



# Analyst Day

October 6, 2022



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This presentation contains “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our financial outlook and our future business momentum related to cloud vision and strategy, market trends and market size, opportunities and positioning, and other business strategies and plans. These forward-looking statements are made as of the date they were first issued and were based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. Words such as “expect,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond Guidewire’s control. Guidewire’s actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to, risks detailed in Guidewire’s most recent Form 10-K filed with the Securities and Exchange Commission as well as other periodic reports and filings that may be filed by Guidewire from time to time with the Securities and Exchange Commission.

In particular, the following factors, among others, could cause results to differ materially from those expressed or implied by such forward-looking statements: quarterly and annual operating results may fluctuate more than expected; seasonal and other variations related to our customer agreements and related revenue recognition may cause significant fluctuations in our results of operations and cash flows; our reliance on sales to and renewals from a relatively small number of large customers for a substantial portion of our revenue; our ability to successfully manage any changes to our business model, including the transition of our products to cloud offerings and the costs related to cloud operations; recent global events (including, without limitation, the continuing COVID-19 pandemic, the ongoing conflict between Russia and Ukraine, inflation higher than we have seen in decades, and supply chain issues) and their impact on our employees and our business and the businesses of our customers, system integrator (“SI”) partners, and vendors; data security breaches of our cloud-based services or products or unauthorized access to our customers’ data, particularly in connection with our transition to a hybrid in-person and remote workforce; our competitive environment and changes thereto; our services revenue produces lower gross margins than our license, subscription and support revenue; our product development and sales cycles are lengthy and may be affected by factors outside of our control; the impact of new regulations and laws, including tax laws and accounting standards; assertions by third parties that we violate their intellectual property rights could substantially harm our business; weakened global economic conditions may adversely affect the P&C insurance industry, including the rate of information technology spending, general political or destabilizing events, including war, conflict or acts of terrorism; our ability to sell our products is highly dependent on the quality of our professional services and SI partners; the risk of losing key employees; the challenges of international operations, including changes in foreign exchange rates; and other risks and uncertainties. Past performance is not necessarily indicative of future results.

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# Speakers



**Mike  
Rosenbaum**  
Chief Executive Officer



**Diego  
Devalle**  
Chief Product  
Development Officer



**John  
Mullen**  
Chief Revenue Officer



**Christina  
Colby**  
Chief Customer Officer



**Jeff  
Cooper**  
Chief Financial Officer

# Agenda

Time	Topic	Speaker
1:00 pm	Analyst Day Introduction	Alex Hughes, VP of Investor Relations
1:05 pm	Property & Casualty Insurance Innovation, Cloud Transformation, and Profitable Growth	Mike Rosenbaum, Chief Executive Officer
1:30 pm	Delivering on Guidewire Cloud Platform	Diego Devalle, Chief Product Development Officer
2:00 pm	Optimizing for Customer Success	John Mullen, Chief Revenue Officer
2:30 pm	Break	
2:45 pm	Customer and Solution Partner Q&A	Christina Colby, Chief Customer Officer
3:15 pm	Scaling Our Cloud Model	Jeff Cooper, Chief Financial Officer
3:45 pm	Team Q&A	Executive Team
4:30 pm	Cocktail Hour	
5:30 pm	End	







# Property & Casualty Insurance Innovation, Cloud Transformation, and Profitable Growth

Mike Rosenbaum, Chief Executive Officer



# Our mission:

Power P&C insurance innovation globally with the platform the insurance industry trusts to **engage, innovate, and grow efficiently**

Moderator: Miyuki  
Speakers: Christl  
Amy Mollin, Vice



# Guidewire is the platform the P&C industry trusts

**>20%**

of global DWP powered  
by Guidewire

**>1,000**  
Implementations

**520**  
Customers

**38**  
Countries

**162**  
Solution Partners

**>18,900**  
SI Consultants

**3,200**  
Employees

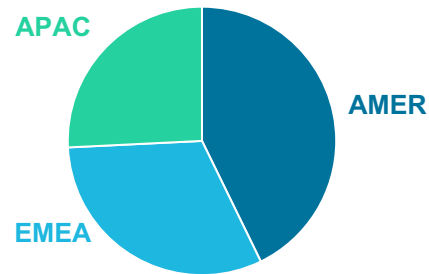


# Understanding Guidewire requires an appreciation for the size, concentration, and global reach of P&C insurance

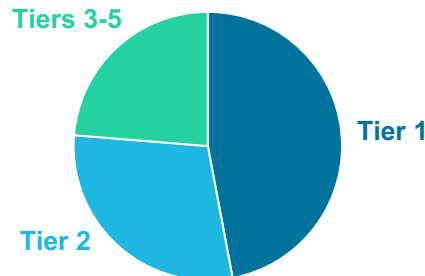
**\$2.7T**

**Global DWP**

~2,000 insurers



Global industry with DWP distributed across AMER/EMEA/APAC



Highly concentrated industry with 80% of DWP at ~400 insurers



# P&C insurers cover a broad and complex set of risks

## ~53% DWP PERSONAL LINES



Automotive



Residential



Travel



Earthquake



Pet



Watercraft



Mortgage



Recreational  
Vehicle



Personal Injury

## ~47% DWP COMMERCIAL LINES



Property



Workers' Comp



Ocean Marine



Environmental



General Liability



Professional  
Liability



Machinery

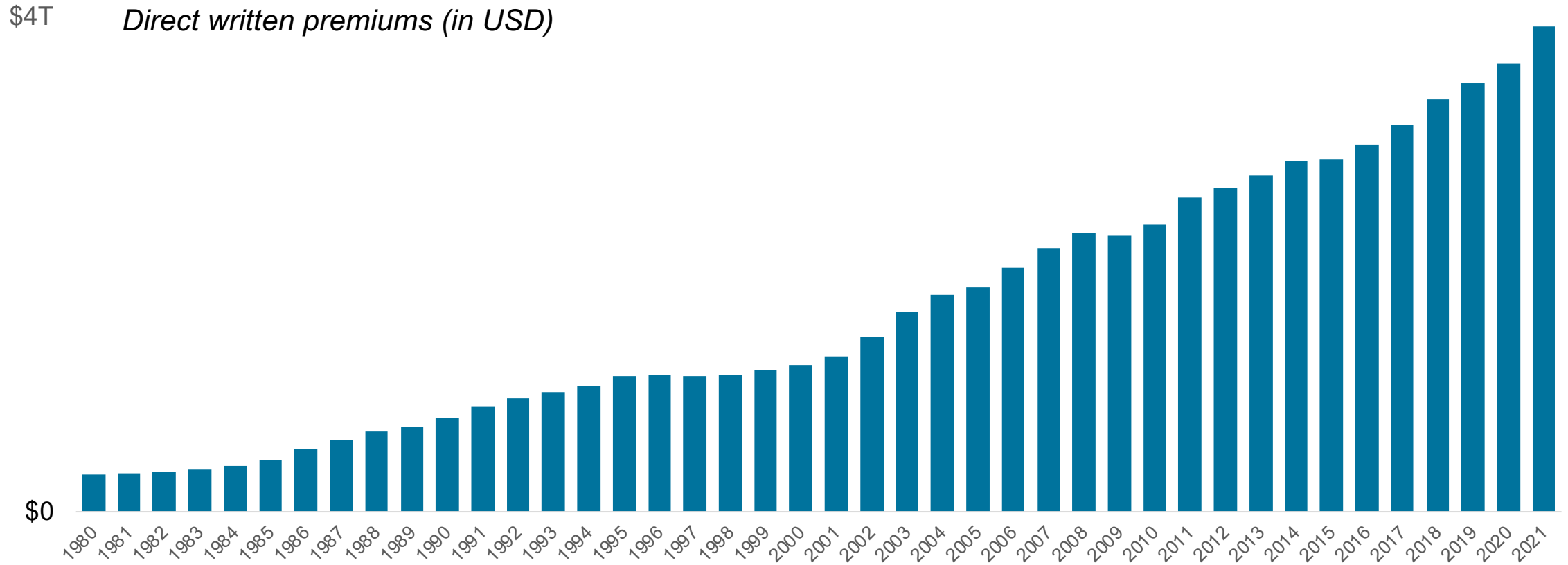


Farm



Fleet

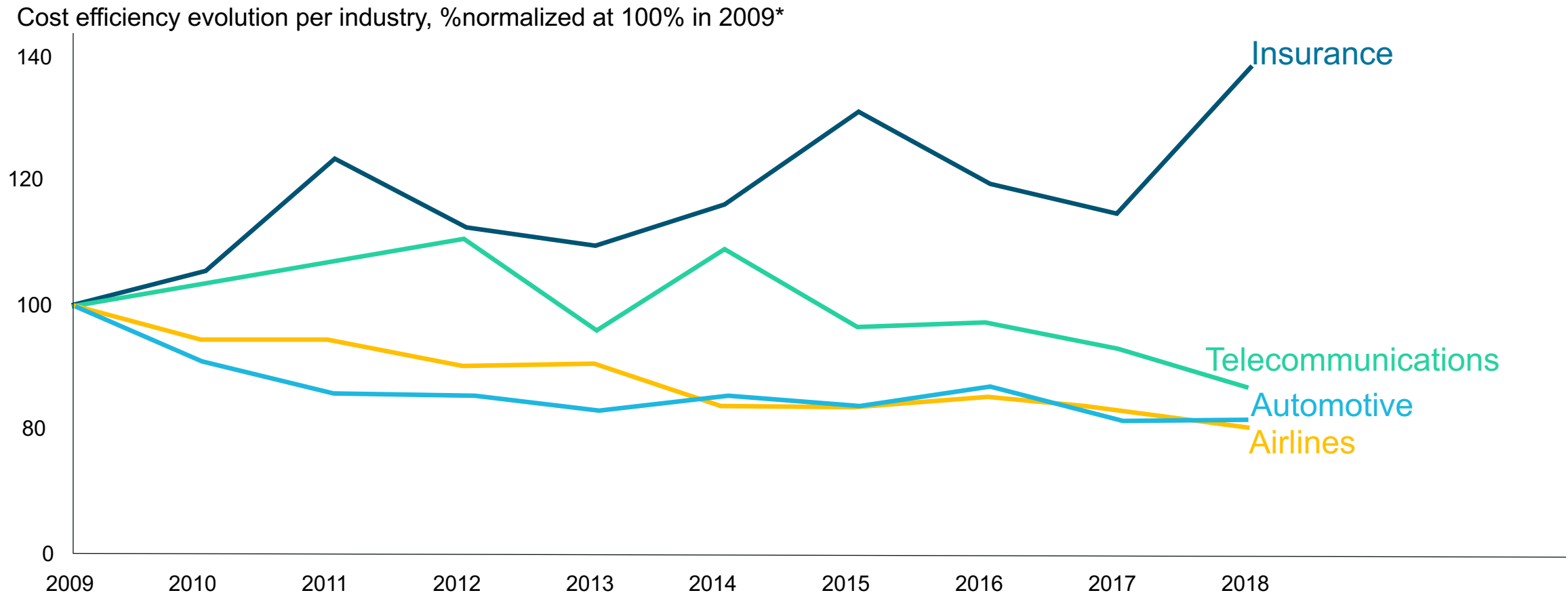
# Insurance is a resilient, stable, and critical component of the world economy



Source: Swiss Re Sigma, 4/2022. The report covers direct written premiums (DWP) for the "Non-Life" category, which includes DWP for Property & Casualty insurance, as well as Accident & Health insurance. US Accident & Health comprises \$1,117 billion in DWP according to the National Association of Insurance Commissioners.



# While stable and resilient, P&C lags in digital transformation-driven efficiency



Sources: Swiss RE Institute 2022, and McKinsey & Company report: *State of Property & Casualty Insurance 2020, The Reinvention Imperative*

\*Indexed; expressed as selling, general, and administrative expenses as % of revenue. Based on large global players for which continuous reporting is available: 10 insurance players with composite offering, 10 telecom players (incl AT&T, China Telecom, Vodafone), 10 automotive players (incl Ford, Toyota, Volkswagen) and 10 airlines (incl Air France-KLM, American Airlines, Emirates).

Source: S&P Capital IO; McKinsey analysis



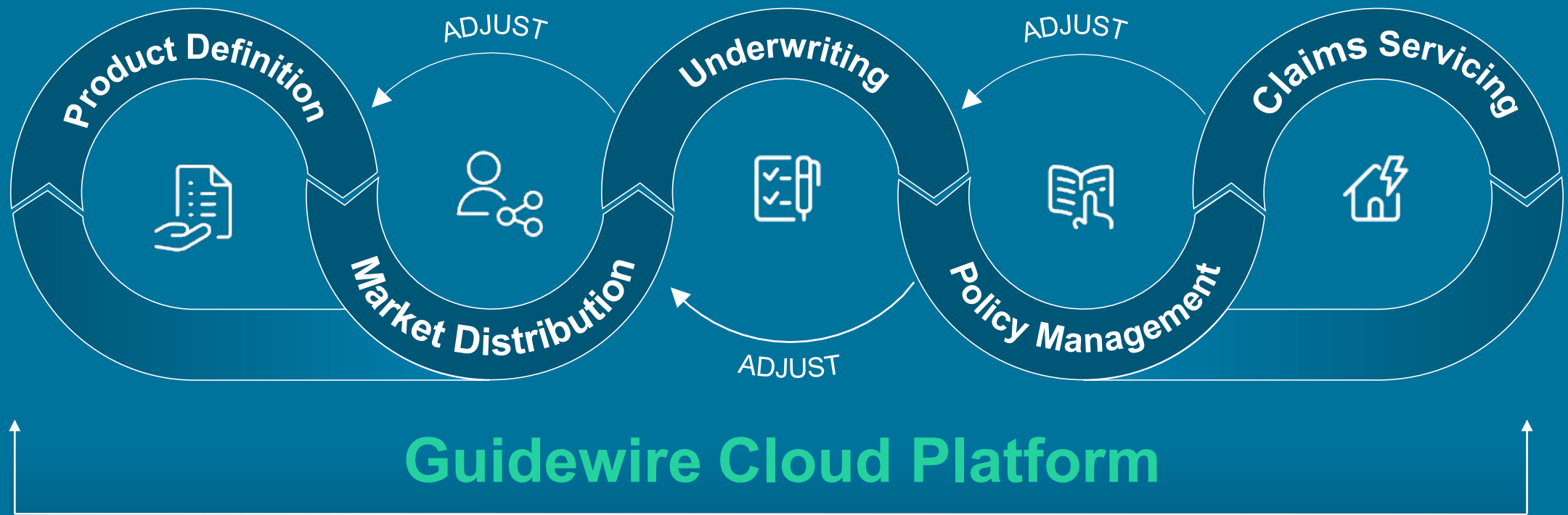


# Insurance technology leaders face a difficult and complex set of challenges



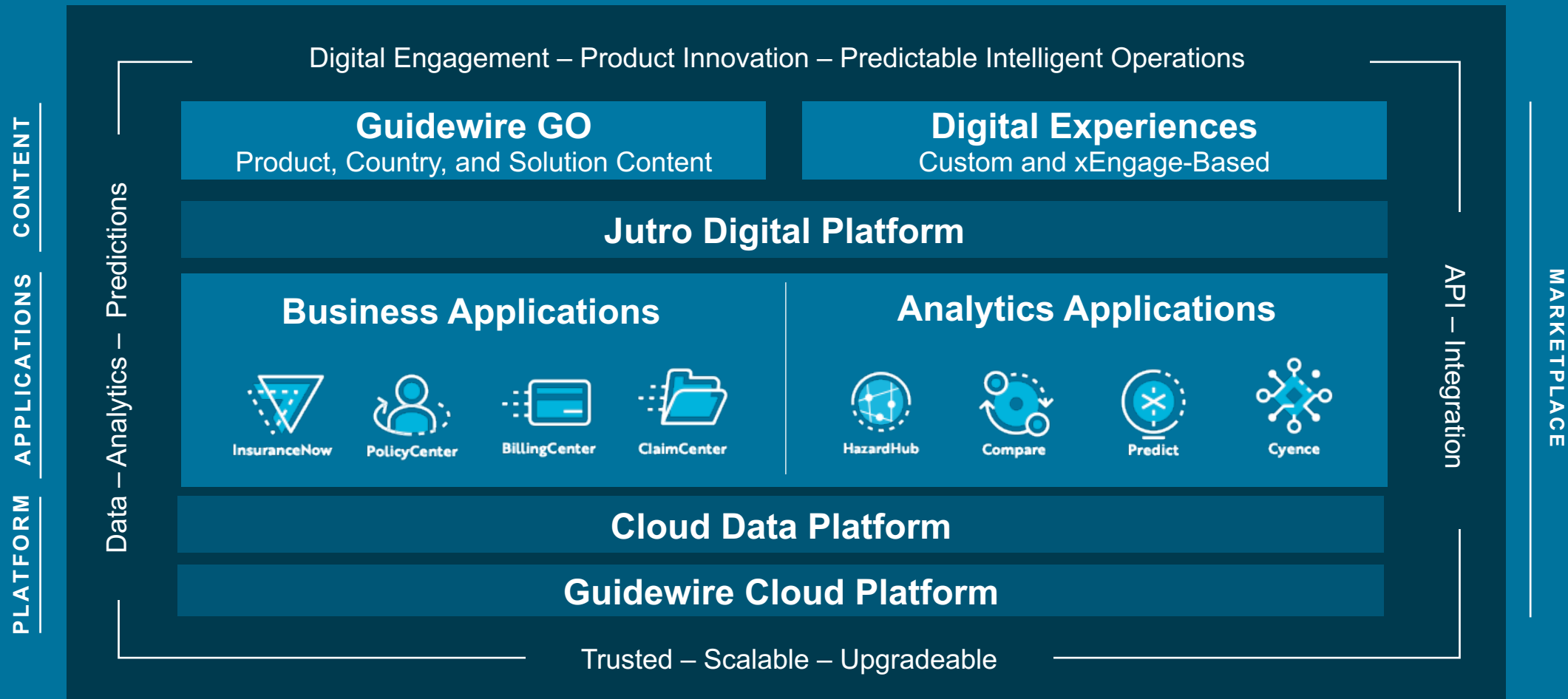


# Only Guidewire provides a modern platform that supports the complete insurance lifecycle

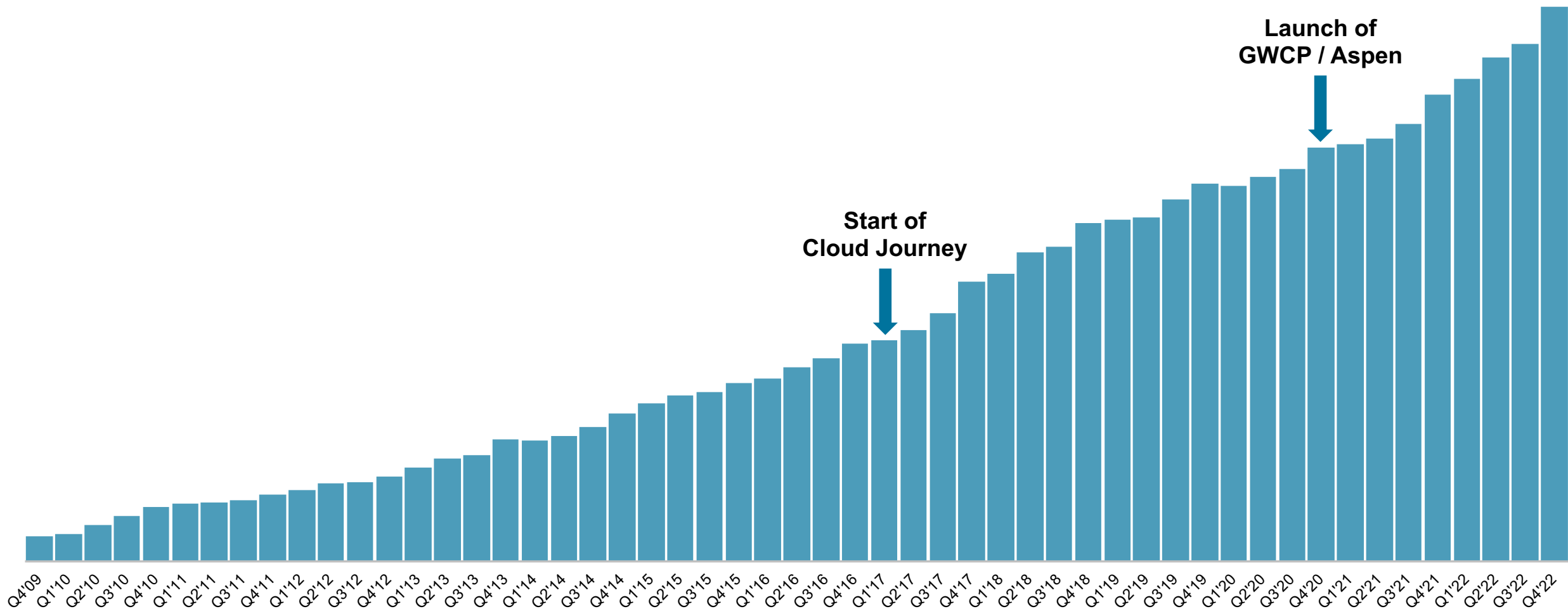




# Guidewire unifies and simplifies the insurance lifecycle with a platform that creates agility for IT and business initiatives



# This strategy has yielded steady and predictable ARR growth



Note: Rolling 4 quarter recurring revenue used as proxy for ARR through Q3'17. Quarterly ARR uses FX rate at start of each fiscal year.

# We have made tremendous progress across six cloud releases on Guidewire Cloud Platform

Guidewire  
Cloud Platform



2020

Data  
Platform



Rapid Product  
Definition



2021

Integration  
Framework



Guidewire GO  
Content



2022

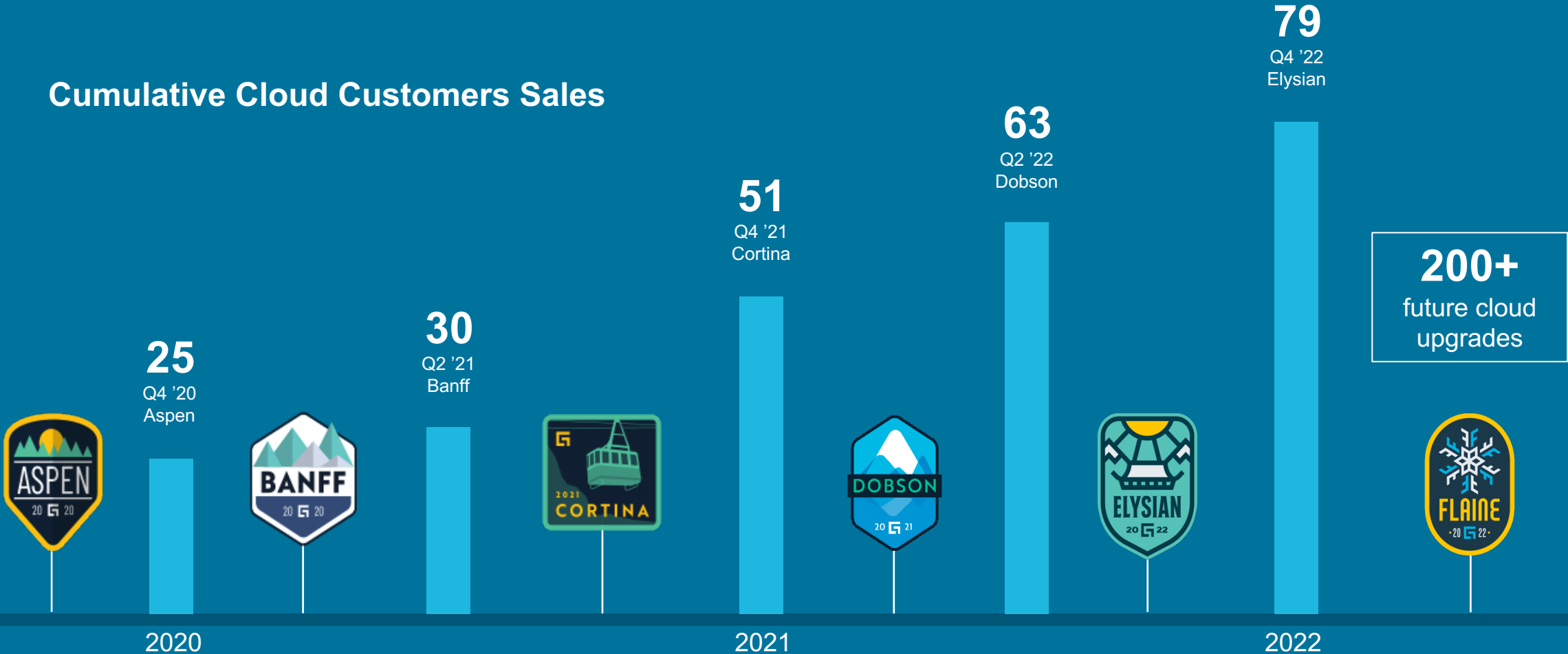
Jutro Digital  
Platform





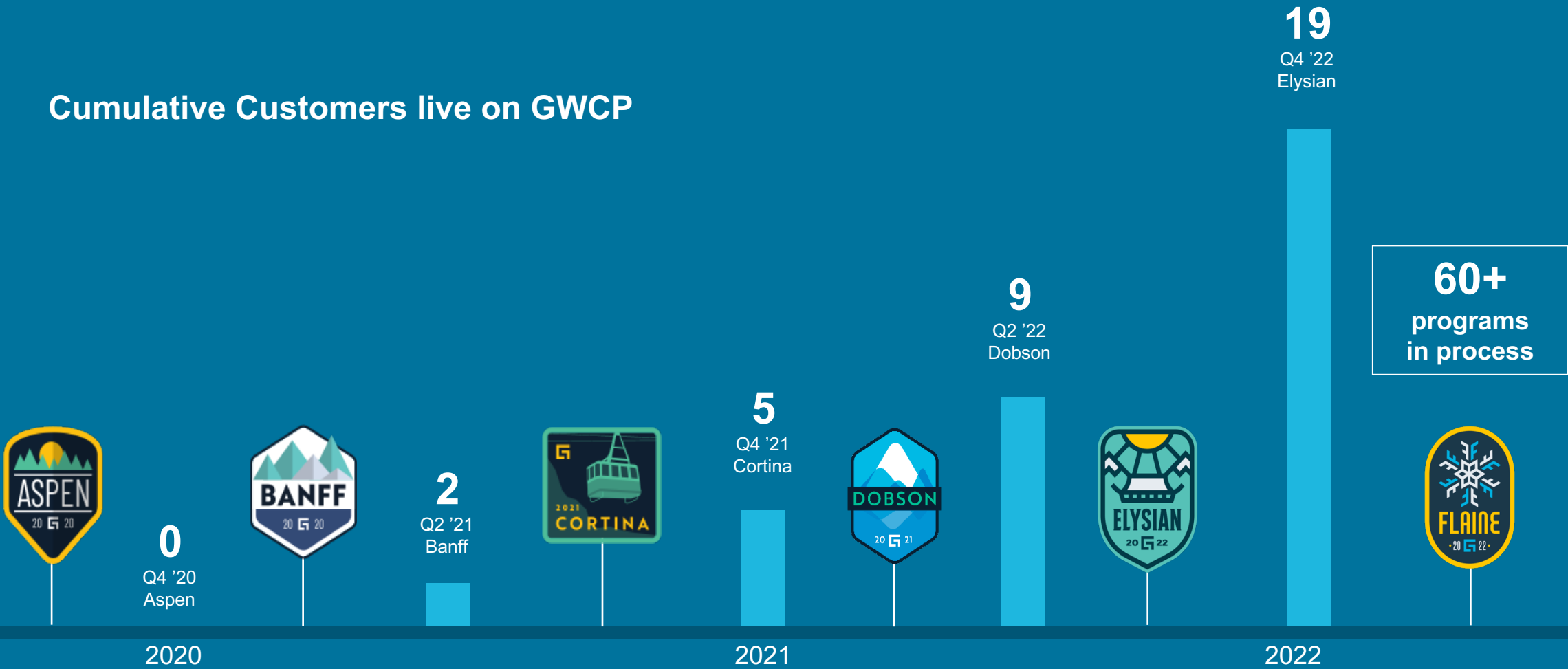
# Product innovation and platform maturity has led to customer adoption

Cumulative Cloud Customers Sales



# Steady and determined execution has led to customer success

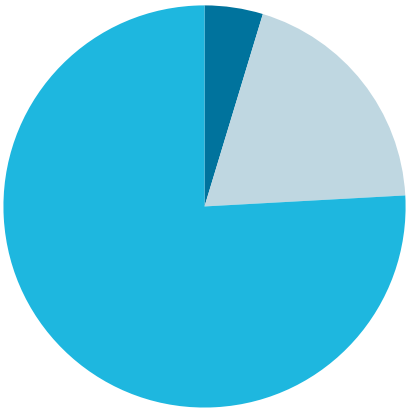
Cumulative Customers live on GWCP



# Majority of core DWP opportunity remains untapped

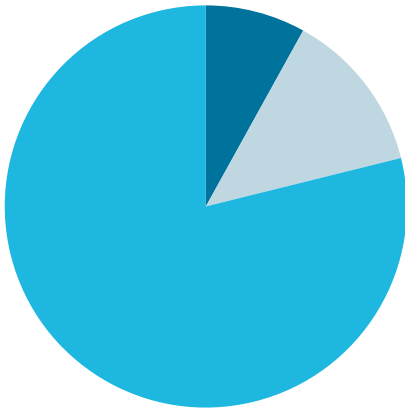
## DWP penetration by tier

Tier 1: >\$5B DWP



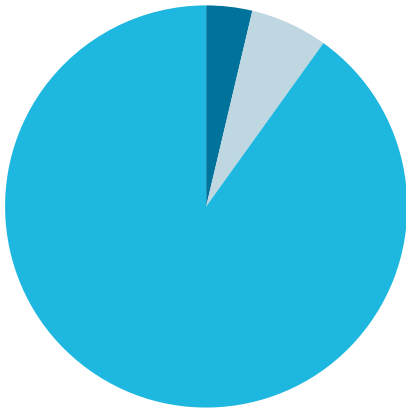
100% = \$1.3T

Tier 2: >\$1B to <\$5B DWP



100% = \$0.8T

Tier 3/4/5: <\$1B DWP



100% = \$0.6T

Opportunity      GWRE cloud      GWRE self-managed

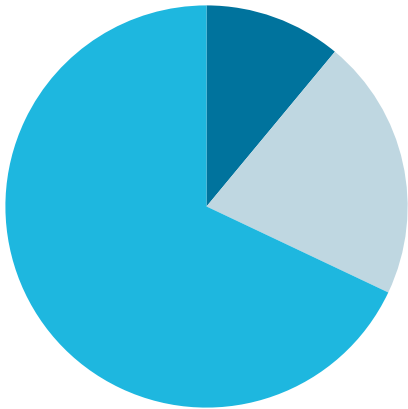
Source: Swiss Re Sigma, 4/2022. The report covers direct written premiums (DWP) for the “Non-Life” category, which includes DWP for Property & Casualty insurance, as well as Accident & Health insurance. For US P&C insurance, we’ve excluded U.S. A&H market premiums at \$1,117 billion, as reported by National Association of Insurance Commissioners (NAIC).  
Guidewire Analysis



# Majority of core DWP opportunity remains untapped

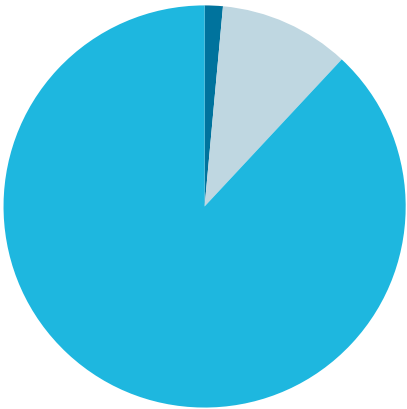
## DWP penetration by region

Core DWP - Americas



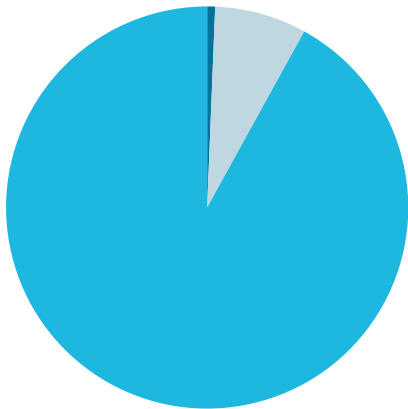
100% = \$1.2T

Core DWP - EMEA



100% = \$0.9T

Core DWP - APAC



100% = \$0.7T

Opportunity      GWRE cloud      GWRE self-managed

Source: Swiss Re Sigma, 4/2022. The report covers direct written premiums (DWP) for the “Non-Life” category, which includes DWP for Property & Casualty insurance, as well as Accident & Health insurance. For US P&C insurance, we’ve excluded U.S. A&H market premiums at \$1,117 billion, as reported by National Association of Insurance Commissioners (NAIC).  
Guidewire Analysis



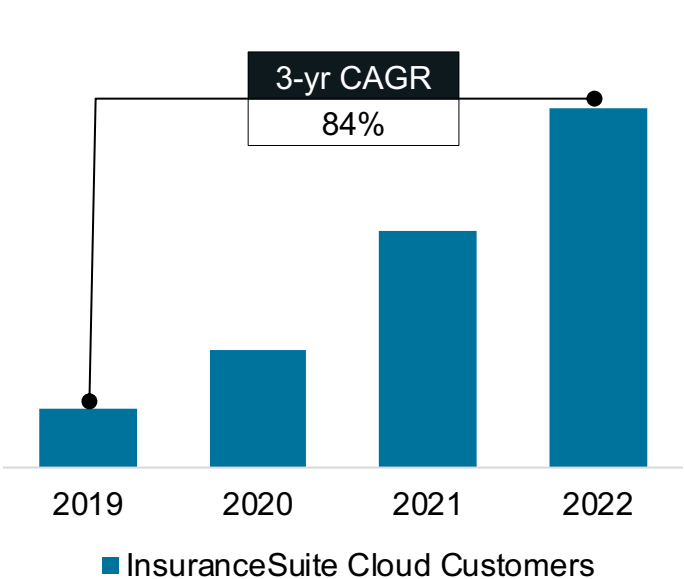


# Three critical milestones define our cloud transition

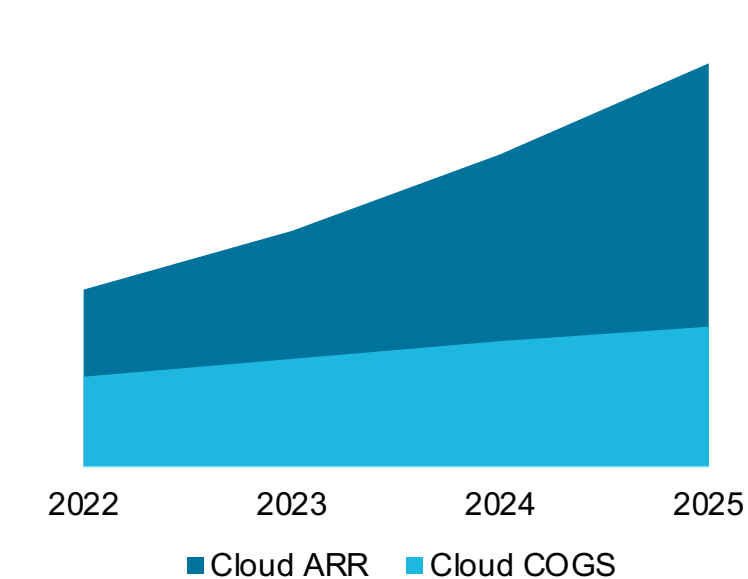
1. Establish a scalable cloud architecture



2. Drive sales & adoption of our cloud product



3. Demonstrate efficiency & margin improvement



# Potential to improve margin is primarily in cloud operations

Operating Category	Potential	Execution Strategy
Cloud Operations	✓ ✓ ✓ ✓	Increase customer self-serve & automated operations (environment provisioning, code deploys, upgrades...)
Cloud Infrastructure Efficiency	✓ ✓	Improve gross margins based on production operations experience and engineering focus
Product Development	✓	Manage to a ratio to revenue over time to maintain competitive advantage and continue market expansion
Sales & Marketing	✓ ✓	Maintain current investment levels and improve sales productivity
Customer Success	✓ ✓	Maintain current investment and scale programmatically as cloud customer base grows
General & Administrative	✓ ✓	Process automation and hybrid work driven efficiencies

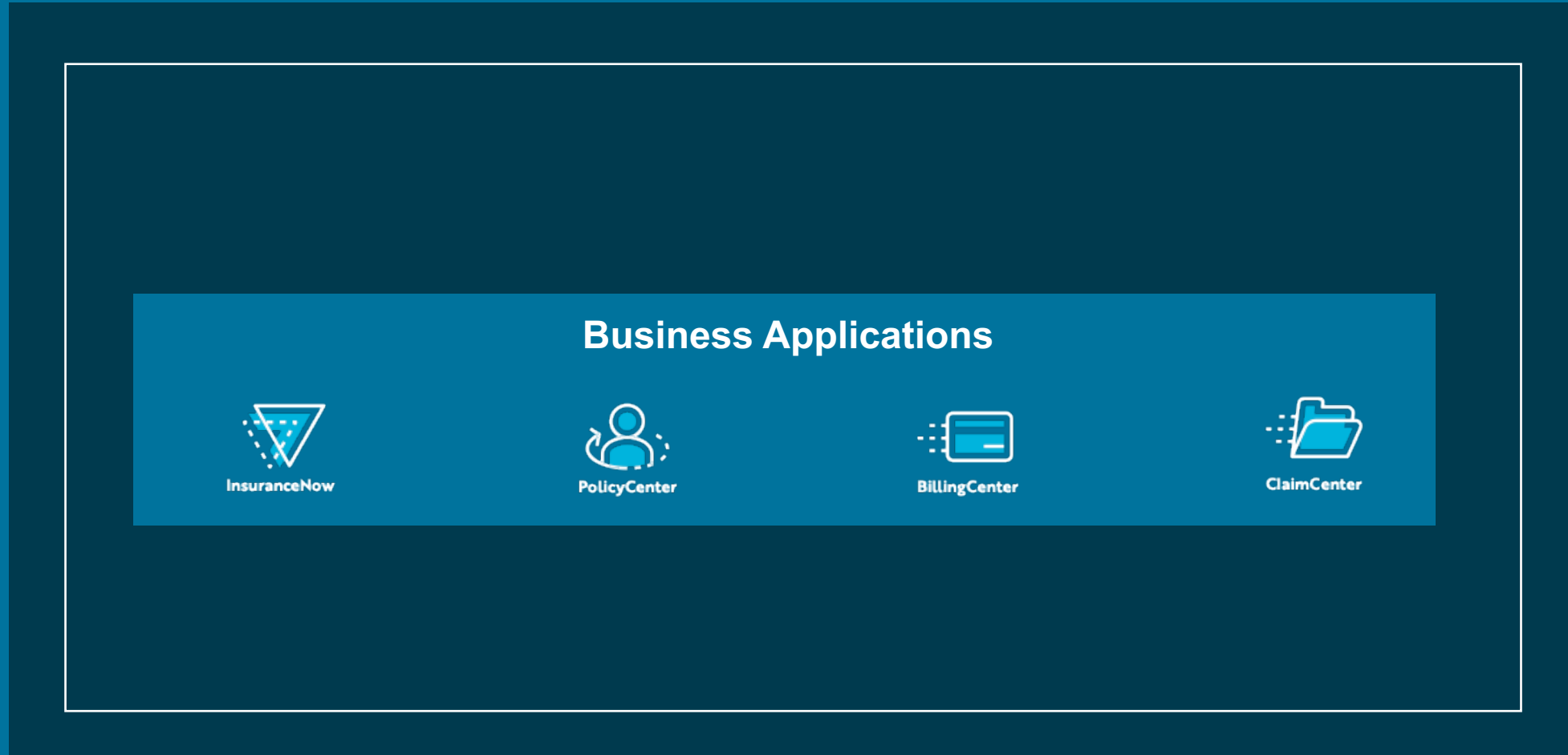


# Delivering on Guidewire Cloud Platform

Diego Devalle, Chief Product Development Officer

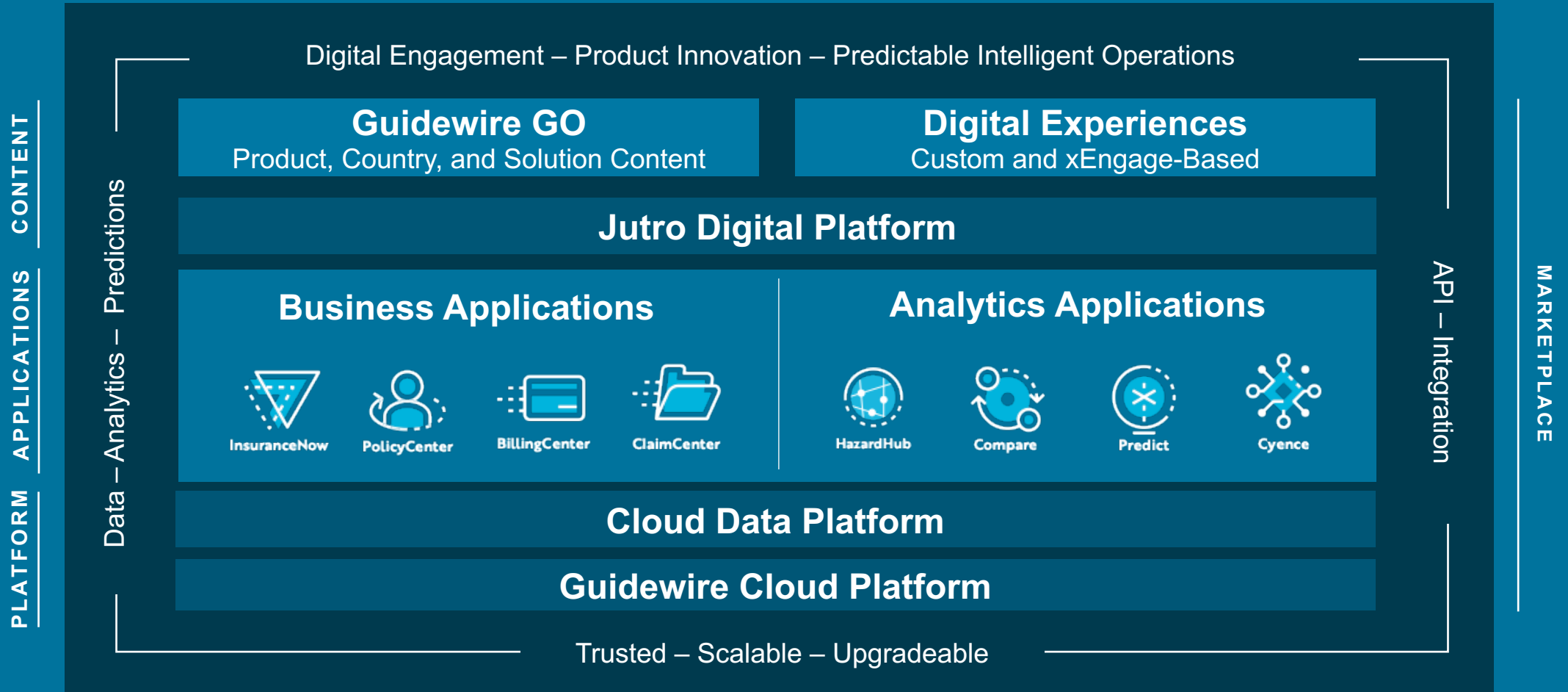


# Guidewire Cloud transformation started with this





# And has evolved to a complete cloud platform



# Target business outcomes for cloud transformation

Secure, Reliable,  
and Efficient  
Cloud Platform



Faster and  
More Flexible  
Implementation



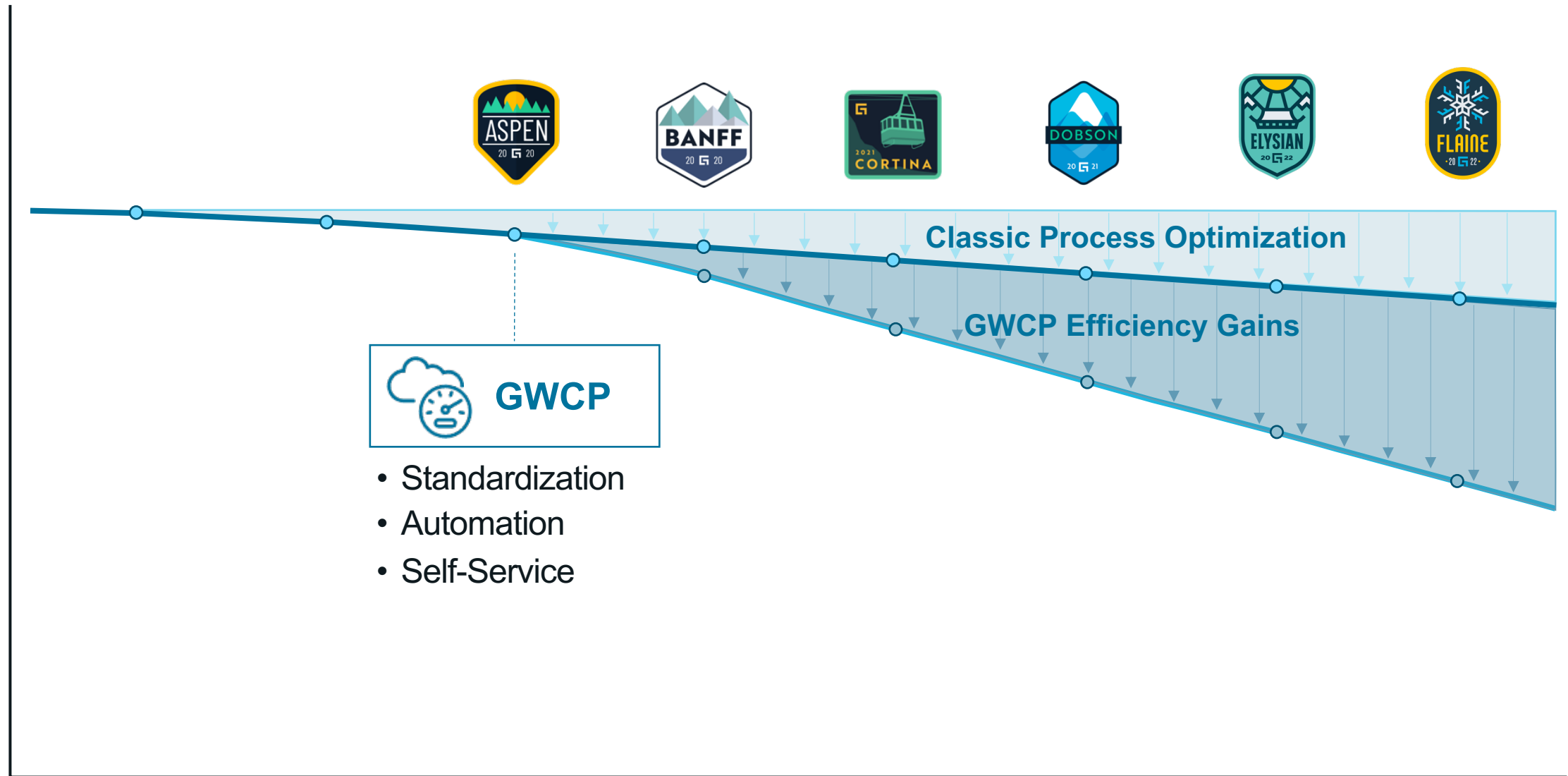
Accelerate  
Innovation  
Internally &  
Externally

- Guidewire Cloud Platform (GWCP)

- APD Product Definition
- Integration Framework
- Jutro Digital Platform

- Claims Autopilot
- Submission Intake
- Embedded Analytics

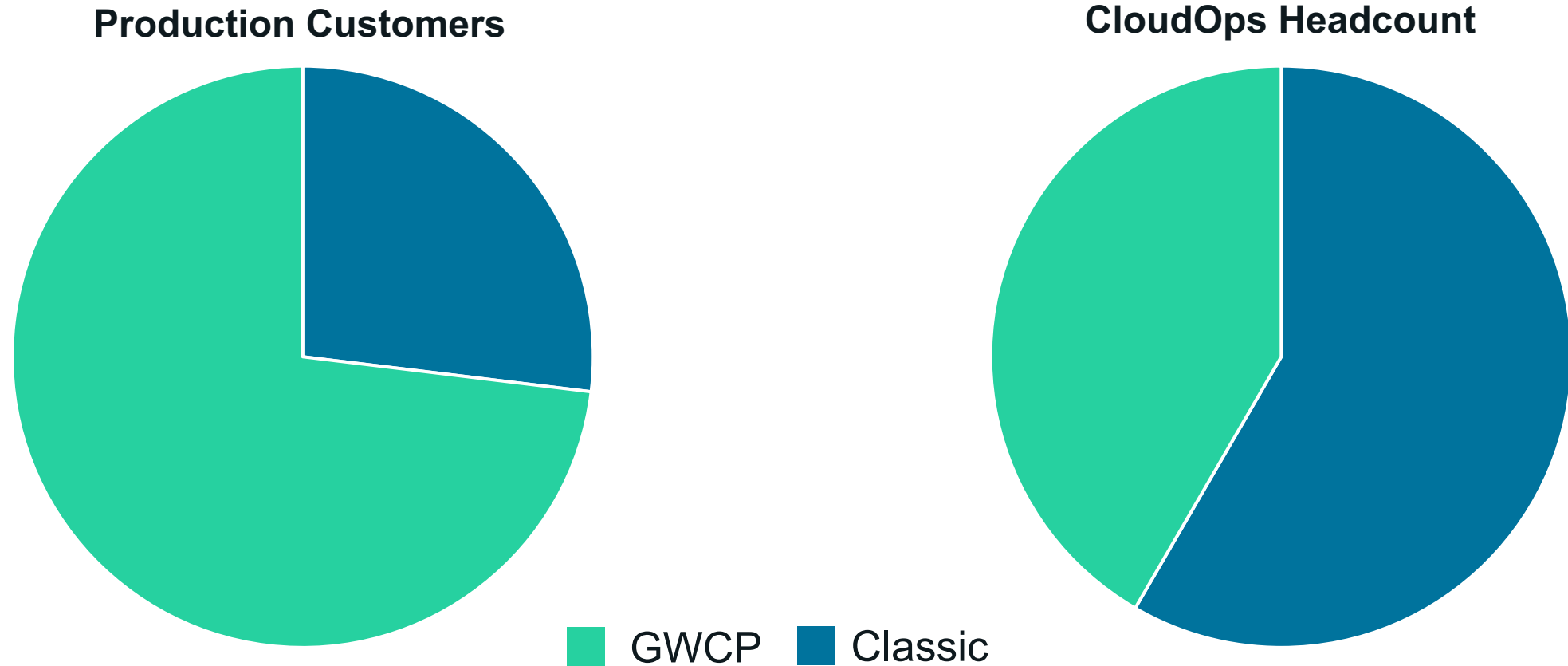
# GWCP introduction the key factor for cloud cost efficiency



Note: Illustrative, not drawn to scale.



# We are realizing efficiency gains with GWCP



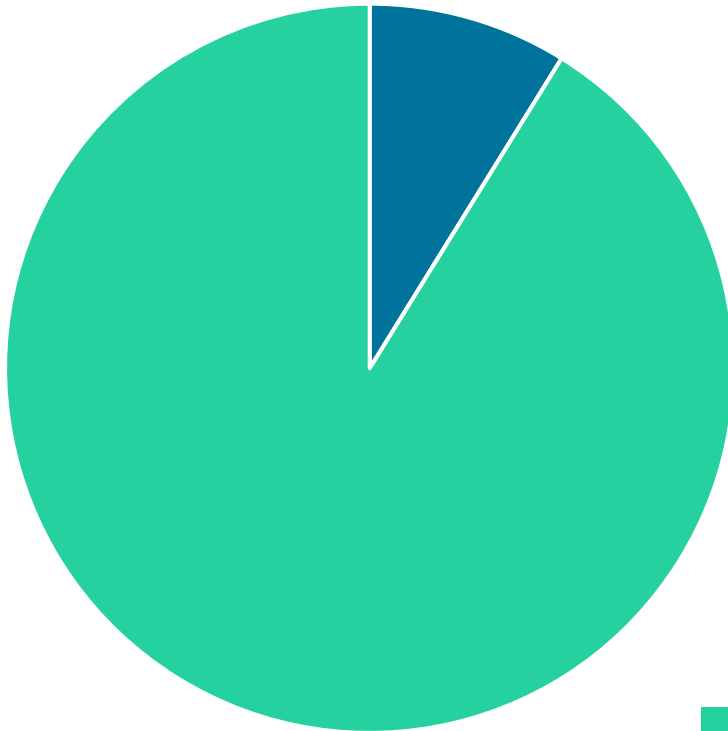
Source: Guidewire Analysis. Note: Production Customers as of July 2022. CloudOps headcount is a subset of total Cloud headcount and responsible for building, deploying, configuring, and supporting the cloud infrastructure and applications. Headcount distribution based on internal allocations analysis between Classic and GWCP.



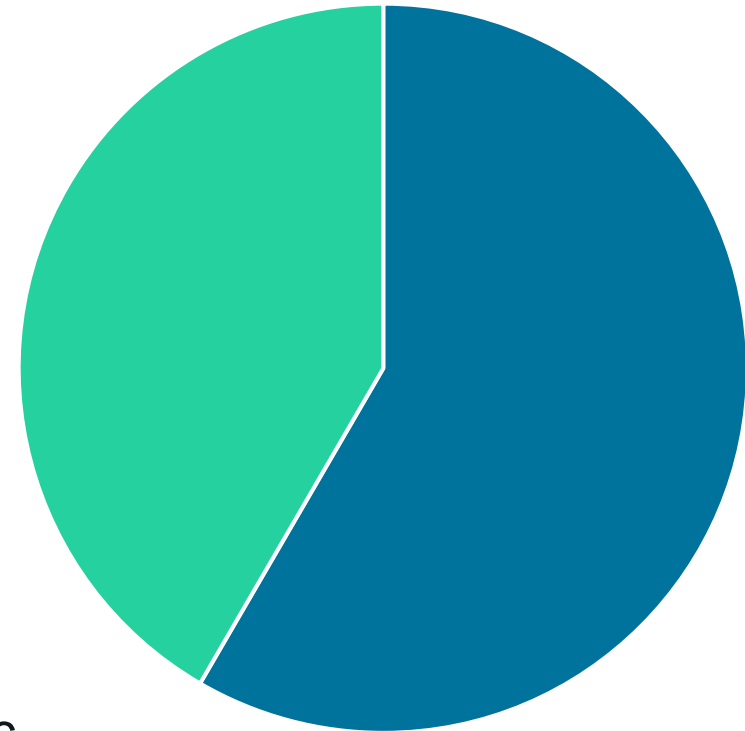


# We are realizing efficiency gains with GWCP

**Production & Development Customers**



**CloudOps Headcount**

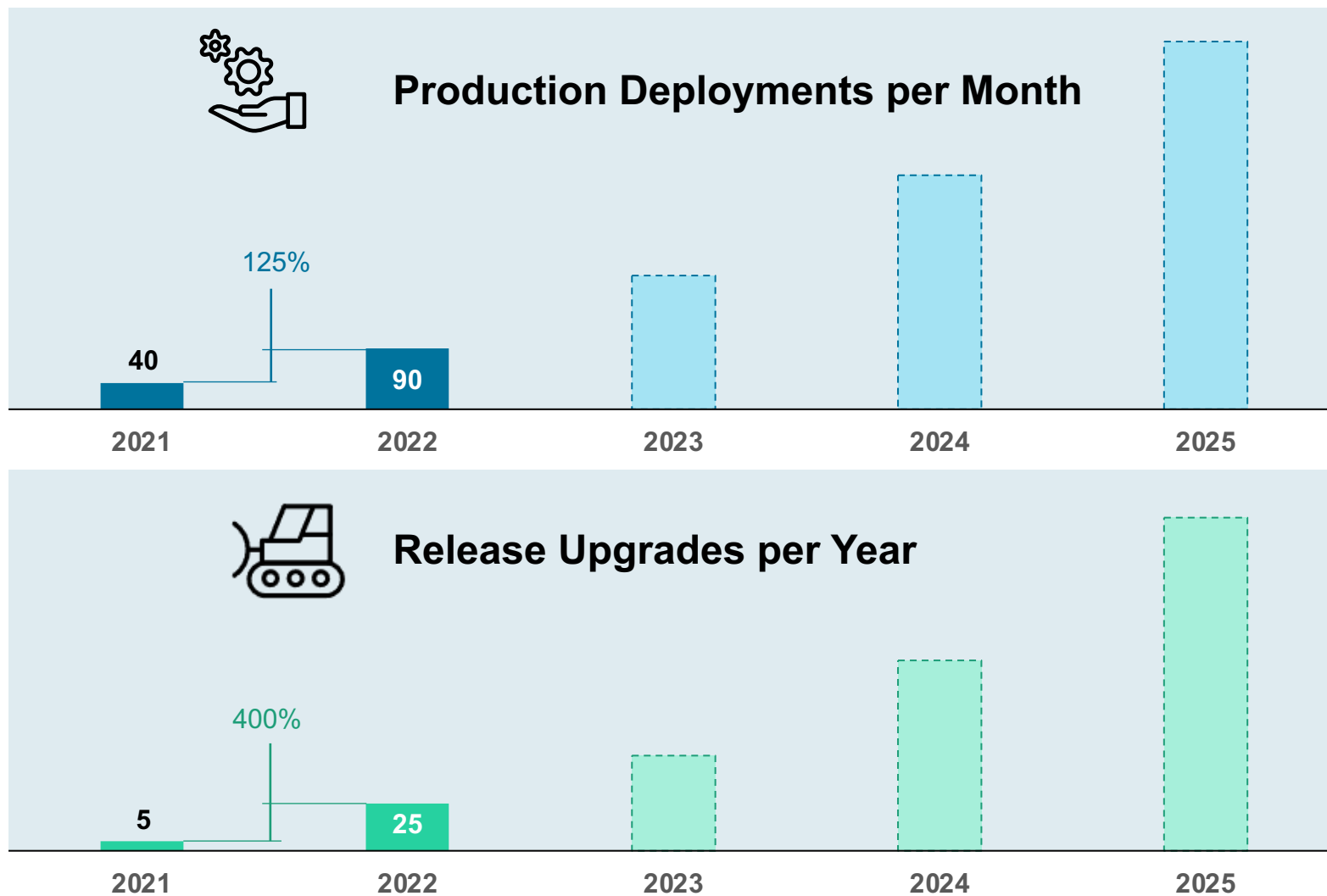


■ GWCP ■ Classic



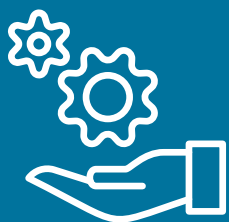
# Continued automation is critical to address increasing demand

Two largest  
headcount-dependent  
activities to be automated



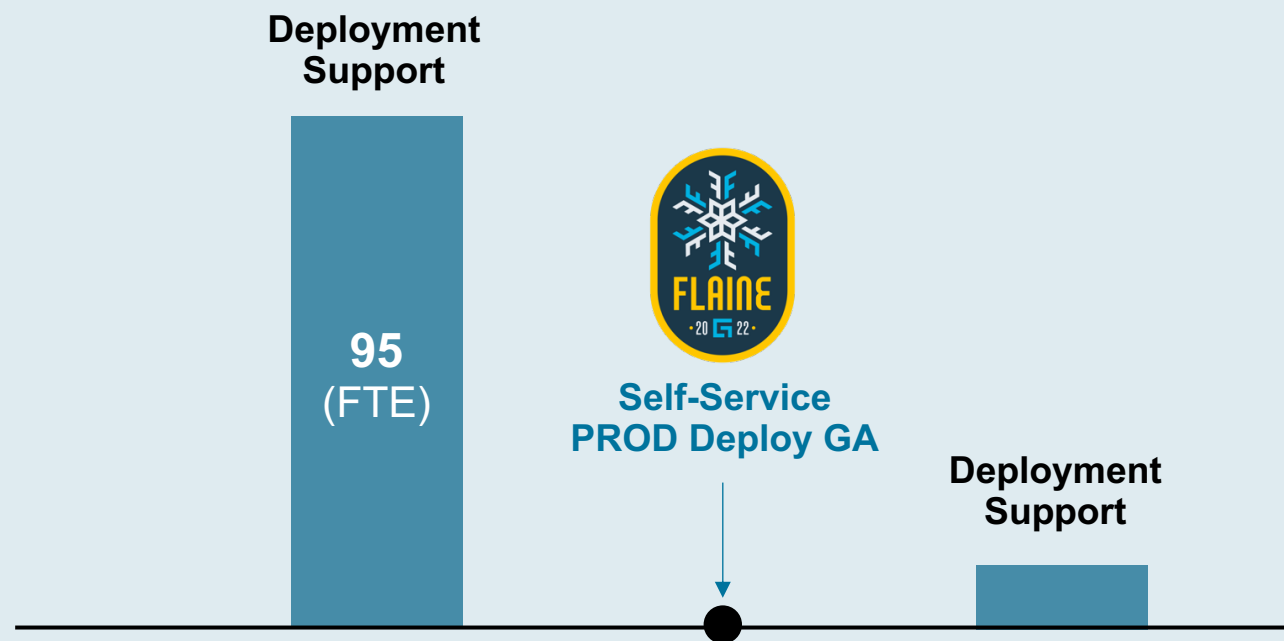
# Self-Service PROD Deploy will improve deployment support efficiency by 10x

Deployments Growing @125%



**Deployment  
Support Efficiency**

**Self-Service  
Build & Deploy**



# Upgrade automation enables customers to get to the latest release in less than one week

Upgrades/yr. growing 400%

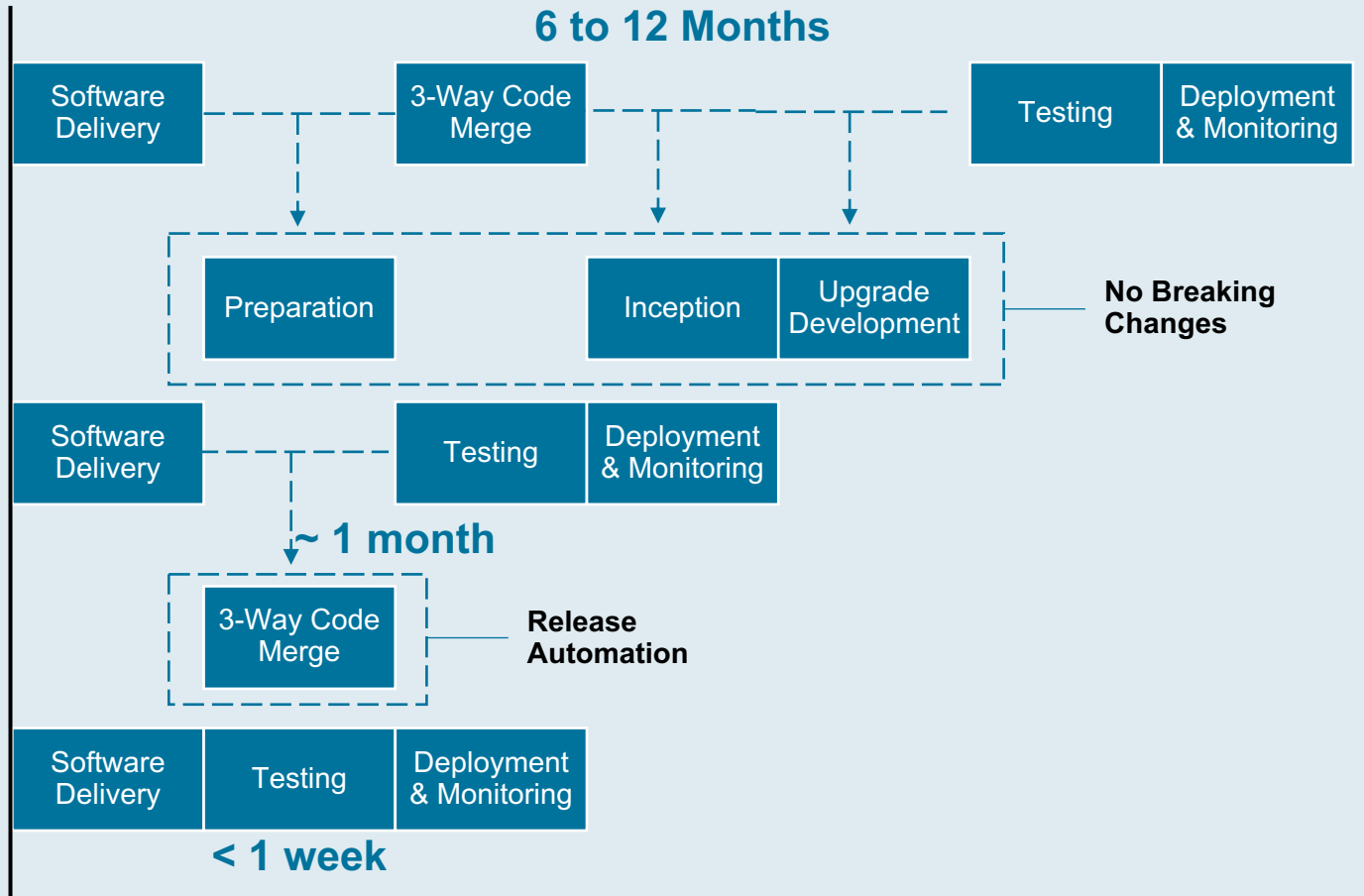


Upgrade Efficiency

Upgrade Automation

Classic Upgrade

GWCP Upgrade





# Faster and more flexible implementation



2021

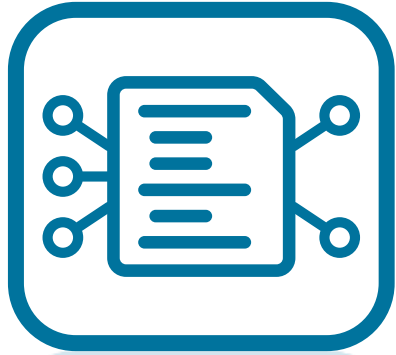
2022

## Features Delivered Over Last 12 Months:

- ☒ APD App GA
- ☒ APD Retrofit for Existing LOBs
- ☒ APD for InsuranceNow
- ☒ Jutro Digital Platform SDK
- ☒ Increased API Coverage
- ☒ Integration Gateway & App Events GA
- ☒ Developer Self-Service Tools in GCC
- ☒ Guidewire GO for Japan, ANZ & London Market
- ☒ InsuranceNow GO for Farmers & Commercial Auto
- ☒ New Solution Content: Micro BOP
- ☒ New Solution Content: Embedded Insurance
- ☒ New Solution Content: Excess & Surplus



# Enabling critical customer integration needs



**Integration  
Gateway Service**

*“We expect Integration Gateway will help reduce overall integration development and maintenance costs by up to 30%.”*

**Ian Campos**  
Executive Vice President  
Capgemini



# Accelerate innovation internally and externally



2021

2022

## Features Delivered Over Last 12 Months:

- ☒ Advanced Search (Solr)
- ☒ Submission Intake GA
- ☒ Weather Discrepancy Alerts
- ☒ Autopilot Claims Segmentation
- ☒ Autopilot Claims Subrogation Scoring
- ☒ HazardHub Property Risk Exposure
- ☒ Canvas Weather Data for Europe
- ☒ InsuranceNow HazardHub Integration
- ☒ InsuranceNow Predict Dashboard
- ☒ Enhanced HazardHub Wildfire Model
- ☒ Cyence Model 5



# Embedding analytics to enable actionable intelligence



**HazardHub**

*“HazardHub enables us to write more business faster and more accurately while keeping our losses down.”*

**Ryan Jesenik,**  
Chief Operating Officer  
Orion180





# Optimizing for Customer Success

John Mullen, Chief Revenue Officer





# Winning insurers focus on fundamentals and use technology and data as strategic levers for growth and efficiency

## Change Drivers

Long-foreseen disruption underway

Insurers not exempt from heightened customer expectations

Risk selection and pricing remain fundamental to long term success

Balance required between operational excellence, innovation, risk discipline



## Implications

Insurers must become experience brands

Innovation creating stress factors for data strategy and operational agility

Focusing on what matters most is more important than ever

Convergence of modern software, data orchestration, marketplace interactions translate to unprecedented opportunity to unlock growth and efficiency

# Guidewire is uniquely positioned to power insurance innovation and increase our leadership position

## Experience

- ✓ Deeply focused on serving P&C insurance
- ✓ Tested and proven in all transformation imperatives
- ✓ At the forefront of powering innovation

## Engineering

- ✓ Past hurdle of building cloud platform
- ✓ Architecture featuring open APIs and componentized apps
- ✓ Exponential increase in insurance content planned

## Vision

- ✓ Evolution of core systems to systems of insight
- ✓ Customer journey management and upgrade strategy
- ✓ Agility in orchestration of digital, data and analytics

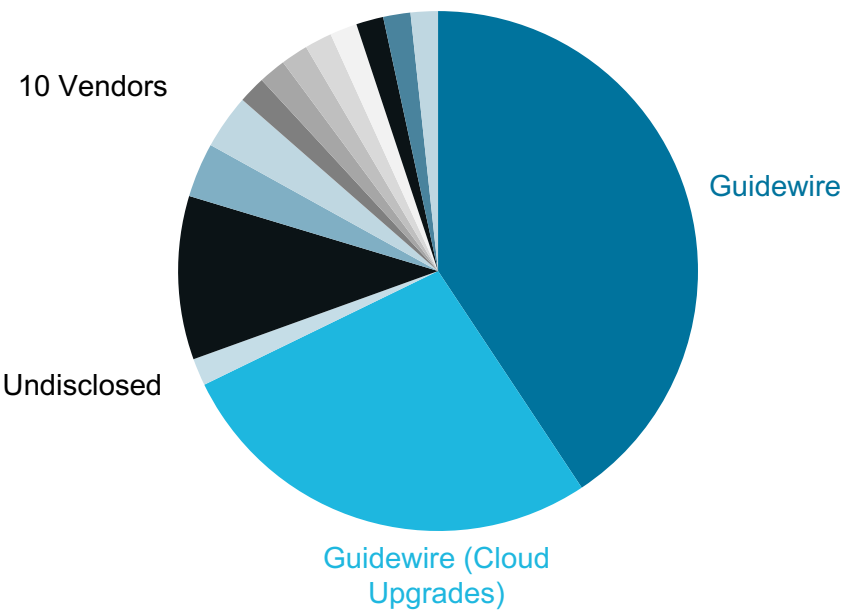
## Scale

- ✓ # of customers / projects
- ✓ Depth, breadth of data with network value effect
- ✓ # of professionals and partners in ecosystem

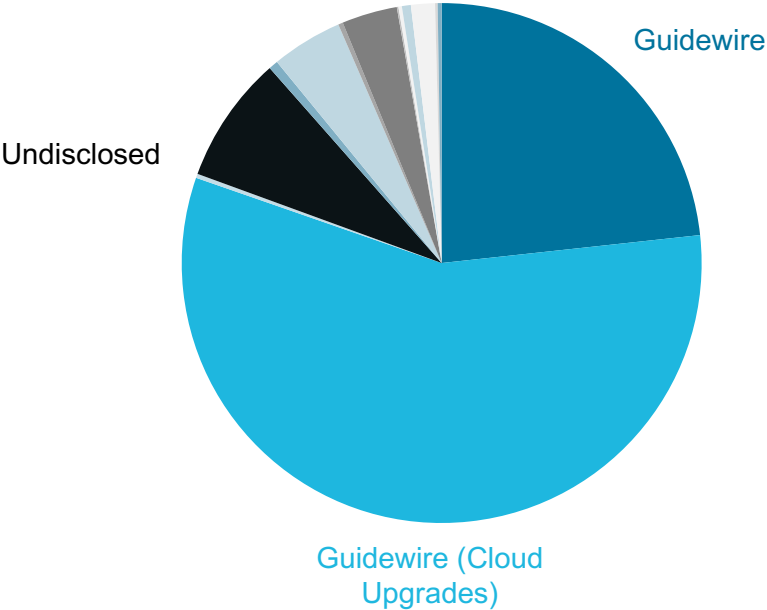


# We continue to achieve high competitive win rates

Core System Decisions



Core System Decisions by DWP



Source: Guidewire Analysis; includes DWP for new core system decisions, which is not necessarily incremental to Guidewire's total DWP under management. "Undisclosed" includes decisions where selected vendor was unknown or decision was to build internally. Deals involving a cloud upgrade with new core system decisions are treated as two decisions and included in both Guidewire and Guidewire (Cloud Upgrades) and DWP is allocated.

**Customer input  
(breadth and depth)  
is a strategic asset  
for Guidewire**

**Customer / Market Priorities**

**Guidewire Field Functions**

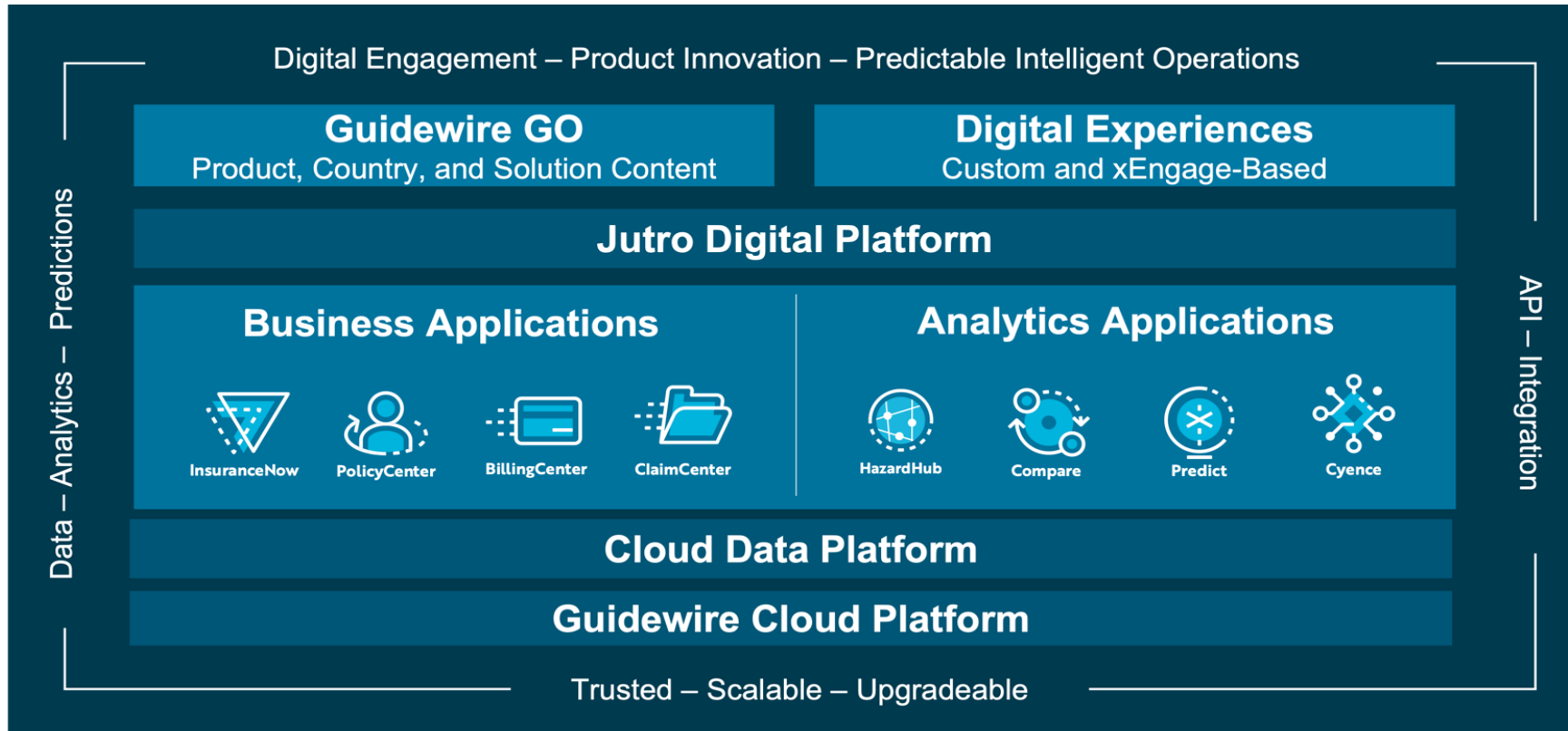
Sales	Solution Consulting	Customer Success	Advisory Services	Delivery Services
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**Align with Product Strategy**

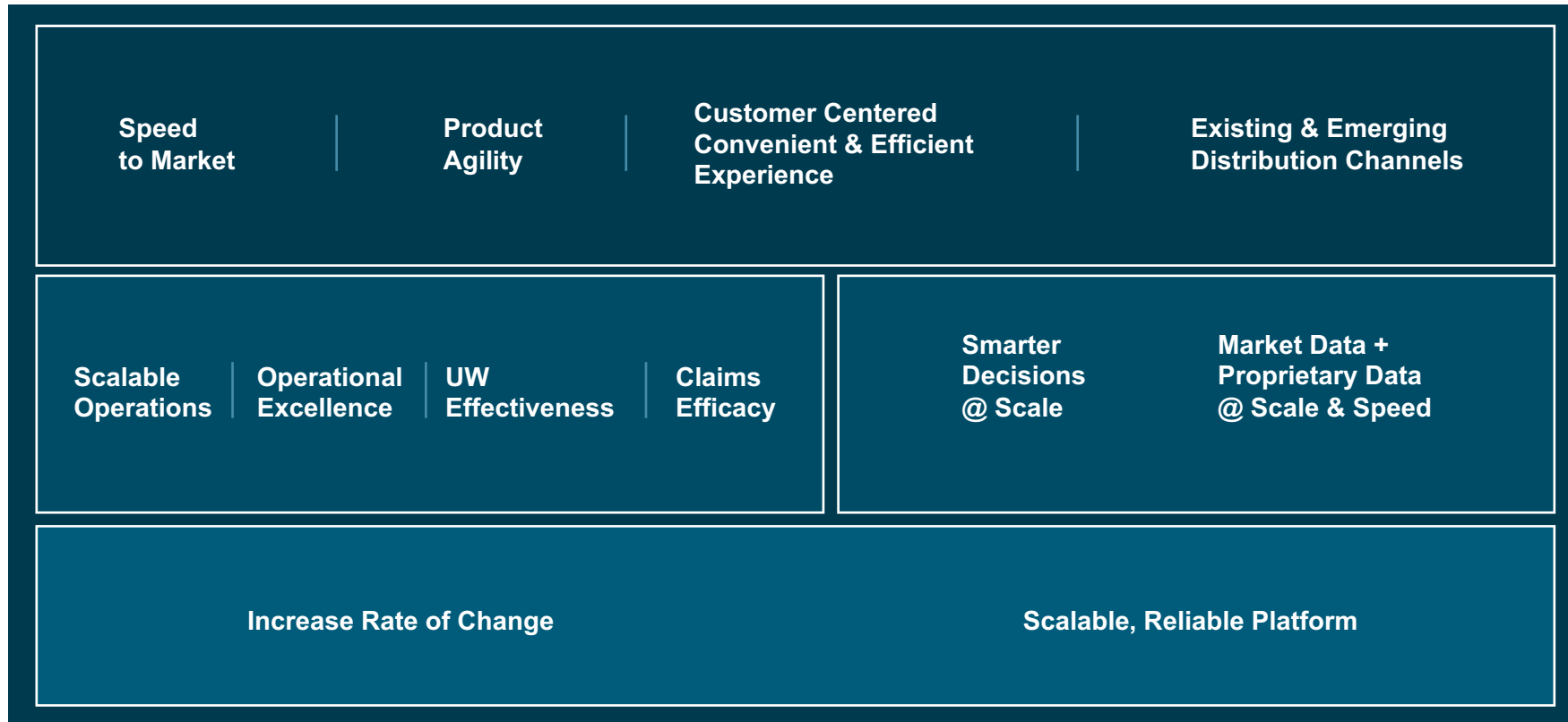
**Drive Insurance Outcomes**



# Platform maturity enables a focus on business outcomes over IT execution



# Platform maturity enables a focus on business outcomes over IT execution





# My top priorities for FY23

## 1. Grow the business

- Collaborate with self-managed customers to plan journey to Guidewire Cloud
- Align insurance feature roadmap to market priorities

## 2. Focus on profitability

- Optimize intake and delivery program for Guidewire Cloud deployments
- Activate SI ecosystem to scale the journey to Guidewire Cloud

## 3. Increase agility and speed

- Improve sales productivity and execution
- Amplify 'voice of customer' signal - because we are ready for it



# Customer and Solution Partner Q&A

Christina Colby, Chief Customer Officer



# Guest Speakers



**Timothy  
Hays**  
Vice President and CIO



**James  
Brown**  
Chief Executive Officer



**Kevin  
Ostrander**  
Chief Revenue Officer







# Scaling Our Cloud Model

Jeff Cooper, Chief Financial Officer



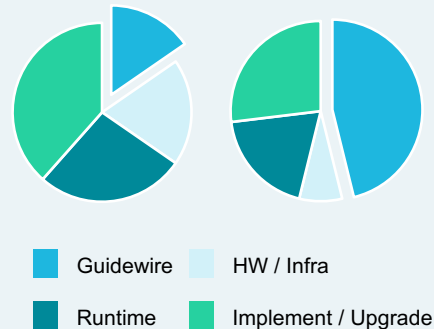
# Cloud model drives benefits for customers and Guidewire

**Cloud enables  
Guidewire to  
best serve the  
P&C insurance  
industry**

## TAM Expansion

Guidewire Role Expansion

**Spend on Core System**  
On-Prem      Cloud



## Customer LTV

Recurring Revenue

Sticky Core Systems of Record

Long Customer Relationships

## Scale Matters More

Choosing the Right Partner Is Consequential

Market Share Key to Building Industry Platform

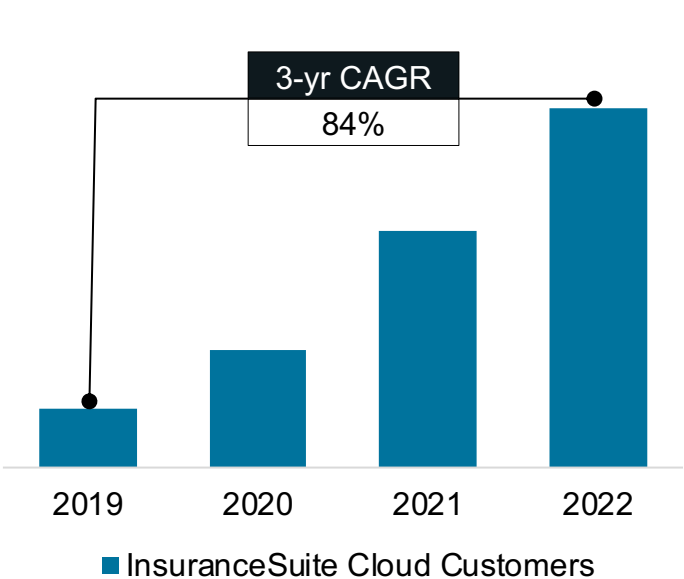
Analytics and Ecosystem Opportunity

# Three critical milestones define our cloud transition

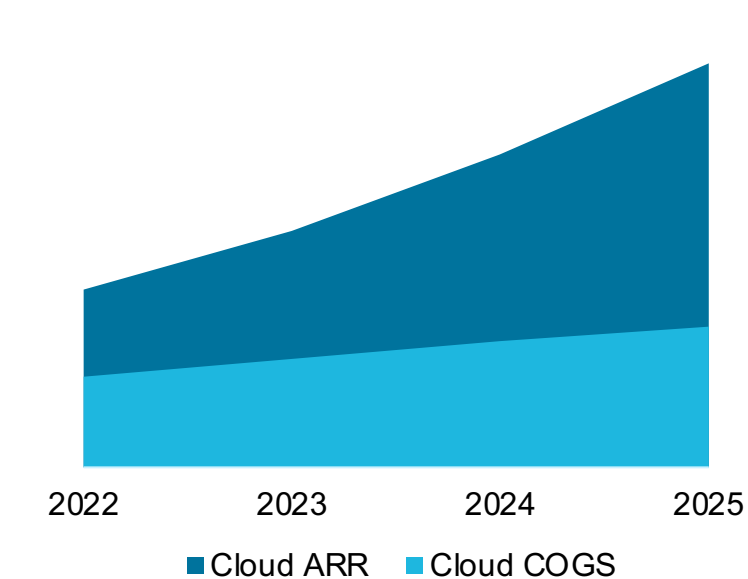
1. Establish a scalable cloud architecture



2. Drive sales & adoption of our cloud product



3. Demonstrate efficiency & margin improvement





# Key levers driving profitable growth



Long horizon  
for growth



Incremental cloud  
margins healthy



Operating expenses  
stable in FY23 and  
beyond

# Establishing a durable, profitable growth engine

Cloud Transition Phases — **Early** ————— **Mid** ————— **Late** —————→

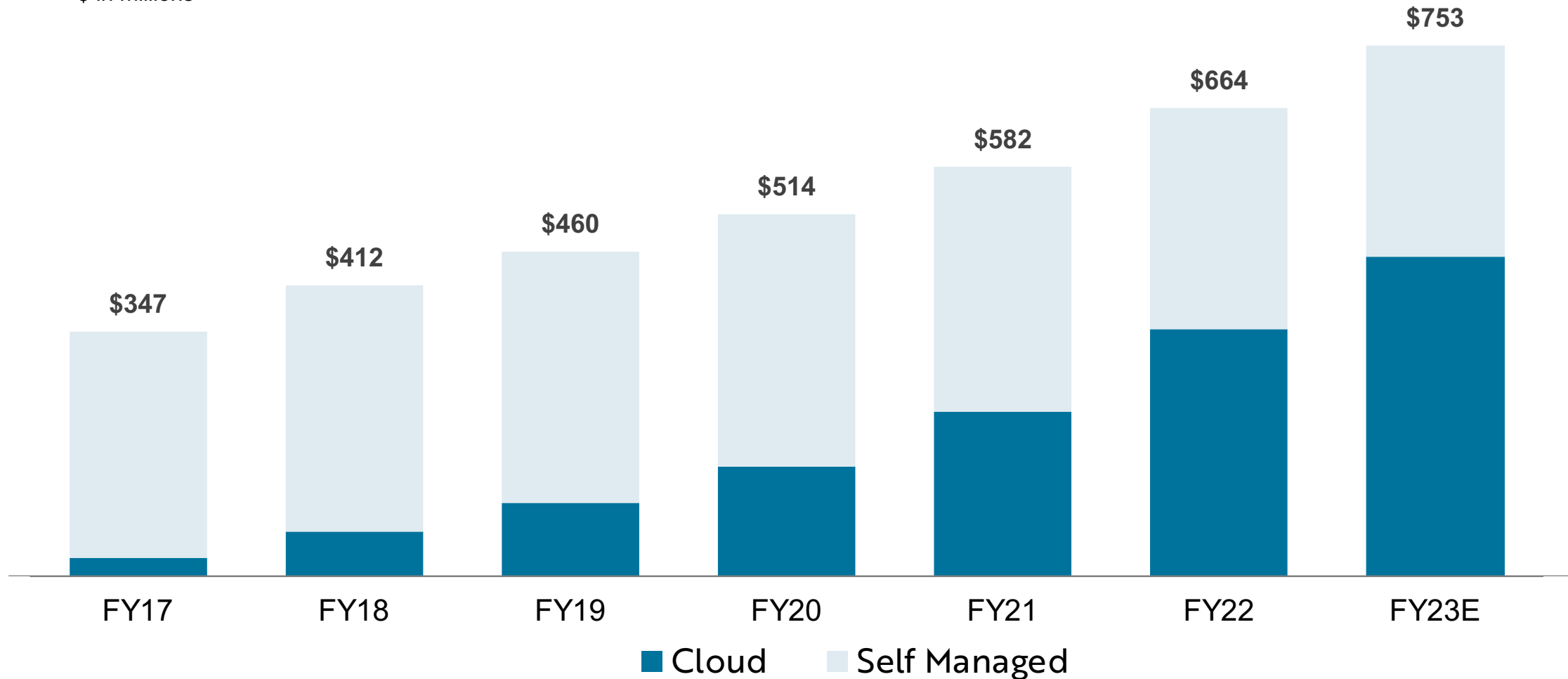
	<b>FY22A</b>	<b>FY23</b> Midpoint Outlook	<b>FY25</b>		
<b>ARR</b>	\$664M	\$753M	\$1B	\$1.5B	<i>Expect continued growth and margin expansion</i>
<b>Cloud ARR %</b>	53%	58-62%	~75%	~95%	
<b>Total Revenue</b>	\$813M	\$890M	\$1.1-1.2B	~\$1.7B	
<b>Subscription and Support Gross Margin</b>	44%	~46%	60-63%	73-75%	
<b>Total Gross Margin</b>	49%	~50%	57-59%	66-68%	
<b>Operating Margin</b>	(6%)	(3%)	12-14%	26-29%	
<b>Operating Cash Flow Margin</b>	(5%)	7%	15-18%	29-32%	

Note: FY23 midpoint outlook is from the outlook provided on our 9/6/22 earnings call. Margin numbers are non-GAAP. FY23 and beyond presented using new allocations methodology. For actuals, please see appendix for a reconciliation of GAAP to non-GAAP numbers. Operating Cash Flow Margin assumes company is not a cash taxpayer through at least FY25.



# ARR driven by cloud momentum

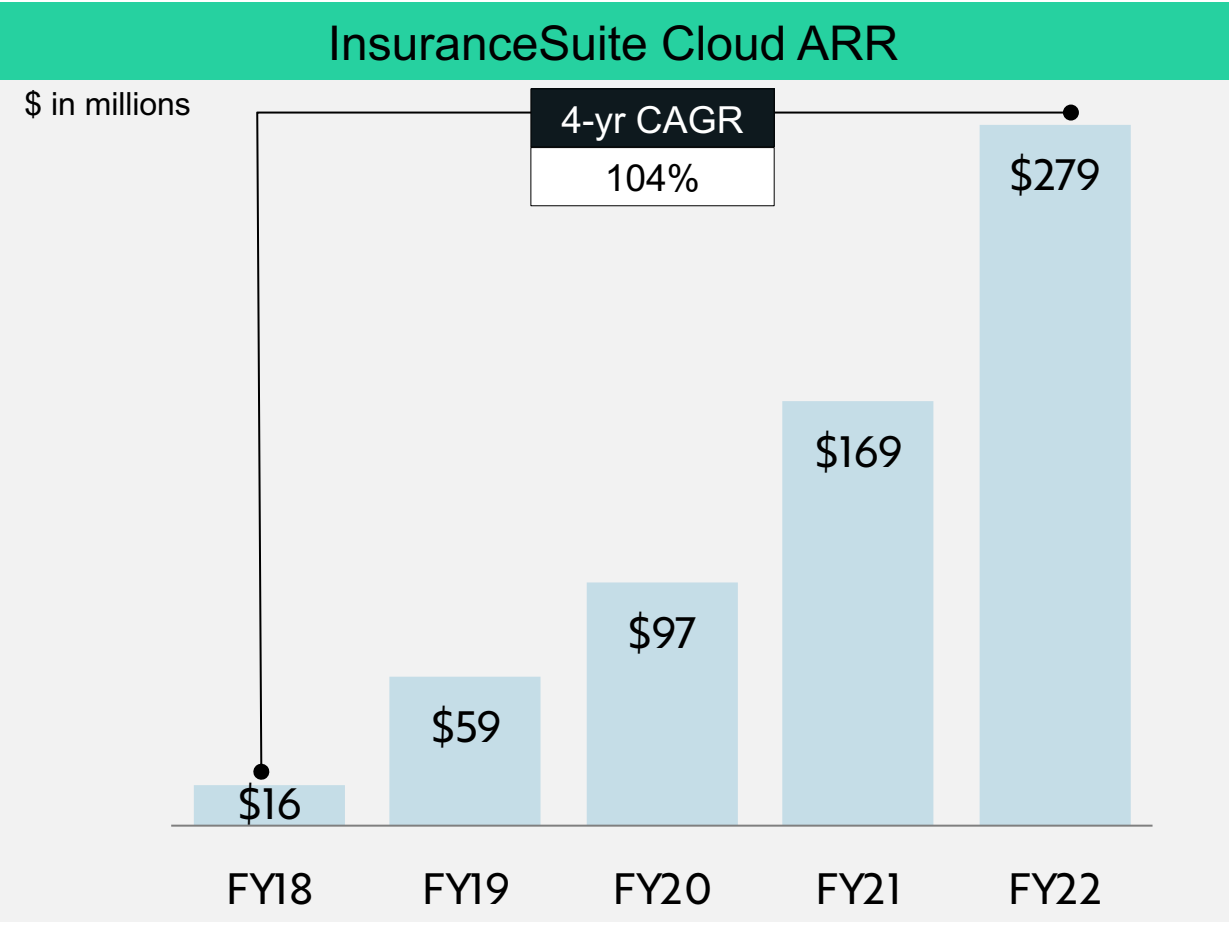
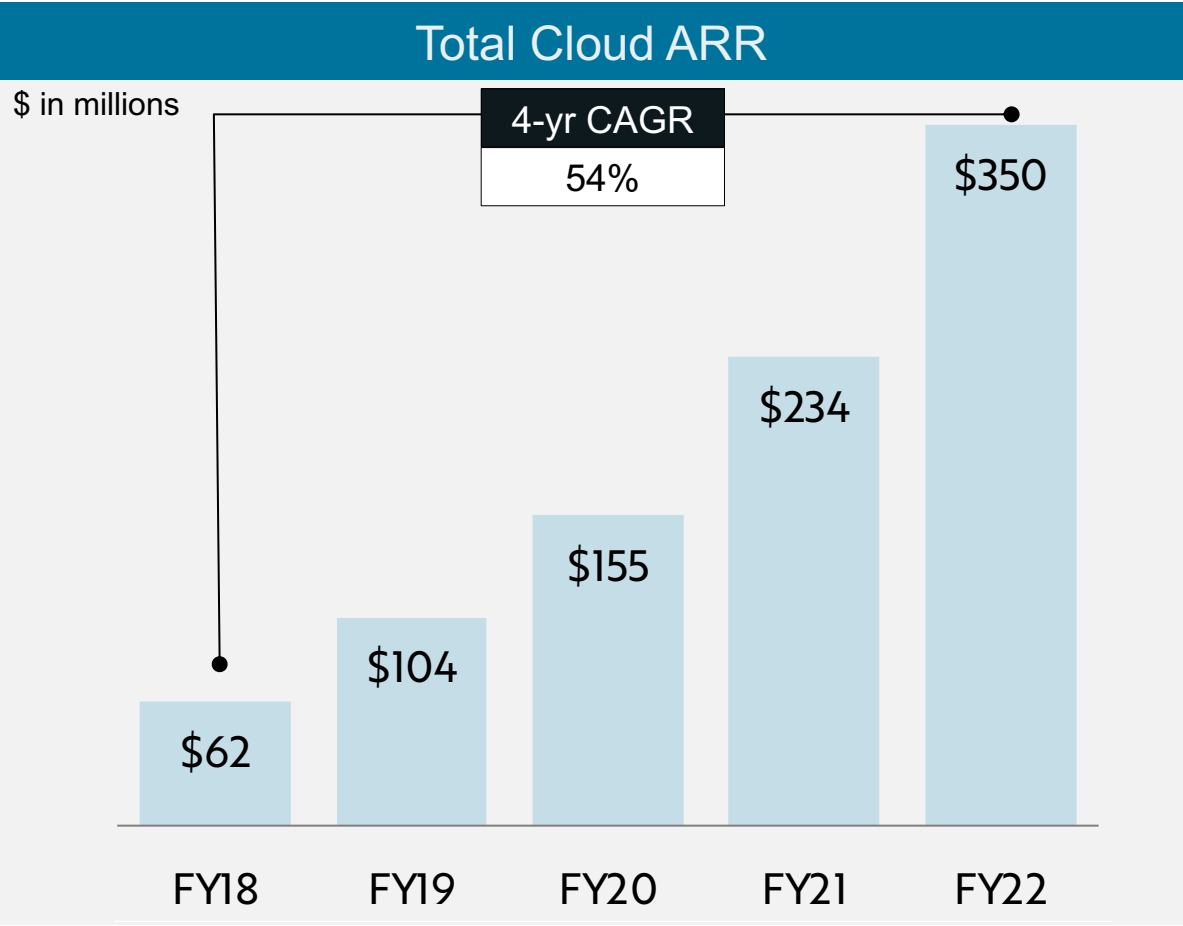
\$ in millions



Note: ARR results are as of the FX rate at end of the respective fiscal year. FY23E is midpoint of outlook provided on 9/6/22 earnings call.



# InsuranceSuite is driving strong Cloud ARR growth

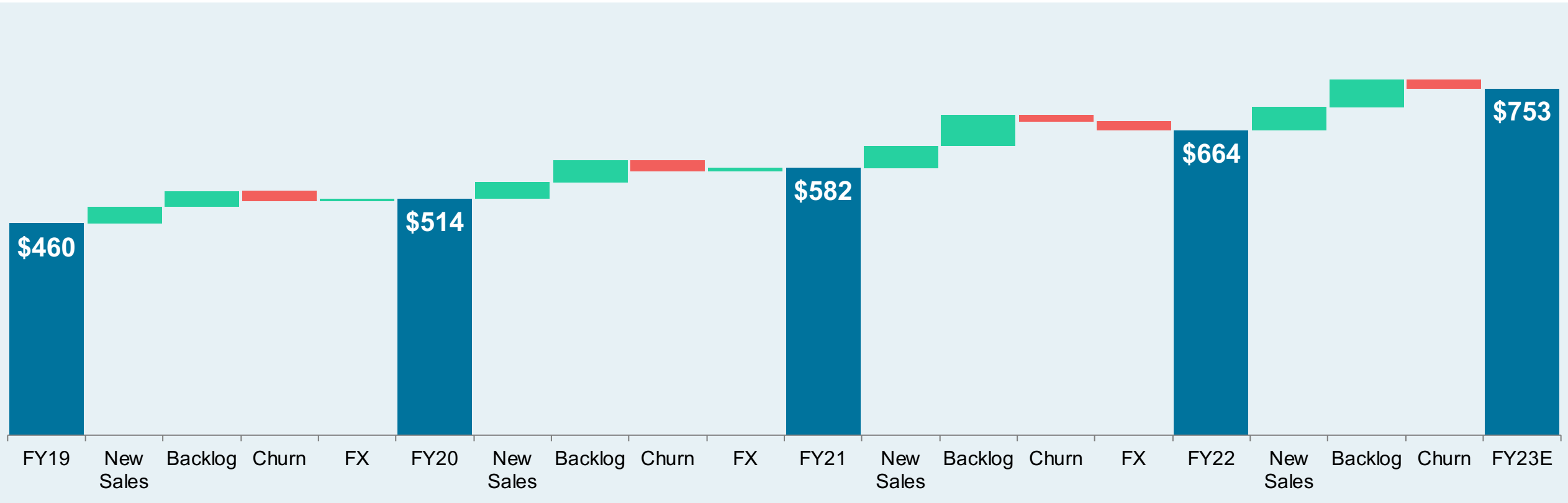


Note: Cloud ARR is defined as ARR from sale of Cloud products only. ARR for InsuranceSuite Cloud (IS Cloud) is defined as ARR from IS Cloud deals only. For self-managed customers upgrading to IS Cloud, the ARR of the cloud upgrade contract is accounted for in its entirety in Cloud ARR upon start date of cloud upgrade contract, with the previous self-managed ARR being reduced to zero.



# Strong ARR visibility supported by best-in-class ARR retention and powerful ARR contribution from backlog

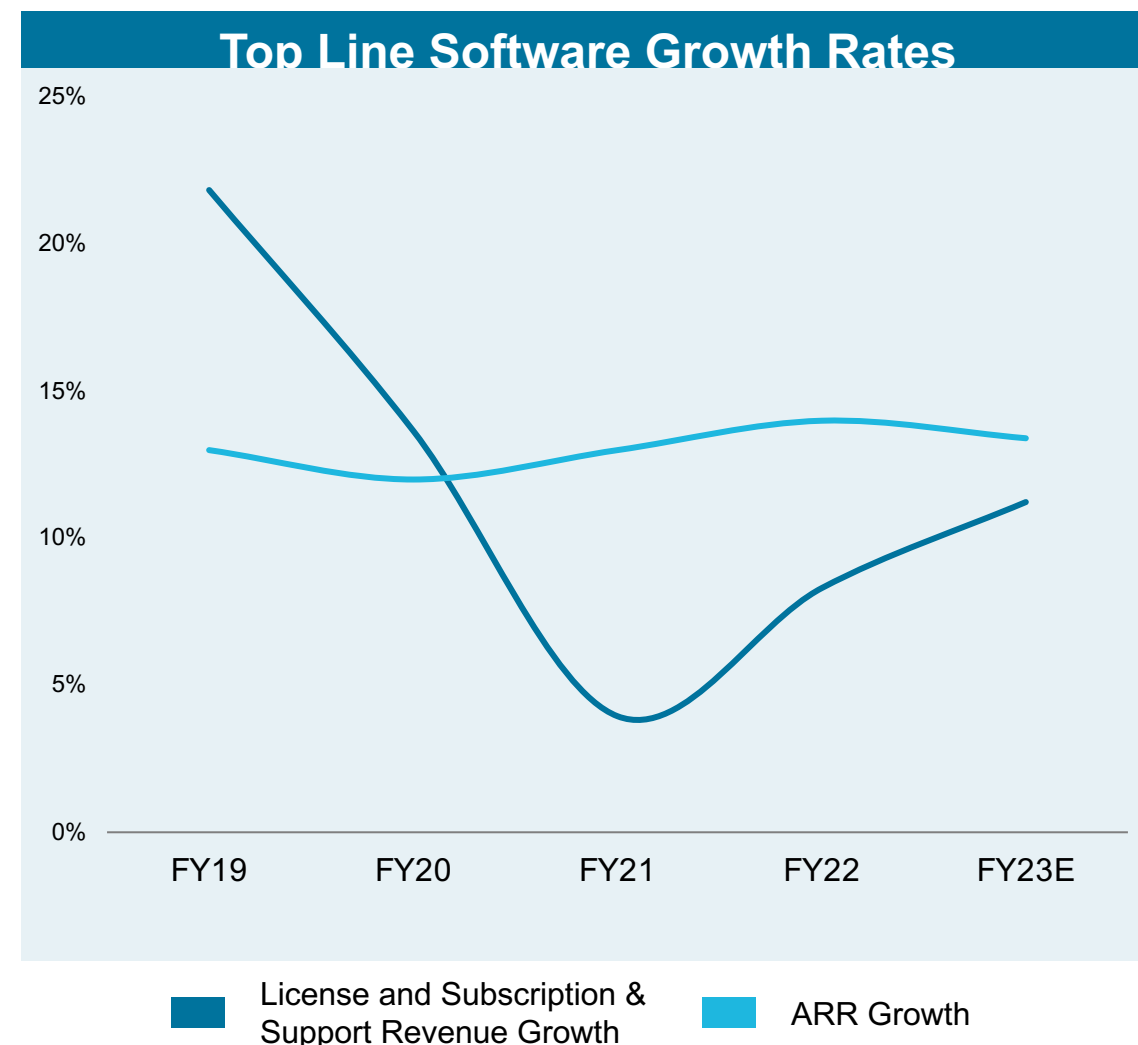
\$ in millions



Note: ARR from Backlog includes ramps, DWP true-ups, CPI increases and inorganic activity from HazardHub acquisition in FY22. FY23E is midpoint of outlook provided on 9/6/22 earnings call.

# ARR remains best measure of momentum; Software Revenue Growth starting to converge with ARR growth

- **Subscription and Support Revenue**
  - Ratable revenue recognition over the duration of the committed term
  - Cloud software usually provisioned 30–60 days after deal execution
- **License Revenue**
  - Upfront revenue recognition over duration of the committed term
  - Standard duration is 2-years followed by annual renewals
- **ARR**
  - Annualized recurring value for all term licenses, subscription agreements, maintenance and hosting contracts
  - Excludes perpetual licenses and professional services
    - In some arrangements, a portion of recurring contract value is allocated to services revenue for revenue recognition purposes, but not for ARR
  - Aligns to annual invoicing amounts in ramped agreements



Note: FY23E is midpoint of outlook provided on 9/6/22 earnings call.



# Impact of contract structure on subscription revenue

## Four examples all have the same economic value

### • 5-Year Commitment

- Customer commits to 5-year term with ramped pricing
- Sub Revenue is recognized ratably; more sub rev than ARR in early years, less sub rev than ARR in later years

### • 2-Year Commitment

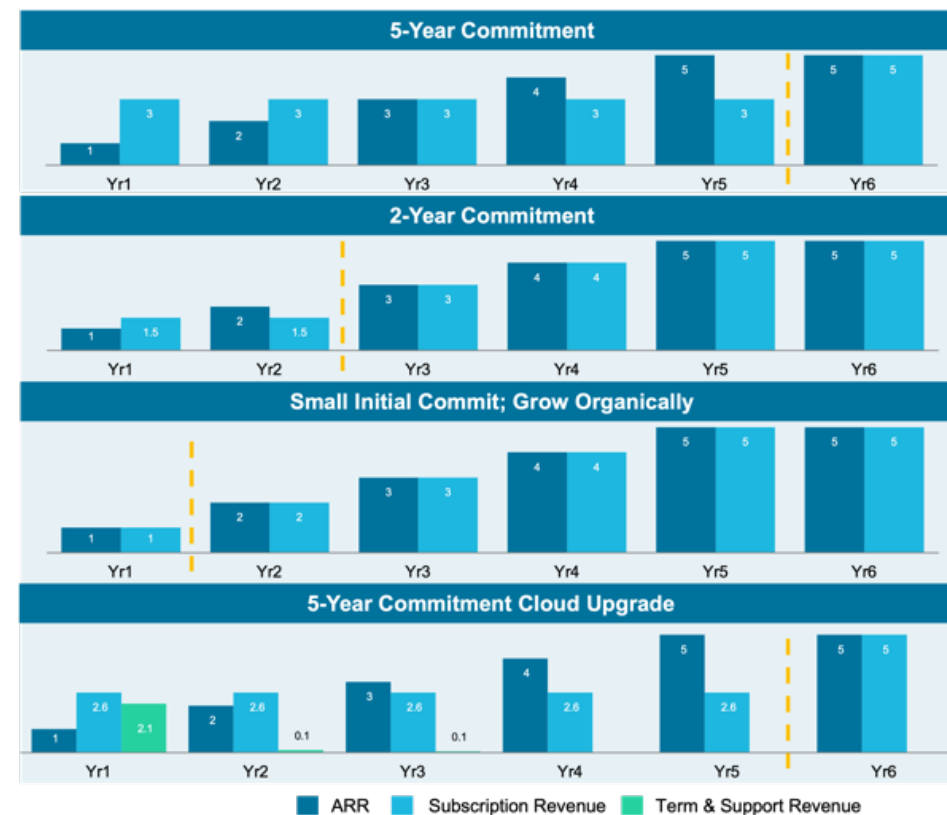
- Customer commits to shorter term, with ramped renewal pricing contracted
- Sub Revenue is pulled forward into year 1 from year 2; ARR matches Sub upon renewal

### • Smaller Initial Commit; Grow Organically

- Customer starts with smaller commitments, increasing commitments over time
- ARR matches Sub Revenue

### • 5-Year Commitment Cloud Upgrade

- ARR is incremental to already existing on-prem ARR
- Portion of TCV is allocated to Term and Support Revenue



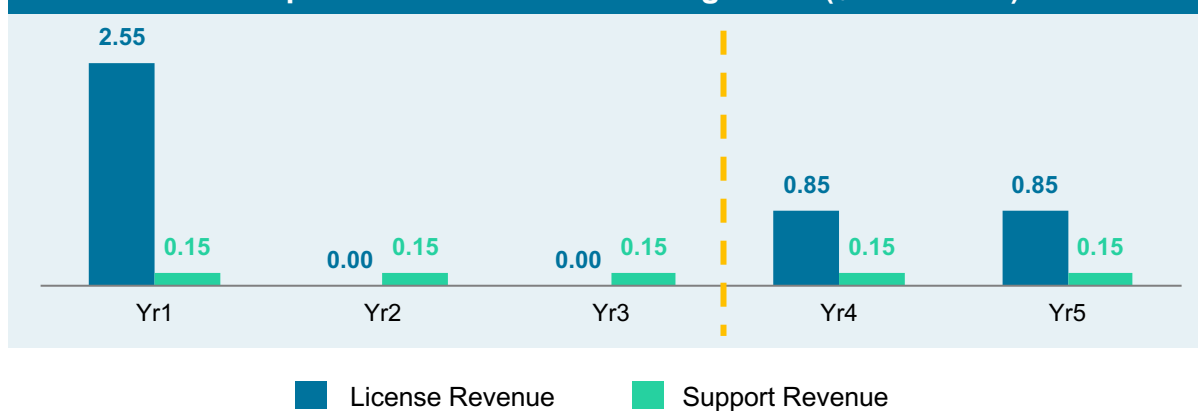
### • Experienced more shorter-term commitments with upside in FY22 when compared with prior periods

- May be more pronounced in new logo and greenfield deals
- Longer, larger commits impact discounting; smaller commits may result in more attractive outcomes for GWRE over customer life
- We anticipate Cloud Upgrades to continue to be longer commitments

# Software Revenue Growth is expected to accelerate ahead of ARR growth in FY24 and FY25

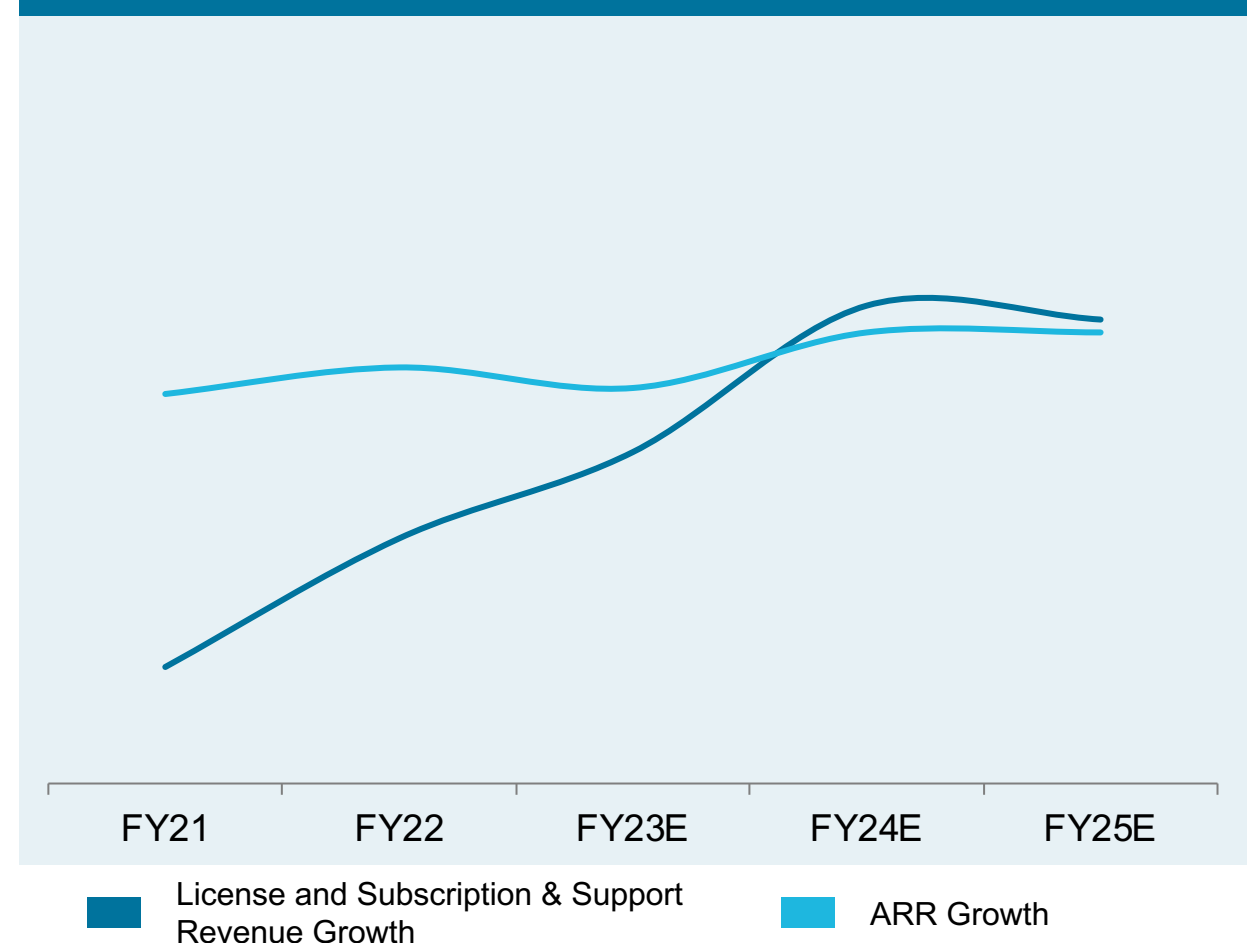
- License and Subscription & Support Revenue, or Software Revenue, growth has lagged ARR growth in recent years
- This is due to the shift in sales activity away from term licenses (upfront revenue recognition) to cloud subscriptions (ratable revenue recognition)
- Multi-year term license activity in FY19 and FY20 negatively impacted growth rates in FY21 and FY22
- Ultimately ARR and Software Revenue growth rates are expected to converge; model is highly sensitive to contract structures

Example 3+1 Term License Arrangement (\$1M in ARR)



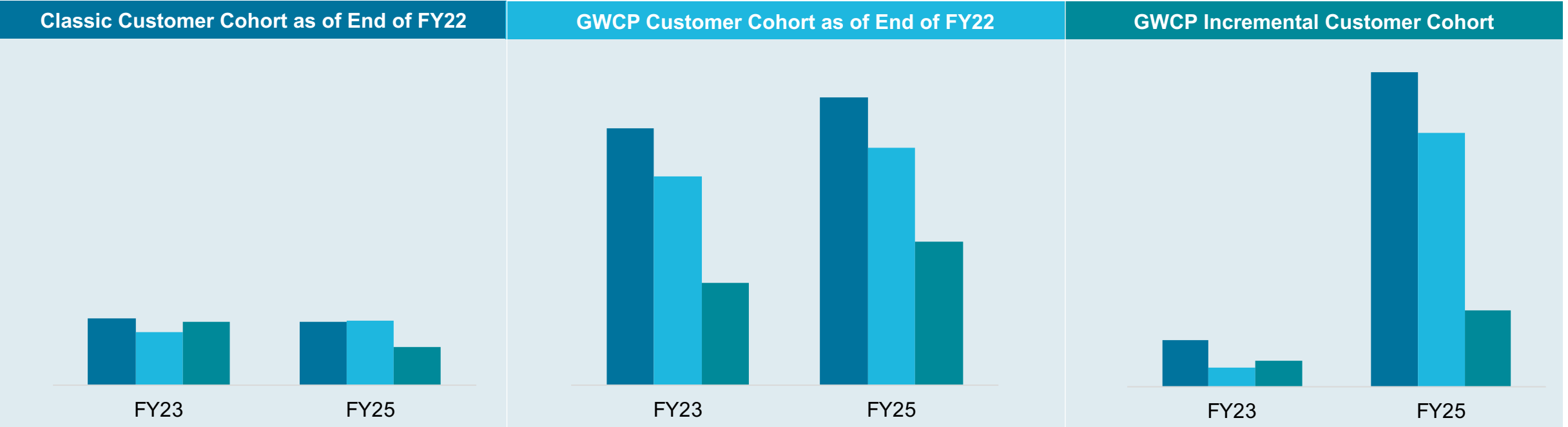
Note: Example is for illustrative purposes only.

Software Revenue and ARR Growth Rates



Note: FY23E numbers per the midpoint of outlook provided on 9/6/22 earnings call.

# Incremental margin analysis - InsuranceSuite Cloud



■ IS Cloud ARR    ■ IS Cloud Subscription Revenue    ■ IS Cloud Cost of Revenue

Initial Cloud customers started cloud journey before the release of GWCP; have plan to migrate all Classic customers to GWCP

Current GWCP customer cohort starting to show efficiency, but burdened by hiring push to establish CloudOps team and Cloud Upgrade accounting

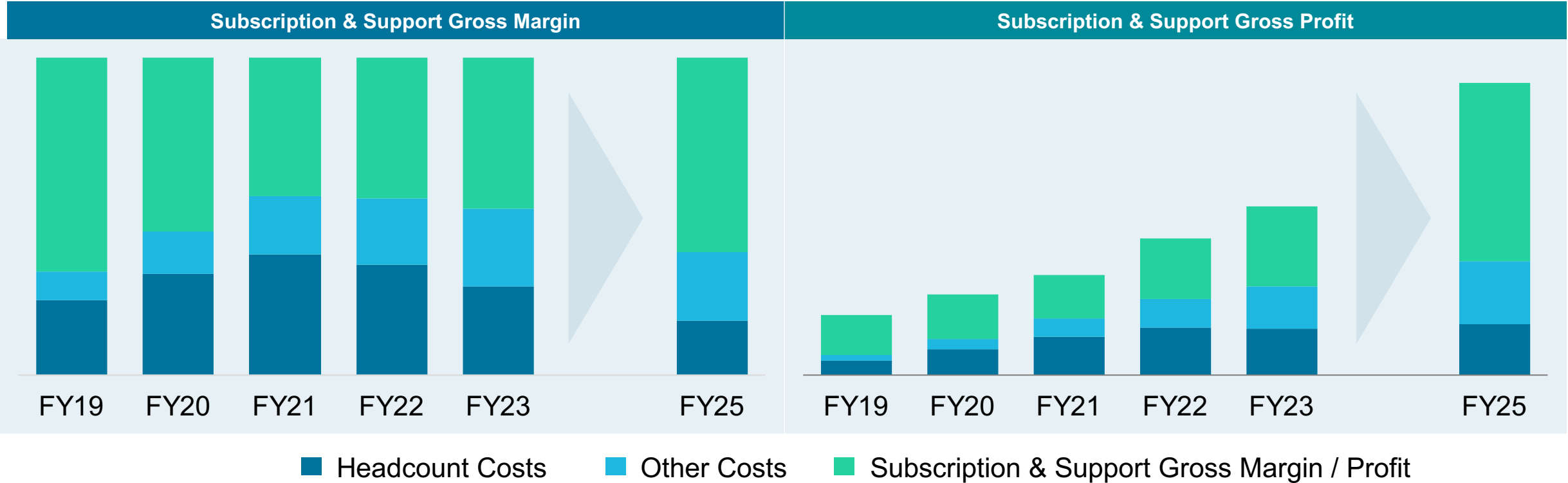
Incremental GWCP margin expectations take advantage of efficiency enhancements to the platform



Note: IS Cloud Cost of Revenues are Non-GAAP and presented using new allocations methodology. Illustrative and not draw to scale.

# Growth and efficiency will drive subscription and support gross margin

- FY21 was the trough for Subscription & Support Margin
- Margin expansion is driven by durable subscription revenue growth
- Improving cost and operating efficiencies is expected to drive margin expansion on headcount costs



Note: Non-GAAP subscription & support margins; illustrative and not drawn to scale. Non-GAAP figures are reconciled to GAAP figures in the appendix. Headcount Costs include Compensation, Benefits, Employee Welfare, Travel, Facilities, Contractors, Allocations and Intercompany adjustments. Other Costs includes Software fees and AWS, and other costs not associated with headcount. FY23 and FY25 presented using new allocations methodology.

# FY23 margin non-GAAP outlook commentary

Operating Category	FY23 Target	Commentary
Sub & Support Gross Margins	~46%	Benefit 2% pts from allocation <sup>1</sup> change; increase subscription margins offset by mix shift away from support revenue
Services Gross Margins	~6%	Benefit 6% pts from allocation <sup>1</sup> change; Decrease reliance subcontractors; finalize fixed fee projects
Overall Gross Margin	~50%	Benefit 2% pts from allocation <sup>1</sup> change; Gross margin improvements offset by mix shift
R&D % of Revenue	~53%	Benefit 2% pts from allocation <sup>1</sup> change; continued investment in cloud capabilities
S&M % of Revenue		Benefit 1% pts from allocation <sup>1</sup> change; largely maintain investment levels with rationalization for sales support
G&A % of Revenue		Allocation <sup>1</sup> change adds 5% pts; investment / HC stable
Operating Margin	~(3%)	~3% pt. improvement over FY22 at mid-point of outlook

(1) Starting in Q1 FY23, we are adjusting headcount expense allocation methodology to expense headcount-related costs for IT, payroll and procurement in G&A as opposed to our prior methodology of allocating these costs out to other expense lines. Targets per mid-point of outlook provided on Q4 earnings call. Note that non-GAAP figures are reconciled to GAAP figures in the appendix.



# High level FY25 non-GAAP margin outlook commentary

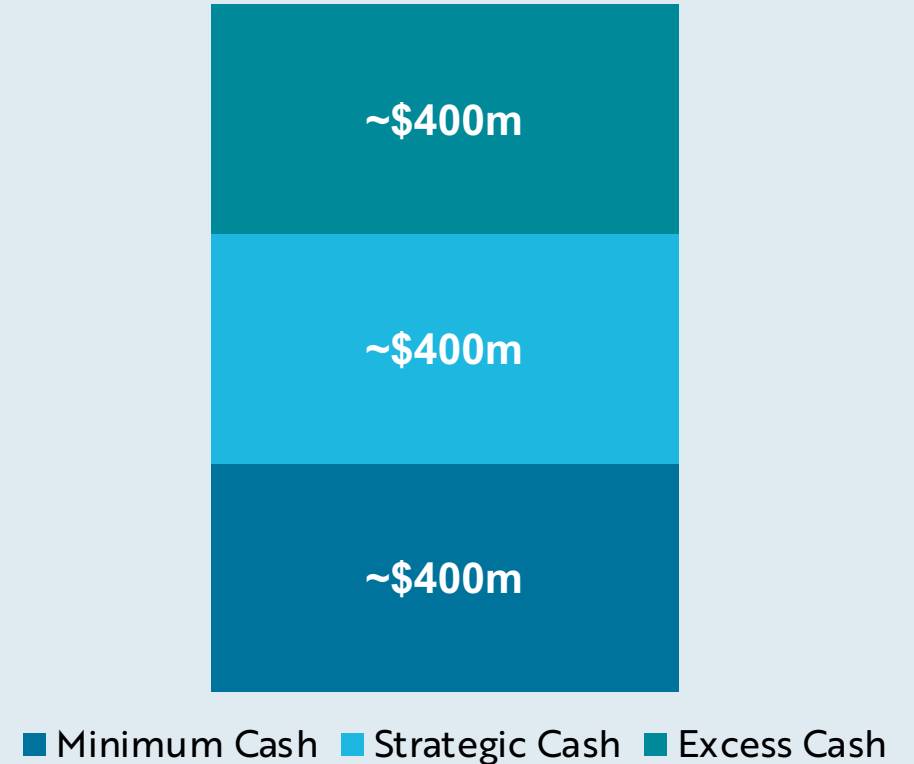
Operating Category	FY23 Target	FY25 Target	Commentary
Sub & Support Gross Margins	~46%	60-63%	Continued revenue growth combined with cloud platform investments driving healthy incremental Cloud margins
Services Gross Margins	~6%	14-17%	Return to normalized Services Gross Margins due to cloud maturity and decrease in services incentives for Cloud Upgrades
Overall Gross Margin	~50%	57-59%	Cloud and Services margin improvements partially offset by shift away from license and support revenue
R&D % of Revenue	~53%	~45%	R&D focus on ongoing reprioritization of HC on cloud initiatives and away from supporting on-prem as cloud transition continues
S&M % of Revenue			Current sales coverage sufficient; customer success investment cycle largely complete
G&A % of Revenue			Focus on automation and efficiencies; rationalize discretionary spend; emphasize hiring outside of San Mateo; recognize cost savings from hybrid work
Operating Margin	~(3%)	12-14%	Significant margin improvement over FY22

Note: non-GAAP figures are reconciled to GAAP figures in the appendix.



# Capital allocation approach

- Recurring revenue model with upfront payments results in efficient cash generation
- Minimum Cash reflects:
  - Long-term nature of customer commitments
  - Increasing confidence in cash generation
- Potential M&A reflects desire to maintain balance sheet flexibility to pursue inorganic growth opportunities
- Returning excess cash to shareholders through accelerated share repurchase and open market share repurchase





# Key levers driving profitable growth



Long horizon  
for growth



Incremental cloud  
margins healthy



Operating expenses  
stable in FY23 and  
beyond

Q&A



# Appendix



# Reconciliation of Non-GAAP Subscription & Support Gross Margin

	2020	2021	2022	2023E
GAAP Subscription & Support Gross Margin	42%	35%	38%	41% - 43%
Non-GAAP adjustments:				
Total stock-based compensation	4%	4%	4%	3%
Amortization of intangible assets	9%	5%	2%	1%
COVID-19 Canada Emergency Wage Subsidy	0%	(1%)	0%	0%
Non-GAAP Subscription & Support Gross Margin	55%	43%	44%	45% - 47%

# Reconciliation of Non-GAAP Gross & Operating Margin

As % of Revenue	GAAP	Stock-based Compensation	Amortization of Intangible Assets	Acquisition consideration holdback	Non-GAAP
2022					
Gross Margin	43%	5%	1%	0%	49%
Operating Margin	(25%)	17%	2%	0%	(6%)
2023E					
Gross Margin	47%	3%	0%	0%	50%
Operating Margin	(19%)	15%	1%	0%	(3%)

