

Guidewire Software, Inc.  
 Form 10-Q  
 March 02, 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 January 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 (State or other jurisdiction of Incorporation or organization)	36-4468504 (I.R.S. Employer Identification No.)
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1001 E. Hillsdale Blvd., Suite 800 Foster City, California (Address of principal executive offices)	94404 (Zip Code)
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(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(do not check if a 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 January 31, 2016, the registrant had 72,054,151 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, operating results, 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,” “plan” and 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 & Casualty (“P&C”) insurance industry and our company;
- trends in our future sales, including seasonality;
- opportunities for growth by technology leadership;
- competitive advantages of our platform of software application solutions;
- 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;
- our gross margins and factors that affect gross margins;
- our provision for tax liabilities and other critical accounting estimates;
- our exposure to market risks, 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.

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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)

	January 31, 2016	July 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$216,922	\$212,362
Short-term investments	374,022	359,273
Accounts receivable	59,392	62,062
Deferred tax assets, current	—	13,845
Prepaid expenses and other current assets	13,486	14,102
Total current assets	663,822	661,644
Long-term investments	109,820	106,117
Property and equipment, net	13,040	12,160
Intangible assets, net	3,279	3,999
Deferred tax assets, noncurrent	21,430	5,896
Goodwill	9,205	9,205
Other assets	3,681	926
<b>TOTAL ASSETS</b>	<b>\$824,277</b>	<b>\$799,947</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$7,259	\$8,816
Accrued employee compensation	21,990	37,235
Deferred revenues, current	57,796	50,766
Other current liabilities	7,411	7,592
Total current liabilities	94,456	104,409
Deferred revenues, noncurrent	4,167	1,800
Other liabilities	3,762	4,350
Total liabilities	102,385	110,559
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock	7	7
Additional paid-in capital	697,628	662,869
Accumulated other comprehensive loss	(7,881	) (6,343
Retained earnings	32,138	32,855
Total stockholders' equity	721,892	689,388
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$824,277</b>	<b>\$799,947</b>

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 January 31,		Six Months Ended January 31,	
	2016	2015	2016	2015
Revenues:				
License	\$53,376	\$43,655	\$85,716	\$72,475
Maintenance	14,256	12,163	28,269	24,683
Services	34,497	33,628	70,424	72,022
Total revenues	102,129	89,446	184,409	169,180
Cost of revenues:				
License	1,577	1,145	2,741	2,227
Maintenance	2,636	2,271	5,111	4,513
Services	30,688	30,664	62,219	63,111
Total cost of revenues	34,901	34,080	70,071	69,851
Gross profit:				
License	51,799	42,510	82,975	70,248
Maintenance	11,620	9,892	23,158	20,170
Services	3,809	2,964	8,205	8,911
Total gross profit	67,228	55,366	114,338	99,329
Operating expenses:				
Research and development	25,409	22,282	51,081	42,592
Sales and marketing	22,661	20,176	41,952	37,705
General and administrative	11,456	9,573	22,566	19,335
Total operating expenses	59,526	52,031	115,599	99,632
Income (loss) from operations	7,702	3,335	(1,261)	(303)
Interest income	758	495	1,454	1,007
Other income (expense), net	(1,182)	(861)	(965)	(1,344)
Income (loss) before income taxes	7,278	2,969	(772)	(640)
Provision for (benefit from) income taxes	6,365	(1,007)	(55)	(1,619)
Net income (loss)	\$913	\$3,976	\$(717)	\$979
Net income (loss) per share:				
Basic	\$0.01	\$0.06	\$(0.01)	\$0.01
Diluted	\$0.01	\$0.06	\$(0.01)	\$0.01
Shares used in computing net income (loss) per share:				
Basic	71,779,496	69,883,622	71,511,198	69,600,161
Diluted	73,402,064	72,056,861	71,511,198	71,914,972

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended January 31, 2016		Six Months Ended January 31, 2016	
	2015	2015	2015	2015
	(in thousands)			
Net income (loss)	\$913	\$3,976	\$(717)	\$979
Other comprehensive loss:				
Foreign currency translation adjustments	(1,128)	(2,949)	(1,415)	(4,218)
Unrealized gains (losses) on available-for-sale securities, net of tax benefit (expense) of \$77 and \$(64) for the three months ended January 31, 2016 and 2015, respectively; \$73 and \$(72) for the six months ended January 31, 2016 and 2015, respectively	(73)	101	(123)	134
Reclassification adjustment for realized losses (gains) included in net income (loss)	20	(4)	—	(7)
Other comprehensive loss	(1,181)	(2,852)	(1,538)	(4,091)
Comprehensive income (loss)	\$(268)	\$1,124	\$(2,255)	\$(3,112)

See accompanying Notes to Condensed Consolidated Financial Statements



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

	Six Months Ended January 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$(717	) \$979
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,542	3,621
Stock-based compensation	31,692	25,486
Excess tax benefit from exercise of stock options and vesting of restricted stock units	(566	) —
Deferred tax assets	(1,703	) (3,459
Amortization of premium on available-for-sale securities	1,838	2,884
Loss on disposals of property and equipment	23	—
Changes in operating assets and liabilities:		
Accounts receivable	2,221	(12,775
Prepaid expenses and other assets	(2,308	) 1,727
Accounts payable	(1,391	) 817
Accrued employee compensation	(14,964	) (13,215
Other liabilities	(121	) 457
Deferred revenues	9,484	(2,455
Net cash provided by operating activities	27,030	4,067
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of available-for-sale securities	(341,990	) (236,841
Sales of available-for-sale securities	321,507	231,895
Purchase of property and equipment	(3,867	) (3,651
Net cash used in investing activities	(24,350	) (8,597