

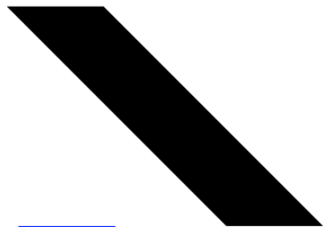
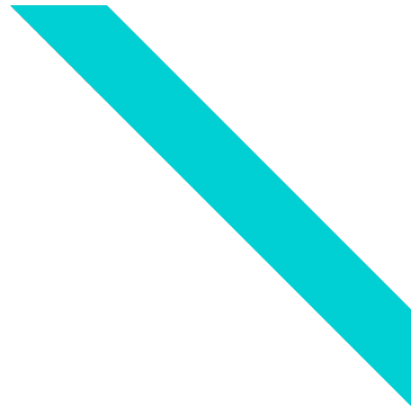


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Q4 2024 GUIDEWIRE SOFTWARE INC EARNINGS CALL

EVENT DATE/TIME: September 05, 2024 / 9:00PM UTC



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- **Michael Rosenbaum** *Guidewire Software Inc - Chief Executive Officer, Director*
- **John Mullen** *Guidewire Software Inc - President, Chief Revenue Officer*
- **Jeffrey Cooper** *Guidewire Software Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Ken Wong** *Oppenheimer & Co., Inc. - Analyst*
- **Michael Turrin** *Wells Fargo Securities, LLC - Analyst*
- **Alexei Gogolev** *JPMorgan - Analyst*
- **Kevin Kumar** *Goldman Sachs - Analyst*
- **Dylan Becker** *William Blair & Company - Analyst*
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- **Alex Sklar** *Raymond James - Analyst*
- **Matt VanVliet** *BTIG - Analyst*
- **Aaron Kimson** *JMP Securities - Analyst*

PRESENTATION

Operator

Greetings, and welcome to the Guidewire fourth quarter and full year fiscal 2024 financial results conference call. (Operator Instructions) As a reminder, this call is being recorded.

I would now like to turn the call over to Alex Hughes, Vice President of Investor Relations. Thank you, Alex. You may begin.

Alex Hughes *Guidewire Software Inc - Investor Relations*

Thanks, Paul. I'm Alex Hughes, Vice President of Investor Relations. And with me today is Mike Rosenbaum, Chief Executive Officer; Jeff Cooper, Chief Financial Officer; and John Mullen, President and Chief Revenue Officer, who has joined us to provide a year-end recap of adoption activity.

A complete disclosure of our results can be found in our press release issued today as well as in our related Form 8-K furnished to the SEC, both of which are available on the Investor Relations section of our website. Today's call is being recorded, and a replay will be available following the conclusion of the call.

Statements made on this call include forward-looking ones regarding our financial results outlook and targets, our future business momentum relating to our products, cloud deals, customer demand, operations, the impact of local, national and geopolitical events on our business, our associate business plan and strategy, among other matters. These statements are subject to risks, uncertainties and assumptions and are based on management's current expectations as of today and should not be relied upon as representing our views as of any subsequent date.

Please refer to our press release and risk factors and documents we file with the SEC including our most recent quarterly reports on Form 10-Q and our prior and forthcoming annual report on Form 10-K filed and to be filed with the SEC for information on risks, uncertainties and assumptions that may cause actual results to differ materially from those set forth in such statements.

We also will refer to non-GAAP financial measures to provide additional information to investors. All commentary on margins, profitability and expenses are on a non-GAAP basis unless stated otherwise. A reconciliation of non-GAAP to GAAP measures is provided in our press release. Reconciliations and additional data are also posted in a supplement on our IR website.

And with that, I'll now turn the call over to Mike.

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

Thank you, Alex. Good afternoon, and thanks, everyone, for joining today. I'm thrilled to have the opportunity to report stellar fourth quarter results, capping off what was an incredible year for Guidewire and our community of customers and partners. This quarter marked five years at Guidewire for me, and the results in the quarter and fiscal year feel like a clear validation of the hard work and determination everyone here has contributed to our cloud transformation.

We have now established a consistent track record of customer program success with our cloud applications, and we are seeing the maturity and reliability of our cloud platform continue to drive demand from new and existing customers. The referenceability of customers choosing Guidewire Cloud Platform continues to grow, and that reputation continues to drive demand new sales and adoption and ultimately, customer program success and the associated insurance outcomes, the P&C industry demands.

The market momentum we've established is clearly reflected in strong ARR and fully ramped ARR growth. ARR was up 14% on the year, while fully ramped ARR accelerated to 19% as we continue to sign larger deals with more significant fully ramped value. We closed 16 cloud deals in the quarter, and 42 for the year. John Mullen, our President, will go into more detail on cloud adoption.

But I'll just say that the strength across these metrics is a result of the combined efforts of every single member of our global organization. The results this quarter and this year position us well to achieve our \$1 billion ARR target this fiscal year.

As we continue to drive cloud adoption, we are also seeing greater leverage in our cloud model Guidewire Cloud Platform is demonstrating greater scale and efficiency with subscription and support gross margins increasing 10 points to over 65% for the year. We feel very confident in our objective to achieve our long-term margin targets as we continue to scale the platform.

We are also continually driving better overall company operational discipline and efficiency, generating non-GAAP operating profit of nearly \$100 million and operating cash flow of nearly \$200 million. We also expect to be GAAP profitable in fiscal 2025, These outcomes clearly demonstrate the power of the Software-as-a-Service business model we have created here.

Looking forward, we are excited to enter the new fiscal year with momentum. We continue to see acceleration in the number of conversations around cloud transitions and modernizations. Customers realize that they need greater agility in their core operations and based on our track record of referenceable success stories, we are distancing ourselves from alternatives.

As a result, our pipeline continues to build and is very healthy going into the year. In November, we will be back in Nashville to hold our Annual Customer Conference Connection, which is attended by 3,000 members of the broader Guidewire community. This will give us another valuable opportunity to showcase the latest innovation on our platform [examples of] customer success.

This goes by saying that this past year it means in the last five years, sometimes seems like a remarkable achievement. We have taken a market defining on-premise vertical software leader and replatformed it to become a vertical software as a service leader. I have spoken to many people in (inaudible). This achievement and our success was somewhat surprising.

But looking back now, it all looks pretty logical to me. We made a straightforward plan that made sense required nothing miraculous and focus on execution, all the while ensuring that every single customer who chose to trust us never doubted their decision. We are not and will never be perfect, but we will continue to prioritize our customers in the programs they run on our platform.

We will continue to optimize our technical decisions for the long term, and we will strive every day to earn the trust our customers place in us. We are right now very well aligned with our customers and in a unique position to help shape the future of the industry we serve. We continue to execute in the fashion we have demonstrated over the past few years, and I'm confident we will continue to hit the forward-looking objectives we set for ourselves.

With that, I'll hand it over to John to provide a year-end perspective on the insurance industry and discuss in more detail around customer adoption and success on the Guidewire Cloud Platform.

John Mullen *Guidewire Software Inc - President, Chief Revenue Officer*

Thanks, Mike. Good afternoon, everyone. It's been a very successful year at Guidewire. We have the pleasure of serving the customer base that is both critical and resilient. This year, we saw Property and Casualty insurance navigate convergence of pressures and continue to evolve with both the agility and precision with which they respond to inflation, the evolution of risk in the world and the increased expectation of consumers and businesses.

We remain very confident in the durability of our relationship with the market and optimistic regarding the pace of change that we can help drive with and for P&C industry. Reflecting on the 42 cloud deals we did for the year, we closed 13 InsuranceSuite cloud deals in Q4, bringing our total InsuranceSuite cloud deals for the year 37. We also closed three InsuranceNow deals in the quarter. What we are seeing is the positive effect of a portfolio approach that is delivering a healthy balance across the business.

We've been working hard to drive specific plans and accountabilities in the markets, region, country and line of business and with specific carriers across all deal types.

We added four net new customers in Q4 and saw continued strong win rates with insurers looking to modernize their core systems. A super regional personal lines carrier elected to adopt our full suite and broad selection of our data products in order to standardize on a modern core system and facilitate their growth ambitions.

Argonaut Managed Services, a leader in excess and surplus selected ClaimCenter to consolidate multiple claims systems and improve operational efficiency. Our track record and commented the customer success for key factors in their decision.

Preferred Mutual, a personal and commercial lines carrier in the Northeast of the U.S. selected the full suite to leverage the Guidewire Cloud Platform and its digital capabilities. And finally, Pearl Holdings, a single-state nonstandard auto MGA headquartered in Miami, Florida, selected InsuranceNow and Predict to modernize their core with an emphasis on claims.

I highlight these net new wins because they exemplify our ability to execute and compete across a broad range of carrier size and complexity. It was also a strong quarter for cloud migration activity with a total of seven InsuranceSuite cloud migrations. Five of the InsuranceSuite migrations included very meaningful expansions beyond the scope of work we are addressing on-prem. One of the themes in the quarter was our customers' willingness to make bigger commitments on Guidewire Cloud, which was a key driver of our 19% fully ramped ARR growth.

Notable in the quarter were deals that initiated as a single product discussion and evolved into broader full-suite outcomes. For example, a Tier 1 commercial insurers significantly expanded adoption of Guidewire Cloud Platform for scalability, total cost of ownership and platform unity across policy, billing and claims. The referenceability of our relationships and the power of full suite and data is resonating in the market.

We saw healthy sales activity in both Asia Pac and EMEA for the year. Our strength in North America really delivered in Q4. Looking at global deals by Tier, Q4 was fairly balanced with three Tier 1 deals, seven Tier 2 deals and the remainder coming from Tiers 3 and 4.

Turning to our ecosystem. We are seeing continued momentum. There are now over 25,000 professionals from 38 SIs working with us today. And in the fourth quarter, the number of cloud certified partner professionals from these firms increased 22% year-over-year to 9,500. The pace of uptake on our ski release training with this community affirms the SI shared commitment to the model.

Similarly, our solution partner community continues to expand. Guidewire Marketplace now has over 215 technology partners.

Finally, we saw strong results on customer programs in Q4. We achieved seven initial cloud go-lives on Guidewire Cloud platform in the quarter. We are seeing, as expected, significant increases in the number of cloud updates throughout the year, which speaks to the growing efficiency of our platform inside the customer environment. The services organization achieved higher-than-expected revenue and gross margins in the quarter. The team has been working hard to improve predictability and while we have more work to do, Q4 was a positive step forward.

Successful customer outcomes is our primary objective in our services organization in collaboration with our SI partners, have worked well together in this last year to drive face and predictability for our community. In summary, fiscal year '24 demonstrated strong execution, and we look ahead to fiscal year '25 confident in our ability to continue to build momentum.

With that, I'll hand over to Jeff.

Jeffrey Cooper Guidewire Software Inc - Chief Financial Officer

Thanks, John. The financial highlight of the quarter was the incredible combination of 19% constant currency fully ramped ARR growth and 20% cash flow from operations margin. Our ability to deliver durable profitable growth is a testament to the value that we deliver to the industry.

With that, let me jump into the details. Fourth quarter ARR ended at \$872 million, up 14% year-over-year on a constant currency basis, ahead of our expectations. As a reminder, we measure ARR on a constant currency basis throughout the year and then update ARR for year-end FX rates, making this update impacted ARR by negative \$8 million, resulting in ARR of \$864 million.

Fully ramped ARR, which is defined as the fully ramped annual price outlined in our customer contracts grew 19% year-over-year on a constant currency basis. This is a tremendous result that reflects a lot of hard work we are winning in the market and executing well across the entire organization.

Total cloud ARR, which includes ARR for all of our cloud products and for customers that have contracted to move to the cloud, grew 28% year-over-year and comprised 66% of total ARR. Total revenue for the year was \$980 million, ahead of our expectations due to stronger performance across all components of revenue. File strength continues to be visible on subscription revenue, which was \$477 million, up 36% year-over-year.

It's exciting to see the progression of our subscription revenue line, which finished the year at just under 50% of total revenue. Subscription and support revenue was \$549 million, up 28% year-over-year. License revenue was \$250 million, down 6% year-over-year as we continue to migrate our on-premise customers to our cloud. At the start of FY24, we thought that this decline -- this would decline closer to 10% year-over-year, but we benefited from stronger-than-expected true-ups during the year.

Services revenue finished at \$181 million, down 14% year-over-year as we transition more implementation work to our SI partners, and we minimized our reliance on subcontractors. Services revenue in Q4 was \$51 million, up from our low of \$38 million in Q2. We are pleased with how we finished the year and expect modest year-over-year growth in services revenue in fiscal year 2025.

Turning to profitability for the fiscal year, which we will discuss on a non-GAAP basis. Gross profit was \$618 million. This was up of 25% year-over-year. Overall gross margin was 63% compared to 55% a year ago. Subscription and support gross margin was 65.5%, and over 10 percentage point increase.

The investments we made in our cloud platform are showing up in a much more efficient cloud operations function as we deliver the industry-leading cloud service at an increasingly attractive gross margin profile.

Services gross margin was 7% compared with just below breakeven a year ago. Notably, in Q4, services gross margin was 14% as we exit the year closer to our longer-term margin expectations for this business. Operating income was \$99.5 million, which was just above the midpoint of our outlook. The positive impact of higher-than-expected revenue was offset by the impact of the employee bonus accrual which was higher than our expectations due to outperformance of key financial targets.

The overall stock-based compensation was \$146 million for the year, up 2.5%. Operating cash flow ended the year at \$196 million. We noted at the Analyst Day last year that we were at an exciting inflection point in profitability and cash flow, and our progress on cash flow from operations and free cash flow significantly surpassed our expectations on stronger-than-expected collections. We ended the quarter with \$1.1 billion in cash, cash equivalents and investments. We also have \$400 million in convertible debt that matures in March, and we expect to settle in cash.

Now let me turn to our outlook. For fiscal 2025, we expect ARR of between \$995 million to \$1.005 billion, representing 16% constant currency growth at the midpoint. Updating our forecast model to reflect current FX rates has had an approximately \$9 million negative impact on our fiscal '25 outlook.

Total revenue for the year is expected to be between \$1.135 billion and \$1.149 billion. We expect subscription revenue will be approximately \$642 million, representing 34% growth. Maintaining this strong growth rate is a reflection of the strength of the cloud deals we signed in fiscal '24.

Support revenue will decline by about \$3 million or \$4 million year-over-year as a result of the continued migration of our installed base of the cloud resulting in approximately \$710 million in subscription and support revenue. As a reminder, support revenue attaches to term license customers for cloud customers, support activities are included in the subscription fee.

We expect license revenue to decline a bit due to steady progress on cloud migrations, which is partially offset by contract true-ups in our on-prem customer base. Our outlook for revenue -- services revenue was approximately \$190 million. We expect total gross margins for the year to be approximately 65%, subscription and support gross margins to be approximately 68% and professional services gross margin to be approximately 12%. We are pleased with this progression as we work to continue to drive margin improvement.

With respect to operating income, we expect a non-GAAP operating income of between \$157 million and \$171 million for the fiscal year. We also expect GAAP operating income of between negative \$4 million and positive \$10 million. Given the strength in the business, we are able to deliver on our profitability goals and in many cases, raise our targets while also increasing some spend in our operating expenses most notably in R&D as we invest in the significant opportunities we see in front of us to help insurers take advantage of modern applications to engage, innovate and grow. I expect R&D spend to grow around 14% in fiscal '25. Sales and marketing should grow a bit less than that and G&A should grow in the mid- to upper single digits.

Cash flow from operations in fiscal 2025 is expected to be between \$220 million and \$250 million. Our CapEx expectations for the year are between \$20 million and \$25 million including approximately \$12 million in capitalized software development costs and \$7 million in office build-out projects in India.

Our Q1 outlook can be found in our earnings press release, but let me provide a bit more color. Given the strong sales activity in Q4, we did not have many deals slip into Q1, so we expect typical seasonality in our first quarter, which impacts sequential ARR growth expectations. We expect subscription and support revenue of approximately \$167 million and services revenue of approximately \$50 million. We expect subscription and support margin between 67% and 68% and services margins of around 11% and total gross margins of approximately 61%.

Also, annual employee bonuses and commission expenses related to Q4 sales are paid out in Q1, which impacts next cash flow. As a result, we expect Q1 cash flow from operations to follow a similar pattern to what we experienced last year.

In summary, we are incredibly proud of the year we had in FY24 and we are on track to meet or exceed the targets that we established during my first Analyst Day as CFO back in October of 2020, and we look forward to seeing many of you at our Analyst Day this coming October 10 in New York.

With that, let's open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ken Wong, Oppenheimer & Co.

Ken Wong Oppenheimer & Co., Inc. - Analyst

The first one for either Mike or John, can you provide a little color on the context of some of these fully ramped deals? Are we seeing this across the board with customers? Are these kind of one-off large deals? Would you say that these are typically kind of flatter upfront and steep in the back or fairly linear? Just any color to help us think through the dynamics would be fantastic.

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

Sure. Let me touch on it real briefly, and then I'll let John comment. The first thing is I don't want you to read anything into this with respect to ramps. We're seeing pretty normal ramp structures and activity, and we'll be able to provide a little bit more detail around that at Analyst Day. But relative to the commentary we provided a year ago around the ramp structures and the corresponding impact on ARR.

You shouldn't read anything into this.

We just had a phenomenal quarter from a bookings perspective with great deals across the board. They were reasonably sized and so that creates a total deal value that drives a fully ramped number that's very healthy. Super proud of the team and the execution and it kind of, to me, indicates the strength in the business. That's the way -- that's the only thing I'd like you to read into it. Just very, very successful outcome with a bunch of great deals in the quarter that drove that fully ramped number.

Anything to add, John?

Jeffrey Cooper *Guidewire Software Inc - Chief Financial Officer*

Yes. I'll just add that if I look at the last quarter, there are two dimensions to it. The first one is certainly, in some cases, it's larger lines of business, but maybe more important is covering other areas -- additional areas of scope. The team is getting much more attuned to listening for and solving business problems rather than addressing just the initial scope for consideration. And as we do that, the power of the suite is pulling in more conversations, and that was pretty prevalent actually in these Q4 deals.

Ken Wong *Oppenheimer & Co., Inc. - Analyst*

Perfect. And then just a quick one for Jeff, maybe kind of also building on the fully ramped number, guiding to about 16% in fiscal '25. I guess when we kind of compare that with a 19% fully ramped number. I guess would it be wrong for us to assume that there's potentially an acceleration in the future? Or what's the right way to read that fully ramp versus what we're looking at in '25?

Jeffrey Cooper *Guidewire Software Inc - Chief Financial Officer*

Yes. The fully ramped out outcome certainly gives us confidence as we look at the durability of the growth. I'm not sure I would model an acceleration above kind of that 16% range. But I do think it kind of creates a bit more for us and a bit more visibility into the durability of kind of ticking above mid-teens a bit on the overall ARR growth side.

Operator

Michael Turrin, Wells Fargo.

Michael Turrin *Wells Fargo Securities, LLC - Analyst*

Congrats on the close of the year. I guess the first question is just maybe Mike or John, you're seeing a series of tailwinds that are it seems a bit better than what we're getting across software. So I'd just love to hear commentary on your perspective on the overall demand environment, where you sit in terms of cloud momentum and overall competitive dynamics alongside just what you've taken and observed with the end of the year?

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

Sure. Thanks for the question. There's certainly a lot of things that feel like they're helping us, right? First is the industry we serve is very, very durable. Premiums are going up across the insurance industry, and that does with our pricing constructs, our contract

constructs create some lift to our ARR just based on DWP increasing.

I also think we are distancing ourselves from alternatives. And it's really, in my opinion, just based on the track record of success that we have been able to establish with our cloud products over the past five or six years.

We are -- it's still a competitive market, and we still compete fiercely for every single deal, but we are winning our fair share of those deals. And I think that factors into the performance in the quarters. We're also seeing just a, I guess, I'd call it a conversion strength in the deals that we're working on, the opportunities that we're looking at in a particular quarter are closing more frequently than we might have expected a couple of years ago, which I think speaks to the trust and confidence in the platform, in the programs, in the whole community, just collectively our ability to land these programs and make sure that they're successful, it all contributes to the lift and the incredible success that we had in the quarter. So that's my take, and I'm sure John has some more to add to it.

John Mullen *Guidewire Software Inc - President, Chief Revenue Officer*

While the industry is large by surface area, it's small by community. And to Mike's point, really, the referenceability of the programs that we've been driving has provided a nice ability for that conversion rate. But I think the biggest tailwind we face is that chapter of moving from defending a cloud platform to really scaling and solving business problems with the cloud platform. As certainly the industry has a tight convergence of IT needs and business needs are no longer two different dimensions. They're merging together every day, and we're in a really good spot to help navigate that, and that's really what I think we saw over the course of this year.

Michael Turrin *Wells Fargo Securities, LLC - Analyst*

That's all super helpful commentary. Jeff, you're leading with cash flow in the press release. I can't help but notice the cash flow margin for fiscal '25 looks like it's also running ahead of target model. So maybe you can -- I don't want to steal any thunder ahead of a bigger investor session you're hosting, but maybe speak to just the increasing focus on cash flow and what you're seeing that's driving the good conversion there.

Jeffrey Cooper *Guidewire Software Inc - Chief Financial Officer*

Yeah. I mean, we're really pleased with how the model is inflecting from an overall cash flow perspective. Obviously, I kind of think at the end of the day, that's the primary metric that software companies are measured on. And so we're pleased with that. Some of the interesting dynamics that are -- that we're noticing are some of the timing of revenue elements that create a bit of a difference between non-GAAP operating income and some of the cash flow dynamics, and we'll talk about that a little bit more at Analyst Day.

But that underpins the power of our model.

But certainly, this has been a focus of ours for a number of years. And as we kind of established how we think about our long-term model, we've always had this part of the journey in the back of our mind, but it's nice to see it come to realization, and we'll be continuing to monitor the targets against the targets that we have out there that we still think are very appropriate targets and we'll talk about that a bit more at Analyst Day.

Operator

Alexei Gogolev, JPMorgan.

Alexei Gogolev *JPMorgan - Analyst*

Mike, firstly, congratulations with the year anniversary and hope you managed to fight off those parking beef. Can I ask you a bit more about the demand environment, especially around commercial lines because I've seen some data from councils and insurance agents. They were talking about some softness in commercial P&C. Are you seeing anything of that sort? Or are you winning more market share, which is not reflecting in terms of the dynamics that we're seeing for you?

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

Alexei, I'm going to thank you for the compliment. I appreciate it very much. I'm going to let John answer your question about commercial lines.

John Mullen *Guidewire Software Inc - President, Chief Revenue Officer*

All right. So Alexei, the potential softening in the market on commercial lines attributable in large part to large commercial and large property, we think that excess and surplus specialty and middle market is still a very dynamic rate environment. That is an industry commentary. What I'll also say that as we go forward, we're finding really good success with our commercial lines opportunities. London market has set a really good pace for us.

large commercial in North America excess and surplus specialty have all been really solid for us.

And the only thing I would say in addition to that is these decisions of getting to enterprise data decisions and giving to large-scale durable core processing is a decision that goes beyond hard and soft market evolution. What is very critical is these large commercial carriers in commercial and general, they really are every day tuning their ability to make price, make product changes, enter and exit markets and make the right rating decisions. And it's very difficult to make that decision without operating on a monitoring for platform.

So we feel good about our ability to help navigate the ebbs and flows of hard and soft markets and we're really tuned into where we think the opportunities are a little faster.

Alexei Gogolev *JPMorgan - Analyst*

Jeff, just a quick question for you. Can you elaborate on the benefits from the AWS contract to gross margins going forward? I think last time we spoke, you mentioned that there was some front-loaded R&D investment. Has it sort of fads away? Do you expect more benefits to gross margins?

Jeffrey Cooper *Guidewire Software Inc - Chief Financial Officer*

Yes. Look, I think we have a long-standing partnership with AWS. I'm not going to get into the particulars of that arrangement. But we do have certain incentives in that contract that we realize over the contract. I think the big -- and there's an element of that, that plays into how we think about the margin expansion.

But the largest part of the overall margin expansion is the investments we've made in Guidewire Cloud Platform and the efficiencies that we're realizing as a result of that. So I wouldn't want to focus too much on kind of the particulars of that arrangement and focus more on the engineering teams delivered to enable our margins.

Operator

Kevin Kumar, Goldman Sachs.

Kevin Kumar *Goldman Sachs - Analyst*

Mike, I wanted to ask you about just overall migration activity. How would you characterize kind of momentum there? Are you seeing kind of interest from customers who are on-premise? Is that starting to build how do you think that plays out as we head into fiscal '25?

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

Yeah. Thanks for the question. I would describe it as steadily improving/steadily building. I think, again, it has -- this has to do with the track record of success, the reliability we've demonstrated, the success stories, the customers that have moved the concept that they're not -- they're no longer breaking new ground from an IT perspective when they think about a migration to Guidewire Cloud, it's much more a question of when it makes sense for their business. and planning that with those customers.

And so you see that build.

It's one of the really nice things about Guidewire is that we have this incredible customer base. And it's an opportunity for us to grow ARR. It's an opportunity to help -- for us to help those customers get more agile. This resonates -- it doesn't -- it's not all going to come in 1 year. It's going to get spaced out over the course of many years, and we're up for that challenge.

And so yeah, it's steadily building, and we're very -- we're pretty happy with where it is right now and especially the balance between migration activity and net new either customers specifically or the net new use cases for existing customers that we pair to a migration. All those components of the business are going very well for us right now.

Kevin Kumar Goldman Sachs - Analyst

That's great. And maybe one for Jeff on the premium true-ups. You talked about some of the impact of the license revenue. But just curious kind of how that true-up is affecting the model more broadly in terms of ARR revenue? Anything you can share to help kind of give context to kind of how that's impacting the broader models?

Jeffrey Cooper Guidewire Software Inc - Chief Financial Officer

Yeah, no, we saw a healthy backdrop of both CPI and DWP true-ups this year. It added a couple of percentage points to overall ARR growth above and beyond what we would see in a typical year. And we expect it to be are pretty resilient looking into next year that, that would remain at slightly elevated levels. It was balanced, right?

I mean I think if you look at the overall true-up activity, there was proportionately more coming from the on-prem installed base. But given now the scale of our ARR and the cloud, we also saw a healthy amount coming from the cloud installed base. And so on an absolute dollar, it was pretty balanced between both on-prem and cloud.

Operator

Dylan Becker, William Blair.

Dylan Becker William Blair & Company - Analyst

Maybe going back to Jeff and John, the points on fully ramped ARR. Seeing larger deals and seeing more full suite adoption. Is that a function, it's probably a little bit of both, but of increased willingness from those Tier 1 carriers who maybe look to adopt a bit more piece meal. Is that a step function change in how they're looking at the ecosystem? Or I think, John, you made a point of kind of better sales targeting being able to expand that scope?

I'm sure it's a little bit of both, but maybe some additional color there.

Jeffrey Cooper Guidewire Software Inc - Chief Financial Officer

I would say this is just continued progression in terms of how we're selling. I wouldn't attribute it to Tier 1 activity but we have seen some Tier 1 activity, healthy Tier 2 activity. It's just -- I think John noted this, the team has done a really good job when we look at a migration, maybe expanding a little bit beyond the initial on-prem footprint. And I think that there's an understanding of the maturity of the platform that is giving comfort to customers and making some of these larger and longer commitments. So I don't know if there's anything you want to add?

John Mullen *Guidewire Software Inc - President, Chief Revenue Officer*

The ability for customers to call each other -- prospects and customers that call each other and have very, very deep conversations about what's the right pace and cadence of programs to bite off and what's the value of the suite is really what's driving it. I would reiterate what Jeff said, I don't think it's tier specific at this point. The Tier 1s are still very much a bespoke shoulder to shoulder conversation about what's the right size and fit for them.

Dylan Becker *William Blair & Company - Analyst*

Okay. Great. And then maybe for Mike as well to given that there is -- I mean there's a step function of drivers for adoption here, but another one that we've kind of picked up to, I don't know if this is coming up in your conversations based around the fact that labor is massively constrained, right, as we think about what the ecosystem is looking like. Is that something that's coming up in conversations quite yet as they're thinking about that kind of capacity or that skills gap as an additional driver of that core system modernization efforts?

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

What you're describing certainly comes up. I think it comes up sometimes in the context of attracting younger people to come work in the industry and providing systems for them that aligns to their expectations, let's say, about how computers should work -- computer systems should work. That comes up. I think it also comes up with a perspective of your development teams and what are you asking them to work on and are you able to retain the people that are capable of maintaining the legacy systems that they've been running sometimes for 20, 30 years. So this certainly comes up.

I mean the whole industry is constantly trying to get more efficient and get more done with the existing folks that they have so that they can operate the company more effectively. And I think the IT agility, the operational efficiency, the data and insights that we can help provide, it helps in all those areas. And so for sure, it's a component along with a number of others that factors into the just overall push to modernize the industry.

Operator

Rishi Jaluria, RBC.

Rishi Jaluria *RBC Capital Markets - Analyst*

Nice to see continued momentum on the cloud transition. Two for me. First, I wanted to maybe think about now that you have some time of customers being live on Guidewire Cloud platform, maybe potentially getting towards that fully ramped level. What have you seen in terms of customer spending behavior from customers that have fully migrated over to the Guidewire Cloud Platform especially in terms of their own propensity to spend, thinking about their expansion. For example, if we were to look at NRR for on-premise Guidewire or InsuranceSuite cloud customers.

How would those compare to NRR on kind of a fully ramped basis for similar customers as they're on InsuranceSuite cloud? And then I've got a quick follow-up.

Jeffrey Cooper *Guidewire Software Inc - Chief Financial Officer*

Yeah. I mean I'm not going to get into the NRR but different cohorts. I mean I think we have seen a healthy expansion within the cloud installed base. Some of that is coming in the form of how they build in the Guidewire Cloud platform and requirements for different environments that increase what we call platform spend within Guidewire. Some of that may come in the form of attach of different product sets within our data and analytics suite.

I think it's still pretty early to make any judgments on that overall attach rate, but that's something we're watching.

And then we've obviously seen some direct written premium expansion as well that flows into how we think about net renewal rates for the cloud installed base. So I think that there's more potential there in the cloud, especially as you start to think about the marketplace and how that presents itself in the future, then there was on-prem, but probably too early to make any sort of real comparisons.

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

It's progressing very well. This component of our business model, I think, is going very well. I won't say it's like exactly according to plan, and we don't track it that closely. But it's exactly what I would expect. And it has to do with, honestly, the track record of success.

If we make these customers successful, they're going to want to do more with us, they're going to find other core system use cases that are going to make sense to expand that is based off of the success we can drive with the program, but also the relationship of the various applications within InsuranceSuite.

Jeff mentioned the other add-on opportunities with platform, with partners, with data, with analytics. I think this will increasingly be a part of the story going forward. And right now, it's going sort of according to plan. So it's an insightful question. I think it's early, but it is going very well.

Rishi Jaluria *RBC Capital Markets - Analyst*

All right. Got it. That's really helpful, guys. And then Mike, in your prepared remarks, you called out some of the success you're seeing on the InsuranceNow side. Can you maybe talk to, I guess, number one, you've seen what seems to be improving momentum with InsuranceNow over really the past year or so.

What's driving that both from an industry and maybe product perspective? And then number two, is there a glide path? Or what would it look like for maybe insurers who land on insurance now, but over time might get big enough that InsuranceSuite cloud is actually the right solution. What is that actual upgrade or on-ramp path look like?

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

Yeah, so we have -- it's a strategic question that we looked at years ago when we embarked on the cloud transformation is what should be the core strategy with InsuranceNow and InsuranceSuite. And we chose to maintain both of those applications to do our best to make sure that they were leveraging common infrastructure as much as possible and continue to invest in both. Primarily, this has to do with our commitment to the customer base who is very happy with the InsuranceNow product. There's a good sort of cohort of insurance companies in North America where InsuranceNow is a very, very good fit.

And we're very competitive when we find an opportunity in that sweet spot. So it's a great product. It's a great business unit within the company.

With respect to I would say like it's acceleration over the past couple of years. It has to do with us being very, very clear about our commitment to it and our investment in it and making sure that it's more beating competitors in that deal. I mean, that's what it comes down to.

With respect to an on-ramp to InsuranceSuite, I would say we -- really, we try to focus a lot on landing the customer on the right platform to begin with. There isn't -- you shouldn't imagine a strategy that we have of like start with InsuranceNow and move to InsuranceSuite. Just it's a pretty significant implementation on either one of those things. And so we would like to get that correct from the very beginning.

Where we do have an opportunity to add more value is around the additional analytics and data offerings like I mentioned, we can move the infrastructure from over to Guidewire Cloud platform and create a little bit more margin for us and just run the service more efficiently. And that's beneficial to us. It's beneficial to our InsuranceNow customers. But that's basically what's going on is we're committed to these customers, and we're committed to ensuring that this is successful and it's working pretty well for us.

Operator

Parker Lane, Stifel.

Parker Lane Stifel Nicolaus and Company, Incorporated - Analyst

Good to see the momentum with the net new customers. I think it was four during the quarter. Mike and John, any common theme on those customers that you talked about during your prepared remarks, either in terms of the systems you're replacing or common challenges that they face that persist to their decision to move a Guidewire?

John Mullen Guidewire Software Inc - President, Chief Revenue Officer

I think the first common theme is that we've been talking to them for a long time. These are customers that we stay close to. We've been talking to all of those wins, net new wins for quite some time, building relationship and understanding the business problems. The thematic really is around opportunity, business opportunity for growth and the need to move faster and the ability to get in and out of markets with the right products, the right product definitions, the right rates. And that really has is what's bringing the conversation to the table.

In a couple of cases in the quarter, as I mentioned in the prepared remarks, those led to -- while it was often a claims conversation or a billing conversation and take two specific cases, those expanded very quickly to be suite conversations. And the reason for that really is around the confidence of execution and the confidence of that early commitment.

So I'd say the two major themes are: one, the pressure to compete at speed is very real. And so being close to the customers and being in the right time in place to have those conversations because of how close we stated them was a really important theme for the quarter and the year. And then the second piece was really around because of the confidence of the platform today, the ability to expand.

I bring that up because in that expansion obviously has a displacement of some -- in some cases, relatively modern implementations of systems that you would see maybe a couple of years ago or a couple of years old, we feel really good now about our ability to confidently address those displacements in execution and in the sales cycle.

Parker Lane Stifel Nicolaus and Company, Incorporated - Analyst

Got it. Very helpful. Thank you.

Operator

Joe Vruwink, Baird.

Joe Vruwink Robert W. Baird & Co., Inc. - Analyst

The difference between 19% growth and fully ramped ARR and the 16% growth you're talking about a quarter ago is the implication for the net new value that booked in 4Q. That's just very far above your original plan, it would seem. And I wanted to put a finer point on what drove that. John just made the comment that you're getting more full suite deals.

Did you originally pencil in that some of these deals in 4Q were maybe modules are at full suites? I think win rates came up. Did that skew more favorable and you ended up grabbing some deals maybe you weren't expecting? And then I wanted to ask just any of the deals perhaps close a bit earlier so there's simply a timing factor behind the 4Q strength?

John Mullen Guidewire Software Inc - President, Chief Revenue Officer

Yes. I think you highlighted a couple of the key components. I don't think that we had a very strong Q4, and we sometimes use the word run the table internally, and we did our best to run the table, but I don't think there was anything -- there is certainly nothing that surprised us to say, "Oh, man, I didn't think that was going to close until Q1 or Q2." So it was pretty typical in that fashion.

We are just seeing a willingness, whereas two years ago, we weren't seeing this willingness. We're seeing kind of starting small, a little bit more and see how it goes and then make a big commitment. And I think we're seeing a bit more willingness to make a big commitment at the outset.

I think from an insurer's perspective, they can put the most muscle behind the negotiation in that outcome. But they feel confident that the platform that we have is ready to support those big programs, and we're seeing that willingness more today than certainly were two years ago. And we saw this last Q4, but we didn't want to assume that was a trend, right, because that was a very big quarter for us, but we backed it up with another very strong Q4.

Joe Vruwink Robert W. Baird & Co., Inc. - Analyst

That's great. And then what -- one thing I wanted to reconcile. So bigger average deals and customers going all in upfront. I think a lot of folks hear that and think it's a bigger carrier that's doing it. But I think I heard this right, 13 of the 16 cloud deals this quarter came from Tiers two through 4.

So I'm just wondering if maybe the strategy you've outlined is actually resonating more down market than maybe it has up until this point? And does that actually drive even better referenceability for you going forward? Your lion share is well established in Tier 1 and 2. But are you starting to see the needle move more meaningfully down market?

John Mullen Guidewire Software Inc - President, Chief Revenue Officer

I'd say, number one, Tier 2 is a big span of carriers. So there's -- Tier 2 can be split into kind of three or four different segments within it. So happy that in those Tier 2 deals we talked about that two of them sit towards the higher end of the Tier 2 so that's good. It's resonating at that Tier 2 level. It's resonating down market.

How then do we think about Tier 1? And I would say Tier 1 still works very specifically as its own proof points, very specific proof points, getting in and doing proofs of concept and digging in deep technically.

The thing that has resonated since the day I got here is the deeper a customer goes the better we come out in the analysis. And so Tier 2 has got a lot of referenceability. And even at this point, some movement of professionals across carriers where that it's not just referenceability but portability of relationship, which is really powerful. And more and more as we dig in deeper with the Tier 1s, and we're running proofs of concept and very specific deep conversations on it. We're now very importantly, well past the technical proof points.

And as Mike said in the prepared -- in the earlier answer, we're really into what's the best business timing, the best business outcome for the backlog of work that they might have in other arena and also for the business drivers that they want to put in the marketplace. So it's moving well. Tier 2 is a very portable conversation across all parts of Tier 2, Tier 1, again, still very specific to each Tier 1 carrier.

Joe Vruwink Robert W. Baird & Co., Inc. - Analyst

That's great. Thank you very much.

Operator

Alex Sklar, Raymond James.

Alex Sklar Raymond James - Analyst

John, first one for you. Just following up on Dylan's question on the Tier 1 customers, but maybe ask in a slightly different way. Has anything changed in terms of the conversations there indicating more of a willingness from the top to standardize across like all commercial lines of business or all personal lines of business? Or does it still feel like it's a pretty separate line of business by line of business decision?

John Mullen Guidewire Software Inc - President, Chief Revenue Officer

It's very specifically still a line of business by line of business conversation. And we're okay with that because we know the depth of proof point, we're going to have to dig in those and prove it out and expand from there, which gives us a tremendous amount of long-term opportunity. But for good or for bad, and it is, I think, good because it allows us to go deeper. It's very specific to lines of business or specific products.

Alex Sklar Raymond James - Analyst

Okay. Great. And then, Jeff, one for you. Just the smoothing of quarterly bookings is something that you've kind of had a lot of success with over this past year landing earlier in the year upfront. Any change to how you're thinking about seasonality as we go into this upcoming year?

Jeffrey Cooper Guidewire Software Inc - Chief Financial Officer

Yeah, we had a -- we did a lot of work on that, and then we had a blowout Q4. So I mean look, I think we saw it pretty typical linearity for us. Certainly, the team did a lot of work in Q1, Q2 and Q3 that put us in a very strong position. And so I think we're continuing to work hard to make sure that we don't rely on Herculean Q4s, given the size of our sales team and the vertical that we focus on. And I think the team is doing a really good job.

So I would expect kind of as I look at this year, similar linear.

John Mullen Guidewire Software Inc - President, Chief Revenue Officer

I'll add one point to linearity is it's, in large part, then due to the execution of the team and focusing on our smoothing. But the real benefit of linearity is timing more of our financial activities up to our customers in the market's financial activities, allowing for our Q2 to become an increasingly important quarter for us, times us up better for planning when we look at ourselves through the customers' lens.

Alex Sklar Raymond James - Analyst

Thank you, both, for that.

Operator

Matt VanVliet, BTIG.

Matt VanVliet BTIG - Analyst

I just wanted to touch on the partner community, especially on the services side of it. Our conversations continue to talk about improving relationship there and a lot better communication back and forth. But I guess, John, where do you feel like you're at in terms of the plan you've implemented? Obviously, knowing both sides of the house now very well. Is there still more work to be done?

Or is it just a matter of continuing to execute on the plans in place and just sort of incremental changes here and there?

John Mullen *Guidewire Software Inc - President, Chief Revenue Officer*

Yes. Thanks for the question. The work ahead is -- if you look at it from a distance, it's very much more of the same. But if you dig into regional specificity, it becomes the next round of focus for us, which is Europe and Asia Pacific, Japan, in particular, have very specific and different needs and some different requirements of partnership there. And so we're working very specifically now with our managing directors in each region to make sure that we've got the right strategic plan for go-to-market and also the right services planned for collaboration.

The piece that I don't think changes at all is the foundational elements of how we work together on programs and how we continue to invest in making sure that the SIs can sit in that driver seat of the program to bring scale -- increase scale and predictability to the community. So more of the same, but really pleased with how that progressed over this last year.

Matt VanVliet *BTIG - Analyst*

Yes. Very helpful. And then maybe dovetailing a little bit on the ability to expand more quickly as more customers are on GWCP. When we look at it from sort of the marketplace and some of your technology partners out there, how are you balancing that element of cultivating a lot more partners, getting into very specific use cases or even very regionally dependent items versus building out more of that internally now that you have the majority of your customers either on or on the path to being on essentially one version of the platform?

John Mullen *Guidewire Software Inc - President, Chief Revenue Officer*

Yes. This is a tough strategic question. And I think the way I think about this is that we want to create the ecosystem that our customers would want from us as a vendor, right? They want to have choices. They want to have Guidewire produce something that has a degree of openness to it that enables people to connect safely and securely and reliably into the cloud system that we serve.

And then we also will have objectives about what we build and what we sell and what we deliver first party.

And there'll be -- we're not going to be able to do everything we are certainly going to do more. Like I said, we're in a really good position strategically to provide more and more value to our customer base in this industry, and we'll have a product strategy that we will attempt to be open about. And maybe from time to time, there will be overlap with partners. But you basically want to have that dynamic if you were a customer of Guidewire, and that's how I try to think about how we should approach building that ecosystem.

And at the end of the day, if we keep creating a, call it, a community of customers on our cloud, that's going to create very large opportunity for insurtechs and technology partners to connect into Guidewire and build applications that integrate with us. And I think that's going to be great for our whole ecosystem. And so that's how I think about it. It's a complicated thing to manage and work through every single use case. But at a high level, that's how we're approaching it.

Matt VanVliet *BTIG - Analyst*

All right. Great.

Operator

Aaron Kimson, Citizens JMP.

Aaron Kimson *JMP Securities - Analyst*

Great. Would it be fair to classify the current state of the P&C end market as a bit of a golden age for your customers or simultaneously in a robust hard market and have high interest rates to reinvest the flow. So how do you think about the sustainability of the end market strength as it flows through to Guidewire on both the hard market piece and if we start to see rate cuts?

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

Yeah, I would say that the thing I love about serving this industry is how durable it is. And John said, there's going to be hard markets, there's going to be softer markets, there's going to be changes. Fundamentally, what I want to deliver to this industry is agility. I want to enable them to operate their companies more efficiently, make decisions faster, adjust changing dynamics as quickly as they need to and core systems and Guidewire provided core systems can do that in a unique way. That's what I see, and that's what's nice about serving this market, is that there is a need for this, and this industry is very durable.

So I don't -- yes, things may be going in a positive direction for the insurance industry. The outlook may be improving but that -- I don't want people to think that we imagine a day in which all that reverses right? I just think that there's such a huge opportunity to help modernize this industry. And the industry is going to continue to operate and grow steadily over, I would imagine at least the next 10 to 20 years. It creates a very -- it just creates a great opportunity for Guidewire.

Whether or not the current kind of conditions right now are great that's wonderful, right? But I still think that whether or not it's interest rates or risk or premium, this industry is just going to stay durable and it's going to continue to need to be modernized. And so that's how I think about making plans for Guidewire is how do we serve this industry for the next 10 or 20 years?

Aaron Kimson *JMP Securities - Analyst*

That's really helpful. And then the second question I have, it's now been 9.5 months since you talked about wanting to be more opportunistic around M&A. You spoke today in the last quarter pretty pointedly about organic product investments. What are you seeing in private market valuation expectations? And has your outlook on organic versus inorganic investment changed over the last few quarters?

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

Yeah. We are certainly in a position to be able to consider M&A more seriously than we have in the past, right? The strength of our business improving, and the customer base increasing, just the durability of our business improving, makes it more and more possible for us to approach inorganic growth, okay? But we are also very careful. We want to ensure that we get the right price and we get the right technology and we get the right culture and we get the right team and it fits in with Guidewire.

And so we -- I think we have something very special at Guidewire right now in terms of just a software company and looking at the overall landscape. And I don't want to put that at risk. And so we're going to be very careful. So yes, we are more open to it, and we are looking more aggressively, but I'm also pretty picky. We are also pretty picky and we want to make sure that we do it correctly.

And I also want people to understand that I have a high degree of confidence that we can build product at Guidewire. We can execute. We have proven over the past five years that we can build software and execute effectively. And so we may choose in certain categories to build product organically, and that will take us a little while to build it, but we'll -- I have a high degree of confidence we'll execute.

So I guess that's how I would think about it. Don't put me on a clock to do M&A. We're open to it, but we're not -- it's not necessary for us to reach our long-term ambitions.

Aaron Kimson *JMP Securities - Analyst*

Great. Thanks, Mike.

Operator

Thank you. There are no further questions at this time. I think I'd like to hand the floor back over to Mike Rosenbaum for any closing comments.

Michael Rosenbaum *Guidewire Software Inc - Chief Executive Officer, Director*

I just want to say thank you to everybody at Guidewire putting all the work to deliver a great year. I appreciate everybody joining us on the call today, and look forward to seeing you, if possible, at our Analyst Day in New York or maybe connections a little bit later in the year. So thanks for joining, everybody.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

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