

Guidewire Software, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations - GAAP
(unaudited, in thousands except share and per share amounts)

Description	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021
Revenue:							
Subscription and support	\$ 49,031	\$ 49,550	\$ 50,772	\$ 54,120	\$ 203,473	\$ 57,966	\$ 59,563
License	54,363	76,520	63,104	\$ 137,567	\$ 331,554	65,283	77,912
Services	53,616	47,388	54,289	\$ 51,987	\$ 207,280	46,553	42,587
Total revenue	157,010	173,458	168,165	243,674	742,307	169,802	180,062
Cost of revenue:							
Subscription and support	24,933	28,212	30,522	33,491	117,158	37,006	40,158
License	2,557	2,904	2,566	3,539	11,566	2,937	2,834
Services	53,366	52,480	52,664	50,781	209,291	51,024	48,910
Total cost of revenue	80,856	83,596	85,752	87,811	338,015	90,967	91,902
Gross profit:							
Subscription and support	24,098	21,338	20,250	20,629	86,315	20,960	19,405
License	51,806	73,616	60,538	134,028	319,988	62,346	75,078
Services	250	(5,092)	1,625	1,206	(2,011)	(4,471)	(6,323)
Total gross profit	76,154	89,862	82,413	155,863	404,292	78,835	88,160
Operating expenses:							
Research and development	46,496	49,954	51,893	52,232	200,575	52,615	53,194
Sales and marketing	33,016	37,339	35,235	36,830	142,420	36,644	39,216
General and administrative	21,239	20,599	20,885	22,460	85,183	21,180	22,820
Total operating expenses	100,751	107,892	108,013	111,522	428,178	110,439	115,230
Income (loss) from operations	(24,597)	(18,030)	(25,600)	44,341	(23,886)	(31,604)	(27,070)
Interest income	7,636	6,958	6,072	4,039	24,705	2,789	2,015
Interest expense	(4,429)	(4,462)	(4,505)	(4,549)	(17,945)	(4,620)	(4,651)
Other income (expense), net	(251)	(182)	(12,356)	5,584	(7,205)	2,568	6,805
Income (loss) before provision for (benefit from) income taxes	(21,641)	(15,716)	(36,389)	49,415	(24,331)	(30,867)	(22,901)
Provision for (benefit from) income taxes	(6,650)	4,228	(5,351)	10,640	2,867	(10,677)	(14,249)
Net income (loss)	\$ (14,991)	\$ (19,944)	\$ (31,038)	\$ 38,775	\$ (27,198)	\$ (20,190)	\$ (8,652)
Earnings per share:							
Basic	\$ (0.18)	\$ (0.24)	\$ (0.37)	\$ 0.46	\$ (0.33)	\$ (0.24)	\$ (0.10)
Diluted	\$ (0.18)	\$ (0.24)	\$ (0.37)	\$ 0.46	\$ (0.33)	\$ (0.24)	\$ (0.10)
Shares used in computing net earnings per share:							
Basic	82,360,891	82,725,641	83,024,291	83,314,410	82,855,392	83,613,287	83,830,624
Diluted	82,360,891	82,725,641	83,024,291	83,947,187	82,855,392	83,613,287	83,830,624
Impairment of equity in strategic investment	\$ —	\$ —	\$ 10,672	\$ —	\$ 10,672	\$ —	\$ —
Stock-based compensation	\$ 24,558	\$ 26,736	\$ 24,781	\$ 25,742	\$ 101,817	\$ 28,084	\$ 29,896

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Guidewire Software, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations - Non-GAAP Adjustments
(unaudited, in thousands)

Description	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021
Amortization of intangibles	\$ 4,545	\$ 4,545	\$ 4,405	\$ 4,126	\$ 17,621	\$ 4,126	\$ 4,126
Stock-based compensation	1,633	1,886	1,986	2,070	7,575	2,602	2,954
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(770)
Total adjustment to cost of revenue - subscription and support	6,178	6,431	6,391	6,196	25,196	6,728	6,310
Amortization of intangibles	400	400	400	400	1,600	400	400
Stock-based compensation	180	188	177	224	769	251	145
Total adjustment to cost of revenue - license	580	588	577	624	2,369	651	545
Stock-based compensation	5,332	5,469	4,862	5,153	20,816	5,543	5,578
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(198)
Total adjustment to cost of revenue - services	5,332	5,469	4,862	5,153	20,816	5,543	5,380
Stock-based compensation	6,181	6,668	6,500	6,975	26,324	7,247	7,604
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(593)
Total adjustment to research and development	6,181	6,668	6,500	6,975	26,324	7,247	7,011
Stock-based compensation	5,157	5,996	4,990	5,117	21,260	5,977	6,806
Amortization of intangibles	2,222	1,797	1,797	1,797	7,613	1,797	1,797
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(104)
Total adjustment to sales and marketing	7,379	7,793	6,787	6,914	28,873	7,774	8,499
Stock-based compensation	6,075	6,529	6,266	6,203	25,073	6,464	6,809
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(21)
Total adjustment to general and administrative	6,075	6,529	6,266	6,203	25,073	6,464	6,788
Amortization of debt discount and issuance costs	3,156	3,198	3,244	3,288	12,886	3,335	3,379
Total adjustment to interest expense	3,156	3,198	3,244	3,288	12,886	3,335	3,379
Changes in fair value of strategic investment	—	—	10,672	—	10,672	—	—
Total adjustment to other income (expense), net	—	—	10,672	—	10,672	—	—
Non-GAAP tax impact	(8,912)	826	(6,559)	(4,598)	(19,243)	(3,143)	(20,232)
Total adjustment to provision for (benefit from) income taxes	(8,912)	826	(6,559)	(4,598)	(19,243)	(3,143)	(20,232)

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

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Guidewire Software, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations - Other Reconciliations

Description	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021
Reconciliation of GAAP to Non-GAAP earnings per share:							
GAAP diluted earnings per share	\$ (0.18)	\$ (0.24)	\$ (0.37)	\$ 0.46	\$ (0.33)	\$ (0.24)	\$ (0.10)
Amortization of intangibles	0.09	0.08	0.08	0.08	0.33	0.08	0.08
Stock-based compensation	0.30	0.32	0.30	0.31	1.23	0.34	0.36
Amortization of debt discount and issuance costs	0.04	0.04	0.04	0.04	0.16	0.04	0.04
Changes in fair value of strategic investment	—	—	0.13	—	0.13	—	—
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(0.02)
Non-GAAP tax impact	(0.11)	0.01	(0.08)	(0.05)	(0.23)	(0.04)	(0.24)
Non-GAAP dilutive shares excluded from GAAP EPS calculation ⁽²⁾	(0.01)	—	(0.01)	(0.01)	(0.03)	(0.01)	(0.01)
Non-GAAP diluted earnings per share	\$ 0.13	\$ 0.21	\$ 0.09	\$ 0.83	\$ 1.26	\$ 0.17	\$ 0.11
Diluted weighted average shares outstanding:							
Diluted weighted average shares outstanding	82,360,891	82,725,641	83,024,291	83,947,187	82,855,392	83,613,287	83,830,624
Non-GAAP dilutive shares excluded from GAAP EPS calculation ⁽²⁾	788,902	842,001	486,398	—	834,002	586,287	1,007,573
Diluted weighted average shares outstanding	83,149,793	83,567,642	83,510,689	83,947,187	83,689,394	84,199,574	84,838,197
Gross margin:							
Subscription and support:							
GAAP gross margin	49.1 %	43.0 %	39.9 %	38.2 %	42.4 %	36.2 %	32.6 %
Stock-based compensation	3.3 %	3.8 %	3.9 %	3.8 %	3.7 %	4.5 %	5.0 %
Amortization of intangibles	9.3 %	9.2 %	8.7 %	7.6 %	8.7 %	7.1 %	6.9 %
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	— %	— %	— %	— %	— %	— %	(1.3)%
Non-GAAP gross margin	61.7 %	56.0 %	52.5 %	49.6 %	54.8 %	47.8 %	43.2 %
License:							
GAAP gross margin	95.3 %	96.3 %	95.9 %	97.4 %	96.5 %	95.5 %	96.4 %
Stock-based compensation	0.3 %	0.2 %	0.3 %	0.2 %	0.2 %	0.4 %	0.2 %
Amortization of intangibles	0.8 %	0.5 %	0.6 %	0.3 %	0.5 %	0.6 %	0.5 %
Non-GAAP gross margin	96.4 %	97.0 %	96.8 %	97.9 %	97.2 %	96.5 %	97.1 %
Services:							
GAAP gross margin	0.4 %	(10.7)%	2.9 %	2.3 %	(0.9)%	(9.6)%	(14.8)%
Stock-based compensation	10.0 %	11.5 %	9.0 %	9.9 %	10.0 %	11.9 %	13.1 %

COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	— %	— %	— %	— %	— %	— %	(0.5)%
Non-GAAP gross margin	10.4 %	0.8 %	11.9 %	12.2 %	9.1 %	2.3 %	(2.2)%
Overall:							
GAAP gross margin	48.5 %	51.8 %	49.0 %	63.9 %	54.5 %	46.4 %	49.0 %
Amortization of intangibles	3.1 %	2.9 %	2.9 %	1.9 %	2.6 %	2.7 %	2.5 %
Stock-based compensation	4.6 %	4.3 %	4.1 %	3.1 %	3.9 %	4.9 %	4.8 %
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	— %	— %	— %	— %	— %	— %	(0.5)%
Non-GAAP gross margin	56.2 %	59.0 %	56.0 %	68.9 %	61.0 %	54.0 %	55.8 %

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

(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.

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Guidewire Software, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations - Key Metrics
(unaudited, in thousands)

Description	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021
Annual recurring revenue (in millions):							
Annual recurring revenue ⁽¹⁾	\$ 463	\$ 474	\$ 483	\$ 509	\$ 514	\$ 513	\$ 520
Subscription and support revenue breakdown:							
Subscription revenue	28,060	28,434	30,078	33,086	119,658	37,230	38,278
Support revenue	20,971	21,116	20,694	21,034	83,815	20,736	21,285
Total subscription and support revenue	\$ 49,031	\$ 49,550	\$ 50,772	\$ 54,120	\$ 203,473	\$ 57,966	\$ 59,563
License revenue breakdown:							
Term license revenue	\$ 54,314	\$ 74,478	\$ 62,656	\$ 137,041	\$ 328,489	\$ 65,225	\$ 77,864
Perpetual license revenue	49	2,042	448	526	3,065	58	48
Total license revenue	54,363	76,520	63,104	137,567	\$ 331,554	65,283	77,912
Adjusted free cash flow:							
Net cash provided by (used in) operating activities	\$ (18,138)	\$ 19,474	\$ 4,571	\$ 107,159	\$ 113,066	\$ (15,707)	\$ 13,329
Purchases of property and equipment	\$ (9,625)	\$ (1,629)	\$ (7,712)	\$ (2,411)	\$ (21,377)	\$ (1,907)	\$ (3,610)
Capitalized software development costs	(1,346)	(864)	(1,063)	(1,010)	(4,283)	(2,581)	(2,303)
Total free cash flow	\$ (29,109)	\$ 16,981	\$ (4,204)	\$ 103,738	\$ 87,406	\$ (20,195)	\$ 7,416
Build out of San Mateo headquarters	\$ (7,947)	\$ 314	\$ (5,254)	\$ 1,756	\$ (11,131)	\$ —	\$ —
Total adjusted free cash flow	\$ (21,162)	\$ 16,667	\$ 1,050	\$ 101,982	\$ 98,537	\$ (20,195)	\$ 7,416

(1) ARR for Fiscal year 2021 is based on actual currency rates at the end of fiscal year 2020, held constant throughout the year.

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Guidewire Software, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations - Non-GAAP Gross Profit Reconciliations
(unaudited, in thousands except percentage)

Description	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021
Gross profit reconciliation:							
GAAP gross profit	\$ 76,154	\$ 89,862	\$ 82,413	\$ 155,863	\$ 404,292	\$ 78,835	\$ 88,160
Non-GAAP adjustments:							
Stock-based compensation	7,145	7,543	7,025	7,447	29,160	8,396	8,677
Amortization of intangibles	4,945	4,945	4,805	4,526	19,221	4,526	4,526
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(968)
Non-GAAP gross profit	\$ 88,244	\$ 102,350	\$ 94,243	\$ 167,836	\$ 452,673	\$ 91,757	\$ 100,395
Non-GAAP gross margin	56.2 %	59.0 %	56.0 %	68.9 %	61.0 %	54.0 %	55.8 %
Gross profit reconciliation - subscription and support:							
GAAP gross profit - subscription and support	\$ 24,098	\$ 21,338	\$ 20,250	\$ 20,629	\$ 86,315	\$ 20,960	\$ 19,405
Non-GAAP adjustments:							
Stock-based compensation	1,633	1,886	1,986	2,070	7,575	2,602	2,954
Amortization of intangibles	4,545	4,545	4,405	4,126	17,621	4,126	4,126
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(770)
Non-GAAP gross profit - subscription and support	\$ 30,276	\$ 27,769	\$ 26,641	\$ 26,825	\$ 111,511	\$ 27,688	\$ 25,715
Non-GAAP gross margin - subscription and support	61.7 %	56.0 %	52.5 %	49.6 %	54.8 %	47.8 %	43.2 %
Gross profit reconciliation - license:							
GAAP gross profit - license ⁽¹⁾	\$ 51,806	\$ 73,616	\$ 60,538	\$ 134,028	\$ 319,988	\$ 62,346	\$ 75,078
Non-GAAP adjustments:							
Stock-based compensation	180	188	177	224	769	251	145
Amortization of intangibles	400	400	400	400	1,600	400	400
Non-GAAP gross profit - license	\$ 52,386	\$ 74,204	\$ 61,115	\$ 134,652	\$ 322,357	\$ 62,997	\$ 75,623
Non-GAAP gross margin - license	96.4 %	97.0 %	96.8 %	97.9 %	97.2 %	96.5 %	97.1 %
Gross profit reconciliation - services:							
GAAP gross profit - services	\$ 250	\$ (5,092)	\$ 1,625	\$ 1,206	\$ (2,011)	\$ (4,471)	\$ (6,323)
Non-GAAP adjustments:							
Stock-based compensation	5,332	5,469	4,862	5,153	20,816	5,543	5,578
Amortization of intangibles	—	—	—	—	—	—	—
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(198)
Non-GAAP gross profit - services	\$ 5,582	\$ 377	\$ 6,487	\$ 6,359	\$ 18,805	\$ 1,072	\$ (943)
Non-GAAP gross margin - services	10.4 %	0.8 %	11.9 %	12.2 %	9.1 %	2.3 %	(2.2)%

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Guidewire Software, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations - Non-GAAP Reconciliations
(unaudited, in thousands)

Description	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021
Income (loss) from operations reconciliation:							
GAAP income (loss) from operations	\$ (24,597)	\$ (18,030)	\$ (25,600)	\$ 44,341	\$ (23,886)	\$ (31,604)	\$ (27,070)
Non-GAAP adjustments:							
Stock-based compensation	24,558	26,736	24,781	25,742	101,817	28,084	29,896
Amortization of intangibles	7,167	6,742	6,602	6,323	26,834	6,323	6,323
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(1,686)
Non-GAAP income (loss) from operations	\$ 7,128	\$ 15,448	\$ 5,783	\$ 76,406	\$ 104,765	\$ 2,803	\$ 7,463
Net income (loss) reconciliation:							
GAAP net income (loss)	\$ (14,991)	\$ (19,944)	\$ (31,038)	\$ 38,775	\$ (27,198)	\$ (20,190)	\$ (8,652)
Non-GAAP adjustments:							
Stock-based compensation	24,558	26,736	24,781	25,742	101,817	28,084	29,896
Amortization of intangibles	7,167	6,742	6,602	6,323	26,834	6,323	6,323
Amortization of debt discount and issuance costs	3,156	3,198	3,244	3,288	12,886	3,335	3,379
Changes in fair value of strategic investment	—	—	10,672	—	10,672	—	—
COVID-19 Canada Emergency Wage Subsidy benefit ⁽¹⁾	—	—	—	—	—	—	(1,686)
Non-GAAP tax impact	(8,912)	826	(6,559)	(4,598)	(19,243)	(3,143)	(20,232)
Non-GAAP net income (loss)	\$ 10,978	\$ 17,558	\$ 7,702	\$ 69,530	\$ 105,768	\$ 14,409	\$ 9,028

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