



Q2 2023 Earnings Call Presentation

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Disclaimer.

In this presentation, we may make statements related to our business that are forward-looking statements under federal securities laws and are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements related to our financial results, trends and guidance for the third quarter and full year 2023, the impact of macroeconomic changes, the benefits of our platform, industry and market trends, our go-to-market and growth strategy, our market opportunity and ability to expand our leadership position, our ability to maintain and upsell existing customers, and our ability to acquire new customers. The words “anticipate,” “continue,” “estimate,” “expect,” “intend,” “will,” “plan,” and similar expressions are intended to identify forward-looking statements or similar indications of future expectations. These statements reflect our views only as of today and should not be reflected upon as representing our views as of any subsequent date. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from expectations.

For a discussion of the material risks and other important factors that could affect our actual results, please refer to those contained in our 2022 10-K filing and our other periodic filings with SEC. These documents are available in the Investors section of our website at www.appian.com.

Additionally, non-GAAP financial measures will be shared. Please refer to the tables in our earnings release and the Investors section of our website for a reconciliation of these measures to their most directly comparable GAAP financial measure.

Q2 2023 highlights.

Revenue

- Cloud subscription revenue was \$74.4 million in Q2 2023, representing growth of 30% over Q2 2022.
- Subscriptions revenue was \$93.8 million in Q2 2023, representing growth of 22% over Q2 2022.
- Total revenue was \$127.7 million in Q2 2023, representing growth of 16% over Q2 2022.

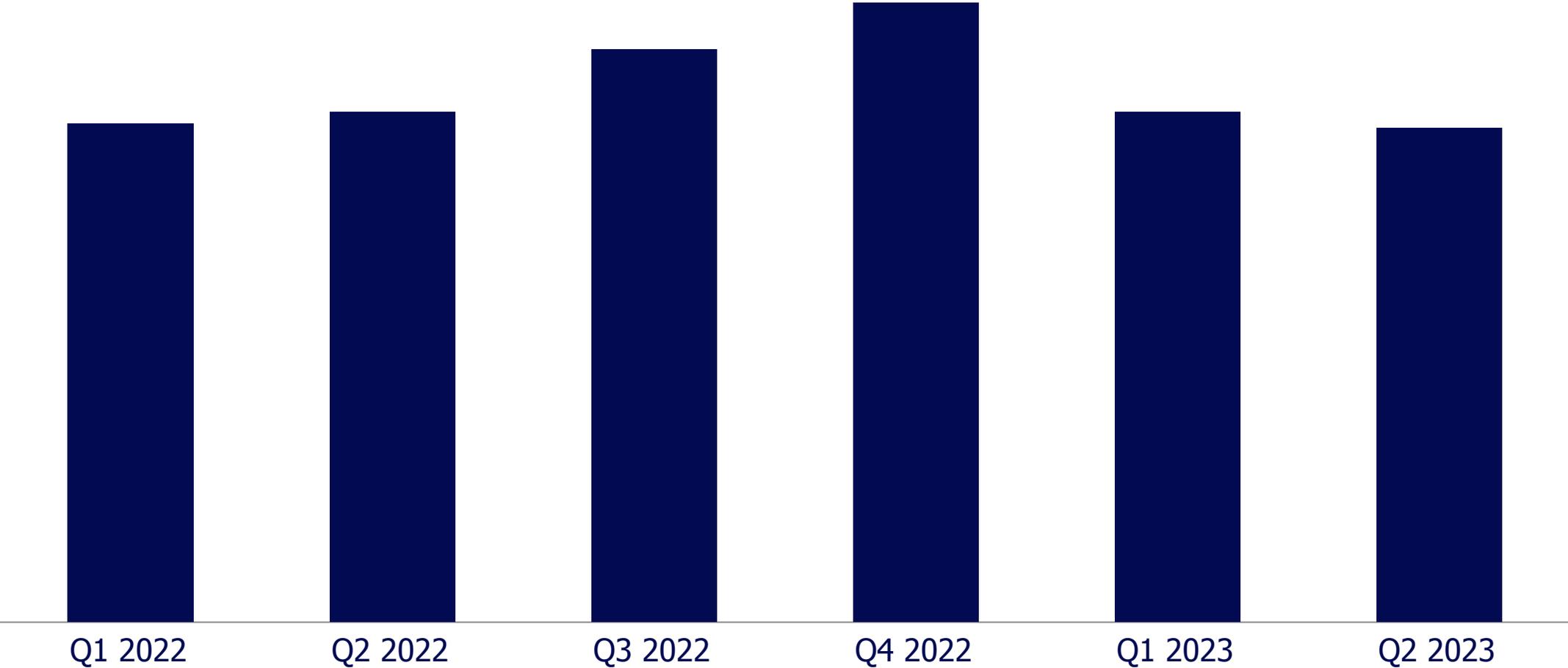
Retention

- Cloud subscription revenue retention rate was 115% as of June 30, 2023.

Gross Margins*

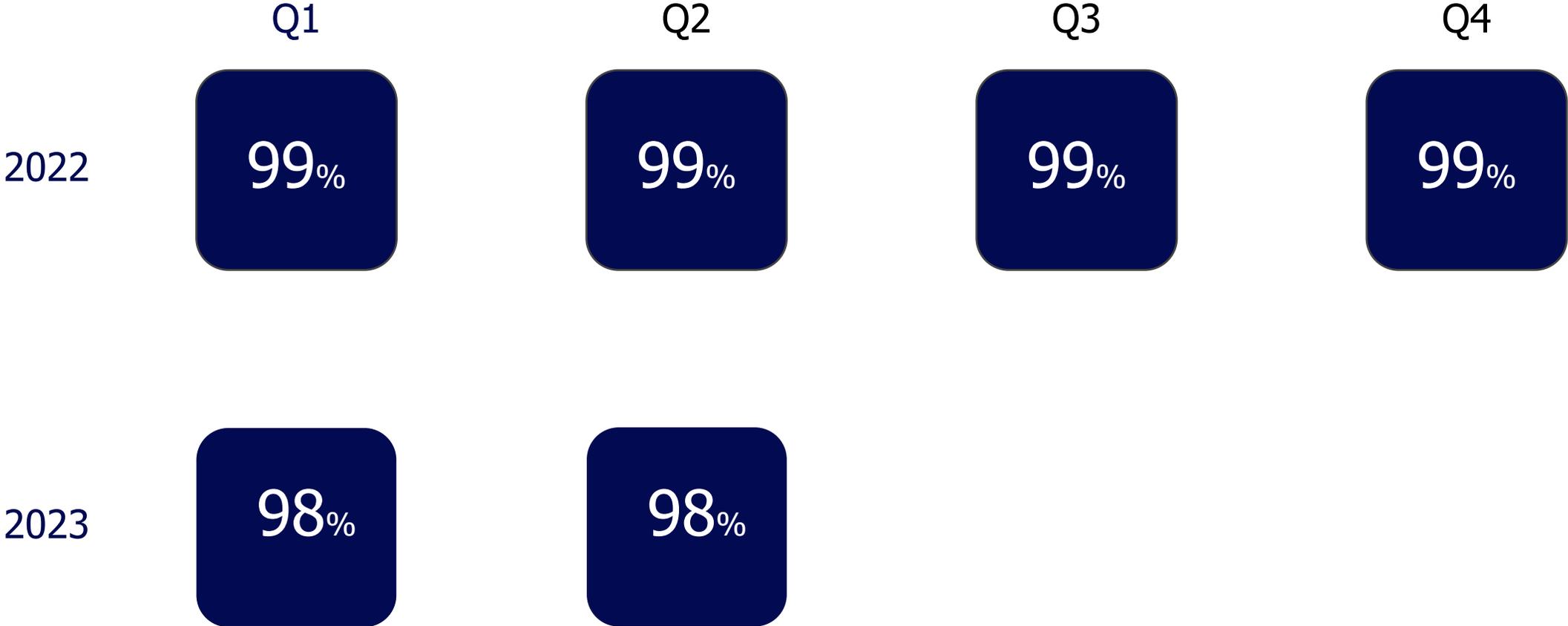
- Subscriptions gross margin was 89%.
- Professional services gross margin was 28%.
- Overall gross margin was 73%.

Days Sales Outstanding.



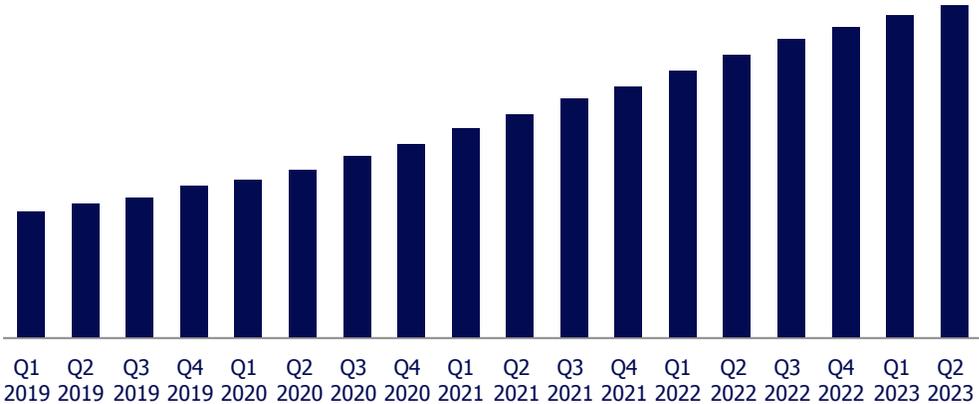
Calculated as the average accounts receivable balance for the period divided by total revenue.

Cloud Gross Renewal Rate.

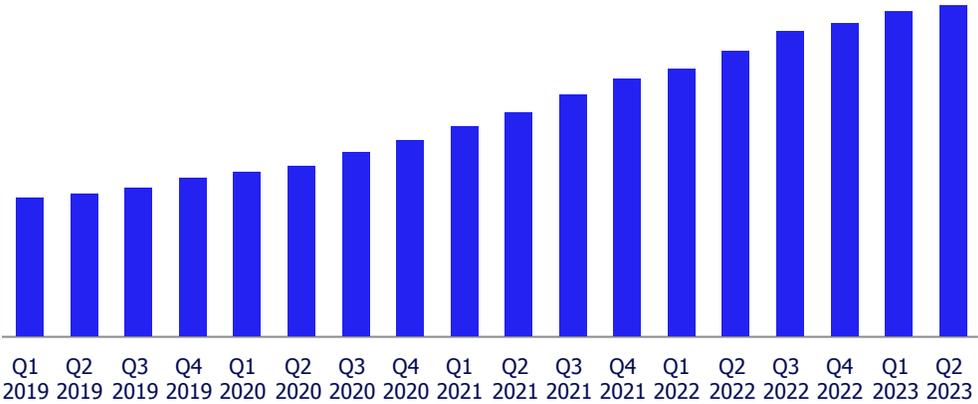


Annualized Recurring Revenue (ARR).

Total ARR



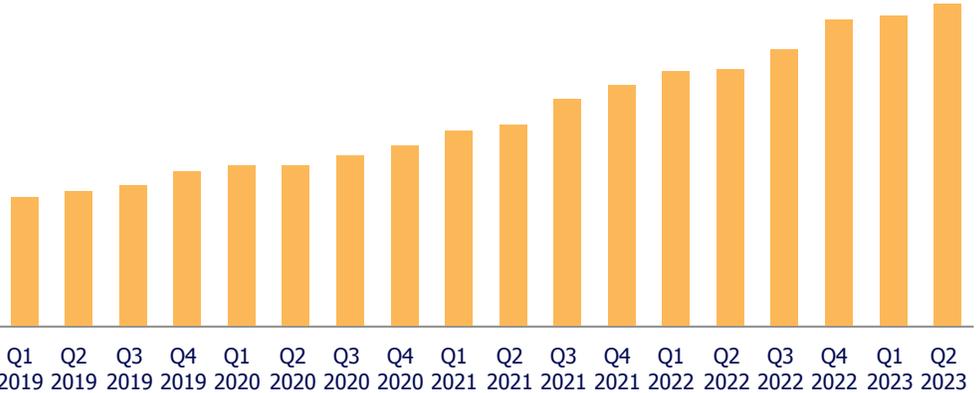
\$250K+ ARR Customers



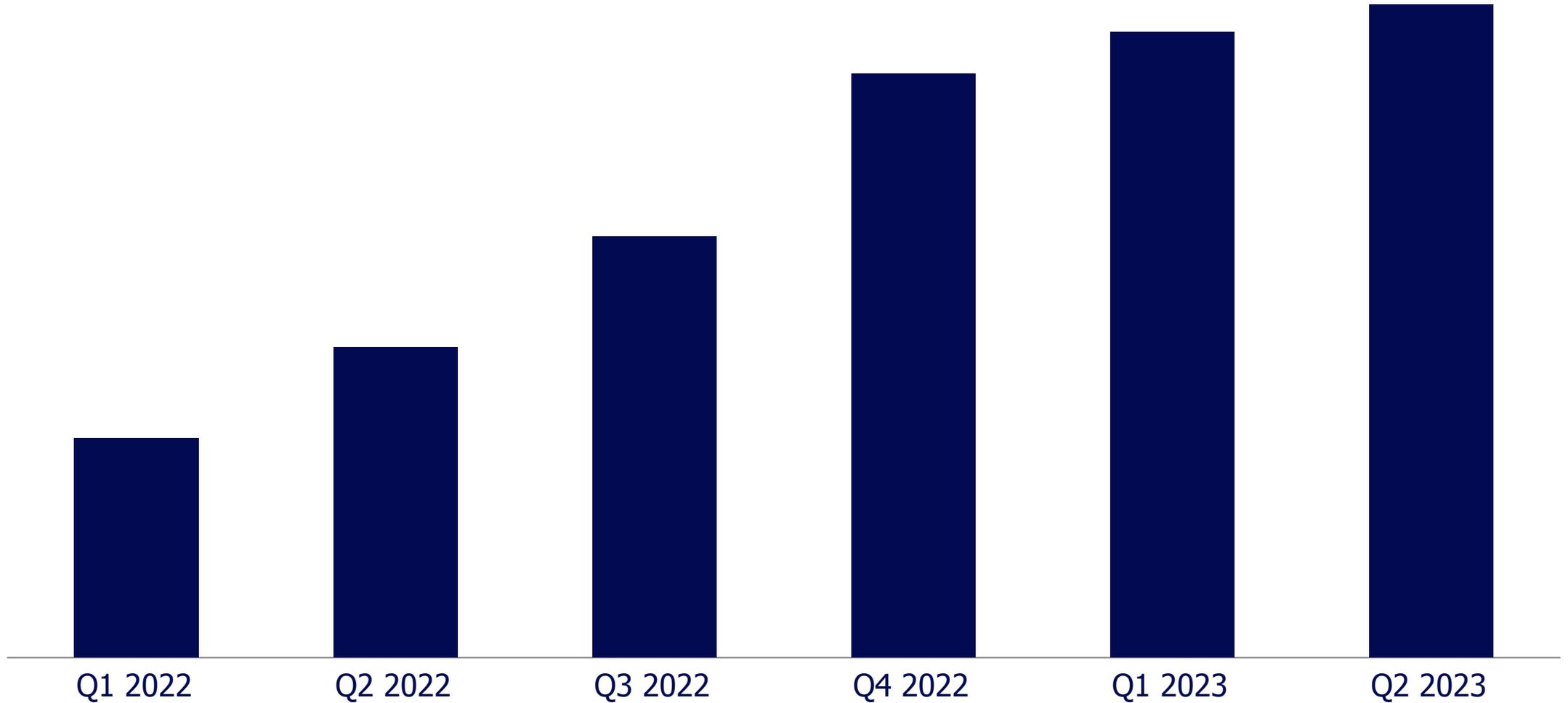
\$500K+ ARR Customers



\$1M+ ARR Customers

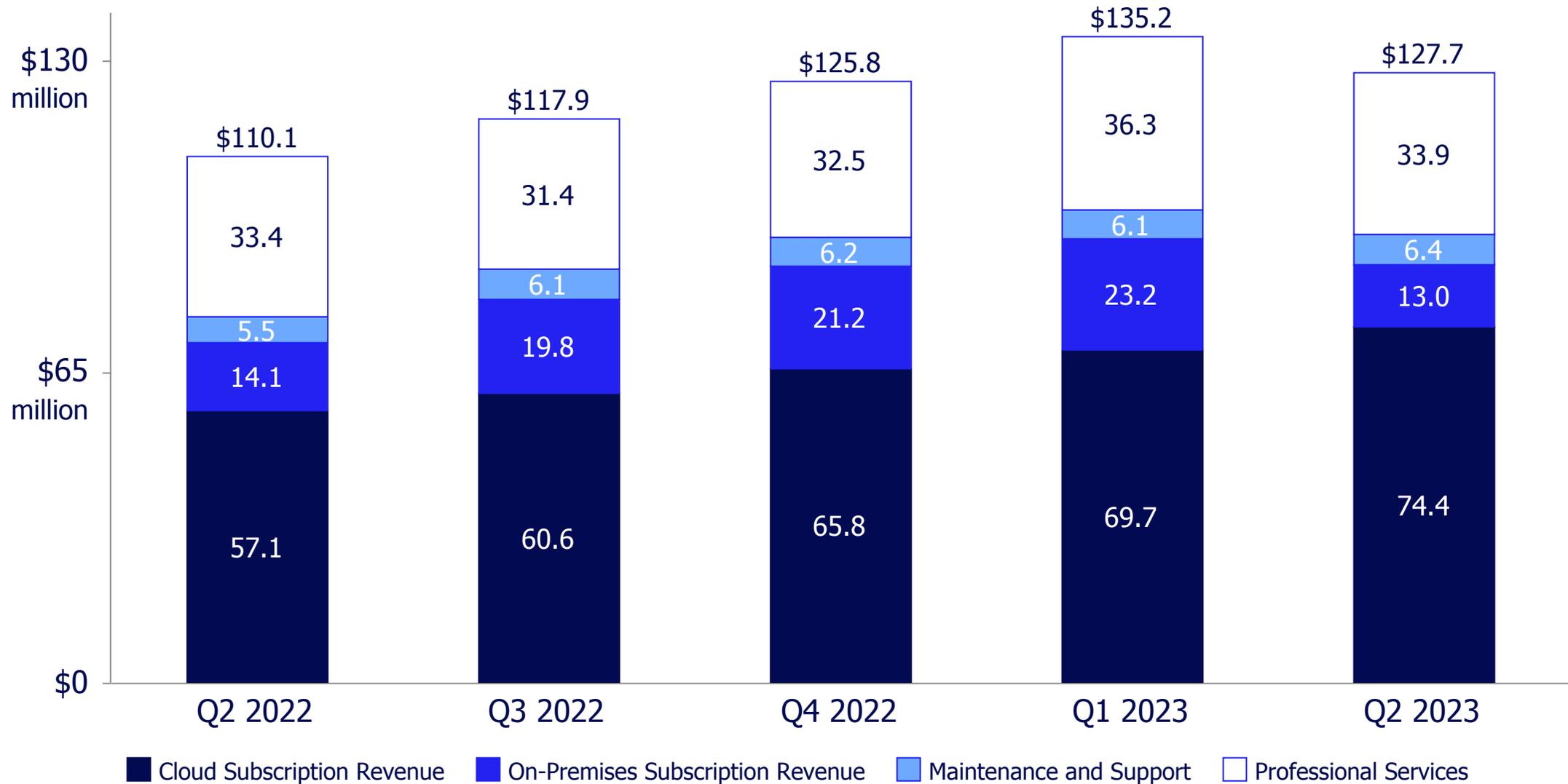


Appian Community members.



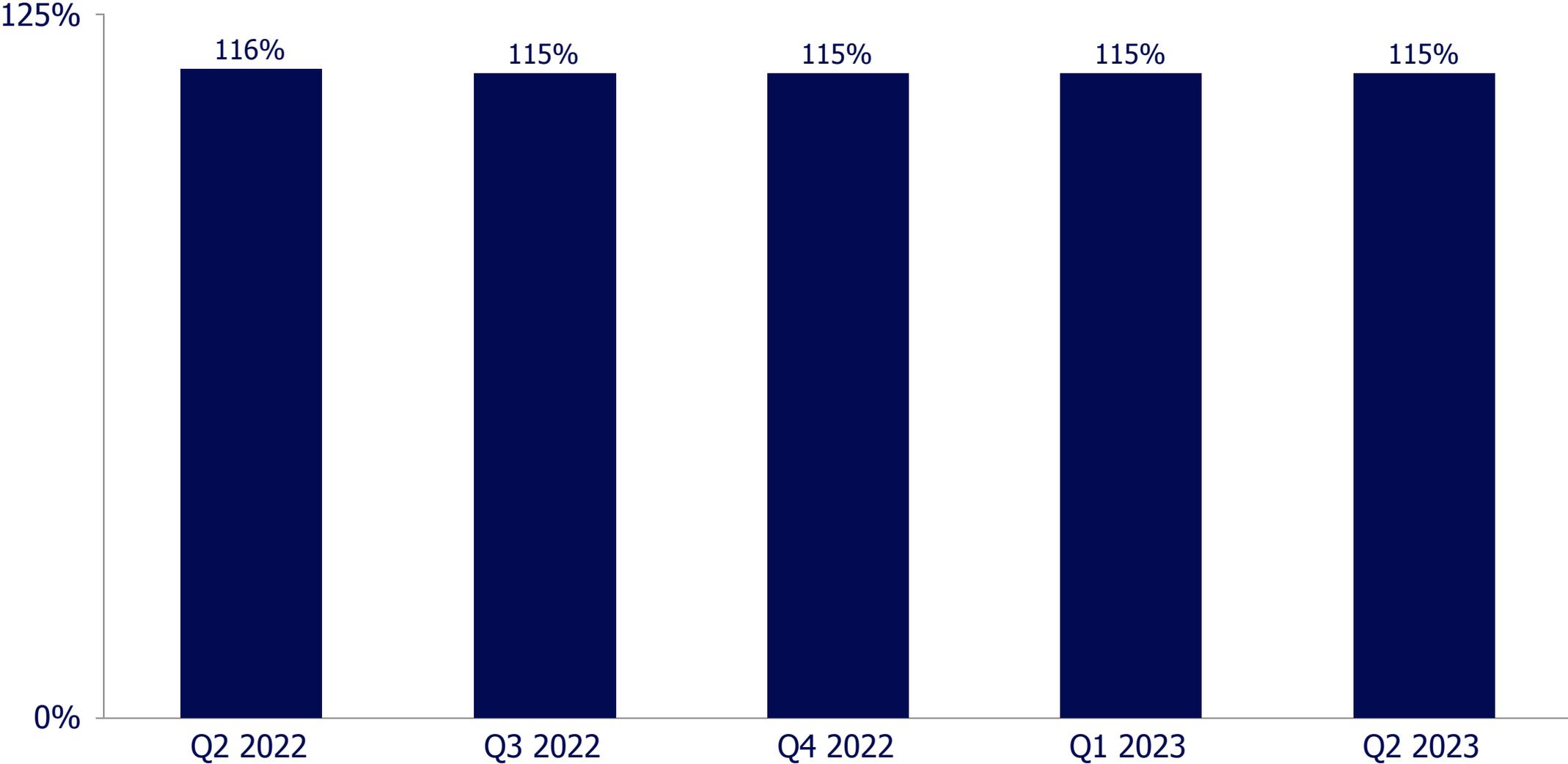
Community members are individuals with an Appian Community profile.

Total Revenue.*



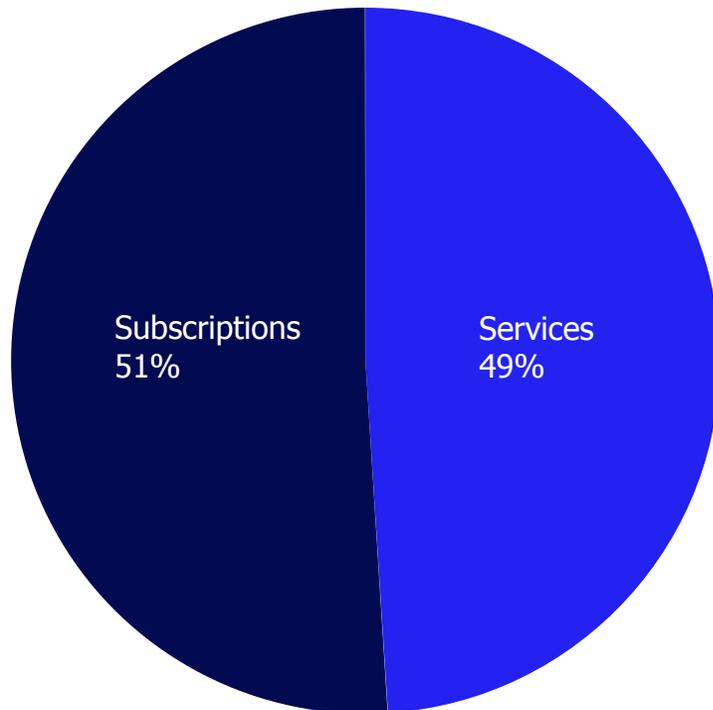
*Total revenue is reported in millions and may not foot due to rounding

Cloud Subscription Revenue Retention.

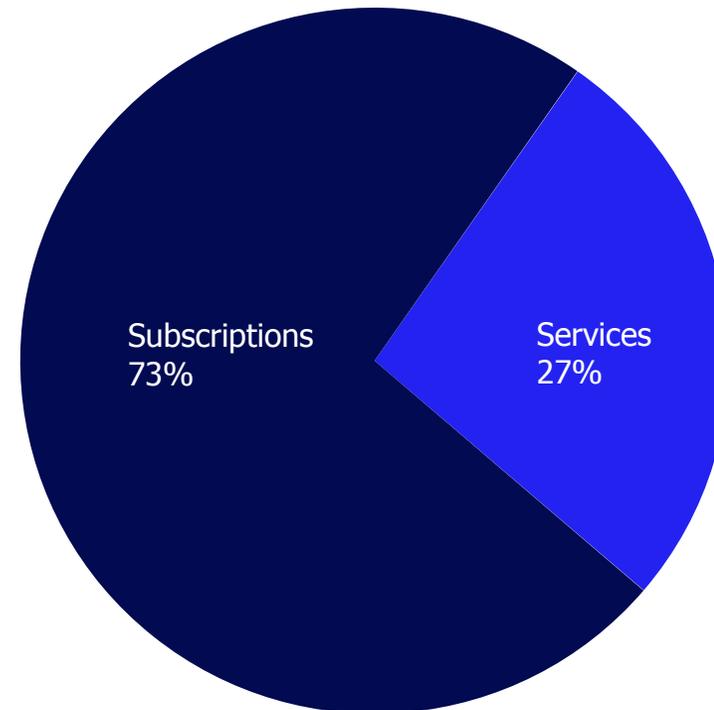


Subscriptions vs. Professional Services revenue.

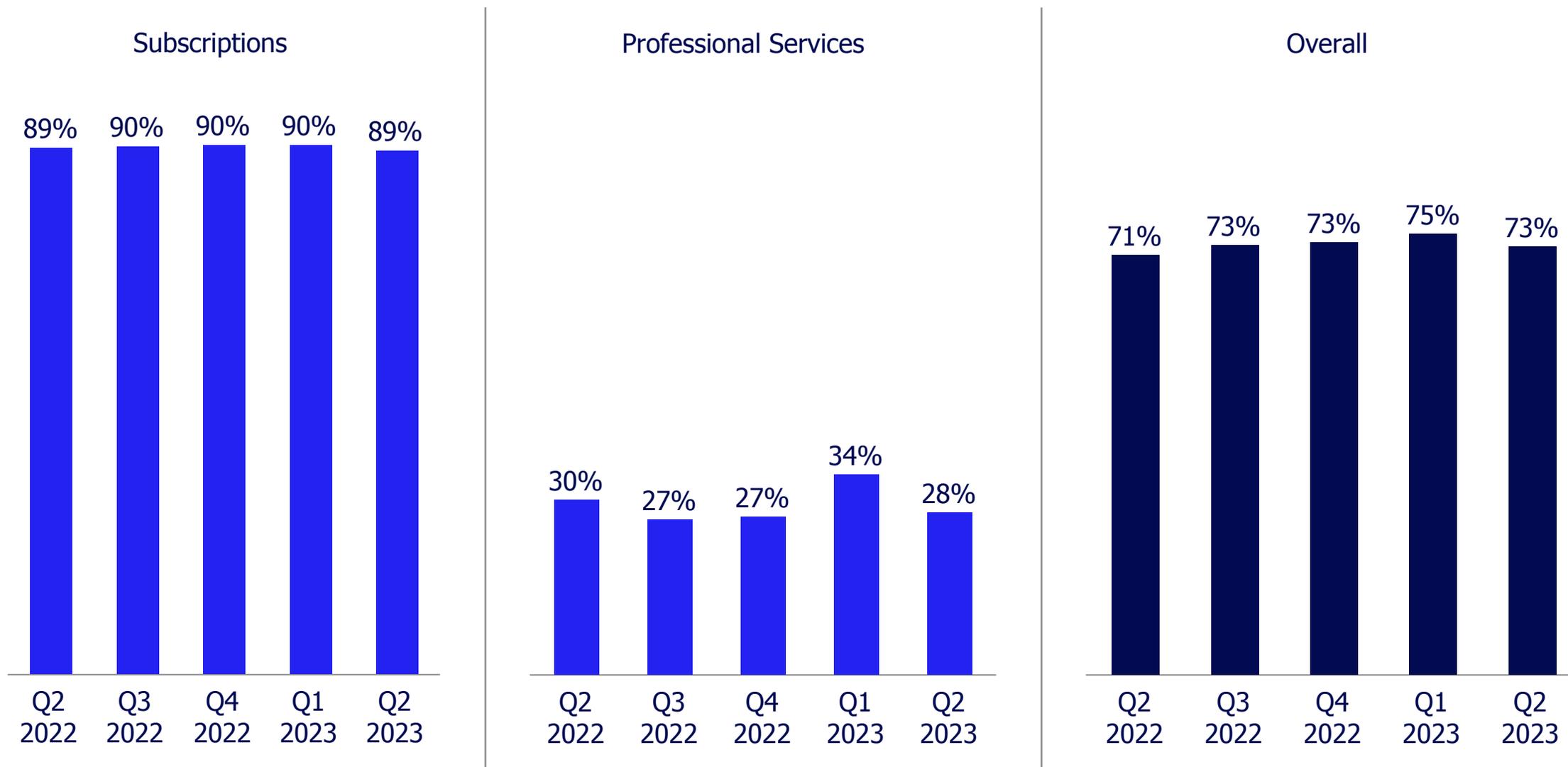
IPO (Q2 2017)



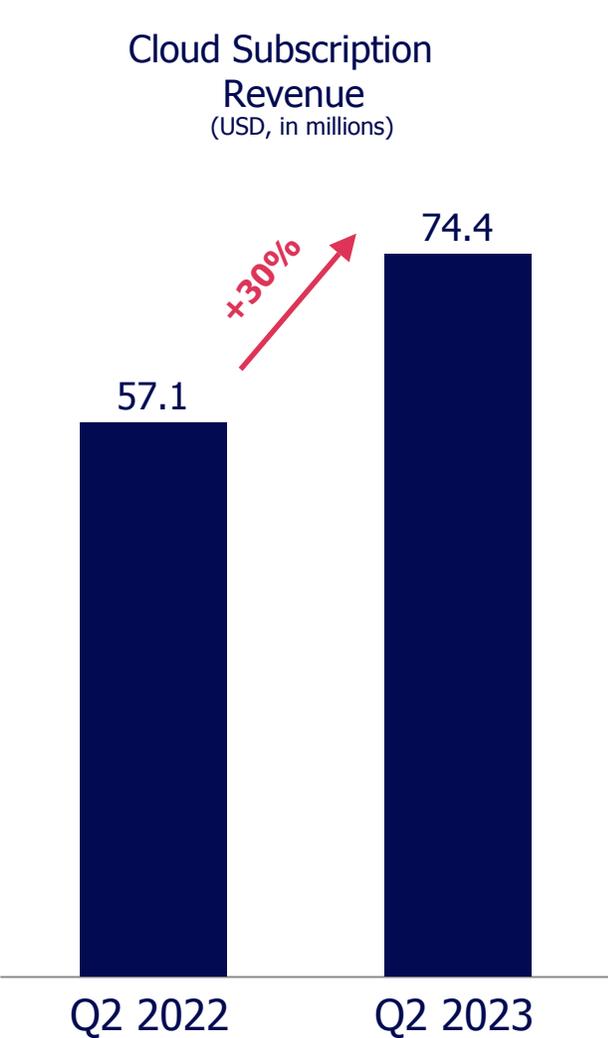
Q2 2023



Gross margins.*



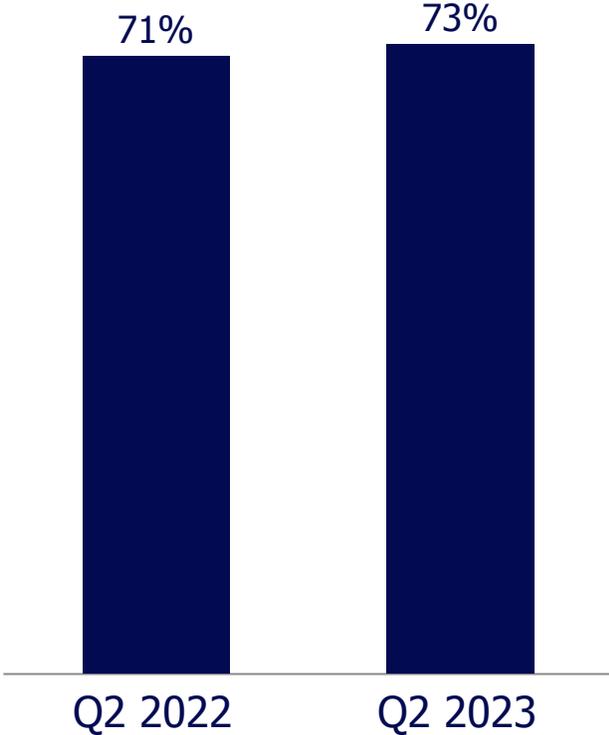
Q2 2023 summary.



Cloud Subscription Revenue Retention*



Overall Gross Margins**



*As of June 30, 2023

**Non-GAAP - Data excludes stock-based compensation expense and severance costs. Refer to the reconciliation of GAAP to non-GAAP measures in the Appendix.

Guidance.

Given on August 3, 2023

(in millions, except for EPS)	Q3 2023			Full Year 2023		
Cloud Subscription Revenue	\$75.5	–	\$76.5	\$299.0	–	\$301.0
Cloud Subscription Revenue Growth YoY	25%	–	26%	26%	–	27%
Total Revenue	\$134.0	–	\$136.0	\$538.0	–	\$543.0
Total Revenue Increase YoY	14%	–	15%	15%	–	16%
Adjusted EBITDA Loss	\$(16.0)	–	\$(12.0)	\$(67.0)	–	\$(63.0)
Non-GAAP Loss per Share*	\$(0.28)	–	\$(0.23)	\$(1.16)	–	\$(1.10)

Appendix

Balance sheet.

\$ in thousands

	As of	
	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 171,530	\$ 148,132
Short-term investments and marketable securities	65,430	47,863
Accounts receivable, net of allowance	134,016	165,964
Deferred commissions, current	30,389	30,196
Prepaid expenses and other current assets	32,720	28,093
Restricted cash, current	2,272	2,249
Property and equipment, net	44,514	41,855
Goodwill	26,618	26,349
Intangible assets, net of accumulated amortization	4,562	5,251
Right-of-use assets for operating leases	39,197	37,248
Deferred commissions, net of current portion	55,471	55,788
Deferred tax assets	2,466	1,940
Other assets	3,171	3,286
Total assets	\$ 612,356	\$ 594,214
Liabilities and Stockholders' Equity		
Deferred revenue, current	191,672	194,768
Debt	65,431	2,740
Operating lease liabilities, current	9,876	8,681
Other current liabilities	57,972	64,063
Long-term debt	142,874	115,379
Operating lease liabilities, net of current portion	60,079	57,225
Deferred revenue, net of current portion	3,734	5,556
Other non-current liabilities	86	102
Total liabilities	531,724	448,514
Stockholders' equity		
Common stock	7	7
Additional paid-in capital	579,378	561,390
Accumulated other comprehensive loss	(11,118)	(7,246)
Accumulated deficit	(487,635)	(408,451)
Total stockholders' equity	80,632	145,700
Total liabilities and stockholders' equity	\$ 612,356	\$ 594,214

Income statement.

\$ in thousands, except for per share data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Cloud subscriptions	\$ 74,442	\$ 57,083	\$ 144,134	\$ 110,462
Term license (on prem) subscriptions	12,999	14,063	36,150	38,770
Maintenance and support	6,353	5,522	12,467	11,156
Total subscriptions revenue	93,794	76,668	192,751	160,388
Professional services	33,921	33,395	70,199	63,941
Total revenue	127,715	110,063	262,950	224,329
Cost of revenue				
Subscriptions	10,779	8,528	21,227	16,751
Professional services	26,066	24,765	51,711	47,563
Total cost of revenue	36,845	33,293	72,938	64,314
Gross profit	90,870	76,770	190,012	160,015
Operating expenses				
Sales and marketing	62,581	56,166	125,671	102,192
Research and development	39,743	33,842	81,367	63,778
General and administrative	29,208	29,509	58,902	60,658
Total operating expenses	131,532	119,517	265,940	226,628
Operating loss	(40,662)	(42,747)	(75,928)	(66,613)
Other non-operating expense				
Other (income) expense, net	(3,886)	6,153	(6,576)	6,940
Interest expense	4,755	60	7,873	134
Total other non-operating expense	869	6,213	1,297	7,074
Loss before income taxes	(41,531)	(48,960)	(77,225)	(73,687)
Income tax expense (benefit)	824	394	1,959	(1,179)
Net loss	\$ (42,355)	\$ (49,354)	\$ (79,184)	\$ (72,508)
Net loss per share:				
Basic and diluted	\$ (0.58)	\$ (0.68)	\$ (1.09)	\$ (1.00)
Weighted average common shares outstanding:				
Basic and diluted	73,041	72,390	72,956	72,272

Stock-based compensation expense.

<i>\$ in thousands</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue				
Subscriptions	\$ 230	\$ 249	\$ 502	\$ 428
Professional services	1,472	1,330	3,063	2,387
Operating expenses				
Sales and marketing	2,772	2,266	5,217	4,054
Research and development	2,910	3,063	6,536	5,377
General and administrative	3,764	2,240	6,886	3,845
Total stock-based compensation expense	\$ 11,148	\$ 9,148	\$ 22,204	\$ 16,091

Reconciliation of GAAP to non-GAAP measures.

\$ in thousands

	Three Months Ended June 30, 2023					Six Months Ended June 30, 2023				
	GAAP Measure	Stock-Based Compensation	Litigation Expenses	Severance Costs	Non-GAAP Measure	GAAP Measure	Stock-Based Compensation	Litigation Expenses	Severance Costs	Non-GAAP Measure
Subscriptions cost of revenue	\$ 10,779	\$ (230)	\$ —	\$ (19)	\$ 10,530	\$ 21,227	\$ (502)	\$ —	\$ (30)	\$ 20,695
Professional services cost of revenue	26,066	(1,472)	—	(35)	24,559	51,711	(3,063)	—	(158)	48,490
Total cost of revenue	36,845	(1,702)	—	(54)	35,089	72,938	(3,565)	—	(188)	69,185
Total operating expenses	131,532	(9,446)	(347)	(2,041)	119,698	265,940	(18,639)	(2,189)	(6,111)	239,001
Operating loss	(40,662)	11,148	347	2,095	(27,072)	(75,928)	22,204	2,189	6,299	(45,236)
Income tax impact of above item	824	221	7	42	1,094	1,959	563	56	160	2,738
Net loss	(42,355)	11,369	354	2,137	(28,495)	(79,184)	22,767	2,245	6,459	(47,713)
Net loss per share, basic and diluted	\$ (0.58)	\$ 0.16	\$ —	\$ 0.03	\$ (0.39)	\$ (1.09)	\$ 0.31	\$ 0.03	\$ 0.09	\$ (0.65)

	Three Months Ended June 30, 2022				Six Months Ended June 30, 2022			
	GAAP Measure	Stock-Based Compensation	Litigation Expenses	Non-GAAP Measure	GAAP Measure	Stock-Based Compensation	Litigation Expenses	Non-GAAP Measure
Subscriptions cost of revenue	\$ 8,528	\$ (249)	\$ —	\$ 8,279	\$ 16,751	\$ (428)	\$ —	\$ 16,323
Professional services cost of revenue	24,765	(1,330)	—	23,435	47,563	(2,387)	—	45,176
Total cost of revenue	33,293	(1,579)	—	31,714	64,314	(2,815)	—	61,499
Total operating expenses	119,517	(7,569)	(6,831)	105,117	226,628	(13,276)	(18,623)	194,729
Operating loss	(42,747)	9,148	6,831	(26,768)	(66,613)	16,091	18,623	(31,899)
Net loss	(49,354)	9,148	6,831	(33,375)	(72,508)	16,091	18,623	(37,794)
Net loss per share, basic and diluted	\$ (0.68)	\$ 0.13	\$ 0.09	\$ (0.46)	\$ (1.00)	\$ 0.22	\$ 0.26	\$ (0.52)

Reconciliation of GAAP to non-GAAP measures (cont).

\$ in thousands

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Reconciliation of adjusted EBITDA:				
GAAP net loss	(42,355)	(49,354)	(79,184)	(72,508)
Other (income) expense, net	(3,886)	6,153	(6,576)	6,940
Interest expense	4,755	60	7,873	134
Income tax expense (benefit)	824	394	1,959	(1,179)
Depreciation and amortization	2,364	1,800	4,705	3,573
Stock-based compensation expense	11,148	9,148	22,204	16,091
Litigation expenses	347	6,831	2,189	18,623
Severance costs	2,095	—	6,299	—
Adjusted EBITDA	<u>\$ (24,708)</u>	<u>\$ (24,968)</u>	<u>\$ (40,531)</u>	<u>\$ (28,326)</u>

The following table reconciles our GAAP gross margin percentage to our non-GAAP gross margin percentage for our overall, subscriptions, and professional services margins. The non-GAAP adjustment represents adding back the margin impact of stock-based compensation expense and severance costs recorded to "Cost of revenue" within our consolidated income statements.

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Reconciliation of non-GAAP overall gross margin:					
GAAP overall gross margin	69.8%	71.4%	72.0%	73.3%	71.2%
Add back:					
Non-GAAP adjustments to overall gross margin	1.4%	1.4%	1.4%	1.5%	1.3%
Non-GAAP overall gross margin	<u>71.2%</u>	<u>72.8%</u>	<u>73.4%</u>	<u>74.8%</u>	<u>72.5%</u>
Reconciliation of non-GAAP subscriptions gross margin:					
GAAP subscriptions gross margin	88.9%	89.2%	89.4%	89.4%	88.5%
Add back:					
Non-GAAP adjustments to subscriptions gross margin	0.3%	0.4%	0.2%	0.3%	0.3%
Non-GAAP subscriptions gross margin	<u>89.2%</u>	<u>89.6%</u>	<u>89.6%</u>	<u>89.7%</u>	<u>88.8%</u>
Reconciliation of non-GAAP professional services gross margin:					
GAAP professional services gross margin	25.8%	22.0%	22.3%	29.3%	23.2%
Add back:					
Non-GAAP adjustments to professional services gross margin	4.0%	4.5%	4.7%	4.7%	4.4%
Non-GAAP professional services gross margin	<u>29.8%</u>	<u>26.5%</u>	<u>27.0%</u>	<u>34.0%</u>	<u>27.6%</u>

The image shows a low-angle shot of a modern glass skyscraper against a clear blue sky. The Appian logo is mounted on the upper part of the building's facade. The logo consists of the word "app'ian" in a bold, sans-serif font, with the apostrophe integrated into the letter 'i'. The letters are dark and have a slight 3D effect.

app'ian

A large, white, stylized version of the Appian logo is centered in the middle of the image. The font is a bold, sans-serif typeface, with the apostrophe in the 'i' being a small, curved mark. The logo is set against the dark blue background of the building's glass facade.

app'ian

A leader in process automation.