

Guidewire Software, Inc.
 Form 10-Q
 November 30, 2016
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended October 31, 2016

OR

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

For the transition period from _____ to _____
 Commission file number: 001-35394

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

Delaware	36-4468504
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

1001 E. Hillsdale Blvd., Suite 800 Foster City, California	94404
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

(do not check if a smaller reporting company) Smaller reporting company

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

On October 31, 2016, the registrant had 73,510,967 shares of common stock issued and outstanding.

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FORWARD-LOOKING STATEMENTS

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

- growth prospects of the property and casualty (“P&C”) insurance industry and our company;
- trends in our future sales, including seasonality;
- opportunities for growth by technology leadership;
- our market strategy in relation to our competitors;
- competitive attributes of our software application solutions;
- opportunities to further expand our position outside of the United States;
- our research and development investment and efforts;
- benefits to be achieved from our acquisitions;
- our gross margins and factors that affect gross margins;
- our provision for tax liabilities and other critical accounting estimates;
- the anticipated timing of implementation of our services or the completion of other projects;
- our exposure to market risks, including geographical and political events that may negatively impact our customers;
- and
- our ability to satisfy future liquidity requirements.

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

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

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

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PART I – Financial Information

ITEM 1. Financial Statements (unaudited)

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

	October 31, 2016	July 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 131,063	\$223,582
Short-term investments	399,279	404,655
Accounts receivable	55,132	62,792
Prepaid expenses and other current assets	20,019	16,643
Total current assets	605,493	707,672
Long-term investments	155,856	107,565
Property and equipment, net	13,010	12,955
Intangible assets, net	28,166	14,204
Deferred tax assets, net	45,571	31,364
Goodwill	46,343	30,080
Other assets	8,955	12,338
TOTAL ASSETS	\$ 903,394	\$916,178
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,566	\$9,929
Accrued employee compensation	19,594	41,267
Deferred revenues, current	63,023	60,270
Other current liabilities	6,887	7,617
Total current liabilities	100,070	119,083
Deferred revenues, noncurrent	5,788	9,745
Other liabilities	3,317	3,415
Total liabilities	109,175	132,243
STOCKHOLDERS' EQUITY:		
Common stock	7	7
Additional paid-in capital	761,906	742,690
Accumulated other comprehensive loss	(7,667) (6,593)
Retained earnings	39,973	47,831
Total stockholders' equity	794,219	783,935
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 903,394	\$916,178

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended October 31,	
	2016	2015
Revenues:		
License and other	\$38,721	\$32,340
Maintenance	16,532	14,013
Services	38,874	35,927
Total revenues	94,127	82,280
Cost of revenues:		
License and other	2,430	1,164
Maintenance	3,325	2,475
Services	36,264	31,531
Total cost of revenues	42,019	35,170
Gross profit:		
License and other	36,291	31,176
Maintenance	13,207	11,538
Services	2,610	4,396
Total gross profit	52,108	47,110
Operating expenses:		
Research and development	30,750	25,672
Sales and marketing	25,500	19,291
General and administrative	14,160	11,110
Total operating expenses	70,410	56,073
Loss from operations	(18,302)	(8,963)
Interest income	1,342	