

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 |
|---------|------------|------------|------------|------------|

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) | |