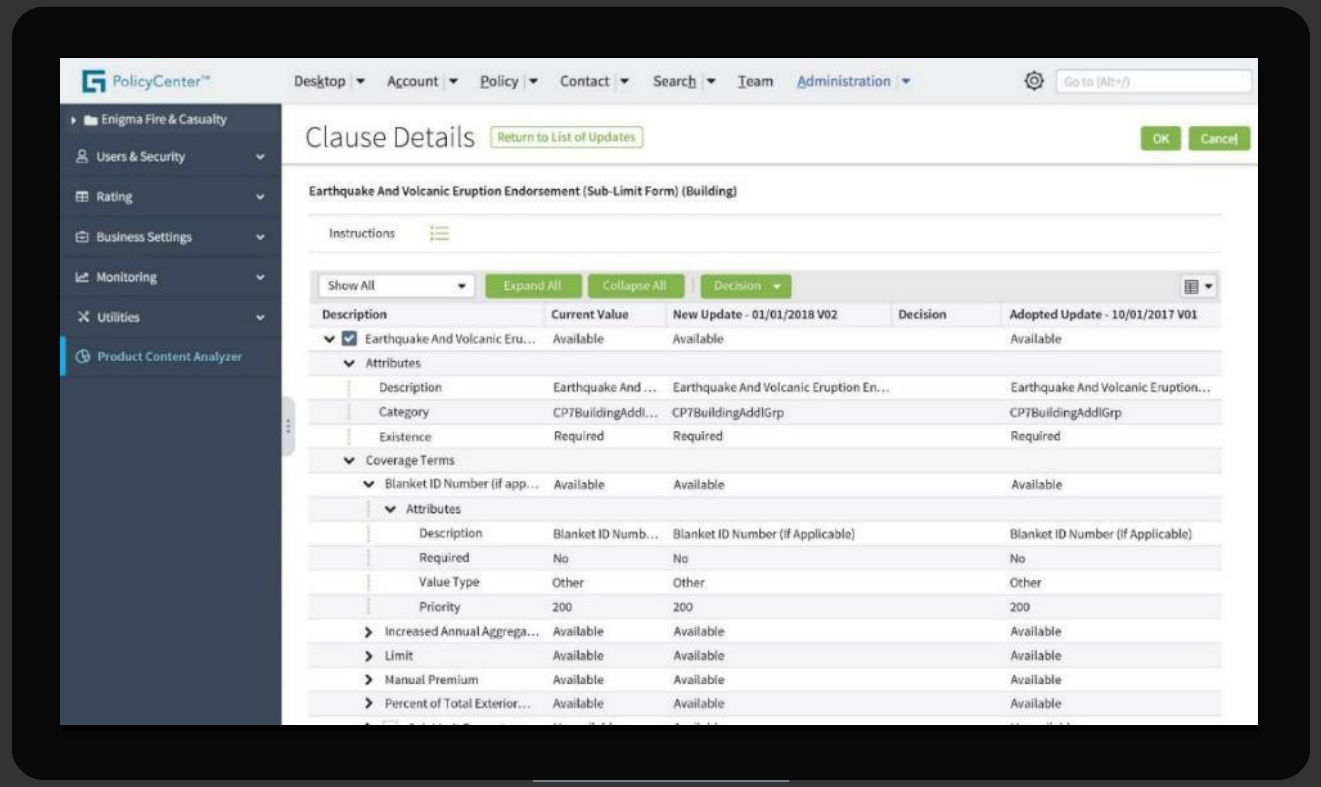
Standardized Insurance Product Content

- Completed all 6 ISO Lines of Business across all 50 states
- First to fully automate delivery of ISO content into Policy/Rating system
- Greater barrier to entry, higher win rates, and reduced customer TCO



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Guidewire Imperatives

- Link to insurers' digital transformation initiatives
- Embed insurance in front-office CRM
- Deliver personalized, omnichannel experiences

Digital Products & Solutions

Digital Engagement
Persona-Based Apps

InsuranceNow

Digital Small Business (DSB)
Cloud Solution

Digital Small Business
via Guidewire Cloud

Insurance CRM
Cloud Solutions

salesforce

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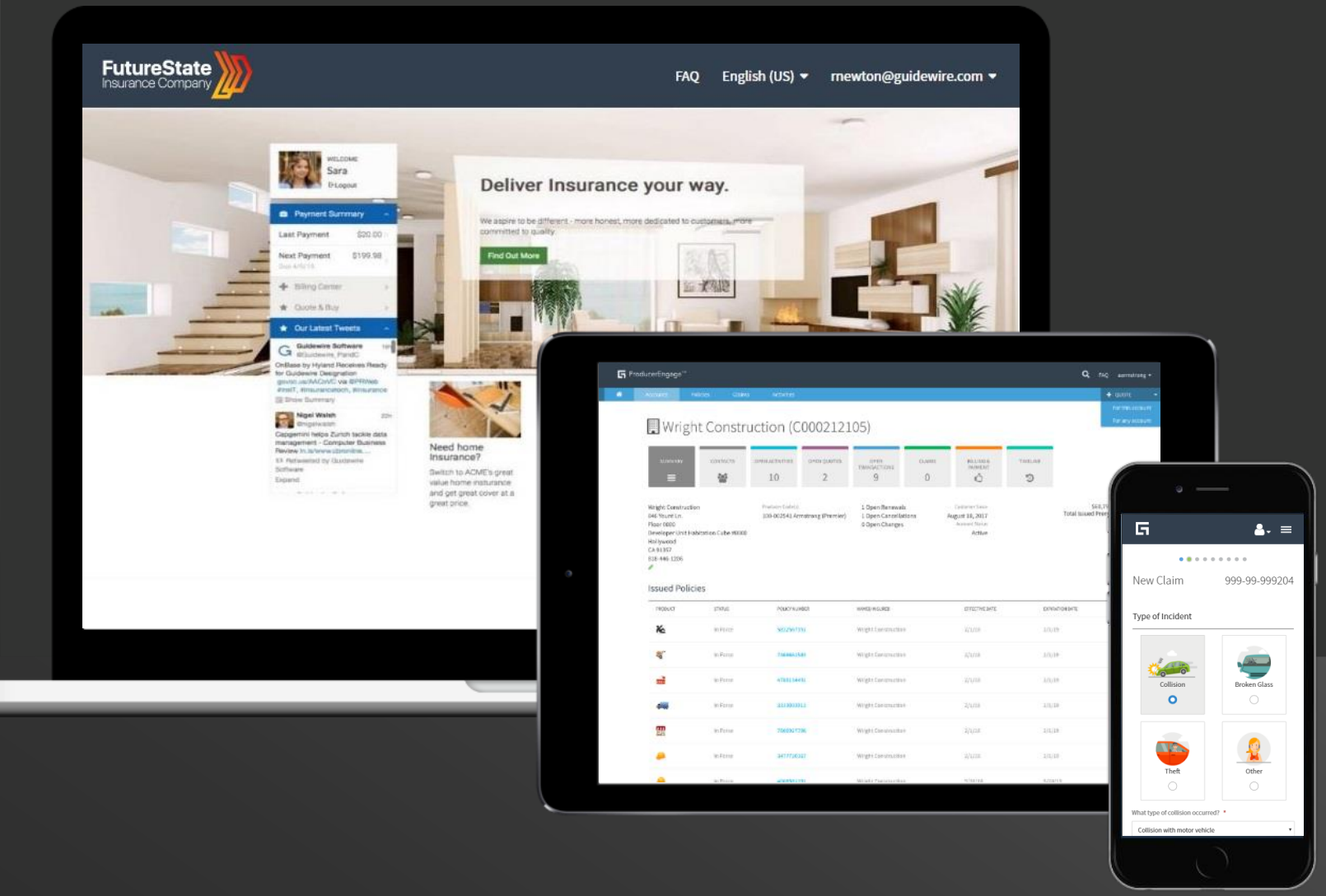
Digital Engagement Experiences



Single pane of glass across all engagement channels and interaction modes

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Market Opportunity

Online personalized insurance products for SMB

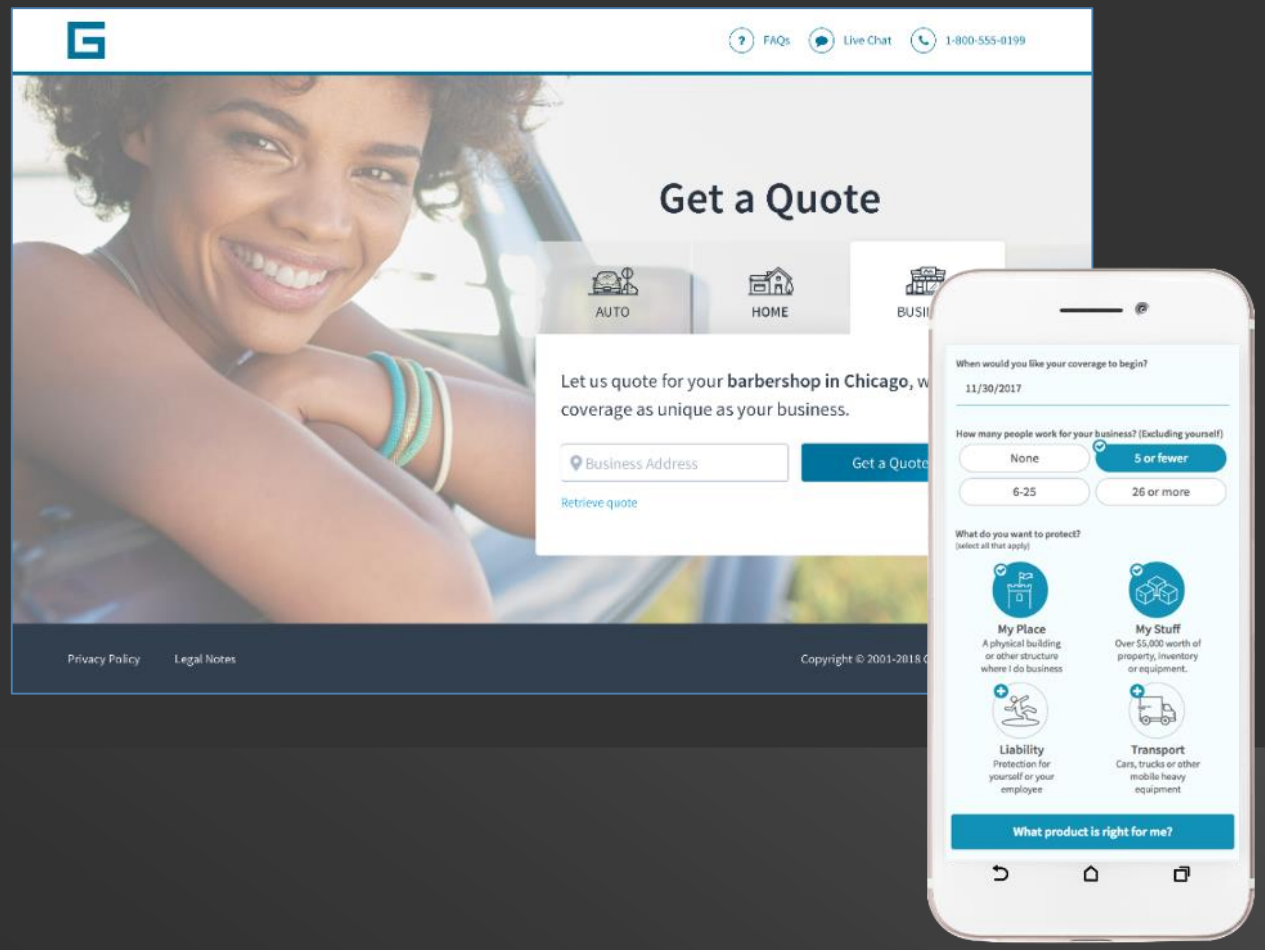
GUIDEWIRE

Digital Small Business via Guidewire Cloud

Key Capabilities

- Consumer grade buying
- Visual market segmentation
- Built-in analytics & monitoring

Digital Small Business (DSB)
Quote & Buy Experience



Quote & Bind online, manage policies, and pay premiums

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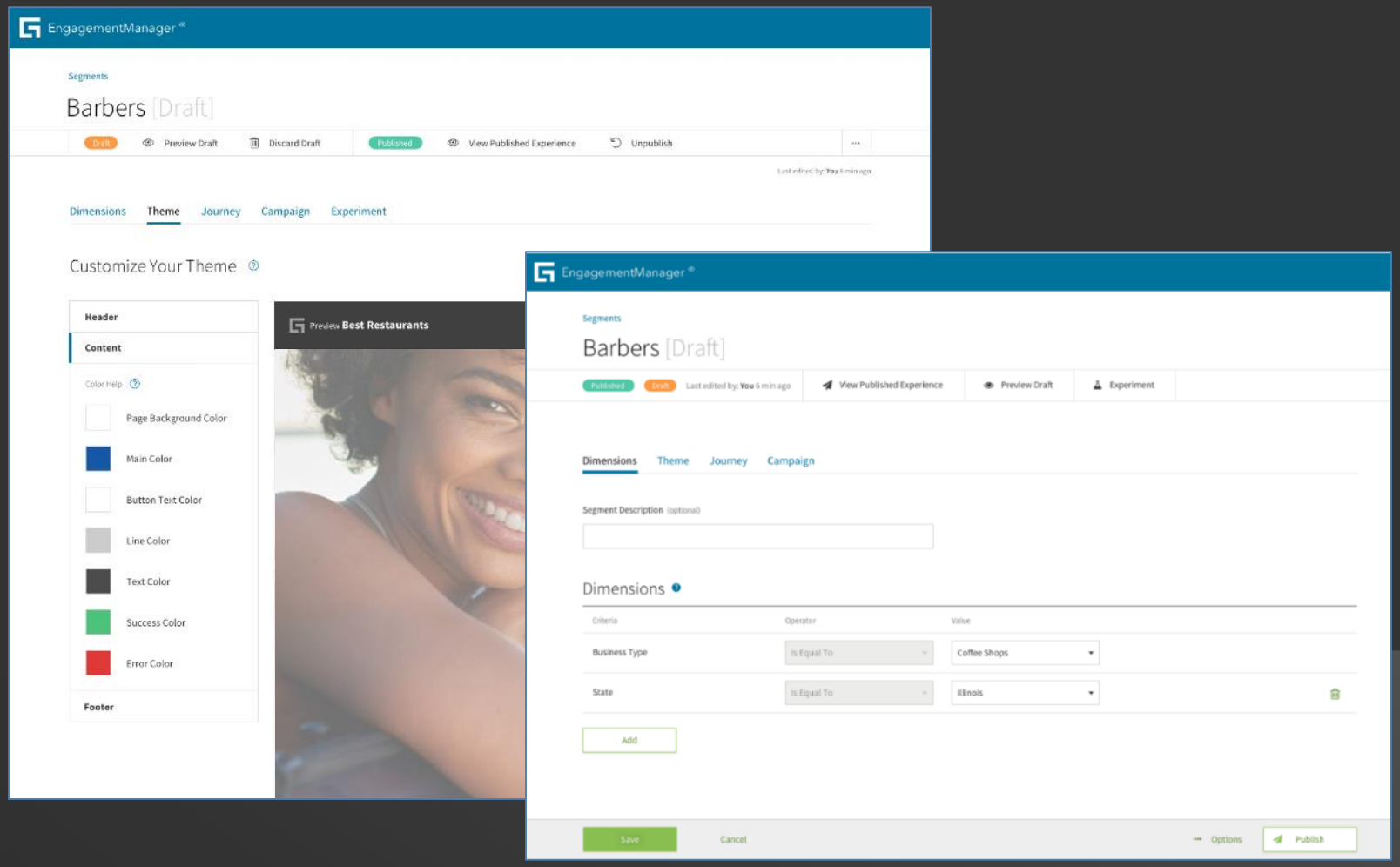
Digital Small Business
Engagement Manager



Rule-driven site design, market segmentation, and user analytics

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Market Opportunity

Digital front-office unified with core

salesforce

Guidewire Digital for Salesforce

Key Capabilities

- Integrates with Salesforce FSC
- Empowers Agents & CSRs
- Unifies Sales & Service

Salesforce / Insurance CRM

Search Salesforce

Sales | Home | Chatter | Leads | Contacts | Opportunities | Accounts | Policies | Claims | Activities

ACCOUNT
Ray Newton

SUMMARY | ACCOUNT CONTACTS | ACTIVITIES | QUOTES | TRANSACTIONS | CLAIMS | BILLING | AUTOMATIC PAYMENTS

Account Details

Name: Ray Newton

Address: The Landmark @ One Market, Suite 300, 94105, San Francisco, CA

Account Status: Active

Producer Code(s): 100-002541 Armstrong (Premier)

Customer Since: June 20, 2017

Cancel | Save Changes

Customer Summary

0	1	2
Late Payments	Non-pay Cancalation	Delinquency

Customer Since	In-force premium	Lifetime premium
2011 (6 years)	€1,221	€21,432
Total losses	**Losses in the last 12 months**	**Policy count**
€80,000	€10,000	5

Current Policies

	PRODUCT	STATUS	POLICY NUMBER	LAST VIEWED ↑	NAMED INSURRED	EFFECTIVE DATE	EXPIRATION DATE
1		In Force	5592241020	11 hours ago	Ray Newton	6/20/17	6/20/18
2		In Force	5592241020	11 hours ago	Ray Newton	6/20/17	6/20/18
3		In Force	5592241020	11 hours ago	Ray Newton	6/20/17	6/20/18
4		In Force	5592241020	11 hours ago	Ray Newton	6/20/17	6/20/18

ACTIVITY

New Task | New E

Subject

Filter Timeline

NEXT STEPS

Acme Co - Rene
Lets get togethe
discuss potentia
Name Lei Chan

Call Lei Cha
Name Lei Chan

PAST ACTIVITY

Re: Updated Pro
Great, thanks fo
and discuss it in

Follow up with
Name Adam Cho

Call 1 with Lei
Interested in pa
up about budge
Name Lei Chan

ServiceRepEngage
for Salesforce

360° View of Customer Policy, Billing, & Claims Info

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Salesforce / Insurance CRM

ProducerEngage
for Salesforce

Fully Functional Quote & Buy Journey

Search Salesforce

Financial Services ... | Home | Accounts | Contacts | Financial Accounts | Assets and Liabilities | Financial Goals | Financial Holdings | Opportunities | More

Opportunity
Personal Auto Quote

Edit | Delete | Clone

Account Name	Close Date	Amount	Opportunity Owner
Ray Newton	31/10/2017		A Armstrong

✓ ✓ Proposal/Price Quote | Negotiation/Review | Closed | Mark Stage as Complete

ACTIVITY | DETAILS | QUOTE

Quote Request
- Policy Details
- Qualification
- Drivers
- Vehicles
- Quote
- Policy Information
- Payment Details

Account: RAY NEWTON
Personal Auto Quote (0000171589)

Quote

Monthly | Pay In Full

There are underwriting issues associated with the Premium Program offering. View More Details.

Basic Program	Premium Program	Standard Program
$25.33 / mo.	$206.83 / mo.	$130.50 / mo.
Buy Now	Buy Now	Buy Now

General Coverages - Apply to all vehicles

Uninsured Motorist - Bodily Injury	Uninsured Motorist - Bodily Injury	Uninsured Motorist - Bodily Injury
	Uninsured Motorist - BI Limits	Uninsured Motorist - BI Limits
	250/500	100K CSL

Products (0)

Notes & Attachments (0)

Upload Files
Or drop files

Contact Roles (0)

Stage History (2)

Stage:	Proposal/Price Quote
Amount:	€0
Probability (%):	75%
Expected Reven...	
Close Date:	31/10/2017
Last Modified By:	Dan Naughton
Last Modified:	27/10/2017 13:51
Stage:	Value Proposition
Amount:	€0
Probability (%):	50%
Expected Reven...	
Close Date:	31/10/2017
Last Modified By:	Dan Naughton
Last Modified:	27/10/2017 13:47

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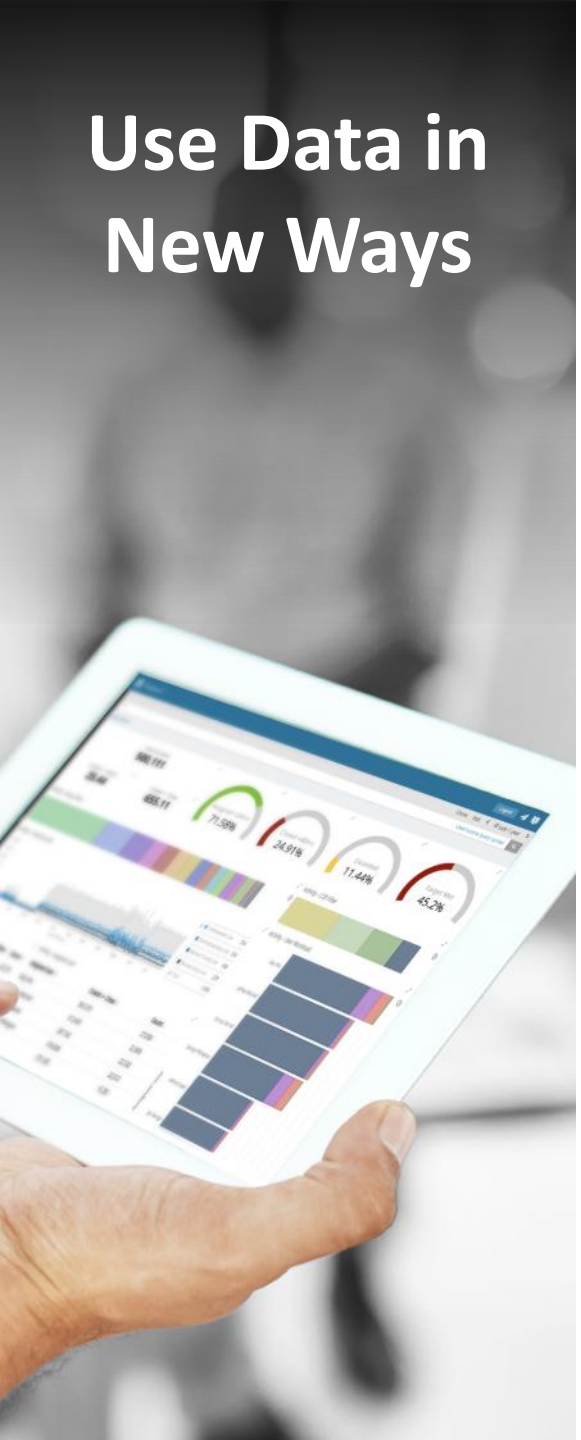
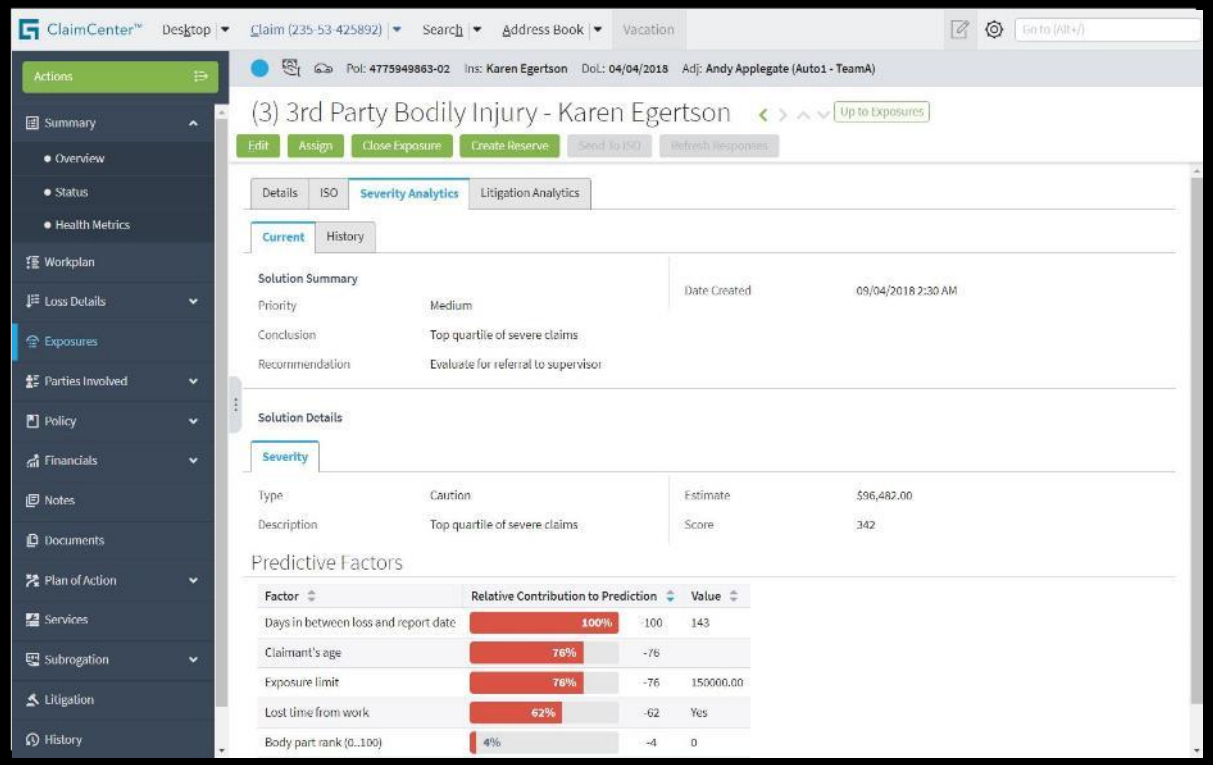


Guidewire Imperatives

- Enable analytics-based SmartCore™
- Stream real-time operational insights
- Deliver persona-based analytics apps

SmartCore™ Enablement
Litigation Risk Detection



Predictive Analytics

Infusing risk analytics models directly into core operations

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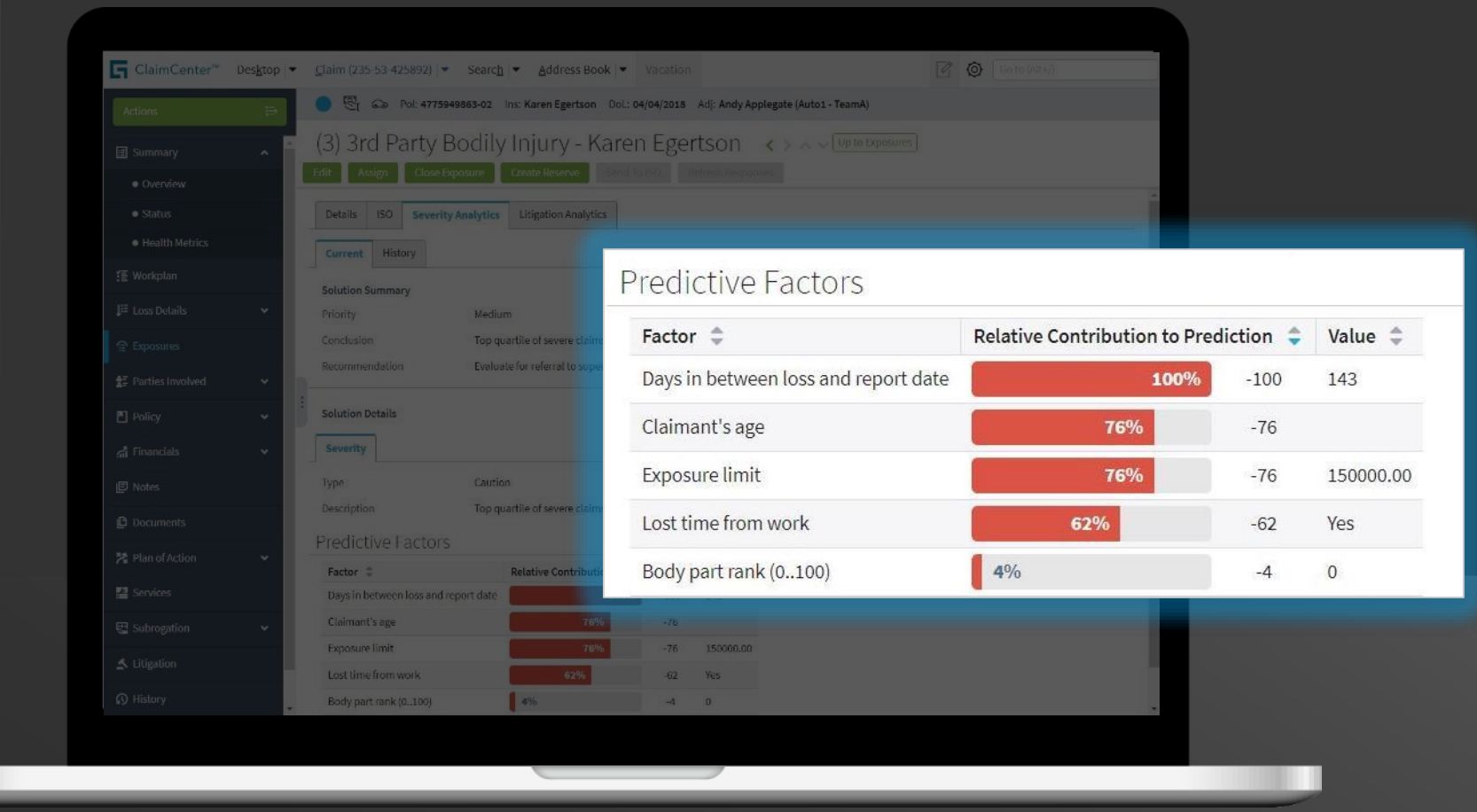
SmartCore™ Enablement
Litigation Risk Detection



Predictive Analytics

Visibility into score and all factors contributing to risk prediction

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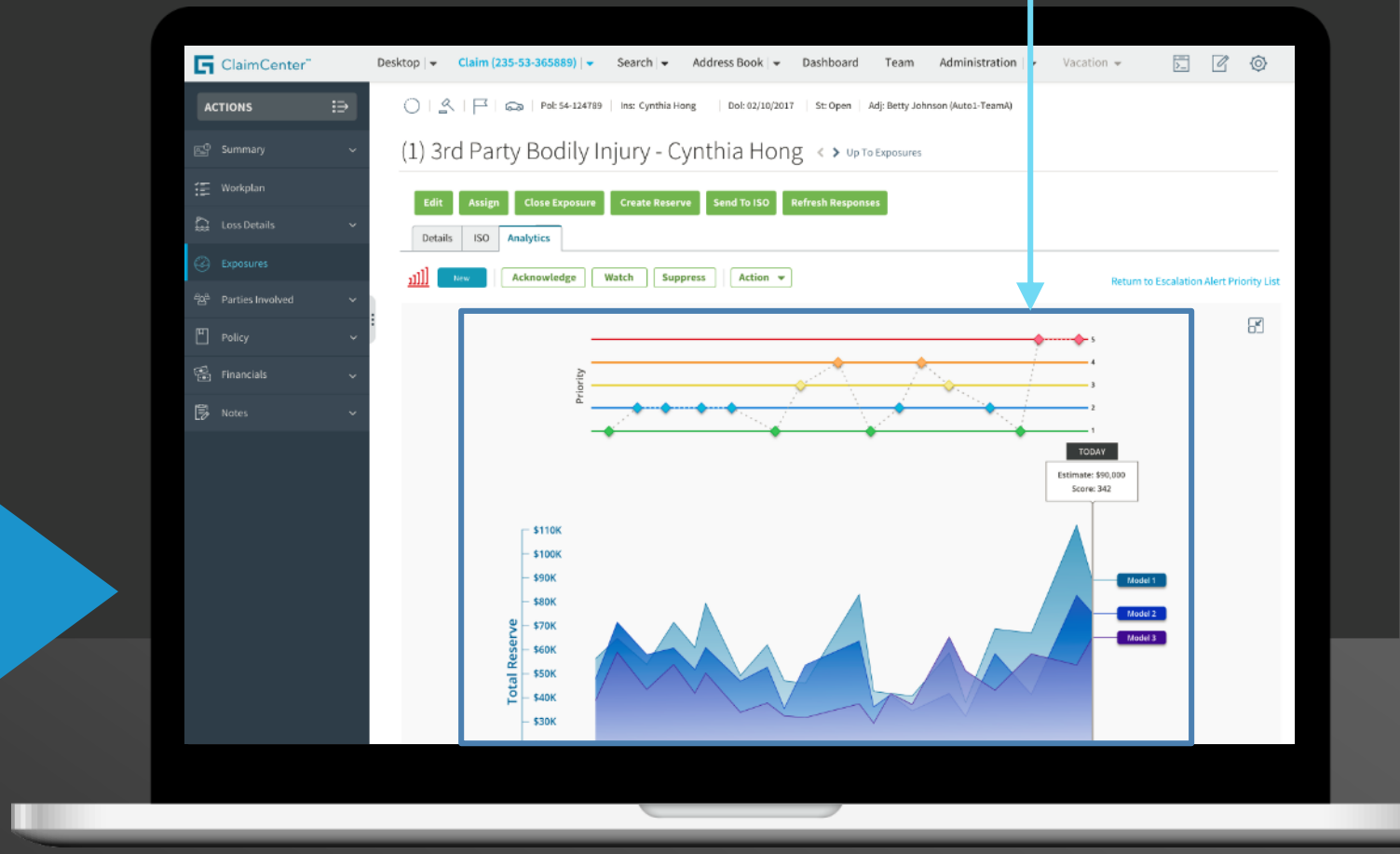
Live Analytics Services

Real-Time Insights in Guidewire Core

Embedding real-time data feeds to provide actionable insights to claims users



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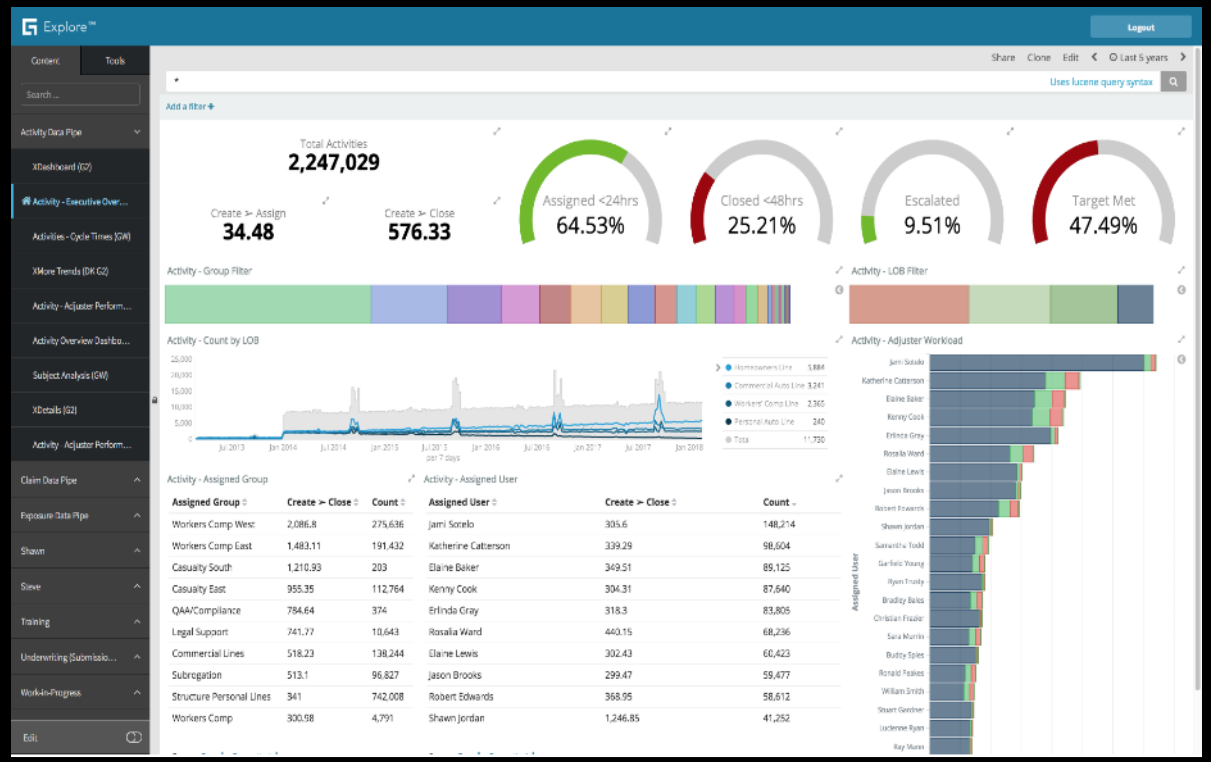
Live Analytics Apps
Claims Explore Dashboard



Live Analytics

Real-time Claims activities cycle times, trends, and service levels

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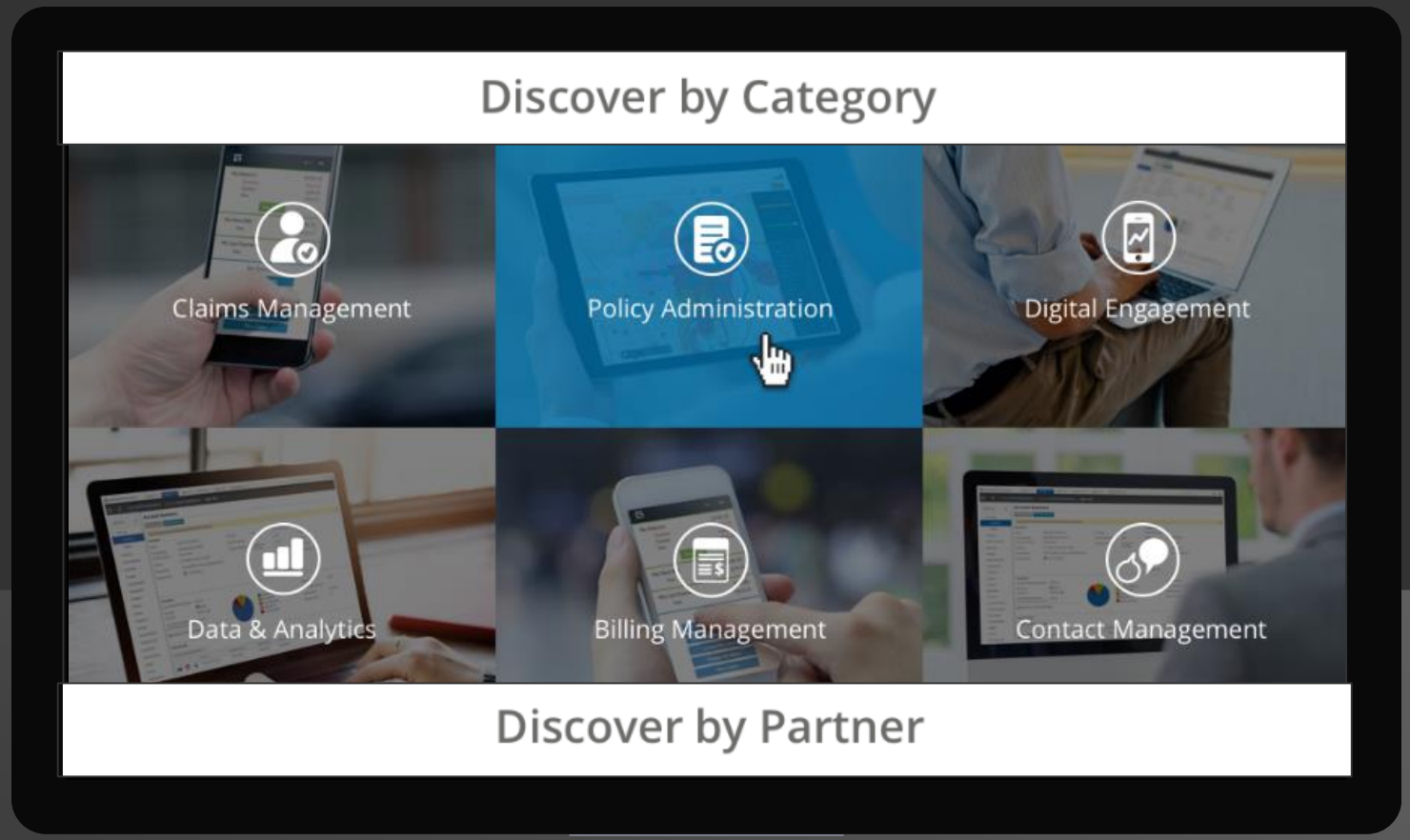
Guidewire Imperatives

- Offer curated Marketplace of partner add-ons
- Reduce complexity of integrations through Open APIs
- Facilitate rapid innovation through test & learn

Guidewire Marketplace
Improved UX & Faster Discovery

Fast, visual discovery of 500+ accelerators



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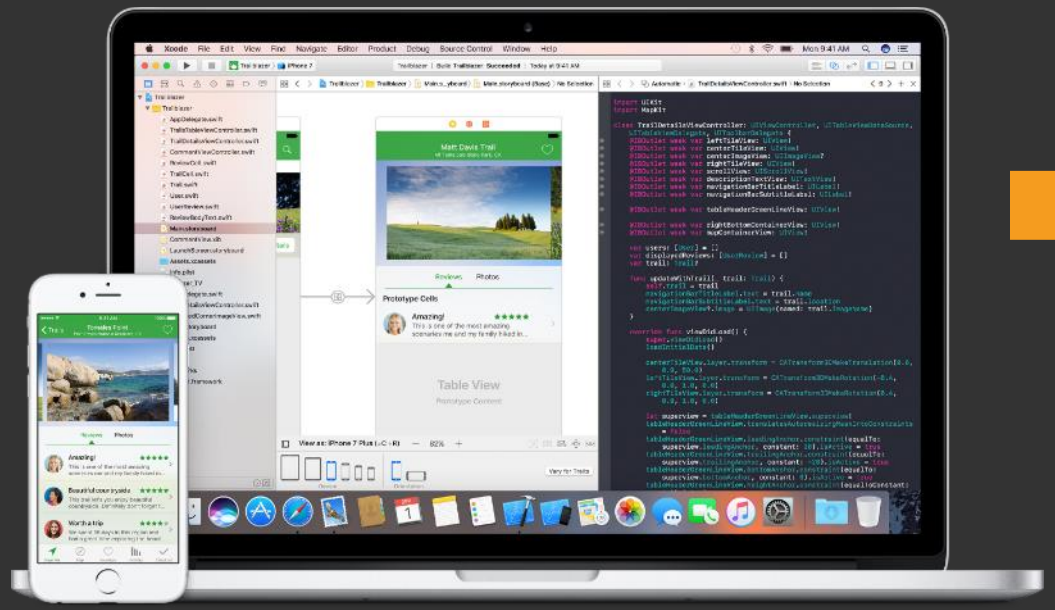
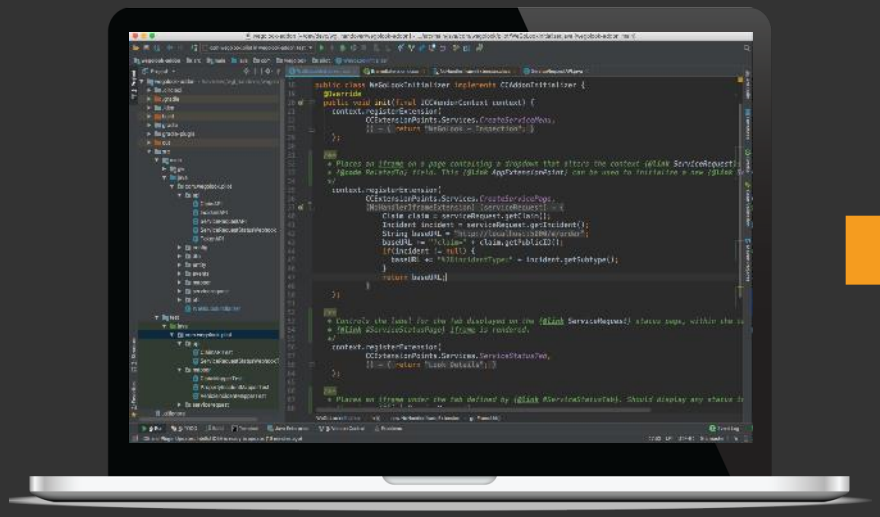


Table View

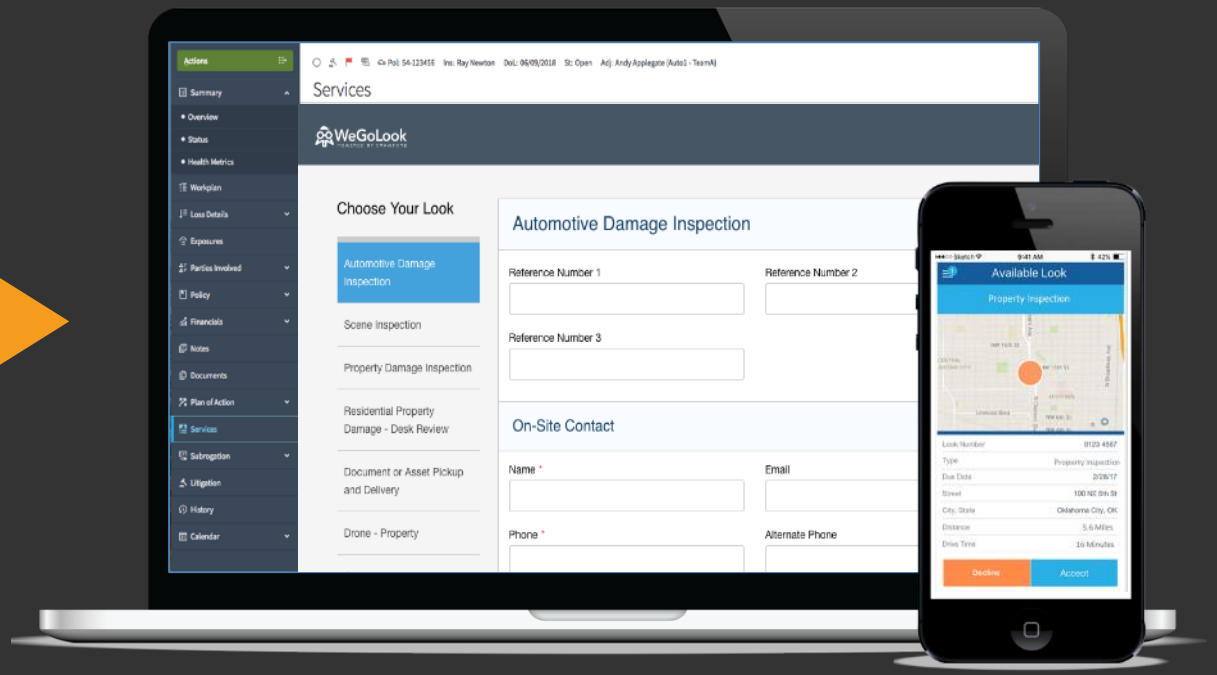
9:41
Mail
Calendar
Photos
Camera
Maps
Clock
Weather
News
Home
Notes
Stocks
Reminders
TV
App Store
iTunes Store
iBooks
Health
Wallet
Settings



DevConnect

GUIDEWIRE
MARKETPLACE

Customer Deployment



Before DevConnect:

Customers need to write integration code

With DevConnect:

Customers activate & use add-on *(no coding!)*

Guidewire Marketplace – Insurer Analytics

Add-on usage, service level attainment, & rule-based selection

Add-on	Vendor	Used Since	Uptime
Enterprise Car Rental	Enterprise	May, 2017	99.2%
Claims FNOL	Mitchell	May, 2017	99.6%
On-Demand Claims Appraisal	WeGoLook	June, 2017	98.6%
Drone Property Appraisal	Airware	July, 2017	95.3%
On-Demand Repair	Honk	Jan, 2018	97.9%
Telematics Claims FNOL	Octo	Jan, 2018	94.9%
Claims Fraud Detection	FraudScope	Feb, 2018	98.1%

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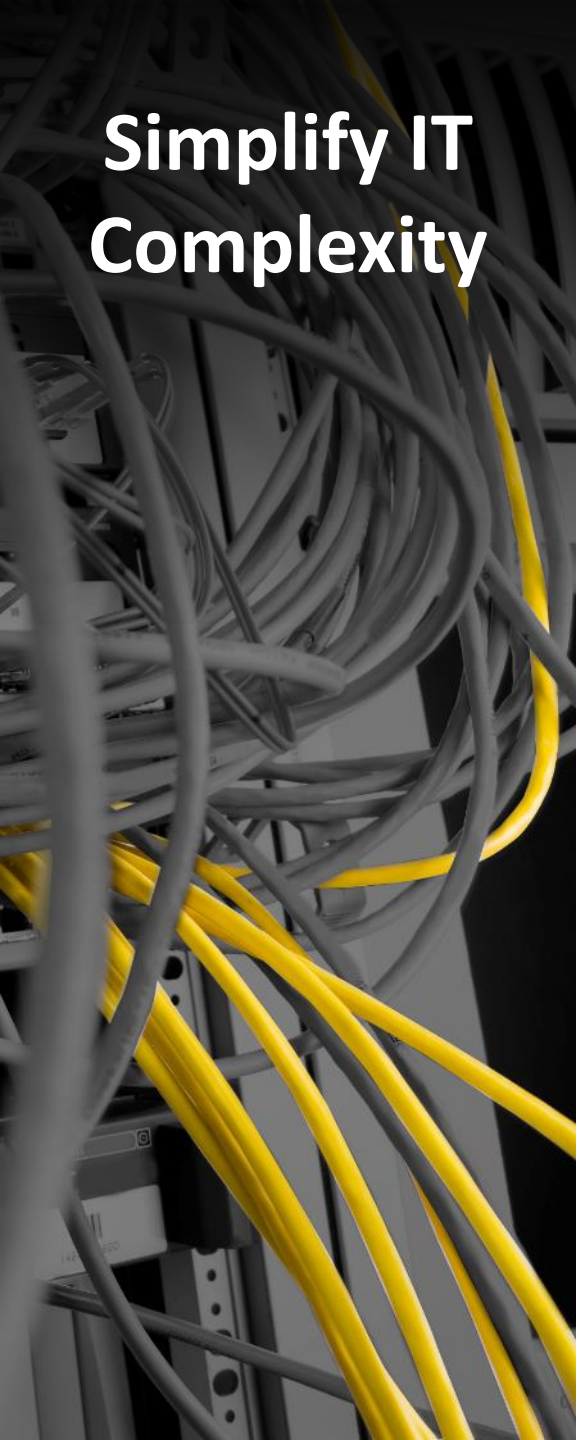


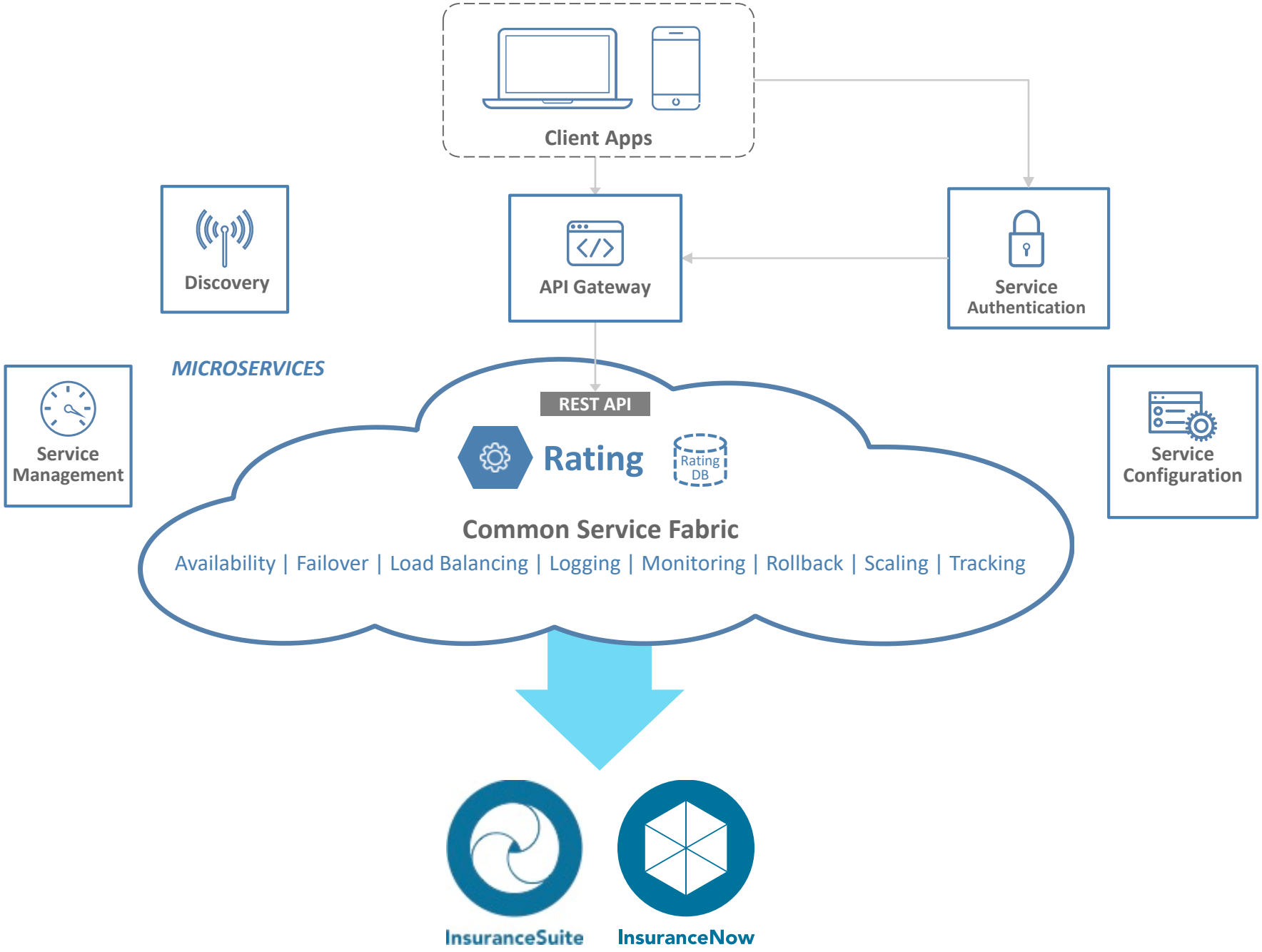
Guidewire R&D Imperatives

- Optimize InsuranceSuite for Guidewire Cloud
- Deliver P&C cloud microservices leveraging AWS
- Enable business-driven visual configuration

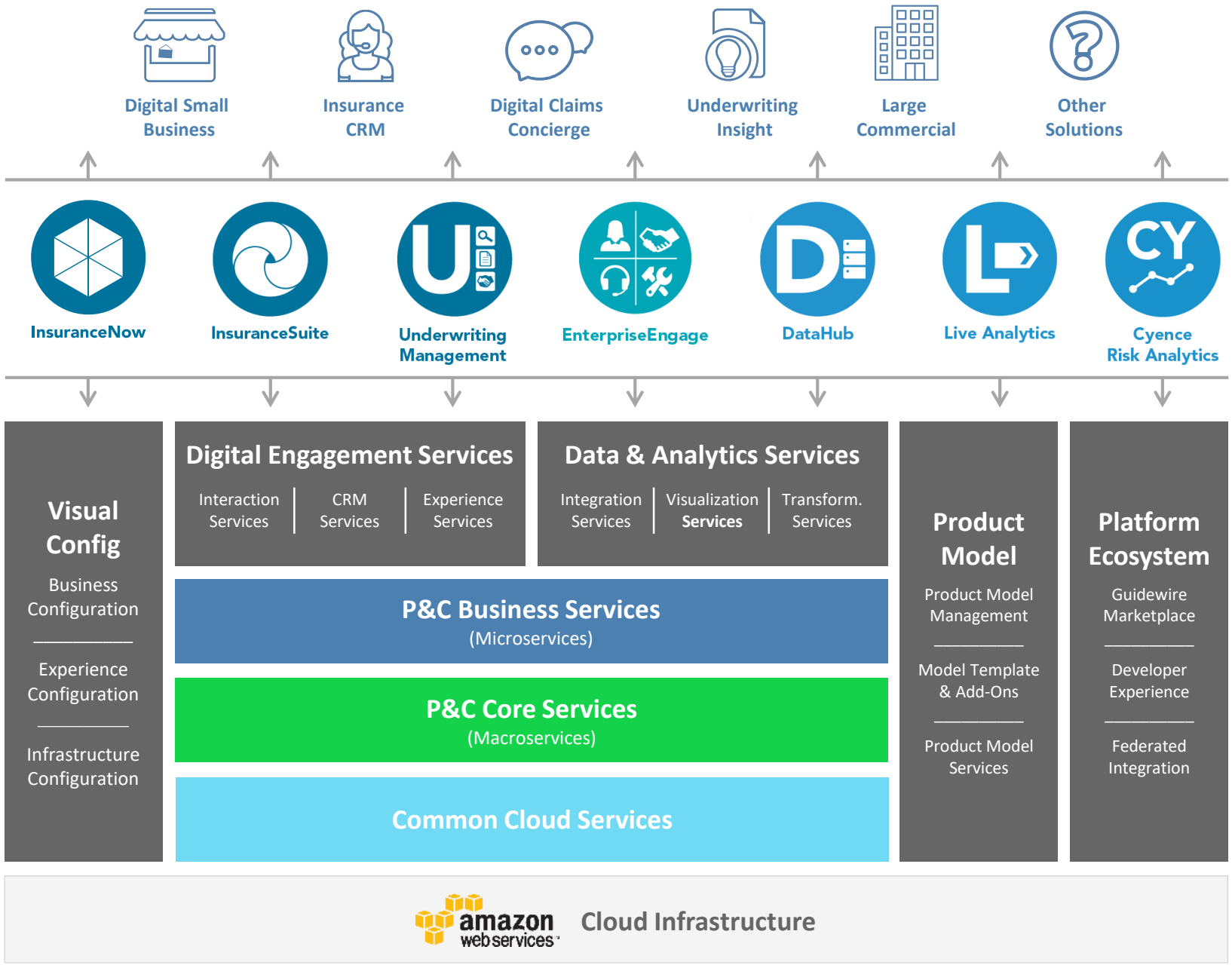
Our Cloud Technology Playbook

1. Deliver cloud platform driving standardization
2. Assemble turnkey cloud-native solutions
3. Enable “visual configuration everywhere”
4. Grow network via Marketplace/DevConnect
5. Deliver core, data, and digital microservices

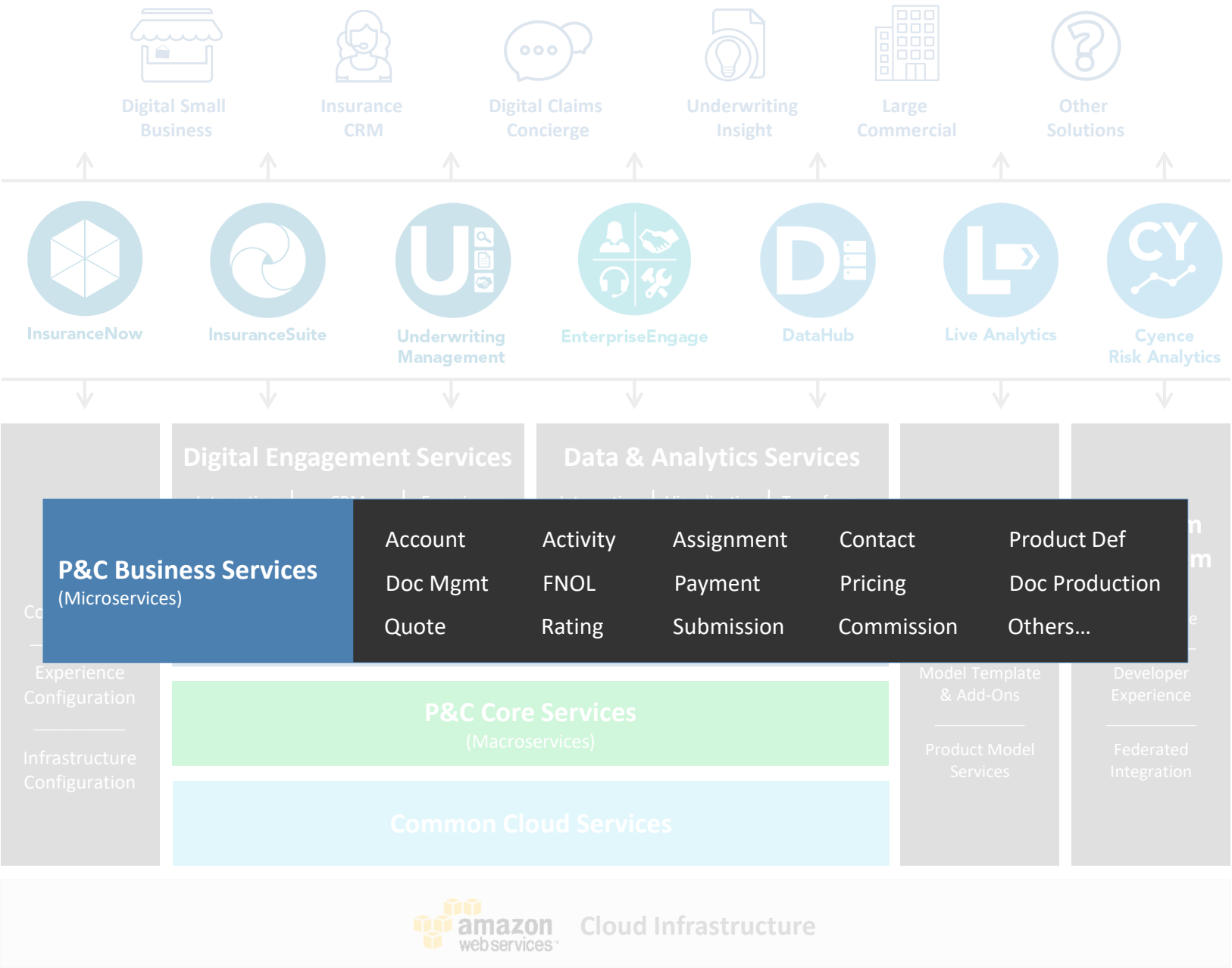
Rating Microservice



InsurancePlatform Business Architecture



InsurancePlatform Business Architecture



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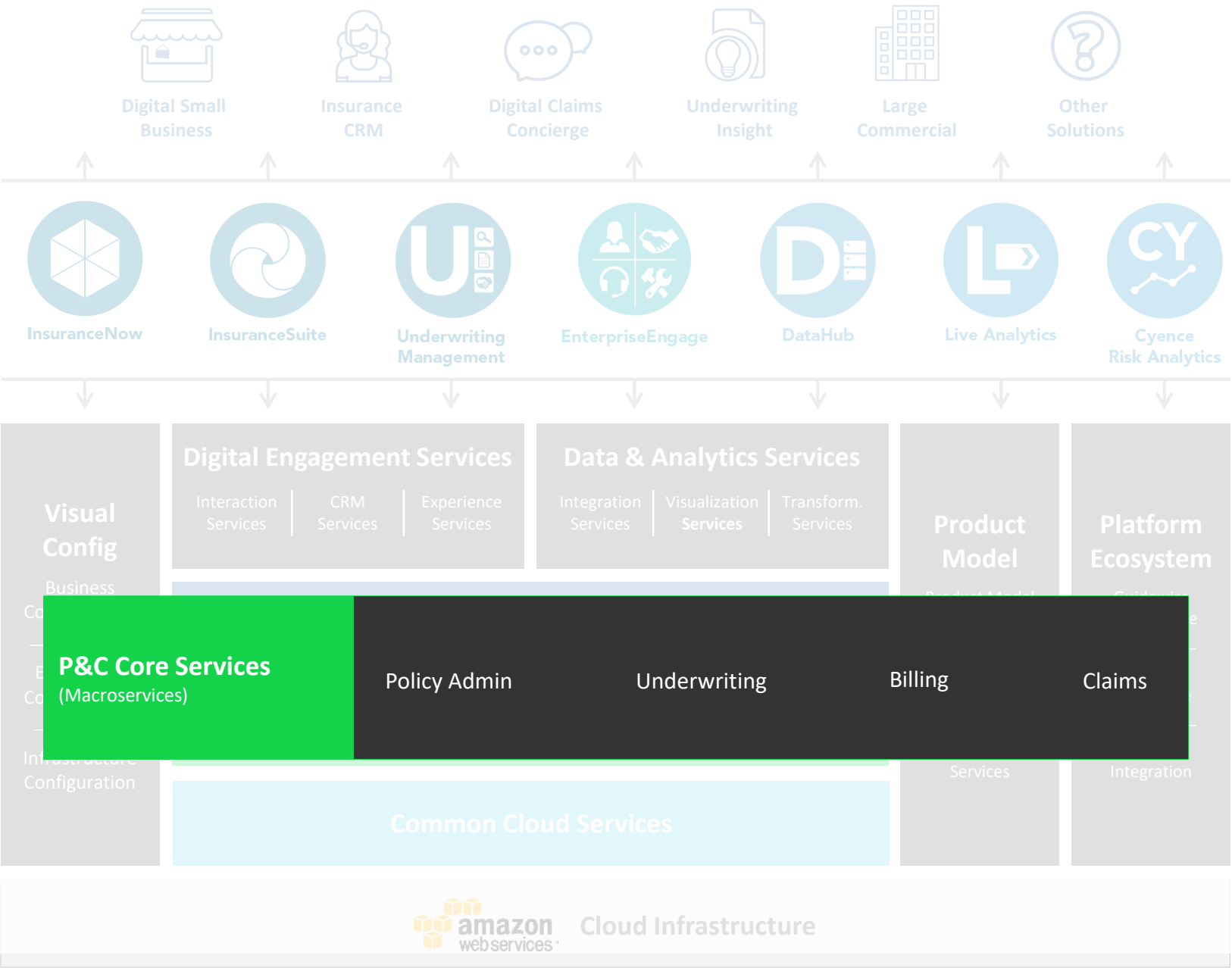
InsurancePlatform Business Architecture



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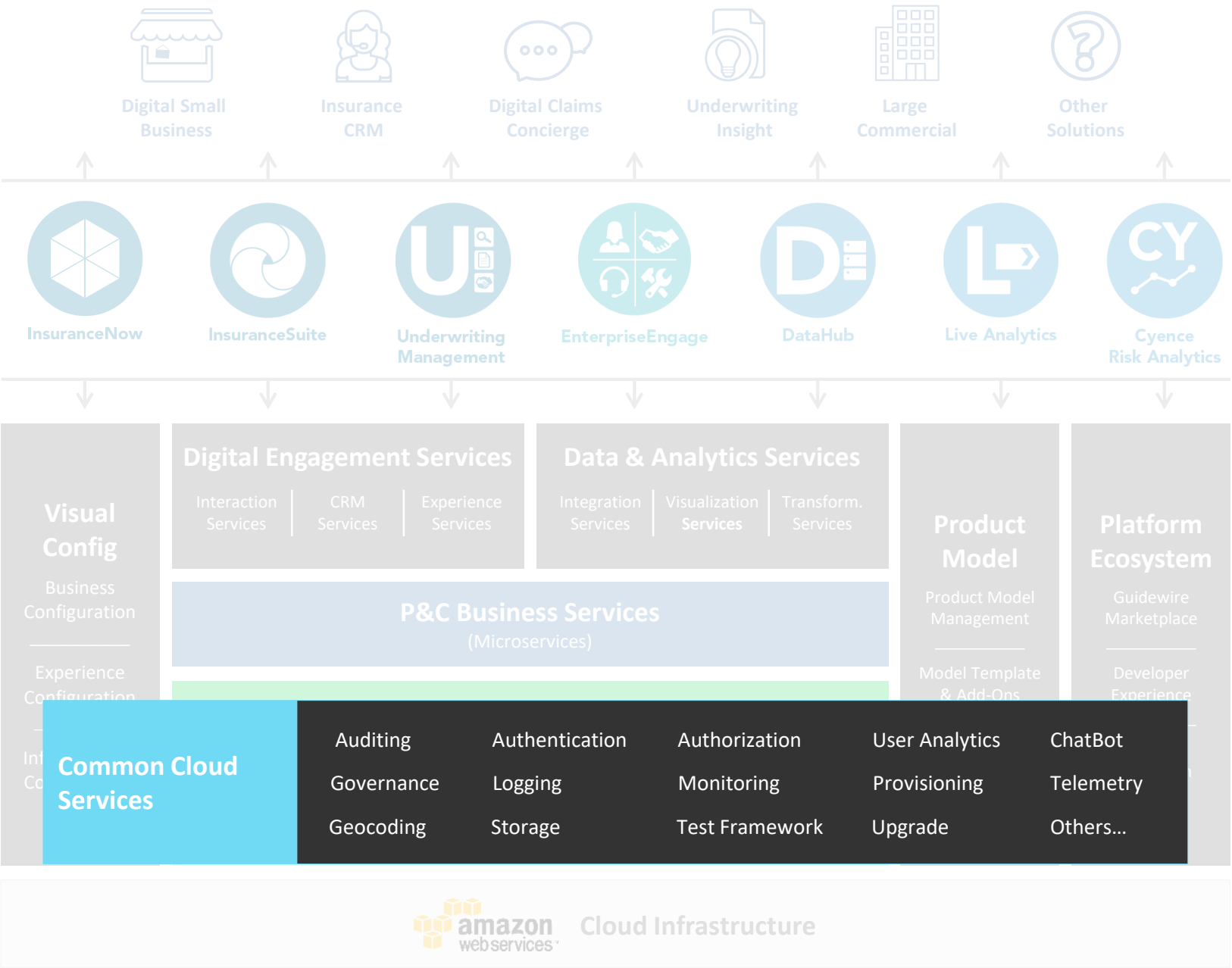
InsurancePlatform Business Architecture



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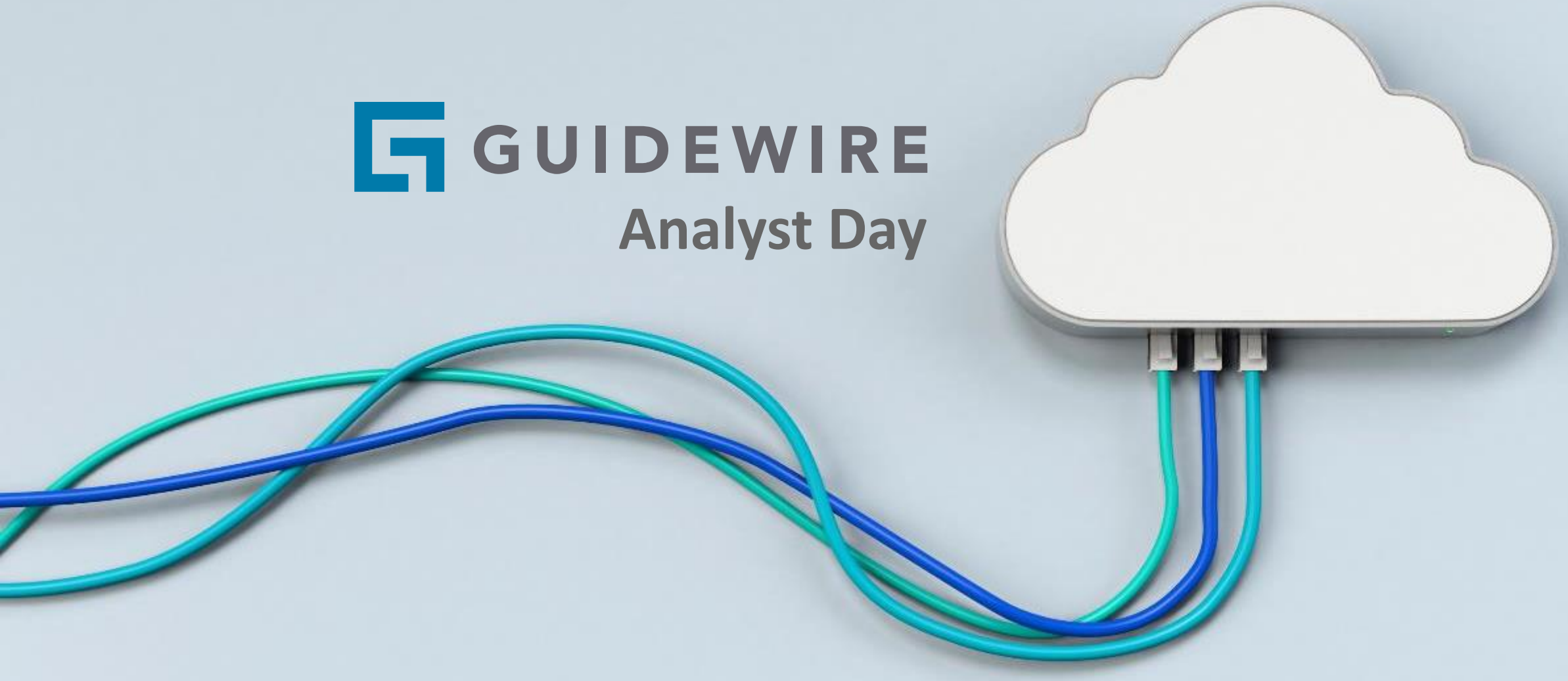


Nationwide®
is on your side

Business and Technology Transformation at Nationwide

Mike Keller

Guidewire Analyst Day
September 20, 2018

Nationwide is…

#1

in 457 retirement plans, based on number of plans

total small business insurer

writer of farms and ranches

8th largest auto insurer

#1 writer
of corporate life

7th largest
commercial lines insurer

8th largest
life insurer

2nd largest
domestic specialty (Excess & Surplus) commercial lines insurer

Nationwide is committing more than
$100 million
of venture capital to invent and reinvent customer-centric solutions.

#8 provider
of defined contribution retirement plans

7th largest
homeowners insurer

#1 pet insurer

7th largest
writer of variable annuities

Transforming Nationwide's Core Business With InsuranceSuite

	Claims Transformation	Personal Lines Transformation	Commercial Lines Transformation
Scope	Simplify claims processes and technology by replacing all claims core systems with Guidewire	Simplify insurance products, processes and technology **Personal Lines Standard Products** Automobile, Home, Umbrella	**Commercial Lines Standard Products** Business Owners, Auto and Property, Farm, Workers' Compensation, General Liability, Inland Marine
Timeline	100% 2012 – 2016	50% 2015 – 2021	25% 2017 – 2023
Guidewire Platform	ClaimCenter, Guidewire Digital, DataHub	PolicyCenter, Add-on Modules, CustomerEngage, ProducerEngage, DataHub, InfoCenter	

Transforming Specialty Business With InsuranceNow

	Private Client	Excess & Surplus	Nationwide Pet
Scope	Grow private client business by rapidly expanding products and services across the country	Run Management Liability and Specialty (MLS), Contract Underwriting and Brokerage lines more efficiently and effectively on single, modern insurance platform	Introduce new insurance products and services to grow the business, while reducing operational risk
Timeline	*100%* 2013 – 2016	*25%* 2017 – 2020	*0%* 2018 – 2020
Guidewire Platform	InsuranceNow	InsuranceNow	InsuranceNow

Business Innovation With InsuranceSuite via Guidewire Cloud™

Digital Small Business Collaboration

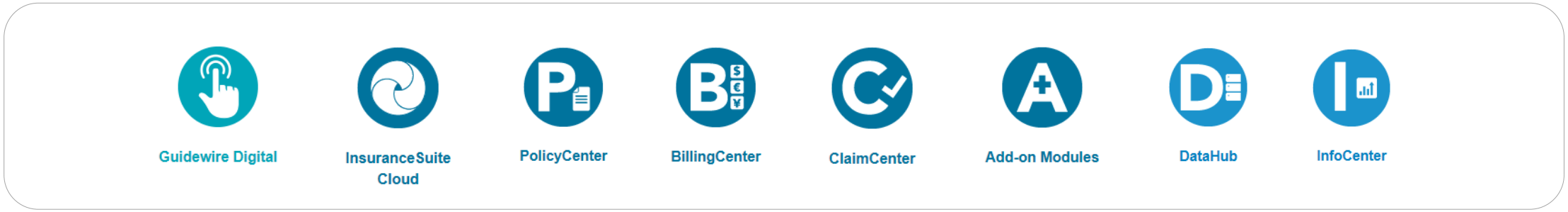
Scope

Compelling, digital insurance offering for small business owners

Combines Nationwide's experience and scale as #1 small business insurer with Guidewire's proven track record to deliver personalized, omni channel insurance experience for the small business owner

Planning to launch offering this year

Guidewire Platform



Nationwide DSB Video

Nationwide's Cloud Strategy

Aggressively pursuing "cloud first" strategy, with aspiration of having 80% of applications in the cloud by 2021.

Heavily invested in Guidewire platform, making their cloud capabilities critically important for following reasons:

1. **Cloud technology and DevOps practices are prerequisite to operate at speed and agility demanded today. Guidewire's cloud adoption will allow Nationwide to accelerate**
2. **Cloud promotes zero downtime and currency. We anticipate Guidewire's cloud adoption will eliminate complex, costly upgrades that cause business disruption and operational risk**
3. **Cloud has potential to reduce our TCO through the broad adoption and support of both open source technical environments and pay for use billing model**

Thank You

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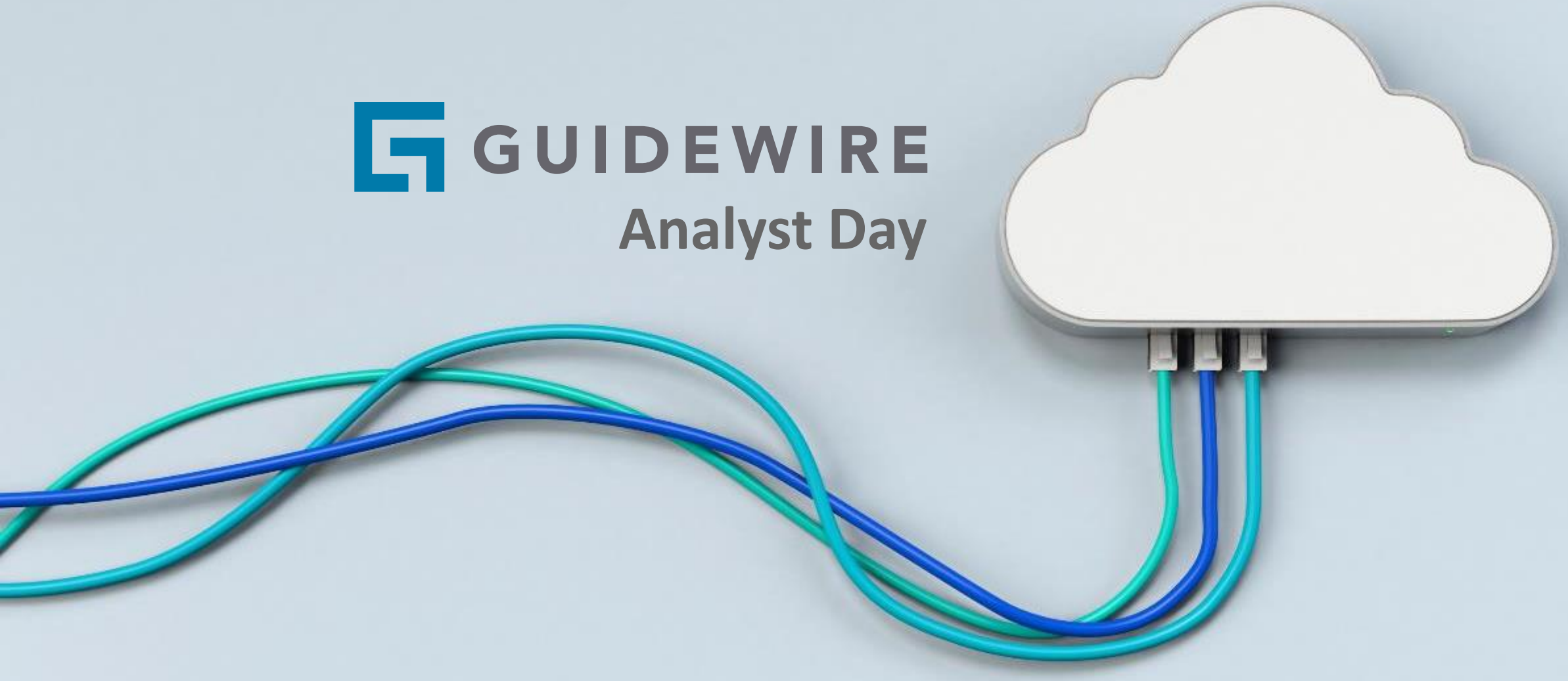
Analyst Day



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Financial Update

Curtis Smith, CFO
Jeff Cooper, VP Finance

September 2018

Framing Fiscal Year 2019 and Beyond

Understanding ASC 606

- ASC 606 impact on revenue (primary impact on term licenses)
- ASC 606 impact on commissions

Cloud Driving Business Model Changes

- Transformational shift expanding TAM
- Subscription revenue growth and margin impact
- Cloud driving new division of labor with system integrators

Key Metrics

- New metrics to help investors understand progress

Target 5-Year Model

- Cloud transition requires update to 5-year model

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Understanding 606
Impacts on Revenue and Commissions

ASC 606 Revenue Impact to Guidewire

Contract Type	ASC 605 Treatment	ASC 606 Treatment	FY19 Revenue Impact
New Term License (1+ years)	Annual fee upfront at earlier of due date or cash collection	Annual fee upfront for entire initial term	**Significant in 606**
Term License Annual Renewals	Ratable revenue recognition	Annual fee upfront on renewal date	**Significant in 605**
Subscription	Ratable at specified annual fee	Ratable at an average of annual fees in committed term	**Moderate (ramps only)**

606 Impact on 2019 Revenue

Loss to Retained Earnings + **Benefit from 606** = **Largely neutralized**

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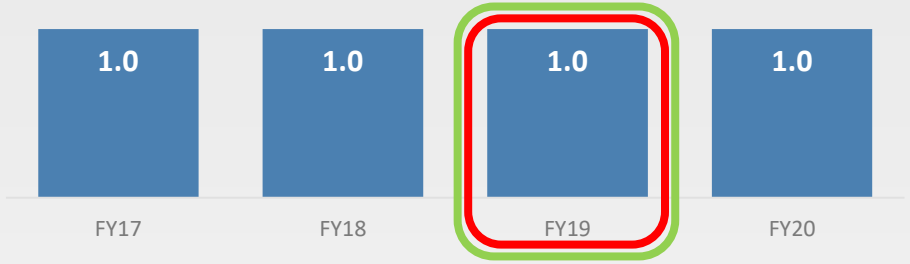
Term License Rev Rec: Old World vs New World

Legacy Contract Approach – Through FY18



- 4 year Term License at $1.0 M per year
- Annual renewals beginning in FY21
- Q4 start date

Recognize term license revenue on annual basis in Q4 each year based on earlier of payment received or due date. At renewal in FY21, begin ratable revenue recognition because no VSOE

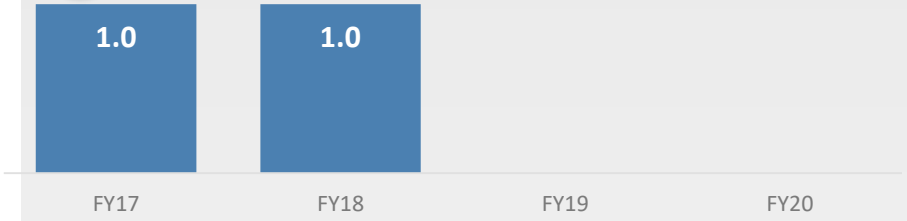
A Contract Unremediated

B Initial Term remediated to end in FY18, renewal period begins in FY19

New Contract Approach – FY19 and Beyond

A

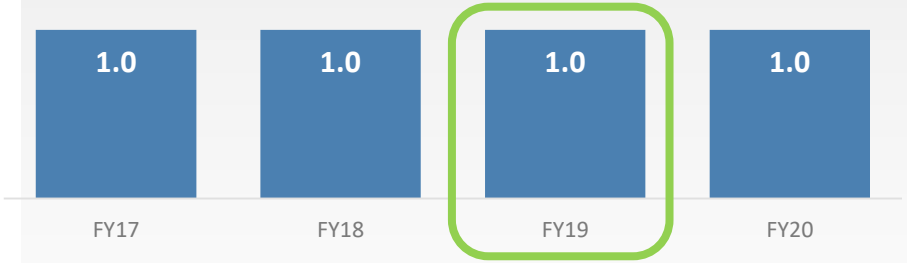
606 - Unremediated



$2.0M loss to Retained Earnings

B

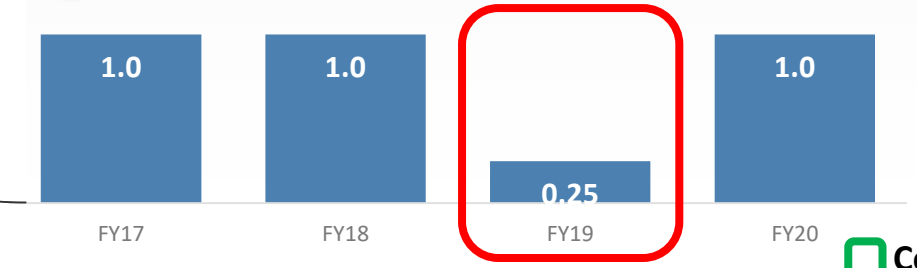
606 - Remediated



Recognize term license revenue on *annual basis* in Q4 of each year

B

605 - Remediated



Recognize term license revenue on *ratable* basis beginning in FY19 Q4 at beginning of first renewal

Comparable Not Comparable

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ASC 606 Commission Expense Impact

- **Costs to obtain a contract - primarily sales commissions - will be deferred and amortized to match revenue recognition**
- **Assumes a 5-year amortization period**

Commission Type	Current standard (ASC 605)	New standard (ASC 606)
Term License (2+1 contract)	• Recognized as incurred	• License commission costs will be recognized 40% in year 1, 0% in year 2, and 20% per year in years 3,4, and 5 • Maintenance commission costs will be recognized ratably over the 5-year amortization period
Subscription	• Recognized as incurred	• Recognized ratably over the 5-year amortization period

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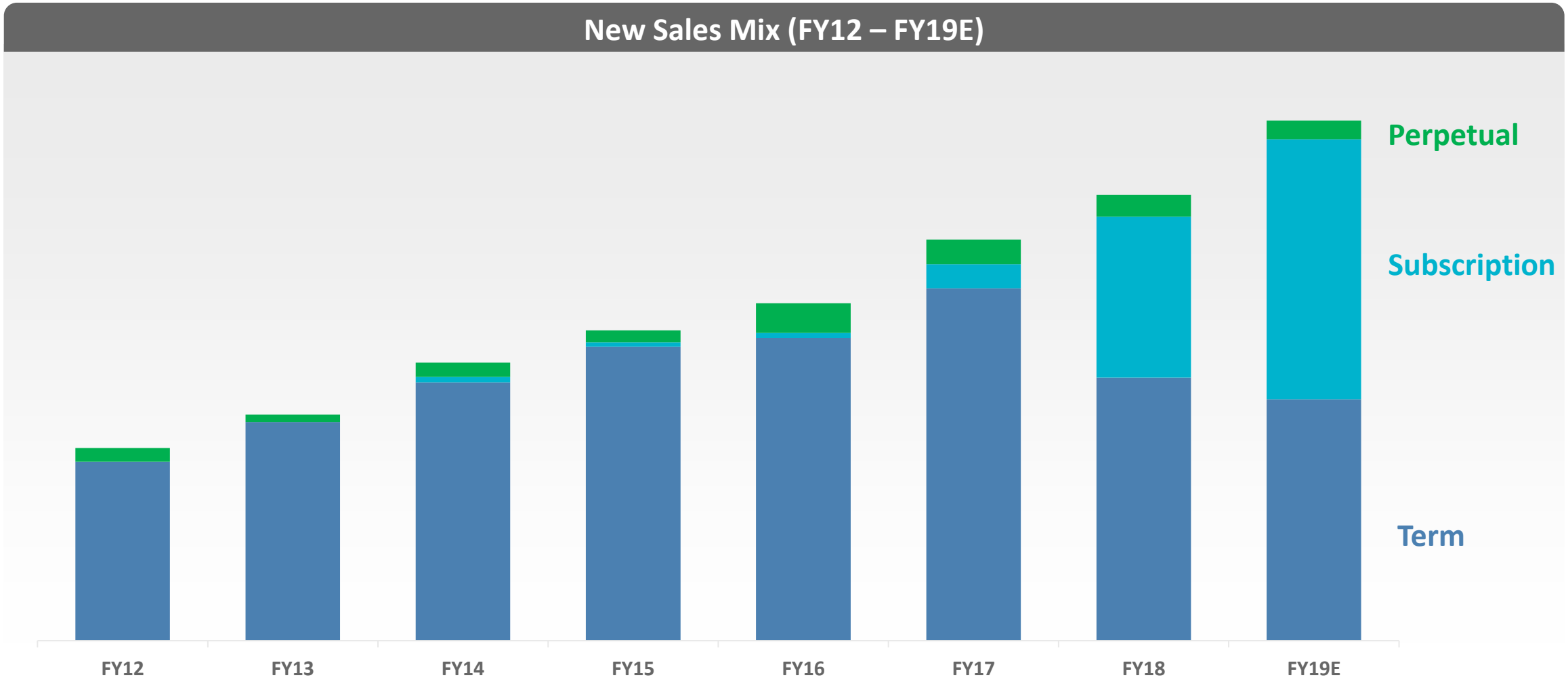
Cloud Driving Business Model Changes

Not drawn to scale

Cloud Shift to Subscription



Source: Guidewire analysis

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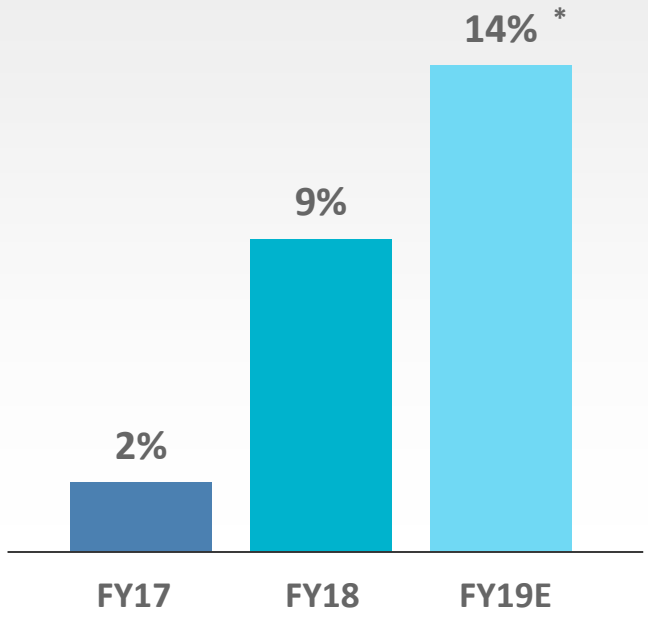
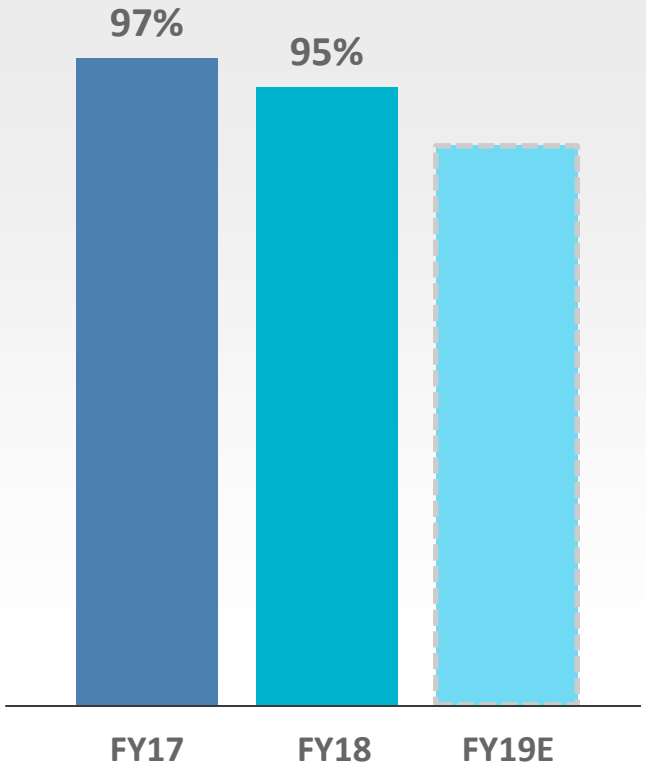
Cloud Impacts on License & Other Margin

Subscription % of License & Other Revenue



License & Other Gross Margin



*: Based on midpoint of outlook provided on Q4 Earnings Call

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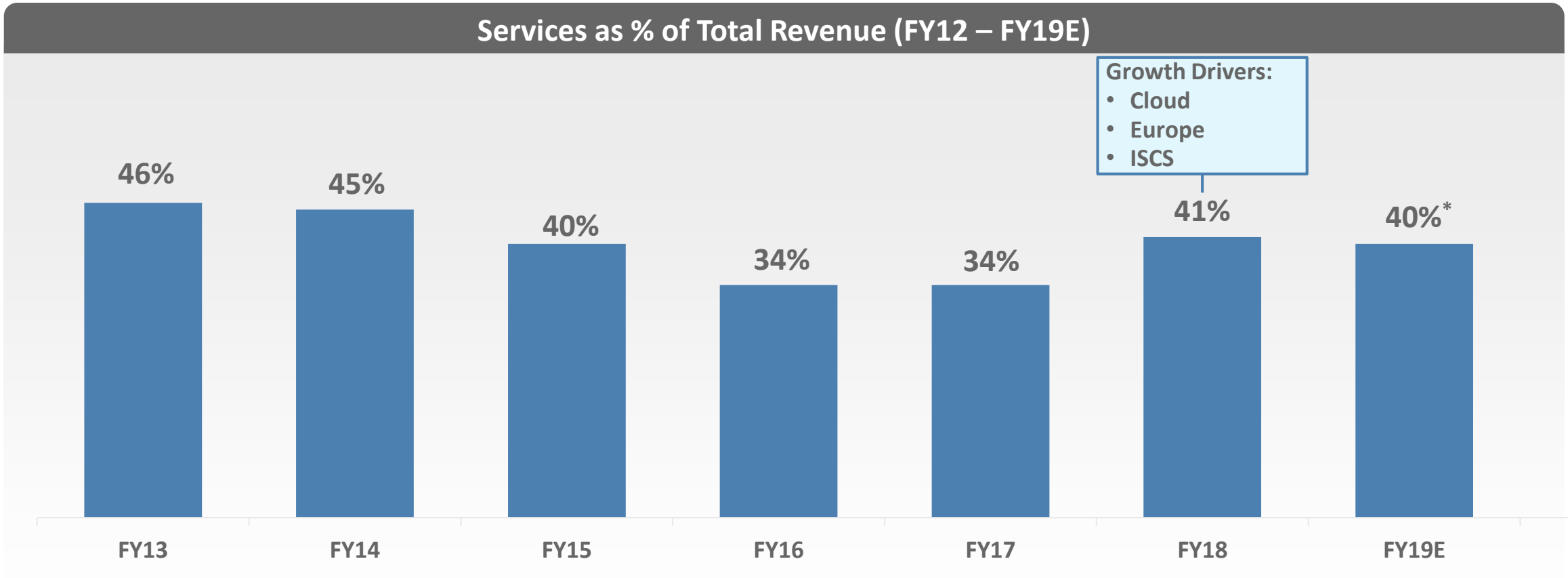
Cloud Impacts on Services



FY19E mix remains elevated; enabling SI partners for cloud

**: Based on midpoint of outlook provided on Q4 Earnings Call*

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Key Metrics

Key Cloud Metrics

Transition Metrics

- **Subscription New Sales as a % of Total New Sales: 40% to 60% in FY19**
  - Total New Sales: internal measure of average annual value of contract over 5-years; perpetual license values adjusted to equivalize to an annualized amount
- **InsuranceSuite Cloud Deals: 4 to 8 Deals in FY19**
  - Possible to sell multiple deals to the same customer

Go Forward Metrics

- **Subscription Revenue: $48 to $54 Million in FY19**
  - Revenue sold under subscription agreements for cloud-delivered products
- **Annual Recurring Revenue (ARR)**

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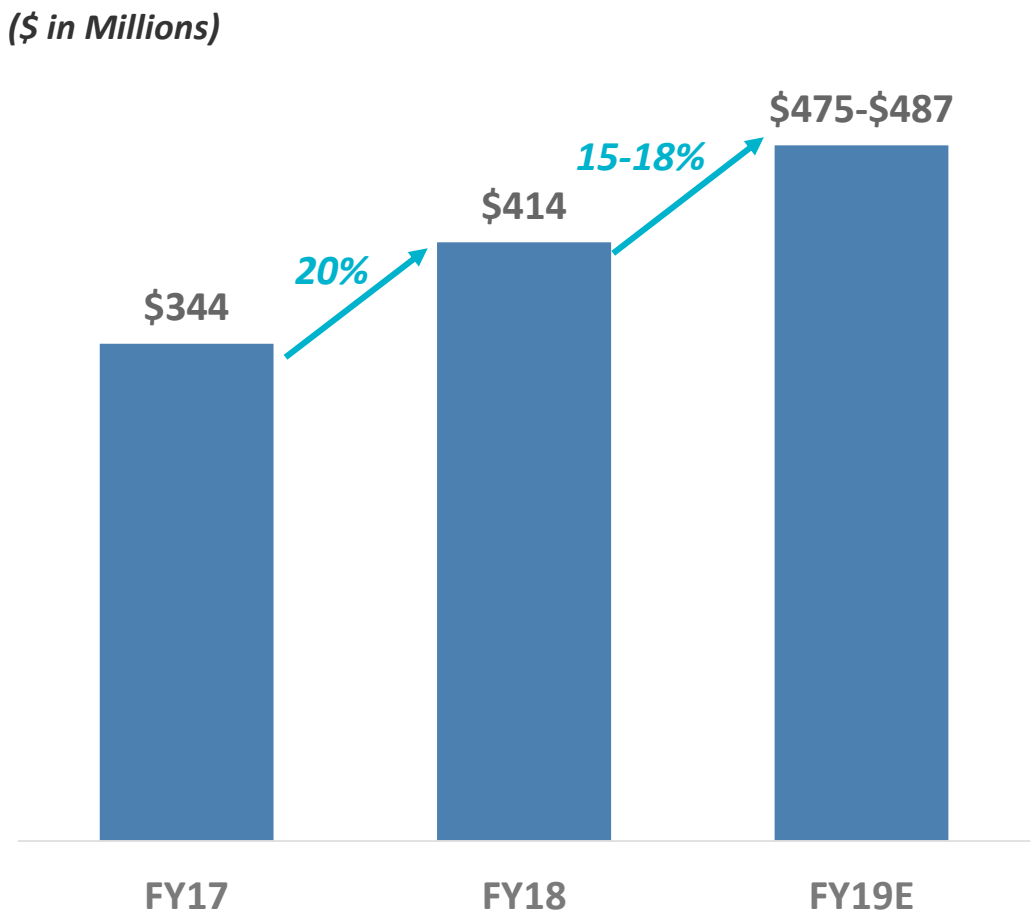
Annual Recurring Revenue



- ARR: annualized recurring value at period end for active:
  - Term Licenses
  - Subscription Agreements
  - Maintenance Contracts
  - Hosting Contracts
- Excludes perpetual licenses and professional services
- Multi-year term contracts adjusted to annualized value
- Aligns to annual invoicing in ramp agreements
- Bottoms-up analysis by customer, cannot be derived from financial statements

Source: Guidewire analysis; assumes 7/31/18 exchange rate for non-USD denominated ARR

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Target 5-Year Model

Target Model

	FY17A	FY18A	FY19E
% Subscription of New Sales	6%	36%	40-60%
Subscription % of License and Other Revenue	2%	9%	14%*
Services % of Total Revenue	34%	41%	40%
Total Revenue	$514M	$661M	$747M*
Gross Margin	*69%*	*62%*	*60%**
Research & Development	22%	22%	
Sales & Marketing	17%	15%	
G&A	8%	8%	
Operating Income	21%	17%	15%*
FCF	25%	19%	16%**

- Sales growth
  - Subscription % of new sales and revenue increasing
  - Product and international expansion
- Gross margin contraction near term
  - Lower subscription GM
  - Increased Services in revenue mix
- OPEX
  - Increased R&D spend
  - S&M efficiencies

*: Based on midpoint of outlook provided on Q4 Earnings Call; Details can be found in appendix
**: Excludes one-time $35-40 million due to HQ buildout

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Key Drivers to 5-Year Target Model

New Sales

- Grow and shift new sales towards more subscription, from 36% in FY18 to 80%+
- Expand within customer base and migrate on-premise customers to the Cloud

Cloud Operations

- Standardize contract terms to optimize margin
- Maximize deal sizes to absorb fixed costs
- Drive standardization and conformance to drive cost efficiencies
- Balance offshore and onshore resources
- Streamline processes via automation tooling

Services

- Mobilize SIs to own larger share of cloud implementations
- Decrease services revenue as a % of revenue to 30% or less
- Drive Services margin to 20%+

OPEX

- Drive down expenses as a percent of total revenue

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NON-GAAP

5-Year Target Model

	FY17A	FY18A	FY19E	5-Yr Target
% Subscription of New Sales	6%	36%	40-60%	80%
Subscription % of License and Other Revenue	2%	9%	14%*	50%
Services % of Total Revenue	34%	41%	40%	<30%
Total Revenue	$514M	$661M	$747M*	~$1.3B
Gross Margin	*69%*	*62%*	*60%**	*65-67%*
Research & Development	22%	22%		17-19%
Sales & Marketing	17%	15%		12-14%
G&A	8%	8%		5.5-6.5%
Operating Income	21%	17%	15%*	28-30%
FCF	25%	19%	16%**	29-33%

*: Based on midpoint of outlook provided on Q4 Earnings Call; Details can be found in appendix
**: Excludes one-time $35-40 million due to HQ buildout

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Q & A

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Thank You

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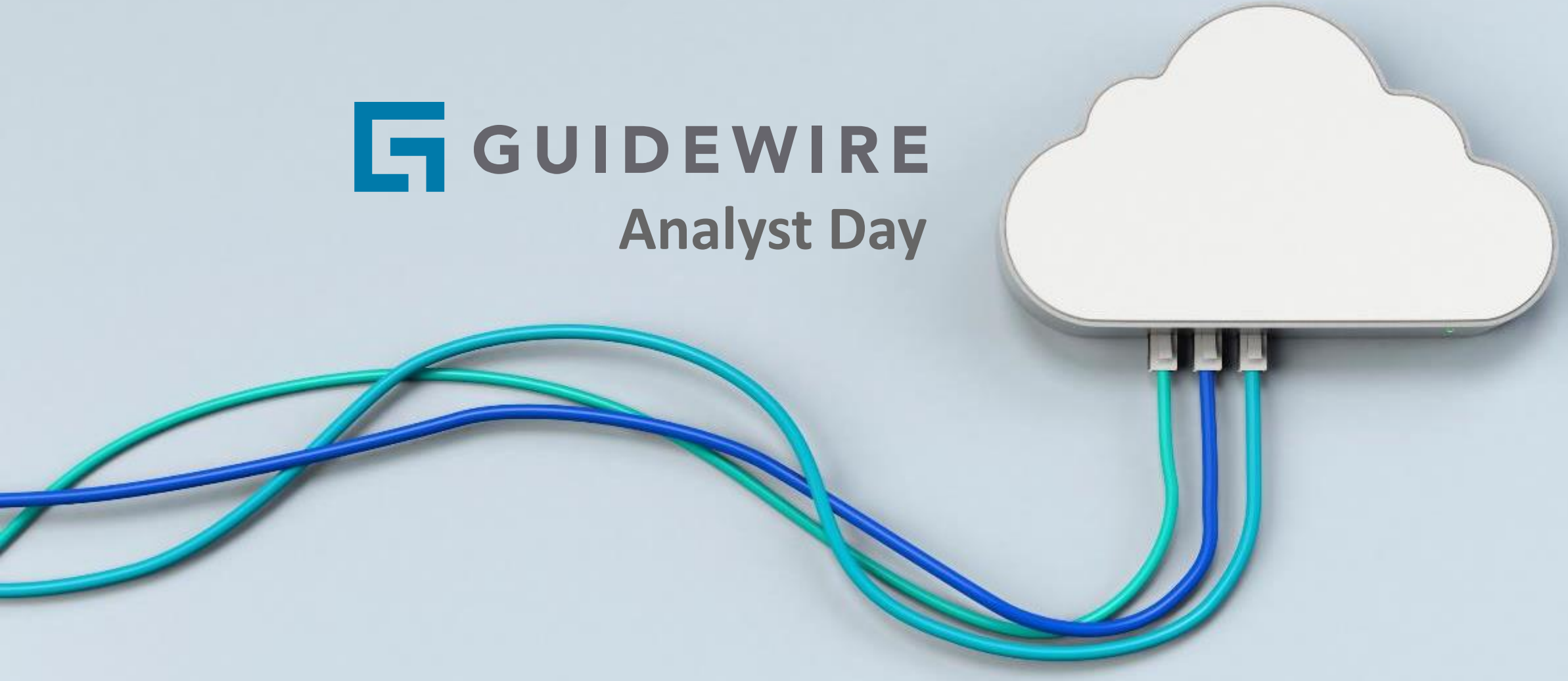

Appendix

Q1 & Full Year FY19 Guidance

($ in Millions)

NON-GAAP

	FY19 Q1	FY19
Revenue		
License & Other	73.0 – 77.0	365.0 – 377.0
Maintenance	19.0 – 20.0	79.5 – 81.5
Services	65.0 – 68.0	290.0 – 300.0
TOTAL REVENUE	159.0 – 163.0	740.5 – 752.5
Gross Margin		*59% - 61%*
Non-GAAP operating income	14.5 – 18.5	104.5 – 116.5
Operating Margin		*14% - 16%*

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Reconciliation of Non-GAAP Operating Income

$ in Millions	FY 17(A)	FY 18(A)	FY 19 Q1(E)	FY 19(E)
Income (loss) from operations	26.6	(7.3)	(17.0) - (13.0)	(27.8) - (15.8)
Non-GAAP adjustments:				
Total stock-based compensation	71.8	89.6	23.7 - 24.7	101.7 - 104.7
Amortization of intangible assets	12.1	27.5	7.1 - 7.6	28.6 - 29.6
Non-GAAP operating income	110.5	109.7	14.5 - 18.5	104.5 - 116.5

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