

04-Sep-2025

Guidewire Software, Inc. (GWRE)

Q4 2025 Earnings Call

CORPORATE PARTICIPANTS

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

John Mullen

President & Chief Revenue Officer, Guidewire Software, Inc.

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

OTHER PARTICIPANTS

Rishi Jaluria

Analyst, RBC Capital Markets LLC

Dylan Becker

Analyst, William Blair & Co. LLC

Alexei Mihaylovich Gogolev

Analyst, JPMorgan Securities LLC

Aaron Kimson

Analyst, Citizens JMP Securities LLC

Ken Wong

Analyst, Oppenheimer & Co., Inc.

Joseph Vruwink

Analyst, Robert W. Baird & Co., Inc.

Adam Hotchkiss

Analyst, Goldman Sachs & Co. LLC

Matthew Kikkert

Analyst, Stifel Financial Corporation

Michael Turrin

Analyst, Wells Fargo Securities LLC

Alexander Sklar

Analyst, Raymond James & Associates, Inc.

Tyler Radke

Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Guidewire Fourth Quarter of Fiscal 2025 Financial Results Conference Call. As a reminder, this call is being recorded and will be posted on our Investor Relations page later today.

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

Vice President-Investor Relations, Guidewire Software, Inc.

Thank you, Grace. Hello, everyone. With me today is Mike Rosenbaum, Chief Executive Officer; John Mullen, President; and Jeff Cooper, Chief Financial Officer.

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 in the Investor Relations section of our website. Today's call is being recorded and a replay will be available following its conclusion. Statements today include forward-looking ones regarding our financial results, products, customer demand, operations, the impact of local, national and geopolitical events on our business, and 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 the press release and the risk factors and other documents we file with the SEC, including our annual report and quarterly reports on Forms 10-K and 10-Q for information on risks, uncertainties, and assumptions that may cause actual results to differ materially. We also will refer to certain 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. Reconciliation and additional data are also posted in the supplement on our IR website.

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

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

Thanks, Alex. Good afternoon, everyone, and thanks for joining us today. To begin, I want to take a moment to acknowledge and congratulate the entire Guidewire team across every function in our company on a truly outstanding year. We've all worked tirelessly to build a cloud platform that serves the P&C industry. We have engaged with customers and prospects, often for multiple years, to listen to feedback and help connect their imperatives and aspirations to our product capabilities, to create an ecosystem of certified professionals capable of successfully modernizing the core systems that power our industry and help our customers and partners realize the benefits of moving to our cloud-based model.

All this hard work is paying off for customers, partners, and the industry overall. It has also yielded tremendous financial results this year, with both ARR and fully ramped ARR growth rates accelerating. ARR in fiscal 2025 grew 19% and fully ramped ARR grew 22% on a constant currency basis. We emphatically surpassed the \$1 billion ARR milestone and collectively feel great about the future potential in the business.

Before I hand it over to John, I just want to summarize my key takeaways from the quarter and fiscal year and why I think we're well-positioned to continue building on our current momentum. First, demand for Guidewire Cloud Platform is strong and continues to grow. Q4 was a record quarter, driven by deal volume, deal size, and a milestone win for our company. Liberty Mutual, a major Tier-1 insurer, chose to migrate their on-premise ClaimCenter instance to the cloud and also made a 10-year commitment to Guidewire to adopt PolicyCenter on our Guidewire Cloud platform. This is one of the most strategic partnerships in our history. Everything we have been talking about in prior quarters about platform maturity, referenceability, and flexibility really played out to drive this win and the overall results this quarter.

Second, our pipeline entering fiscal 2026 remains very healthy. This durable demand environment is being driven by the success and referenceability of our cloud customers, which continues to generate great engagement and conversations with insurers of all sizes across all worldwide regions.

Third, cloud margins are improving ahead of schedule. Guidewire Cloud Platform continues to scale very well, reflected in subscription and support's gross margins finishing the year at 70%. Jeff will talk more about this, but I'll just say that this increases our confidence that we can run a best-in-class cloud service and continue to grow into our target profile.

But as proud as we are about our financial performance, it's important to recognize that what really drives us is delivering value and innovation to the P&C insurance industry. While there is still a lot of important work ahead in continuing the cloud transformation for our customers and the industry as a whole, I'm increasingly energized by data-driven analytics and AI-focused applications that will truly deliver on the modernization potential we see.

Our performance over the last few quarters has allowed us to begin to invest more in this incremental potential we see in the industry. Our acquisition of Quantee is a great example of this, where we believe we can modernize pricing operations and product management across the industry and as a result, help insurers grow.

We also see tremendous potential with our industry intelligence offering, delivering predictive models and claims operations that will help drive down loss and expense ratios for our customers. We see opportunity in underwriting and intelligent ingestion of documents and data that will power a step change in commercial underwriting efficiency. The successful transformation of our company to cloud puts us in a very unique strategic position, especially when you consider the possibilities for generative AI in our industry.

Our cloud platform, cloud installed base, ecosystem, and collective expertise and experience provides the general industry [ph] a lot (00:06:11) of business context needed to unlock the potential in large-language models and generative AI. By combining mission-critical core systems of record with cloud-native services and modern APIs, we're in a position to focus directly and incrementally on these new applications that I think will genuinely improve the industry.

We are excited to share more about this vision at our Connections User Conference in Las Vegas in October, which will include a session specifically for financial analysts and our investor community.

And with that, I'll hand it over to John.

John Mullen

President & Chief Revenue Officer, Guidewire Software, Inc.

Good afternoon, everyone. As Mike said, it was another record quarter and fiscal year for Guidewire. We [ph] continued (00:06:53) to see growing demand, signing 19 core cloud deals in Q4, totaling 57 for the year,

representing healthy annual growth in deal count. We saw the maturity and referenceability of Guidewire Cloud Platform drive larger deal sizes. This was underscored by the Q4 landmark signing with Liberty Mutual for ClaimCenter and PolicyCenter that Mike mentioned.

These points of strategic alignment culminate in the context of a quarter, but it's important to recognize the countless hours that went into establishing this level of shared commitment and alignment to a path forward. We're humbled by the opportunity to partner with leading insurers on their journeys and grateful for the depth, rigor, and commitment that customers and Guidewire teams put into this. We did nine deals with Tier-1 brands in the fourth quarter. We continue to build on our referential proof points with the world's leading global insurance brands. This manifested itself again in the fourth quarter, with three deals at separate subsidiaries of a Tier-1 multinational insurance brand.

In the fourth quarter, we saw broad-based strength by geography, line of business across migrations, expansions, and net new deals. Starting with geographic strength, North America had a great year, an exceptional win rate that was very stable throughout the year and through Q4. Our European team closed two meaningful deals in the quarter, bringing their total for the year to 11, which shows a great return on the investments we've made in Europe. This EMEA team is very effectively advancing our strategic alignment with the market. In Latin America, we saw a sharp increase in market momentum, closing three deals in the fourth quarter. This team is making a massive impact. In Asia-Pacific, our success in Australia and New Zealand, combined with our long-term bets in Japan, put us in a great long-term position.

Turning to deal type, we saw eight migrations in the quarter and six meaningful expansions to new lines of business or new modules at existing customers. Our account alignment motion is absolutely critical in the SaaS context. This is showing results for us, but more importantly for our customers, in aligning our activities with their strategic plans and business results. We also won six net new customers in the quarter, including four for full InsuranceSuite. It was great to see InsuranceNow have another good quarter, closing a total of three deals in the fourth quarter, two of which were net new, showing that we can cover all ends of the market.

We're seeing continued traction with our focus on Industry Intel and our data and analytics portfolio of products. We closed another two deals for Industry Intel in Q4, and 16 of our core deals in the quarter included one or more of our analytics and data offerings.

This momentum is fueled by the successful programs driven by our professional services teams and the depth of our partnership with the SI community and broader ecosystem. Our SI community expanded by 11% to over 27,000 professionals and a 24% increase in cloud-certified consultants. These relationships continue to increase the strategic nature of how we face the market together. We will be working within professional services and with the SI community to drive increasing pace and predictability in programs leveraging AI. There is also an increasing focus with these SIs and our advisory partners in the identification of business value for insurers and the critical importance of modern core systems to unlock the promise of agility and precision that is emerging with the possibilities of generative and agentic AI. Our technology partner ecosystem remains healthy and growing. We focused on managing and nurturing this ecosystem, which has increased to over 300 third party applications on our marketplace, driven by over 200 technology partners. We continue to focus on aligning these partners and applications for impact to customer outcomes.

Reflecting on the quarter, I'm truly proud of the team's commitment and execution. We carry strong market momentum and pipeline into this next fiscal year. We will continue to tirelessly run and improve the platform and applications. We will continue to drive our effort, investments and focus of our ecosystem to be closer to the strategic needs and business outcomes of our customers and the industry at large. This includes operating in

their geographic and regulatory context, addressing their specific line of business needs and investing to address the increasing pressure our customers face in the areas of risk selection, pricing, agility and product speed to market. We're optimistic for the year ahead. With that, I'll hand it over to Jeff.

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

Thanks, John. We had an incredible finish to the year highlighted by 19% ARR growth, 22% fully ramped ARR growth and 25% cash flow from operations margin. I'm so proud of what the Guidewire team delivered in Q4 and the fiscal year.

With that, let me jump into the details. ARR ended the year at \$1,032 million, up 19% year-over-year on a constant currency basis and ahead of our expectations. As a reminder, we measure ARR on a constant currency basis throughout the year and then update ARR for yearend FX rates, making this update impacted our ARR by \$9 million, resulting in ARR of \$1,041 million. In general, ARR benefited from strong sales activity throughout the year and the lowest ARR attrition rate on record since we started disclosing ARR as a key metric. Fully ramped ARR, which we define as the fully ramped annual price outlined in customer contracts, grew 22% year-over-year on a constant currency basis. We are seeing an increased willingness from insurers to make big commitments to Guidewire Cloud. Total cloud ARR, which includes ARR for all of our cloud products and for customers that are contracted to move to the cloud, grew 36% year-over-year and comprised 74% of total ARR. Total revenue for the year was \$1.2 billion, ahead of our expectations due to strong performance across all components of revenue. Subscription revenue finished the year at \$667 million, up 40% year-over-year. Subscription and support revenue was \$731 million, up 33% year-over-year.

Despite the strong cloud migration activity we have seen, license revenue for the year was \$252 million, up 1% year-over-year due to healthy direct written premium and CPI adjustments. As migrations continue to accelerate, it will positively impact subscription revenue but cause license revenue to decline over time. Services revenue finished at \$219 million, up 21% year-over-year. We experienced strong services revenue growth as we worked to balance healthy utilization for Guidewire resources with continued strong partnership and alignment with the SI community on cloud programs. I think we achieved a healthy balance this year and the team has done a great job managing this part of our business.

Turning to profitability for the fiscal year, which we will discuss on a non-GAAP basis, gross profit was \$789 million, up 28% year-over-year. Overall gross margin was 66%, compared to 63% a year ago. Subscription and support gross margin was 70%, up 4 percentage points year-over-year. Services gross margin was 13%, compared with 7% a year ago. We improved billable utilization rates and continued to achieve successful outcomes with cloud programs. Implementation programs are benefiting from improved predictability and efficiency. Platform maturity, combined with more experience with cloud, is improving outcomes.

Operating income was \$208 million, up 109% year-over-year and above the high end of our outlook by \$13 million. The positive impact of higher than expected revenue was partially offset by the employee bonus accruals, which was higher than our expectations due to outperformance of key financial targets. Overall stock-based compensation was \$162 million, up 10% year-over-year. Operating cash flow ended the year at \$301 million. We are thrilled with the continued profitability and cash flow progression. We ended the quarter with \$1.5 billion in cash, cash equivalents and investments.

Now, let me turn to our outlook. For fiscal 2026, we expect ARR of between \$1.21 billion and \$1.22 billion, representing 17% constant currency growth at the midpoint. Our confidence to deliver durable ARR growth is being supported by multiple years of strong, fully ramped ARR growth rates, punctuated by 22% growth in fiscal

2025. The cohort of ramping events sold in fiscal 2025 will flow into our ARR number over the next five years. We are thrilled to see durable growth move up off of our historical pattern of mid mid-teens growth. Total revenue for the year is expected to be between \$1.385 billion and \$1.405 billion. We expect that subscription revenue will be approximately \$888 million, representing 34% growth. And we expect subscription and support revenue to be around \$945 million in fiscal 2026, which assumes support revenue will decline about \$7 million as a result of the continued migration of our install base to the cloud. 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 by over \$30 million due to continued progress on cloud migrations. This also assumes a bit lower DWP and CPI adjustment activity this year in our on-prem customer base. Our outlook for services revenue was approximately \$232 million as we expect to experience more modest growth this year off of a healthy services revenue base experienced in fiscal 2025.

Turning to gross margins. We expect subscription and support gross margins to be between 71% and 72%. We continue to track ahead of our targets and feel incrementally more confident in our ability to deliver on our long term margin targets that we discussed at our Analyst Day last year. We anticipate professional services gross margins to be approximately 13%. We expect total gross margins for the year to be approximately 66%. With respect to operating income, we expect non-GAAP operating income of between \$259 million and \$279 million for the fiscal year. We also expect GAAP operating income between \$68 million and \$88 million. Our stock-based compensation expense is expected to be approximately \$185 million and this includes \$10 million in assumed SBC costs associated with our employee stock purchase plan that we initiated in late fiscal 2025. Cash flow from operations in fiscal 2026 is expected to be between \$350 million and \$370 million. Our CapEx expectations for the year are between \$25 million and \$30 million, including approximately \$16 million in capitalized software development costs.

Our Q1 outlook can be found in our press release, but let me provide a bit more color. Even with strong sales activity in Q4, we have a healthy pipeline in Q1. We are expecting ARR to be between \$1.048 billion and \$1.054 billion. We expect subscription and support revenue of approximately \$218 million and services revenue of approximately \$60 million. We expect subscription and support margin between 71% and 72%, services margins of around 15%, and total gross margins of approximately 64%. Also, annual employee bonuses and commission expenses related to Q4 sales are paid out in Q1, which impacts 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, Q4 capped off a tremendous fiscal year, and it's a reflection of the team's strong execution as we have started to unlock the potential of the market opportunity in front of us. With that, let's open the call for questions.

QUESTION AND ANSWER SECTION

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

A

Great. Thanks, Jeff. I see our first question is going to come from Rishi Jaluria at RBC. Go ahead, Rishi.

Rishi Jaluria

Analyst, RBC Capital Markets LLC

Q

All right, perfect. Thanks, guys. Thanks for taking my questions. Really nice to see this sort of acceleration at scale. Maybe just two for me. First, I – the comment that record low ARR attrition in the year really stood out to me. Maybe can you talk what's been the drivers? Has it been product maturity and certain things in your control, focus on customer success, as well as some macro events within the industry, maybe less consolidation than expected, better insurance environment? Maybe walk us through what you're seeing there, and then I've got a quick follow-up.

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

Yeah, I'll take it and then I'll let John, Jeff comment if they want if they want to. I think, certainly, the company just generally benefits from having an extremely durable customer base, extremely durable use case. But I would say the focus we've had on ensuring project success, pushing to make sure that projects go live, pushing to ensure that customers, no matter what, see positive results from the decision to go with Guidewire benefits our ability to ensure that we continue to renew and that – every single one of these contracts. And we've just had an extreme focus on this, and you could describe it as a focus on customer success, a focus on quality implementations with our partner programs. I think that all of that plays into what was a really remarkable outcome for attrition. It's it's pretty unique. I've worked in enterprise software for a long time, and this was a very, very good year in terms of what we were able to renew relative to what we started with. And so, focus across the board is generally my answer.

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

A

Yeah. The only thing I would add is, I mean, you're right to note that drivers of attrition can be things like M&A events and things that are, in some way, out of our control. And we didn't experience in any large events like that this year, which benefited the number. I just also want to call out the team's focus on this. I think the customer success team has done a tremendous job just building focus and getting in front of any type of attrition event and having very healthy conversations with customers to kind of ensure we're working hand-in-hand and resolving issues early.

Rishi Jaluria

Analyst, RBC Capital Markets LLC

Q

Got it. Thanks. That's really helpful. And then maybe just as a quick follow-up, if I really think about the next act, right? I mean, clearly, it's been a very successful cloud transition. The metrics speak for themselves in terms of cloud [ph] as a percent (00:21:46), they are accelerating ARR growth, et cetera. How should we be thinking now with kind of a focus on on platform expansion? I know in the past you've kind of hinted at doing more on the underwriting side and becoming broader and going deeper within the customer base. Not to get too much ahead of Connections next month, but just love to get a little bit of color for how we should be thinking about kind of that

act two as we start to get through the cloud transition and there's maybe a little bit more focus on platform expansion, which I'm sure you've been working on as well. Thank you.

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

Yeah. Let me put – I'd like to – you could call it act three maybe, because act one was establishing the success of the company in the first place. Act two maybe was turning it into a cloud platform. Act three is all about data and analytics and more innovative application use cases that we can uniquely build. I just think – I would position this all around this strategic position we're in. We have an access and permission from an incredible customer base to apply these innovative use cases to positive insurance outcomes that I think is very unique in the world, and we're very, very excited to go attack that opportunity. And it's honestly just complete luck, we didn't plan it, but generative AI creates this incredible opportunity to differentiate these applications and bring additional value to an industry that I think is traditionally just less structured, less automatable. But with generative AI, there is so much potential for us to improve the efficiencies that underlie a lot of these workflows in the industry and we're very, very excited about it.

I think Connections, as you said, will be a great opportunity for us to talk about that in more detail. But we see potential, like I'd called out in the discussion points, we see potential in pricing, we see potential in underwriting, we see potential in claims. It's really across the board. And the strength of the business, the strength of the execution so far really gives us call it some slack or some ability to focus additional resources in the business at these use cases. It's the confidence that we have in the baseline execution of the cloud transformation, the continued modernization activity that gives us the ability to say, hey, let's carve out some people that can really go focus on these new products, work with customers, and bring these new products to market. So hopefully that's maybe chapter three that you should expect from us to talk more and more about as we go into the future. I don't know, John, you probably have a good perspective on this, too.

John Mullen

President & Chief Revenue Officer, Guidewire Software, Inc.

A

Yeah. The only thing I'd add is the you mentioned the proximity to customer, with the location we have in the market, with the work we've done, the ability to get closer and closer to our customers, strategic intentions for growth, for products, speed to market, for agility is something that we're wired for and we're really excited about having more of those conversations. And I think we have a right to have those and we are building the team and the account motion that really turns our ears on for that and the product team that can really get after that. So a lot of optimism around that act three.

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

A

Great. Thanks, Rishi. Our next question comes from Dylan Becker at William Blair.

Dylan Becker

Analyst, William Blair & Co. LLC

Q

Hey, gentlemen. Really nice job here. Appreciate the question. Maybe Mike, starting for you, you or John, I think there's been kind of this misperception around what premium growth or how that kind of impacts the model to some extent. So would love the opportunity for you to kind of address that. And maybe in that context of a more normalized premium backdrop, maybe the importance that that places on more efficient pricing and underwriting. And again, we've talked about catalysts in the past, but maybe if that's even a further kind of validation of why now is the time to modernize, we can't just traditionally lean in on price.

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

Sure. So the first thing that I would say is premium growth, direct written premium growth generally benefits Guidewire. But it is maybe – you introduce the concept of it being slightly misunderstood. We have a lot of complicated structures that we create with our customers that often give them periods of time in which they can have price certainty before things like premium growth kick in and cause resets in what they're paying us. And so as that – as you look at that across our entire customer base, there may be changes that are going on in the industry related to premium growth that don't directly flow into our revenue model as you might imagine they would just based on the complexity of those contract structures. But generally, this is beneficial for us. It's also beneficial in the context that the industry – it creates an incentive in the industry for them to, as you say, get more focused on pricing risks, get more focused on their efficiencies in order to be able to bring rate change to market. And that helps create more of a compelling event for us in terms of making the argument that they should have modern core systems and modern platforms around which to operate their insurance company.

So, look, both of these things are beneficial to us. I think that there is a story that, like any sort of slowdown in that growth rate in the industry is a headwind to Guidewire. But I really think that that overstates the issue for us. We continue to see a lot of demand for system modernization and we don't see a slowdown in premium growth really having a dramatic impact on that demand. And so, as Jeff said in the remarks, we modeled in a slight kind of reduction in the growth rates associated with the license component of our ARR or the term license component of our ARR. But relative to the other drivers of our business, this is pretty minimal. The industry needs to modernize. The industry is more and more dynamic every quarter. And systems like Guidewire are only helping drive that.

Dylan Becker

Analyst, William Blair & Co. LLC

Q

Thank you, Mike. And then maybe it's a good segue to Jeff to – obviously, the 22% fully ramped is exceptional here. I think people – we've always kind of thought about the industry as a consistent kind of mid-teens grower that didn't really move or fluctuate too much. I guess, given kind of the market momentum and what you guys are seeing, kind of the inflection, referenceability and maturity here, is there any way to rethink about kind of what the structural growth profile in the business is here going forward? Thanks.

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

A

Yeah, no, thanks for the question. We're thrilled to deliver 19% ARR growth this year. We're guiding to 17% next year. So seeing that tick up in the overall growth rate is exciting for us to watch. And given the dynamics that we're seeing and the demand profile and the willingness to make large commitments and the ramped agreements that we see, that gives us confidence that that elevated level kind of ticking up off of mid-teens has the potential to be durable. But this industry does have its own rhythm and cadence. And so we'll be measured as we think through that. But obviously, thrilled to see the growth rate tick up a bit.

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

A

Great. Thanks, Dylan. Our next question comes from Alexei Gogolev at JPMorgan.

Alexei Mihaylovich Gogolev

Analyst, JPMorgan Securities LLC

Q

Thank you, Alex. And hello, everyone. Mike, I wanted to ask you about competition. Obviously, we always appreciate your measured comments. But from what we can understand, one of your competitors, which went

private recently suggesting their ARR is growing at 9%, obviously much, much lower than what Guidewire is experiencing. Do you think that is more company-specific or are you seeing any challenges in the industry where they operate? And what do you think is the trajectory of DWP?

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

So, let me – this is my general take of Guidewire and our growth rates, is almost every single customer, prospect I speak to recognizes that it would be beneficial to modernize their core system to a platform like Guidewire. And the biggest question, the biggest thing holding them back is the possibility of failure, the possibility that that project doesn't work, the possibility that project takes twice as long as they expect it to, and the ROI associated with the assumptions don't hold. And so to the extent that we can minimize that risk, and I guess I can't say that it's yet zero, but certainly that's our aspiration that that risk is zero. This increases our potential to grow this company because there is so much demand, there is so much on unmodernized system out there, there's so much potential in this industry that if we can create the confidence that this decision is going to work and it's going to pay off and the assumptions that they have about the impact it's going to have on their business are going to come true and it's – all like I said, it's all about minimizing the risk of failure, that can drive our success. And so I don't like to compare us versus anybody else, but it's like when we engage and we can convince these customers that they can follow in the footsteps of all these other success stories, that's what's really driving our growth. And I think this is – it's not just core to our technology platform, but the attitude in the company about how we will stop at nothing to ensure that every single customer is successful. This is what is really helping to drive that growth rate. And I think kind of you look at our guide for next year, it gives us a lot of confidence in the out-years as well.

Alexei Mihaylovich Gogolev

Analyst, JPMorgan Securities LLC

Q

Thank you, Mike. And a quick follow-up on some of your generative AI comments. Obviously, huge opportunity, as you say. How about internal software development? Do you think you are approaching a stage where you can move from four software updates per year versus three currently?

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

Oh, that's a good question. I don't know. Yeah. I'm going to have to talk to our tech leaders about this and see what Diego thinks. I would say this about this tooling. We're incredibly excited about it, okay? We have done the proof of concepts that I think a lot of software companies have done. We have seen the signal that this has the potential to accelerate our throughput and give us a path to producing more innovative product. We're in the early stages of like extending these proof of concepts, and it's probably premature for me to say that – to claim that we are seeing X amount of increase in productivity, but we certainly see the potential and we're very, very excited about it.

Now, as it relates to how often we'll release to our customers, that's more complicated and probably has to do with us validating with customers that they're prepared to receive updates more frequently, versus just putting more into each release. That's kind of a debate we'll have with customers. But we are very, very excited right now about these tools and how they'll be used to build product at Guidewire, how they'll be used to help customers do implementations more efficiently, how our own professional services will use them to do implementations more efficiently. So very bullish in the long run about the potential that we see here.

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

A

Thanks, Alexei. Our next question comes from Aaron Kimson at Citizens Bank.

Aaron Kimson

Analyst, Citizens JMP Securities LLC

Q

Great. Thanks, guys. Want to touch on Liberty Mutual. Do you think the 10-year term of that deal was [ph] unique (00:34:22)? Is it potentially going to be emblematic of cloud migrations where you have to get your proof point and then these very long term deals start to come over time? Or are you already having conversations with other large Tier-1s on these types of longer term strategic partnerships?

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

I think the – as it pertains to the Liberty Mutual conversation is really around the size and scale of the partnership and how we think about the long term commitment. I don't see this yet as a pattern for all the conversations that we have with Tier-1s. We're having a lot of – we have had for some time and continue to progress down the conversation with Tier-1s on what that commitment looks like, what's the right cadence for how they roll out. And really, if you think about how these play out with Tier-1s, what it's really going to be about when will be – when they will plan for the release of claims, the release of policy across multiple lines of business will really be the underlying facet of how long that term commitment is. And yes, we want to be flexible with that. We want to make sure that we're aligned with them, but really want to tie them up with with the business value that they realize in the cadence of their programs and their strategic plans over time.

Aaron Kimson

Analyst, Citizens JMP Securities LLC

Q

Got it. That's helpful. And then, Mike, you launched the Guidewire Marketplace in 2021, I believe. Today, you mentioned that has over 300 third party apps and 200 tech partners. A lot of people were skeptical of its potential when you launched that. Can you talk about what you learned at Salesforce that's allowed you to be successful building out the app marketplace at Guidewire and the similarities and differences between doing sort on a horizontal vendor and a vertical vendor? Thank you.

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

Yeah, sure. Great question. So the first thing I learned at Salesforce was the immense potential in opening up the platform to third party development is not having the attitude that all the innovation needs to come from the primary software vendor, but really just embracing the concept that if we get these core implementations done and then open up the systems in terms of SDKs and APIs and create an opportunity for third parties to connect, that you can create something that's just far, far more beneficial to customers than you can do on your own. And you don't – it's not just Salesforce. You see this certainly in the Apple and Google consumer marketplaces with respect to phones. You see this at Salesforce and you see this at Guidewire. It's different. We have a smaller number of customers. We have more specific use cases. We have a smaller number of partners. But the potential is still there. And I think when we – and I think I have to be clear, that this existed before I joined Guidewire. I think we invested in it when I joined Guidewire and really made a big – to put a bigger focus on it maybe, but it existed prior to me joining the company.

I think the thing that we recognized in 2021 was that our focus needed to be on our cloud transformation, that we needed to put – we bet the company on that this was going to be successful and we needed to put all our resources onto those objectives. And so that created room for application innovation, third party innovation that we wanted to be open to. And that's the vision. It's worked very well in a variety of other contexts, and I see it

working here extremely well. I think, again, I said it a couple of minutes ago that the generative AI use cases that exists in our industry are not going to be filled – fulfilled 100% by Guidewire. And I like to put myself in the perspective of a customer. What a customer – what I would want from Guidewire if I was a customer is I want to buy a platform that I can choose to integrate with whatever insure-tech startup comes along that fits the bill and solves my problem. And if Guidewire embraces that sort of use case, that's going to create more value for me, that's going to give me the confidence to like say do a 10-year commitment with Guidewire and put my whole operation on it. And that's the circumstances we want to create here. And I couldn't be happier with how this thing has progressed so far.

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

A

Thanks, Aaron. Our next question comes from Ken Wong at Oppenheimer & Company.

Ken Wong

Analyst, Oppenheimer & Co., Inc.

Q

Fantastic. Question for either Mike or John. We touched a lot on AI. Mike, you just mentioned how fear is what's holding customers back from modernizing more aggressively. Do you see an opportunity here to perhaps infuse your service organization with AI, help streamline deployments, potentially minimize some of that risk to modernization?

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

Yeah, Ken, great questions. Absolutely, yes. It's one of the primary agendas with our services team this year, and not just within our services team, but in collaboration with the SI community, to really think about how we can unlock both the pace and the predictability of these programs. And the early returns on the data side, data migration side of things and the technical migration side of things is showing some really promising results. As we start to extend more into more templated approach to the configuration for the specific customer environment, we're going to continue to press on that. It's a great question. And absolutely, it's a it's a focus for us as we go through this year.

Ken Wong

Analyst, Oppenheimer & Co., Inc.

Q

Fantastic color. Jeff, I just want to touch on that Liberty Mutual deal. Can you help provide some context in terms of, again, how the compares on a fully ramped basis for a deal of that magnitude works? I recall you guys only have – you guys only count a certain number of years out for the fully ramped. And to the extent you can provide some color on kind of how that comparability could look as we kind of go out into further years of that particular arrangement.

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

A

Yeah, Ken, I appreciate the question. And you're right. Thanks for calling out. We do cap our metric fully ramped ARR at five years and we do have instances where ramping events occur after year five. I really – we're not at liberty to disclose any of the terms or any kind of particulars around the Liberty Mutual deal, but it was a very meaningful deal for us. They were an early on-prem customer and their legacy agreement was a perpetual license agreement. So it really does change the nature of the financial arrangement, but also the strategic arrangement with that customer.

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

All right. Thanks, Ken. Our question next question comes from Joe Vruwink at R.W. Baird.

A

Joseph Vruwink

Analyst, Robert W. Baird & Co., Inc.

Hi. Great. Thanks for taking my question. I want to ask another AI-related topic, but since you brought it up, being at the point of investing in incremental innovation, this does seem to be coming at a good time. There's incredible attention from your customers and partner community, just even on something like claims automation and being able to deploy agents into that setting. I guess I wanted to ask, would you envision Guidewire having a lineup of your own agents available for sale? And just related to that, maybe, can you speak about what distinguishes the Guidewire Cloud platform and then agentic AI world [ph] that's (00:41:43) just going to be different relative to what is becoming available in the insurance space?

Q

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

So the baseline that I want everybody to understand is we believe a Guidewire customer running claims or policy, running a modern core system is going to be benefited with respect to deploying agentic automation capabilities relative to somebody running a legacy system. I think like we are focused on that as a primary use case. And so, think even if we were not to have our own fleet of Guidewire AI agents and those AI agents were to come from some third party, think we just talked about our marketplace strategy, this is a driver for our core business is that we are embracing that use case directly and that we think there will be human beings that use ClaimCenter and PolicyCenter, there will be agents that use ClaimCenter and PolicyCenter, and that's what our customers want.

A

Our customers, I would say, see this potential just like we do and are trying to prepare themselves for that possibility. And the best way to prepare themselves is to get to a modern system, to get to Guidewire. So, that is a lift to the demand in the baseline business for our company.

Then certainly, I think that you could see us saying there will be automation technologies just like we've had with our workflow and autopilot systems that are embedded in PolicyCenter and [ph] ClaimCenter (00:43:23) already, those things will become more and more agentic and they will become more and more functional with AI.

So, I guess like the message is, yeah, that's certainly possible. It's not something that we're ready to talk about the specifics of, but it is definitely possible. And I would expect customers, yeah, what I would expect is that there is going to be a very disparate and fun and confusing approach to how this deploys into the insurance industry over time. We're still actually very, very early in this game and learning how these systems work and how to deploy them in the various contexts we support. But yeah, I do think that what you described is a possibility.

John Mullen

President & Chief Revenue Officer, Guidewire Software, Inc.

I'll just – I'll add two quick points to that. The – what's going to matter most and what's mattering most in the conversations that we're having with customers today, one is the context, right? So, the depth of context of a vertical solution is important to solving a problem together, and unlocking and navigating the fun and confusing part that Mike just mentioned.

A

But the other part of it is building from the platform up. So, the agentic AI architecture, being for Guidewire built from the platform up, allows for us to embed in our existing applications, yes, deploy agents, but I think most

importantly, allow for customers to navigate the environment they want to navigate as part of the fabric of their solution. With SaaS in general, with the move to cloud in general for Guidewire, our ability to interoperate with the customer's ecosystem is a huge advantage because it's durable and evergreen. And that's the part that is the backbone of most of the conversations I have with customers about the future of agentic.

Joseph Vruwink

Analyst, Robert W. Baird & Co., Inc.

Q

That's great color. Thank you both. Maybe one for Jeff. And, Jeff, [indiscernible] (00:45:22) you're not at liberty to discuss Liberty, a nice play on words there. But aside from Liberty, just the full – fully ramped ARR number, can you maybe speak to the composition of new cloud sales over the past year? Like was it more migration-heavy versus new business or expansions? And then, anything to call out just about the complexion of the ramp terms that might improve ARR visibility even beyond FY 2026?

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

A

Yeah. I think the biggest takeaway is that the demand profile was very balanced, healthy mix of new customer wins, expansions attached to migration, straight migration. So, we saw a nice mix of deals throughout the year. I think as we look at the overall activity this year and look at ramping events and kind of over the next five years, nothing too dramatic to call out, maybe a little bit higher step-up in year three that gives us visibility into the out-years, which is always nice. But in general, it's pretty consistent with how we've talked about ramps historically.

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

A

Great. Thanks. Our next question comes from Adam Hotchkiss at Goldman Sachs.

Adam Hotchkiss

Analyst, Goldman Sachs & Co. LLC

Q

Great. Thanks so much for taking the questions. I think we've talked a lot about platform expansion with Rishi's question, but there's also a clear opportunity for you to get more of Guidewire's three core products into insurers. And I think the expansion at Liberty is a great example of that. Are you seeing any changes to the way customers are thinking about expanding, whether that's lines of business or across the three core products with you, as you're getting more full InsuranceSuite references, as a customer like Liberty comes in from a reference perspective? And then remind us what you're doing, if at all, on your end to engage with folks and keep this sort of conversation top of mind, even when they're not at the end of their renewal cycle. Thanks so much.

John Mullen

President & Chief Revenue Officer, Guidewire Software, Inc.

A

Okay. Good question. Thanks. The – as we think about as we think about the full suite context, Q4 did have some nice full suite mix in it. Customers, if I think about the conversations with customers on full suite, it still starts primarily with a specific product or a very specific line of business. What is happening more, and it is – it's a nice evolution, I don't know if I would call it a trend from an instance perspective or number of units perspective, but really, as they get to the point of decision, we are having more conversation about what will this look like if full suite or if multiple lines of business or if multiple geographies to put a little bit more commercial leverage on their side of the table in the conversation, to be blunt, that has a – that starts to align our outcomes very nicely.

So, we welcome that conversation. We're navigating that conversation. Sometimes, that results in a commitment. Sometime, it results in a commitment that follows up with a plan of action or a shared roadmap towards a destination that will pick up other products in the future.

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

A

The only thing I would add is this shows up in the fully ramped number, right? So, you see this willingness to make bigger commitments and that is playing through in the deals that we're experiencing to, like three or four years ago, all of our reps are trained to say, hey, you're thinking about a ClaimCenter migration, let's also wrap PolicyCenter into this. And three or four years ago, the conversation was, thanks, let's get the ClaimCenter thing right and then we'll talk. And now, we're seeing a much more openness around talking full suite, and I think that that's a healthy backdrop.

John Mullen

President & Chief Revenue Officer, Guidewire Software, Inc.

A

Yeah, your other question was around the timing, and we want to make sure that we're not at all event based, okay? So, the – Jeff mentioned our customer success team and their attention to customer detail and customer-shared planning. We very much are focused on regular cadence with customers regardless of any renewal cycle, so that we understand the evolution of their business better, so we can have thoughtful, proactive conversations, having very little to do actually with any contractual dates we have in place with them.

Adam Hotchkiss

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Very helpful. Thanks for that. And then roughly three-fourths of the business from an ARR perspective on cloud now. Any updates to how you're communicating sort of end-of-support expectations for on-prem customers going forward? Or is it the same as it has been? Thanks so much.

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

It's the same as it has been. We've been more and more clear over the past couple of years, and we feel very, very good now about the dates and the timelines and the communication structure. There should be no customer in our installed base at all surprised with respect to our ability to support the service. And I think John kind of mentioned it, I don't know if it was, like, picked up. But we continue to invest in mechanisms to make that migration more and more smooth, and less and less risky, and less and less of an investment. And so, we're committed, I've said it before, like I'm going to say that it's a huge success when we get every single one of our on-prem customers move to our cloud successfully and we're absolutely committed to doing that.

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

A

Thanks, Adam. Our next question comes from Matthew Kikkert at Stifel.

Matthew Kikkert

Analyst, Stifel Financial Corporation

Q

Hi. Thanks for taking my questions. Congratulations on the great year. You mentioned multiple data and analytics wins in the quarter. On those data analytics solutions, where are the attached [ph] rates (00:51:10) sitting today or how do you view that sub-segment trending into the next fiscal year?

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

Attach – well, attach rates were very healthy, and I think the takeaway for me is that we're successfully enabling our teams to communicate the value associated with these other products with the core system sale. And so, that's a very, very positive sign. Certainly, this is an area that's growing faster than the core business itself. And so, we see increasing potential there.

We also are very excited about the product momentum, especially with our industry intelligence product suite where we've got these pre-defined predictive models that especially focused on claims. And we continue to build out those models, continue to prove them out with customers in the field. And I think so you see this expanding sort of capability to have this discussion in our field and in our sales organization, but you also [ph] just (00:52:13) have growing confidence in our ability to produce value and get that rolled out.

You also – I think it's legitimately would consider the Quantee pricing platform and analytics product. And we're very, very excited about building that muscle at Guidewire and learning how to have those conversations with the actuarial teams in our customer base. So, we're very, very excited about the, call it, that new product line motion accelerating faster than the company overall.

Matthew Kikkert

Analyst, Stifel Financial Corporation

Q

Okay. Thank you. And then secondly, how do you view individual operating margin levers shaping out for fiscal year 2026? Is there anything unique that you want to call out or do you view recent trends continuing?

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

A

Yeah, no, nothing unique. It's just a continuation our model playing out and the investments we've made and leveraging those investments over time and just driving more scale. So, I think it's just kind of blocking and tackling in terms of how we think about operating margin. And I think we noted in the commentary that what we're seeing in our customer base and what we're seeing across the organization just gives us increased confidence in some of the longer-term targets that we talked about historically.

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

A

Okay, great. Now we'll go to Michael Turrin at Wells Fargo.

Michael Turrin

Analyst, Wells Fargo Securities LLC

Q

Hey, great. Thanks. Appreciate you taking the question. There's a lot of good stuff here throughout. I think it's the Tier-1 strength that particularly stands out. So, just was hoping to explore more of how much of that is just it's the end of the fiscal year versus something specific you're seeing that's helping unlock some of those larger opportunities. And then I'm also wondering, as you kind of build on the cloud momentum more holistically, do you see opportunity to bring AI to some of those larger insurers based on conversations that you're having? Or is it more the smaller, potentially more nimble Tiers-3 to 5, where you think you could see just earlier adoption of some of those modules as they become a bigger part of the conversation here?

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

Go ahead, John.

A

John Mullen

President & Chief Revenue Officer, Guidewire Software, Inc.

Michael, thank you. I'll talk about the kind of the Tier-1 momentum tied to year-end context. If I look at how long some of these deals spend in the timeframe, we span multiple fiscal years. So, I don't think it's tied to the year-end context. I think it's tied really more towards – and yeah, I'll talk about Tier-1s in the broadest context. The amount of work that goes in to get into a laboratory environment, prove out, go through the references, do all of the deep, deep, deep, early solutioning work, really that volume of work, that intensity of work is not something that's naturally tied to the end of a fiscal year. It's tied more specifically to the cadence and time that the customers can spend to dig deep on the solution, make the decision and line up.

There are times when we want to try and time up more with their budgeting cycle, frankly, than our end of fiscal year. And we've seen a lot of a lot of the work that David Laker and the sales team have done around linearity is really tied to our customers' budget cycles more than our year-end fiscal cycle. But the decisions are big and they span any quarter deadline or any fiscal year deadline, that's for sure.

On the AI stuff, I think it's a – I'll let Mike go on that. But it's a very different – it's for all of these Tier-1s, their agenda on AI can be very different in the way they're thinking about it and the way they're thinking about working with us on it.

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

Yeah. And I think it's – first, for sure, AI is not one thing. There's going to be hundreds of different things and capabilities and features and products that are powered by or made possible by AI that support Guidewire and support the insurance industry in general. And I'm sure there's going to be plenty of those things that are useful and practical for a Tier-1 insurance company. But there's such a difference in the sort of engineering software development horsepower at a Tier-1 insurance company relative to a Tier-3 or a Tier-4 or even a Tier-5 insurance company. And so, the productization of these capabilities that we can provide just is – makes it possible for the smaller insurance companies to leverage these things, whereas a larger insurance company with a larger IT organization, with real expertise in software development, they have the capability to do some of these things on their own, which they're certainly welcome to, and we're excited to work with them on doing them alongside Guidewire.

And so, there's just absolutely going to be a mix. But I really would encourage everybody to just think about it's not just one thing. We're using this to accelerate our development. We're using this to accelerate the configuration of our platforms. We're using this across the claims experience and workflows. We're using this in underwriting. And so, each of those things is going to have a particular fit to a particular insurance company based on size. And we're still, like I said, very early on in the evolution of this as it applies to this industry. And I'm excited for it across the breadth of our customer base, but I think it's reasonable to say that it'll be different by tier.

Michael Turrin

Analyst, Wells Fargo Securities LLC

It all makes sense. Thanks very much.

Q

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

[ph] Great (00:57:44). Thank you.

A

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

Thanks, Michael. Our next question is from Alex Sklar at Raymond James.

[indiscernible] (00:57:54)

A

Alexander Sklar

Analyst, Raymond James & Associates, Inc.

Yeah. Just one from me. Maybe, Jeff, just on some of the building blocks for the FY 2026 ARR outlook. Can you just talk about if that 50/50 mix of ramp versus net new is still a good rule of thumb, how that looked in FY 2025? And then you spoke to slightly lower premium growth maybe embedded in your assumption. Any change in terms of what your assumptions were in terms of Guidewire pricing contributing to growth or churn versus this past year? Thanks.

Q

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

Yeah. So, in terms of the kind of the building blocks and how we think about that, we've talked a little bit about it being balanced between new ARR coming from booking events in the year and then the ARR coming off of the backlog. As we've kind of continued to see FRARR grow, you'll see that be a little bit more weighted, which provides some nice visibility into kind of how we think about building the forecast. So, that's pretty positive.

We've modeled a little bit more conservatism around how we're thinking about true-up activity, and that's flowing through the model and embedded into our forecast. And with respect to pricing, I think the team is doing a good job pretty consistently kind of focusing on improving discounting and with the maturity and the referenceability of the platform, that's certainly helping in commercial conversations.

So, that's the way we thought about it and how we've built it up. I am – we had a amazing year with respect to ARR attrition. I'm not – those events can be sometimes hard to forecast if there's an M&A event or other things. So, my model assumes kind of more our rates more aligned with historical averages. Hopefully, that's helpful. Did I get everything in there?

A

He's on mute.

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

Oh, no, worries. [indiscernible] (00:59:49)

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

Okay. Our last question goes to Tyler Radke. Go ahead, Tyler.

A

A

A

Tyler Radke

Analyst, Citigroup Global Markets, Inc.

Q

Hey, thanks for taking the question. So, just following up on the Liberty Mutual deal, obviously, it's a large landmark deal, as you referenced. Was curious, though, if you're able to comment, is this kind of the largest cloud deal from an ARR perspective? And then have you seen any other kind of customer conversations and response just in terms of this providing referenceability? [ph] Would (01:00:26) be great for you to touch on that and then I had a quick follow-up.

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

Well, I would say that this is the most strategic deal we've ever done in the history of the company. And we look forward to making sure that this is a smashing success for Guidewire, but especially for Liberty. It has not been public to this point. And so, to the extent that it's helpful for us with other customers, we'll see.

I think we will learn a lot from this implementation and ensuring that it is successful and the things that we learn and the things that are – we were able to put into our product and our practices will help with other customers. Certainly, that's been the case with the other Tier-1s that have partnered with us on the evolution of Guidewire in general, but also the evolution of our cloud practices. And so, I have every expectation that the ultimate success we're able to achieve here is just going to help build momentum for the company and help us convince other large insurance companies that this is a platform that they can innovate with.

This was a, as you could probably imagine, a pretty extensive evaluation that lasted a long time, and looked into sort of every little nook and cranny of our product suite. I'm incredibly excited to have passed the test but, honestly, more excited about like living up to the potential and seeing this through and making it a success. And when we do that, I think it'll be helpful for the company long-term. Our aspiration is to earn the right to prove that with every other Tier-1 in the industry and we're excited to go do that. And so, hopefully, that gives you a sense of where this stands and the kind of focus that we intend to apply, ensuring that it's a success.

Tyler Radke

Analyst, Citigroup Global Markets, Inc.

Q

Yeah, super helpful. And then just on clearly a strong quarter and guide. And then – but I thought the Q1 commentary on the pipeline and then just the Q1 implied net new ARR was much stronger than typical seasonality. So, could you just talk to that? Are you seeing kind of improved linearity throughout the year or maybe is there deals that are even pushed from Q4 to Q1 that that's helping you on that?

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

A

I'll let Jeff comment on this. I just want – like we have a very strong demand environment right now. And so, it's exciting to be able to guide the way we did for the fiscal year. And it's very exciting to be able to say that we didn't sort of clean things out in Q4 and still have a lot of room to go in Q1. There's a lot of opportunity that we see ahead across the industry and we're very, very excited about it. So – but go ahead, Jeff.

Jeff Cooper

Chief Financial Officer, Guidewire Software, Inc.

A

No, I – just two things. I mean, the main thing is, as Mike noted, is our demand profile is robust enough that we can have an incredible Q4 and still have a very healthy pipeline as we go into Q1. So, that's super positive. This Q1, we are seeing some healthy contribution from ARR off of the backlog. That's a key dynamic in how you think

about modeling seasonality for the business that isn't always perfectly visible to the analyst community. So, Q1 had a pretty healthy step-up from ARR coming off of the backlog, and Q4 this year also is very healthy in that regard.

Q3 is a little bit of a difficult compare. Last year, we talked about the step-up from Q4 to Q3. That was a pretty healthy step-up last year. This year, that step-up is even more pronounced. So, just as you think about seasonality, understanding kind of where that ARR comes off of the backlog is important to understand. So, I want to provide that context and we can give a little bit more color on this at our Analyst Day. But the key point is, as Mike noted, just is that we're just kind of in a robust demand environment where we can have a very strong Q4 and continue to have a healthy new bookings quarter in Q1.

Alex Hughes

Vice President-Investor Relations, Guidewire Software, Inc.

A

All right, great. I think we cleaned up.

Mike Rosenbaum

Chief Executive Officer & Director, Guidewire Software, Inc.

Okay. So, let me say thanks, everybody, for participating. We're incredibly proud of the achievements this year and honestly more excited about the potential for the future. And look forward to connecting with everybody that can make it at our Analyst Day in Vegas at our Connections event in October. So, thanks very much for – thanks, everybody, for joining.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.