

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number: 001-35394

Guidewire Software, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)
2850 S. Delaware St., Suite 400
San Mateo, California
(Address of principal executive offices)

36-4468504
(I.R.S. Employer
Identification No.)
94403
(Zip Code)

(650) 357-9100
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	GWRE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

[Table of Contents](#)

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On February 26, 2021, the registrant had 83,739,231 shares of common stock issued and outstanding.

Guidewire Software, Inc.

Index

Part I – Financial Information

Item 1.	Financial Statements (unaudited):	2
	Condensed Consolidated Balance Sheets as of January 31, 2021 and July 31, 2020	3
	Condensed Consolidated Statements of Operations for the Three and Six Months Ended January 31, 2021 and 2020	4
	Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended January 31, 2021 and 2020	5
	Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Six Months Ended January 31, 2021 and 2020	6
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended January 31, 2021 and 2020	8
	Notes to Condensed Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	36
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	54
Item 4.	Controls and Procedures	55
	<u>Part II – Other Information</u>	56
Item 1.	Legal Proceedings	56
Item 1A.	Risk Factors	56
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	80
Item 6.	Exhibits	81
	Signatures	82

FORWARD-LOOKING STATEMENTS

The section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as other parts of this Quarterly Report on Form 10-Q and certain information incorporated herein by reference contain forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, which are subject to risks and uncertainties. The forward-looking statements may include statements concerning, among other things, our business strategy (including anticipated trends and developments in, and management plans for, our business and the markets in which we operate), financial results, results of operations, revenue, gross margins, operating expenses, products, projected costs and capital expenditures, research and development programs, sales and marketing initiatives, and competition. In some cases, you can identify these statements by forward-looking words, such as “will,” “may,” “might,” “should,” “could,” “estimate,” “expect,” “suggest,” “believe,” “anticipate,” “intend,” “plan,” and “continue,” the negative or plural of these words and other comparable terminology. Actual events or results may differ materially from those expressed or implied by these statements due to various factors, including but not limited to the matters discussed below, in the section titled “Part II - Other Information - Item 1A. Risk Factors,” and elsewhere in this Quarterly Report on Form 10-Q. Many of the forward-looking statements are located in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Examples of forward-looking statements include statements regarding:

- growth prospects of the property & casualty (“P&C”) insurance industry and our company;
- the developing market for subscription services and uncertainties attendant on emerging sales and delivery models, including the migration of our existing term license customers to subscription services;
- trends in and timing of future sales, including the mix between license and subscription revenue and seasonality;
- our competitive environment and changes thereto;
- competitive attributes of our software applications and delivery models;
- the timing and number of professional services engagements and the billing rates and utilization of our professional services employees and contractors;
- challenges to further increase sales both in the United States and internationally;
- our research and development and cloud operations investment and efforts;
- expenses to be incurred, and benefits to be achieved, from our acquisitions;
- our gross and operating margins and factors that affect such margins, including costs related to operating, securing and enhancing our subscription services;
- our provision for tax liabilities, judgments related to revenue recognition, and other critical accounting estimates;
- the timing and amount of any share repurchases by us;
- the impact of new regulations and laws, including tax laws and accounting standards;
- our exposure to market risks, including geographical and political events that may negatively impact our customers, partners, and vendors or our business operations;
- the effect of uncertainties related to the global COVID-19 pandemic on U.S. and global economies, our business, our employees, results of operations, financial condition, demand for our products, sales and implementation cycles, and the health of our customers’ and partners’ businesses;
- our ability to successfully defend litigation brought against us; and
- our ability to satisfy future liquidity requirements.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties. The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on information available to us as of the filing date of this Quarterly Report on Form 10-Q and our current expectations about future events, which are inherently subject to change and involve risks and uncertainties. You should not place undue reliance on these forward-looking statements.

We do not undertake any obligation to update any forward-looking statements in this report or in any of our other communications, except as required by law. All such forward-looking statements should be read as of the time the statements were made and with the recognition that these forward-looking statements may not be complete or accurate at a later date.

Unless the context requires otherwise, we are referring to Guidewire Software, Inc. together with its subsidiaries when we use the terms “Guidewire,” the “Company,” “we,” “our,” or “us.”

PART I – Financial Information

ITEM 1. Financial Statements (unaudited)

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

	<u>January 31,</u> <u>2021</u>	<u>July 31,</u> <u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 331,387	\$ 366,969
Short-term investments	814,845	766,527
Accounts receivable, net of allowances of \$1,392 and \$1,276, respectively	92,581	114,242
Unbilled accounts receivable, net	81,591	49,491
Prepaid expenses and other current assets	48,560	45,989
Total current assets	1,368,964	1,343,218
Long-term investments	228,795	300,771
Unbilled accounts receivable, net	34,695	34,737
Property and equipment, net	73,130	65,235
Operating lease assets	103,706	103,797
Intangible assets, net	27,061	39,708
Goodwill	340,877	340,877
Deferred tax assets, net	122,659	101,565
Other assets	35,844	34,944
TOTAL ASSETS	\$ 2,335,731	\$ 2,364,852
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 23,593	\$ 22,634
Accrued employee compensation	64,249	58,547
Deferred revenue, net	97,510	118,311
Other current liabilities	25,371	25,706
Total current liabilities	210,723	225,198
Lease liabilities	121,770	119,408
Convertible senior notes, net	336,922	330,208
Deferred revenue, net	11,075	14,685
Other liabilities	10,578	18,585
Total liabilities	691,068	708,084
STOCKHOLDERS' EQUITY:		
Common stock	8	8
Additional paid-in capital	1,559,473	1,499,050
Accumulated other comprehensive income (loss)	(5,023)	(5,246)
Retained earnings	90,205	162,956
Total stockholders' equity	1,644,663	1,656,768
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,335,731	\$ 2,364,852

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Revenue:				
Subscription and support	\$ 59,563	\$ 49,550	\$ 117,529	\$ 98,581
License	77,912	76,520	143,195	130,883
Services	42,587	47,388	89,140	101,004
Total revenue	<u>180,062</u>	<u>173,458</u>	<u>349,864</u>	<u>330,468</u>
Cost of revenue:				
Subscription and support	40,158	28,212	77,164	53,145
License	2,834	2,904	5,771	5,461
Services	48,910	52,480	99,934	105,846
Total cost of revenue	<u>91,902</u>	<u>83,596</u>	<u>182,869</u>	<u>164,452</u>
Gross profit:				
Subscription and support	19,405	21,338	40,365	45,436
License	75,078	73,616	137,424	125,422
Services	(6,323)	(5,092)	(10,794)	(4,842)
Total gross profit	<u>88,160</u>	<u>89,862</u>	<u>166,995</u>	<u>166,016</u>
Operating expenses:				
Research and development	53,194	49,954	105,809	96,450
Sales and marketing	39,216	37,339	75,860	70,355
General and administrative	22,820	20,599	44,000	41,838
Total operating expenses	<u>115,230</u>	<u>107,892</u>	<u>225,669</u>	<u>208,643</u>
Income (loss) from operations	<u>(27,070)</u>	<u>(18,030)</u>	<u>(58,674)</u>	<u>(42,627)</u>
Interest income	2,015	6,958	4,804	14,594
Interest expense	(4,651)	(4,462)	(9,271)	(8,891)
Other income (expense), net	6,805	(182)	9,373	(433)
Income (loss) before provision for (benefit from) income taxes	<u>(22,901)</u>	<u>(15,716)</u>	<u>(53,768)</u>	<u>(37,357)</u>
Provision for (benefit from) income taxes	(14,249)	4,228	(24,926)	(2,422)
Net income (loss)	<u>\$ (8,652)</u>	<u>\$ (19,944)</u>	<u>\$ (28,842)</u>	<u>\$ (34,935)</u>
Net income (loss) per share:				
Basic	<u>\$ (0.10)</u>	<u>\$ (0.24)</u>	<u>\$ (0.34)</u>	<u>\$ (0.42)</u>
Diluted	<u>\$ (0.10)</u>	<u>\$ (0.24)</u>	<u>\$ (0.34)</u>	<u>\$ (0.42)</u>
Shares used in computing net income (loss) per share:				
Basic	<u>83,830,624</u>	<u>82,725,641</u>	<u>83,737,889</u>	<u>82,543,267</u>
Diluted	<u>83,830,624</u>	<u>82,725,641</u>	<u>83,737,889</u>	<u>82,543,267</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited, in thousands)

	Three Months Ended January		Six Months Ended January 31,	
	2021	2020	2021	2020
Net income (loss)	(8,652)	(19,944)	(28,842)	(34,935)
Other comprehensive income (loss):				
Foreign currency translation adjustments	2,726	(422)	2,032	(289)
Unrealized gains (losses) on available-for-sale securities	(1,210)	(169)	(3,049)	1,162
Tax benefit (expense) on unrealized gains (losses) on available-for-sale securities	214	48	573	(280)
Reclassification adjustment for realized gains (losses) included in net income (loss)	320	(33)	667	13
Total other comprehensive income (loss)	2,050	(576)	223	606
Comprehensive income (loss)	<u>\$ (6,602)</u>	<u>\$ (20,520)</u>	<u>\$ (28,619)</u>	<u>\$ (34,329)</u>

See accompanying Notes to Condensed Consolidated Financial Statements

GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited, in thousands except share amounts)

	Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance as of July 31, 2020	83,461,925	\$ 8	\$ 1,499,050	\$ (5,246)	\$ 162,956	\$ 1,656,768
Net income (loss)	—	—	—	—	(20,190)	(20,190)
Issuance of common stock upon exercise of stock options	39,169	—	1,716	—	—	1,716
Issuance of common stock upon vesting of Restricted Stock Units ("RSUs")	339,759	—	—	—	—	—
Stock-based compensation	—	—	28,394	—	—	28,394
Repurchase and retirement of common stock	(48,997)	—	—	—	(5,000)	(5,000)
Foreign currency translation adjustment	—	—	—	(694)	—	(694)
Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	(1,480)	—	(1,480)
Reclassification adjustment for realized gain (loss) on available-for-sale securities, included in net income (loss)	—	—	—	347	—	347
Balance as of October 31, 2020	83,791,856	\$ 8	\$ 1,529,160	\$ (7,073)	\$ 137,766	\$ 1,659,861
Net income (loss)	—	—	—	—	(8,652)	(8,652)
Issuance of common stock upon exercise of stock options	9,415	—	104	—	—	104
Issuance of common stock upon vesting of RSUs	283,454	—	—	—	—	—
Stock-based compensation	—	—	30,209	—	—	30,209
Repurchase and retirement of common stock	(309,562)	—	—	—	(38,909)	(38,909)
Foreign currency translation adjustment	—	—	—	2,726	—	2,726
Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	(996)	—	(996)
Reclassification adjustment for realized gain (loss) on available-for-sale securities, included in net income (loss)	—	—	—	320	—	320
Balance as of January 31, 2021	83,775,163	\$ 8	\$ 1,559,473	\$ (5,023)	\$ 90,205	\$ 1,644,663

[Table of Contents](#)

	Common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance as of July 31, 2019	82,140,883	\$ 8	\$ 1,391,904	\$ (7,758)	\$ 190,047	\$ 1,574,201
Net income (loss)	—	—	—	—	(14,991)	(14,991)
Issuance of common stock upon exercise of stock options	21,698	—	368	—	—	368
Issuance of common stock upon vesting of RSUs	411,825	—	—	—	—	—
Stock-based compensation	—	—	24,765	—	—	24,765
Foreign currency translation adjustment	—	—	—	133	—	133
Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	1,003	—	1,003
Reclassification adjustment for realized gain (loss) on available-for-sale securities, included in net income (loss)	—	—	—	46	—	46
Adoption of Accounting Standards Update ("ASU") 2018-02	—	—	—	(107)	107	—
Balance as of October 31, 2019	82,574,406	\$ 8	\$ 1,417,037	\$ (6,683)	\$ 175,163	\$ 1,585,525
Net income (loss)	—	—	—	—	(19,944)	(19,944)
Issuance of common stock upon exercise of stock options	25,155	—	872	—	—	872
Issuance of common stock upon vesting of RSUs	272,821	—	—	—	—	—
Stock-based compensation	—	—	26,688	—	—	26,688
Foreign currency translation adjustment	—	—	—	(422)	—	(422)
Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	(121)	—	(121)
Reclassification adjustment for realized gain (loss) on available-for-sale securities, included in net income (loss)	—	—	—	(33)	—	(33)
Balance as of January 31, 2020	82,872,382	\$ 8	\$ 1,444,597	\$ (7,259)	\$ 155,219	\$ 1,592,565

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended January 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (28,842)	\$ (34,935)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,971	21,644
Amortization of debt discount and issuance costs	6,715	6,354
Stock-based compensation	57,980	51,294
Changes to allowance for credit losses and revenue reserves	118	878
Deferred income tax	(20,294)	(4,361)
Amortization of premium (accretion of discount) on available-for-sale securities, net	3,128	(2,012)
Other non-cash items affecting net income (loss)	800	572
Changes in operating assets and liabilities:		
Accounts receivable	22,368	36,259
Unbilled accounts receivable	(32,058)	(17,018)
Prepaid expenses and other assets	1,914	(3,527)
Operating lease assets	91	4,493
Accounts payable	(4,312)	(4,032)
Accrued employee compensation	3,844	(28,794)
Deferred revenue	(24,411)	(23,583)
Lease liabilities	2,669	241
Other liabilities	(13,059)	(2,137)
Net cash provided by (used in) operating activities	(2,378)	1,336
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale securities	(523,601)	(601,403)
Sales of available-for-sale securities	85,553	67,942
Maturities of available-for-sale securities	456,198	508,807
Purchases of property and equipment	(5,517)	(11,254)
Capitalized software development costs	(4,884)	(2,210)
Acquisition of strategic investments	(2,000)	—
Net cash provided by (used in) investing activities	5,749	(38,118)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock upon exercise of stock options	1,820	1,239
Repurchase and retirement of common stock	(42,679)	—
Net cash provided by (used in) financing activities	(40,859)	1,239
Effect of foreign exchange rate changes on cash and cash equivalents	1,906	(95)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,582)	(35,638)
CASH AND CASH EQUIVALENTS—Beginning of period	366,969	254,101
CASH AND CASH EQUIVALENTS—End of period	\$ 331,387	\$ 218,463
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2,500	\$ 2,500
Cash paid for income taxes, net of tax refunds	\$ 1,603	\$ 2,668
Accruals for purchase of property and equipment	\$ 5,127	\$ 6,516
Accruals for capitalized software costs	\$ 344	\$ 37
Accrual for shares repurchased	\$ 1,230	\$ —

See accompanying Notes to Condensed Consolidated Financial Statements.

GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. The Company and Summary of Significant Accounting Policies and Estimates

Company

Guidewire Software, Inc., a Delaware corporation, was incorporated on September 20, 2001. Guidewire Software, Inc., together with its subsidiaries (the "Company"), provides a technology platform, which combines core operations, digital engagement, analytics, and artificial intelligence applications. The Company's technology platform supports core insurance operations, including underwriting and policy administration, claim management, and billing; insights into data that can improve business decision making; and digital sales, service, and claims experiences for policyholders, agents, and other key stakeholders. The Company's customers are primarily property and casualty insurance carriers.

Basis of Presentation and Consolidation

The condensed consolidated financial statements and accompanying notes include the Company and its wholly-owned subsidiaries and reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for a fair presentation of the interim periods presented. All intercompany balances and transactions have been eliminated in consolidation. Certain information and disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") have been condensed or omitted under the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

These condensed consolidated financial statements should be read in conjunction with the Company's financial statements and related notes, together with management's discussion and analysis of financial condition and results of operations, presented in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2020. There have been no changes in the Company's significant accounting policies from those that were disclosed in the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K.

Reclassification

Beginning with the Annual Report on Form 10-K for fiscal year 2020, the Company changed the presentation in the consolidated statements of operations for revenue and cost of revenue to include subtotals for "subscription and support," "license," and "services". The Company's previous presentation included subtotals for "license and subscription," "maintenance" (now referred to as "support"), and "services". Accordingly, prior period amounts have been reclassified to conform to the current period presentation in the Company's condensed consolidated financial statements and the accompanying notes.

Use of Estimates

The preparation of the accompanying condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events that affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenue and expenses. Significant items subject to such estimates include, but are not limited to, revenue recognition, the useful lives of property and equipment and intangible assets, accounts receivable allowances, valuation allowance for deferred tax assets, stock-based compensation, annual bonus attainment, income tax uncertainties, fair value of convertible senior notes and investments, valuation of goodwill and intangible assets, fair value of acquired assets and assumed liabilities, software development costs to be capitalized, and contingencies. These estimates and assumptions are based on management's best estimates and judgment. Management regularly evaluates its estimates and assumptions using historical experience and other factors; however, actual results could differ from these estimates.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is their respective local currency. The Company translates all assets and liabilities of foreign subsidiaries to U.S. dollars at the current exchange rate as of the applicable balance sheet date. Revenue and expenses are translated at the average exchange rate prevailing during the period in which the transactions occur. The effects of foreign currency translations are recorded in accumulated other comprehensive income (loss) as a separate component of stockholders' equity in the accompanying condensed consolidated balance sheets. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency of the recording entity are included in other income (expense) in the condensed consolidated statements of operations.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments with remaining maturities of 90 days or less at the date of purchase. Cash equivalents primarily consist of commercial paper and money market funds.

Investments

Management determines the appropriate classification of investments at the time of purchase based upon management's intent with regard to such investments. All investments in the periods presented have been classified as available-for-sale.

The Company classifies investments as short-term when they have remaining contractual maturities of one year or less from the balance sheet date, and as long-term when the investments have remaining contractual maturities of more than one year from the balance sheet date. Investments are recorded at fair value with unrealized gains and losses, net of taxes, generally included in accumulated other comprehensive income (loss). Unrealized losses related to the credit worthiness of an investment, if any, are recorded in other income (expense), net on the condensed consolidated statements of operations.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs that do not extend the life or improve an asset are expensed in the period incurred.

The estimated useful lives of property and equipment are as follows:

Computer hardware	3 years
Purchased software	3 years
Equipment and machinery	3 to 5 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of 10 years or remaining lease term

Software Development Costs

Certain development costs related to software delivered to customers ("self-managed software") incurred subsequent to the establishment of technological feasibility are subject to capitalization and amortized over the estimated lives of the related products. Technological feasibility is established upon completion of a working model. Costs incurred subsequent to the establishment of technological feasibility have not been material and, therefore, all software development costs related to self-managed software have been charged to research and development expense in the condensed consolidated statements of operations as incurred.

For qualifying costs incurred for computer software developed for internal use, which includes software used to deliver subscription services exclusively through the cloud, the Company begins to capitalize costs when preliminary development efforts are successfully completed, management has authorized and committed project funding, it is probable that the project will be completed, and the software will be used as intended. If any of these criteria cease being met before the software reaches its intended use, any capitalized costs related to the project will be impaired. When the software reaches its intended use, capitalized costs are amortized to cost of revenue over the estimated useful lives of the related assets, generally estimated to be three to five years. Costs incurred prior to meeting these capitalization criteria and costs incurred for training and maintenance are expensed as incurred and recorded in research and development expense in the condensed consolidated statements of operations. Capitalized software development costs are recorded in property and equipment in the condensed consolidated balance sheets.

Leases

On August 1, 2019, the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 842: Leases (“ASC 842”) using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application. Under ASC 842, the Company determines if an arrangement is a lease at inception of the agreement. If an arrangement is determined to be a lease, an operating lease asset, also known as a right-of-use asset, and lease liability are recorded based on the present value of lease payments over the lease term. In connection with determining the present value of the lease payments, the Company considers only payments that are fixed and determinable at the time of commencement, including non-lease components that are fixed throughout the lease term. Variable components of the lease payments such as utilities and maintenance costs, are expensed as incurred and not included in determining the present value of the lease liability. As the Company's leases generally do not provide an implicit rate, the Company's incremental borrowing rate, calculated based on available information at the lease commencement date, is used in determining the present value of the lease payments. The Company's incremental borrowing rate is a hypothetical rate based on the Company's understanding of its credit rating. The Company's lease term used to calculate the lease liability and operating lease asset includes options to extend or terminate the lease if it is reasonably certain the Company will exercise that option. Operating lease assets also include any lease payments made prior to commencement and are recorded net of any lease incentives received. Lease expense is recognized on a straight-line basis over the lease term and is reflected in the condensed consolidated statements of operations in each of the cost of revenue and operating expense categories.

The Company also enters into agreements to sublease unoccupied office space. Any sublease payments received in excess of the straight-line rent expense related to the subleased space are recorded as an offset to operating expenses over the sublease term.

Operating leases are included in operating lease assets, other current liabilities, and lease liabilities on the condensed consolidated balance sheets.

Impairment of Long-Lived Assets, Intangible Assets, and Goodwill

The Company evaluates its long-lived assets, consisting of property and equipment, operating lease assets, and intangible assets for indicators of possible impairment when events or changes in circumstances indicate that the carrying amount of certain assets may not be recoverable. Impairment exists if the carrying amount of such assets exceed the estimates of future net undiscounted cash flows expected to be generated by such assets. Should impairment exist, the impairment loss would be measured based on the excess carrying amount of the assets over the estimated fair value of the assets.

The Company tests goodwill for impairment annually, during the fourth quarter of each fiscal year, and in the interim whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company evaluates qualitative factors to determine whether it is more likely than not that the fair value of the Company's single reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test. In performing the qualitative assessment, the Company considers events and circumstances, including, but not limited to, macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, changes in management or key personnel, changes in strategy, changes in customers, changes in the composition or carrying amount of a reporting unit's net assets, and changes in the price of the Company's common stock. If, after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then the goodwill impairment test is not performed. There have been no goodwill impairments during the periods presented.

Convertible Senior Notes

In March 2018, the Company issued \$400.0 million aggregate principal amount of 1.25% Convertible Senior Notes due 2025 (the “Convertible Senior Notes”). The Company accounts for the liability and equity components of the issued Convertible Senior Notes separately. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the par value of the Convertible Senior Notes as a whole. This difference represents a debt discount that is amortized to interest expense using the effective interest method over the term of the Convertible Senior Notes. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The liability and equity components will not be remeasured as long as the conversion option continues to meet the requirements for equity classification. The equity component is net of issuance costs and recorded in additional paid-in capital.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents, investments, accounts receivable and unbilled accounts receivable. The Company maintains its cash, cash equivalents, and investments with high quality financial institutions. The Company is exposed to credit risk for cash held in financial institutions in the event of a default to the extent that such amounts recorded in the condensed consolidated balance sheets are in excess of amounts that are insured by the Federal Deposit Insurance Corporation.

No customer accounted for 10% or more of the Company's revenue for the three and six months ended January 31, 2021 or 2020. No customer accounted for 10% or more of the Company's accounts receivable as of January 31, 2021 or July 31, 2020.

Accounts Receivable and Allowances

Accounts receivable are recorded at invoiced amounts and do not bear interest. While the Company does not require collateral, the Company performs ongoing credit evaluations of its customers. The Company maintains an allowance for credit losses based upon the expected collectability of its accounts receivable. The expectation of collectability is based on historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with delinquent accounts. Credit losses are recorded in general and administrative expense while billing and other revenue adjustments are recorded against the corresponding revenue financial statement line item in the condensed consolidated statements of operations.

Revenue Recognition

The Company's revenue is derived from contracts with customers. The majority of the Company's revenue is derived from subscriptions to its cloud services, licensing arrangements for its software, and implementation and other professional services arrangements. The Company accounts for revenue in accordance with Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"), which the Company adopted on August 1, 2018.

The core principle of ASC 606 is to recognize revenue upon the transfer of services or products to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services or products. The Company applies the following framework to recognize revenue:

Identification of the contract, or contracts, with the customer

The Company considers the terms and conditions of written contracts and its customary business practices in identifying its contracts under ASC 606. The Company determines it has a contract with a customer when the contract is approved, the Company can identify each party's rights regarding the services and products to be transferred, the Company can identify the payment terms for the services and products, the Company has determined that the customer has the ability and intent to pay, and the contract has commercial substance. In general, contract terms will be reflected in a written document that is signed by both parties. At contract inception, the Company evaluates whether two or more contracts should be combined and accounted for as a single contract. The Company also evaluates the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit and financial information pertaining to the customer.

Contracts may be modified to account for changes in contract scope or price. The Company considers contract modifications to exist when the modification either creates new rights or obligations or changes the existing enforceable rights and obligations of either party. Contract modifications for services and products that are distinct from the existing contract and are priced commensurate with their standalone selling price are treated as separate contracts, and are accounted for prospectively. Contract modifications for services and products that are distinct but are not priced commensurate with their standalone selling price or are not distinct from the existing contract may affect the initial transaction price or the allocation of the transaction price to the performance obligations in the contract. In such cases, revenue recognized may be adjusted.

Identification of the performance obligation in the contract

Performance obligations promised in a contract are identified based on the services or products that will be transferred to the customer that are both:

- i. capable of being distinct, whereby the customer can benefit from the service or product either on its own or together with other resources that are readily available from the Company or third parties, and
- ii. distinct in the context of the contract, whereby the transfer of the service or product is separately identifiable from other promises in the contract.

To the extent a contract includes multiple promised services or products, the Company applies judgment to determine whether promised services or products are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised services or products are accounted for as a combined performance obligation.

The Company generates revenue from the following sources, which generally represent the performance obligations of the Company:

- i. Subscription services related to the Company's Software-as-a-Service ("SaaS") offerings, including hosting;
- ii. Support activities that consist of email and phone support, bug fixes, and unspecified software updates and upgrades released when, and if, available during the support term;
- iii. Self-managed software licenses related to term or perpetual agreements; and
- iv. Services related to the implementation and configuration of the Company's services and products, reimbursable travel, and training.

Subscriptions are typically sold with a three to five year initial term with a customer option to renew on an annual basis after the initial term. Term licenses generally have a two-year initial term with a customer option to renew on an annual basis after the initial term. In certain circumstances, the Company will enter into term licenses with an initial term of more than two years or a renewal period longer than one year. Support for term licenses follows the same contract periods. Professional services typically are time and materials contracts that last for an average period of approximately one year.

Determination of the transaction price

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring services and products to the customer. Consideration may vary due to discounts, incentives, and potential service level credits or contractual penalties. Variable consideration is estimated and included in the transaction price if, in the Company's judgment, it is probable that there will not be a significant future reversal of cumulative revenue under the contract.

Self-managed software licenses and subscription services may be subject to either fixed or variable installments. Variable installments are generally subject to changes in a customer's Direct Written Premium ("DWP") or a customer's Gross Written Premium ("GWP"). When consideration is subject to variable installments, the Company estimates variable consideration using the expected value method based on historical DWP or GWP usage to the extent that a significant revenue reversal is not probable to occur. When consideration is subject to a customer termination right, the Company estimates the total transaction price using the most likely method, and defers consideration associated with the customer's termination right until it expires.

The Company elected the practical expedient to evaluate whether a significant financing component exists when the contract term is greater than one year and the timing of revenue recognition occurs in advance of invoicing. This timing difference occurs when control of the software license is transferred at a point in time, usually at the contract onset, but the customer payments occur over time. A significant financing component generally does not exist under the Company's standard contracting and billing practices. For example, the Company's typical time-based licenses have a two-year initial term with the final payment due at the end of the first year and the Company's typical subscription services are generally billed in advance of providing the services.

Allocation of the transaction price to the performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on its standalone selling price ("SSP") in relation to the total fair value of all performance obligations in the arrangement. The majority of the Company's contracts contain multiple performance obligations, such as when licenses are sold with support, implementation services or training services. Additionally, as customers enter into a subscription agreement to migrate from an existing term license agreement, customers may be under contract for self-managed licenses and support, in addition to subscription services, for a period of time, which may require an allocation of the transaction price to each performance obligation. Some of the Company's performance obligations, such as support, implementation services, and training services, have observable inputs that are used to determine the SSP of those distinct performance obligations. Where SSP is not directly observable, the Company determines the SSP using information that may include market conditions and other observable inputs. In the circumstances when available information to determine SSP is highly variable or uncertain, such as for our term licenses, the Company will use the residual method.

Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company recognizes revenue when control of the services or products are transferred to a customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services or products. The Company is principally responsible for the satisfaction of its distinct performance obligations, which are satisfied either at a point in time or over a period of time.

Performance obligations satisfied at a point in time

Self-managed term and perpetual software licenses comprise the majority of distinct performance obligations that are satisfied at a point in time. Revenue is recognized at the point in which the self-managed software licenses are made available to a customer. Consideration for self-managed software licenses is typically billed in advance on an annual basis over the license term.

Performance obligations satisfied over a period of time

Subscriptions, support activities, and professional service arrangements comprise the majority of distinct performance obligations that are satisfied over a period of time.

Revenue from subscription arrangements is recognized ratably over the subscription period using a time-based measure of progress as customers receive the benefits from their subscriptions over the contractually agreed-upon term. The Company's subscription arrangements are generally three to five years in duration. Consideration from subscription arrangements is typically billed in advance on an annual basis over the contract period.

Revenue from support activities associated with self-managed licenses is a stand-ready obligation, which is generally recognized over the contractually agreed-upon term using a time-based measure of progress as customers receive benefits from the availability of support technicians over the support period. Consideration for support activities is typically billed in advance on an annual basis. The Company's support activities are consistently priced as a percentage of the associated self-managed software license.

Revenue from professional service arrangements is recognized over the service period as the underlying services are performed.

In substantially all of the Company's professional service contracts, services are separately identifiable performance obligations for which related revenue and costs are recognized according to when each service obligation is delivered. Substantially all professional services engagements are billed and recognized on a time and materials basis. In select situations, the Company will contract professional services on a fixed fee basis, where the Company generally recognizes services revenue over time, using an input method. The measure of progress of the professional services being provided under these fixed fee arrangements is based on hours incurred compared to estimates of the total hours to complete the performance obligation.

When professional services are sold with a self-managed license or subscription arrangement, the Company evaluates whether the performance obligations are distinct or separately identifiable, or whether they constitute a single performance obligation. In the limited cases where professional services are not considered to be distinct from the self-managed license or subscription services, the Company will recognize revenue based on the nature and term of the combined performance obligation when control of the combined performance obligation is transferred to the customer.

Balance Sheet Presentation

Contracts with customers are reflected in the condensed consolidated balance sheets as follows:

- Accounts receivable, net represents amounts billed to customers in accordance with contract terms for which payment has not yet been received. It is presented net of allowances as part of current assets in the condensed consolidated balance sheets.
- Unbilled accounts receivable, net represents amounts that are unbilled due to agreed-upon contractual terms in which billing occurs subsequent to revenue recognition. This situation typically occurs when the Company transfers control of self-managed software licenses to customers up-front, but invoices customers annually over the term of the license. Unbilled accounts receivable is classified as either current or non-current based on the duration of remaining time between the date of the condensed consolidated balance sheets and the anticipated due date of the underlying receivables. Unbilled accounts receivable is evaluated for credit losses based upon the expected collectability of future accounts receivable, customer payment history, global economic conditions, and ongoing credit evaluations of

customers. Unbilled accounts receivable is presented net of allowance for credit losses, if applicable, in the condensed consolidated balance sheets. This balance represents contract assets.

- Contract costs include customer acquisition costs, which consist primarily of sales commissions paid to sales personnel and their related payroll taxes and referral fees paid to third-parties, and costs to fulfill a contract, which consist primarily of royalties payable to third-party software providers that support both the Company's software offerings and support services. The short-term portion is presented as prepaid and other current assets. The long-term portion is presented as other assets.
- Deferred costs represent costs related to our professional services that have been deferred to align with revenue recognition. The short-term portion is presented as prepaid and other current assets. The long-term portion is presented as other assets.
- Deferred revenue, net represents amounts that have been invoiced and for which the Company has the right to bill, but that have not been recognized as revenue because the related services or products have not been transferred to the customer. Deferred revenue that will be realized during the 12-month period following the date of the condensed consolidated balance sheets is recorded as current. The remaining deferred revenue is recorded as non-current. This balance represents contract liabilities.

The Company may receive consideration from its customers in advance of performance on a portion of the contract and, on another portion of the contract, perform in advance of receiving consideration. Contract assets and liabilities related to rights and obligations in a contract are interdependent. Therefore, contract assets and liabilities are presented net at the contract level, as either a single contract asset or a single contract liability, in the consolidated balance sheets.

Remaining performance obligations represent contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. The Company excludes amounts related to professional services contracts that are on a time and materials basis from remaining performance obligations.

Contract Costs

Contract costs consists of two components, customer acquisition costs and costs to fulfill a contract.

Customer acquisition costs are capitalized only if the costs are incrementally incurred to obtain a customer contract and the expected amortization period is greater than one year. Contract costs are classified as either current or non-current based on the duration of time remaining between the date of the condensed consolidated balance sheets and the anticipated amortization date of the associated costs. Capitalized customer acquisition costs related to software licenses, subscriptions, and support services are amortized over the anticipated period of time that such goods and services are expected to be provided to a customer, which the Company estimates to be approximately five years. The amortization of customer acquisition costs is classified as a sales and marketing expense in the condensed consolidated statement of operations.

Costs to fulfill a contract, or fulfillment costs, are only capitalized if they relate directly to a contract with a customer, the costs generate or enhance resources that will be used to satisfy performance obligations in the future, and the costs are expected to be recoverable. Fulfillment costs would be generally amortized over the same period of time as the customer acquisition costs. The amortization of fulfillment costs is classified as a cost of revenue in the condensed consolidated statement of operations.

Warranties

The Company generally provides a warranty for its software products and services to its customers for periods ranging from three to twelve months. The Company's software products are generally warranted to be free of defects in materials and workmanship under normal use and to substantially perform as described in published documentation. The Company's services are generally warranted to be performed in a professional manner and to materially conform to the specifications set forth in the related customer contract. In the event there is a failure of such warranties, the Company generally will correct the problem or provide a reasonable workaround or replacement product. If the Company cannot correct the problem or provide a workaround or replacement product, then the customer's remedy is generally limited to a refund of the fees paid for the nonconforming product or services. Warranty expense has been insignificant to date.

Advertising Costs

Advertising costs are expensed as incurred and amounts incurred were not material during the three and six months ended January 31, 2021 and 2020.

Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value method, which requires the Company to measure stock-based compensation based on the grant-date fair value of the awards and recognize the compensation expense over the requisite service period. The Company recognizes compensation expense net of actual forfeitures. To date, the Company has granted or assumed stock options, restricted stock awards (“RSAs”), time-based restricted stock units (“RSUs”), performance-based restricted stock units (“PSUs”), and restricted stock units that may be earned subject to the Company’s total shareholder return ranking relative to the software companies in the S&P Software and Services Select Industry Index (“S&P Index”) over a specified performance period or periods and, in select cases, are subject to certain performance conditions (“TSR PSUs”). RSAs, RSUs, PSUs, and TSR PSUs are collectively referred to as “Stock Awards.”

The fair value of the Company’s RSAs, RSUs, and PSUs is equal to the market value of the Company’s common stock on the date of grant. These awards are subject to time-based vesting, which generally occurs over a period of four years. The Company recognizes compensation expense for awards that contain only service conditions on a straight-line basis over the requisite service period, which is generally the vesting period of the respective awards. The Company recognizes the compensation cost for awards that contain either performance conditions, market conditions, or both using the graded vesting method and a portion of the expense may fluctuate depending on changing estimates of the achievement of the performance conditions.

The fair value of the Company’s stock options and TSR PSUs are estimated at the grant date using the Black-Scholes model and Monte Carlo simulation method, respectively. The assumptions utilized under these methods require judgments and estimates. Changes in these inputs and assumptions could affect the measurement of the estimated fair value of the related compensation expense of these stock options and stock awards. Compensation expense associated with TSR PSUs will be recognized over the vesting period regardless of whether the market condition is ultimately satisfied; however, the expense will be reversed if a grantee terminates prior to satisfying the requisite service period. For TSR PSUs containing an additional performance condition, a portion of the expense may fluctuate depending on changing estimates of the achievement of the performance conditions. All TSR PSUs vest at the end of a three-year period.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, the Company determines deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. All deferred tax assets and liabilities are classified as non-current on the Company’s condensed consolidated balance sheets. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance against deferred tax assets is recorded when it is more likely than not that some portion or all of such deferred tax assets will not be realized and is based on both positive and negative evidence about the future, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations.

The effective tax rate in any given financial statement period may differ materially from the statutory rate. These differences may be caused by changes in tax regulations and resulting changes in the deferred tax valuation allowance; changes in the mix and level of income or losses; changes in the expected outcome of tax audits; permanent differences for stock-based compensation, including excess tax benefits; research and development credits; the tax rate differences between the United States and foreign countries; foreign withholding taxes; certain non-deductible expenses, including executive compensation; acquisition-related expenses; and provisions under the Tax Cuts and Jobs Act (the “Tax Act”), including a provision to tax global intangible low-taxed income of foreign subsidiaries, a special deduction for foreign-derived intangible income, and a base erosion anti-abuse tax that may tax certain payments between a U.S. corporation and its foreign subsidiaries.

The Company records interest and penalties related to unrecognized tax benefits as income tax expense in its condensed consolidated statement of operations.

Recently Adopted Accounting Pronouncements

Intangibles, Goodwill and Other (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract

In August 2018, the FASB issued ASU No. 2018-15, Intangibles, Goodwill and Other (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract, which requires implementation costs incurred in cloud computing arrangements to be deferred and recognized over the term of the

arrangement, if those costs would be capitalized in a software licensing arrangement under the internal-use software guidance in ASC 350-40. On August 1, 2020 the Company adopted this ASU prospectively. The adoption of this standard did not have a material impact on the condensed consolidated financial statements and related disclosures.

Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13 (ASU 2016-13), Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. On August 1, 2020 the Company adopted this ASU using the modified retrospective method. The adoption of this standard did not have a material impact on the condensed consolidated financial statements and related disclosures.

Recent Accounting Pronouncements Not Yet Adopted

Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity

In August 2020, the FASB issued ASU No. 2020-06, “Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity”, which simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. By removing the separation model, a convertible debt instrument will be reported as a single liability instrument with no separate accounting for embedded conversion features. This new standard also removes certain settlement conditions that are required for contracts to qualify for equity classification and simplifies the diluted earnings per share calculations by requiring that an entity use the if-converted method and that the effect of potential share settlement be included in diluted earnings per share calculations. This new standard will be effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company is currently assessing the impact of adopting this standard on the consolidated financial statements, however, it believes the requirement to use the if-converted method instead of the treasury stock method of accounting for the shares issuable upon conversion of the Convertible Senior Notes, could adversely affect its diluted earnings per share.

Other Accounting Pronouncements

Other recent accounting pronouncements that will be applicable to the Company are not expected to have a material impact on its present or future financial statements.

2. Revenue

Disaggregation of Revenue

Revenue by revenue type and by geography is as follows (in thousands):

	Three Months Ended January 31, 2021			
	Subscription and support	License	Services	Total
Geography:				
United States	\$ 39,865	\$ 39,438	\$ 28,295	\$ 107,598
Canada	7,862	8,606	2,653	19,121
Other Americas	1,112	188	1,517	2,817
Total Americas	48,839	48,232	32,465	129,536
United Kingdom	1,650	6,449	848	8,947
Other EMEA	4,694	11,282	6,691	22,667
Total EMEA	6,344	17,731	7,539	31,614
Total APAC	4,380	11,949	2,583	18,912
Total revenue	<u>\$ 59,563</u>	<u>\$ 77,912</u>	<u>\$ 42,587</u>	<u>\$ 180,062</u>

	Three Months Ended January 31, 2020			
	Subscription and support	License	Services	Total
Geography:				
United States	\$ 33,679	\$ 37,987	\$ 34,731	\$ 106,397
Canada	4,511	8,237	1,468	14,216
Other Americas	1,133	2,180	2,453	5,766
Total Americas	39,323	48,404	38,652	126,379
United Kingdom	1,715	9,444	1,270	12,429
Other EMEA	4,395	6,480	3,897	14,772
Total EMEA	6,110	15,924	5,167	27,201
Total APAC	4,117	12,192	3,569	19,878
Total revenue	<u>\$ 49,550</u>	<u>\$ 76,520</u>	<u>\$ 47,388</u>	<u>\$ 173,458</u>

	Six Months Ended January 31, 2021			
	Subscription and support	License	Services	Total
Geography:				
United States	\$ 78,878	\$ 80,415	\$ 60,655	\$ 219,948
Canada	15,004	19,359	3,790	38,153
Other Americas	2,225	423	3,363	6,011
Total Americas	96,107	100,197	67,808	264,112
United Kingdom	3,680	14,748	2,163	20,591
Other EMEA	9,814	12,085	13,669	35,568
Total EMEA	13,494	26,833	15,832	56,159
Total APAC	7,928	16,165	5,500	29,593
Total revenue	\$ 117,529	\$ 143,195	\$ 89,140	\$ 349,864

	Six Months Ended January 31, 2020			
	Subscription and support	License	Services	Total
Geography:				
United States	\$ 67,325	\$ 65,454	\$ 72,059	\$ 204,838
Canada	9,056	17,227	2,718	29,001
Other Americas	2,218	2,414	4,622	9,254
Total Americas	78,599	85,095	79,399	243,093
United Kingdom	3,795	14,984	3,584	22,363
Other EMEA	8,736	7,206	9,946	25,888
Total EMEA	12,531	22,190	13,530	48,251
Total APAC	7,451	23,598	8,075	39,124
Total revenue	\$ 98,581	\$ 130,883	\$ 101,004	\$ 330,468

No country or region, other than those presented above, accounted for more than 10% of revenue during the three and six months ended January 31, 2021 and 2020.

Revenue by license or service type is as follows (in thousands):

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Subscription and Support				
Subscription	\$ 38,278	\$ 28,434	\$ 75,508	\$ 56,494
Support	21,285	21,116	42,021	42,087
License				
Term license	77,864	74,478	143,089	128,792
Perpetual license	48	2,042	106	2,091
Services	42,587	47,388	89,140	101,004
Total revenue	\$ 180,062	\$ 173,458	\$ 349,864	\$ 330,468

Customer Contract - Related Balance Sheet Amounts

Amounts related to customer contract-related arrangements are included in the condensed consolidated balance sheets as follows (in thousands):

	January 31, 2021	July 31, 2020
Unbilled accounts receivable, net	116,286 \$	84,228
Contract costs, net	35,391	34,809
Deferred revenue, net	108,585	132,996

As of January 31, 2021 and July 31, 2020, there was no allowance for credit losses associated with unbilled accounts receivable.

Contract costs

The current portion of contract costs in the amount of \$10.8 million and \$9.6 million is included in prepaid and other current assets in the Company's condensed consolidated balance sheets as of January 31, 2021 and July 31, 2020, respectively. The non-current portion of contract costs in the amount of \$24.6 million and \$25.2 million is included in other assets in the Company's condensed consolidated balance sheets as of January 31, 2021 and July 31, 2020, respectively. The Company amortized \$3.2 million and \$2.0 million of contract costs during the three months ended January 31, 2021 and 2020, respectively, and \$5.4 million and \$3.4 million for the six months ended January 31, 2021 and January 31, 2020, respectively.

Deferred revenue

During the three and six months ended January 31, 2021, the Company recognized revenue of approximately \$35 million and \$83 million, respectively, from the Company's deferred revenue balance reported as of July 31, 2020.

Performance Obligations

The aggregate amount of consideration allocated to performance obligations either not satisfied or partially satisfied was approximately \$588 million as of January 31, 2021. Subscription services are typically satisfied over three to five years, support services are generally satisfied within one year, and professional services are typically satisfied within one year. Professional services under time and material contracts are not included in the performance obligations calculation as these arrangements can be cancelled at any time.

3. Fair Value of Financial Instruments

Available-for-sale investments within cash equivalents and investments consist of the following (in thousands):

	January 31, 2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Government agency securities	\$ 180,916	\$ 115	\$ (37)	\$ 180,994
Commercial paper	304,059	—	—	304,059
Corporate bonds	397,727	1,517	(25)	399,219
U.S. Government bonds	147,582	258	—	147,840
Asset-backed securities	44,095	94	—	44,189
Foreign government bonds	7,445	10	—	7,455
Certificates of deposit	76,724	—	—	76,724
Money market funds	119,632	—	—	119,632
Strategic convertible debt investment*	1,000	—	—	1,000
Total	\$ 1,279,180	\$ 1,994	\$ (62)	\$ 1,281,112

*At original cost

	July 31, 2020			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Government agency securities	\$ 242,153	\$ 202	\$ (81)	\$ 242,274
Commercial paper	222,578	—	—	222,578
Corporate bonds	474,646	3,448	(38)	478,056
U.S. Government bonds	68,332	476	—	68,808
Asset-backed securities	58,564	306	—	58,870
Certificates of deposit	56,296	—	—	56,296
Money market funds	231,063	—	—	231,063
Strategic convertible debt investment*	1,000	—	—	1,000
Total	\$ 1,354,632	\$ 4,432	\$ (119)	\$ 1,358,945

*At original cost

The Company does not consider any portion of the unrealized losses at January 31, 2021 to be credit losses. The Company has recorded the securities at fair value in its condensed consolidated balance sheets, with unrealized gains and losses reported as a component of accumulated other comprehensive income (loss). The amount of realized gains and losses reclassified into earnings are based on the specific identification of the securities sold. The realized gains and losses from sales of securities in the periods presented were not material.

The following table summarizes the contractual maturities of the Company's available-for-sale investments measured at fair value (in thousands):

	January 31, 2021		
	Less Than 12 Months	12 Months or Greater	Total
U.S. Government agency securities	\$ 152,144	\$ 28,850	\$ 180,994
Commercial paper	304,059	—	304,059
Corporate bonds	276,220	122,999	399,219
U.S. Government bonds	127,551	20,289	147,840
Asset-backed securities	488	43,701	44,189
Foreign government bonds	—	7,455	7,455
Certificates of deposit	72,223	4,501	76,724
Money market funds	119,632	—	119,632
Strategic convertible debt investment	\$ —	\$ 1,000	\$ 1,000
Total	\$ 1,052,317	\$ 228,795	\$ 1,281,112

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company applies the three-level valuation hierarchy when measuring the fair value of certain assets and liabilities:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2—Inputs other than quoted prices included within Level 1 that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and

Level 3—Unobservable inputs that are supported by little or no market activity, which require the Company to develop its own assumptions.

Available-for-sale investments

The following tables summarize the Company's available-for-sale investments measured at fair value, by level within the fair value hierarchy (in thousands):

	January 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Commercial paper	\$ —	\$ 108,540	\$ —	\$ 108,540
U.S. Government bonds	—	9,300	—	9,300
Money market funds	119,632	—	—	119,632
Total cash equivalents	119,632	117,840	—	237,472
Short-term investments:				
U.S. Government agency securities	—	152,144	—	152,144
Commercial paper	—	195,519	—	195,519
Corporate bonds	—	276,220	—	276,220
U.S. Government bonds	—	118,251	—	118,251
Asset-backed securities	—	488	—	488
Certificates of deposit	—	72,223	—	72,223
Total short-term investments	—	814,845	—	814,845
Long-term investments:				
U.S. Government agency securities	—	28,850	—	28,850
Corporate bonds	—	122,999	—	122,999
U.S. Government bonds	—	20,289	—	20,289
Asset-backed securities	—	43,701	—	43,701
Foreign government bonds	—	7,455	—	7,455
Certificates of deposit	—	4,501	—	4,501
Strategic convertible debt investment	—	—	1,000	1,000
Total long-term investments	—	227,795	1,000	228,795
Total	\$ 119,632	\$ 1,160,480	\$ 1,000	\$ 1,281,112

	July 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Commercial paper	\$ —	\$ 60,584	\$ —	\$ 60,584
Money market funds	231,063	—	—	231,063
Total cash equivalents	231,063	60,584	—	291,647
Short-term investments:				
U.S. Government agency securities	—	110,089	—	110,089
Commercial paper	—	161,994	—	161,994
Corporate bonds	—	358,175	—	358,175
U.S. Government bonds	—	63,773	—	63,773
Asset-backed securities	—	25,448	—	25,448
Certificates of deposit	—	47,048	—	47,048
Total short-term investments	—	766,527	—	766,527
Long-term investments:				
U.S. Government agency securities	—	132,185	—	132,185
Corporate bonds	—	119,881	—	119,881
U.S. Government bonds	—	5,035	—	5,035
Asset-backed securities	—	33,422	—	33,422
Certificates of deposit	—	9,248	—	9,248
Strategic convertible debt investment	—	—	1,000	1,000
Total long-term investments	—	299,771	1,000	300,771
Total	\$ 231,063	\$ 1,126,882	\$ 1,000	\$ 1,358,945

Strategic Convertible Debt Investment

Long-term investments on the condensed consolidated balance sheet includes a strategic convertible debt investment. In May 2020, the Company invested \$1.0 million in a technology company by participating in its convertible debt financing round. The Company estimates the fair value of this strategic investment to be \$1.0 million at both January 31, 2021 and July 31, 2020 based on assumptions of the expected return on the investment (Level 3).

Convertible Senior Notes

The fair value of the Convertible Senior Notes was \$484.0 million at January 31, 2021 and \$480.0 million at July 31, 2020. The Company estimates the fair value of the Convertible Senior Notes using commonly accepted valuation methodologies and market-based risk measurements that are directly observable, such as unadjusted quoted prices (Level 2). The Company carries the Convertible Senior Notes at initial fair value less unamortized debt discount and issuance costs on its condensed consolidated balance sheets. For further information on the Convertible Senior Notes, see Note 6.

4. Balance Sheet Components

Accounts Receivables, Net

Accounts receivable, net consists of the following (in thousands):

	January 31, 2021	July 31, 2020
Accounts receivable	\$ 93,973	\$ 115,518
Allowance for credit losses and revenue reserves	(1,392)	(1,276)
Accounts receivable, net	\$ 92,581	\$ 114,242

Allowance for Credit Losses and Revenue Reserves

Changes to the allowance for credit losses and revenue reserves consists of the following (in thousands):

Balance as of July 31, 2020	\$	1,276
Net changes to credit losses		—
Net changes to revenue reserves		118
Write-offs, net		(2)
Balance as of January 31, 2021	\$	<u>1,392</u>

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	January 31, 2021	July 31, 2020
Prepaid expenses	\$ 16,579	\$ 16,969
Contract costs	10,768	9,588
Deferred costs	8,165	8,399
Deposits and other receivables	13,048	11,033
Prepaid expenses and other current assets	<u>\$ 48,560</u>	<u>\$ 45,989</u>

Property and Equipment, Net

Property and equipment consist of the following (in thousands):

	January 31, 2021	July 31, 2020
Computer hardware	\$ 17,352	\$ 16,791
Purchased software	5,975	5,445
Capitalized software development costs	17,687	11,620
Equipment and machinery	11,949	11,438
Furniture and fixtures	9,673	9,792
Leasehold improvements	53,226	46,165
Total property and equipment	<u>115,862</u>	<u>101,251</u>
Less accumulated depreciation	<u>(42,732)</u>	<u>(36,016)</u>
Property and equipment, net	<u>\$ 73,130</u>	<u>\$ 65,235</u>

As of January 31, 2021 and July 31, 2020, no property and equipment was pledged as collateral. Depreciation expense, excluding the amortization of capitalized software development costs, was \$3.5 million and \$3.8 million for the three months ended January 31, 2021 and 2020, respectively, and \$7.2 million and \$7.2 million for the six months ended January 31, 2021 and 2020, respectively.

The Company capitalizes software development costs for technology applications that the Company will offer solely as cloud-based subscriptions, which is primarily comprised of compensation for employees who are directly associated with the software development projects. The Company begins amortizing the capitalized software development costs once the technology applications are available for general release and amortizes those costs over the estimated lives of the applications, which typically ranges from three to five years. The Company recognized amortization expense in cost of subscription and support revenue on the condensed consolidated statements of operations of \$0.7 million and \$0.3 million during the three months ended January 31, 2021 and 2020, respectively, and \$1.4 million and \$0.5 million during the six months ended January 31, 2021 and 2020, respectively.

Goodwill and Intangible Assets, Net

There has been no change to the \$340.9 million carrying amount of goodwill since July 31, 2020.

The Company's intangible assets are amortized over their estimated useful lives. Intangible assets consist of the following (in thousands):

	Remaining Weighted-Average Useful Life (in years)	January 31, 2021			July 31, 2020		
		Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Intangible assets:							
Acquired technology	1.6	\$ 93,600	\$ 82,244	\$ 11,356	\$ 93,600	\$ 73,191	\$ 20,409
Customer contracts and related relationships	3.5	35,700	21,466	14,234	35,700	18,500	17,200
Partner relationships	4.2	200	107	93	200	96	104
Trademarks	3.8	2,500	1,161	1,339	2,500	982	1,518
Order backlog	0.1	8,700	8,661	39	8,700	8,223	477
Total	2.7	\$ 140,700	\$ 113,639	\$ 27,061	\$ 140,700	\$ 100,992	\$ 39,708

Amortization expense was \$6.3 million and \$6.7 million for the three months ended January 31, 2021 and 2020, respectively, and was \$12.6 million and \$13.9 million for the six months ended January 31, 2021 and 2020, respectively. The future amortization expense for existing intangible assets as of January 31, 2021, based on their current useful lives, is as follows (in thousands):

Fiscal year ending July 31,

2021 (remainder of fiscal year)	\$ 7,318
2022	11,143
2023	3,799
2024	2,379
2025	1,938
Thereafter	484
Total	\$ 27,061

Other assets

Other assets consist of the following (in thousands):

	January 31, 2021	July 31, 2020
Prepaid expenses	\$ 3,842	\$ 2,830
Contract costs	24,623	25,221
Deferred costs	4,194	5,729
Strategic equity investments	3,185	1,164
Other Assets	\$ 35,844	\$ 34,944

The Company's other assets include strategic equity investments in privately-held companies in which the Company does not have a controlling interest or the ability to exert significant influence. The strategic investments consist of non-marketable equity securities that do not have readily determinable market values (Level 3). The Company records these strategic investments at cost less impairment and adjusts cost for subsequent observable changes in fair value. The Company invested \$2.0 million in new strategic equity investments during the six months ended January 31, 2021. No impairment charges were recognized during the three and six months ended January 31, 2021 and 2020, respectively.

Accrued Employee Compensation

Accrued employee compensation consists of the following (in thousands):

	January 31, 2021	July 31, 2020
Bonus	\$ 22,105	\$ 20,188
Commission	2,875	7,201
Vacation	21,943	20,637
Salaries, payroll taxes, and benefits	17,326	10,521
Accrued employee compensation	<u>\$ 64,249</u>	<u>\$ 58,547</u>

Other Current Liabilities

Other current liabilities consist of the following (in thousands):

	January 31, 2021	July 31, 2020
Lease liabilities	\$ 11,243	\$ 10,936
Accrued royalties	6,857	6,651
Accrued taxes	3,194	3,817
Other	4,077	4,302
Other current liabilities	<u>\$ 25,371</u>	<u>\$ 25,706</u>

5. Net Income (Loss) Per Share

The following table sets forth the computation of the Company's basic and diluted net income (loss) per share (in thousands, except share and per share amounts):

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Numerator:				
Net income (loss)	\$ (8,652)	\$ (19,944)	\$ (28,842)	\$ (34,935)
Net income (loss) per share:				
Basic	\$ (0.10)	\$ (0.24)	\$ (0.34)	\$ (0.42)
Diluted	\$ (0.10)	\$ (0.24)	\$ (0.34)	\$ (0.42)
Denominator:				
Weighted average shares used in computing net income (loss) per share:				
Basic and diluted	83,830,624	82,725,641	83,737,889	82,543,267

The following weighted average shares of potential common stock were excluded from the computation of diluted income (loss) per share for the periods presented because including them would have been anti-dilutive:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Stock options	35,724	186,462	48,598	196,691
Stock awards	3,020,497	2,764,722	2,899,553	2,695,366
Convertible senior notes	209,722	—	104,861	—

Since the Company has the intent and ability to settle the principal amount of the Convertible Senior Notes in cash and any excess in shares of the Company's common stock, the Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on net income (loss) per share, if applicable. The conversion spread will have a dilutive impact on net income (loss) per share when the average market price of the Company's common stock for a given period exceeds the conversion price for the Convertible Senior Notes of \$113.75 per share.

6. Convertible Senior Notes

In March 2018, the Company offered and sold \$400.0 million aggregate principal amount of its 1.25% Convertible Senior Notes due 2025. The Convertible Senior Notes were issued in accordance with the Indenture, dated as of March 13, 2018, between the Company and U.S. Bank National Association, as trustee (the "Trustee") (the "Base Indenture"), as amended and supplemented by the First Supplemental Indenture, dated as of March 13, 2018, between the Company and the Trustee (together with the Base Indenture, the "Indenture"). The net proceeds from the issuance of the Convertible Senior Notes were \$387.2 million, after deducting issuance costs.

The Convertible Senior Notes are unsecured obligations of the Company with interest payable semi-annually in arrears at a rate of 1.25% per year, on March 15th and September 15th of each year, beginning on September 15, 2018. The Convertible Senior Notes will mature on March 15, 2025 unless repurchased, redeemed, or converted prior to such date. Prior to the close of business on the business day immediately preceding October 15, 2024, the Convertible Senior Notes are convertible at the option of holders during certain periods, upon satisfaction of certain conditions. On or after October 15, 2024, the Convertible Senior Notes are convertible at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The Convertible Senior Notes will have an initial conversion rate of 8.7912 shares of common stock per \$1,000 principal (equivalent to an initial conversion price of approximately \$113.75 per share of the Company's common stock). The conversion rate is subject to customary adjustments upon the occurrence of certain events but will not be adjusted for any accrued and unpaid interest. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election.

The Company may redeem the Convertible Senior Notes, at its option, on or after March 20, 2022, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including at least one of the three trading days immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption. No sinking fund is provided for the Convertible Senior Notes. Upon the occurrence of a fundamental change (as defined in the Indenture) prior to the maturity date, holders may require the Company to repurchase all or a portion of the Convertible Senior Notes for cash at a price equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Convertible Senior Notes rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the Convertible Senior Notes, and equal in right of payment to any of its indebtedness that is not so subordinated. The Convertible Senior Notes are effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) and any preferred equity of its current or future subsidiaries.

The net carrying value of the liability component, unamortized debt discount and unamortized debt issuance costs of the Convertible Senior Notes was as follows (in thousands):

	January 31, 2021	July 31, 2020
Principal	\$ 400,000	\$ 400,000
Less unamortized:		
Debt discount	56,431	62,508
Debt issuance costs	6,647	7,284
Net carrying amount	\$ 336,922	\$ 330,208

The effective interest rate of the Convertible Senior Notes is 5.53%. The following table sets forth the interest expense recognized related to the Convertible Senior Notes (in thousands):

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Contractual interest expense	\$ 1,250	\$ 1,250	\$ 2,500	\$ 2,500
Amortization of debt discount	3,057	2,907	6,077	5,779
Amortization of debt issuance costs	322	291	637	575
Total	\$ 4,629	\$ 4,448	\$ 9,214	\$ 8,854

Capped Call

In March 2018, the Company paid \$37.2 million to purchase capped calls with certain financial institutions pursuant to capped call confirmations (the "Capped Calls"). The Capped Calls have an initial strike price of \$113.75 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Convertible Senior Notes. The Capped Calls have initial cap prices of \$153.13 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, 3.5 million shares of common stock. By entering into the Capped Calls, the Company expects to reduce the potential dilution to its common stock (or, in the event the conversion is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion its stock price exceeds the conversion price under the Convertible Senior Notes. The Capped Calls are subject to either adjustment or termination upon the occurrence of specified extraordinary events affecting the Company, including a merger event, tender offer, and a nationalization, insolvency, or delisting involving the Company. Additionally, the Capped Calls are subject to certain specified additional disruption events that may give rise to a termination of the Capped Calls, including change in law, insolvency filing, and hedging disruptions. The Capped Calls were recorded in the period purchased as a reduction of the Company's additional paid-in capital in the condensed consolidated balance sheets.

7. Leases

The Company's lease obligations consist of operating leases for office facilities and equipment, with lease periods expiring through fiscal year 2032. Some leases include one or more options to renew. Lease renewals are not assumed in the determination of the lease term until the exercise of the renewal option is deemed to be reasonably certain.

Components of operating lease costs were as follows (in thousands):

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Operating lease cost ¹	\$ 4,500	\$ 3,844	\$ 8,872	\$ 7,742
Variable lease cost	1,165	1,110	2,531	2,635
Sublease income	(397)	(382)	(792)	(762)
Net operating lease cost	\$ 5,268	\$ 4,572	\$ 10,611	\$ 9,615

⁽¹⁾ Lease expense for leases with an initial term of 12 months or less is excluded from the table above and was \$0.3 million and \$0.4 million for the three months ended January 31, 2021 and 2020, respectively, and \$0.6 million and \$0.6 million for the six months ended January 31, 2021 and 2020, respectively.

Future operating lease payments as of January 31, 2021 were as follows (in thousands):

Fiscal Year Ending July 31,	
2021 (remainder of fiscal year)	\$ 7,194
2022	18,067
2023	16,791
2024	16,565
2025	16,957
Thereafter	85,783
Total future lease payments	161,357
Less imputed interest	(28,344)
Total lease liability balance	<u>\$ 133,013</u>

Supplemental information related to leases was as follows (in thousands, except for lease term and discount rate):

	January 31, 2021	July 31, 2020
Operating lease assets	\$ 103,706	\$ 103,797
Current portion of lease liabilities	\$ 11,243	\$ 10,936
Non-current portion of lease liabilities	121,770	119,408
Total lease liabilities	<u>\$ 133,013</u>	<u>\$ 130,344</u>
Weighted average remaining lease term (years)	9.10	9.27
Weighted average discount rate	4.19 %	4.34 %

Supplemental cash and non-cash information related to operating leases was as follows (in thousands):

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Cash payments for operating leases	\$ 4,082	\$ 2,989	\$ 9,367	\$ 4,660
Operating lease assets obtained in exchange for lease liabilities	\$ (2,703)	\$ 6	\$ 6,514	\$ 486

In March 2020, the Company entered into a new lease agreement for office space in Dublin, Ireland which commenced in July 2020. In December 2020, the Company exercised the early termination option that was included in the new lease agreement, which terminated the agreement for the existing office space in Dublin, Ireland, and resulted in a reduction of the operating lease asset and lease liability of approximately \$2.9 million.

8. Commitments and Contingencies

There has been no material change in the Company's contractual obligations and commitments other than in the ordinary course of business since the Company's fiscal year ended July 31, 2020.

Legal Proceedings

From time to time, the Company is involved in various legal proceedings and receives claims, arising from the normal course of business activities. The Company has not recorded any accrual for claims as of January 31, 2021 or July 31, 2020. The Company has not accrued for estimated losses in the accompanying condensed consolidated financial statements as the Company has determined that no provision for liability nor disclosure is required related to any claim against the Company.

because: (a) there is not a reasonable possibility that a loss exceeding amounts already recognized (if any) may be incurred with respect to such claim; (b) a reasonably possible loss or range of loss cannot be estimated; or (c) such estimate is immaterial. The Company expenses legal fees in the period in which they are incurred.

Indemnification

The Company sells software licenses and services to its customers under Software License Agreements ("SLA") and Software Subscription Agreements ("SSA"). SLAs and SSAs contain the terms of the contractual arrangement with the customer and generally include certain provisions for defending the customer against any claims that the Company's software infringes upon a patent, copyright, trademark, or other proprietary right of a third party. SLAs and SSAs also generally indemnify the customer against judgments, settlements, fines, penalties, costs, and expenses resulting from a claim ("Losses") against the customer in the event the Company's software is found to infringe upon such third-party rights.

The Company has not had to reimburse any of its customers for Losses related to indemnification provisions and no material claims against the Company were outstanding as of January 31, 2021 or July 31, 2020. For several reasons, including the lack of prior indemnification claims and the lack of a monetary liability limit for certain infringement cases under various SLAs and SSAs, the Company cannot estimate the amount of potential future payments, if any, related to indemnification provisions.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines, and settlement amounts incurred by any of these persons in any action or proceeding to which any of these persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as the Company's director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that may enable the Company to recover a portion of any future amounts paid.

9. Stock-Based Compensation Expense and Shareholders' Equity

Stock-Based Compensation Expense

Stock-based compensation expense related to stock options and Stock Awards is included in the Company's condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Stock-based compensation expense	\$ 30,209	\$ 26,688	\$ 58,603	\$ 51,453
Net impact of deferred stock-based compensation	(313)	48	(623)	(159)
Total stock-based compensation expense	\$ 29,896	\$ 26,736	\$ 57,980	\$ 51,294
Stock-based compensation expense is included in the following categories:				
Cost of subscription and support revenue	\$ 2,954	\$ 1,886	\$ 5,556	\$ 3,519
Cost of license revenue	145	188	396	368
Cost of services revenue	5,578	5,469	11,121	10,801
Research and development	7,604	6,668	14,851	12,849
Sales and marketing	6,806	5,996	12,783	11,153
General and administrative	6,809	6,529	13,273	12,604
Total stock-based compensation expense	\$ 29,896	\$ 26,736	\$ 57,980	\$ 51,294

Total unrecognized stock-based compensation expense as of January 31, 2021 related to stock options and Stock Awards is as follows:

	Unrecognized Expense (in thousands)	Weighted Average Expected Recognition Period (in years)
Stock options	\$ 144	0.3
Stock Awards	272,195	2.7
	\$ 272,339	

Stock Awards

A summary of the Company's Stock Awards activity under the Company's equity incentive plans is as follows:

	Stock Awards Outstanding		
	Number of Stock Awards Outstanding	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands) ⁽¹⁾
Balance as of July 31, 2020	2,445,698	\$ 99.34	\$ 287,761
Granted	1,231,094	\$ 112.48	
Released	(623,213)	\$ 94.42	\$ 71,793
Canceled	(169,013)	\$ 102.05	
Balance as of January 31, 2021	2,884,566	\$ 105.86	\$ 330,975
Expected to vest as of January 31, 2021	2,884,566	\$ 105.86	\$ 330,975

⁽¹⁾ Aggregate intrinsic value at each period end represents the total market value of Stock Awards at the Company's closing stock price of \$114.74 and \$117.66 on January 31, 2021 and July 31, 2020, respectively. Aggregate intrinsic value for released Stock Awards represents the total market value of released Stock Awards at date of release.

Certain executives and employees of the Company received PSUs and TSR PSUs in addition to RSUs. PSUs awarded in September 2020 will vest over three years with 50% vesting annually over the three year period and the remaining 50% vesting at the end of the third year. The TSR PSUs are subject to total shareholder return rankings of the Company's common stock relative to the software companies in the S&P Index for a specified period or periods, and vest at the end of three years. The Company recognized stock-based compensation related to these performance-based and market-based stock awards of \$3.7 million and \$3.8 million for the three months ended January 31, 2021 and 2020, respectively, and \$7.0 million and \$7.3 million for the six months ended January 31, 2021 and 2020, respectively.

Stock Options

Stock option activity under the Company's equity incentive plans is as follows:

	Stock Options Outstanding			
	Number of Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (1) (in thousands)
Balance as of July 31, 2020	80,332	\$ 29.80	5.2	\$ 7,058
Granted	—			
Exercised	(48,584)	\$ 37.47		\$ 3,534
Canceled	(1,122)	\$ 11.24		
Balance as of January 31, 2021	<u>30,626</u>	\$ 18.31	5.3	\$ 2,953
Vested and expected to vest as of January 31, 2021	<u>30,626</u>	\$ 18.31	5.3	\$ 2,953
Exercisable as of January 31, 2021	<u>28,354</u>	\$ 18.88	5.2	\$ 2,718

⁽¹⁾ Aggregate intrinsic value at each period end represents the difference between the Company's closing stock price of \$114.74 and \$117.66 on January 31, 2021 and July 31, 2020, respectively, and the exercise price of outstanding options. Aggregate intrinsic value for exercised options represents the difference between the Company's stock price at date of exercise and the exercise price.

Valuation of Awards

TSR PSUs

The fair value of TSR PSUs is estimated at the date of grant using the Monte Carlo simulation model which included the following assumptions:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Expected term (in years)	*	*	*	2.90
Risk-free interest rate	*	*	*	1.5%
Expected volatility of the Company	*	*	*	28.4%
Average expected volatility of the peer companies in the S&P Index	*	*	*	37.0%
Expected dividend yield	*	*	*	—%

*There were no TSR PSUs granted during the three months ended January 31, 2020, and three and six months ended January 31, 2021, respectively.

The number of TSR PSUs that may ultimately vest will vary based on the performance of the Company's common stock relative to the shareholder return of the software companies in the S&P Index for a specified period or periods. The Monte Carlo methodology incorporates into the valuation all possible outcomes, including that the Company's relative performance may result in no shares vesting. As a result, stock-based compensation expense is recognized regardless of the Company's ultimate achievement of the plan's metrics. The expense will be reversed only in the event that a grantee is terminated prior to satisfying the requisite service period.

Common Stock Reserved for Issuance

As of January 31, 2021 and July 31, 2020, the Company was authorized to issue 500,000,000 shares of common stock with a par value of \$0.0001 per share and, of these, 83,775,163 and 83,461,925 shares of common stock were issued and outstanding, respectively.

As of January 31, 2021 and July 31, 2020, the Company had reserved shares of common stock for future issuance as follows:

	January 31, 2021	July 31, 2020
Exercise of stock options to purchase common stock	30,626	80,332
Vesting of stock awards	2,884,566	2,445,698
Shares available under stock plans	5,068,549	23,460,234
Total common stock reserved for issuance	7,983,741	25,986,264

Equity Incentive Plan

On December 15, 2020, the Company's stockholders adopted the 2020 Stock Plan ("2020 Plan") for the purpose of granting equity-based incentive awards. The Company initially reserved 5,000,000 shares of its common stock for the issuance of awards under the 2020 Plan. The shares available for issuance are subject to adjustment in the event of a stock split, stock dividend or other defined changes in the Company's capitalization. The 2020 Plan replaced the Company's 2011 Stock Plan; however, awards outstanding under the 2011 Stock Plan will continue to be governed by their existing terms.

The shares the Company issues under the 2020 Plan will be from the Company's pool of authorized but unissued shares. The shares of common stock underlying any awards under the 2011 Plan that are forfeited, canceled, held back upon exercise or settlement of an award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without any issuance of stock or are otherwise terminated (other than by exercise) are added back to the shares of stock available for issuance under the 2020 Plan.

Stock Repurchase Program

In October 2020, the Company's board of directors authorized and approved a stock repurchase program of up to \$200.0 million of the Company's outstanding common stock. Stock repurchases under the program may be made from time to time, in the open market, in privately negotiated transactions and otherwise, at the discretion of management of the Company and in accordance with applicable federal securities laws, including Rule 10b-18 of the Exchange Act, and other applicable legal requirements. Such repurchases may also be made in compliance with Rule 10b5-1 trading plans entered into by the Company.

During the three months ended January 31, 2021, the Company repurchased 309,562 shares of common stock at an average price of \$125.69 per share, for an aggregate purchase price of \$38.9 million. During the six months ended January 31, 2021, the Company repurchased 358,559 shares of common stock at an average price of \$122.46 per share, for an aggregate purchase price of \$43.9 million. As of January 31, 2021, \$156.1 million remained available for future share repurchases.

10. Income Taxes

The Company recognized an income tax benefit of \$14.2 million and an income tax expense of \$4.2 million for the three months ended January 31, 2021 and 2020, respectively, and an income tax benefit of \$24.9 million and \$2.4 million for the six months ended January 31, 2021 and 2020, respectively. The change in the amount of income taxes recorded for the three and six months ended January 31, 2021 compared to the same periods a year ago was primarily due to the increase in the loss before taxes, the release of uncertain tax positions, and the tax status change of certain foreign subsidiaries for U.S. tax purposes. The effective tax rate of 62% and 46% for the three and six months ended January 31, 2021, respectively differs from the statutory U.S. federal income tax rate of 21% mainly due to permanent differences for stock-based compensation including excess tax benefits, global intangible low-taxed income ("GILTI") inclusion, research and development credits, certain non-deductible expenses including executive compensation, release of uncertain tax positions, and the tax status change of certain foreign subsidiaries for U.S. tax purposes.

During the three and six months ended January 31, 2021, unrecognized tax benefits decreased by \$6.4 million and \$6.0 million, respectively. As of January 31, 2021, the Company had unrecognized tax benefits of \$11.7 million that, if recognized, would affect the Company's effective tax rate.

The Company is currently under examination by the California Franchise Tax Board for the state income tax returns filed for fiscal years 2018 and 2017. If any issues addressed in the tax audit are resolved in a manner not consistent with the Company's expectations, the Company may be required to adjust its provision for income tax in the period such resolution occurs.

11. Segment Information

The Company operates in one segment. The Company's chief operating decision maker (the "CODM"), its Chief Executive Officer, manages the Company's operations on a consolidated basis for purposes of allocating resources. When evaluating the Company's financial performance, the CODM reviews separate revenue information for the Company's subscription, support, term license, perpetual license, and services offerings, while all other financial information is reviewed on a consolidated basis. The Company's principal operations and decision-making functions are located in the United States.

The Company's long-lived assets, including intangibles and goodwill, net, by geographic region is as follows (in thousands):

	January 31, 2021	July 31, 2020
Americas	\$ 431,489	\$ 440,291
EMEA	8,289	4,021
APAC	1,290	1,508
Total	<u>\$ 441,068</u>	<u>\$ 445,820</u>

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the Risk Factors included in Item 1A of Part II of this Quarterly Report on Form 10-Q. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references in this report to particular years or quarters refer to our fiscal years ended in July and the associated quarters of those fiscal years. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Overview

We deliver the platform P&C insurers trust to engage, innovate, and grow efficiently. We combine core operations, digital engagement, analytics, and artificial intelligence ("AI") applications delivered as a cloud service or self-managed software. As a partner to our customers, we continually evolve to enable their success and assist them in navigating a rapidly changing insurance market.

Our core operational products are InsuranceSuite via Guidewire Cloud, InsuranceNow, and InsuranceSuite for self-managed installations. These products are core transactional systems of record that support the entire insurance lifecycle, including insurance product definition, distribution, underwriting, policyholder services, and claims management. InsuranceSuite via Guidewire Cloud is a highly configurable and scalable product, delivered as a service and primarily comprised of three core applications (PolicyCenter, BillingCenter, and ClaimCenter) that can be subscribed to separately or together. These applications are built on and optimized for our Guidewire Cloud Platform ("GWCP") architecture and leverages our in-house Guidewire cloud operations team. InsuranceSuite via Guidewire Cloud is designed to support multiple releases a year to ensure that cloud customers remain on the latest version and gain fast access to our innovation efforts. Additionally, InsuranceSuite via Guidewire Cloud embeds digital and analytics capabilities natively into our platform. Most new sales and implementations are for InsuranceSuite via Guidewire Cloud. InsuranceNow is a complete, cloud-based system that offers policy, billing, and claims management functionality to insurers that have limited internal information technology resources. InsuranceSuite for self-managed is comprised of three core applications (PolicyCenter, BillingCenter, and ClaimCenter) that can be licensed separately or together and can be deployed and updated by our customers and their implementation partners. Our digital engagement applications enable digital sales, omni-channel service, and enhanced claims experiences for policyholders, agents, vendor partners and field personnel. Our analytics and AI offerings enable insurers to manage data more effectively, gain insights into their business, drive operational efficiencies, and underwrite new and evolving risks. To support P&C insurers globally, we have localized, and will continue to localize, our platform for use in a variety of international regulatory, language, and currency environments.

Our customers range from some of the largest global insurance companies or their subsidiaries to predominantly national or local insurers that serve specific states and/or regions. Our customer engagement is led by our direct sales team and supported by our system integrator ("SI") partners. We maintain and continue to grow our sales and marketing efforts globally, and maintain regional sales centers throughout the world.

Because our platform is critical to our new and existing customers' businesses, their decision-making and product evaluation process is long, which results in an extended sales cycle. These evaluation periods can extend further if the customer purchases multiple products or assesses the benefits of a cloud-based subscription in addition to our more traditional self-managed licensing model. Sales to new customers also involve extensive customer due diligence and reference checks. The success of our sales efforts relies on continued improvements and enhancements to our current products, the introduction of new products, efficient operation of our cloud infrastructure, continued development of relevant local content and automated tools for updating content, and successful implementations.

We sell our cloud-delivered offerings through subscription services and our self-managed products through term licenses. We generally price our products and services based on the amount of DWP that will be managed by our platform. Our subscription, term license, and support fees are typically invoiced annually in advance. Subscription services are generally sold with an initial term of between three and five years with optional annual renewals commencing after the initial term. Subscription revenue is recognized on a ratable basis over the committed term, once all revenue recognition criteria is met including providing access to the service. Term licenses are primarily sold with an initial two-year committed term with optional annual renewals commencing after the initial term. We may enter into term license arrangements with our customers that have an initial term of more than two years or may renew license arrangements for longer than one year. A small portion of our revenue is derived from perpetual licenses. Term and perpetual license revenue are typically recognized when software is made available to the customer, provided that all other revenue recognition criteria have been met. We also offer professional services, both directly and through SI partners, to help our customers deploy, migrate, and utilize our products, services, and platform. Substantially all of our services revenue is billed monthly on a time and materials basis.

Over the past few years, we have primarily been entering into cloud-based subscription arrangements with our new and existing customers and we anticipate that subscription arrangements will be a majority of annual new sales going forward. As this sales model matures, we may decide to change certain contract terms in new arrangements to remain competitive or otherwise meet market demands.

To extend our technology leadership in the global market and to drive operating efficiency, we continue to invest in product development and cloud operations to enhance and improve our current products, introduce new products, and advance our ability to cost-effectively deliver each of our products in the cloud. Continued investment is critical as we seek to assist our customers in achieving their technology goals, maintain our competitive advantage, grow our revenue, expand internationally, and meet evolving customer demands. In certain cases, we may also acquire skills and technologies to manage our cloud infrastructure and accelerate our time to market for new products and solutions and upgrades.

Our track record of success with customers and their implementations is central to maintaining our strong competitive position. We rely on our global services team and SI partners to ensure that teams with the right combination of product and language skills are used in the most efficient way to meet our customers' implementation needs. Our partnerships with leading SI partners allow us to increase efficiency and scale while reducing customer implementation costs. Our extensive relationships with SI and other industry partners have strengthened and expanded in line with the interest in and adoption of our services and products. We encourage our partners to co-market, pursue joint sales initiatives, and drive broader adoption of our technology, helping us grow our business more efficiently. We continue to grow our services organization and invest time and resources in increasing the number of qualified consultants employed by our SI partners, developing relationships with new SI partners in existing and new markets, and ensuring that all partners are qualified to implement our services and products.

We face a number of risks in the execution of our strategy including risks related to expanding to new markets, managing lengthy sales cycles, competing effectively in the global market, relying on sales to a relatively small number of large customers, developing new or acquiring existing services and products successfully, migrating our business towards a subscription model with ratable revenue recognition, increasing the overall adoption of our products, and cost-effectively managing the infrastructure of our cloud-based customers. In response to these and other risks we might face, we continue to invest in many areas of our business, including product development, cloud operations, implementation services and sales and marketing.

Seasonality

We have experienced seasonal variations in our license revenue and, to a lesser extent, our subscription revenue as a result of increased customer orders in our fourth fiscal quarter. We generally see significantly increased orders in our fourth fiscal quarter, which is the quarter ending July 31, due to efforts by our sales team to achieve annual incentives. Additionally, current revenue recognition guidance, also referred to as ASC 606, could continue to heighten or change the seasonal impact on our business as new term licenses and multi-year term license renewals recognize more revenue upfront based on the length of the committed term. Any quarter in which a significant multi-year term license or multi-year term license renewal or non-renewal occurs could be impacted. For example, in the first quarter of fiscal year 2021, we experienced license revenue growth due to a five-year term license renewal under which revenue was recognized upfront, which overshadowed the usual positive seasonal impact in our second quarter of fiscal year 2021 and may create a challenging comparable period for the first quarter of fiscal year 2022. On an annual basis, our support revenue, which is recognized ratably, may also be impacted in the event that seasonal patterns change significantly. Additionally, as subscriptions increase as a percentage of total sales, the revenue we can recognize in the initial fiscal year of an order will be reduced, deferred revenue will increase, and our reported revenue growth will be adversely affected in the near term due to the ratable nature of these arrangements. The concentration of our sales in our fiscal fourth quarter increases this impact as the revenue impact of most fiscal fourth quarter subscription sales will not be realized until the following fiscal year.

Our services revenue is also subject to seasonal fluctuations, though to a lesser degree than our license revenue and subscription revenue. Our services revenue is impacted by the number of billable days in a given fiscal quarter. The quarter ending January 31 usually has fewer billable days due to the impact of the Thanksgiving, Christmas, and New Year's holidays. The fiscal quarter ending July 31 usually has fewer billable days due to the impact of vacations taken by our services professionals. Because we pay our services professionals the same amount throughout the year, our gross margins on our services revenue are usually lower in these quarters. This seasonal pattern, however, may be absent in any given year.

COVID-19 Impact

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic that continues to spread throughout the United States and the world and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. While we are unable to accurately predict the full impact that COVID-19 will have on our results of operations, financial condition,

liquidity, and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, our compliance with these measures has impacted our day-to-day operations and could continue to disrupt our business and operations, as well as that of our key customers, SI partners, vendors, and other counterparties, for an indefinite period of time. To support the health and well-being of our employees, customers, SI partners and communities, a vast majority of our employees are working remotely. In addition, many of our existing and potential customers are working remotely, which may continue to delay the timing of new orders and professional services engagements in the future.

Our business and financial results since the third fiscal quarter of 2020 have been impacted due to these disruptions, including decreases in annual recurring revenue ("ARR") growth rates, services revenue and margins, operating cash flow, and the change in fair value of strategic investments. ARR and revenue, especially services revenue, for the first half of fiscal 2021 continued to be impacted as a result of the challenges related to our compliance with government-mandated or recommended shelter-in-place orders in jurisdictions in which we, our customers, SI partners and vendors operate. For example, we or our SI partners have not visited customer facilities to make sales presentations or to work on implementation engagements since March 2020.

We currently believe that the economic impact of the pandemic on our business and the businesses of our customers, SI partners, and vendors is expected to continue through fiscal year 2021, or possibly longer. We believe that new sales activities are being delayed, not cancelled, and implementation engagements are being rescheduled to later periods or being completed over a longer period of time. Certain marketing events have or will be cancelled or postponed, while the majority are being hosted virtually, like our customer conference, Connections. Our customers may be unable to pay or may request amended payment terms for their outstanding invoices due to the economic impacts from COVID-19, and we may need to increase our accounts receivable allowances. A decrease in orders in a given period could negatively affect our revenues and ARR in future periods, particularly if experienced on a sustained basis, because a substantial proportion of our new software subscription services orders is recognized as revenue over time. Also, the pandemic's global economic impact could affect our customers' DWP, which could ultimately impact our revenue as we generally price our products and services based on the amount of DWP that will be managed by our platform. Additionally, we may be required to record impairment related to our operating lease assets, investments, long-lived assets, or goodwill.

In response to the pandemic, various government programs have been announced which provide financial relief to affected businesses. As an example, the Canadian Government enacted the Canada Emergency Wage Subsidy ("CEWS") under their COVID-19 Economic Response Plan to prevent layoffs and help employers offset, for a limited time, a portion of their employee salaries and wages. In January 2021, we applied for the CEWS, to the extent we met the requirements to receive the subsidy, and recorded a reduction of compensation expense of approximately \$1.7 million that is reflected in cost of revenue and operating expenses in our condensed consolidated statements of operations during the three months ended January 31, 2021. We will continue to review and apply for additional subsidies for the remaining term of the program, where applicable.

We will continue to evaluate the nature and extent of the impact of COVID-19 on our business.

Key Business Metrics

We use certain key metrics and financial measures not prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") to evaluate and manage our business, including Annual Recurring Revenue ("ARR") and Free Cash Flow. For a further discussion of how we use key metrics and certain non-GAAP financial measures, see "Non-GAAP Financial Measures" in this Quarterly Report on Form 10-Q.

Annual Recurring Revenue

We use ARR to identify the annualized recurring value of active customer contracts at the end of a reporting period. ARR includes the annualized recurring value of term licenses, subscription agreements, support contracts, and hosting agreements based on customer contracts, which may not be the same as the timing and amount of revenue recognized. All components of the licensing and subscription arrangements that are not expected to recur (primarily perpetual licenses and services) are excluded. If a customer contract contains invoicing amounts that increase over the contract term, then ARR reflects the annualized invoicing amount outlined in the contract for the current reporting period. For example, given a contract with annual invoicing of \$1.0 million at the beginning of year one, \$2.0 million at the beginning of year two, and \$3.0 million at the beginning of year three, and the reporting period is subsequent to year two invoicing and prior to year three invoicing, the reported ARR for that contract would be \$2.0 million.

Our reported ARR results for interim quarterly periods in fiscal year 2021 are based on actual currency rates at the end of fiscal year 2020, held constant throughout the year. ARR was \$520 million as of January 31, 2021, compared to \$514 million as of July 31, 2020.

Free Cash Flow

We monitor our free cash flow, as a key measure of our overall business performance, which enables us to analyze our financial performance without the effects of certain non-cash items such as depreciation, amortization, and stock-based compensation expenses. Additionally, free cash flow takes into account the impact of changes in deferred revenue, which reflects the receipt of cash payment for products before they are recognized as revenue, and unbilled accounts receivable, which reflects revenue that has been recognized that has yet to be invoiced to our customers. Our net cash provided by (used in) operating activities is significantly impacted by the timing of invoicing and collections of accounts receivable, the timing and amount of annual bonus payments, as well as payroll and tax payments. Our capital expenditures consists of purchases of property and equipment, primarily computer hardware, software, and leasehold improvements, and capitalized software development costs. The build out and furnishing of our corporate headquarters in San Mateo, California impacted free cash flow by \$7.6 million for the six months ended January 31, 2020 and had no impact for the six months ended January 31, 2021. For a further discussion of our operating cash flows, see "Liquidity and Capital Resources - Cash Flows" in this Quarterly Report on Form 10-Q.

	Six Months Ended January 31,	
	2021	2020
Net cash provided by (used in) operating activities	\$ (2,378)	\$ 1,336
Purchases of property and equipment	(5,517)	(11,254)
Capitalized software development costs	(4,884)	(2,210)
Free cash flow	\$ (12,779)	\$ (12,128)

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. Accounting policies, methods, and estimates are an integral part of the preparation of condensed consolidated financial statements in accordance with GAAP and, in part, are based upon management's current judgments. Those judgments are normally based on knowledge and experience with regard to past and current events and assumptions about future events. Certain accounting policies, methods, and estimates are particularly sensitive because of their significance to the condensed consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. While there are a number of significant accounting policies, methods, and estimates affecting our condensed consolidated financial statements, which are described in Note 1 "The Company and Summary of Significant Accounting Policies and Estimates" to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, our revenue recognition policies are critical to the periods presented.

There have been no material changes to our significant and critical accounting policies as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended July 31, 2020.

Recent Accounting Pronouncements

See Note 1 "The Company and Summary of Significant Accounting Policies and Estimates" to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, for a full description of recent accounting pronouncements adopted, including the dates of adoption, and recent account pronouncements not yet adopted.

Results of Operations

The following table sets forth our results of operations for the periods presented. The data has been derived from the condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q which, in the opinion of our management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position and results of operations for the interim periods presented. The results of operations for any period should not be considered indicative of results for any future period. This information should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2020.

	Three Months Ended January 31,			
	2021	As a % of total revenue	2020	As a % of total revenue
(in thousands, except percentages)				
Revenue:				
Subscription and support	\$ 59,563	33 %	\$ 49,550	29 %
License	77,912	43	76,520	44
Services	42,587	24	47,388	27
Total revenue	<u>180,062</u>	<u>100</u>	<u>173,458</u>	<u>100</u>
Cost of revenue:				
Subscription and support	40,158	22	28,212	17
License	2,834	2	2,904	1
Services	48,910	27	52,480	30
Total cost of revenue	<u>91,902</u>	<u>51</u>	<u>83,596</u>	<u>48</u>
Gross profit:				
Subscription and support	19,405	11	21,338	12
License	75,078	41	73,616	43
Services	(6,323)	(3)	(5,092)	(3)
Total gross profit	<u>88,160</u>	<u>49</u>	<u>89,862</u>	<u>52</u>
Operating expenses:				
Research and development	53,194	30	49,954	28
Sales and marketing	39,216	22	37,339	22
General and administrative	22,820	13	20,599	12
Total operating expenses	<u>115,230</u>	<u>65</u>	<u>107,892</u>	<u>62</u>
Income (loss) from operations	<u>(27,070)</u>	<u>(16)</u>	<u>(18,030)</u>	<u>(10)</u>
Interest income	2,015	1	6,958	4
Interest expense	(4,651)	(3)	(4,462)	(3)
Other income (expense), net	6,805	4	(182)	—
Income (loss) before provision for (benefit from) income taxes	<u>(22,901)</u>	<u>(14)</u>	<u>(15,716)</u>	<u>(9)</u>
Provision for (benefit from) income taxes	(14,249)	(8)	4,228	2
Net income (loss)	<u>\$ (8,652)</u>	<u>(6)%</u>	<u>\$ (19,944)</u>	<u>(11)%</u>

	Six Months Ended January 31,			
	2021	As a % of total revenue	2020	As a % of total revenue
(in thousands, except percentages)				
Revenue:				
Subscription and support	\$ 117,529	34 %	\$ 98,581	30 %
License	143,195	41	130,883	39
Services	89,140	25	101,004	31
Total revenue	<u>349,864</u>	<u>100</u>	<u>330,468</u>	<u>100</u>
Cost of revenue:				
Subscription and support	77,164	22	53,145	16
License	5,771	2	5,461	2
Services	99,934	28	105,846	32
Total cost of revenue	<u>182,869</u>	<u>52</u>	<u>164,452</u>	<u>50</u>
Gross profit:				
Subscription and support	40,365	12	45,436	14
License	137,424	39	125,422	37
Services	(10,794)	(3)	(4,842)	(1)
Total gross profit	<u>166,995</u>	<u>48</u>	<u>166,016</u>	<u>50</u>
Operating expenses:				
Research and development	105,809	30	96,450	29
Sales and marketing	75,860	22	70,355	21
General and administrative	44,000	13	41,838	13
Total operating expenses	<u>225,669</u>	<u>65</u>	<u>208,643</u>	<u>63</u>
Income (loss) from operations	(58,674)	(17)	(42,627)	(13)
Interest income	4,804	1	14,594	4
Interest expense	(9,271)	(3)	(8,891)	(3)
Other income (expense), net	9,373	3	(433)	—
Income (loss) before provision for (benefit from) income taxes	(53,768)	(16)	(37,357)	(12)
Provision for (benefit from) income taxes	(24,926)	(7)	(2,422)	(1)
Net income (loss)	<u>\$ (28,842)</u>	<u>(9)%</u>	<u>\$ (34,935)</u>	<u>(11)%</u>

Revenue

We derive our revenue primarily from delivering cloud-based services, licensing our software applications, providing support, and delivering professional services.

Subscription and Support

A growing portion of our revenue consists of fees for our subscription services, which are generally priced based on the amount of DWP that is managed by our subscription services. Subscription revenue is recognized ratably over the term of the arrangement, beginning at the point in time our provisioning process has been completed and access has been made available to the customer. The initial term of such arrangements is generally from three to five years. Subscription agreements contain

optional annual renewals commencing upon the expiration of the initial contract term. A majority of our subscription customers are billed annually in advance.

Our support revenue is generally recognized ratably over the committed support term of the licensed software. Our support fees are typically priced as a fixed percentage of the associated term license fees. We generally invoice support annually in advance.

License

A substantial majority of our license revenue consists of term license fees. Our term license revenue is primarily generated through license fees that are billed annually in advance during the term of the contract, including any renewals. Our term license fees are generally priced based on the amount of DWP that will be managed by our licensed software. Our term licenses have generally been sold under a two-year initial term with optional annual renewals after the initial term. However, we do enter into license arrangements that have an initial term of more than two years and renewal terms of more than one year. Term license revenue for the committed term of the customer agreement is generally fully recognized upon delivery of the software or at the beginning of the renewal term.

In a limited number of cases, we license our software on a perpetual basis. Perpetual license revenue is generally recognized upon delivery. We invoice our perpetual license customers either in full at contract signing or on an installment basis.

Services

Our services revenue is primarily derived from implementation services performed for our customers, reimbursable travel expenses, and training fees. A substantial majority of our services engagements generate revenue on a time and materials basis and revenue is recognized upon providing our services.

	Three Months Ended January 31,					
	2021		2020		Change	
	Amount	As a % of total revenue	Amount	As a % of total revenue	(\$)	(%)
(in thousands, except percentages)						
Revenue:						
Subscription and support:						
Subscription	\$ 38,278	21 %	\$ 28,434	17 %	\$ 9,844	35 %
Support	21,285	12	21,116	12	169	1 %
License:						
Term license	77,864	43	74,478	43	3,386	5 %
Perpetual license	48	—	2,042	1	(1,994)	(98)%
Services	42,587	24	47,388	27	(4,801)	(10)%
Total revenue	\$ 180,062	100 %	\$ 173,458	100 %	\$ 6,604	4 %

	Six Months Ended January 31,					
	2021		2020		Change	
	Amount	As a % of total revenue	Amount	As a % of total revenue	(\$)	(%)
(in thousands, except percentages)						
Revenue:						
Subscription and support:						
Subscription	\$ 75,508	22 %	\$ 56,494	18 %	\$ 19,014	34 %
Support	42,021	12	42,087	13	(66)	— %
License:						
Term license	143,089	41	128,792	38	14,297	11 %
Perpetual license	106	—	2,091	—	(1,985)	(95)%
Services	89,140	25	101,004	31	(11,864)	(12)%
Total revenue	<u>\$ 349,864</u>	<u>100 %</u>	<u>\$ 330,468</u>	<u>100 %</u>	<u>\$ 19,396</u>	<u>6 %</u>

Subscription and Support

We anticipate subscriptions will continue to represent a majority of new arrangements, including customers migrating from existing term license arrangements to subscription services, in future periods. Due to the ratable recognition of subscription revenue, growth in subscription revenue will lag behind the growth of subscription orders and will impact the comparative growth of our reported revenue. If we complete a higher percentage of subscription arrangements in a given period, our short-term growth rates will be negatively impacted.

Subscription revenue increased by \$9.8 million during the three months ended January 31, 2021 and increased by \$19.0 million during the six months ended January 31, 2021, compared to the same periods a year ago, primarily due to the impact of new subscription services agreements related to InsuranceSuite via Guidewire Cloud entered into since January 31, 2020.

Support revenue increased by \$0.2 million during the three months ended January 31, 2021 and decreased by less than \$0.1 million during the six months ended January 31, 2021, compared to the same periods a year ago. Support related to subscription arrangements is included in subscription revenue, as support is not quoted or priced separately from the subscription services. As customers enter into a subscription agreement to migrate from an existing term license agreement, the timing and amount of revenue recognized will be impacted by allocations of the total contract value between the license, subscription, and support performance obligations. As a result, we expect the increase in subscription orders as a percentage of total new sales and customers migrating from term licenses to subscription services will continue to reduce the growth in, or result in lower, support revenue in the future.

License

Term license revenue increased by \$3.4 million during the three months ended January 31, 2021 compared to the prior year period as a result of an increase of \$10.1 million from new term licenses, partially offset by a decrease of \$6.7 million from term license renewals. Included in these amounts is the impact of term license contracts with an initial term of greater than two years or a renewal term of greater than one year. The impact on term license revenue from contracts that deviated from our standard contract durations was \$4.2 million in the three months ended January 31, 2021 compared with \$2.9 million in the prior year period.

Term license revenue increased by \$14.3 million during the six months ended January 31, 2021 compared to the prior year period as a result of an increase of \$11.3 million from new term licenses and an increase of \$3.0 million from term license renewals. Included in these amounts is the impact of term license contracts with an initial term of greater than two years or a renewal term of greater than one year. The impact on term license revenue from contracts that deviated from our standard contract durations was \$19.5 million in the six months ended January 31, 2021 compared with \$7.2 million in the prior year period.

Revenue related to new term licenses and multi-year term license renewals is generally recognized upfront and have no license revenue in subsequent periods until after the committed term expires. As customers enter into a subscription agreement to migrate from an existing term license agreement, the timing and amount of revenue recognition will be impacted by allocations of total contract value between the license, subscription, and support performance obligations. License revenue

growth could be negatively impacted as subscription sales increase as a percentage of total new sales and as customers migrate from term licenses to subscription services.

Perpetual license revenue accounted for less than 1% of total revenue during the three and six months ended January 31, 2021. We expect perpetual license revenue to continue to represent a small percentage of our total license revenue. We also expect perpetual license revenue to potentially be volatile across quarters due to the large amount of perpetual revenue that may be generated from a single customer order.

Services

Services revenue decreased by \$4.8 million during the three months ended January 31, 2021 and by \$11.9 million during the six months ended January 31, 2021, compared to the same periods a year ago. The decrease is primarily driven by a reduction in revenue from billable travel costs due to travel restrictions associated with the COVID-19 pandemic of \$3.7 million and \$7.7 million during the three and six months ended January 31, 2021, respectively. To a lesser extent, the decreases were also impacted by contracts with reduced billing rates and increased investments in customer InsuranceSuite via Guidewire Cloud migrations and implementations.

We expect modestly higher levels of variability in our services revenue in future periods. As the number of implementations led by our SI partners increase, our services revenue could decrease further. We expect challenges related to COVID-19 will also continue to negatively impact services revenue. As we continue to expand into new markets and develop new services and products, we have, and may continue to, enter into contracts with reduced billing rates, make investments in customer implementation and migration engagements, and enter into fixed price contracts, which may impact services revenue and services margins.

Cost of Revenue and Gross Profit

Our cost of subscription and support revenue consists of personnel costs for our cloud operations and technical support teams, cloud infrastructure costs, development of online training curriculum, amortization of our intangible assets, and royalty fees paid to third parties. Our cost of license revenue primarily consists of development of online training curriculum, royalty fees paid to third parties, and amortization of our intangible assets. Our cost of services revenue primarily consists of personnel costs for our professional service employees, third-party consultants, and travel costs. In instances where we have primary responsibility for the delivery of services, subcontractor fees are expensed as cost of services revenue. In each case, personnel costs include salaries, bonuses, benefits, and stock-based compensation.

We allocate overhead such as information technology support, information security, facilities, and other administrative costs to all functional departments based on headcount. As such, these general overhead expenses are reflected in cost of revenue and each functional operating expense.

Cost of Revenue:

	Three Months Ended January 31,			
	2021	2020	Change	
	Amount	Amount	(\$)	(%)
(in thousands, except percentages)				
Cost of revenue:				
Subscription and support	\$ 40,158	\$ 28,212	\$ 11,946	42 %
License	2,834	2,904	(70)	(2)
Services	48,910	52,480	(3,570)	(7)
Total cost of revenue	\$ 91,902	\$ 83,596	\$ 8,306	10
Includes stock-based compensation of:				
Cost of subscription and support revenue	\$ 2,954	\$ 1,886	\$ 1,068	
Cost of license revenue	145	188	(43)	
Cost of services revenue	5,578	5,469	109	
Total	\$ 8,677	\$ 7,543	\$ 1,134	

	Six Months Ended January 31,			
	2021	2020	Change	
	Amount	Amount	(\$)	(%)
(in thousands, except percentages)				
Cost of revenue:				
Subscription and support	77,164	\$ 53,145	\$ 24,019	45 %
License	5,771	5,461	310	6
Services	99,934	105,846	(5,912)	(6)
Total cost of revenue	\$ 182,869	\$ 164,452	\$ 18,417	11
Includes stock-based compensation of:				
Cost of subscription and support revenue	\$ 5,556	\$ 3,519	\$ 2,037	
Cost of license revenue	396	368	28	
Cost of services revenue	11,121	10,801	320	
Total	\$ 17,073	\$ 14,688	\$ 2,385	

Cost of subscription and support revenue during the three and six months ended January 31, 2021 increased by \$11.9 million and \$24.0 million, respectively, compared to the same periods a year ago, primarily due to increases of \$7.5 million and \$16.3 million, respectively, in personnel expense, and \$4.4 million and \$7.0 million, respectively, in cloud infrastructure costs. The three months ended January 31, 2021 included a \$0.7 million benefit to cost of subscription and support revenue related to the CEWS. Due to our growth in cloud-based customers, the costs to provide our subscription services has increased. Additionally, we continue to invest in our cloud operations to increase operational efficiency and scale and continuously improve security.

We expect our cost of subscription revenue to continue to increase as we continue to invest in our cloud operations to support our growing cloud customer base, to improve efficiencies, and to continuously improve and maintain secure environments. Cost of support revenue is expected to remain flat or slightly decrease over time as term license customers transition to the cloud.

The \$0.1 million decrease in cost of license revenue during the three months ended January 31, 2021, compared to the same period a year ago, was primarily attributable to decreased amortization expense due to certain acquired intangible assets becoming fully amortized.

The \$0.3 million increase in cost of license revenue during the six months ended January 31, 2021, compared to the same period a year ago, was primarily attributable to a \$0.3 million increase related to the development of online training curriculum, which is included as part of the latest releases of InsuranceSuite, and royalties to solution partners for technologies integrated with our self-managed offerings.

We anticipate lower cost of license revenue over time as our term license customers migrate to cloud subscription agreements.

The \$3.6 million decrease in cost of services revenue during the three months ended January 31, 2021, compared to the same period a year ago, was primarily attributable to a decrease of \$3.7 million in billable travel costs resulting from COVID-19 travel restrictions.

The \$5.9 million decrease in cost of services revenue during the six months ended January 31, 2021, compared to the same period a year ago, was primarily attributable to decreases of \$7.7 million in billable travel costs resulting from COVID-19 travel restrictions and \$1.0 million in software subscriptions and hosting costs, partially offset by increases of \$0.8 million in facilities costs and of \$0.7 million in personnel costs, primarily bonuses.

We had 519 cloud operations and technical support employees and 675 professional services employees at January 31, 2021, compared to 282 cloud operations and technical support employees and 749 professional services employees at January 31, 2020. Approximately 98 employees have been transferred from professional services to cloud operations and research and development since January 31, 2020 to support the growth in our cloud customers.

Gross Profit:

	Three Months Ended January 31,					
	2021		2020		Change	
	Amount	Margin %	Amount	Margin %	(\$)	(%)
	(in thousands, except percentages)					
Gross profit:						
Subscription and support	\$ 19,405	33 %	\$ 21,338	43 %	\$ (1,933)	(9)%
License	75,078	96	73,616	96	1,462	2
Services	(6,323)	(15)	(5,092)	(11)	(1,231)	(24)
Total gross profit	\$ 88,160	49	\$ 89,862	52	\$ (1,702)	(2)

Our gross profit decreased \$1.7 million during the three months ended January 31, 2021 compared to the same period a year ago. Gross profit was impacted by continued investments in cloud operations and decreases in professional services revenue driven by increased investments in cloud migration and implementation engagements, contracts with reduced billing rates and lower billable travel, partially offset by an increase in license revenue resulting from multi-year term license arrangements.

Our gross margin decreased to 49% during the three months ended January 31, 2021, as compared to 52% during the same period a year ago. Gross margin was impacted by lower subscription and support gross margins resulting from increasing investments in cloud operations and negative services gross margins resulting from investments in cloud migration and implementation engagements and contracts with reduced billing rates.

	Six Months Ended January 31,					
	2021		2020		Change	
	Amount	Margin %	Amount	Margin %	(\$)	(%)
	(in thousands, except percentages)					
Gross profit:						
Subscription and support	\$ 40,365	34 %	\$ 45,436	46 %	\$ (5,071)	(11)%
License	137,424	96	125,422	96	12,002	10
Services	(10,794)	(12)	(4,842)	(5)	(5,952)	(123)
Total gross profit	\$ 166,995	48	\$ 166,016	50	\$ 979	1

Our gross profit increased \$1.0 million during the six months ended January 31, 2021 compared to the same period a year ago. Gross profit was impacted by an increase in license revenue resulting from a large multi-year term license renewal and new multi-year term license arrangements, partially offset by continued investments in cloud operations and decreases in professional services revenue driven by increased investments in cloud migration and implementation engagements, contracts with reduced billing rates, and lower billable travel.

Our gross margin decreased to 48% during the six months ended January 31, 2021, as compared to 50% during the same period a year ago. Gross margin was impacted by lower subscription and support gross margins resulting from increasing investments in cloud operations and negative services gross margins resulting from investments in cloud migration and implementation engagements and contracts with reduced billing rates.

We expect subscription and support gross margins will fluctuate as our subscription revenue increases and we continue to invest in our cloud operations. In addition to the impact of our investment in customer migrations and implementations, we expect continued challenges related to COVID-19 will negatively impact services gross margin through fiscal year 2021 and potentially longer. We expect license gross margin will fluctuate based on changes in revenue due to the timing of delivery of new multi-year term licenses and the execution of multi-year term license renewals, as cost of license revenue is expected to be relatively flat compared to prior periods.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. The largest components of our operating expenses are personnel costs for our employees and, to a lesser extent, professional services. In each case, personnel costs include salaries, bonuses, commissions, benefits, and stock-based compensation.

We allocate overhead such as information technology support, information security, facilities, and other administrative costs to all functional departments based on headcount. As a result, general overhead expenses are reflected in cost of revenue and each functional operating expense.

	Three Months Ended January 31,					
	2021		2020		Change	
	Amount	As a % of total revenue	Amount	As a % of total revenue	(\$)	(%)
	(in thousands, except percentages)					
Operating expenses:						
Research and development	\$ 53,194	30%	\$ 49,954	28 %	\$ 3,240	6 %
Sales and marketing	39,216	22	37,339	22	1,877	5
General and administrative	22,820	13	20,599	12	2,221	11
Total operating expenses	<u>\$ 115,230</u>	<u>65</u>	<u>\$ 107,892</u>	<u>62</u>	<u>\$ 7,338</u>	<u>7</u>
Includes stock-based compensation of:						
Research and development	\$ 7,604		\$ 6,668		\$ 936	
Sales and marketing	6,806		5,996		810	
General and administrative	6,809		6,529		280	
Total	<u>\$ 21,219</u>		<u>\$ 19,193</u>		<u>\$ 2,026</u>	

	Six Months Ended January 31,					
	2021		2020		Change	
	Amount	As a % of total revenue	Amount	As a % of total revenue	(\$)	(%)
	(in thousands, except percentages)					
Operating expenses:						
Research and development	\$ 105,809	30 %	\$ 96,450	29 %	\$ 9,359	10 %
Sales and marketing	75,860	22	70,355	21	5,505	8
General and administrative	44,000	13	41,838	13	2,162	5
Total operating expenses	<u>\$ 225,669</u>	<u>65</u>	<u>\$ 208,643</u>	<u>63</u>	<u>\$ 17,026</u>	<u>8</u>
Includes stock-based compensation of:						
Research and development	\$ 14,851		\$ 12,849		\$ 2,002	
Sales and marketing	12,783		11,153		1,630	
General and administrative	13,273		12,604		669	
Total	<u>\$ 40,907</u>		<u>\$ 36,606</u>		<u>\$ 4,301</u>	

Research and Development

Our research and development expenses primarily consist of personnel costs for our technical staff and consultants providing professional services.

The \$3.2 million increase in research and development expenses during the three months ended January 31, 2021 compared to the same period a year ago, was primarily due to a \$3.7 million increase in personnel costs associated with higher headcount in fiscal year 2021 and higher cloud infrastructure costs of \$0.5 million for our development environments, partially offset by decreases in travel costs of \$0.7 million due to COVID-19 travel restrictions and in professional services costs of \$0.2 million. The three months ended January 31, 2021 included a \$0.6 million benefit to research and development expenses related to the CEWS.

The \$9.4 million increase in research and development expenses during the six months ended January 31, 2021 compared to the same period a year ago, was primarily due to an increase in personnel costs associated with higher headcount in fiscal year 2021 of \$9.4 million, additional cloud infrastructure costs for our development environments of \$1.0 million, and professional services costs of \$0.4 million for consultants to support the development of our subscription offerings, information security requirements, and cloud strategy. These increases were partially offset by a decrease in travel costs of \$1.4 million due to COVID-19 travel restrictions and a \$0.6 million benefit related to the CEWS.

Our research and development headcount was 806 at January 31, 2021 compared with 725 at January 31, 2020.

We expect our research and development expenses to increase in absolute dollars as we continue to hire and dedicate internal resources to develop, improve, and expand the functionality of our solutions and migrate our solutions to the cloud. Research and development expenses may also increase if we pursue additional acquisitions.

Sales and Marketing

Our sales and marketing expenses primarily consist of personnel costs for our sales and marketing employees. It also includes travel expenses, professional services for marketing activities, and amortization of certain acquired intangibles.

The \$1.9 million increase in sales and marketing expenses during the three months ended January 31, 2021 compared to the same period a year ago, was primarily attributable to increases of \$6.2 million in personnel costs due to higher headcount to sell and market our services and products, including an increase of \$1.3 million due to the amortization of contract acquisition costs (primarily commissions). Contract acquisition costs are capitalized when earned and expensed over the anticipated period of time that goods and services are expected to be provided to a customer, which we estimate to be approximately five years. These increases were partially offset by decreases of \$2.2 million in travel costs due to COVID-19 travel restrictions and \$2.2 million in marketing, advertising and related professional services expenses for our user conference, Connections. In fiscal 2020, costs for the annual event were recognized in the second quarter, the quarter in which the in-person event occurred. In fiscal 2021, due to COVID-19, Connections Reimagined was, and will be, held as three virtual events occurring over the course of the year. The first event took place in November 2020. We expect to recognize additional costs associated with the two remaining Connections Reimagined events in the second half of fiscal year 2021.

The \$5.5 million increase in sales and marketing expenses during the six months ended January 31, 2021 compared to the same period a year ago, was primarily attributable to an increase of \$11.6 million in personnel costs due to higher headcount to sell and market our services and products, including an increase of \$2.3 million due to the amortization of contract acquisition costs (primarily commissions). Contract acquisition costs are capitalized when earned and expensed over the anticipated period of time that goods and services are expected to be provided to a customer, which we estimate to be approximately five years. These increases were partially offset by decreases of \$4.3 million in travel costs due to travel restrictions and \$1.4 million in marketing, advertising and related professional services expenses for our user conference, Connections.

Our sales and marketing headcount was 423 at January 31, 2021 compared with 374 at January 31, 2020.

We expect our sales and marketing expenses to continue to increase in absolute dollars as we continue to invest in sales and marketing activities to support our business growth and objectives.

General and Administrative

Our general and administrative expenses include executive, finance, human resources, legal, and corporate development and strategy functions, and primarily consist of personnel costs, as well as professional services.

The \$2.2 million increase during the three and six months ended January 31, 2021 compared to the same periods a year ago, was primarily attributable to increases in professional services, and software expenses to support our growth and remote work environment.

Our general and administrative headcount was 365 at January 31, 2021 compared with 297 at January 31, 2020. General and administrative headcount includes personnel in information technology support, information security, facilities, and recruiting whose expenses are allocated across all functional departments.

We expect that our general and administrative expenses will increase in absolute dollars as we continue to invest in personnel, corporate infrastructure, and systems required to support our strategic initiatives, the growth of our business, and our compliance and reporting obligations.

Other Income (Expense)

	Three Months Ended January 31,			
	2021	2020	Change	
	Amount	Amount	(\$)	(%)
	(in thousands, except percentages)			
Interest income	\$ 2,015	\$ 6,958	\$ (4,943)	(71)%
Interest expense	(4,651)	(4,462)	(189)	4 %
Other income (expense), net	6,805	(182)	6,987	*

*Not meaningful

	Six Months Ended January 31,			
	2021	2020	Change	
	Amount	Amount	(\$)	(%)
	(in thousands, except percentages)			
Interest income	\$ 4,804	\$ 14,594	\$ (9,790)	(67)%
Interest expense	(9,271)	(8,891)	(380)	4 %
Other income (expense), net	9,373	(433)	9,806	*

*Not meaningful

Interest Income

Interest income represents interest earned on our cash, cash equivalents, and investments.

Interest income decreased \$4.9 million and \$9.8 million during the three and six months ended January 31, 2021, respectively, compared to the same periods a year ago, primarily due to lower yields on invested funds.

Interest Expense

Interest expense includes both stated interest and the amortization of debt discount and issuance costs associated with the \$400.0 million aggregate principal amount of our Convertible Senior Notes that were issued in March 2018. The amortization of debt discount and issuance costs are recognized on an effective interest basis. Stated interest expense is consistent in the comparative periods as the outstanding principal and stated interest rate have not changed.

Interest expense for the three months ended January 31, 2021 and 2020 consists of non-cash interest expense related to the amortization of debt discount and issuance costs of \$3.4 million and \$3.2 million respectively, and stated interest of \$1.3 million in both periods.

Interest expense for the six months ended January 31, 2021 and 2020 consists of non-cash interest expense related to the amortization of debt discount and issuance costs of \$6.7 million and \$6.4 million respectively, and stated interest of \$2.5 million in both periods.

Other Income (Expense), Net

Other income (expense), net includes foreign exchange gains and losses resulting from fluctuations in foreign exchange rates on monetary asset and monetary liability balances that are denominated in currencies other than the functional currency of the entity in which they are recorded. Our monetary assets and liabilities denominated in currencies other than the functional currency of the entity in which they are recorded consist primarily of trade accounts receivable, unbilled accounts receivable and intercompany receivables and payables. We currently have entities with a functional currency of the Argentine Peso, Australian Dollar, Brazilian Real, British Pound, Canadian Dollar, Danish Kroner, Euro, Indian Rupee, Japanese Yen, Malaysian Ringgit, New Zealand Dollar, Polish Zloty, Russian Ruble, and Swiss Franc.

Other income (expense), net during the three months ended January 31, 2021 was income of \$6.8 million, as compared to expense of \$0.2 million during the same period a year ago, due to fluctuations in foreign currency exchange rates in those periods.

Other income (expense), net during the six months ended January 31, 2021 was income of \$9.4 million, as compared to expense of \$0.4 million during the same period a year ago, due to fluctuations in foreign currency exchange rates in those periods.

Provision for (benefit from) Income Taxes

We are subject to taxes in the United States as well as other tax jurisdictions and countries in which we conduct business. Earnings from our non-U.S. activities are subject to local country income tax and may also be subject to U.S. income tax.

	Three Months Ended January 31,			
	2021	2020		Change
	Amount	Amount	(\$)	(%)
	(in thousands, except percentages)			
Provision for (benefit from) income taxes	\$ (14,249)	\$ 4,228	\$ (18,477)	(437)%
Effective tax rate	62 %		(27)%	

	Six Months Ended January 31,			
	2021	2020		Change
	Amount	Amount	(\$)	(%)
	(in thousands, except percentages)			
Provision for (benefit from) income taxes	\$ (24,926)	\$ (2,422)	\$ (22,504)	929 %
Effective tax rate	46 %		7 %	

We recognized an income tax benefit of \$14.2 million and income tax expense of \$4.2 million for the three months ended January 31, 2021 and 2020, respectively, and an income tax benefit of \$24.9 million and \$2.4 million for the six months ended January 31, 2021 and 2020, respectively. The change in the amount of income taxes recorded for the three and six months ended January 31, 2021 compared to the same periods a year ago was primarily due to the increase in the loss before taxes, the release of uncertain tax positions, and the tax status change of certain foreign subsidiaries for U.S. tax purposes.

The effective tax rate of 62% and 46% for the three and six months ended January 31, 2021 differs from the statutory U.S. federal income tax rate of 21% due to permanent differences for stock-based compensation including excess tax benefits, global intangible low-taxed income ("GILTI") inclusion, research and development credits, certain non-deductible expenses including executive compensation, the release of uncertain tax positions, and the tax status change of certain foreign subsidiaries.

During the three and six months ended January 31, 2021, unrecognized tax benefits decreased by \$6.4 million and \$6.0 million, respectively. As of January 31, 2021, we had unrecognized tax benefits of \$11.7 million that, if recognized, would affect our effective tax rate.

Non-GAAP Financial Measures

In addition to the key business metrics presented above, we believe that the following non-GAAP financial measures provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Management uses these non-GAAP measures to compare our performance to that of prior periods for trend analysis, for purposes of determining executive and senior management incentive compensation, and for budgeting and planning purposes. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial results with other software companies because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, many of which present similar non-GAAP financial measures to investors. However, our management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP.

The non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. We urge investors to review the reconciliation of non-GAAP financial measures to the comparable GAAP financial measures included herein and not to rely on any single financial measure to evaluate the Company's business.

The following table reconciles the specific items excluded from GAAP in the calculation of non-GAAP financial measures for the periods indicated below.

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2020	2021	2020
Gross profit reconciliation:				
GAAP gross profit	\$ 88,160	\$ 89,862	\$ 166,995	\$ 166,016
Non-GAAP adjustments:				
Stock-based compensation	8,677	7,543	17,073	14,688
Amortization of intangibles	4,526	4,945	9,052	9,890
COVID-19 Canada Emergency Wage Subsidy benefit ⁽³⁾	(968)	—	(968)	—
Non-GAAP gross profit	\$ 100,395	\$ 102,350	\$ 192,152	\$ 190,594
Income (loss) from operations reconciliation:				
GAAP income (loss) from operations	\$ (27,070)	\$ (18,030)	\$ (58,674)	\$ (42,627)
Non-GAAP adjustments:				
Stock-based compensation	29,896	26,736	57,980	51,294
Amortization of intangibles	6,323	6,742	12,646	13,909
COVID-19 Canada Emergency Wage Subsidy benefit ⁽³⁾	(1,686)	—	(1,686)	—
Non-GAAP income (loss) from operations	\$ 7,463	\$ 15,448	\$ 10,266	\$ 22,576
Net income (loss) reconciliation:				
GAAP net income (loss)	\$ (8,652)	\$ (19,944)	\$ (28,842)	\$ (34,935)
Non-GAAP adjustments:				
Stock-based compensation	29,896	26,736	57,980	51,294
Amortization of intangibles	6,323	6,742	12,646	13,909
Amortization of debt discount and issuance costs	3,379	3,198	6,714	6,354
COVID-19 Canada Emergency Wage Subsidy benefit ⁽³⁾	(1,686)	—	(1,686)	—
Tax impact of non-GAAP adjustments ⁽¹⁾	(20,232)	826	(23,375)	(8,086)
Non-GAAP net income (loss)	\$ 9,028	\$ 17,558	\$ 23,437	\$ 28,536
Tax provision (benefit) reconciliation:				
GAAP tax provision (benefit)	\$ (14,249)	\$ 4,228	\$ (24,926)	\$ (2,422)
Non-GAAP adjustments:				
Stock-based compensation	8,138	4,329	(14,153)	8,529
Amortization of intangibles	1,721	1,092	(3,298)	2,319
Amortization of debt discount and issuance costs	920	518	(1,727)	1,058
COVID-19 Canada Emergency Wage Subsidy benefit ⁽³⁾	(459)	—	(459)	—

Tax impact of non-GAAP adjustments ⁽¹⁾	9,912	(6,765)	43,012	(3,820)
Non-GAAP tax provision (benefit)	\$ 5,983	\$ 3,402	\$ (1,551)	\$ 5,664
Net income (loss) per share reconciliation:				
GAAP net income (loss) per share — diluted	\$ (0.10)	\$ (0.24)	\$ (0.34)	\$ (0.42)
Non-GAAP adjustments:				
Stock-based compensation	0.36	0.32	0.70	0.62
Amortization of intangibles	0.08	0.08	0.16	0.17
Amortization of debt discount and issuance costs	0.04	0.04	0.08	0.08
COVID-19 Canada Emergency Wage Subsidy benefit ⁽³⁾	(0.02)	—	(0.02)	—
Tax impact of non-GAAP adjustments ⁽¹⁾	(0.24)	0.01	(0.28)	(0.10)
Non-GAAP dilutive shares excluded from GAAP net income (loss) per share calculation ⁽²⁾	(0.01)	—	(0.02)	(0.01)
Non-GAAP net income (loss) per share — diluted	\$ 0.11	\$ 0.21	\$ 0.28	\$ 0.34

Shares used in computing Non-GAAP income (loss) per share amounts:

GAAP weighted average shares — diluted	83,830,624	82,725,641	83,737,889	82,543,267
Non-GAAP dilutive shares excluded from GAAP income (loss) per share calculation ⁽²⁾	1,007,573	842,001	859,492	854,608
Pro forma weighted average shares — diluted	84,838,197	83,567,642	84,597,381	83,397,875

(1) Adjustments reflect the impact on the tax benefit (provision) from all non-GAAP adjustments.

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

(3) Effective the second fiscal quarter of 2021, the COVID-19 Canada Emergency Wage Subsidy benefit was included as a non-GAAP adjustment.

Liquidity and Capital Resources

Our principal sources of liquidity are as follows (in thousands):

	January 31, 2021	July 31, 2020
Cash, cash equivalents, and investments	\$ 1,375,027	\$ 1,434,267
Working capital	\$ 1,158,241	\$ 1,118,020

Cash, Cash Equivalents, and Investments

Our cash and cash equivalents are comprised of cash and liquid investments with remaining maturities of 90 days or less from the date of purchase, primarily commercial paper and money market funds. Our investments primarily consist of corporate debt securities, U.S. government and agency debt securities, commercial paper, asset-backed securities, and non-U.S. government securities, which include state, municipal and foreign government securities.

As of January 31, 2021, approximately \$57.0 million of our cash and cash equivalents were domiciled in foreign jurisdictions. While we have no current plans to repatriate these funds to the United States, we may repatriate foreign earnings in the future to the extent that the repatriation is not restricted by local laws or there are no substantial incremental costs associated with such repatriation.

Cash Flows

Our cash flows from operations are significantly impacted by timing of invoicing and collections of accounts receivable, annual bonus payments, as well as payments of payroll, commissions, payroll taxes and other taxes. We expect that we will continue to generate positive cash flows from operations on an annual basis, although this may fluctuate significantly on a quarterly basis. In particular, we typically use more cash during the first fiscal quarter ended October 31, as we generally pay cash bonuses to our employees for the prior fiscal year and seasonally higher sales commissions from increased customer orders booked in our fourth fiscal quarter of the prior year. Additionally, our capital expenditures may fluctuate depending on future office build outs and development activities subject to capitalization.

We believe that our existing cash and cash equivalents and sources of liquidity will be sufficient to fund our operations for at least the next 12 months. Our future cash requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of our spending to support our research and development efforts, investments in cloud infrastructure and operating costs, and expansion into other markets. We also may invest in or acquire complementary businesses, applications or technologies, or may expand our Board authorized stock repurchase program, which may require the use of significant cash resources and/or additional financing.

Share Repurchase Program

In October 2020, our board of directors authorized and approved a stock repurchase program of up to \$200.0 million of our outstanding common stock. During the three months ended January 31, 2021, we repurchased 309,562 shares of common stock at an average price of \$125.69 per share, for an aggregate purchase price of \$38.9 million. During the six months ended January 31, 2021, we repurchased 358,559 shares of common stock at a average price of \$122.46 per share, for an aggregate purchase price of \$43.9 million. As of January 31, 2021, \$156.1 million remained available for future share repurchases.

The following summary of cash flows for the periods indicated has been derived from our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q (in thousands):

	Six Months Ended January 31,	
	2021	2020
Net cash provided by (used in) operating activities	\$ (2,378)	\$ 1,336
Net cash provided by (used in) investing activities	\$ 5,749	\$ (38,118)
Net cash provided by (used in) financing activities	\$ (40,859)	\$ 1,239

Cash Flows from Operating Activities

Net cash used in operating activities was \$2.4 million for the six months ended January 31, 2021 compared to cash provided by operating activities of \$1.3 million during the six months ended January 31, 2020. This \$3.7 million increase in operating cash used was primarily attributable to a \$4.9 million decrease in cash provided by working capital activities, partially offset by a \$1.1 million increase in net income after excluding the impact of non-cash charges such as deferred taxes, stock-based compensation expense, depreciation and amortization expense, and other non-cash items.

Cash Flows from Investing Activities

Net cash provided by investing activities was \$5.7 million for the six months ended January 31, 2021 compared to net cash used in investing activities of \$38.1 million for the six months ended January 31, 2020. The improvement was primarily due to a \$42.8 million increase in cash from available-for-sale securities transactions and a \$5.7 million decrease in capital expenditures primarily due to the completion of our new headquarters in San Mateo, California, partially offset by \$2.0 million in new strategic equity investments and a \$2.7 million increase in capitalized software development costs related to our cloud-based services.

Cash Flows from Financing Activities

Net cash used in financing activities for the six months ended January 31, 2021 was \$40.9 million compared to \$1.2 million provided by financing activities for the six months ended January 31, 2020. This \$42.1 million increase in cash used was primarily because we repurchased \$42.7 million of our common stock under our share repurchase program, partially offset by an increase in proceeds from option exercises of \$0.6 million.

Commitments and Contractual Obligations

Our primary contractual obligations consist of our Convertible Senior Notes due in 2025, obligations under leases for our office facilities, and letters of credit we have issued to vendors to guarantee our performance under those arrangements.

See Notes 6, 7 and 8 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for discussions of our Convertible Senior Notes, lease commitments, and letters of credit. There has been no material change in our contractual obligations and commitments other than in the ordinary course of business since our fiscal year ended July 31, 2020. See the Annual Report on Form 10-K for the fiscal year ended July 31, 2020 for additional information regarding the Company's contractual obligations.

Off-Balance Sheet Arrangements

Through January 31, 2021, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes.

Interest Rate Sensitivity

Our exposure to market risk for changes in interest rates relates primarily to our cash, cash equivalents, and investments. Our cash, cash equivalents, and investments as of January 31, 2021 and July 31, 2020 were \$1,375.0 million and \$1,434.3 million, respectively, primarily consisting of cash, money market funds, corporate debt securities, U.S. government and agency debt securities, commercial paper, asset-backed securities, and non-U.S. government securities, which include state, municipal, and foreign government securities. Changes in U.S. interest rates affect the interest earned on our cash, cash equivalents, and investments, and their market value. A hypothetical 100 basis point increase in interest rates would have resulted in a decrease of \$5.1 million and \$5.6 million in the market value of our available-for-sale securities as of January 31, 2021 and July 31, 2020, respectively. Any realized gains or losses resulting from such interest rate changes would only occur if we sold the investments prior to maturity.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Argentine Peso, Australian Dollar, Brazilian Real, British Pound, Canadian Dollar, Danish Kroner, Euro, Indian Rupee, Japanese Yen, Malaysian Ringgit, New Zealand Dollar, Polish Zloty, Russian Ruble, and Swiss Franc, the currency of the locations within which we currently operate. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We believe our operating activities act as a natural hedge for a substantial portion of our foreign currency exposure because we typically collect revenue and incur costs in the currency of the location in which we provide our services. However, our relationships with our customers are long-term in nature so it is difficult to predict if our operating activities will provide a natural hedge in the future. Additionally, changes in foreign currency exchange rates can affect our financial results due to transaction gains or losses related to revaluing certain monetary asset and monetary liability balances that are denominated in currencies other than the functional currency of the entity in which they are recorded. Our monetary assets and liabilities denominated in currencies other than the functional currency of the entity in which they are recorded consist primarily of trade accounts receivable, unbilled accounts receivable and intercompany receivables and payables. For the six months ended January 31, 2021 and 2020, we recorded foreign currency gains of \$9.4 million and foreign currency losses of \$0.4 million, respectively, in other income (expense) in our condensed consolidated statement of operations primarily due to currency exchange rate fluctuations. We will continue to experience fluctuations in foreign currency exchange rates. If a hypothetical ten percent change in foreign exchange rates were to occur in the future, the resulting transaction gain or loss would be approximately \$17.6 million. As our international operations grow, we will continue to assess our approach to managing our risk relating to fluctuations in currency rates.

Fair Value of Financial Instruments

We do not have material exposure to market risk with respect to investments in financial instruments, as our investments primarily consist of highly liquid investments purchased with a remaining maturity of three years or less. We do not use derivative financial instruments for speculative or trading purposes. However, this current position does not preclude our adoption of specific hedging strategies in the future.

Our strategic investments in privately held securities are in various classes of equity and convertible debt that may have different rights and preferences. The particular securities we hold, and their rights and preferences relative to those of other securities within the capital structure, may impact the magnitude by which our investment value moves in relation to movements in the total enterprise value of the company in which we are invested. As a result, our investment in a specific company may move by more or less than any change in value of that overall company. In addition, the financial success of our investment in any company is typically dependent on a liquidity event, such as public offering, acquisition, or other favorable market event reflecting appreciation to the value of our investment. All of our investments, particularly those in privately held companies, are therefore subject to a risk of partial or total loss of invested capital.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures were effective.

Inherent Limitations of Internal Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended January 31, 2021 identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

From time to time, we are involved in legal proceedings that arise in the ordinary course of our business. Any such proceedings, whether meritorious or not, could be time consuming, costly, and result in the diversion of significant operational resources and/or management time. Although the outcomes of legal proceedings are inherently difficult to predict, we are not currently involved in any legal proceeding in which the outcome, in our judgment based on information currently available, is likely to have a material adverse effect on our business or financial position.

Other than the matters described in Note 8, *Commitments and Contingencies*, of the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, which are incorporated by reference herein, we are not party to any material pending legal proceedings.

ITEM 1A. Risk Factors

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider such risks and uncertainties, together with the other information contained in this report, and in our other public filings. If any of such risks and uncertainties actually occurs, our business, financial condition or results of operations could differ materially from the plans, projections and other forward-looking statements included in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report and in our other public filings. In addition, if any of the following risks and uncertainties, or if any other risks and uncertainties, actually occurs, our business, financial condition or results of operations could be harmed substantially, which could cause the market price of our stock to decline, perhaps significantly.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in this section of our Quarterly Report on Form 10-Q and summarized below. We have various categories of risks, including risks related to our business and industry; risks related to data security and privacy, intellectual property, and information technology; risks related to legal, regulatory, accounting, and tax matters; risks related to ownership of our common stock; and risks related to our indebtedness and outstanding convertible senior notes, which are discussed more fully below. As a result, this risk factor summary does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this section as well as elsewhere in this Quarterly Report on Form 10-Q. Additional risks, beyond those summarized below or discussed elsewhere in this Quarterly Report on Form 10-Q, may apply to our business, activities, or operations as currently conducted or as we may conduct them in the future or in the markets in which we operate or may in the future operate. These risks include, but not limited to, the following:

- The global COVID-19 pandemic, as well as periods of increases or spikes in the number of COVID-19 cases, or future mutations or related strains of the virus in areas in which we operate, could harm our business, results of operations, and financial condition.
- We may experience significant quarterly and annual fluctuations in our results of operations due to a number of factors.
- Seasonal sales patterns may cause significant fluctuations in our results of operations and cash flows and may prevent us from achieving our quarterly or annual forecasts, which may cause our stock price to decline.
- If we fail to successfully manage our transition to a business model focused on delivering cloud-based offerings on a subscription basis or fail to meet stipulated service levels with our subscription services, our results of operations could be harmed.
- We have relied and expect to continue to rely on orders from a relatively small number of customers in the P&C insurance industry for a substantial portion of our revenue and ARR, and the loss of any of these customers would significantly harm our business, results of operations, and financial condition.
- If our products or cloud-based services experience data security breaches, and there is unauthorized access to our customers’ data, we may lose current or future customers and our reputation and business may be harmed.
- Failure of any of our established products or services to satisfy customer demands or to maintain market acceptance could harm our business, results of operations, financial condition, and growth prospects.
- We face intense competition in our market, which could negatively impact our business, results of operations, and financial condition and cause our market share to decline.
- Our sales and implementation cycles are lengthy and variable, depend upon factors outside our control, and could cause us to expend significant time and resources prior to generating revenue.

- Revenue mix, as well as declines in our subscription and support gross margin or our services gross margin, could adversely affect our overall gross margin and profitability.
- Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that result in increased cost of revenue, decreased revenue, and lower average selling prices and gross margins, all of which could harm our results of operations.
- Our business depends on customers renewing and expanding their license, support, and subscription contracts for our services and products. A decline in our customer renewals and expansions could harm our future results of operations.
- Privacy concerns could result in regulatory changes and impose additional costs and liabilities on us, limit our use of information, and adversely affect our business.
- Our stock price may be volatile, which could result in securities class action litigation against us.
- If we are unable to develop, introduce and market new and enhanced versions of our products, we may be put at a competitive disadvantage.
- The nature of our business requires the application of accounting guidance that requires management to make estimates and assumptions. Reported results under GAAP may vary from key metrics used to measure our business. Additionally, changes in accounting guidance may cause us to experience greater volatility in our quarterly and annual results. If we are unsuccessful in adapting to and interpreting the requirements of new guidance, or in clearly explaining to stockholders how new guidance affects reporting of our results of operations, our stock price may decline.

Risks Related to our Business and Industry

The global COVID-19 pandemic, as well as periods of increases or spikes in the number of COVID-19 cases, or future mutations or related strains of the virus in areas in which we operate, could harm our business, results of operations, and financial condition.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This pandemic, and the related adverse public health developments, including orders to shelter-in-place, have adversely affected workforces, organizations, economies, and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including our business, our customers' businesses, and our SI partners' businesses. This pandemic, as well as intensified measures undertaken to contain the spread of COVID-19 has affected and could further affect the ability to travel to customers and prospects, resulting in delays in services delivery, delays in implementations, and interruptions or modifications in our sales and marketing activities, including Connections, our annual user conference, and harm our business, results of operations, and financial condition. The related impact on the global economy could also decrease technology spending and adversely affect demand for our products. Further, our sales and implementation cycles have increased and could continue to increase, which has resulted in and could result in providing contract terms more favorable to customers and a potentially longer delay between incurring operating expenses and the generation of corresponding revenue, if any, or in difficulty accurately forecasting our financial results. Additionally, our customers may be unable to pay or request amended payment terms for their outstanding invoices due to the economic impacts from COVID-19. As a result of these containment measures and the related economic impact to our business, we may be required to record impairment related to our operating lease assets, investments, long-lived assets, or goodwill. The pandemic also presents operational challenges as our entire workforce is currently working remotely and shifting to assisting customers who are also generally working remotely. It is not possible for us to predict the duration or magnitude of the adverse results of the pandemic and its effects on our business, results of operations, or financial condition at this time. Further, to the extent the COVID-19 pandemic adversely affects our business, results of operations, or financial condition, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

We may experience significant quarterly and annual fluctuations in our results of operations due to a number of factors.

Our quarterly and annual results of operations may fluctuate significantly due to a variety of factors, many of which are outside of our control. This variability may lead to volatility in our stock price as investors and research analysts respond to quarterly fluctuations. In addition, comparing our results of operations on a period-to-period basis, particularly on a sequential quarterly basis, may not be meaningful. You should not rely on our past results as an indication of our future performance.

Factors that may affect our results of operations include:

- the impact of economic downturns and related market volatility caused by the COVID-19 pandemic or other national and worldwide events on our business and the businesses of our customers, partners, and vendors;
- our ability to attract new domestic and international customers and renew existing customers;
- seasonal buying patterns of our potential customers and our ability to sell additional software and services to existing customers;
- the proportion and timing of subscription sales as opposed to term or perpetual software licenses, and the variations in revenue recognition between these contract types;

- changes in contract durations of term software licenses and renewals;
- increases in costs related to cloud operations, product development, and services;
- our ability to develop and achieve market adoption of cloud-based services, including the impact of our customers transitioning from term software licenses to subscription services;
- erosion in services margins or significant fluctuations in services revenue caused by changing customer demand, negotiated professional services billing rates, or fixed fee contracts;
- our ability to enter into contracts on favorable terms, including terms related to price, payment timing, service levels, acceptance, and product delivery, especially with customers and prospects that possess substantial negotiating leverage and procurement expertise;
- the incurrence of penalties for failing to meet certain contractual obligations, including service levels, product development cycles and functionality, and implementation times and objectives;
- future accounting pronouncements or changes in accounting rules and our related accounting policies, interpretations and controls;
- our ability to realize expected benefits from our acquisitions;
- reductions in our customers' budgets for information technology purchases and delays in their purchasing decisions;
- the timing of hiring personnel and employee related expenses;
- the impact of a recession or any other adverse global economic condition on our business, including pandemics, trade tariffs, trade agreements, and other uncertainties, that may cause a delay in entering into or a failure to enter into significant customer agreements or the fulfillment of professional service arrangements;
- adverse litigation judgments, dispute-related settlement payments, or litigation-related costs;
- fluctuations in foreign currency exchange rates; and
- the effects of inflation or deflation in the economies in which we operate and its impact on our revenues given the multi-year term of most customer agreements.

The foregoing factors are difficult to forecast, and these, as well as other factors, could materially adversely affect our quarterly and annual results of operations. Further, due to multi-year term licenses and multi-year term license renewals, increased cloud-based subscription services, and other ongoing changes to our business, it is challenging to forecast our quarterly and annual results.

We believe our ability to adjust spending quickly enough to compensate for a potential revenue shortfall is very limited and our inability to do so could magnify the adverse impact of a potential revenue shortfall on our results of operations. If we fail to achieve our quarterly forecasts, if our forecasts fall below the expectations of investors or research analysts, or if our actual results fail to meet the expectations of investors or research analysts, our stock price may decline.

Seasonal sales patterns may cause significant fluctuations in our results of operations and cash flows and may prevent us from achieving our quarterly or annual forecasts, which may cause our stock price to decline.

We generally see increased new orders in our fourth fiscal quarter, which is the quarter ended July 31, due to efforts by our sales team to achieve annual incentives. As a result, a significantly higher percentage of our annual license revenue has historically been recognized in our fourth fiscal quarter. Since a substantial majority of our license revenue has annual renewals after the initial term of the contract, we expect to continue to experience this seasonality effect in subsequent years. Generally, accounting under ASC 606 for revenue recognition has and may continue to heighten or change the seasonal impact on our new term licenses and multi-year term license renewals due to license revenue for the entire committed term being recognized at the beginning of the agreement. Because of the upfront nature of revenue recognition for new multi-year term licenses and multi-year term license renewals, any quarter in which a significant agreement of this nature is signed, renewed, cancelled, or not renewed when scheduled to do so may be impacted.

We currently anticipate that sales of, and revenue from, subscription services will continue to increase in the future. Subscriptions are recognized ratably over the term of the agreement after provisioning of the service. Over time, this may reduce the impact of our historic revenue seasonality, but in the near term the introduction of proportionally more subscription services into our revenue stream, together with their delayed and ratable recognition, will likely impact quarter over quarter and year-over-year revenue growth comparisons and cash flow because of the ramped nature of the annual installments of these multi-year arrangements. Additionally, Annual Recurring Revenue, or ARR, which reflects the annualized recurring value of active customer contracts at the end of a reporting period, will be impacted by the seasonality of new sales orders, even if the revenue is recognized ratably.

Our quarterly growth in revenue or ARR also may not coincide with new orders or cash flows in a given quarter, which could mask the impact of seasonal variations. This mismatch is primarily due to the following reasons:

- our subscription arrangements are recognized ratably and only a portion of the revenue from an order is recognized in the same fiscal period of the order;
- subscription arrangements generally have ramped invoicing schedules over the initial term, which affects ARR, but revenue is recognized ratably over the initial term;
- our term license agreements and multi-year term license renewals generally have annual billing arrangements even though revenue is recognized upfront for the entire committed term;
- as customers enter into a subscription agreement to migrate from an existing term license agreement or as we invest in certain cloud implementations to assist our customers with their migration to our cloud services, the timing of revenue recognition may be impacted by the allocation of revenue between different performance obligations;
- we may enter into license agreements with future product delivery requirements, specified terms for product upgrades or functionality, acceptance terms, or unconditional return rights, which may require us to delay revenue recognition for a period of time; and
- revenue recognition may not occur in the period when the order is placed due to certain revenue recognition criteria not being met, such as delivery of the software or providing access to the subscription services.

Additionally, seasonal patterns may be affected by the timing of particularly large transactions and the large number of renewals that occur in the first fiscal quarter. For example, in the first quarter of fiscal year 2021, we achieved higher revenue growth due to a five year renewal of a single license agreement, which resulted in the first quarter of fiscal year 2021 lacking comparability to the prior year period and creating a challenging comparable for the first quarter of fiscal year 2022.

Seasonal and other variations may cause significant fluctuations in our revenues, ARR, results of operations and cash flows, may make it challenging for an investor to predict our performance on a quarterly basis and may prevent us from achieving our quarterly or annual forecasts or meeting or exceeding the expectations of research analysts or investors, which in turn may cause our stock price to decline.

If we fail to successfully manage our transition to a business model focused on delivering cloud-based offerings on a subscription basis or fail to meet stipulated service levels with our subscription services, our results of operations could be harmed.

To address demand trends in the P&C insurance industry, we now offer customers the use of our software products through a cloud-based offering sold on a subscription basis in addition to our self-managed offering. This change to our business model requires a considerable investment of technical, operational, financial, legal, and sales resources. Our software and cloud services involve the storage and transmission of customer data, including in some cases, personal data, and security breaches could result in the loss of this information, which in turn could result in litigation, breach of contract claims, indemnity obligations, harm to our reputation, and other liabilities for us. Our transition to cloud offerings will continue to be the focus of existing resources, require us to hire additional resources, and increase costs, especially in cost of subscription and support revenue and research and development, in any given period. We may not be able to efficiently scale such investments to meet customer demand and expectations, which may impact our long-term growth and results of operations. Further, the increase in some costs associated with our cloud services, such as the cost of third-party infrastructure in which we rely to host our subscription services, may be difficult to predict over time, especially in light of our limited experience with the costs of delivering cloud-based versions of our applications. Furthermore, we may assume greater responsibilities for implementation related services related to subscription services due to our operating and maintaining the cloud environment for our customers. As a result, we may face risks associated with new and complex implementations, the cost of which may differ from original estimates. Our subscription contracts also contain penalty clauses, for matters such as failing to meet stipulated service levels or other contractual provisions, which represent new risks we are not accustomed to managing. Should these penalties be triggered, our results of operations may be adversely affected. These penalties and costs could take the form of monetary credits for current or future service engagements, reduced fees for additional products or services or upon renewal of existing agreements, and a customer's refusal to pay its contractually-obligated subscription or service fees.

Revenue under our cloud-based subscription model will generally be recognized ratably over the term of the contract. The transition to ratable revenue recognition will result in lower revenue we otherwise would have recognized in the initial period of the customer agreement under term license agreements. This effect on recognized revenue may be magnified in any fiscal year due to the concentration of our orders in the fourth fiscal quarter. A combination of increased costs and delayed recognition of revenue would adversely impact our gross and operating margins compared to prior periods. Additionally, the change in our business model and the timing of our customers decision to transition from self-managed licenses to cloud-based subscription services could negatively affect our ability to forecast the timing and amount of our revenues in any period.

In addition, market acceptance of our cloud-based offerings may be affected by a variety of factors, including, but not limited to, price, security, reliability, performance, customer preference, public concerns regarding privacy, and the enactment

of restrictive laws or regulations. We are in the early stages of re-architecting our existing products and developing new products in an effort to offer customers greater choices on how they utilize our software. As our business practices in this area develop and evolve over time, we may be required to revise our current subscription agreements, which may result in revised terms and conditions that impact how we recognize revenue and the costs and risks associated with these offerings. Whether our product development efforts or business model transition will prove successful and accomplish our business objectives is subject to numerous uncertainties and risks, including, but not limited to, customer demand, our ability to further develop, manage, and scale infrastructure, our ability to include functionality and usability in such offerings that address customer requirements, tax and accounting implications, and our costs.

In addition, the metrics we and our investors use to gauge the status of our business model transition may evolve over the course of the transition as significant trends emerge. It may be difficult, therefore, to accurately determine the impact of this transition on our business on a contemporaneous basis, or to clearly communicate the appropriate metrics to our investors. If we are unable to successfully establish these new cloud offerings and navigate our business model transition in light of the foregoing risks and uncertainties, our reputation could suffer and our results of operations could be harmed, which may cause our stock price to decline.

We have relied and expect to continue to rely on orders from a relatively small number of customers in the P&C insurance industry for a substantial portion of our revenue and ARR, and the loss of any of these customers would significantly harm our business, results of operations, and financial condition.

Our revenue and ARR are dependent on orders from customers in the P&C insurance industry, which may be adversely affected by worldwide economic, environmental, public health, and political conditions. A relatively small number of customers have historically accounted for a significant portion of our revenue. While the composition of our individual top customers has and will vary from year to year, in each of fiscal years 2020, 2019, and 2018, our ten largest customers accounted for 31% of our revenue. Additionally, our ten largest customers based on ARR accounted for 29% of total ARR in fiscal year 2020. Customers for these metrics are calculated at the parent corporation level, while our total customer count is based on entities that have placed orders for our products and services. While we expect this reliance to decrease over time as our revenue, customer base and subscription services as a percentage of revenue grows, we expect that we will continue to depend upon a relatively small number of customers for a significant portion of our revenue for the foreseeable future. As a result, if we fail to successfully sell our products and services to one or more of these anticipated customers in any particular period or fail to identify additional potential customers or such customers purchase fewer of our products or services, defer or cancel orders, fail to renew their license or subscription agreements or otherwise terminate or reduce their relationship with us, our business, results of operations, and financial condition would be harmed. Additionally, if one or more of these anticipated customers enters into or transitions to a subscription agreement in any particular period, or if we fail to achieve the required performance or acceptance criteria for one or more of these relatively small number of customers, our quarterly and annual results of operations may fluctuate significantly.

Failure of any of our established products or services to satisfy customer demands or to maintain market acceptance could harm our business, results of operations, financial condition, and growth prospects.

We derive a significant majority of our revenue and cash flows from our established product offerings, including Guidewire InsuranceSuite via Guidewire Cloud, Guidewire InsuranceSuite for self-managed, Guidewire InsuranceNow, and our digital and data products. We expect to continue to derive a substantial portion of our revenue from these sources. As such, continued market acceptance of these products is critical to our growth and success. Demand for our products is affected by a number of factors, some of which are beyond our control, including the successful implementation of our products, the timing of development and release of new products by us and our competitors, the cost and effort to migrate from self-managed products to subscription services, the ease of integrating our software to third-party software and services, technological advances that reduce the appeal of our products, changes in the regulations that our customers must comply with in the jurisdictions in which they operate, and the growth or contraction in the worldwide market for technological solutions for the P&C insurance industry. If we are unable to continue to meet customer demands, to achieve and maintain a technological advantage over competitors, or to maintain market acceptance of our products, our business, results of operations, financial condition and growth prospects may be adversely affected.

We face intense competition in our market, which could negatively impact our business, results of operations, and financial condition and cause our market share to decline.

The market for our software and services is intensely competitive. The competitors we face in any sale opportunity may change depending on, among other things, the line of business purchasing the software, the application or service being sold, the geography in which the customer is operating, and the size of the insurance carrier to which we are selling. For example, we

are more likely to face competition from small independent firms when addressing the needs of small insurers. These competitors may compete on the basis of price, the time and cost required for implementation, custom development, or unique product features or functions. Outside of the United States, we are more likely to compete against vendors that may differentiate themselves based on local advantages in language, market knowledge, and pre-built content applicable to that jurisdiction. We also compete with vendors of horizontal software products that may be customized to address needs of the P&C insurance industry.

Additionally, many of our prospective customers operate firmly entrenched legacy systems, some of which have been in operation for decades. Our implementation cycles may be lengthy, variable, and require the investment of significant time and expense by our customers. These expenses and associated operating risks attendant on any significant process of re-engineering and technology implementation, may cause customers to prefer maintaining legacy systems. Also, maintaining these legacy systems may be so time consuming and costly for our potential customers that they do not have adequate resources to devote to the purchase and implementation of our products. We also compete against technology consulting firms that either helped create such legacy systems or may own, in full or in part, subsidiaries that develop software and systems for the P&C insurance industry.

As we expand our product portfolio, we may begin to compete with software and service providers we have not competed against previously. Such potential competitors offer data and analytics tools that may, in time, become more competitive with our offerings.

We expect the intensity of competition to remain high in the future, as the amount of capital invested in current and potential competitors, including insurtech companies, has increased significantly in recent years. As a result, our competitors or potential competitors may develop improved product or sales capabilities, or even a technology breakthrough that disrupts our market. Continuing intense competition could result in increased pricing pressure, increased sales and marketing expenses, and greater investments in research and development, each of which could negatively impact our profitability. In addition, the failure to increase, or the loss of, market share would harm our business, results of operations, financial condition, and/or future prospects. Our larger current and potential competitors may be able to devote greater resources to the development, promotion, and sale of their products than we can devote to ours, which could allow them to respond more quickly than we can to new technologies and changes in customer needs, thus leading to their wider market acceptance. We may not be able to compete effectively and competitive pressures may prevent us from acquiring and maintaining the customer base necessary for us to increase our revenue and profitability.

In addition, the insurance industry is evolving rapidly and we anticipate the market for cloud-based solutions will become increasingly competitive. If our current and potential customers move a greater proportion of their data and computational needs to the cloud, new competitors may emerge that offer services either comparable or better suited than ours to address the demand for such cloud-based solutions, which could reduce demand for our offerings. To compete effectively we will likely be required to increase our investment in research and development, as well as the personnel and third-party services required to improve reliability and lower the cost of delivery of our cloud-based solutions. This may increase our costs more than we anticipate and may adversely impact our results of operations.

Our current and potential competitors may also establish cooperative relationships among themselves or with third parties to further enhance their resources and offerings. Current or potential competitors may be acquired by other vendors or third parties with greater available resources. As a result of such acquisitions, our current or potential competitors might be more able than we are to adapt quickly to new technologies and customer needs, to devote greater resources to the promotion or sale of their products and services, to initiate or withstand substantial price competition, or to take advantage of emerging opportunities by developing and expanding their product and service offerings more quickly than we can. Additionally, they may hold larger portfolios of patents and other intellectual property rights as a result of such relationships or acquisitions. If we are unable to compete effectively with these evolving competitors for market share, our business, results of operations, and financial condition could be materially and adversely affected.

Our sales and implementation cycles are lengthy and variable, depend upon factors outside our control, and could cause us to expend significant time and resources prior to generating revenue.

The typical sales cycle for our products and services is lengthy and unpredictable, requires pre-purchase evaluation by a significant number of employees in our customers' organizations, often involves a significant operational decision by our customers, and could be affected by factors outside of our control. Our sales efforts involve educating our customers about the use and benefits of our products, including the technical capabilities of our products and the potential cost savings achievable by organizations deploying our products. Customers typically undertake a significant evaluation process, which frequently involves not only our products, but also those of our competitors. We spend substantial time, effort, and money in our sales

efforts without any assurance that our efforts will produce sales, and our customers have significant negotiating power during the sales process which may result in a lengthy sales cycle and significant contractual complexity. Additionally, we may be unable to predict the size and terms of the initial contract until very late in the sales cycle, which affects our ability to accurately forecast revenue. In addition, we sometimes commit to include specific functions in our base product offering at the request of a customer or group of customers and are unable to recognize revenue until the specific functions have been added to our products. Providing this additional functionality may be time consuming and may involve factors that are outside of our control. Customers may also insist that we commit to certain time frames in which systems built around our products will be operational or that once implemented our products will be able to meet certain operational requirements. Our ability to meet such timeframes and requirements may involve factors that are outside of our control, and failure to meet such timeframes and requirements could result in us incurring penalties and costs and/or making additional resource commitments, which would adversely affect our business and results of operations.

The implementation and testing of our products by our customers typically lasts 6 to 24 months or longer and unexpected implementation delays and difficulties can occur. Implementing our products typically involves integration with our customers' and third parties' systems, as well as adding customer and third-party data to our platform. This process can be complex, time consuming, and expensive for our customers and can result in delays in the implementation and deployment of our products. Failing to meet the expectations of our customers during the implementation of our products could result in a loss of customers and negative publicity about us and our products and services. Such failure could result from deficiencies in our product capabilities or inadequate service engagements by us, our SI partners, or our customers' employees, the latter two of which are beyond our direct control. The consequences of such failure could include and have included monetary credits for current or future service engagements, reduced fees for additional services or products or upon renewals of existing licenses and services, potential reversals of previously recognized revenue, and a customer's refusal to pay their contractually-obligated license, support, or service fees. In addition, time-consuming and delayed implementations may also increase the amount of services personnel we must allocate to each customer, thereby increasing our costs and adversely affecting our business, results of operations, and financial condition.

Furthermore, our sales and implementation cycles could be interrupted or affected by other factors outside of our control. For example, the COVID-19 pandemic has caused sales and implementation cycles to lengthen and has other impacts on our business. We currently have formal restrictions on travel in place, which are in accordance with recommendations by the U.S. government and The Centers for Disease Control and Prevention, and our customers, SI partners, and prospects are likewise enacting their own preventative policies and travel restrictions. Widespread restrictions on travel and in-person meetings could affect services delivery, delay implementations, and interrupt sales activity. We cannot predict whether, for how long, or the extent to which the COVID-19 outbreak may adversely affect our business, results of operations, and financial condition.

Revenue mix, as well as declines in our subscription and support gross margin or our services gross margin, could adversely affect our overall gross margin and profitability.

Our subscription and support revenue was 27% and 21% of total revenue for fiscal years 2020 and 2019, respectively. Our subscription and support revenue produces lower gross margins than our license revenue. The gross margin of our subscription and support revenue was 42% and 51% for fiscal years 2020 and 2019, respectively, while the gross margin for license revenue was 97% and 98% for fiscal years 2020 and 2019, respectively. As our cloud transition continues, we expect that subscription revenue will continue to increase as a percentage of total revenue as we contract with new cloud customers and existing customers migrate from term licenses to subscription services. Additionally, we are incurring significant expenses to develop our cloud services and scale our cloud operations which may result in erosion of our subscription and support gross margin. These trends, along with other factors, some of which may be beyond our control, may adversely affect our overall gross and operating margins. These other factors include the percentage of new customers that enter into subscription services agreements as compared to term license agreements, the revenue impact of allocating total contract consideration between license revenue and subscription and support revenue when existing customers transition from term license to subscription services agreements, investments in certain cloud implementations to assist our customers with their migration to our cloud services, continued growth and efficiency of our cloud operations and technical support teams, and the impact on the global economy as a result of the COVID-19 pandemic or other disasters.

Further, our services revenue was 28% and 35% of total revenue for fiscal years 2020 and 2019, respectively. Our services revenue produces lower gross margin than either our license revenue or our subscription and support revenue. The gross margin of our services revenue was less than 3% for both fiscal years 2020 and 2019. If we experience an increase in the percentage of total revenue represented by services revenue, like we did in fiscal year 2018 due to acquisitions and other factors, such increase could reduce our overall gross and operating margins. Fluctuation in our services revenue can result from several factors, some of which may be beyond our control, including the pace of our customers' migration from term license to subscription services as we continue our cloud transition, change in customer demand for our services team's involvement in

the implementation of new products and services, the rates we charge for our services, our ability to bill our customers for all time incurred to complete a project, the extent and quality of implementations and migrations provided by our SI partners, and the impact on the global economy as a result of the COVID-19 pandemic or other disasters. Additionally, the failure to improve, or the erosion of, our services margin, particularly in combination with any increase in services revenue, could adversely affect our overall gross and operating margins. Services margin may erode if we hire and train additional services personnel to support cloud-based services or markets prior to having customer engagements, if we make investments in customer migrations from self-managed term licenses to subscription services, if we enter into fixed fee services arrangements, if our services personnel are underutilized, or if we require additional personnel on unexpectedly difficult projects to ensure customer success, perhaps without commensurate compensation.

Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that result in increased cost of sales, decreased revenue, and lower average selling prices and gross margins, all of which could harm our results of operations.

Some of our customers include the world's largest P&C insurers. These customers have significant bargaining power when negotiating new licenses or subscriptions or renewals of existing agreements, and have the ability to buy similar products from other vendors or develop such systems internally. These customers have and may continue to seek advantageous pricing and other commercial and performance terms that may require us to develop additional features in the products we sell to them or add complexity to our customer agreements. We have been required to, and may continue to be required to, reduce the average selling price of our products in response to these pressures. If we are unable to avoid reducing our average selling prices, our results of operations could be harmed.

Our business depends on customers renewing and expanding their license, support, and subscription contracts for our products. A decline in our customer renewals and expansions could harm our future results of operations.

Our customers have no obligation to renew their term licenses or subscriptions after their contract period expires, and these licenses and subscriptions, if renewed, may be done so on less favorable terms. Moreover, under certain circumstances, our customers have the right to cancel their licenses or subscriptions before they expire. We may not accurately predict future trends in customer renewals. In addition, our perpetual license customers have no obligation to renew their support arrangements after the expiration of the initial contractual period. Our customers' renewal rates may fluctuate or decline because of several factors, including their satisfaction or dissatisfaction with our products and services, the prices of our products and services, the prices of products and services offered by our competitors, reductions in our customers' spending levels due to the macroeconomic environment or other factors, or the sale of their operations to a buyer that is not a current customer.

Also, in some cases, our customers have a right to exercise a perpetual buyout of their term licenses at the end of the initial contract term, which if exercised would eliminate future term license revenue. If our customers do not renew their term licenses or subscriptions for our solutions or renew on less favorable terms, our revenue may decline or grow more slowly than expected and our profitability may be harmed.

If we are unable to develop, introduce and market new and enhanced versions of our products, we may be put at a competitive disadvantage.

Our success depends on our continued ability to develop, introduce, and market new and enhanced versions of our products to meet evolving customer requirements. Because some of our products are complex and require rigorous testing, new features, new functionality, and updates to our existing products and services can take us multiple years to develop and bring to market. As we expand internationally, our products and services must be modified and adapted to comply with regulations and other requirements of the countries in which our customers do business. Additionally, market conditions may dictate that we change the delivery method of our products or the technology platform underlying our existing products or that new products be developed on different technology platforms, potentially adding material time and expense to our development cycles. The nature of these development cycles may cause us to experience delays between the time we incur expenses associated with research and development and the time we generate revenue, if any, from such expenses.

If we fail to develop new products, enhance our existing products, or migrate our products to the cloud, our business could be adversely affected, especially if our competitors are able to introduce products with enhanced functionality in the cloud. It is critical to our success for us to anticipate changes in technology, industry standards, and customer requirements and to successfully introduce new, enhanced, and competitive products to meet our customers' and prospective customers' needs on a timely basis. We have invested and intend to increase investments in research and development and cloud operations to meet these challenges. Revenue may not be sufficient to support the future product development that is required for us to remain

competitive. If we fail to develop products in a timely manner that are competitive in technology and price or develop products that fail to meet customer demands, our market share will decline and our business and results of operations could be harmed. If our research and development efforts do not develop products or features that our customers find valuable, then we might incur impairment charges related to our capitalized software development costs.

Our ability to sell our products is highly dependent on the quality of our professional services and technical support services and the support of our SI partners, and the failure of us or our SI partners to offer high-quality professional services or technical support services could damage our reputation and adversely affect our ability to sell our products and services to new customers and renew agreements with our existing customers.

If we or our SI partners do not effectively assist our customers in deploying our products, successfully help our customers quickly resolve post-deployment issues, assist our customers in migrating from self-managed licenses to subscription services, and provide effective ongoing support, our ability to renew existing agreements and sell additional products and services to existing customers would be adversely affected and our reputation with potential customers could be damaged. Once our products are deployed and integrated with our customers' existing information technology environment, our customers may depend on our technical support services and/or the support of SI partners or internal resources to resolve any issues relating to our products. High-quality support is critical for the continued successful marketing and sale of our products. In addition, as we continue to expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training, and documentation in languages other than English. Many enterprise customers require higher levels of support than smaller customers. If we fail to meet the requirements of our larger customers, it may be more difficult to sell additional products and services to these customers or to transition existing license customers to subscription services, a key strategy for the growth of our revenue and profitability. In addition, as we further expand our cloud-based products, our professional services and support organization will face new challenges, including hiring, training, and integrating a large number of new professional services personnel with experience in delivering high-quality support for cloud-based offerings. Further, as we continue to rely on SIs to provide deployment, migration, and on-going services, our ability to ensure a high level of quality in addressing customer issues and providing a maintainable and efficient cloud environment could be diminished as we may be unable to control the quality or timeliness of the implementation of our products and services by our SI partners. Our failure to maintain high-quality implementation and support services, or to ensure that SIs provide the same, could have a material adverse effect on our business, results of operations, financial condition, and growth prospects.

We may expand through acquisitions or partnerships with other companies, which may divert our management's attention and result in unexpected operating and technology integration difficulties, increased costs, and dilution to our stockholders.

Our business strategy includes the potential acquisition of shares or assets of companies with software, cloud-based services, technologies, or businesses complementary to ours. Our strategy also includes alliances with such companies. For example, we have made several acquisitions in the past, including Cyence, a Software-as-a-Service company that applies data science and risk analytics to enable P&C insurers to underwrite "21st century risks" such as terrorism, cybersecurity, and reputational risk, in November 2017. Each of our prior acquisitions was initially dilutive to earnings. Acquisitions and alliances may result in unforeseen operating difficulties and expenditures and may not result in the benefits anticipated by such corporate activity. In particular, we may fail to assimilate or integrate the businesses, technologies, services, products, personnel, or operations of the acquired companies, retain key personnel necessary to favorably execute the combined companies' business plan, or retain existing customers or sell acquired products to new customers. Acquisitions and alliances may also disrupt our ongoing business, divert our resources, and require significant management attention that would otherwise be available for ongoing development of our current business. In addition, we may be required to make additional capital investments or undertake remediation efforts to ensure the success of our acquisitions, which may reduce the benefits of such acquisitions. We also may be required to use a substantial amount of our cash or issue debt or equity securities to complete an acquisition or realize the potential of an alliance, which could deplete our cash reserves and/or dilute our existing stockholders. Following an acquisition or the establishment of an alliance offering new products, the timing of revenue from the sale of products that we acquired or that result from the alliance, or from the sale of a bundle of products that includes such new products, may be different than the timing of revenue from existing products. In addition, our ability to maintain favorable pricing of new products may be challenging if we bundle such products with existing products. A delay in the recognition of revenue from sales of acquired or alliance products, or reduced pricing due to bundled sales, may cause fluctuations in our quarterly financial results, may adversely affect our operating margins, and may reduce the benefits of such acquisitions or alliances.

Additionally, competition within the software industry for acquisitions of businesses, technologies, and assets has been, and may continue to be, intense. As such, even if we are able to identify an acquisition that we would like to pursue, the target may be acquired by another strategic buyer or financial buyer such as a private equity firm, or we may otherwise not be able to complete the acquisition on commercially reasonable terms, if at all. Moreover, in addition to our failure to realize the

anticipated benefits of any acquisition, including our revenue or return on investment assumptions, we may be exposed to unknown liabilities or impairment charges to acquired intangible assets and goodwill as a result of acquisitions we do complete.

If we are unable to continue the successful development of our global direct sales force and the expansion of our relationships with our strategic partners, sales of our products and services will suffer and our growth could be slower than we project.

We believe that our future growth will depend on the continued recruiting, retention, and training of our global direct sales force and their ability to obtain new customers, both large and small P&C insurers, and to manage our existing customer base. New hires require significant training and may, in some cases, take more than a year before becoming productive, if at all. If we are unable to hire and develop sufficient numbers of productive global direct sales personnel, sales of our products and services will suffer and our growth will be impeded.

Our SI partners help us reach additional customers. We believe our future growth also will depend on the retention and expansion of successful relationships with SI partners, including with SI partners that will focus on products we may acquire in the future. Our growth in revenue, particularly in international markets, will be influenced by the development and maintenance of relationships with SI partners, including regional and local SI partners. Although we have established relationships with some of the leading SI partners, our products and services may compete directly against products and services that such leading SI partners support or market. Additionally, we are unable to control the quantity or quality of resources that our SI partners commit to implementing our products, or the quality or timeliness of such implementations, or the effects of the COVID-19 pandemic on our SI partners. If our partners do not commit sufficient or qualified resources to these activities, our customers will be less satisfied, be less supportive with references, or may require the investment of our resources at discounted rates. These, and other failures by our partners to successfully implement our products, would have an adverse effect on our business and our results of operations could fail to grow in line with our projections.

Our international sales and operations subject us to additional risks that can adversely affect our business, results of operations, and financial condition.

We sell our products and services to customers located outside the United States, and we are continuing to expand our international operations as part of our growth strategy. In fiscal years 2020, 2019, and 2018, \$279.8 million, \$272.9 million, and \$243.1 million of our revenue, respectively, was from customers outside of the United States. Our current international operations and our plans to expand our international operations subject us to a variety of risks, including:

- increased management, travel, infrastructure, and legal compliance costs associated with having multiple international operations;
- unique terms and conditions in contract negotiations imposed by customers in foreign countries;
- longer payment cycles and difficulties in enforcing contracts and collecting accounts receivable;
- the need to localize our contracts and our products and services for international customers;
- lack of familiarity with and unexpected changes in foreign regulatory requirements;
- increased exposure to fluctuations in currency exchange rates;
- highly inflationary international economies, such as Argentina;
- the burdens and costs of complying with a wide variety of foreign laws and legal standards, including the General Data Protection Regulation in the European Union;
- compliance with the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.K. Bribery Act and other anti-corruption regulations, particularly in emerging market countries;
- compliance by international staff with accounting practices generally accepted in the United States, including adherence to our accounting policies and internal controls;
- import and export license requirements, tariffs, taxes and other trade barriers;
- increased financial accounting, tax, and reporting burdens and complexities;
- weaker protection of intellectual property rights in some countries;
- multiple and possibly overlapping tax regimes;
- government sanctions that may interfere with our ability to sell into particular countries, such as Russia;
- disruption to our operations caused by epidemics or pandemics, such as COVID-19; and
- political, social, and economic instability abroad, terrorist attacks, and security concerns in general.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Any of these risks could harm our international operations and reduce our international sales, adversely affecting our business, results of operations, financial condition and growth prospects.

Failure to manage our expanding operations effectively could harm our business.

We have experienced consistent growth and expect to continue to expand our operations, including the number of employees and the locations and scope of our international operations. Additionally, the COVID-19 pandemic and related shelter in-place orders have resulted in our employees and contractors working from home, bringing new challenges to managing our business and work force. This expansion and changing work environment has placed, and will continue to place, a significant strain on our operational and financial resources and our personnel. To manage our anticipated future operational expansion effectively, we must continue to maintain and may need to enhance our information technology infrastructure and financial and accounting systems and controls, and manage expanded operations and employees in geographically distributed locations. Our growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of new products or investments in cloud operations. If we increase the size of our organization without experiencing an increase in sales of our products and services, we will experience reductions in our gross and operating margins and net income. If we are unable to effectively manage our expanding operations or manage the increase in remote employees, our expenses may increase more than expected, our revenue could decline or grow more slowly than expected, and we may be unable to implement our business strategy.

Incorrect or improper use of our products and services or our failure to properly train customers on how to utilize our products and services could result in customer dissatisfaction and negatively affect our business, results of operations, financial condition, and growth prospects.

Our products and services are complex and are deployed in a wide variety of network environments. The proper use of our products and services requires training of the customer. If our products and services are not used correctly or as intended, inadequate performance may result. Our products and services may also be intentionally misused or abused by customers or their employees or third parties who are able to access or use our products and services. Because our customers rely on our products, services, and support to manage a wide range of operations, the incorrect or improper use of our products, our failure to properly train customers on how to efficiently and effectively use our products, or our failure to properly provide services to our customers may result in negative publicity or legal claims against us. Also, any failure by us to properly provide training or other services to existing customers will likely result in lost opportunities for follow-on and increased sales of our products and services.

In addition, if there is substantial turnover of customer personnel responsible for the use of our products and services, or if customer personnel are not well trained in the use of our products and services, customers may defer the deployment of our products, may deploy them in a more limited manner than originally anticipated, or may not deploy them at all. Further, if there is substantial turnover of the customer personnel responsible for use of our products and services, our ability to make additional sales may be substantially limited.

We may not be able to obtain capital when desired on favorable terms, if at all, and we may not be able to obtain capital or complete acquisitions through the use of equity without dilution to our stockholders.

We may need additional financing to execute on our current or future business strategies, including to develop new or enhance existing products and services, acquire businesses and technologies, or otherwise to respond to competitive pressures.

If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our existing stockholders could be significantly diluted, and newly-issued securities may have rights, preferences, or privileges senior to those of existing stockholders. If we accumulate additional funds through debt financing, a substantial portion of our operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for our business activities. We cannot be assured that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available, or are not available on acceptable terms, when we desire them, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our products and services, or otherwise respond to competitive pressures would be significantly limited. Any of these factors could harm our results of operations.

Risks Related to Data Security and Privacy, Intellectual Property, and Information Technology

If our products or cloud-based services experience data security breaches, and there is unauthorized access to our customers' data, we may lose current or future customers and our reputation and business may be harmed.

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our cloud services may be perceived as not being secure, customers may reduce the use of or stop using our services, and we may incur significant

liabilities and our reputation could be harmed. Our software and cloud services involve the storage and transmission of customer data, including in some cases, personal data, and security breaches could result in the loss of this information, which in turn could result in litigation, breach of contract claims, indemnity obligations, and other liabilities for our company. While we have taken, and are continually updating, our steps to protect the confidential information and customer data to which we have access, including confidential information we may obtain through our customer support services or customer usage of our cloud-based services, our security measures or the security measures of companies we rely on, such as AWS, could be breached. We rely on third-party technology and systems for a variety of services, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back-office support, and other functions, and our ability to control or prevent breaches of any of these systems may be beyond our control. Because techniques used to obtain unauthorized access or infiltrate systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures despite our efforts in implementing and deploying security measures. Although we have developed systems and processes that are designed to protect customer data and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party vendor, such measures cannot provide absolute security. Any or all of these issues could negatively impact our ability to attract new customers or to increase engagement by existing customers, could cause existing customers to elect not to renew their term licenses or subscription agreements, or could subject us to third-party lawsuits, regulatory fines or other action or liability, thereby adversely affecting our results of operations and reputation.

Privacy concerns could result in regulatory changes and impose additional costs and liabilities on us, limit our use of information, and adversely affect our business.

As adoption of our cloud-based services occurs, the amount of customer data, including customer personal information, that we manage, hold, and/or collect continues to increase. In addition, our products and services may collect, process, store, and use transaction-level data aggregated across insurers using our common data model. We anticipate that over time we will continue to expand the use and collection of personal information as greater amounts of such personal information may be transferred from our customers to us and we recognize that personal privacy has become a significant issue in the United States, Europe, and many other jurisdictions where we operate.

Many federal, state, and foreign legislatures and government agencies have imposed, are considering imposing, or are considering changing restrictions and requirements about the collection, use, and disclosure of personal information. Changes to laws or regulations affecting privacy could impose additional costs and liabilities, including fines, on us and could limit our use of such information to add value for customers, including for example, the California Consumer Privacy Act, the California Privacy Rights Act, which passed into law on November 3, 2020 (but takes substantial effect on January 1, 2023), and the Court of Justice of the European Union's invalidation of the Privacy Shield framework in July 2020. If we were required to change our business activities or revise or eliminate services, or to implement burdensome compliance measures, our business and results of operations could be harmed. In addition, we may be subject to fines, penalties, and potential litigation if we fail to comply with applicable privacy and/or data security laws, regulations, standards, and other requirements. The costs of compliance with and other burdens imposed by privacy-related laws, regulations, and standards may limit the use and adoption of our products and services and reduce overall demand.

Furthermore, concerns regarding data privacy and/or security may cause our customers' customers to resist providing the data and information necessary to allow our customers to use our products and services effectively. Even the perception that the privacy and/or security of personal information is not satisfactorily managed, or does not meet applicable legal, regulatory, and other requirements, could inhibit sales of our products or services, and could limit adoption of our solutions, resulting in a negative impact on our sales, reputation, and results from operations.

Privacy concerns in the European Union are evolving and we may face fines and other penalties if we fail to comply with these evolving standards, and compliance with these standards may increase our expenses and adversely affect our business and results of operations.

On April 27, 2016 the European Union (EU) adopted the General Data Protection Regulation 2016/679 ("GDPR"), that took effect on May 25, 2018. The GDPR applies to any company established in the European Economic Area ("EEA") as well as to those outside the EEA if they carry out processing of personal data of individuals in the EEA. that is related to the offering of goods or services to them or the monitoring of their behavior. The GDPR has enhanced data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal data is to be used, limitations on retention of personal data, mandatory data breach notification requirements and onerous new obligations on data processors. Non-compliance with the GDPR can trigger fines of up to €20 million, or 4% of total worldwide annual revenues, whichever is higher. Given the breadth and depth of changes in data protection obligations, complying with GDPR requirements has caused us to expend significant resources and such expenditures are likely to continue into the near future as

we respond to new interpretations and enforcement actions and as we continue to negotiate data processing agreements with our customers and business partners.

In addition, the GDPR restricts transfers of personal data outside of the EEA to countries deemed to lack adequate privacy protections, including the U.S., unless an appropriate safeguard specified by the GDPR is implemented, such as the Standard Contractual Clauses (“SCCs”) approved by the European Commission and, until July 16, 2020, the Privacy Shield for EU–U.S. data transfers. We are currently certified to the EU-U.S. Privacy Shield. On July 16, 2020, the European Court of Justice (“ECJ”) invalidated the EU-U.S. Privacy Shield, but it deemed that the SCCs are valid, provided additional safeguards are in place. However, the ECJ ruled that transfers made pursuant to SCCs and other alternative transfer mechanisms need to be analyzed on a case-by-case basis to ensure EU standards of data protection are met in the jurisdiction where the data importer is based, and there continue to be concerns about whether the SCCs and other mechanisms will face additional challenges. Moreover, on September 8, 2020, the Swiss Federal Data Protection and Information Commissioner announced that it no longer considers the Swiss-U.S. Privacy Shield to provide adequate protections for transfers of Swiss personal data to the U.S., following the invalidation of the EU-U.S. Privacy Shield by the ECJ. We are currently certified to the Swiss-U.S. Privacy Shield. On November 10, 2020, the European Data Protection Board (“EDPB”), issued recommendations on the additional safeguards required for SCCs to be valid. We are in the process of reviewing the decision and the recent EDPB guidance, which remains subject to public comment, and assessing any impacts on our data transfer mechanisms. It is possible that the ability to transfer personal data from the EU to the United States will be restricted. We (and many other companies) may be required to adopt additional measures to accomplish and maintain legitimate means for the transfer and receipt of personal data from the EU to the United States and other countries. Until the remaining legal uncertainties regarding how to legally continue transfers pursuant to the SCCs and other mechanisms are settled, we will continue to face uncertainty as to whether our efforts to comply with our obligations under European and Swiss privacy laws will be sufficient.

We may experience hesitancy, reluctance, or refusal by European or multi-national customers to continue to use our services due to the potential risk exposure to such customers as a result of such developments and the current data protection obligations imposed on them by certain data protection authorities. Such customers may also view any alternative approaches to the transfer of any personal data as being too costly, too burdensome, or otherwise objectionable, and therefore may decide not to do business with us.

Given our current transition to more cloud-based services and the current data protection landscape in the EU, we may be subject to greater risk of potential inquiries and/or enforcement actions. We may find it necessary to establish alternative systems to maintain EEA personal data within the EEA, which may involve substantial expense and may cause us to need to divert resources from other aspects of our business, all of which may adversely affect our results from operations. Further, any inability to adequately address privacy concerns in connection with our cloud-based services, or comply with applicable privacy or data protection laws, regulations, and policies, could result in additional cost and liability to us, including fines and harm to our reputation, and adversely affect our ability to offer cloud-based services.

Starting on January 1, 2021, as a result of Brexit, the U.K. has brought the GDPR into domestic U.K. law with the Data Protection Act 2018 (“U.K. GDPR”), which will remain in force. The U.K. GDPR mirrors the data protection obligations and fines under the GDPR, but there may be further developments about the regulation of particular issues such as U.K.-EU data transfers. On February 19, 2021, the EU Commission issued a draft adequacy decision regarding the U.K., which, if adopted may require us to take steps to ensure the lawfulness of our data transfers with the U.K.

Anticipated further evolution of European Union regulations on this topic, including the impact of Brexit on these regulations in the U.K. and any related changes to the regulatory framework in the U.K., may increase substantially the penalties to which we could be subject in the event of any non-compliance. We may incur substantial expense in complying with the new obligations to be imposed by new regulations and interpretations of existing regulations and we may be required to make significant changes to our software applications and expanding business operations, all of which may adversely affect our results of operations.

Assertions by third parties of infringement or other violation by us of their intellectual property rights could result in significant costs and substantially harm our business and results of operations.

The software industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents and other intellectual property rights. In particular, leading companies in the software industry own large numbers of patents, copyrights, trademarks, and trade secrets, which they may use to assert claims against us. From time to time, third parties holding such intellectual property rights, including leading companies, competitors, patent holding companies, and/or non-practicing entities, may assert patent, copyright, trademark, or other intellectual property claims against us, our customers and partners, and those from whom we license technology and intellectual property.

Although we believe that our products and services do not infringe upon the intellectual property rights of third parties, we cannot assure that we are not infringing or otherwise violating any third-party intellectual property rights or that third parties will not assert infringement or misappropriation claims against us with respect to current or future products or services, or that any such assertions will not require us to enter into royalty arrangements, result in costly litigation, or result in us being unable to use certain intellectual property. Infringement assertions from third parties may involve patent holding companies or other patent owners who have no relevant product revenue, and therefore our own issued and pending patents may provide little or no deterrence to these patent owners in bringing intellectual property rights claims against us.

If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims. Furthermore, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property; cease making, licensing, or using our products or services that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our products or services; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or works; and to indemnify our partners, customers, and other third parties. Any of these events could seriously harm our business, results of operations, and financial condition.

Real or perceived errors or failures in our products or implementation services may affect our reputation, cause us to lose customers and reduce sales and renewal rates which may harm our business and results of operations and subject us to liability for breach of warranty claims.

Because we offer complex products, undetected errors or failures may exist or occur, especially when products are first introduced or when new versions or updates are released. Our products are often installed and used in large-scale computing environments with different operating systems, system management software, and equipment and networking configurations, which may cause errors or failures in our products or may expose undetected errors, failures, or bugs in our products. Despite testing by us, we may not identify all errors, failures, or bugs in new products or releases until after commencement of commercial sales or installation. In the past, we have discovered software errors, failures, and bugs in some of our offerings after their introduction. Additionally, our Guidewire Cloud offerings rely on third-party hosting services. Any material disruption or slowdown in these services or the systems of third parties who we depend upon could cause outages or delays in our services, which could harm our reputation and adversely affect our results of operations.

We provide our customers with upfront estimates regarding the duration, resources, and costs associated with the implementation of our products. Failure to meet these upfront estimates and the expectations of our customers could result from our product capabilities or service engagements performed by us, our SI partners, or our customers' employees, the latter two of which are beyond our direct control. The consequences could include, and have included, monetary credits for current or future service engagements, reduced fees for additional services or product sales or upon renewals of existing licenses or services, potential reversals of previously recognized revenue, or a customer's refusal to pay its contractually-obligated fees. In addition, time-consuming or difficult implementations may also increase the amount of services personnel we must allocate to each customer without commensurate compensation, thereby increasing our costs and adversely affecting our business, results of operations, and financial condition.

The license, subscription, and support of our services and products creates the risk of significant liability claims against us. Our license and subscription agreements with our customers contain provisions designed to limit our exposure to potential liability claims. It is possible, however, that the limitation of liability provisions contained in such agreements may not be enforced as a result of international, federal, state, and local laws or ordinances or unfavorable judicial decisions. Breach of warranty or damage liability, or injunctive relief resulting from such claims, could harm our results of operations, and financial condition.

Failure to protect our intellectual property could substantially harm our business and results of operations.

Our success depends in part on our ability to enforce and defend our intellectual property rights. We rely upon a combination of trademark, trade secret, copyright, patent, and unfair competition laws, as well as license agreements and other contractual provisions, to do so.

We have filed, and may in the future file, patent applications related to certain of our innovations. We do not know whether those patent applications will result in the issuance of a patent or whether the examination process will require us to narrow our claims. In addition, we may not receive competitive advantages from the rights granted under our patents and other intellectual

property. Our existing patents and any patents granted to us or that we otherwise acquire in the future, may be contested, circumvented, or invalidated, and we may not be able to prevent third parties from infringing these patents. Therefore, the extent of the protection afforded by these patents cannot be predicted with certainty. In addition, given the costs, effort, risks, and downside of obtaining patent protection, including the requirement to ultimately disclose the invention to the public, we may choose not to seek patent protection for certain innovations; however, such patent protection could later prove to be important to our business.

We also rely on several registered and unregistered trademarks to protect our brand. Nevertheless, competitors may adopt service names similar to ours, or purchase our trademarks and confusingly similar terms as keywords in internet search engine advertising programs, thereby impeding our ability to build brand identity and possibly leading to confusion in the marketplace. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our trademarks. Any claims or customer confusion related to our trademarks could damage our reputation and brand and substantially harm our business and results of operations.

We attempt to protect our intellectual property, technology, and confidential information by generally requiring our employees and consultants to enter into confidentiality agreements and assignment of inventions agreements and third parties to enter into nondisclosure agreements, all of which offer only limited protection. These agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property, or technology. Despite our efforts to protect our confidential information, intellectual property, and technology, unauthorized third parties may gain access to our confidential proprietary information, develop and market products or services similar to ours, or use trademarks similar to ours, any of which could materially harm our business and results of operations. In addition, others may independently discover our trade secrets and confidential information, and in such cases, we could not assert any trade secret rights against such parties. Existing United States federal, state, and international intellectual property laws offer only limited protection. The laws of some foreign countries do not protect our intellectual property rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as governmental agencies and private parties in the United States. Moreover, policing our intellectual property rights is difficult, costly, and may not always be effective.

From time to time, legal action by us may be necessary to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the intellectual property rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, reputation, results of operations, and financial condition. If we are unable to protect our technology and to adequately maintain and protect our intellectual property rights, we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time, and effort required to create the innovative products that have enabled us to be successful to date.

We and our customers rely on technology, services, and intellectual property of third parties, the loss of which could limit the functionality of our products and disrupt our business.

We use technology and intellectual property licensed from unaffiliated third parties in certain of our products, and we may license additional third-party technology and intellectual property in the future. Any errors or defects in this third-party technology and intellectual property could result in errors that could harm our brand and business. In addition, licensed technology and intellectual property may not continue to be available on commercially reasonable terms, or at all. The loss of the right to license and distribute this third-party technology could limit the functionality of our products and might require us to redesign our products.

In addition, our Guidewire Cloud offerings rely on third-party hosting and infrastructure services provided by Amazon Web Services ("AWS"), for the continuous, reliable, and secure operation of servers, related hardware and software, and network infrastructure. A prolonged AWS service disruption or slowdown for any reason could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business.

We may be obligated to disclose our proprietary source code to our customers, which may limit our ability to protect our intellectual property and could reduce the renewals of our support services.

Our software license agreements typically contain provisions permitting the customer to become a party to, or a beneficiary of, a source code escrow agreement under which we place the proprietary source code for our applicable products in escrow with a third party. Under these escrow agreements, the source code to the applicable product may be released to the customer,

typically for its use to maintain, modify, and enhance the product, upon the occurrence of specified events, such as our filing for bankruptcy, discontinuance of our support services, and breaching our representations, warranties, or covenants of our agreements with our customers. Additionally, in some cases, customers have the right to request access to our source code upon demand. Some of our customers have obtained the source code for certain of our products by exercising this right, and others may do so in the future.

Disclosing the content of our source code may limit the intellectual property protection we can obtain or maintain for that source code or the products containing that source code and may facilitate intellectual property infringement claims against us. It also could permit a customer to which a product's source code is disclosed to support and maintain that software product without being required to purchase our support services. Each of these could harm our business, results of operations, and financial condition.

Some of our services and technologies may use "open source" software, which may restrict how we use or distribute our services or require that we release the source code of certain products subject to those licenses.

Some of our services and technologies may incorporate software licensed under so-called "open source" licenses. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. Additionally, some open source licenses require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. These open source licenses typically mandate that proprietary software, when combined in specific ways with open source software, become subject to the open source license. If we combine our proprietary software in such ways with open source software, we could be required to release the source code of our proprietary software.

We take steps to ensure that our proprietary software is not combined with, and does not incorporate, open source software in ways that would require our proprietary software to be subject to many of the restrictions in an open source license. However, few courts have interpreted open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty. Additionally, we rely on hundreds of software programmers to design our proprietary technologies, and although we take steps to prevent our programmers from including objectionable open source software in the technologies and software code that they design, write and modify, we do not exercise complete control over the development efforts of our programmers and we cannot be certain that our programmers have not incorporated such open source software into our proprietary products and technologies or that they will not do so in the future. In the event that portions of our proprietary technology are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our services and technologies and materially and adversely affect our business, results of operations, and prospects.

Risks Related to Legal, Regulatory, Accounting, and Tax Matters

The nature of our business requires the application of accounting guidance that requires management to make estimates and assumptions. Reported results under GAAP may vary from key metrics used to measure our business. Additionally, changes in accounting guidance may cause us to experience greater volatility in our quarterly and annual results. If we are unsuccessful in adapting to and interpreting the requirements of new guidance, or in clearly explaining to stockholders how new guidance affects reporting of our results of operations, our stock price may decline.

We prepare our consolidated financial statements to conform to United States Generally Accepted Accounting Principles ("GAAP"). These accounting principles are subject to interpretation by the Securities and Exchange Commission ("SEC"), Financial Accounting Standards Board ("FASB"), and various bodies formed to interpret and create accounting rules and regulations. New accounting standards, such as ASC 606 - Revenue from Contracts with Customers adopted in fiscal year 2019 or ASC 842 - Leases adopted in fiscal year 2020, or the guidance relating to interpretation and adoption of standards could have a significant effect on our financial results and could affect our business. Additionally, the FASB and the SEC are focused on the integrity of financial reporting, and our accounting policies are subject to scrutiny by regulators and the public.

We cannot predict the impact of future changes to accounting principles or our accounting policies on our financial statements going forward. For example, the Emerging Issues Task Force of the FASB is considering changes that may impact the revenue guidance for the migration from term licenses to subscription services. In addition, were we to change our accounting estimates, including those related to the timing of revenue recognition and those used to allocate revenue between various performance obligations, our reported revenue and results of operations could be significantly impacted. For example, the following risks are associated with ASC 606:

- investors' misinterpretation of historic and future trends of our business and what they could mean for the underlying success of our business;
- a divergence between revenue and ARR and cash flow trends; and
- difficulties in explaining our historical results or new known trends.

If we are unsuccessful in adapting to the requirements of the new revenue standard, or if changes to our go-to-market strategy create new risks, then we may experience greater volatility in our quarterly and annual results, which may cause our stock price to decline.

In addition, GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources.

Further, revenue recognition standards require significant judgment and estimates that impact our reported revenue and results of operations. Additionally, reported revenue has and will vary from the ARR and cash flow associated with each customer agreement. This potential difference and variability in the trends of reported amounts may cause volatility in our stock price.

The restatement of our financial statements may and any future restatement could lead to additional risks and uncertainties, including regulatory, stockholder or other actions, loss of investor and counterparty confidence and negative impacts on our stock price.

In April 2019 our audit committee, after consultation with management and discussion with our independent registered public accounting firm, concluded that our previously issued consolidated financial statements for the fiscal years ended July 31, 2018 and 2017 should be restated for the reasons described in the "Explanatory Note" preceding Part I, Item 1 and "Note 1 — The Company and Summary of Significant Accounting Policies — Restatement of Annual Consolidated Financial Statements" of the Consolidated Financial Statements under Item 8 of Part II of our 2018 Form 10-K/A for the fiscal year ended July 31, 2018, filed on June 3, 2019.

As a result of the restatement and associated non-reliance on our previously issued consolidated financial statements for the fiscal years ended July 31, 2018 and 2017, we incurred a number of additional costs and were subject to additional risks, including unanticipated costs for accounting and legal fees in connection with or related to the restatement. In addition, the attention of our management team was diverted by these efforts.

If another restatement were to occur in the future, we would experience similar unanticipated costs and the attention of management would be diverted. We could also be subject to regulatory, stockholder, or other actions in connection with the past or any future restatement, which would, regardless of the outcome, consume management's time and attention and may result in additional legal, accounting, and other costs. If we do not prevail in any such proceedings, we could be required to pay damages or settlement costs. In addition, the past or any future restatement and related matters could impair our reputation or could cause our customers, stockholders, or other counterparties to lose confidence in us. Any of these occurrences could have a material adverse effect on our business, results of operations, financial condition, and stock price.

If we fail to maintain effective internal control over financial reporting in the future or identify a material weakness in our internal control over financial reporting, our ability to report our financial condition and results of operations in a timely and accurate manner could be adversely affected, investor confidence in our company could diminish, and the value of our common stock may decline.

Preparing our consolidated financial statements involves a number of complex manual and automated processes, which are dependent upon individual data input or review and require significant management judgment. One or more of these processes may result in errors that may not be detected and could result in a material misstatement of our consolidated financial statements. The Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires, among other things, that as a publicly-traded company we disclose whether our internal control over financial reporting and disclosure controls and procedures are effective.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In fiscal year 2018, management identified a material weakness in our internal control over financial reporting related to the ineffective design and operation of certain process level internal controls over the existence and accuracy of revenue transactions, which we believe has been remediated. While we continually undertake steps to improve our internal control over financial reporting as our business changes, we may not be successful in making the improvements and changes necessary to be able to identify and remediate control deficiencies or material weaknesses in the future. If we are unable to successfully remediate any future material weaknesses in our internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected; our liquidity, access to capital markets and perceptions of our creditworthiness may be adversely affected; we may be unable to maintain compliance with securities laws, stock exchange listing requirements and debt instruments covenants regarding the timely filing of periodic reports; we may be subject to regulatory investigations and penalties; investors may lose confidence in our financial reporting; we may suffer defaults under our debt instruments; and our stock price may decline.

If another material misstatement occurs in the future, we may fail to meet our future reporting obligations. For example, we may fail to file periodic reports in a timely manner or may need to restate our financial results, either of which may cause the price of our stock to decline. Any failure of our internal controls could also adversely affect the results of the periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that are required under Section 404 of the Sarbanes-Oxley Act. Effective internal controls are necessary for us to produce reliable financial reports and are important to help prevent financial fraud.

If tax laws change or we experience adverse outcomes resulting from examination of our income tax returns, it could adversely affect our results of operations.

We are subject to federal, state, and local income taxes in the United States and in foreign jurisdictions. Our future effective tax rates and the value of our deferred tax assets could be adversely affected by changes in, interpretations of, and guidance regarding tax laws, including impacts of the Jobs Act of 2017 ("the Tax Act") and the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

In addition, we are subject to the examination of our income tax returns by the IRS and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from such examinations to determine the adequacy of our provision for income taxes. Significant judgment is required in determining our worldwide provision for income taxes. Although we believe we have made appropriate provisions for taxes in the jurisdictions in which we operate, changes in the tax laws or challenges from tax authorities under existing tax laws could adversely affect our business, financial condition and results of operations.

Further, we are currently under examination by the California Franchise Tax Board for the state income tax returns filed for fiscal years 2018 and 2017. While we do not believe the audit will have a material impact on our results of operations, financial condition, or cash flows, we can offer no guarantee. If any issues addressed in the tax audit are resolved in a manner not consistent with our expectations, we may be required to adjust our provision for income tax in the period in which such resolution occurs, and our results of operations, financial condition, or cash flows could be harmed.

Risks Related to Ownership of Our Common Stock

Our stock price may be volatile, which could result in securities class action litigation against us.

The market price of our common stock could be subject to wide fluctuations in response to, among other things, the risk factors described in this report, the timing and amount of any share repurchases by us, and other factors beyond our control, such as fluctuations in the valuation of companies perceived by investors to be comparable to us and research analyst coverage about our business.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions, such as recessions, interest rate changes, or international currency fluctuations, have and may continue to affect the market price of our common stock.

In the past, many companies, including us, that have experienced volatility in the market price of their stock have been subject to securities class action litigation. In July 2020, one of our stockholders filed a putative securities class action complaint in the federal court for the Northern District of California, against us and certain of our current or former officers and directors, alleging misstatements and omissions in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934,

as amended (the “Exchange Act”) and SEC Rule 10b-5. In October 2020, the suit was voluntarily dismissed without prejudice by plaintiff’s counsel. We may become the target of additional complaints of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from our business, which could seriously harm our business, results of operations, and financial condition.

We currently do not intend to pay dividends on our common stock and, consequently, the only opportunity to achieve a return on investment is if the price of our common stock appreciates.

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future. Consequently, the only opportunity to achieve a return on investment in our company will be if the market price of our common stock appreciates and shares are sold at a profit.

Certain provisions of our certificate of incorporation and bylaws and of Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that could delay or prevent a merger, acquisition, or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions may also prevent or delay attempts by stockholders to replace or remove our current management or members of our board of directors. These provisions include:

- not providing for cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- authorizing our board of directors to issue, without stockholder approval, preferred stock rights senior to those of common stock, which could be used to significantly dilute the ownership of a hostile acquirer;
- prohibiting stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- limiting the persons who may call special meetings of stockholders, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- requiring advance notification of stockholder nominations and proposals, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of us.

The affirmative vote of the holders of at least 66 2/3% of our shares of capital stock entitled to vote is generally necessary to amend or repeal the above provisions that are contained in our amended and restated certificate of incorporation. Also, absent approval of our board of directors, our amended and restated bylaws may only be amended or repealed by the affirmative vote of the holders of at least 50% of our shares of capital stock entitled to vote.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding common stock, from engaging in certain business combinations without approval of substantially all of our stockholders for a certain period of time.

These and other provisions in our amended and restated certificate of incorporation, our amended and restated bylaws, and under Delaware law could discourage potential takeover attempts, reduce the price that investors might be willing to pay for shares of our common stock in the future and result in the market price being lower than it would be without these provisions.

Further, while our board of directors has amended our amended and restated certificate of incorporation to gradually declassify our board of directors, our board of directors will be partially classified until the 2021 annual meeting of stockholders when the full board of directors will stand for reelection for a one-year term.

Our amended and restated bylaws designate certain state or federal courts as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit stockholders’ ability to obtain a favorable judicial forum for disputes with us.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any state law claim for:

- any derivative action or proceeding brought on our behalf;

- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders;
- any action asserting a claim arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or
- any action asserting a claim that is governed by the internal affairs doctrine (the “Delaware Forum Provision”).

The Delaware Forum Provision will not apply to any causes of action arising under the Securities Act of 1933, as amended (the “Securities Act”) or the Exchange Act. Further, our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, the United States District Court for the Northern District of California will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act (the “Federal Forum Provision”), as we are based in the State of California. In addition, our amended and restated bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the Delaware Forum Provision and the Federal Forum Provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision in our amended and restated bylaws may impose additional litigation costs on stockholders in pursuing any such claims. Additionally, these forum selection clauses may limit our stockholders’ ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers or employees, which may discourage the filing of lawsuits against us and our directors, officers and employees, even though an action, if successful, might benefit our stockholders. In addition, while the Delaware Supreme Court ruled in March 2020 that federal forum selection provisions purporting to require claims under the Securities Act be brought in federal court are “facially valid” under Delaware law, there is uncertainty as to whether other courts will enforce our Federal Forum Provision. If the Federal Forum Provision is found to be unenforceable, we may incur additional costs associated with resolving such matters. The Federal Forum Provision may also impose additional litigation costs on stockholders who assert that the provision is not enforceable or invalid. The Court of Chancery of the State of Delaware and the United States District Court for the Northern District of California may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders.

We cannot guarantee that our share repurchase program will be fully consummated or it will enhance stockholder value, and share repurchases could affect the price of our common stock.

In October 2020, our board of directors authorized and approved a share repurchase program of up to \$200 million of our outstanding common stock. Stock repurchases under the program may be made from time to time, in the open market, in privately negotiated transactions and otherwise, at the discretion of management of the Company and in accordance with applicable federal securities laws, including Rule 10b-18 of the Exchange Act, and other applicable legal requirements. Such repurchases may also be made in compliance with Rule 10b5-1 trading plans entered into by the Company. The timing, pricing, and sizes of these repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The stock repurchase program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time, which may result in a decrease in the price of our common stock. The share repurchase program could affect the price of our common stock, increase volatility, and diminish our cash reserves.

Risks Related to Our Indebtedness

Servicing our indebtedness requires a significant amount of cash. We may not have sufficient cash flow from our business to pay our substantial indebtedness, and we may not have the ability to raise the funds necessary to settle for cash conversions of the Convertible Senior Notes or to repurchase the Convertible Senior Notes upon a fundamental change, which could adversely affect our business and results of operations.

As of January 31, 2021, we had outstanding an aggregate principal amount of \$400.0 million of our 1.25% Convertible Senior Notes due 2025 (the “Convertible Senior Notes”). Our indebtedness may increase our vulnerability to any generally adverse economic and industry conditions, and we and our subsidiaries may, subject to the limitations in the terms of our existing and future indebtedness, incur additional debt, secure existing or future debt or recapitalize our debt. If we incur additional indebtedness, the risks related to our business would increase and our ability to service or repay our indebtedness may be adversely impacted.

Pursuant to their terms, holders may convert their Convertible Senior Notes at their option prior to the scheduled maturities of their Convertible Senior Notes under certain circumstances. Upon conversion of the Convertible Senior Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be obligated to make cash payments. In addition, holders of our Convertible Senior Notes will have the right to require us to repurchase their Convertible Senior Notes upon the occurrence of a fundamental change (as defined in the Indenture, dated as of March 13, 2018, between the Company and U.S. Bank National Association, as trustee (the “Trustee”) (the “Base Indenture”), as amended and supplemented by the First Supplemental Indenture, dated as of March 13, 2018, between the Company and the Trustee (together with the Base Indenture, the “Indenture”)) at a repurchase price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus accrued and unpaid interest, if any, to, but not including, the fundamental change purchase date. Although it is our intention and we currently expect to have the ability to settle the Convertible Senior Notes in cash, there is a risk that we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Senior Notes surrendered therefor or Convertible Senior Notes being converted. In addition, our ability to make payments may be limited by law, by regulatory authority, or by agreements governing our future indebtedness. Our failure to repurchase Convertible Senior Notes at a time when the repurchase is required by the Indenture or to pay any cash payable on future conversions of the Convertible Senior Notes as required by such Indenture would constitute a default under such Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Convertible Senior Notes or make cash payments upon conversions thereof.

Our ability to make scheduled payments of the principal and interest on our indebtedness when due or to make payments upon conversion or repurchase demands with respect to our Convertible Senior Notes, or to refinance our indebtedness as we may need or desire, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our existing indebtedness, and any future indebtedness we may incur, and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance existing or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our existing or future indebtedness and have a material adverse effect on our business, results of operations, and financial condition.

The conditional conversion feature of the Convertible Senior Notes, if triggered, may adversely affect our financial condition and results of operations.

In the event the conditional conversion feature of the notes is triggered, holders of our Convertible Senior Notes will be entitled to convert the Convertible Senior Notes at any time during specified periods at their option. If one or more holders elect to convert their Convertible Senior Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Senior Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Transactions relating to our Convertible Senior Notes may affect the value of our common stock.

The conversion of some or all of the Convertible Senior Notes would dilute the ownership interests of existing stockholders to the extent we satisfy our conversion obligation by delivering shares of our common stock upon any conversion of such Convertible Senior Notes. Our Convertible Senior Notes may become in the future convertible at the option of their holders under certain circumstances. If holders of our Convertible Senior Notes elect to convert their notes, we may settle our conversion obligation by delivering to them a significant number of shares of our common stock, which would cause dilution to our existing stockholders.

In connection with the issuance of the Convertible Senior Notes, we entered into capped call transactions with certain financial institutions (the “option counterparties”). The capped call transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of the notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap.

From time to time, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Convertible Senior Notes. This activity could cause a decrease in the market price of our common stock.

The accounting method for convertible debt securities that may be settled in cash, such as the Convertible Senior Notes, could have a material effect on our reported financial results.

Under FASB Accounting Standards Codification 470-20 (“ASC 470-20”), Debt with Conversion and Other Options, an entity must separately account for the liability and equity components of convertible debt instruments (such as the Convertible Senior Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. ASC 470-20 requires the value of the conversion option of the Convertible Senior Notes, representing the equity component, to be recorded as additional paid-in capital within stockholders’ equity in our consolidated balance sheets as an original issue discount to the Convertible Senior Notes, which reduces their initial carrying value. The carrying value of the Convertible Senior Notes, net of the discount recorded, will be accreted up to the principal amount of the notes from the issuance date until maturity, which will result in non-cash charges to interest expense in our consolidated statement of operations. Accordingly, we will report lower net income or higher net loss in our financial results because ASC 470-20 requires interest to include both the current period’s accretion of the debt discount and the instrument’s coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock, and the trading price of the Convertible Senior Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Convertible Senior Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Convertible Senior Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Convertible Senior Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued.

However, recently issued accounting guidance that will be effective for us on August 1, 2022 will no longer permit the use of the treasury stock method. In August 2020, the FASB issued ASU No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40), which simplifies the accounting for convertible instruments. Among other things, the guidance eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. We are currently evaluating the impact of the new guidance on our consolidated financial statements, however, we believe the requirement to use the if-converted method instead of the treasury stock method of accounting for the shares issuable upon conversion of the Convertible Senior Notes, could adversely affect our diluted earnings per share.

We are subject to counterparty risk with respect to the capped call transactions.

The option counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the capped call transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

General Risks

Our customers may defer or forego purchases of our products or services in the event of weakened global economic conditions, political transitions, and industry consolidation.

General worldwide economic conditions remain unstable and prolonged economic uncertainties or downturns could harm our business operations or financial results. In particular, pursuant to a decision by referendum in June 2016, the United Kingdom (U.K.) voted to withdraw from the European Union (“Brexit”). The U.K. subsequently withdrew from the European Union and ratified a trade and cooperation agreement governing its future relationship with the European Union. The agreement, which is being applied provisionally from January 1, 2021 until it is ratified by the European Parliament and the

Council of the European Union, addresses trade, economic arrangements, law enforcement, judicial cooperation and a governance framework including procedures for dispute resolution, among other things. Because the agreement merely sets forth a framework in many respects and will require complex additional bilateral negotiations between the U.K. and the European Union as both parties continue to work on the rules for implementation, significant political and economic uncertainty remains about how the precise terms of the relationship between the parties will differ from the terms before withdrawal. Brexit has caused significant volatility in global stock markets and fluctuations in currency exchange rates. Brexit has also caused, and may continue to cause, delays in purchasing decisions by our potential and current customers affected by this transition due to the considerable political and economic uncertainty created by Brexit and uncertainty as to the nature of the U.K.'s long-term relationship with the European Union. Brexit may further result in new regulatory and cost challenges to our U.K. and global operations, particularly with respect to data protection. Depending on the market and regulatory effects of Brexit, it is possible that there may be adverse practical or operational implications on our business, and prolonged economic uncertainties or downturns caused by Brexit could harm our business and results of operations. In addition, the recent U.S. presidential election could lead to changes in economic conditions or economic uncertainties in the United States and globally.

Further, other global events such as the imposition of various trade tariffs by the United States and China and the COVID-19 pandemic, have created and may continue to create global economic uncertainty, including inflationary pressures, in regions in which we have significant operations. These conditions may make it difficult for our customers and us to forecast and plan future business activities accurately, and could cause our customers to reevaluate their decision to purchase our products and services, which could delay and lengthen our sales cycles or result in cancellations of planned purchases. Moreover, during challenging economic times our customers may face issues in gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. If that were to occur, we may not receive amounts owed to us and may be required to record an accounts receivable allowance, which would adversely affect our financial results. A substantial downturn in the P&C insurance industry may cause firms to react to worsening conditions by reducing their capital expenditures, reducing their spending on information technology, delaying or canceling information technology projects, or seeking to lower their costs by renegotiating vendor contracts. Negative or worsening conditions in the general economy both in the United States and abroad, including conditions resulting from financial and credit market fluctuations, could cause a decrease in corporate spending on enterprise software in general, and in the insurance industry specifically, and negatively affect the rate of growth of our business.

Furthermore, the increased pace of consolidation in the P&C insurance industry may result in reduced overall spending on our products and services. Acquisitions of customers or potential customers can delay or cancel sales cycles and because we cannot predict the timing or duration of such acquisitions, our results of operations could be materially impacted.

If we are unable to retain our personnel and hire and integrate additional skilled personnel, we may be unable to achieve our goals and our business will suffer.

Our future success depends upon our ability to continue to attract, train, integrate, and retain highly skilled employees, particularly our executive officers, sales and marketing personnel, professional services personnel, cloud operations personnel, and software engineers, especially as we transition to a business model focused on delivering cloud-based offerings. Additionally, our stakeholders increasingly expect us to have a culture that embraces diversity and inclusion. Our inability to attract and retain diverse and qualified personnel, or delays in hiring required personnel, may seriously harm our business, results of operations, and financial condition. If U.S. immigration policy related to skilled foreign workers were materially adjusted, such a change could hamper our efforts to hire highly skilled foreign employees, including highly specialized engineers, which would adversely impact our business.

Any one of our executive officers and other key employees could terminate his or her relationship with us at any time. The loss of one or more of our executive officers or key employees, and any failure to have in place and execute an effective succession plan for key executive officers, could significantly delay or prevent us from achieving our business and/or development objectives and could disrupt or materially harm our business. Although we strive to reduce the challenges of any transition, failure to ensure effective transfer of knowledge and a smooth transition could disrupt or adversely affect our business, results of operations, financial condition, and prospects.

We face competition for qualified individuals from numerous software and other technology companies. Competition for qualified personnel is particularly intense in the San Francisco Bay Area, where our headquarters are located, though we also face significant competition in all of our domestic and foreign development centers. Further, significant amounts of time and resources are required to train technical, sales, services, operations, and other personnel. We may incur significant costs to attract, train, and retain such personnel, and we may lose new employees to our competitors or other technology companies before we realize the benefit of our investment after recruiting and training them.

Also, to the extent that we hire personnel from competitors, we may be subject to allegations that such personnel have been improperly solicited or have divulged proprietary or other confidential information. In addition, we have a limited number of sales people and the loss of several sales people within a short period of time could have a negative impact on our sales efforts. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing technical, operational, and managerial requirements, including managing employees and contractors remotely, or we may be required to pay increased compensation in order to do so.

Further, our ability to expand geographically depends, in large part, on our ability to attract, retain, and integrate managers with the appropriate skills to lead the local business and employees. Similarly, our profitability depends on our ability to effectively utilize personnel with the right mix of skills and experience to perform services for our clients, including our ability to transition employees to new assignments on a timely basis. If we are unable to effectively deploy our employees globally on a timely basis to fulfill the needs of our clients, our reputation could suffer and our ability to attract new clients may be harmed.

Because of the technical nature of our products and services and the dynamic market in which we compete, any failure to attract, integrate, and retain qualified direct sales, professional services, operations, and product development personnel, as well as our contract workers, could harm our ability to generate sales, deliver consulting services, manage our customers' cloud environments, or successfully develop new products and enhancements of existing products.

Factors outside of our control, including, but not limited to, natural catastrophes and terrorism may adversely impact the P&C insurance industry, preventing us from expanding or maintaining our existing customer base and increasing our revenue.

Our customers are P&C insurers that have experienced, and will likely experience in the future, losses from catastrophes or terrorism that may adversely impact their businesses. Catastrophes can be caused by various events, including, without limitation, hurricanes, tsunamis, floods, windstorms, earthquakes, hail, tornadoes, explosions, severe weather, epidemics, pandemics, and fires. Global warming trends and other environmental factors are contributing to an increase in erratic weather patterns globally and intensifying the impact of certain types of catastrophes. Moreover, acts of terrorism or war could cause disruptions to our business or our customers' businesses or the economy as a whole. The risks associated with natural catastrophes and terrorism are inherently unpredictable, and it is difficult to forecast the timing of such events or estimate the amount of losses they will generate. In recent years, for example, parts of the United States suffered extensive damage due to multiple hurricanes and fires and Australia experienced extensive damage due to fires. The combined and expected effect of those losses on P&C insurers is significant. Such losses and losses due to future events may adversely impact our current or potential customers, which may prevent us from maintaining or expanding our customer base and increasing our revenue, as such events may cause customers to postpone purchases and professional service engagements or to discontinue existing projects.

Our revenue, results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Argentine Peso, Australian Dollar, Brazilian Real, British Pound, Canadian Dollar, Danish Kroner, Euro, Indian Rupee, Japanese Yen, Malaysian Ringgit, New Zealand Dollar, Polish Zloty, Russian Ruble, and Swiss Franc.

The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. Although we believe our operating activities act as a natural hedge for a substantial portion of our foreign currency exposure at the cash flow or operating income level because we typically collect revenue and incur costs in the currency of the location in which we provide our applications and services, our relationships with our customers are long-term in nature so it is difficult to predict if our operating activities will provide a natural hedge in the future. In addition, because our contracts are characterized by large annual payments, significant fluctuations in foreign currency exchange rates that coincide with annual payments may affect our cash flows, revenue or financial results in such quarter. Our results of operations may also be impacted by transaction gains or losses related to revaluing certain current asset and liability balances that are denominated in currencies other than the functional currency of the entity in which they are recorded. Moreover, significant and unforeseen changes in foreign currency exchange rates may cause us to fail to achieve our stated projections for revenue and operating income, which could have an adverse effect on our stock price. We will continue to experience fluctuations in foreign currency exchange rates, which, if material, may harm our revenue or results of operations.

Our business is subject to the risks of earthquakes, fire, floods, and other natural catastrophic events, and to interruption by man-made problems such as computer viruses.

Our corporate headquarters and the majority of our operations are located in the San Francisco Bay Area, a region known for seismic activity. A significant natural disaster, such as an earthquake, tsunami, fire, flood, epidemic, or pandemic, such as

the COVID-19 pandemic, could have a material adverse impact on our business, results of operations, and financial condition. In addition, our information technology systems are vulnerable to computer viruses, break-ins, and similar disruptions from unauthorized tampering. To the extent that such disruptions result in delays or cancellations of customer orders or collections, or the deployment or availability of our services and products, our business, results of operations, and financial condition would be adversely affected.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of equity securities by the Company during the three months ended January 31, 2021 was as follows (in thousands, except share and per share amounts):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs ⁽¹⁾	Approximate Dollar Value (in millions) of Shares That May Yet Be Purchased Under The Plans or Programs ⁽¹⁾
November 1, 2020 - November 30, 2020	42,633	\$116.23	91,630	\$190.0
December 1, 2020 - December 31, 2020	113,162	\$127.55	204,792	\$175.6
January 1, 2021 - January 31, 2021	153,767	\$126.95	358,559	\$156.1

⁽¹⁾ On October 7, 2020, we announced that our board of directors authorized and approved a share repurchase program of up to \$200.0 million of our outstanding stock. We began repurchasing shares under this program during the first quarter of fiscal year 2021. As of January 31, 2021, we had approximately \$156.1 million remaining for future share repurchases under the share repurchase program. The stock repurchase program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time. There is no stated expiration for the program.

ITEM 6. Exhibits

The exhibits listed below are filed or incorporated by reference as part of this Report.

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference From Exhibit Number	Date Filed
3.1	Amended and Restated Certificate of Incorporation	10-Q	3.1	March 5, 2020
3.2	Amended and Restated Bylaws	8-K	3.1	September 14, 2020
4.1	Form of Common Stock certificate of the Registrant	S-1/A	4.1	January 9, 2012
10.1	Guidewire Software, Inc. 2020 Stock Plan	Filed herewith		
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act	Filed herewith		
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act	Filed herewith		
32.1*	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act	Furnished herewith		
101.INS	Inline XBRL Instance Document	Filed herewith		
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	Filed herewith		

* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 4, 2021

GUIDEWIRE SOFTWARE, INC.

By: /s/ JEFF COOPER
Jeff Cooper
Chief Financial Officer
(Principal Financial and Accounting Officer)

GUIDEWIRE SOFTWARE, INC.
2020 STOCK PLAN

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Guidewire Software, Inc. 2020 Stock Plan (the “Plan”). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and Consultants of Guidewire Software, Inc. (the “Company”) and its Affiliates upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company’s welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company’s behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

“Act” means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

“Administrator” means either the Board or the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two Non-Employee Directors who are independent.

“Affiliate” means, at the time of determination, any “parent” or “subsidiary” of the Company as such terms are defined in Rule 405 of the Act. The Board will have the authority to determine the time or times at which “parent” or “subsidiary” status is determined within the foregoing definition.

“Award” or “Awards,” except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Units, Restricted Stock Awards, Unrestricted Stock Awards, Cash-Based Awards, and Dividend Equivalent Rights.

“Award Certificate” means a written or electronic document setting forth the terms and provisions applicable to an Award granted under the Plan. Each Award Certificate is subject to the terms and conditions of the Plan.

“Board” means the Board of Directors of the Company.

“Cash-Based Award” means an Award entitling the recipient to receive a cash-denominated payment.

“Code” means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

“*Consultant*” means a consultant or adviser who provides *bona fide* services to the Company or an Affiliate as an independent contractor and who qualifies as a consultant or advisor under Instruction A.1.(a)(1) of Form S-8 under the Act.

“*Dividend Equivalent Right*” means an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the grantee.

“*Effective Date*” means the date on which the Plan becomes effective as set forth in Section 19.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“*Fair Market Value*” of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that if the Stock is listed on the National Association of Securities Dealers Automated Quotation System (“NASDAQ”), NASDAQ Global Market, The New York Stock Exchange or another national securities exchange or traded on any established market, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations.

“*Incentive Stock Option*” means any Stock Option designated and qualified as an “incentive stock option” as defined in Section 422 of the Code.

“*Non-Employee Director*” means a member of the Board who is not also an employee of the Company or any Subsidiary.

“*Non-Qualified Stock Option*” means any Stock Option that is not an Incentive Stock Option.

“*Option*” or “*Stock Option*” means any option to purchase shares of Stock granted pursuant to Section 5.

“*Restricted Shares*” means the shares of Stock underlying a Restricted Stock Award that remain subject to a risk of forfeiture or the Company’s right of repurchase.

“*Restricted Stock Award*” means an Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant.

“*Restricted Stock Units*” means an Award of stock units subject to such restrictions and conditions as the Administrator may determine at the time of grant.

“*Sale Event*” shall mean (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or

consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Stock of the Company to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company.

"*Sale Price*" means the value as determined by the Administrator of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to a Sale Event.

"*Section 409A*" means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

"*Service Relationship*" means any relationship as an employee, director or Consultant of the Company or any Affiliate (e.g., a Service Relationship shall be deemed to continue without interruption in the event an individual's status changes from full-time employee to part-time employee or Consultant).

"*Stock*" means the Common Stock, par value \$0.0001 per share, of the Company, subject to adjustments pursuant to Section 3.

"*Stock Appreciation Right*" means an Award entitling the recipient to receive shares of Stock (or cash, to the extent explicitly provided for in the applicable Award Certificate) having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

"*Subsidiary*" means any corporation or other entity (other than the Company) in which the Company has at least a 50 percent interest, either directly or indirectly.

"*Ten Percent Owner*" means an employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation.

"*Unrestricted Stock Award*" means an Award of shares of Stock free of any restrictions.

SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS

(a) Administration of Plan. The Plan shall be administered by the Administrator.

(b) Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

- (i) to select the individuals to whom Awards may from time to time be granted;
- (ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Unrestricted Stock Awards, Cash-Based Awards, and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more grantees;
- (iii) to determine the number of shares of Stock to be covered by any Award;
- (iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and grantees, and to approve the forms of Award Certificates;
- (v) to accelerate at any time the exercisability or vesting of all or any portion of any Award;
- (vi) subject to the provisions of Section 5(c), to extend at any time the period in which Stock Options may be exercised; and
- (vii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan grantees.

(c) Delegation of Authority to Grant Awards. Subject to applicable law, the Administrator, in its discretion, may delegate to a committee consisting of one or more officers of the Company including the Chief Executive Officer of the Company all or part of the Administrator's authority and duties with respect to the granting of Awards to individuals who are (i) not subject to the reporting and other provisions of Section 16 of the Exchange Act and (ii) not members of the delegated committee. Any such delegation by the Administrator shall include a limitation as to the amount of Stock underlying Awards that may be granted during the period of the delegation and shall contain guidelines as to the determination of the exercise price and the vesting criteria. The Administrator may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Administrator's delegate or delegates that were consistent with the terms of the Plan.

(d) Award Certificate. Awards under the Plan shall be evidenced by Award Certificates that set forth the terms, conditions and limitations for each Award which may

include, without limitation, the term of an Award and the provisions applicable in the event employment or service terminates.

(e) Indemnification. Neither the Board nor the Administrator, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Administrator (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under the Company's articles or bylaws or any directors' and officers' liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

(f) Foreign Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have employees or other individuals eligible for Awards, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Subsidiaries shall be covered by the Plan; (ii) determine which individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to individuals outside the United States to comply with applicable foreign laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Administrator determines such actions to be necessary or advisable (and such subplans and/or modifications shall be attached to this Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 3(a) hereof; and (v) take any action, before or after an Award is made, that the Administrator determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 5,000,000 shares, subject to adjustment as provided in this Section 3. For purposes of this limitation, the shares of Stock underlying any awards under the Plan and under the Company's 2011 Stock Plan that are forfeited, canceled, held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan and, to the extent permitted under Section 422 of the Code and the regulations promulgated thereunder, the shares of Stock that may be issued as Incentive Stock Options. In the event the Company repurchases shares of Stock on the open market, such shares shall not be added to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any

type or types of Award; provided, however, that no more than 5,000,000 shares of the Stock may be issued in the form of Incentive Stock Options. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

(b) Changes in Stock. Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, including the maximum number of shares that may be issued in the form of Incentive Stock Options, (ii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iii) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award, and (iv) the exercise price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of shares subject to Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The Administrator shall also make equitable or proportionate adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

(c) Mergers and Other Transactions. In the case of and subject to the consummation of a Sale Event, the parties thereto may cause the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree. To the extent the parties to such Sale Event do not provide for the assumption, continuation or substitution of Awards, upon the effective time of the Sale Event, the Plan and all outstanding Awards granted hereunder shall terminate. In such case, except as may be otherwise provided in the relevant Award Certificate, all Options and Stock Appreciation Rights with time-based vesting conditions or restrictions that are not vested and/or exercisable immediately prior to the effective time of the Sale Event shall become fully vested and exercisable as of the effective time of the Sale Event, all other Awards with time-based vesting, conditions or restrictions shall become fully vested and nonforfeitable as of the effective time of the Sale Event, and all Awards with conditions and restrictions relating to the attainment of performance goals may become vested and nonforfeitable in connection with a Sale Event in the Administrator's discretion or to

the extent specified in the relevant Award Certificate. In the event of such termination, (i) the Company shall have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding Options and Stock Appreciation Rights, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the Sale Price multiplied by the number of shares of Stock subject to outstanding Options and Stock Appreciation Rights (to the extent then exercisable at prices not in excess of the Sale Price) and (B) the aggregate exercise price of all such outstanding Options and Stock Appreciation Rights (provided that, in the case of an Option or Stock Appreciation Right with an exercise price equal to or greater than the Sale Price, such Option or Stock Appreciation Right shall be cancelled for no consideration); or (ii) each grantee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Administrator, to exercise all outstanding Options and Stock Appreciation Rights (to the extent then exercisable) held by such grantee. The Company shall also have the option (in its sole discretion) to make or provide for a payment, in cash or in kind, to the grantees holding other Awards in an amount equal to the Sale Price multiplied by the number of vested shares of Stock under such Awards.

(d) Maximum Awards to Non-Employee Directors. Notwithstanding anything to the contrary in this Plan, the value of all Awards awarded under this Plan and all other cash compensation paid by the Company to any Non-Employee Director in any calendar year shall not exceed \$750,000. For the purpose of this limitation, the value of any Award shall be its grant date fair value, as determined in accordance with ASC 718 or successor provision but excluding the impact of estimated forfeitures related to service-based vesting provisions.

SECTION 4. ELIGIBILITY

Grantees under the Plan will be such employees, Non-Employee Directors or Consultants of the Company and its Affiliates as are selected from time to time by the Administrator in its sole discretion; provided that Awards may not be granted to employees, Directors or Consultants who are providing services only to any “parent” of the Company, as such term is defined in Rule 405 of the Act, unless (i) the stock underlying the Awards is treated as “service recipient stock” under Section 409A or (ii) the Company has determined that such Awards are exempt from or otherwise comply with Section 409A.

SECTION 5. STOCK OPTIONS

(a) Award of Stock Options. The Administrator may grant Stock Options under the Plan. Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a “subsidiary corporation” within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

Stock Options granted pursuant to this Section 5 shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the optionee's election, subject to such terms and conditions as the Administrator may establish.

(b) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the exercise price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date. Notwithstanding the foregoing, Stock Options may be granted with an exercise price per share that is less than 100 percent of the Fair Market Value on the date of grant (i) pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code, (ii) to individuals who are not subject to U.S. income tax on the date of grant or (iii) the Stock Option is otherwise compliant with Section 409A.

(c) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than ten years after the date the Stock Option is granted. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the term of such Stock Option shall be no more than five years from the date of grant.

(d) Exercisability; Rights of a Stockholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(e) Method of Exercise. Stock Options may be exercised in whole or in part, by giving written or electronic notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods except to the extent otherwise provided in the Award Certificate:

(i) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(ii) Through the delivery (or attestation to the ownership following such procedures as the Company may prescribe) of shares of Stock that are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker

shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Company shall prescribe as a condition of such payment procedure; or

(iv) With respect to Stock Options that are not Incentive Stock Options, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price.

Payment instruments will be received subject to collection. The transfer to the optionee on the records of the Company or of the transfer agent of the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Award Certificate or applicable provisions of laws (including the satisfaction of any withholding taxes that the Company is obligated to withhold with respect to the optionee). In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of attested shares. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Stock Options, such as a system using an internet website or interactive voice response, then the paperless exercise of Stock Options may be permitted through the use of such an automated system.

(f) Annual Limit on Incentive Stock Options. To the extent required for “incentive stock option” treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed \$100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

SECTION 6. STOCK APPRECIATION RIGHTS

(a) Award of Stock Appreciation Rights. The Administrator may grant Stock Appreciation Rights under the Plan. A Stock Appreciation Right is an Award entitling the recipient to receive shares of Stock (or cash, to the extent explicitly provided for in the applicable Award Certificate) having a value equal to the excess of the Fair Market Value of a share of Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

(b) Exercise Price of Stock Appreciation Rights. The exercise price of a Stock Appreciation Right shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant.

(c) Grant and Exercise of Stock Appreciation Rights. Stock Appreciation Rights may be granted by the Administrator independently of any Stock Option granted pursuant to Section 5 of the Plan.

(d) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined on the date of grant by the Administrator. The term of a Stock Appreciation Right may not exceed ten years. The terms and conditions of each such Award shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees.

SECTION 7. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. The Administrator may grant Restricted Stock Awards under the Plan. A Restricted Stock Award is any Award of Restricted Shares subject to such restrictions and conditions as the Administrator may determine at the time of grant. Conditions may be based on continuing employment (or other Service Relationship) and/or achievement of pre-established performance goals and objectives.

(b) Rights as a Stockholder. Upon the grant of the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a stockholder with respect to the voting of the Restricted Shares and receipt of dividends; provided that if the lapse of restrictions with respect to the Restricted Stock Award is tied to the attainment of vesting conditions, any dividends paid by the Company shall accrue and shall not be paid to the grantee until and to the extent the vesting conditions are met with respect to the Restricted Stock Award. Unless the Administrator shall otherwise determine, (i) uncertificated Restricted Shares shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Shares are vested as provided in Section 7(d) below, and (ii) certificated Restricted Shares shall remain in the possession of the Company until such Restricted Shares are vested as provided in Section 7(d) below, and the grantee shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Administrator may prescribe.

(c) Restrictions. Restricted Shares may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award Certificate. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 16 below, in writing after the Award is issued, if a grantee's employment (or other Service Relationship) with the Company and its Subsidiaries terminates for any reason, any Restricted Shares that have not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price (if any) from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other Service Relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a stockholder. Following such deemed reacquisition of Restricted Shares that are represented by physical certificates, a grantee shall surrender such certificates to the Company upon request without consideration.

(d) Vesting of Restricted Shares. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Shares and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Shares and shall be deemed "vested."

SECTION 8. RESTRICTED STOCK UNITS

(a) Nature of Restricted Stock Units. The Administrator may grant Restricted Stock Units under the Plan. A Restricted Stock Unit is an Award of stock units that may be settled in shares of Stock (or cash, to the extent explicitly provided for in the Award Certificate) upon the satisfaction of such restrictions and conditions at the time of grant. Conditions may be based on continuing employment (or other Service Relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees. Except in the case of Restricted Stock Units with a deferred settlement date that complies with Section 409A, at the end of the vesting period, the Restricted Stock Units, to the extent vested, shall be settled in the form of shares of Stock. Restricted Stock Units with deferred settlement dates are subject to Section 409A and shall contain such additional terms and conditions as the Administrator shall determine in its sole discretion in order to comply with the requirements of Section 409A.

(b) Election to Receive Restricted Stock Units in Lieu of Compensation. The Administrator may, in its sole discretion, permit a grantee to elect to receive a portion of future cash compensation otherwise due to such grantee in the form of an award of Restricted Stock Units. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with Section 409A and such other rules and procedures established by the Administrator. Any such future cash compensation that the grantee elects to defer shall be converted to a fixed number of Restricted Stock Units based on the Fair Market Value of Stock on the date the compensation would otherwise have been paid to the grantee if such payment had not been deferred as provided herein. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate. Any Restricted Stock Units that are elected to be received in lieu of cash compensation shall be fully vested, unless otherwise provided in the Award Certificate.

(c) Rights as a Stockholder. A grantee shall have the rights as a stockholder only as to shares of Stock acquired by the grantee upon settlement of Restricted Stock Units; provided, however, that the grantee may be credited with Dividend Equivalent Rights with respect to the stock units underlying his Restricted Stock Units, subject to the provisions of Section 11 and such terms and conditions as the Administrator may determine.

(d) Termination. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 16 below, in writing after the Award is issued, a grantee's right in all Restricted Stock Units that have not vested shall automatically terminate

upon the grantee's termination of employment (or cessation of Service Relationship) with the Company and its Subsidiaries for any reason.

SECTION 9. UNRESTRICTED STOCK AWARDS

Grant or Sale of Unrestricted Stock. The Administrator may grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award under the Plan. An Unrestricted Stock Award is an Award pursuant to which the grantee may receive shares of Stock free of any restrictions under the Plan. Unrestricted Stock Awards may be granted in respect of past services or other valid consideration, or in lieu of cash compensation due to such grantee.

SECTION 10. CASH-BASED AWARDS

Grant of Cash-Based Awards. The Administrator may grant Cash-Based Awards under the Plan. A Cash-Based Award is an Award that entitles the grantee to a payment in cash upon the attainment of specified performance goals. The Administrator shall determine the maximum duration of the Cash-Based Award, the amount of cash to which the Cash-Based Award pertains, the conditions upon which the Cash-Based Award shall become vested or payable, and such other provisions as the Administrator shall determine. Each Cash-Based Award shall specify a cash-denominated payment amount, formula or payment ranges as determined by the Administrator. Payment, if any, with respect to a Cash-Based Award shall be made in accordance with the terms of the Award and may be made in cash.

SECTION 11. DIVIDEND EQUIVALENT RIGHTS

(a) Dividend Equivalent Rights. The Administrator may grant Dividend Equivalent Rights under the Plan. A Dividend Equivalent Right is an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other Award to which it relates) if such shares had been issued to the grantee. A Dividend Equivalent Right may be granted hereunder to any grantee as a component of an award of Restricted Stock Units or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the Award Certificate. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of another Award shall provide that such Dividend Equivalent Right shall be settled only upon vesting, settlement or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award.

(b) Termination. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 16 below, in writing after the Award is issued, a

grantee's rights in all Dividend Equivalent Rights shall automatically terminate upon the grantee's termination of employment (or cessation of Service Relationship) with the Company and its Subsidiaries for any reason.

SECTION 12. TRANSFERABILITY OF AWARDS

(a) Transferability. Except as provided in Section 12(b) below, during a grantee's lifetime, his or her Awards shall be exercisable only by the grantee, or by the grantee's legal representative or guardian in the event of the grantee's incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a grantee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) Administrator Action. Notwithstanding Section 12(a), the Administrator, in its discretion, may provide either in the Award Certificate regarding a given Award or by subsequent written approval that the grantee (who is an employee or director) may transfer his or her Non-Qualified Stock Options to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award. In no event may an Award be transferred by a grantee for value.

(c) Family Member. For purposes of Section 12(b), "family member" shall mean a grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the grantee's household (other than a tenant of the grantee), a trust in which these persons (or the grantee) have more than 50 percent of the beneficial interest, a foundation in which these persons (or the grantee) control the management of assets, and any other entity in which these persons (or the grantee) own more than 50 percent of the voting interests.

(d) Designation of Beneficiary. To the extent permitted by the Company, each grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the grantee's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased grantee, or if the designated beneficiaries have predeceased the grantee, the beneficiary shall be the grantee's estate.

SECTION 13. TAX WITHHOLDING

(a) Payment by Grantee. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local

taxes of any kind required by law to be withheld by the Company with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee. The Company's obligation to deliver evidence of book entry (or stock certificates) to any grantee is subject to and conditioned on tax withholding obligations being satisfied by the grantee.

(b) Payment in Stock. The Administrator may require the Company's tax withholding obligation to be satisfied, in whole or in part, by the Company withholding from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due; provided, however, that the amount withheld does not exceed the maximum statutory tax rate or such lesser amount as is necessary to avoid liability accounting treatment. For purposes of share withholding, the Fair Market Value of withheld shares shall be determined in the same manner as the value of Stock includible in income of the grantees. The Administrator may also require the Company's tax withholding obligation to be satisfied, in whole or in part, by an arrangement whereby a certain number of shares of Stock issued pursuant to any Award are immediately sold and proceeds from such sale are remitted to the Company in an amount that would satisfy the withholding amount due.

SECTION 14. SECTION 409A AWARDS

Awards are intended to be exempt from Section 409A to the greatest extent possible and to otherwise comply with Section 409A. The Plan and all Awards shall be interpreted in accordance with such intent. To the extent that any Award is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A (a "409A Award"), the Award shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" (within the meaning of Section 409A) to a grantee who is then considered a "specified employee" (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the grantee's separation from service, or (ii) the grantee's death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any 409A Award may not be accelerated except to the extent permitted by Section 409A.

SECTION 15. TERMINATION OF SERVICE RELATIONSHIP, TRANSFER, LEAVE OF ABSENCE, ETC.

(a) Termination of Service Relationship. If the grantee's Service Relationship is with an Affiliate and such Affiliate ceases to be an Affiliate, the grantee shall be deemed to have terminated his or her Service Relationship for purposes of the Plan.

(b) For purposes of the Plan, the following events shall not be deemed a termination of a Service Relationship:

(i) a transfer to the employment of the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another; or

(ii) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 16. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall materially and adversely affect rights under any outstanding Award without the holder's consent. Except as provided in Section 3(b) or 3(c), without prior stockholder approval, in no event may the Administrator exercise its discretion to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights, effect repricing through cancellation and re-grants or cancellation of Stock Options or Stock Appreciation Rights in exchange for cash or other Awards or effect cash buyouts of underwater Stock Options or Stock Appreciation Rights. To the extent required under the rules of any securities exchange or market system on which the Stock is listed or to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code, Plan amendments shall be subject to approval by Company stockholders. Nothing in this Section 16 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(b) or 3(c).

SECTION 17. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a grantee, a grantee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 18. GENERAL PROVISIONS

(a) No Distribution. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

(b) Issuance of Stock. To the extent certificated, stock certificates to grantees under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the grantee, at the grantee's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the

Company shall have given to the grantee by electronic mail (with proof of receipt) or by United States mail, addressed to the grantee, at the grantee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any evidence of book entry or certificates evidencing shares of Stock pursuant to the exercise or settlement of any Award, unless and until the Administrator has determined, with advice of counsel (to the extent the Administrator deems such advice necessary or advisable), that the issuance and delivery is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. Any Stock issued pursuant to the Plan shall be subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Administrator may place legends on any Stock certificate or notations on any book entry to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that an individual make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems necessary or advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any individual to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(c) Stockholder Rights. Until Stock is deemed delivered in accordance with Section 18(b), no right to vote or receive dividends or any other rights of a stockholder will exist with respect to shares of Stock to be issued in connection with an Award, notwithstanding the exercise of a Stock Option or any other action by the grantee with respect to an Award.

(d) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

(e) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to the Company's insider trading policies and procedures, as in effect from time to time.

(f) Clawback Policy. Awards under the Plan shall be subject to the Company's clawback policy, as in effect from time to time.

SECTION 19. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon stockholder approval in accordance with applicable state law, the Company's bylaws and articles of incorporation, and applicable stock exchange rules. No grants of Stock Options and other Awards may be made hereunder after the

tenth anniversary of the Effective Date and no grants of Incentive Stock Options may be made hereunder after the tenth anniversary of the date the Plan is approved by the Board.

SECTION 20. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the General Corporation Law of the State of Delaware as to matters within the scope thereof, and as to all other matters shall be governed by and construed in accordance with the internal laws of the State of California, applied without regard to conflict of law principles.

DATE APPROVED BY BOARD OF DIRECTORS: September 10, 2020

DATE APPROVED BY STOCKHOLDERS: December 15, 2020

**RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR COMPANY EMPLOYEES
UNDER THE GUIDEWIRE SOFTWARE, INC.
2020 STOCK PLAN**

Name of Grantee: ____

No. of Restricted Stock Units: ____

Grant Date: ____

Pursuant to the Guidewire Software, Inc. 2020 Stock Plan as amended through the date hereof (the "Plan"), Guidewire Software, Inc. (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock (the "Stock") of the Company.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

2. Vesting of Restricted Stock Units. [Subject to any Company leave of absence policy in effect, t]¹ [T]he restrictions and conditions of Paragraph 1 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee continues to be employed with the Company or a Subsidiary on such Dates. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 1 shall lapse only with respect to the number of Restricted Stock Units specified as vested on such date.

<u>Incremental Number of Restricted Stock Units Vested</u>	<u>Vesting Date</u>
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____

Notwithstanding anything in this Agreement to the contrary, in the case of a Sale Event, the Restricted Stock Units shall be treated as provided in Section 3(c) of the Plan[provided];

¹ Include if LOA policy is in effect.

however that the Restricted Stock Units shall be subject to any executive agreement by and between the Grantee and the Company, as applicable (the “Executive Agreement”).

The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 2.

3. Termination of Employment. If the Grantee’s employment with the Company or a Subsidiary terminates for any reason (including death or disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.

4. Issuance of Shares of Stock. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units that have vested pursuant to Paragraph 2 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Tax Withholding. Regardless of any action that the Company, the Grantee’s actual employer or any parent, Subsidiary or affiliate to which the Grantee provides service if the Grantee is a Consultant (collectively, the “Employer”) takes with respect to any or all income tax, social insurance, payroll tax, payment on account, or other tax-related items related to the Grantee’s participation in the Plan and legally applicable to him or her (“Tax-Related Items”), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee’s responsibility and may exceed the amount actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, without limitation, the grant, vesting, or settlement of the Restricted Stock Units, the issuance of shares of Stock upon settlement, the subsequent sale of shares of Stock acquired pursuant to such issuance, and the receipt of any dividends or dividend equivalents; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate the Grantee’s liability for Tax-Related Items or achieve any particular tax result. The Grantee shall not make any claim against the Company or its Board, officers or employees related to Tax-Related Items arising from the Restricted Stock Units or the Grantee’s other compensation. Furthermore, if the Grantee has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, the Grantee acknowledges that the Company and/or the Employer (or

former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(a) payment by the Grantee to the Company and/or Employer; or

(b) withholding from the Grantee's wages or other cash compensation paid to him or her by the Company and/or the Employer; or

(c) withholding from proceeds of the sale of shares of Stock acquired upon vesting and settlement of the Restricted Stock Units, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization).

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in shares of Stock, the Grantee is deemed, for tax purposes, to have been issued the full number of shares subject to the vested Restricted Stock Units, notwithstanding that a number of the shares is held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Grantee's participation in the Plan.

Finally, the Grantee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Stock or the proceeds of the sale of shares if the Grantee fails to comply with his or her obligations in connection with the Tax-Related Items.

7. Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in Section 409A of the Code.

8. No Obligation to Continue Employment or Other Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee's employment or any other Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Grantee's employment or any other Service Relationship with the Company or a Subsidiary at any time.

9. Integration. This Agreement [and the Executive Agreement] constitute[s] the entire agreement[s] between the parties with respect to this Award and supersede[s] all prior agreements and discussions between the parties concerning such subject matter.

10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the “Relevant Companies”) may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the “Relevant Information”). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

11. Notices. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid, (iii) deposit with Federal Express Corporation (or other overnight courier service approved by the Company), with shipping charges prepaid or (iv) the date on which an electronic notification is received. Notice shall be addressed to the Company at its principal executive office and to the Grantee at

the address that he or she most recently provided to the Company in accordance with this Paragraph.

Guidewire Software, Inc.

By: _____

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated: __ __

Grantee's Signature

Grantee's name and address:

**RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR NON-EMPLOYEES
UNDER THE GUIDEWIRE SOFTWARE, INC.
2020 STOCK PLAN**

Name of Grantee: ___

No. of Restricted Stock Units: ___

Grant Date: ___

Vesting Commencement Date: ___

Pursuant to the Guidewire Software, Inc. 2020 Stock Plan as amended through the date hereof (the “Plan”), Guidewire Software, Inc. (the “Company”) hereby grants an award of the number of Restricted Stock Units listed above (an “Award”) to the Grantee named above. Each Restricted Stock Unit shall relate to one share of Common Stock (the “Stock”) of the Company.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

2. Vesting of Restricted Stock Units. [Subject to any Company leave of absence policy in effect, t]² [T]he restrictions and conditions of Paragraph 1 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee [remains in service as a member of the Board]³ [continues to have a Service Relationship with the Company or a Subsidiary]⁴ on such Dates. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 1 shall lapse only with respect to the number of Restricted Stock Units specified as vested on such date.

² Include if LOA policy is in effect.

³ For directors.

⁴ For consultants.

Incremental Number of
Restricted Stock Units Vested

_____ (___%)
_____ (___%)
_____ (___%)
_____ (___%)

Vesting Date

[_____]⁵

[Notwithstanding anything in this Agreement to the contrary, in the case of a Sale Event, the Restricted Stock Units shall be treated as provided in Section 3(c) of the Plan; provided, that in the event of a Sale Event, 100% of the then-outstanding and unvested Restricted Stock Units shall immediately be deemed vested on the date of such Sale Event, subject to the Grantee remaining in service as a member of the Board until the date of such Sale Event.]⁶ [Notwithstanding anything in this Agreement to the contrary, in the case of a Sale Event, the Restricted Stock Units shall be treated as provided in Section 3(c) of the Plan]⁷

The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 2.

3. Termination of Service as a Non-Employee Director. If the Grantee's service with the Company and its Subsidiaries as a member of the Board terminates for any reason (including death or disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.]⁸ Termination of Service Relationship. If the Grantee's Service Relationship with the Company or a Subsidiary terminates for any reason (including death or disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units.]⁹

4. Issuance of Shares of Stock. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units that have vested pursuant to Paragraph 2 of this Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares.

⁵ For directors, "Earlier of the Company's next annual meeting of stockholders or the one-year anniversary of the Vesting Commencement Date."

⁶ For directors.

⁷ For consultants.

⁸ For directors.

⁹ For consultants.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as “short-term deferrals” as described in Section 409A of the Code.

7. [No Obligation to Continue as a Non-Employee Director].¹⁰ [No Obligation to Continue Service Relationship]. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in a Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Service Relationship of the Grantee at any time.¹¹

8. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

9. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the “Relevant Companies”) may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the “Relevant Information”). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

10. Notices. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid, (iii) deposit with Federal Express Corporation (or other overnight courier service approved by the Company), with shipping charges prepaid or (iv) the date on which an electronic notification is received. Notice shall be addressed to the Company at its principal executive office and to the Grantee at

¹⁰ For directors.

¹¹ For consultants.

the address that he or she most recently provided to the Company in accordance with this Paragraph.

Guidewire Software, Inc.

By: _____
Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated: __ __

Grantee's Signature

Grantee's name and address:

**GLOBAL RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR COMPANY EMPLOYEES
UNDER THE GUIDEWIRE SOFTWARE, INC.
2020 STOCK PLAN**

Name of Grantee: __

No. of Restricted Stock Units: __

Grant Date: __

Pursuant to the Guidewire Software, Inc. 2020 Stock Plan as amended through the date hereof (the "Plan"), Guidewire Software, Inc. (the "Company") hereby grants an award of the number of Restricted Stock Units listed above (an "Award") to the Grantee named above subject to the terms of this Global Restricted Stock Unit Award Agreement (the "RSU Agreement"), including any additional terms and conditions for the Grantee's country set forth in the appendix hereto (the "Appendix" and, together with the RSU Agreement, the "Agreement"). Each Restricted Stock Unit shall relate to one share of Common Stock (the "Stock") of the Company.

Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

1. Restrictions on Transfer of Award. This Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of by the Grantee, and any shares of Stock issuable with respect to the Award may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of until (i) the Restricted Stock Units have vested as provided in Paragraph 2 of this Agreement and (ii) shares of Stock have been issued to the Grantee in accordance with the terms of the Plan and this Agreement.

2. Vesting of Restricted Stock Units. [Subject to any Company leave of absence policy in effect, t]¹² [T]he restrictions and conditions of Paragraph 1 of this RSU Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee continues to be employed with the Company or an Affiliate on such Dates. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 1 shall lapse only with respect to the number of Restricted Stock Units specified as vested on such date.

<u>Incremental Number of Restricted Stock Units Vested</u>	<u>Vesting Date</u>
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____

Notwithstanding anything in this Agreement to the contrary, in the case of a Sale Event, the Restricted Stock Units shall be treated as provided in Section 3(c) of the Plan[provided; however that the Restricted Stock Units shall be subject to any executive agreement by and between the Grantee and the Company, as applicable (the “Executive Agreement”)].

The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 2.

3. Termination of Employment. If the Grantee’s employment with the Company or an Affiliate terminates for any reason (including death or disability) prior to the satisfaction of the vesting conditions set forth in Paragraph 2 above, any Restricted Stock Units that have not vested as of such date shall automatically and without notice terminate and be forfeited, and neither the Grantee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Restricted Stock Units. For the avoidance of doubt, employment during only a period prior to a Vesting Date but where employment is terminated prior to the Vesting Date does not entitle the Grantee to vest in a pro-rata portion of the Award.

4. Issuance of Shares of Stock. As soon as practicable following each Vesting Date (but in no event later than two and one-half months after the end of the year in which the Vesting

¹² Include if LOA policy is in effect.

Date occurs), the Company shall issue to the Grantee the number of shares of Stock equal to the aggregate number of Restricted Stock Units that have vested pursuant to Paragraph 2 of this RSU Agreement on such date and the Grantee shall thereafter have all the rights of a stockholder of the Company with respect to such shares.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan.

6. Responsibility for Taxes. Regardless of any action that the Company or, if different, the Affiliate which employs the Grantee (the "Employer") takes with respect to any or all income tax, social insurance, fringe benefits tax, payroll tax, payment on account, or other tax-related items related to the Grantee's participation in the Plan and legally applicable or deemed applicable to him or her ("Tax-Related Items"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Grantee further acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, without limitation, the grant, vesting, or settlement of the Restricted Stock Units, the issuance of shares of Stock upon settlement, the subsequent sale of shares of Stock acquired pursuant to such issuance, and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. The Grantee shall not make any claim against the Company or its Board, officers or employees related to Tax-Related Items arising from this Award. Furthermore, if the Grantee has become subject to tax in more than one jurisdiction, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(a) requiring a cash payment by the Grantee to the Company and/or the Employer; or

(b) withholding from the Grantee's wages or other cash compensation payable to him or her by the Company or any of its Affiliates; or

(c) withholding from proceeds of the sale of shares of Stock acquired upon vesting and settlement of the Restricted Stock Units, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent); or

- (d) withholding shares of Stock to be issued upon vesting and settlement of the Restricted Stock Units; or
- (e) any other withholding method determined by the Company to be in compliance with applicable laws and permitted under the Plan.

The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other withholding rates, including maximum applicable rates in the Grantee's jurisdiction(s) jurisdiction. In the event of over-withholding, the Grantee may receive a refund of any over-withheld amount in cash through the Employer's normal payroll processes (with no entitlement to the equivalent in shares of Stock) or if not refunded, the Grantee may seek a refund from the local tax authorities. In the event of under-withholding, the Grantee may be required to pay additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Tax-Related Items is satisfied by withholding shares of Stock, the Grantee is deemed, for tax purposes, to have been issued the full number of shares of Stock subject to the vested Restricted Stock Units, notwithstanding that a number of the shares of Stock is held back solely for the purpose of paying the Tax-Related Items.

Finally, the Grantee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Stock or the proceeds of the sale of shares of Stock if the Grantee fails to comply with his or her obligations in connection with the Tax-Related Items.

7. Section 409A of the Code. This Agreement shall be interpreted in such a manner that all provisions relating to the settlement of the Award are exempt from the requirements of Section 409A of the Code as "short-term deferrals" as described in Section 409A of the Code.

8. Nature of Award. In accepting this Award, the Grantee acknowledges, understands, and agrees that:

(i) Neither the Company nor any Affiliate is obligated by or as a result of the Plan or this Agreement to continue the Grantee's employment or any other Service Relationship with the Company or an Affiliate and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's employment or any other Service Relationship with the Company or an Affiliate at any time.

(ii) the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended, or terminated by the Company at any time, to the extent permitted by the Plan;

(iii) the grant of this Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Awards, or benefits in lieu of Awards, even if such grants have been made in the past;

(iv) all decisions with respect to future Awards, if any, will be at the sole discretion of the Company;

(v) the Grantee's participation in the Plan is voluntary;

(vi) this Award and the shares of Stock subject to this Award, and the income from and value of the same, are not intended to replace any pension rights or compensation;

(vii) this Award and the shares of Stock subject to this Award, and the income from and value of same, are not part of normal or expected compensation or salary for purposes of, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(viii) the future value of the shares of Stock subject to this Award is unknown, indeterminable and cannot be predicted with certainty;

(ix) if the Grantee is issued shares of Stock in settlement of this Award, the value of the shares of Stock acquired may increase or decrease in value;

(x) no claim or entitlement to compensation or damages shall arise from forfeiture of any portion of this Award resulting from termination of the Grantee's employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee renders service or the terms of the Grantee's employment agreement, if any);

(xi) for purposes of the Award, the Grantee's employment will be considered terminated as of the date the Grantee is no longer actively providing services (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee renders service or the terms of the Grantee's employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by the Company, the Grantee's right to continue to vest in the Restricted Stock Units, if any, will terminate effective as of such date and will not be extended by any notice period (*e.g.*, active employment would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Grantee renders service or the terms of the Grantee's employment agreement, if any); the Committee shall have the exclusive discretion to determine when the Grantee's active employment is terminated for purposes of this Award (including whether the Grantee may still be considered to actively be providing services while on a leave of absence);

(xii) unless otherwise agreed with the Company in writing, the Restricted Stock Units and the shares of Stock subject to this Award, and the income from and value of the same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of an Affiliate;

(xiii) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Stock; and

(xiv) the following provisions apply only if the Grantee is providing services outside the United States:

(A) the Restricted Stock Units and the shares of Stock subject to the Award and the income from and value of the same, are not part of normal or expected compensation or salary for any purpose;

(B) neither the Company, the Employer nor any other Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the U.S. Dollar that may affect the value of the Restricted Stock Units or of any amounts due to the Grantee pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any shares of Stock acquired upon settlement.

9. Integration. This Agreement [and the Executive Agreement] constitute[s] the entire agreement[s] between the parties with respect to this Award and supersede[s] all prior agreements and discussions between the parties concerning such subject matter.

10. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its Affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

11. Notices. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United

States Postal Service or comparable non-US postal service, by registered or certified mail, with postage and fees prepaid, (iii) deposit with Federal Express Corporation (or other overnight courier service approved by the Company), with shipping charges prepaid or (iv) the date on which an electronic notification is received. Notice shall be addressed to the Company at its principal executive office and to the Grantee at the address that he or she most recently provided to the Company in accordance with this Paragraph.

12. Miscellaneous Provisions.

(a) Governing Law; Choice of Venue. The Award and the provisions of this Agreement shall be governed by and construed in accordance with the General Corporation Law of the State of Delaware as to matters within the scope thereof, and as to all other matters shall be governed by and construed in accordance with the internal laws of the State of California, without regard to conflict of law principles that would result in the application of any law other than the law of the State of California. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement and/or the Plan, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of the County of San Mateo, California, or the United States federal courts for the Northern District of California, and no other courts, where the grant of the Award is made and/or to be performed.

(b) Language. The Grantee acknowledges that he or she is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Grantee to understand the terms and conditions of this Agreement. If the Grantee receives the Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

(c) Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions nevertheless shall be binding and enforceable.

(d) Appendix. Notwithstanding any provisions in this RSU Agreement, this Award shall be subject to any additional terms and conditions set forth in any Appendix to this Agreement for the Grantee's country. Moreover, if the Grantee relocates to one of the countries included in the Appendix, the additional terms and conditions for such country will apply to the Grantee, to the extent that the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

(e) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Grantee's participation in the Plan, on this Award and on any shares of Stock acquired under the Plan, to the extent that the Company determines that it is necessary or advisable for legal or administrative reasons, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(f) Waiver. The Grantee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of this Agreement.

(g) No Advice Regarding Award. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan, or his or her acquisition or sale of the shares of Stock subject to this Award. The Grantee is solely responsible for taking all appropriate legal advice, notably concerning U.S. and local country tax and social insurance regulations, when signing this Agreement, or selling the shares of Stock acquired upon settlement of the Award, or more generally when making any decision in relation with this Award, this Agreement or otherwise under the Plan. The Company does not represent or guarantee that the Grantee may benefit from specific provisions under said regulations and the Grantee shall on his or her own efforts receive proper information in this respect. The Grantee understands and agrees that he or she should consult with his or her personal tax, legal, and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(h) Electronic Delivery of Documents. The Grantee agrees that the Company may decide, in its sole discretion, to deliver by email or other electronic means any documents relating to the Plan or this Award (including, without limitation, a copy of the Plan) and all other documents that the Company is required to deliver to its security holders (including, without limitation, disclosures that may be required by the U.S. Securities and Exchange Commission). The Grantee also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it shall notify the Grantee by email.

(i) Insider-Trading/Market-Abuse Laws. The Grantee acknowledges that, depending on his or her country, he or she may be subject to insider-trading restrictions and/or market-abuse laws, which may affect the Grantee's ability to purchase or sell shares of Stock acquired under the Plan during such times as the Grantee is considered to have "inside information" regarding the Company (as defined by the laws in the Grantee's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider-trading policy. The Grantee is responsible for complying with any applicable restrictions and is advised to speak to his or her personal legal advisor for further details regarding any applicable insider-trading and/or market-abuse laws in the Grantee's country.

(j) Foreign Asset/Account Reporting Requirements; Exchange Controls. The Grantee acknowledges that his or her country may have certain foreign asset and/or foreign account reporting requirements and exchange controls which may affect his or her ability to acquire or hold shares of Stock acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on shares of Stock acquired under the Plan) in a brokerage or bank account outside his or her country. The Grantee may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of his

or her participation in the Plan to his or her country through a designated bank or broker within a certain time after receipt. The Grantee acknowledges that it is his or her responsibility to be compliant with such regulations and is encouraged to consult his or her personal legal advisor for any details.

Guidewire Software, Inc.

By: _____
Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated: — —

Grantee's Signature

Grantee's name and address:

**APPENDIX TO
GLOBAL RESTRICTED STOCK UNIT AWARD AGREEMENT
UNDER THE
GUIDEWIRE SOFTWARE, INC. 2020 STOCK PLAN**

Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Global Restricted Stock Unit Award Agreement (the “RSU Agreement”) or, if not defined therein, the Plan.

TERMS AND CONDITIONS

This Appendix, which is part of the Agreement, includes additional terms and conditions that govern the Restricted Stock Units and that will apply to the Grantee if he or she resides and/or works in one of the countries listed below. If the Grantee is a citizen or resident of a country other than the one in which the Grantee resides and/or works, is considered a resident of another country for local law purposes or transfers employment and/or residency between countries after the Grant Date, the Company, in its discretion, will determine to what extent terms and conditions contained herein shall be applicable to the Grantee.

NOTIFICATIONS

This Appendix also includes information regarding securities, exchange control and certain other issues of which the Grantee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of December 2020. Such laws are often complex and change frequently. As a result, the Grantee should not rely on the information in this Appendix as the only source of information relating to the consequences of his or her participation in the Plan because such information may be outdated when the Restricted Stock Units become vested and/or when any shares of Stock acquired upon vesting and settlement are sold.

In addition, the information contained herein is general in nature and may not apply to the Grantee’s particular situation. As a result, the Company is not in a position to assure the Grantee of any particular result. The Grantee therefore should seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her particular situation.

Finally, if the Grantee is a citizen or resident of a country other than the one in which the Grantee resides and/or works, is considered a resident of another country for local law purposes or transfers employment and/or residency between countries after the Grant Date, then the notifications contained herein may not apply to him or her in the same manner.

ALL NON-U.S. JURISDICTIONS

Data Privacy Consent. The following provision replaces Paragraph 10 of the RSU Agreement:

Consent to Personal Data Processing and Transfer. By accepting the Award via the Company's acceptance procedure, the Grantee is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Personal Data (as defined below) by the Company and the transfer of Personal Data to the recipients mentioned herein, including recipients located in countries which do not adduce an adequate level of protection from a European (or other) data protection law perspective, for the purposes described herein.

(a) ***Declaration of Consent.*** The Grantee understands that the Grantee must review the following information about the processing of the Grantee's personal data by or on behalf of the Company and its Affiliates as described in this Agreement and any materials related to the Award (the "Personal Data") and declare his or her consent. As regards the processing of the Grantee's Personal Data in connection with the Plan and this Agreement, the Grantee understands that the Company is the controller of the Grantee's Personal Data.

(b) ***Data Processing and Legal Basis.*** The Company collects, uses and otherwise processes Personal Data about the Grantee for purposes of allocating shares of Stock and implementing, administering and managing the Plan. The Personal Data processed by the Company includes, without limitation, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport number or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company or its Affiliates, details of all Awards or any other entitlement to shares of stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor. The legal basis for the processing of the Grantee's Personal Data, where required, is the Grantee's consent.

(c) ***Stock Plan Administration Service Providers.*** The Grantee understands that the Company transfers the Grantee's Personal Data, or parts thereof, to (i) E*Trade Corporate Financial Services, Inc. and its affiliated companies ("E*Trade"), an independent service provider based in the United States which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select different service providers and share the Grantee's Personal Data with such different service providers that serve the Company in a similar manner. The Company's service providers will open an account for the Grantee to receive and trade shares of Stock acquired under the Plan and the Grantee will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of the Grantee's ability to participate in the Plan.

(d) ***International Data Transfers.*** The Company and, as of the date hereof, any third parties assisting in the implementation, administration and management of the Plan, such as E*Trade, are based in the United States. If the Grantee is located outside the United

States, the Grantee's country may have enacted data privacy laws that are different from the laws of the United States. The Company's legal basis for the transfer of the Grantee's Personal Data is the Grantee's consent.

(e) **Data Retention.** *The Company will process the Grantee's Personal Data only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan, or to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. In the latter case, the Grantee understands and acknowledges that the Company's legal basis for the processing of the Grantee's Personal Data would be compliance with the relevant laws or regulations. When the Company no longer needs the Grantee's Personal Data for any of the above purposes, the Grantee understands the Company will remove it from its systems.*

(f) **Voluntariness and Consequences of Denial/Withdrawal of Consent.** *The Grantee understands that any participation in the Plan and his or her consent are purely voluntary. The Grantee may deny or later withdraw his or her consent at any time, with future effect and for any or no reason. If the Grantee denies or later withdraws his or her consent, the Company can no longer offer participation in the Plan or grant equity awards to the Grantee or administer or maintain such awards, and the Grantee will no longer be eligible to participate in the Plan. The Grantee further understands that denial or withdrawal of his or her consent would not affect his or her status or salary as an employee or his or her career and that the Grantee would merely forfeit the opportunities associated with the Plan.*

(g) **Data Subject Rights.** *The data subject rights regarding the processing of personal data vary depending on the applicable law and that, depending on where the Grantee is based and subject to the conditions set out in the applicable law, the Grantee may have, without limitation, the rights to (i) inquire whether and what kind of Personal Data the Company holds about the Grantee and how it is processed, and to access or request copies of such Personal Data, (ii) request the correction or supplementation of Personal Data about the Grantee that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Personal Data no longer necessary for the purposes underlying the processing, (iv) request the Company to restrict the processing of the Grantee's Personal Data in certain situations where the Grantee feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Personal Data for legitimate interests, and to (vi) request portability of the Grantee's Personal Data that the Grantee has actively or passively provided to the Company (which does not include data derived or inferred from the collected data), where the processing of such Personal Data is based on consent or the Grantee's employment and is carried out by automated means. In case of concerns, the Grantee may also have the right to lodge a complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, the Grantee's rights the Grantee should contact the Grantee's local human resources representative.*

AUSTRALIA

Terms and Conditions

Class Order Exemption. The offer of Restricted Stock Units is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order CO 14/1000. Additional details are set forth in the Offer Document for the Restricted Stock Units to Australian resident employees, a copy of which is attached to the end of this section for Australia as Annex 1.

Notifications

Tax Consideration. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions of the Act).

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding a certain threshold and international fund transfers. The Australian bank assisting with the transaction may file the report on the Grantee's behalf. If there is no Australian bank involved in the transfer, the Grantee will be required to file the report. The Grantee should consult with his or her personal advisor to ensure proper compliance with applicable reporting requirements in Australia.

ANNEX 1

OFFER DOCUMENT

**GUIDEWIRE SOFTWARE, INC.
2020 STOCK PLAN**

**OFFER OF RESTRICTED STOCK UNITS
TO AUSTRALIAN RESIDENT EMPLOYEES**

The Company is pleased to provide the Grantee with this offer to participate in the Plan. This offer sets out information regarding the grant of Restricted Stock Units to Australian resident employees of the Company and its Affiliates ("Australian Participants"). This information is provided by the Company to ensure compliance of the Plan with Australian Securities and Investments Commission ("ASIC") Class Order 14/1000 and relevant provisions of the *Corporations Act 2001*.

In addition to the information set out in the Agreement and the Appendix, Australian Participants are also being provided with copies of the following documents:

- (a) the Plan; and
- (b) the Plan prospectus.

The Additional Documents provide further information to help the Grantee make an informed investment decision about participating in the Plan. Neither the Plan nor the Plan prospectus is a prospectus for the purposes of the *Corporations Act 2001*.

The Grantee should not rely upon any oral statements made in relation to this offer. The Grantee should rely only upon the statements contained in the Agreement, including the Appendix, and the Additional Documents when considering participation in the Plan.

Securities Law Notification. Investment in shares of Stock involves a degree of risk. Eligible employees who elect to participate in the Plan should monitor their participation and consider all risk factors relevant to the acquisition of shares of Stock under the Plan as set forth below and in the Additional Documents.

The information herein is general information only. It is not advice or information that takes into account the Grantee's personal objectives, financial situation and needs. The Grantee should consider obtaining his or her own financial product advice from a person who is licensed by ASIC to give such advice.

Additional Risk Factors for Australian Participants. The Grantee should have regard to risk factors relevant to investment in securities generally and, in particular, to holding shares of Stock. For example, the price at which an individual share is quoted on the New York Stock Exchange may increase or decrease due to a number of factors. There is no guarantee that the price of a share will increase. Factors that may affect the price of an individual share include

fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

More information about potential factors that could affect the Company's business and financial results is included in the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Copies of these documents are or will be available at <http://www.sec.gov/>, on the Company's investor's page at <http://ir.guidewire.com/investor-overview> and upon request to the Company.

In addition, Australian Participants should be aware that the Australian dollar ("AUD") value of any shares of Stock acquired under the Plan will be affected by the USD/AUD exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

Common Stock in a U.S. Corporation. Common stock of a U.S. corporation is analogous to ordinary shares of an Australian corporation. Each holder of a share is entitled to one vote. Dividends may be paid on the shares of Stock out of any funds of the Company legally available for dividends at the discretion of the Board of Directors of the Company. Further, shares of Stock are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

Ascertaining the Market Price of Shares. Australian Participants may ascertain the current market price of an individual Share as traded on the New York Stock Exchange under the symbol "GWRE" at: www.nyse.com. The AUD equivalent of that price can be obtained at: <https://www.rba.gov.au/statistics/frequency/exchange-rates.html>.

Please note that this is not a prediction of what the market price of the shares of Stock will be on any applicable vesting date or when shares of Stock are issued to Australian Participants (or at any other time), or of the applicable exchange rate at such time.

Australian Tax Consequences.

The following is a summary as of March 2021 of the income tax consequences for an Australian resident who is granted Restricted Stock Units under the Plan. This summary assumes the Grantee's Restricted Stock Units will be settled in shares of Stock. The Grantee may also be subject to Medicare Levy and surcharge. The summary is necessarily general in nature and does not purport to be tax advice in relation to an actual or potential recipient of Restricted Stock Units.

If the Grantee is a citizen or resident of another country or are considered a citizen or resident of another country for local tax law purposes, or if he or she transfers employment to another country after the Restricted Stock Units are granted to him or her, the information contained in this summary may not be applicable to the Grantee. The Grantee should seek appropriate

professional advice as to how the tax or other laws in Australia and in his or her country apply to his or her specific situation.

If the Grantee is granted Restricted Stock Units under the Plan, he or she should not rely on this summary as anything other than a broad guide, and the Grantee should obtain independent taxation advice specific to his or her particular circumstances.

(a) What is the effect of the grant of the Restricted Stock Units?

The Australian tax legislation contains specific rules, in Division 83A of the Income Tax Assessment Act 1997, governing the taxation of shares and rights (called ESS interests) acquired by employees under employee share schemes. Restricted Stock Units granted under the Plan should be regarded as rights to acquire shares of Stock and accordingly, ESS interests for these purposes.

The Grantee's assessable income includes any discount in relation to the acquisition of an ESS interest at grant, unless the ESS interest is subject to a real risk of forfeiture or there is a statement in the Agreement that tax deferral is to apply, in which case the Grantee will be subject to deferred taxation.

In the case of the Restricted Stock Units, the real risk of forfeiture test requires that:

- (i) there must be a real risk that, under the conditions of the Plan, the Grantee will forfeit the Restricted Stock Units or lose them (other than by disposing of them or in connection with the vesting of the Restricted Stock Units); or
- (ii) there must be a real risk that if the Grantee's Restricted Stock Units vest, under the conditions of the Plan, he or she will forfeit the resulting shares of Stock or lose them other than by disposing of them.

The terms of the Grantee's Restricted Stock Units are set out in this Offer Document and the Additional Documents. It is understood that the Grantee's Restricted Stock Units will generally satisfy the real risk of forfeiture test. In addition, the Restricted Stock Units are non-transferrable. Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to Restricted Stock Units granted under the Plan (subject to the conditions of that Act). Accordingly, the Grantee will be subject to deferred taxation (i.e., he or she generally should not be subject to tax when the Restricted Stock Units are granted).

(b) When will the Grantee be taxed if the Restricted Stock Units are subject to tax deferral?

The Grantee will be required to include an amount in his or her assessable income for the income year (i.e., the financial year ending 30 June) in which the earliest of the following events occurs in relation to the Restricted Stock Units (the "ESS deferred taxing point"). In addition to income taxes, this amount may also be subject to Medicare Levy and, if applicable, Medicare Levy surcharge.

The Grantee's ESS deferred taxing point will be the earliest of the following:

- (i) at vesting when there are no longer any genuine restrictions on the disposal of the Restricted Stock Units and there is no real risk of forfeiting the Restricted Stock Units;
- (ii) when the Restricted Stock Units are settled in shares of Stock and there is no genuine restriction on the disposal of the resulting shares of Stock; and
- (iii) cessation of employment to the extent the Grantee retains Restricted Stock Units.

Generally, assuming the Grantee remains in employment, this means that he or she will be subject to tax when the Restricted Stock Units are settled in shares of Stock or at the first time after settlement that any genuine restrictions on disposal of the resulting shares of Stock cease to apply.

If the Grantee ceases employment with his or her employer prior to any other ESS deferred taxing point and retain Restricted Stock Units, the date the Grantee ceases employment will be the ESS deferred taxing point.

However, the ESS deferred taxing point for the Restricted Stock Units will be moved to the time he or she sells the resulting shares of Stock if the Grantee sells the shares of Stock within 30 days of the original ESS deferred taxing point. In other words, the Grantee must report the income in the income year in which the sale occurs and not when the original ESS deferred taxing point occurs if he or she sells the resulting shares of Stock in an arm's length transaction within 30 days of that original ESS deferred taxing point.

- (c) What is the amount to be included in the Grantee's assessable income if an ESS deferred taxing point occurs?

The amount the Grantee must include in his or her assessable income in the income year (i.e., the financial year ending 30 June) in which the ESS deferred taxing point occurs in relation to the Restricted Stock Units (i.e., typically at vesting or if earlier, cessation of employment) will be the difference between the "market value" of the Restricted Stock Units or resulting shares of Stock, as the case requires at the ESS deferred taxing point and the cost base of the Restricted Stock Units. However, if the Grantee ceases employment prior to vesting and the Restricted Stock Units are forfeited, the Grantee may be treated as having never acquired the forfeited Restricted Stock Units and no amount will be included in his or her assessable income.

If, however, the Grantee sells the resulting shares of Stock in an arm's length transaction within 30 days of the original ESS deferred taxing point, the amount to be included in his or her assessable income in the income year in which the sale occurs will be equal to the difference between the sale proceeds and the cost base of the resulting shares, which should include the acquisition price (i.e., zero) plus any incremental costs the Grantee incurs in connection with the sale (e.g., brokers fees, commissions, etc.).

- (d) What is the market value of the Shares of Stock?

The “market value” of the Restricted Stock Units or resulting shares of Stock at the ESS deferred taxing point is determined according to the ordinary meaning of “market value” expressed in Australian currency. The Company will determine the market value in accordance with guidelines prepared by the Australian Taxation Office.

The Company or the employer has the obligation to provide the Grantee with certain information about his or her participation in the Plan at certain times, including after the end of the income year in which the ESS deferred taxing point occurs. This may assist the Grantee in determining the market value of the Restricted Stock Units or resulting shares of Stock at the ESS deferred taxing point. However, this estimate may not be correct if the Grantee sells the shares of Stock within 30 days of the ESS deferred taxing point and the Company is not aware of the sale, in which case it is the Grantee’s responsibility to report and pay the appropriate amount of tax based on the sales proceeds.

(e) Sale of Shares

If the Grantee sells the shares of Stock acquired upon settlement of the Restricted Stock Units within 30 days of the original ESS deferred taxing point, the Grantee’s ESS deferred taxing point will be shifted to the date of sale for purposes of determining the amount of assessable income as described in Section (c) and the Grantee will not be subject to capital gains taxation.

If the Grantee sells the shares of Stock acquired upon settlement of his or her Restricted Stock Units more than 30 days after the original ESS deferred taxing point, the Grantee will be subject to capital gains taxation to the extent that the sales proceeds exceed his or her cost base in the shares of Stock sold, assuming that the sale of shares of Stock occurs in an arm’s-length transaction (as will generally be the case provided that the shares of Stock are sold on a recognized national securities exchange). The Grantee’s cost base in the shares of Stock will generally be equal to the market value of the Restricted Stock Units or resulting shares of Stock at the ESS deferred taxing point (which will generally be the vest date or if earlier, when the Grantee ceases employment and retains the Restricted Stock Units) plus any incremental costs he or she incurs in connection with the sale (e.g., brokers fees).

The amount of any capital gain the Grantee realizes must be included in his or her assessable income for the year in which the shares of Stock are sold. However, if the Grantee holds the shares of Stock for at least one year prior to selling (excluding the dates the Grantee acquired and sold the shares of Stock), the Grantee may be able to apply a discount to the amount of capital gain that he or she is required to include in his or her assessable income. If this discount is available, the Grantee may calculate the amount of capital gain to be included in his or her assessable income by first subtracting all available capital losses from his or her capital gains and then multiplying each capital gain by the discount percentage of 50%.

The Grantee is responsible for reporting any income realized from the sale of shares of Stock acquired upon settlement of the Restricted Stock Units and paying any applicable taxes due on such income.

If the Grantee's sales proceeds are lower than his or her cost base in the shares of Stock sold (assuming the sale occurred in an arm's-length transaction), the Grantee will realize a capital loss. Capital losses may be used to offset capital gains realized in the current tax year or in any subsequent tax year, but may not be used to offset other types of income (e.g., salary or wage income).

(g) Withholding and Reporting

The Grantee will be responsible for reporting on his or her tax return and paying any tax liability in relation to the Restricted Stock Units and any shares of Stock acquired upon settlement. It is also the Grantee's responsibility to report and pay any tax liability on the sale of any shares of Stock acquired under the Plan.

The Grantee's employer will be required to withhold tax due on the Restricted Stock Units only if the Grantee has not provided his or her Tax File Number or Australian Business Number, as applicable, to his or her employer.

However, the Company or employer will provide the Grantee (no later than 14 July after the end of the year) and the Commissioner of Taxation (no later than 14 August after the end of the year) with a statement containing certain information about the Grantee's participation in the Plan in the income year in which the original ESS deferred taxing point occurs. This statement will include an estimate of the market value of the Restricted Stock Units or resulting shares of Stock at the taxing point. Please note, however, that, if the Grantee sells the shares of Stock within 30 days of the ESS deferred taxing point, his or her taxing point will not be at the original ESS deferred taxing point, but will be the date of sale; as such, the amount reported by the Company may differ from the Grantee's actual taxable amount (which would be based on the value of the shares of Stock when sold, rather than at the ESS deferred taxing point). The Grantee will be responsible for determining this amount and calculating his or her tax accordingly.

AUSTRIA

Notifications

Exchange Control Information. If the Grantee holds shares of Stock acquired under the Plan outside Austria (even if held outside of Austria with an Austrian bank), the Grantee may need to submit an annual report to the Austrian National Bank using the form “*Standmeldung/Wertpapiere*.” Exemptions apply if the value of the shares of Stock held outside Austria as of December 31 does not exceed certain thresholds. If the thresholds are exceeded, annual or quarterly reporting obligations are imposed. If applicable, the deadline for filing the annual report is January 31 of the following year and the deadline for the quarterly report is the 15th of the month following the end of the respective quarter.

When shares of Stock are sold or dividends are paid on such shares, there may be exchange control obligations if the cash received is held outside Austria, as a separate reporting requirement applies to any non-Austrian cash accounts. If the transaction volume of all of the Grantee's cash accounts abroad exceeds a certain threshold, the movements and the balance of all accounts must be reported monthly, as of the last day of the month, on or before the 15th day of the following month, using the form “*Meldungen SI-Forderungen und/oder SI-Verpflichtungen*.”

CANADA

Terms and Conditions

Restricted Stock Units Payable in Shares of Stock Only. Notwithstanding any discretion in Section 8(a) of the Plan or anything contrary in the Agreement, the Award does not provide any right for the Grantee to receive a cash payment, and the Restricted Stock Units are payable in shares of Stock only.

Termination of Employment. The following provision replaces Paragraph 8(a)(xii) of the RSU Agreement:

For purposes of the Award, the Grantee's Service Relationship will be considered terminated as of the date that is the earliest of (a) the date the Grantee's employment is terminated; (b) the date the Grantee receives notice of termination of employment; or (c) the date the Grantee is no longer providing services to the Company or any Affiliate (in all cases regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee renders service or the terms of the Grantee's employment agreement, if any). Unless otherwise expressly provided in this Agreement or determined by the Company, the Grantee's right to continue to vest in the Restricted Stock Units, if any, will terminate effective as of such date and will not be extended any period during which notice, pay in lieu of notice or related payments or damages are provided or required to be provided under local law. The Committee shall have the exclusive discretion to determine when

the Grantee's employment is terminated for purposes of this Award (including whether the Grantee may still be considered providing services while on a leave of absence).

Notwithstanding the foregoing, if applicable employment standards legislation explicitly requires continued entitlement to vesting during a statutory notice period, the Grantee's right to vest in the Award under the Plan, if any, will terminate effective as of the last day of the Grantee's minimum statutory notice period, but the Grantee will not earn or be entitled to pro-rated vesting if the vesting date falls after the end of the Grantee's statutory notice period, nor will the Grantee be entitled to any compensation for lost vesting.

The following provisions apply to the Award if the Grantee is a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given, or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.

Personal Data Authorization. The following provision supplements the Data Privacy Consent, set forth above in this Appendix:

The Grantee hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved in the administration and operation of the Plan. The Grantee further authorizes the Company, the Employer and its other Affiliates to disclose and discuss with their advisors the Grantee's participation in the Plan. The Grantee also authorizes the Company, the Employer and its other Affiliates to record such information and to keep it in his or her employment file.

Notifications

Securities Law Information. The Grantee is permitted to sell shares of Stock acquired through the Plan through the designated broker appointed under the Plan, if any, provided the resale of shares of Stock acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the shares of Stock are listed. The shares of Stock are currently listed on the New York Stock Exchange.

Foreign Account/Asset Reporting Information. If the Grantee is a Canadian resident, the Grantee is required to report annually on Form T1135 (Foreign Income Verification Statement) the foreign specified property (including shares of Stock acquired under the Plan) he or she holds if the total cost of such foreign specified property exceeds C\$100,000 at any time during the year. Unvested Restricted Stock Units also must be reported (generally at nil cost) on Form T1135 if the C\$100,000 threshold is exceeded due to other foreign property the Grantee holds. If shares of Stock are acquired, their cost generally is the adjusted cost base ("ACB") of the shares of Stock. The ACB would normally equal the fair market value of the shares of Stock at vesting,

but if the Grantee owns other shares, this ACB may have to be averaged with the ACB of the other shares. The Form T1135 must be filed at the same time the Grantee files his or her annual tax return. The Grantee is advised to consult with a personal advisor to ensure he or she complies with the applicable reporting obligations.

FRANCE

Terms and Conditions

Restricted Stock Units Not Tax-Qualified. The Grantee understands that the Restricted Stock Units are not intended to qualify for the special tax and social security treatment in France under Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code, as amended.

Consent to Receive Information in English. By accepting the Agreement, the Grantee confirms having read and understood the documents relating to the Award (the Plan and the Agreement), which were provided in the English language. The Grantee accepts the terms of those documents accordingly.

En acceptant le Contrat d'Attribution décrivant les termes et conditions de l'attribution, le Bénéficiaire confirme ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan et ce Contrat d'Attribution) qui ont été communiqués en langue anglaise. Le Bénéficiaire accepte les termes en connaissance de cause.

Notifications

Foreign Account/Asset Reporting Information. French residents must report all foreign bank and brokerage accounts on an annual basis (including accounts opened or closed during the tax year) on a specific form together with the income tax return. Failure to comply could trigger significant penalties.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If the Grantee receives cross-border payments in excess of €12,500 in connection with the sale of securities (including shares of Stock acquired under the Plan) or the receipt of dividends paid on such shares of Stock, the Grantee must report by the fifth day of the month following the month in which the payment was received. The report must be filed electronically. The form of report can be accessed via the German Federal Bank's website at www.bundesbank.de and is available in both German and English. The Grantee is advised to consult a personal legal advisor to ensure compliance with applicable reporting obligations.

Foreign Asset/Account Reporting Information. If the acquisition of shares of Stock under the Plan leads to a "qualified participation" at any point during the calendar year, Grantee understands that Grantee will need to report the acquisition when Grantee files his or her tax

return for the relevant year. A qualified participation is attained only if (a) the value of the shares of Stock acquired exceeds €150,000 and the Grantee holds 1% or more of the total shares of Stock, or (b) the Grantee holds shares of Stock exceeding 10% of the Company's total Stock. Grantee should contact his or her personal advisor for further information regarding whether Grantee's acquisition of Stock under the Plan will result in a qualified participation.

HONG KONG

Terms and Conditions

Lapse of Restrictions. If, for any reason, shares of Stock are issued to the Grantee within six (6) months of the Grant Date, the Grantee agrees that he or she will not sell or otherwise dispose of any such shares of Stock prior to the six-month anniversary of the Grant Date.

Restricted Stock Units Payable in Shares of Stock Only. Notwithstanding any discretion in Section 8(a) of the Plan or anything contrary in the Agreement, the Award does not provide any right for the Grantee to receive a cash payment, and the Restricted Stock Units are payable in shares of Stock only.

Notifications

Securities Law Information. *Warning: The contents of the Agreement, including this Appendix, the Plan, and all other materials pertaining to the Restricted Stock Units and/or the Plan have not been reviewed by any regulatory authority in Hong Kong. The Grantee is hereby advised to exercise caution in relation to the offer thereunder. If the Grantee has any doubts about any of the contents of the aforesaid materials, the Grantee should obtain independent professional advice.*

IRELAND

No country-specific provisions.

ITALY

Terms and Conditions

Grantee Acknowledgement. This provision supplements Paragraph 8 of the RSU Agreement:

The Grantee acknowledges that the Grantee has read and specifically and expressly approves the following sections of the RSU Agreement: (a) Responsibility for Taxes (Paragraph 6), (b) the Nature of the Grant (Paragraph 8); (d) Governing Law; Choice of Venue (Paragraph 12(a)), (e) Language (Paragraph 12(b)), (f) Appendix (Paragraph 12(d)) (g) the Imposition of Other Requirements (Paragraph 12(e)), and (h) the Data Privacy Consent, set forth above in this Appendix.

Notifications

Foreign Asset/Account Reporting Information. Italian residents who, at any time during the fiscal year, hold foreign financial assets (such as cash, shares of Stock or Restricted Stock Units) which may generate income taxable in Italy are required to report such assets on their annual tax returns or on a special form if no tax return is due. The same reporting duties apply to Italian residents who are beneficial owners of the foreign financial assets pursuant to Italian money laundering provisions, even if they do not directly hold the foreign asset abroad. The Grantee should consult a personal legal advisor to ensure compliance with applicable reporting requirements.

Foreign Asset Tax Information. The value of the financial assets held outside of Italy (including shares of Stock) by Italian residents is subject to a foreign asset tax. The taxable amount will be the fair market value of the financial assets (*e.g.*, shares of Stock acquired under the Plan) assessed at the end of the calendar year.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. The Grantee will be required to report to the Japanese tax authorities details of any assets held outside of Japan as of December 31st (including any shares of Stock acquired under the Plan), to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15th each year. The Grantee should consult with his or her personal tax advisor as to whether the reporting obligation applies to the Grantee and whether the Grantee will be required to report details of his or her outstanding Restricted Stock Units, as well as shares of Stock, in the report.

NETHERLANDS

No country-specific provisions.

NORWAY

No country-specific provisions.

POLAND

Notifications

Exchange Control Information. If the Grantee holds foreign securities (including shares of Stock) and maintains accounts abroad, the Grantee may be required to file certain reports with the National Bank of Poland on the transactions and balances of the securities and cash deposited in such accounts if the value of such transactions or balances exceeds PLN 7,000,000 in the aggregate. If required, the Grantee must file reports on the transactions and balances of the accounts on a quarterly basis on special forms available on the website of the National Bank of Poland.

Further, if the Grantee transfers funds in excess of €15,000 into Poland in connection with the sale of shares of Stock under the Plan, the funds must be transferred via a bank account held at a bank in Poland. The Grantee is required to maintain all documents related to foreign exchange transactions for a period of five years, in case of a request for their production from the Bank of Poland.

SPAIN

Terms and Conditions

No Entitlement for Claims or Compensation. By accepting the Restricted Stock Units, the Grantee acknowledges that he or she consents to participation in the Plan and has received a copy of the Plan. The Grantee understands that the Company has unilaterally, gratuitously and in its sole discretion decided to grant Restricted Stock Units under the Plan to individuals who may be employees of the Employer, the Company or its other Affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any Restricted Stock Units will not economically or otherwise bind the Employer, the Company or its other Affiliates on an ongoing basis. Consequently, the Grantee understands that the Restricted Stock Units are granted on the assumption and condition that the Restricted Stock Units and the shares of Stock acquired upon settlement shall not become a part of any employment contract (either with the Employer, the Company or any of its other Affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Grantee understands that grant of Restricted Stock Units would not be made to the Grantee but for the assumptions and conditions referred to above; thus, the Grantee acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of Restricted Stock Units shall be null and void.

Further, the vesting of the Restricted Stock Units is expressly conditioned on the Grantee's continued employment, such that if the Grantee's status as an employee terminates for any reason whatsoever, the Restricted Stock Units may cease vesting immediately, in whole or in part, effective on the date of the Grantee ceases to be an employee. This will be the case, for example, even if (a) the Grantee is considered to be unfairly dismissed without good cause; (b) the Grantee is dismissed for disciplinary or objective reasons or due to a collective dismissal; (c) the Grantee ceases to be an employee due to a change of work location, duties or any other employment or contractual condition; (d) the Grantee ceases to be an employee due to a unilateral breach of contract by the Employer, the Company or its other Affiliates; or (e) the Grantee ceases to be an employee for any other reason whatsoever. Consequently, once the Grantee ceases to be an employee any of the above reasons, the Grantee may automatically lose any rights to Restricted Stock Units that were not vested on the date of the Grantee's termination of employment, as described in the Plan and the Agreement.

The Grantee acknowledges that he or she has read and specifically accepts the conditions referred to in Paragraph 11 of the RSU Agreement.

Notifications

Securities Law Information. No “offer of securities to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the grant of the Restricted Stock Units. The Agreement has not been nor will it be registered with the *Comisión Nacional del Mercado de Valores*, and does not constitute a public offering prospectus.

SWITZERLAND

Notifications

Securities Law Information. Neither the Agreement nor any other materials relating to the Restricted Stock Units (1) constitute a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services ("FinSA"), (2) may be publicly distributed nor otherwise made publicly available in Switzerland to any person other than an employee of the Company or (3) have been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (FINMA).

UNITED KINGDOM

Terms and Conditions

Restricted Stock Units Payable in Shares of Stock Only. Notwithstanding any discretion in Section 8(a) of the Plan or anything contrary in the Agreement, the Award does not provide any right for the Grantee to receive a cash payment, and the Restricted Stock Units are payable in shares of Stock only.

Joint Election for Transfer of Liability for Employer National Insurance Contributions. The Grantee irrevocably agrees that participation in the Plan and settlement of this Award upon vesting is conditional on the Grantee's agreement to accept any liability for secondary Class 1 National Insurance contributions that may be payable by the Company or the Employer (and any successor to the Company and/or the Employer) in connection with the Restricted Stock Units and any event giving rise to Tax-Related Items (the “Employer NICs”). Without prejudice to the foregoing, the Grantee agrees to execute a joint election with the Company, the form of such joint election (the “Joint Election”) having been approved formally by Her Majesty's Revenue and Customs (“HMRC”), and any other required consent or election. The Grantee further agrees to execute such other joint elections as may be required between the Grantee and any successor to the Company or the Employer. The Grantee further agrees that the Company and the Employer (and any successor to the Company and/or the Employer) may collect the Employer NICs from the Grantee by any of the means set forth in Paragraph 6 of the RSU Agreement.

If the Grantee does not enter into a Joint Election prior to vesting of the Award, the Award shall not be settled unless and until he or she enters into a Joint Election, and no shares of Stock will be issued to the Grantee under the Plan, without any liability to the Company, the Employer, or any other Affiliate.

Tax Withholding. The following provision supplements Paragraph 6 of the RSU Agreement:

Without limitation to Paragraph 6 of the RSU Agreement, the Grantee agrees that he or she is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items as and when requested by the Company, the Employer or by HMRC (or any other tax authority or any other relevant authority). The Grantee also agrees to indemnify and keep indemnified the Company and the Employer (and any successor to the Company and/or the Employer) against any Tax-Related Items that they are required to pay or withhold on or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Grantee's behalf.

Notwithstanding the foregoing, if the Grantee is an executive officer or director (within the meaning of Section 13(k) of the Exchange Act), the Grantee acknowledges that may not be able to indemnify the Company or the Employer for the amount of any income tax not collected from or paid by the Grantee, as it may be considered a loan. In such case, if the amount of any income tax due is not collected from or paid by the Grantee within ninety (90) days of the end of the U.K. tax year in which an event giving rise to the indemnification described above occurs, the amount of any uncollected income tax may constitute an additional benefit to the Grantee on which additional income tax and National Insurance Contributions ("NICs") may be payable. The Grantee will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company and/or the Employer (and any successor to the Company and/or the Employer) the value of any employee NICs due on this additional benefit, which the Company and/or the Employer may recover at any time thereafter by any of the means referred to in Paragraph 6 of the RSU Agreement.

NICs JOINT ELECTION FOR UK PARTICIPANTS FOR THE GUIDEWIRE, INC. 2020 EQUITY INCENTIVE PLAN
(the “Election”)

Important Note on the Election to Transfer Employer’s NICs

As a condition of your participation in the Guidewire, Inc. 2020 Equity Incentive Plan, you are required to enter into the Election to transfer to you any liability for employer National Insurance contributions (“Employer NICs”) that may arise in connection with your participation in the Plan.

By accepting your award (the “Award”) (whether by signing the applicable award or by clicking on the “ACCEPT” box as part of the Company’s online acceptance procedures) or by separately accepting the Election (whether in hard copy or by clicking on the “ACCEPT” box), you indicate your acceptance to transfer Employer’s NICs and to be bound by the terms of the Election. You should read this important note and the Election in their entirety before accepting the applicable award agreement and the Election. Please print and keep a copy of the Election for your records.

By entering into the Election:

- you agree that any Employer’s NICs liability that may arise in connection with your participation in the Plan will be transferred to you;
- you authorise your employer to recover an amount sufficient to cover this liability by such methods as set forth in Paragraph 6 of the RSU Agreement including, but not limited to, deductions from your salary or other payments due or the sale of sufficient shares acquired pursuant to your Awards; and
- you acknowledge that the Company or your employer may require you to sign a paper copy of this Election (or a substantially similar form) if the Company determines such is necessary to give effect to the Election even if you have accepted the applicable award agreement or the Election through the Company’s electronic acceptance procedure.

Joint Election for Transfer of Liability for

Employer National Insurance Contributions to Employee

Election To Transfer the Employer's National Insurance Liability to the Employee

This Election is between:

- A. The individual who has obtained authorised access to this Election (the “**Employee**”), who is employed by one of the employing companies listed in the attached schedule (the “**Employer**”) and who is eligible to receive stock options and/or restricted stock units (the “**Awards**”) pursuant to the Guidewire, Inc. 2020 Equity Incentive Plan (the “**Plan**”), and
- B. Guidewire, Inc., a Delaware corporation, with registered offices at 2850 S. Delaware Street, Suite 100, San Mateo, CA 94403, U.S.A. (the “**Company**”), which may grant Awards under the Plan and is entering into this Election on behalf of the Employer.

1. Introduction

- 1.1 This Election relates to all Awards granted to the Employee under the Plan up to the termination date of the Plan.
- 1.2 In this Election the following words and phrases have the following meanings:
 - (a) “**Chargeable Event**” means any event giving rise to Relevant Employment Income.
 - (b) “**ITEPA**” means the Income Tax (Earnings and Pensions) Act 2003.
 - (c) “**Relevant Employment Income**” from Awards on which Employer's National Insurance Contributions becomes due is defined as:
 - (i) an amount that counts as employment income of the earner under section 426 ITEPA (restricted securities: charge on certain post-acquisition events);
 - (ii) an amount that counts as employment income of the earner under section 438 of ITEPA (convertible securities: charge on certain post-acquisition events); or
 - (iii) any gain that is treated as remuneration derived from the earner's employment by virtue of section 4(4)(a) SSCBA, including without limitation:
 - (A) the acquisition of securities pursuant to the Awards (within the meaning of section 477(3)(a) of ITEPA);

(B) the assignment (if applicable) or release of the Awards in return for consideration (within the meaning of section 477(3)(b) of ITEPA);

(C) the receipt of a benefit in connection with the Awards, other than a benefit within (i) or (ii) above (within the meaning of section 477(3)(c) of ITEPA).

(d) "SSCBA" means the Social Security Contributions and Benefits Act 1992.

1.3 This Election relates to the Employer's secondary Class 1 National Insurance Contributions (the "Employer's Liability") which may arise in respect of Relevant Employment Income in respect of the Awards pursuant to section 4(4)(a) and/or paragraph 3B(1A) of Schedule 1 of the SSCBA.

1.4 This Election does not apply in relation to any liability, or any part of any liability, arising as a result of regulations being given retrospective effect by virtue of section 4B(2) of either the SSCBA, or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

1.5 This Election does not apply to the extent that it relates to relevant employment income which is employment income of the earner by virtue of Chapter 3A of Part VII of ITEPA (employment income: securities with artificially depressed market value).

2. **The Election**

The Employee and the Company jointly elect that the entire liability of the Employer to pay the Employer's Liability that arises on any Relevant Employment Income is hereby transferred to the Employee. The Employee understands that, by signing this Election (including by electronic signature process) or by accepting the Awards (including by electronic signature process if made available by the Company), as applicable, he or she will become personally liable for the Employer's Liability covered by this Election. This Election is made in accordance with paragraph 3B(1) of Schedule 1 of the SSCBA.

3. **Payment of the Employer's Liability**

3.1 The Employee hereby authorises the Company and/or the Employer to collect the Employer's Liability in respect of any Relevant Employment Income from the Employee at any time after the Chargeable Event:

(a) by deduction from salary or any other payment payable to the Employee at any time on or after the date of the Chargeable Event; and/or

(b) directly from the Employee by payment in cash or cleared funds; and/or

(c) by arranging, on behalf of the Employee, for the sale of some of the securities which the Employee is entitled to receive in respect of the Awards, the proceeds from which

must be delivered to the Employer in sufficient time for payment to be made to Her Majesty's Revenue & Customs ("HMRC") by the due date; and/or

(d) by any other means specified in the applicable Restricted Stock Unit agreement entered into between the Employee and the Company.

3.2 The Company hereby reserves for itself and the Employer the right to withhold the transfer of any securities to the Employee in respect of the Awards until full payment of the Employer's Liability is received.

3.3 The Company agrees to procure the remittance by the Employer of the Employer's Liability to HMRC on behalf of the Employee within 14 days after the end of the UK tax month during which the Chargeable Event occurs (or within 17 days after the end of the UK tax month during which the Chargeable Event occurs if payments are made electronically).

4. **Duration of Election**

4.1 The Employee and the Company agree to be bound by the terms of this Election regardless of whether the Employee is transferred abroad or is not employed by the Employer on the date on which the Employer's Liability becomes due.

4.2 Any reference to the Company and/or the Employer shall include that entity's successors in title and assigns as permitted in accordance with the terms of the Plan and relevant award agreement. This Election will continue in effect in respect of any awards which replace the Awards in circumstances where section 483 of ITEPA applies.

4.3 This Election will continue in effect until the earliest of the following:

(a) the date on which the Employee and the Company agree in writing that it should cease to have effect;

(b) the date on which the Company serves written notice on the Employee terminating its effect;

(c) the date on which HMRC withdraws approval of this Election; or

(d) the date on which, after due payment of the Employer's Liability in respect of the entirety of the Awards to which this Election relates or could relate, the Election ceases to have effect in accordance with its own terms.

4.4 This Election will continue in force regardless of whether the Employee ceases to be an employee of the Employer.

Acceptance by the Employee

The Employee acknowledges that, by signing this Election (including by electronic signature process) or by accepting the Awards (including by electronic signature process if made available by the Company), the Employee agrees to be bound by the terms of this Election.

...../...../.....
Signature (Employee) Date

Acceptance by the Company.

The Company acknowledges that, by signing this Election (including by electronic signature process) or arranging for the scanned signature of an authorised representative to appear on this Election, the Company agrees to be bound by the terms of this Election.

Signature for and on
behalf of the Company _____

Position _____

Date _____

Schedule of Employer Companies

The employing companies to which this Election relates include:

Name	Guidewire Software (UK) Ltd.
Registered Office:	4th Floor, 9 Cloak Lane London EC4R 2RU, U.K.
Company Registration Number:	05427894
Corporation Tax Reference:	18293 29999
PAYE Reference:	951 / BZ75816

**STOCK OPTION AGREEMENT
UNDER THE GUIDEWIRE SOFTWARE, INC.
2020 STOCK PLAN**

Name of Optionee: ___

No. of Option Shares: ___

Option Exercise Price per Share: \$___
[FMV on Grant Date]

Grant Date: ___

Expiration Date: ___

Option Type: Incentive Stock Option*/Non-Qualified Stock Option*

[* This Stock Option is intended to be an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”).]¹³

[* This Stock Option is not intended to be an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”).]¹⁴

Pursuant to the Guidewire Software, Inc. 2020 Stock Plan as amended through the date hereof (the “Plan”), Guidewire Software, Inc. (the “Company”) hereby grants to the Optionee named above an option (the “Stock Option”) to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock (the “Stock”) of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder [and to any Company leave of absence policy in effect]¹⁵, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as the Optionee continues to be employed with the Company or a Subsidiary on such dates:

¹³ For ISOs.

¹⁴ For NQSOs.

¹⁵ Include if LOA policy is in effect.

Incremental Number of
Option Shares Exercisable[*]¹⁶

_____ (___%)
_____ (___%)
_____ (___%)
_____ (___%)
_____ (___%)

Exercisability Date

[* Max. of \$100,000 per year.]¹⁷

Notwithstanding anything in this Agreement to the contrary, in the case of a Sale Event, this Stock Option and the Option Shares shall be treated as provided in Section 3(c) of the Plan[provided; however that the Stock Option and the Option Shares shall be subject to any executive agreement by and between the Optionee and the Company, as applicable (the “Executive Agreement”)].

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure or (iv), a combination of (i), (ii), and (iii) above. Payment instruments will be received subject to collection.

¹⁶ For ISOs.

¹⁷ For ISOs.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Employment. If the Optionee's employment with the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment with the Company or a Subsidiary terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's employment with the Company or a Subsidiary terminates by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee for a period of 12 months from the date of disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's employment with the Company or a Subsidiary terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect. For purposes hereof, "Cause" shall mean, unless otherwise provided in an employment or other service agreement between the Company and the Optionee, a determination by the Administrator that the Optionee shall be dismissed as a result of (i) any material breach by the Optionee of any agreement between the Optionee and the Company; (ii) the conviction of, indictment for or plea of nolo contendere by the Optionee to a felony or a crime involving moral turpitude; or (iii) any material misconduct or willful and deliberate non-performance (other than by reason of disability) by the Optionee of the Optionee's duties to the Company.

(d) Other Termination. If the Optionee's employment with the Company or a Subsidiary terminates for any reason other than the Optionee's death, the Optionee's disability or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's employment with the Company or a Subsidiary shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Tax Withholding. Regardless of any action that the Company, the Optionee's actual employer or any parent, Subsidiary or affiliate to which the Optionee provides service if the Optionee is a Consultant (collectively, the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account, or other tax-related items related to the Optionee's participation in the Plan and legally applicable to him or her ("Tax-Related Items"), the Optionee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Optionee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Optionee further acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Stock Option, including, without limitation, the grant, vesting, or exercise of the Stock Option, the issuance of Stock upon exercise, the

subsequent sale of Stock acquired pursuant to such issuance, and the receipt of any dividends or dividend equivalents; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Stock Option to reduce or eliminate the Optionee's liability for Tax-Related Items or achieve any particular tax result. The Optionee shall not make any claim against the Company or its Board, officers or employees related to Tax-Related Items arising from this Stock Option or the Optionee's other compensation. Furthermore, if the Optionee has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, the Optionee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Optionee will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Optionee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(a) payment by the Optionee to the Company and/or Employer; or

(b) withholding from the Optionee's wages or other cash compensation paid to him or her by the Company and/or the Employer; or

(c) withholding from proceeds of the sale of Stock acquired upon vesting and exercise of the Stock Options, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Optionee's behalf pursuant to this authorization).

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Stock, the Optionee is deemed, for tax purposes, to have been issued the full number of share of Stock subject to the Stock Option, notwithstanding that a number of the shares of Stock is held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Optionee's participation in the Plan.

Finally, the Optionee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Optionee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Stock or the proceeds of the sale of shares of Stock if the Optionee fails to comply with his or her obligations in connection with the Tax-Related Items.

7. No Obligation to Continue Employment or Other Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in an employment or any other Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of

the Company or any Subsidiary to terminate the Optionee's employment or any other Service Relationship with the Company or a Subsidiary at any time.

8. Integration. This Agreement [and the Executive Agreement] constitute[s] the entire agreement[s] between the parties with respect to this Stock Option and supersede[s] all prior agreements and discussions between the parties concerning such subject matter.

9. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

10. Notices. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid, (iii) deposit with Federal Express Corporation (or other overnight courier service approved by the Company), with shipping charges prepaid or (iv) the date on which an electronic notification is received. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company in accordance with this Paragraph.

11. [Status of the Stock Option] This Stock Option is intended to qualify as an "incentive stock option" under Section 422 of the Code, but the Company does not represent or warrant that this Stock Option qualifies as such. The Optionee should consult with his or her own tax advisors regarding the tax effects of this Stock Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements and that ***this Stock Option must be exercised within three months after termination of employment as an employee (or 12 months in the case of death or disability) to qualify as an "incentive stock option."*** To the extent any portion of this Stock Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option. If the Optionee intends to dispose or does dispose (whether by sale, gift, transfer or otherwise) of any Option Shares within the one-year period beginning on the date after the transfer of such shares to him or her, or within the two-year period beginning on the day

after the grant of this Stock Option, he or she will so notify the Company within 30 days after such disposition.]¹⁸

Guidewire Software, Inc.

By: _____

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated: __ __

Optionee's Signature

Optionee's name and address:

¹⁸ For ISOs.

**NON-QUALIFIED STOCK OPTION AGREEMENT
FOR NON-EMPLOYEES
UNDER THE GUIDEWIRE SOFTWARE, INC.
2020 STOCK PLAN**

Name of Optionee: ___

No. of Option Shares: ___

Option Exercise Price per Share: \$___
[FMV on Grant Date]

Grant Date: ___

Vesting Commencement Date ___

Expiration Date: ___
[No more than 10 years]

Pursuant to the Guidewire Software, Inc. 2020 Stock Plan as amended through the date hereof (the “Plan”), Guidewire Software, Inc. (the “Company”) hereby grants to the Optionee named above, who is not an employee of the Company, an option (the “Stock Option”) to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock (the “Stock”), of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an “incentive stock option” under Section 422 of the Internal Revenue Code of 1986, as amended.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder [and to any Company leave of absence policy in effect]¹⁹, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated so long as the Optionee remains [in service as a member of the Board]²⁰ [in a Service Relationship with the Company or a Subsidiary]²¹ on such dates:

¹⁹ Include if LOA policy is in effect.

²⁰ For directors.

²¹ For consultants.

Incremental Number of
Option Shares Exercisable

_____ (___%)
_____ (___%)
_____ (___%)
_____ (___%)
_____ (___%)

Exercisability Date

[_____]²²

[Notwithstanding anything in this Agreement to the contrary, in the case of a Sale Event, this Stock Option and the Option Shares shall be treated as provided in Section 3(c) of the Plan; provided, however, that in the event of a Sale Event, 100% of the then-outstanding and unvested Option Shares shall immediately be deemed vested and exercisable on the date of such Sale Event, subject to the Optionee remaining in service as a member of the Board until the date of such Sale Event]²³. [Notwithstanding anything in this Agreement to the contrary, in the case of a Sale Event, this Stock Option and the Option Shares shall be treated as provided in Section 3(c) of the Plan]²⁴. Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or

²² For directors, "Earlier of the Company's next annual meeting of stockholders or the one-year anniversary of the Vesting Commencement Date."

²³ For directors.

²⁴ For consultants.

(iv) a combination of (i), (ii), and (iii) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. [Termination as Non-Employee Director]. If the Optionee ceases to be a Non-Employee Director of the Company, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.²⁵ [Termination of Service Relationship]. Except as may otherwise be provided by the Administrator, if the Optionee's Service Relationship with the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.²⁶

(a) [Termination Due to Death]. If the Optionee's service as a Non-Employee Director terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not

²⁵ For directors.

²⁶ For consultants.

exercisable on the date of death shall terminate immediately and be of no further force or effect.]²⁷ Termination Due to Death. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.]²⁸

(b) Termination Due to Disability. If the Optionee's service as a Non-Employee Director terminates by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.]²⁹ Termination Due to Disability. If the Optionee's Service Relationship with the Company or a Subsidiary terminates by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such termination, may thereafter be exercised by the Optionee for a period of 12 months from the date of disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of disability shall terminate immediately and be of no further force or effect.]³⁰

(c) Termination for Cause. If the Optionee's service as a Non-Employee Director terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect. For purposes hereof, "Cause" shall mean, unless otherwise provided in a director or other service agreement between the Company and the Optionee, a determination by the Administrator that the Optionee shall be dismissed as a result of (i) any material breach by the Optionee of any agreement between the Optionee and the Company; (ii) the conviction of, indictment for or plea of nolo contendere by the Optionee to a felony or a crime involving moral turpitude; or (iii) any material misconduct or willful and deliberate non-performance (other than by reason of disability) by the Optionee of the Optionee's duties to the Company.]³¹ Termination for Cause. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect. For purposes hereof, "Cause" shall mean, unless otherwise provided in a consulting or other service agreement between the Company and the Optionee, a determination by the Administrator that the Optionee shall be dismissed as a result of (i) any material breach by the Optionee of any agreement between the Optionee and the Company; (ii) the conviction of, indictment for or plea of nolo contendere by the Optionee to a felony or a crime involving moral turpitude; or (iii) any material

²⁷ For directors.

²⁸ For consultants.

²⁹ For directors.

³⁰ For consultants.

³¹ For directors.

misconduct or willful and deliberate non-performance (other than by reason of disability) by the Optionee of the Optionee's duties to the Company.]³²

(d) [Other Termination]. If the Optionee ceases to be a Non-Employee Director for any reason other than the Optionee's death, the Optionee's disability or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date the Optionee ceased to be a Non-Employee Director, for a period of three months from the date the Optionee ceased to be a Non-Employee Director or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date the Optionee ceases to be a Non-Employee Director shall terminate immediately and be of no further force or effect.]³³ [Other Termination]. If the Optionee's Service Relationship with the Company or a Subsidiary terminates for any reason other than the Optionee's death, the Optionee's disability or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.]³⁴

[The Administrator's determination of the reason for termination of the Optionee's service as a Non-Employee Director shall be conclusive and binding on the Optionee and his or her representatives or legatees.]³⁵ [The Administrator's determination of the reason for termination of the Optionee's Service Relationship with the Company or a Subsidiary shall be conclusive and binding on the Optionee and his or her representatives or legatees.]³⁶

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. [No Obligation to Continue as a Non-Employee Director]. Neither the Plan nor this Stock Option confers upon the Optionee any rights with respect to continuance as a Non-

³² For consultants.

³³ For directors.

³⁴ For consultants.

³⁵ For directors.

³⁶ For consultants.

Employee Director.]³⁷ [No Obligation to Continue Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee's Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Optionee's Service Relationship with the Company or a Subsidiary at any time.]³⁸

7. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Stock Option and supersedes all prior agreements and discussions between the parties concerning such subject matter.

8. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

9. Notices. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid, (iii) deposit with Federal Express Corporation (or other overnight courier service approved by the Company), with shipping charges prepaid or (iv) the date on which an electronic notification is received. Notice shall be addressed to the Company at its principal executive office and to the Optionee at the address that he or she most recently provided to the Company in accordance with this Paragraph.

³⁷ For directors.

³⁸ For consultants.

Guidewire Software, Inc.

By: _____
Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated: __ __

Optionee's Signature

Optionee's name and address:

**RESTRICTED STOCK AWARD AGREEMENT
UNDER THE GUIDEWIRE SOFTWARE, INC.
2020 STOCK PLAN**

Name of Grantee: ___

No. of Shares: ___

Grant Date: ___

Pursuant to the Guidewire Software, Inc. 2020 Stock Plan (the "Plan") as amended through the date hereof, Guidewire Software, Inc. (the "Company") hereby grants a Restricted Stock Award (an "Award") to the Grantee named above. Upon acceptance of this Award, the Grantee shall receive the number of shares of Common Stock (the "Stock") of the Company specified above, subject to the restrictions and conditions set forth herein and in the Plan. The Company acknowledges the receipt from the Grantee of consideration with respect to the par value of the Stock in the form of cash, past or future services rendered to the Company by the Grantee or such other form of consideration as is acceptable to the Administrator.

1. Award. The shares of Restricted Stock awarded hereunder shall be issued and held by the Company's transfer agent in book entry form, and the Grantee's name shall be entered as the stockholder of record on the books of the Company. Thereupon, the Grantee shall have all the rights of a stockholder with respect to such shares, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below. The Grantee shall (i) sign and deliver to the Company a copy of this Award Agreement and (ii) deliver to the Company a stock power endorsed in blank.

2. Restrictions and Conditions.

(a) Any book entries for the shares of Restricted Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting.

(c) If the Grantee's employment with the Company or a Subsidiary is voluntarily or involuntarily terminated for any reason (including death) prior to vesting of shares of Restricted Stock granted herein, all shares of Restricted Stock shall immediately and automatically be forfeited and returned to the Company.

3. Vesting of Restricted Stock. [Subject to any Company leave of absence policy in effect, t]³⁹ [T]he restrictions and conditions in Paragraph 2 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee continues to be employed with the Company or a Subsidiary on such Dates. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 2 shall lapse only with respect to the number of shares of Restricted Stock specified as vested on such date.

<u>Incremental Number of Shares Vested</u>	<u>Vesting Date</u>
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____

Notwithstanding anything in this Agreement to the contrary, in the case of a Sale Event, the shares of Restricted Stock shall be treated as provided in Section 3(c) of the Plan[provided; however that the shares of Restricted Stock shall be subject to any executive agreement by and between the Grantee and the Company, as applicable (the “Executive Agreement”).

Subsequent to such Vesting Date or Dates, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 3.

4. Dividends. Dividends on shares of Restricted Stock shall be paid currently to the Grantee.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Award shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

7. Tax Withholding. Regardless of any action that the Company, the Grantee’s actual employer or any parent, Subsidiary or affiliate to which the Grantee provides service if the Grantee is a Consultant (collectively, the “Employer”) takes with respect to any or all income tax, social insurance, payroll tax, payment on account, or other tax-related items related to the Grantee’s participation in the Plan and legally applicable to him or her (“Tax-Related Items”), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee’s responsibility and may exceed the amount actually withheld by the Company or the

³⁹ Include if LOA policy is in effect.

Employer. The Grantee further acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock, including, without limitation, the grant or vesting of the Restricted Stock, the subsequent sale of the shares of Stock, and the receipt of any dividends or dividend equivalents; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. The Grantee shall not make any claim against the Company or its Board, officers or employees related to Tax-Related Items arising from the Restricted Stock or the Grantee's other compensation. Furthermore, if the Grantee has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, the Grantee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) payment by the Grantee to the Company and/or Employer; or
- (b) withholding from the Grantee's wages or other cash compensation paid to him or her by the Company and/or the Employer; or
- (c) withholding from proceeds of the sale of shares of Stock, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization).

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in shares of Stock, the Grantee is deemed, for tax purposes, to have been issued the full number of shares of Restricted Stock, notwithstanding that a number of the shares is held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Grantee's participation in the Plan.

Finally, the Grantee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares or the proceeds of the sale of shares if the Grantee fails to comply with his or her obligations in connection with the Tax-Related Items.

8. Election Under Section 83(b). The Grantee and the Company hereby agree that the Grantee may, within 30 days following the Grant Date of this Award, file with the Internal Revenue Service and the Company an election under Section 83(b) of the Internal Revenue Code. In the event the Grantee makes such an election, he or she agrees to provide a copy of the election to the Company. The Grantee acknowledges that he or she is responsible for obtaining the advice of his or her tax advisors with regard to the Section 83(b) election and that he or she is relying solely on such advisors and not on any statements or representations of the Company or any of its agents with regard to such election.

9. No Obligation to Continue Employment or Other Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in an employment or any other Service Relationship with the Company or a Subsidiary and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the Grantee's employment or any other Service Relationship with the Company or a Subsidiary at any time.

10. Integration. This Agreement [and the Executive Agreement] constitute[s] the entire agreement[s] between the parties with respect to this Award and supersede[s] all prior agreements and discussions between the parties concerning such subject matter.

11. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

12. Notices. Any notice required by the terms of this Agreement shall be given in writing. It shall be deemed effective upon (i) personal delivery, (ii) deposit with the United States Postal Service, by registered or certified mail, with postage and fees prepaid, (iii) deposit with Federal Express Corporation (or other overnight courier service approved by the Company), with shipping charges prepaid or (iv) the date on which an electronic notification is received. Notice shall be addressed to the Company at its principal executive office and to the Grantee at

the address that he or she most recently provided to the Company in accordance with this Paragraph .

Guidewire Software, Inc.

By: _____

Title:

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Grantee (including through an online acceptance process) is acceptable.

Dated: __ __

Grantee's Signature

Grantee's name and address:

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Mike Rosenbaum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Guidewire Software, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - a) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - b) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2021

By: /s/ MIKE ROSENBAUM
Mike Rosenbaum
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Jeff Cooper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Guidewire Software, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - a) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - b) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 4, 2021

By: /s/ JEFF COOPER

Jeff Cooper
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Guidewire Software, Inc. for the quarterly period ended January 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mike Rosenbaum, as Chief Executive Officer of Guidewire Software, Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Guidewire Software, Inc.

Date: March 4, 2021

By: /s/ MIKE ROSENBAUM
Mike Rosenbaum
Chief Executive Officer
(Principal Executive Officer)

In connection with the Quarterly Report on Form 10-Q of Guidewire Software, Inc. for the quarterly period ended January 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeff Cooper, as Chief Financial Officer of Guidewire Software, Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Guidewire Software, Inc.

Date: March 4, 2021

By: /s/ JEFF COOPER
Jeff Cooper
Chief Financial Officer
(Principal Financial and Accounting Officer)