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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 7, 2018

Guidewire Software, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-35394**	**36-4468504**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

1001 East Hillsdale Blvd., Suite 800
Foster City, CA 94404
(Address of principal executive offices, including zip code)

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

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 9.01 Financial Statements and Exhibits.

Guidewire Software, Inc. (the “Company”) previously announced the completion of its acquisitions of ISCS, Inc. (the “ISCS Acquisition”) and Cyence Inc. (the “Cyence Acquisition”) in its Current Reports on Form 8-K filed on February 17, 2017 and November 2, 2017, respectively.

The Company is filing certain financial statements of a business acquired and certain pro forma financial information related to the ISCS Acquisition and the Cyence Acquisition as an exhibit to this Current Report on Form 8-K.

(a) Interim Unaudited Condensed Consolidated Financial Statements of Business Acquired.

The Interim Unaudited Condensed Consolidated Financial Statements of Cyence Inc. for the nine months ended October 31, 2017 and 2016 are filed herewith as Exhibit 99.1. The Company previously filed audited financial statements of Cyence Inc. as of and for the year ended January 31, 2017 and unaudited condensed interim financial statements of Cyence Inc. as of and for the six months ended July 31, 2017 and 2016, as exhibits to its Current Report on Form 8-K/A, as filed on January 9, 2018.

(b) Unaudited Pro Forma Condensed Combined Financial Information

The unaudited pro forma condensed combined statement of operations for the six months ended January 31, 2018, reflecting the Cyence Acquisition, and the unaudited pro forma condensed combined statement of operations for the year ended July 31, 2017, reflecting the Cyence Acquisition and the ISCS Acquisition, are filed as Exhibit 99.2 hereto. Such unaudited pro forma condensed combined statements of operations are not necessarily indicative of the operating results or financial position that actually would have been achieved if the ISCS Acquisition or the Cyence Acquisition, as applicable, had been in effect on the date indicated or that may be achieved in future periods, and should be read in conjunction with the financial statements of the Company, ISCS, Inc. and Cyence Inc. The Company previously filed unaudited pro forma financial statements for the ISCS Acquisition as of and for the three months ended October 31, 2016, and for the year ended July 31, 2016, as an exhibit to its Current Report on Form 8-K/A, as filed on April 26, 2017. The Company previously filed unaudited pro forma financial statements for the Cyence Acquisition as of and for the year ended July 31, 2017, as an exhibit to its Current Report on Form 8-K/A, as filed on January 9, 2018.

(d) Exhibits.

Exhibit No.	Description of Exhibits
99.1	Interim Unaudited Condensed Consolidated Financial Statements of Cyence Inc. for the nine months ended October 31, 2017 and 2016.
99.2	Unaudited Pro Forma Condensed Combined Statement of Operations of Guidewire Software, Inc. for the six months ended January 31, 2018, and the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended July 31, 2017.

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 7, 2018

GUIDEWIRE SOFTWARE, INC.

By: /s/ Richard Hart
Richard Hart
Chief Financial Officer

Exhibit 99.1

Cyence Inc.

Interim Unaudited Condensed
Consolidated Financial Statements
For the Nine Months Ended October 31, 2017
and 2016

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Cyence Inc.

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Cyence Inc.

Condensed Consolidated Balance Sheets
(in thousands, except par value and shares data)
(unaudited)

	October 31, 2017	January 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	$ 16,592	$ 25,345
Accounts receivable, net	4,801	2,331
Prepaid expenses and other current assets	1,029	976
Total current assets	22,422	28,652
Property and equipment, net	140	135
Deposits and other non-current assets	249	359
Goodwill	148	148
Total Assets	$ 22,959	$ 29,294
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 1,878	$ 510
Accrued expenses and other current liabilities	3,002	1,941
Deferred revenue	3,921	3,217
Total current liabilities	8,801	5,668
Deferred revenue, noncurrent	13	—
Other long-term liabilities	14	—
Total Liabilities	8,828	5,668
Commitments and Contingencies (Note 7)		
Stockholders' Equity		
Series A convertible preferred stock, $0.001 par value; 16,666,663 shares authorized; 16,666,663 shares issued and outstanding (Liquidation preference: $5,800)	5,709	5,709
Series B convertible preferred stock, $0.001 par value; 13,972,054 shares authorized; 12,779,576 shares issued and outstanding (Liquidation preference: $32,013)	31,807	31,807
Common stock, $0.001 par value; 50,000,000 shares authorized; and 14,061,429 and 13,516,629 shares issued and outstanding at October 31, 2017 and January 31, 2017, respectively	13	12
Additional paid-in capital	642	254
Shareholders' notes receivable	(122)	(60)
Accumulated other comprehensive loss	4	(2)
Accumulated deficit	(23,922)	(14,094)
Total Stockholders' Equity	14,131	23,626
Total Liabilities and Stockholders' Equity	$ 22,959	$ 29,294

See accompanying notes to condensed consolidated financial statements.

Cyence Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands)
(unaudited)

	Nine Months Ended October 31, 2017	Nine Months Ended October 31, 2016
Revenue	$ 9,525	$ 5,343
Cost of Revenue	1,400	761
Gross Profit	8,125	4,582
Operating Expenses:		
Research and development	8,894	6,484
Sales and marketing	4,223	2,529
General and administrative	4,804	1,234
Total Operating Expenses	17,921	10,247
Loss from Operations	(9,796)	(5,665)
Other Income (Expenses):		
Interest and other income, net	(8)	(3)
Loss Before Income Taxes	(9,804)	(5,668)
Provision for income taxes	24	4
Net loss	(9,828)	(5,672)
Other Comprehensive Loss		
Foreign currency translation adjustment	6	(2)
Total Other Comprehensive Loss	6	(2)
Comprehensive Loss	$ (9,822)	$ (5,674)

See accompanying notes to condensed consolidated financial statements.

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Cyence Inc.

Condensed Consolidated Statement of Stockholders' Equity
(in thousands, except shares data)
(unaudited)

	Series A		Series 8		Common Stock						
	Shares	Amount	Shares	Amount	Shares	Amount	Shareholders' Notes Receivable	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
Balances, January 31, 2017	16,666,663	$5,709	12,779,576	$31,807	13,516,629	$ 12	$ (60)	$ 254	$ (2)	$ (14,094)	$ 23,626
Issuance of common stock upon exercise of stock options	—	—	—	—	62,916	1	—	23	—	—	24
Vesting of early exercised stock options	—	—	—	—	481,884	—	—	106	—	—	106
Issuance of shareholder notes receivable	—	—	—	—	—	—	(62)	—	—	—	(62)
Stock-based compensation	—	—	—	—	—	—	—	259	—	—	259
Foreign currency translation	—	—	—	—	—	—	—	—	6	—	6
Net loss										(9,828)	(9,828)
Balances, October 31, 2017	16,666,663	$5,709	12,779,576	$31,807	14,061,429	$ 13	$ (122)	$ 642	$ 4	$ (23,922)	$ 14,131

See accompanying notes to condensed consolidated financial statements.

Cyence Inc.

Condensed Consolidated Statement of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended October 31, 2017	Nine Months Ended October 31, 2016
Cash Flows from Operating Activities		
Net loss	$ (9,828)	$ (5,672)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	54	35
Stock-based compensation	259	84
Accrued Interest on debt converted to equity	—	130
Accrued interest on notes to employees to issue common stock	(2)	—
Changes in operating assets and liabilities, net of businesses acquired:		
Accounts receivable	(2,470)	(3,132)
Other current assets and long-term assets	57	(430)
Accounts payable	1,368	298
Accrued expenses and other current liabilities	1,023	834
Long-term liabilities	14	(6)
Deferred revenue	717	2,124
Net Cash Used in Operating Activities	(8,808)	(5,735)
Cash Flows from Investing Activities:		
Payment for purchases of property and equipment, net	(59)	(60)
Payment for acquisition of Psiog, net of cash acquired	—	(144)
Net Cash Used in Investing Activities	(59)	(204)
Cash Flows from Financing Activities:		
Proceeds from early exercises of common stock options	88	39
Proceeds from exercises of common stock options	23	2
Proceeds from Series B, net of issuance costs	—	25,427
Payments to repurchase early exercised stock options	(4)	—
Net Cash Provided by Financing Activities	107	25,468
Effect of Exchange Rate Changes on Cash and Cash Equivalents	7	(1)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,753)	19,528
Cash and Cash Equivalents, Beginning of period	25,345	7,440
Cash and Cash Equivalents, End of Period	$ 16,592	$ 26,968
Supplemental Disclosures of Non-cash Investing and Financing Activities:		
Cash paid for income taxes	$ 17	$ —
Vesting of early exercised stock options	$ 107	$ 48

See accompanying notes to condensed consolidated financial statements.

Cyence Inc.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Description of Business

Organization

Cyence Inc. (with its subsidiaries, collectively referred to as “the Company”) was incorporated on August 20, 2014 in the state of Delaware under the name of CyberSkore Inc. and was renamed Cyence Inc. on September 18, 2014. The Company is a cloud-based provider of economic cyber risk modeling services that quantifies cyber risk in probabilities and dollars. The Company brings together data science, cybersecurity, and economics to build a unique analytics platform that quantifies the financial impact of cyber risk. The Company’s services are used by leaders across the insurance industry to prospect and select risks, assess and price risks, manage risk portfolios and accumulations, and bring new insurance products to market. The Company’s customers include insurance brokers, rating agencies, regulators, insurers, and reinsurers.

The Company is located in San Mateo, California with operations in New York, New York; Chennai, India; and London, United Kingdom.

On November 1, 2017, Guidewire Software, Inc. (Guidewire) completed its acquisition of the Company, and the Company ceased to exist as a standalone entity. As a result of the acquisition, Cyence LLC, a wholly-owned subsidiary of Guidewire, assumed all of the obligations and liabilities of the Company.

Certain Significant Risks and Uncertainties

The Company operates in a dynamic industry, and accordingly, can be affected by a variety of factors. Management of the Company believes that changes in any of the following areas could have a significant negative effect on the Company in terms of its future financial position, results of operations or cash flows: ability to obtain additional financing; advances and trends in new technologies and industry standards; changes in certain strategic relationships or customer relationships; market acceptance of the Company’s products; continued development of sales channels; litigation or other claims against the Company; the hiring, training and retention of key employees; and new product introductions by competitors.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Cyence Inc. and its wholly-owned subsidiaries, SM Insurance Solutions LLC (incorporated in the State of Delaware, U.S.), Cyence India Private Limited (incorporated in India), and Cyence Ltd (incorporated in the U.K.). The Company has eliminated all intercompany accounts and transactions.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and applicable rules. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the audited annual financial statements at January 31, 2017. The condensed consolidated balance sheet as of

Cyence Inc.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

January 31, 2017 included in these financial statements has been derived from the audited financial statements. There have been no changes in the significant accounting policies from those that were disclosed in the audited consolidated financial statements for the fiscal year ended January 31, 2017.

In the opinion of management, the unaudited interim condensed consolidated financial statements include all the normal recurring adjustments necessary to present fairly the condensed consolidated financial statements. The results of operations for the nine months ended October 31, 2017 and 2016 were not necessarily indicative of the operating results for the full fiscal year or any future periods.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosures regarding these items. Significant items subject to such estimates and assumptions include, but are not limited to: the best estimate of selling price of the deliverables included in multiple-deliverable revenue arrangements; the collectability of accounts receivable; the fair value of assets acquired and liabilities assumed for business combinations; the realizability of deferred tax assets; the fair value of stock-based awards and related forfeiture rates; and the capitalization and estimated useful life of software development costs.

Concentrations

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company deposits its cash and cash equivalents with major financial institutions that management believes are of high credit quality; however, at times, balances exceed federally insured limits.

As of October 31, 2017, four customers represented 27%, 23%, 10%, and 10%, respectively, of total gross accounts receivable. As of January 31, 2017, three customers represented 32%, 28%, and 18%, respectively, of total gross accounts receivable.

For the nine months ended October 31, 2017, two customers represented 17% and 13%, respectively, of total revenue. For the nine months ended October 31, 2016, three customers represented 15%, 13%, and 13%, respectively, of total revenue.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity date of three months or less at the time of purchase to be cash equivalents. As of October 31, 2017 and January 31, 2017, cash and cash equivalents consist of cash and money market accounts with banks of $16.6 million and $25.3 million, respectively. The carrying amount reported in the consolidated balance sheet for cash and cash equivalents approximates fair value due to the short-term nature of the maturities.

Accounts Receivable, Unbilled Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized customer obligations due under specific customer agreements and/or contracts. Payment terms vary with each customer, but the majority of contracts provide for payment within 30 - 90 days of invoice date with no discounts offered.

Unbilled accounts receivable represents revenue recognized but amounts not yet invoiced due to contract terms, timing of customers' self-reporting of variable consideration, or timing of the invoicing cycle. As of October 31, 2017 and January 31, 2017, unbilled accounts receivable is included in Accounts receivable, net and was $2.0 million and $1.3 million, respectively.

The allowance for doubtful accounts is determined based on specific identification of balances, the collection of which, in management's opinion, is doubtful. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. As of October 31, 2017 and January 31, 2017, the Company recorded an allowance for doubtful accounts of nil and $17,000, respectively.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in connection with business combinations accounted for using the purchase method of accounting.

Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company has one reporting unit and evaluates goodwill for impairment at the consolidated entity level. The Company completed the annual impairment test in the fourth quarter of the fiscal year ended January 31, 2017, which did not result in any impairment of the goodwill balance. There were no events or changes in circumstances during the nine months ended October 31, 2017 that indicated a need for an interim goodwill impairment test. The Company did not recognize any impairment loss during the nine months ended October 31, 2017 and 2016. The carrying amount of goodwill as of October 31, 2017 and January 31, 2017 was $148,000.

Revenue Recognition

The Company derives its revenue from two sources:

1. *Subscription services* – Subscription revenue consists of subscription fees from customers for access to the Company's cloud-based platform and variable consideration from customers calculated as a percentage of gross premiums written by customers during the subscription term. The contractual term is generally one to three years.
2. *Consulting services* – Consulting services consist of fees associated with risk assessments and written report documentation as agreed upon in the corresponding service agreement. The Company's consulting services contracts are offered at a fixed fee or on a time and materials basis, and are generally delivered within one year of the date of the arrangement. Revenue derived from consulting services was immaterial for the nine months ended October 31, 2017 and 2016.

Cyence Inc.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Revenue is recognized when all of the following criteria are met:

- Persuasive evidence of an arrangement exists;
- The service has been or is being provide to the customer;
- Fees are fixed or determinable; and
- Collectability is reasonably assured.

Multiple Deliverable Arrangements

Revenue from customers is generated under sales agreements with multiple deliverables, comprised of subscription services and associated support services, such as free best-use training and as-needed access to a solution architect. For these multiple deliverable arrangements, the Company evaluates whether the individual deliverables qualify as separate units of accounting. In order to treat deliverables in a multiple-deliverable arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. The Company has determined that the support services do not have standalone value independent of the subscription services. In determining the best estimated selling price of the subscription offerings, the Company analyzes market conditions and its overall pricing practices. The Company has determined that the best estimate of the selling price of its subscription services approximates the actual selling prices of the offerings. Revenue is recognized based on consideration of the subscription services, which represents the predominant deliverable in the arrangement.

Fees for the subscription and associated services within multiple deliverable arrangements are non-contingent and are recognized over the contractual term of the arrangement beginning on the date that the service is made available to the customer. Our subscription arrangements are considered service contracts, and the customer does not have the right to take possession of the software.

In addition to fixed subscription fees, subscription contracts may also include variable consideration ranging from 1% to 4% of gross premiums written by customers during the subscription term. The customer is obligated to provide information related to gross written premiums to the Company annually at the end of each subscription year, when the variable consideration is generally due and payable. The Company does not recognize variable revenue until the end of each annual subscription term, when the variable fees are fixed and determinable.

Cost of Revenue

Cost of subscription revenue primarily consists of direct expenses related to hosting the Company's service and providing support to the Company's customers. These expenses are comprised of third-party web hosting costs, data and software license subscription costs, and personnel-related expenses associated with hosting our subscription services and providing support consisting of allocated salaries, benefits, and travel costs.

Cost of consulting services consists primarily of the cost of third-party subcontractors or personnel-related costs associated with providing these services, including salaries and benefits. These costs are generally expensed as incurred.

Cyence Inc.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Deferred Revenue

Deferred revenue consists of billings or payments received in advance of revenue recognition and are recognized as the revenue recognition criteria are met. The Company generally invoices its customers annually or in quarterly installments payable in advance. Accordingly, the deferred revenue balance does not represent the total contract value of annual or multi-year, noncancelable arrangements. The current portion of deferred revenue represents the amount that is expected to be recognized as revenue within one year from the balance sheet date. As of October 31, 2017 and January 31, 2017, the Company recorded long-term deferred revenue of $13,000 and nil, respectively.

Stock-Based Compensation

The Company recognizes compensation expense for all stock options based on the estimate of fair value of the award at the grant date. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. As required by the model, at the date of grant, the Company determines the fair value of the underlying common stock, the expected term of the award, the expected volatility of the price of comparable public companies, risk-free interest rates, and expected dividend yield. At the time of grant, the Company also estimates forfeitures based on an analysis of actual historical forfeitures, and revises, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The compensation expense, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

Income Taxes

The Company accounts for income taxes using an asset and liability approach. Under this method, the tax provision includes taxes currently due plus the net change in deferred tax assets and liabilities. Deferred tax assets and liabilities arise from the temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements, as well as from net operating loss and tax credit carry forwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refund received, as provided for under currently enacted tax law. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, is not expected to be realized.

For financial statement disclosure of tax positions taken or expected to be taken on a tax return, the impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

Recently Issued Accounting Standards

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-09, *Compensation–Stock Compensation (Topic 718)*, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 becomes effective for the Company in fiscal years beginning after December 15, 2017, with early adoption permitted. The standard should be applied prospectively to an award modified on or after the adoption date. The Company was evaluating the impact of this ASU to its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment*, which simplifies the accounting for goodwill impairment. The guidance removes step two of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The standard should be applied prospectively. ASU 2017-04 becomes effective for the Company for their annual goodwill impairment test in fiscal years beginning after December 15, 2021. Early adoption is permitted for annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company early-adopted this standard in January 2017, and there was no material impact to its consolidated financial statements and related disclosures upon adoption of this ASU.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, that will require entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows and disclose the nature of their restricted cash and restricted cash equivalent balances. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. ASU 2016-18 becomes effective for the Company in fiscal years beginning after December 15, 2018, with early adoption permitted. The Company was evaluating the impact of this ASU to its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for the Company for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company was evaluating the impact of this ASU to its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for the Company for annual reporting periods beginning after December 15, 2017. Early adoption is permitted. The Company was evaluating the impact of this ASU to its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. Under ASU 2016-02, the Company will be required to recognize the assets and liabilities for rights and obligations created by leased assets. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company was evaluating the impact of this ASU to its consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes and requires that deferred income tax liabilities and assets be presented as a net non-current deferred tax asset or liability by jurisdiction on the balance sheet. The current requirement that deferred tax assets and liabilities of a tax-paying component of an entity be offset and presented as a single amount is unchanged. ASU 2015-17 is effective for the Company for financial statements issued for annual periods beginning after December 15, 2017. Early adoption is permitted for all entities for any annual financial statements that have not been issued. The Company early adopted the standard as of February 1, 2016 on a prospective basis. Adoption of this ASU did not affect the presentation of net deferred tax assets in the Company's consolidated balance sheets because management believed it is more likely than not that all of its net deferred tax assets may be realized in the future.

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. The update provides guidance on whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU 2015-05 is effective for fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company adopted ASU 2015-05 in the year ended January 31, 2017 retrospectively. The adoption of ASU 2015-05 did not have an impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. The update requires retrospective application. ASU 2015-03 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2015. Early adoption is permitted. The Company adopted ASU 2015-03 in the year ended January 31, 2017. The adoption of ASU 2015-03 did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. In April 2015, the FASB delayed the effective date of this standard by one year, and this accounting guidance is now effective for the Company beginning in the year ending January 31, 2020 using one of two prescribed retrospective methods. Early adoption is permitted. The Company was evaluating the impact of the amended revenue recognition guidance to its consolidated financial statements and related disclosures.

Cyence Inc.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

3. Fair Value of Financial Instruments

The Company assesses the fair value of financial instruments based on the provisions of Accounting Standards Codification ("ASC") 820-10, *Fair Value Measurements and Disclosures*, which establishes a hierarchy that is based on three levels of inputs and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data; and
- Level 3: Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following tables represent the fair value hierarchy for the financial assets and liabilities held by the Company measured at fair value on a recurring basis at October 31, 2017 and January 31, 2017 (in thousands):

	As of October 31, 2017			
	Level 1	Level 2	Level 3	Total
Money market funds	$16,353	$ —	$ —	$16,353
Total financial assets	$16,353	$ —	$ —	$16,353

	As of January 31, 2017			
	Level 1	Level 2	Level 3	Total
Money market funds	$25,266	$ —	$ —	$25,266
Total financial assets	$25,266	$ —	$ —	$25,266

4. Property and Equipment

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

	October 31, 2017	January 31, 2017
Computers	$ 218	$ 169
Furniture and fixtures	45	35
Leasehold improvements	10	10
	273	214
Less: accumulated depreciation and amortization	(133)	(79)
Property and equipment, net	$ 140	$ 135

Depreciation and amortization expense for the nine months ended October 31, 2017 and 2016 amounted to $54,000 and $35,000, respectively. The Company had no recognized gains or losses on disposal of long-lived assets during the nine months ended October 31, 2017 and 2016.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	October 31, 2017	January 31, 2017
Accrued transaction costs	$ 1,280	$ —
Accrued compensation and benefits	99	591
Accrued sales taxes payable	468	394
Accrued cloud hosting and data costs	240	256
Accrued referral fees	544	281
Accrued other liabilities	371	419
Total	$ 3,002	$ 1,941

6. Shareholders' Notes Receivable

In August 2016, the Company granted loans to two non-executive employee shareholders to purchase the Company's stock, each for the amount of $30,000. The recourse loans are repayable in February 2019, and interest on these loans is the mid-term applicable federal rate, compounded semi-annually, with a deferral of the interest payment until the payment of the loan.

In February 2017, the Company granted loans to two executive employee shareholders to purchase the Company's stock, each for the amount of $30,000. The recourse loans are repayable in May and August 2021, respectively, and interest on these loans is the mid-term applicable federal rate, compounded semi-annually, with a deferral of the interest payment until the payment of the loan.

During the nine months ended October 31, 2017 and 2016, interest accrued for these loans was immaterial. The loans and interest accrued aggregating to $122,000 and $60,000 are recorded as amounts receivable within the statement of stockholders' equity as of October 31, 2017 and January 31, 2017, respectively.

7. Commitments and Contingencies

Operating Leases

In October 2014, the Company entered into a lease for its headquarters in San Mateo, California for an initial term expiring in May 2016. In July and August 2015, the Company added additional premises and extended the lease term to expire in November 2017. In March 2017, the Company extended the lease term for 24 months to November 31, 2019. In September 2016, the Company entered into a month-to-month sub-lease agreement for its office in New York. In October 2016, the Company entered into a lease for its office in Chennai, India that expires in October 2021. In August 2017, the Company entered into a lease for an office in London, United Kingdom that expires in September 2018. The Company recognizes rent expense on a straight-line basis over the term of the lease.

Future minimum lease payments under these non-cancelable operating leases are as follows as of October 31, 2017 (in thousands):

2018 (remaining three months)	$ 121
2019	481
2020	409
2021	67
2022	50
	$1,128

Rent expense amounted to $374,000 and $295,000 for the nine months ended October 31, 2017 and 2016, respectively.

Litigation

In the ordinary course of business, the Company is potentially involved in litigation incidental to its business, certain of which include speculative claims for substantial or indeterminate amounts of damages. The Company records a liability when it believes that a loss is both probable and reasonably estimable. The Company reviews each of its legal proceedings to determine whether it is probable, reasonably possible or remote that a liability has been incurred and, if it is at least reasonably possible, whether a range of loss can be reasonably estimated. Significant judgment is required to determine both the likelihood of there being a loss and the estimated amount of a loss. The Company's management is not aware of any pending legal proceeding or other loss contingency, whether asserted or unasserted, affecting the Company for which it might become liable or the outcome of which management expects to have a material impact on the Company. However, the outcome of legal matters is inherently unpredictable and subject to significant uncertainties.

8. Preferred Stock

Based on the amended articles of incorporation dated February 5, 2016, the Company is authorized to issue 30,638,717 shares of preferred stock. The preferred stock authorized may be issued from time to time in one or more series. At both October 31, 2017 and January 31, 2017, the designated series of preferred stock are as follows (in thousands, except share data):

Series	Shares Authorized	Shares Issued and Outstanding	Proceeds, Net of Issuance Costs	Liquidation Preference
A	16,666,663	16,666,663	$ 5,709	$ 5,800
B	13,972,054	12,779,576	30,427	32,013
Total	30,638,717	29,446,239	$ 36,136	$ 37,813

Cyence Inc.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

The rights, preferences, and privileges of the holders of the Convertible Series A Preferred Stock ("Series A") and the Convertible Series B Preferred Stock ("Series B") are as follows:

Voting

Each holder of preferred stock shall be entitled to a number of votes equal to the number of shares of common stock into which the shares of preferred stock held by such holder would convert. The holders of Series A, voting as a separate class, are entitled to elect one member of the Company's Board of Directors. The holders of Series B, voting as a separate class, are entitled to elect one member of the Company's Board of Directors.

Dividends

The holders of outstanding shares of preferred stock shall be entitled to receive, on pro-rata and pari passu basis, non-cumulative dividends, when and if declared by the Board of Directors at the dividend rate specified for each series of preferred stock. No dividends shall be paid on the common stock unless dividends on the preferred stock have been declared and paid or set aside for payment to the preferred stock holders. The dividend rate is an annual rate of $0.028 per share for Series A preferred stock and $0.200 for Series B preferred stock. No dividends have been declared as of October 31, 2017 and January 31, 2017.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of the preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of the common stock by reason of their ownership of such stock, (i) an amount per share for each share of preferred stock held by them equal to the sum of (x) the liquidation preference specified for such share of preferred stock and (y) all declared but unpaid dividends (if any) on such share of preferred stock, or such lesser amount as may be approved by the holders of the majority of the holders of the outstanding shares of preferred stock (voting together as a single class on an as-converted basis); or (ii) such amount per share as would have been payable to the holders of the preferred stock had such holder converted such shares into common stock before closing. If upon the liquidation, dissolution or winding up of the Company, the assets of the Company legally available for distribution to the holders of the preferred stock are insufficient to permit the payment to such holders of the full amounts of the liquidation preferences as specified herein, then the entire assets of the Company legally available for distribution shall be distributed with equal priority and *pro rata* among the holders of the preferred stock in proportion to the full amounts they would otherwise be entitled to receive pursuant to the liquidation preferences as specified herein.

Conversion

Each share of preferred stock is convertible, at the option of the holder, into that number of fully paid shares of common stock determined by dividing the original issue price for the relevant series by the conversion price for such series. The conversion prices are $0.348 for Series A preferred stock, and $2.505 for Series B preferred stock.

Each share will automatically convert into fully paid shares of common stock at the then effective conversion rate for each share (i) immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, at a value in excess of $50.0 million, or (ii) upon the receipt by the Company of a written request of such conversion of at least a majority of the preferred stock then outstanding (voting together as a single class on an as-converted basis), or, if later, the effective date for conversion specified in such request.

9. Common Stock

The Company has authorized 50,000,000 shares of common stock, par value $0.001. Each holder of shares of common stock are entitled to one vote for each share thereof held. The holders of common stock, voting as a separate class, are entitled to elect two members of the Company's Board of Directors. Any additional members of the Company's Board of Directors shall be elected by the holders of common stock and preferred stock, voting together as a single class on an as-converted basis.

10. Stock Option Plan

In 2014, the Company adopted the 2014 Equity Incentive Plan (the "2014 Plan"). In September 2016, the Board of Directors approved certain amendments to the 2014 Plan. Options granted under the 2014 Plan may be either incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock or restricted stock units. Incentive stock options ("ISOs") may be granted only to employees. Non-statutory stock options ("NSOs"), stock appreciation rights, restricted stock, and restricted stock units may be granted to employees and service providers. Options under the 2014 Plan may be granted for periods of up to ten years. The exercise price of ISOs, NSOs, stock appreciation rights, restricted stock, and restricted stock units shall not be less than 100% of the estimated fair value of the common shares on the date of grant, respectively, as determined by the Board of Directors. The per share exercise price of an ISO granted to a stockholder representing more than ten percent of the voting power of all classes of stock of the Company, shall not be less than 110% of the estimated fair value of the common shares on the date of grant. Options generally vest over a period of four years or shorter term as provided in the award agreement.

The Company allows for the early exercise of options granted under the 2014 Plan prior to vesting. The unvested shares are subject to the Company's repurchase right at the original purchase price. The proceeds initially are recorded as an accrued liability from the early exercise of stock options (see Note 5, Accrued Expenses and Other Current Liabilities), and reclassified to common stock as the Company's repurchase right lapses. The Company allows for the early exercise of options granted under the 2014 Plan prior to vesting. At October 31, 2017 and January 31, 2017, there were unvested shares in the amount of 920,367 and 1,279,856, which were subject to repurchase at an aggregate price of approximately $190,000 and $152,000, respectively.

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The following table summarizes stock option activity under the 2014 Plan for the nine months ended October 31, 2017:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding at January 31, 2017	2,969,187	$ 0.48	$ 0.21
Granted	1,270,500	0.79	0.36
Exercised	(244,478)	0.70	0.39
Cancelled/Forfeited	(240,062)	0.40	0.38
Outstanding at October 31, 2017	3,755,147	$ 0.58	$ 0.24

The following table summarizes information about currently outstanding and vested stock options at October 31, 2017:

Options Outstanding			Options Vested	
Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Exercise Price
$ 0.06	1,200,000	7.6	754,527	$ 0.06
0.80	1,470,647	8.9	328,927	0.80
0.84	1,084,500	9.6	2,916	0.84
$ 0.58	3,755,147	8.7	1,086,370	$ 0.29

At October 31, 2017, the Company had 524,779 remaining shares available for grant under the 2014 Plan.

At October 31, 2017, the aggregate intrinsic value of currently exercisable options was $9.2 million and the weighted-average remaining contractual term of those options was 8.0 years. The aggregate intrinsic value was calculated as the difference between the exercise prices of the underlying stock option awards and the fair value of common stock at October 31, 2017 of $5.79 per share.

The intrinsic value of stock options exercised during the nine months ended October 31, 2017 was $312,000.

The estimated grant date fair values of stock options were calculated using the Black-Scholes option pricing model, based on the following assumptions:

Nine Months Ended October 31, 2017	
Expected term	5.47 - 10.00 years
Market Price	$0.84 - $5.79
Grant Price	$0.06 - 0.84
Volatility	36.4% - 42.4%
Risk free interest rate	1.9% - 2.3%
Dividends	—

The risk-free interest rate is based on U.S. Treasury rates in effect during the corresponding period of grant. The expected term of the options granted to employees was estimated by taking the average of the vesting and the contractual terms of the options. The expected term of the options granted to non-employees is the remaining contractual life. The Company estimated its future stock price volatility based upon the volatility of comparable public companies having securities with observable trading histories. As a private company, with no trading activity of the Company's options or stock, management feels this is the best estimate of expected volatility. The Company has never declared or paid cash dividends and does not plan to pay cash dividends in the foreseeable future; therefore, the Company used an expected dividend yield of zero. The Company estimated the forfeiture rate based on an analysis of our actual forfeitures.

Unrecognized stock-based compensation expense relating to stock options was $856,000 at October 31, 2017, which is expected to be recognized over a weighted-average period of 2.6 years.

The fair values of stock options granted are recognized as compensation expense in the statement of operations over the related vesting periods. The following table presents stock-based compensation expense included in the Company's condensed consolidated statements of operations and comprehensive loss (in thousands):

	For the Nine Months Ended October 31,	
	2016	2017
Research and development	$ 81	$ 37
Sales and marketing	111	29
General and administrative	67	18
	$ 259	$ 84

11. Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes due for the current period, plus changes in deferred taxes. Deferred taxes relate primarily to differences between the basis of property and equipment for financial and income tax reporting purposes and net operating loss carry forwards. Deferred taxes represent the estimated consequences of those differences on the Company's tax filings, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Cyence Inc.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

The Company has had net operating losses since inception. The income tax provision for the nine months ended October 31, 2017 and 2016 relates to the foreign subsidiaries and state minimum taxes.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of deferred assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based on the available objective evidence, management believes it is more likely than not that all of its net deferred tax assets may not be realized in the future.

12. Subsequent Events

On November 1, 2017, Guidewire Software, Inc. completed its acquisition of Cyence Inc., pursuant to the Agreement and Plan of Reorganization (Merger Agreement) dated October 5, 2017. Upon consummation of the transactions contemplated by the Merger Agreement, all outstanding shares of Cyence capital stock and options to purchase Cyence capital stock were cancelled in exchange for the right to receive aggregate consideration of approximately $275 million, or $265 million net of $10 million cash on hand, subject to customary transaction adjustments. Consideration consisted of net cash of approximately $130 million and approximately 1.7 million shares of newly issued Guidewire common stock and options. Of those shares, approximately 250,000 are in the form of deferred equity consideration, which are subject to the achievement of certain retention and operating milestones.

The Company has evaluated subsequent events through March 4, 2018, the date at which these condensed consolidated financial statements were available to be issued and determined that there were no other items to adjust or disclose.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On November 1, 2017 (the “Cyence Acquisition Date”), pursuant to the Agreement and Plan of Reorganization entered into on October 5, 2017, Guidewire Software, Inc., a Delaware corporation (hereinafter referred to as “Guidewire”, “the Company”, “we”, “our”, “us” and similar terms unless the context indicates otherwise) completed its acquisition of Cyence, Inc., a Delaware corporation (“Cyence”). Additionally, on February 16, 2017 (the “ISCS Acquisition Date”), pursuant to the Agreement and Plan of Merger entered into on December 18, 2016, Guidewire completed its acquisition of ISCS, Inc., a California Subchapter S Corporation (“ISCS”). We collectively refer to Guidewire’s acquisition of Cyence together with the acquisition of ISCS, as the “Acquisitions”. The following unaudited pro forma condensed combined financial information presents the historical condensed combined financial statements of Guidewire, Cyence and ISCS after giving effect to the Acquisitions based on the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined statements of operations for the year ended July 31, 2017 is presented as if the Acquisition occurred on August 1, 2016, the first day of our 2017 fiscal year. The unaudited pro forma condensed combined statements of operations for the six months ended January 31, 2018 is presented as if the Acquisition occurred on August 1, 2016, the first day of our 2017 fiscal year. The Acquisitions have already been reflected in our historical unaudited condensed consolidated balance sheet as of January 31, 2018; therefore, no unaudited pro forma condensed combined balance sheet as of January 31, 2018 has been presented herein.

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of SEC Regulation S-X. The unaudited pro forma adjustments reflecting the Acquisitions have been prepared in accordance with business combination accounting guidance as provided in FASB Accounting Standards Codification 805, *Business Combinations*, and reflect the allocation of the purchase price of each acquisition to the acquired assets and assumed liabilities based on a estimates of fair values, using available information and the assumptions set forth in the notes to the unaudited pro forma condensed combined financial information. The purchase price allocation for the assets acquired and liabilities assumed in the Acquisitions is preliminary and may change in future reporting periods upon finalization of the valuation.

The unaudited pro forma condensed combined financial information for the year ended July 31, 2017 included herein was derived from our audited historical consolidated financial statements and the unaudited pro forma condensed combined financial information for the six months ended January 31, 2018 included herein was derived from our unaudited interim consolidated financial statements. We have a fiscal year end of July 31 whereas Cyence has historically had a fiscal year end of January 31 and ISCS has historically had a fiscal year end of December 31. In order to conform the Cyence historical financial information to our fiscal year end and quarter end, the Cyence historical financial information included herein is derived from the Cyence historical results for the twelve months ended July 31, 2017 and from August 1, 2017 through October 31, 2017. In order to conform the ISCS historical financial information to our fiscal year end, the ISCS historical financial information included herein is derived from the ISCS historical results from August 1, 2016 through February 15, 2017, the ISCS Acquisition Date. Additionally, we have reclassified certain line items within the historical financial information of Cyence and ISCS to conform to the presentation of our consolidated financial statements.

The historical condensed combined financial information has been adjusted to give effect to pro forma events are (1) directly attributable to the Acquisitions, (2) factually supportable, and (3) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information should be read in conjunction with the following:

- The Company’s historical consolidated financial statements included in the Company’s Annual Report on Form 10-K as of and for the year ended July 31, 2017 (which includes the results of operations of ISCS beginning on the ISCS Acquisition Date) and Quarterly Report on Form 10-Q as of and for the quarterly period ended January 31, 2018 (which includes the results of operations of ISCS for the full period and the results of operations of Cyence beginning on the Cyence Acquisition Date), which are incorporated by reference in the prospectus supplements;

- The historical financial statements of ISCS as of and for the year ended December 31, 2016, which are incorporated by reference in this prospectus supplements; and
- The historical financial statements of Cyence as of and for the year ended January 31, 2017 and the unaudited condensed financial statements as of and for the nine months ended October 31, 2017 and 2016, which are incorporated by reference in the prospectus supplements.

The unaudited pro forma adjustments are not necessarily indicative of or intended to represent the results that would have been achieved had the Acquisitions been consummated as of the dates indicated or that may be achieved in the future. The actual results reported by the combined company in periods following the Acquisitions may differ significantly from that are reflected in the unaudited pro forma condensed combined financial information for a number of reasons, including the effects of applying final purchase accounting and the incremental costs incurred to integrate the companies. The unaudited pro forma condensed combined financial information does not reflect any cost savings or associated costs to achieve such savings from operating efficiencies, synergies, or other restructuring that may result from the Acquisitions.

GUIDEWIRE SOFTWARE, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JANUARY 31, 2018
(in thousands, except share and per share amounts)

	Historical		Pro Forma Adjustments	
	Guidewire (As reported)	Cyence August 1, 2017 through October 31, 2017 (As adjusted)	Cyence Pro Forma Adjustments	Pro Forma Combined
Revenues:				
License and other	$ 114,314	$ 4,932	$ —	$ 119,246
Maintenance	38,040	—	—	38,040
Services	119,605	—	—	119,605
Total revenues	271,959	4,932	—	276,891
Cost of revenues:				
License and other	15,755	477	1,420 (h)	17,652
Maintenance	7,060	—	—	7,060
Services	107,848	—	—	107,848
Total cost of revenues	130,663	477	1,420	132,560
Gross profit:				
License and other	98,559	4,455	(1,420)	101,594
Maintenance	30,980	—	—	30,980
Services	11,757	—	—	11,757
Total gross profit	141,296	4,455	(1,420)	144,331
Operating expenses:				
Research and development	79,368	3,014	(579) (i)	81,803
Sales and marketing	55,571	1,548	670 (h)(i)	57,789
General and administrative	39,737	3,621	(8,271) (i)(j)	35,087
Total operating expenses	174,676	8,183	(8,180)	174,679
Income (loss) from operations	(33,380)	(3,728)	6,760	(30,348)
Interest income, net	3,474	—	—	3,474
Other income (expense), net	1,396	(10)	—	1,386
Income (loss) before provision for (benefit from) income taxes	(28,510)	(3,738)	6,760	(25,488)
Provision for (benefit from) income taxes	25,959	13	(146) (k)	25,826
Net income (loss)	$ (54,469)	$ (3,751)	$ 6,906	$ (51,314)
Earnings per share:				
Basic	$ (0.72)			$ (0.67) (l)
Diluted	$ (0.72)			$ (0.67) (l)
Shares used in computing net earnings per share:				
Basic	76,023,237			76,210,986 (l)
Diluted	76,023,237			76,210,986 (l)

GUIDEWIRE SOFTWARE, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 2017
(in thousands, except share and per share amounts)

	Historical			Pro Forma Adjustments		
	Guidewire (As reported)	ISCS August 1, 2016 through February 15, 2017 (As adjusted)	Cyence August 1, 2016 through July 31, 2017 (As adjusted)	ISCS Pro Forma Adjustments	Cyence Pro Forma Adjustments	Pro Forma Combined
Revenues:						
License and other	$ 271,462	$ 2,005	$ 10,449	$ (2,005) (a)	$ (631) (g)	$ 281,280
Maintenance	68,643	1,589	—	(424) (a)	—	69,808
Services	174,179	25,136	—	(1,382) (a)	—	197,933
Total revenues	514,284	28,730	10,449	(3,811)	(631)	549,021
Cost of revenues:						
License and other	17,046	232	1,557	5,900 (b)(c)	5,680 (h)	30,415
Maintenance	13,397	—	—	—	—	13,397
Services	161,116	20,222	—	274 (c)(d)	—	181,612
Total cost of revenues	191,559	20,454	1,557	6,174	5,680	225,424
Gross profit:						
License and other	254,416	1,773	8,892	(7,905)	(6,311)	250,865
Maintenance	55,246	1,589	—	(424)	—	56,411
Services	13,063	4,914	—	(1,656)	—	16,321
Total gross profit	322,725	8,276	8,892	(9,985)	(6,311)	323,597
Operating expenses:						
Research and development	130,323	4,961	11,282	575 (c)(d)	9,827 (i)	156,968
Sales and marketing	109,239	5,816	4,944	963 (b)(c)	9,538 (h)(i)	130,500
General and administrative	56,551	3,876	2,450	(1,556) (c)(e)	3,619 (i)	64,940
Total operating expenses	296,113	14,653	18,676	(18)	22,984	352,408
Income (loss) from operations	26,612	(6,377)	(9,784)	(9,967)	(29,295)	(28,811)
Interest income (loss), net	5,854	(65)	15	—	—	5,804
Other income (expense), net	811	849	—	—	—	1,660
Income (loss) before provision for (benefit from) income taxes	33,277	(5,593)	(9,769)	(9,967)	(29,295)	(21,347)
Provision for (benefit from) income taxes	12,053	—	41	(5,756) (f)	(10,825) (k)	(4,487)
Net income (loss)	$ 21,224	$ (5,593)	$ (9,810)	$ (4,211)	$ (18,470)	$ (16,860)
Earnings per share:						
Basic	$ 0.29					$ (0.23) (l)
Diluted	$ 0.28					$ (0.23) (l)
Shares used in computing net earnings per share:						
Basic	73,994,577					74,043,319 (l)
Diluted	75,328,343					74,043,319 (l)

GUIDEWIRE SOFTWARE, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. BUSINESS COMBINATIONS

ISCS Acquisition

On February 16, 2017, we completed our acquisition of ISCS (“ISCS Acquisition”), a privately-held company that provides a cloud-based, all-in-one system for policy administration, billing and claims management to P&C insurers. The purchase price of the ISCS Acquisition was approximately $160 million, subject to certain adjustments including a net working capital adjustment, which resulted in cash consideration paid of $154.9 million. The fair value of all assets acquired and liabilities assumed will be finalized by the fiscal quarter ending April 30, 2018.

Cyence Acquisition

On November 1, 2017, the Company completed its acquisition of Cyence, Inc. (“Cyence”) for an aggregate consideration of approximately $260.3 million, subject to certain adjustments including a net working capital adjustment (the “Cyence Acquisition”). Cyence is a software company that applies data science and risk analytics to enable P&C insurers to grow by underwriting 21st century risks that have gone underinsured or uninsured. The Cyence Acquisition is intended to service the strategic needs of the P&C industry. The purchase price allocation recorded as of January 31, 2018 are preliminary and may change as we finalize these adjustments during the measurement period based on new information as it becomes available.

2. BASIS OF PRO FORMA PRESENTATION

The historical financial information has been adjusted to give pro forma effect to events that are: (a) directly attributable to the Acquisitions, (b) factually supportable, and (c) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed, and have been prepared to illustrate the estimated effect of the Acquisitions. The final determination of the purchase price allocation will be based on the final valuation of the fair values of assets acquired and liabilities assumed.

The Acquisitions have already been reflected in our historical unaudited condensed consolidated balance sheet as of January 31, 2018; therefore, no unaudited pro forma condensed combined balance sheet as of January 31, 2018 has been presented herein.

The unaudited pro forma condensed combined financial information for the year ended July 31, 2017 included herein was derived from our audited historical consolidated financial statements and the unaudited pro forma condensed combined financial information for the six months ended January 31, 2018 included herein was derived from our unaudited interim consolidated financial statements. We have a fiscal year end of July 31 whereas Cyence has historically had a fiscal year end of January 31 and ISCS has historically had a fiscal year end of December 31. In order to conform the Cyence historical financial information to our fiscal year end and quarter end, the Cyence historical financial information included herein is derived from the Cyence historical results for the twelve months ended July 31, 2017 and from August 1, 2017 to the Cyence Acquisition Date. In order to conform the ISCS historical financial information to our fiscal year end, the ISCS historical financial information included herein is derived from the ISCS historical results from August 1, 2016 to the ISCS Acquisition Date. Additionally, we have reclassified certain line items within the historical financial information of Cyence and ISCS to conform to the presentation of our consolidated financial statements.

The unaudited pro forma condensed combined statements of operations for the six months ended January 31, 2018 reflect pro forma adjustments to our results of operations to give effect to the Cyence Acquisition as if it had occurred on August 1, 2016. In addition, the unaudited pro forma condensed combined statement of operations for the year ended July 31, 2017 give effect to the Acquisitions as if they had occurred on August 1, 2016, the first day of our 2017 fiscal year. The pro forma condensed combined financial statements were prepared using:

- our historical audited consolidated financial statements for the year ended July 31, 2017, which includes the results of operations of ISCS beginning on the ISCS Acquisition Date (February 16, 2017);
- the historical unaudited condensed consolidated statement of operations of ISCS from August 1, 2016 through February 15, 2017;
- the historical unaudited condensed consolidated statement of operations of Cyence for the twelve months ended July 31, 2017;
- our historical unaudited condensed consolidated financial statements for the six months ended January 31, 2018, (which includes the results of operations of ISCS and includes the results of operations of Cyence beginning on the Cyence Acquisition Date (November 1, 2017)); and
- the historical unaudited condensed consolidated statement of operations of Cyence from August 1, 2017 through October 31, 2017.

3. UNAUDITED PRO FORMA ADJUSTMENTS

Adjustments to the unaudited pro forma condensed combined statements of operations for the six months ended January 31, 2018 and for the fiscal year ended July 31, 2017 (in thousands):

ISCS Pro Forma Adjustments

(a) To record a reduction in revenue related to the estimated fair value of the acquired deferred revenue:

	August 1, 2016 through February 15, 2017
License and other	$ (2,005)
Maintenance	(424)
Service	(1,382)
Total revenue reduction	$ (3,811)

(b) To record the estimated increase in amortization expense related to the step up in fair values of the intangible assets acquired using the estimated useful lives set forth below:

	Preliminary Purchase Price	Estimated Useful Lives (in years)
Developed technology	$ 43,300	4
Customer contracts and related relationships	7,000	9
Order backlog	3,500	4
Total acquired intangible assets	$ 53,800	

	August 1, 2016 through February 15, 2017
Cost of license and other revenue	$ 5,896
Sales and marketing	900
Total amortization adjustment	$ 6,796

(c) To record the estimated increase in stock-based compensation expense related to new awards granted by us to ISCS employees:

		August 1, 2016 through February 15, 2017
Cost of license and other revenue	$	4
Cost of services revenue		456
Research and development		650
Sales and marketing		63
General and administrative		17
Total stock-based compensation expense	$	1,190

(d) To record the estimated decrease in depreciation expense related to decrease in fair value of the property and equipment acquired.

		August 1, 2016 through February 15, 2017
Cost of services revenue	$	(182)
Research and development		(75)
General and administrative		(26)
Total depreciation adjustment	$	(283)

(e) To eliminate the acquisition-related costs that were incurred in general and administrative expenses in the historical results of operations by ISCS and Guidewire (related to ISCS), as these items are non-recurring in nature.

(f) To record the tax effects of the unaudited pro forma adjustments and to reflect ISCS as a C Corporation calculated at the statutory tax rate.

Cyence Pro Forma Adjustments

(g) To record a reduction of revenue related to the estimated fair value of the acquired deferred revenue for the year ended July 31, 2017. The deferred revenue balance was short-term in nature as of August 1, 2016 and no adjustment was made for the six months ended January 31, 2018.

(h) To record the estimated increase in amortization expense related to the step up in fair values of the intangible assets acquired using the estimated useful lives set forth below:

		Preliminary Purchase Price	Estimated Useful Lives (in years)
Developed technology	$	28,400	5
Customer contracts and related relationships		17,700	5
Order backlog		3,200	2
Trademark		2,500	7
Total acquired intangible assets	$	51,800	

	Six Months Ended January 31, 2018	Year Ended July 31, 2017
Cost of license and other revenue	$ 1,420	$ 5,680
Sales and marketing	1,374	5,497
Total amortization adjustment	$ 2,794	$ 11,177

(i) To record the estimated adjustment for compensation expense related to equity awards exchanged and new awards granted by us to Cyence employees and the long-term incentive program:

	Six Months Ended January 31, 2018	Year Ended July 31, 2017
Research and development	$ (579)	$ 9,827
Sales and marketing	(704)	4,041
General and administrative	(390)	3,619
Total stock-based compensation and long-term incentive program adjustment	$ (1,673)	$ 17,487

(j) To eliminate the acquisition-related costs that were recorded in general and administrative expenses in the historical results of operations by Cyence and Guidewire (related to Cyence), as these items are non-recurring in nature.

(k) To record the tax effects of the unaudited pro forma adjustments calculated at the statutory tax rate.

(l) Basic and diluted earnings per share has been calculated by dividing the net loss for the year by the weighted average shares outstanding. The adjustment for the weighted average shares issued gives effect to the number of shares that we expect to vest in the year following the Cyence Acquisition and through the Cyence Acquisition Date, as if such issuances had occurred on August 1, 2016. The following table shows the calculation of EPS:

Pro forma basic and diluted weighted average earnings per share:

	Six Months Ended January 31, 2018	Year Ended July 31, 2017
Pro forma net loss	$ (51,314)	$ (16,860)
Historical shares used in computing net earnings per share – basic	76,023,237	73,994,557
Historical shares used in computing net earnings per share – diluted	76,023,237	75,328,343
Weighted average shares issued	187,749	48,742
Pro forma shares in computing earnings per share – basic and diluted	76,210,986	74,043,319
Pro forma earnings per share – basic and diluted	$ (0.67)	$ (0.23)