

Guidewire Software, Inc.
Form 10-Q
March 14, 2012
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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, 2012

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)

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Delaware (State or other jurisdiction of Incorporation or organization)	36-4468504 (I.R.S. Employer Identification No.)
2211 Bridgepointe Parkway San Mateo, California (Address of principal executive offices)	94404 (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

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

On February 29, 2012, the registrant had 51,275,725 shares of common stock issued and outstanding.

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Table of Contents**PART I Financial Information****ITEM 1. Financial Statements****GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(unaudited, in thousands)**

	July 31, 2011	January 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 59,625	\$ 169,633
Restricted cash, current portion	2,230	3,834
Accounts receivable	23,278	34,602
Deferred tax asset, current portion	6,044	2,203
Other current assets	3,665	4,960
Total current assets	94,842	215,232
Property and equipment, net	4,455	4,264
Restricted cash, net of current portion	3,820	2,215
Deferred tax asset, net of current portion	22,073	22,073
Other assets	1,350	1,068
TOTAL ASSETS	\$ 126,540	\$ 244,852
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,317	\$ 5,905
Accrued employee compensation	18,112	14,763
Deferred revenues, current portion	48,482	46,396
Litigation provision obligation	10,000	
Other current liabilities	1,390	3,781
Total current liabilities	82,301	70,845
Deferred revenues, net of current portion	25,313	14,992
Other liabilities	774	241
Total liabilities	108,388	86,078
STOCKHOLDERS EQUITY:		
Convertible preferred stock	36,500	
Common stock	1	5
Additional paid-in capital	20,231	189,036
Accumulated other comprehensive loss	(209)	(399)
Accumulated deficit	(38,371)	(29,868)
Total stockholders equity	18,152	158,774
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 126,540	\$ 244,852

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See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(unaudited, in thousands except share and per share amounts)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2011	2012	2011	2012
Revenues :				
License	\$ 20,000	\$ 25,729	\$ 30,153	\$ 46,544
Maintenance	5,210	6,805	9,820	13,911
Services	17,127	22,563	37,034	47,022
Total revenues	42,337	55,097	77,007	107,477
Cost of revenues:				
License	131	234	332	533
Maintenance	1,014	1,197	1,900	2,463
Services	15,276	19,310	29,381	37,235
Total cost of revenues	16,421	20,741	31,613	40,231
Gross profit :				
License	19,869	25,495	29,821	46,011
Maintenance	4,196	5,608	7,920	11,448
Services	1,851	3,253	7,653	9,787
Total gross profit	25,916	34,356	45,394	67,246
Operating expenses:				
Research and development	8,212	12,162	15,731	23,121
Sales and marketing	7,056	9,198	12,602	16,559
General and administrative	5,204	7,639	9,832	14,077
Total operating expenses	20,472	28,999	38,165	53,757
Income from operations	5,444	5,357	7,229	13,489
Interest income, net	75	73	112	113
Other income (expense), net	(9)	(319)	184	(635)
Income before provision for income taxes	5,510	5,111	7,525	12,967
Provision for income taxes	74	1,420	199	4,464
Net income	\$ 5,436	\$ 3,691	\$ 7,326	\$ 8,503
Net income per share:				
Basic	\$ 0.12	\$ 0.07	\$ 0.15	\$ 0.19
Diluted	\$ 0.11	\$ 0.06	\$ 0.14	\$ 0.15
Shares used in computing net income per share:				
Basic	14,048,030	18,433,369	13,960,587	16,499,660

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Diluted	16,357,081	25,610,201	16,202,034	23,387,583
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See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**GUIDEWIRE SOFTWARE, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****(unaudited, in thousands)**

	Six Months Ended January 31,	
	2011	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,326	\$ 8,503
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	621	1,364
Stock-based compensation	2,483	9,604
Deferred tax assets		3,841
Changes in operating assets and liabilities:		
Accounts receivable	(5,082)	(11,565)
Prepaid expenses and other assets	(777)	(529)
Accounts payable	62	395
Accrued employee compensation	(6,332)	