



# Q3 2023 Earnings Call Presentation

**Matt Calkins, Founder & CEO**

**Mark Matheos, CFO**

# 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 fourth 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, 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](http://www.appian.com).

Additionally, non-GAAP financial measures will be shared. 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.

# Q3 2023 highlights.

## Revenue

- Cloud subscription revenue was \$77.2 million in Q3 2023, representing growth of 27% over Q3 2022.
- Subscriptions revenue was \$103.8 million in Q3 2023, representing growth of 20% over Q3 2022.
- Total revenue was \$137.1 million in Q3 2023, representing growth of 16% over Q3 2022.

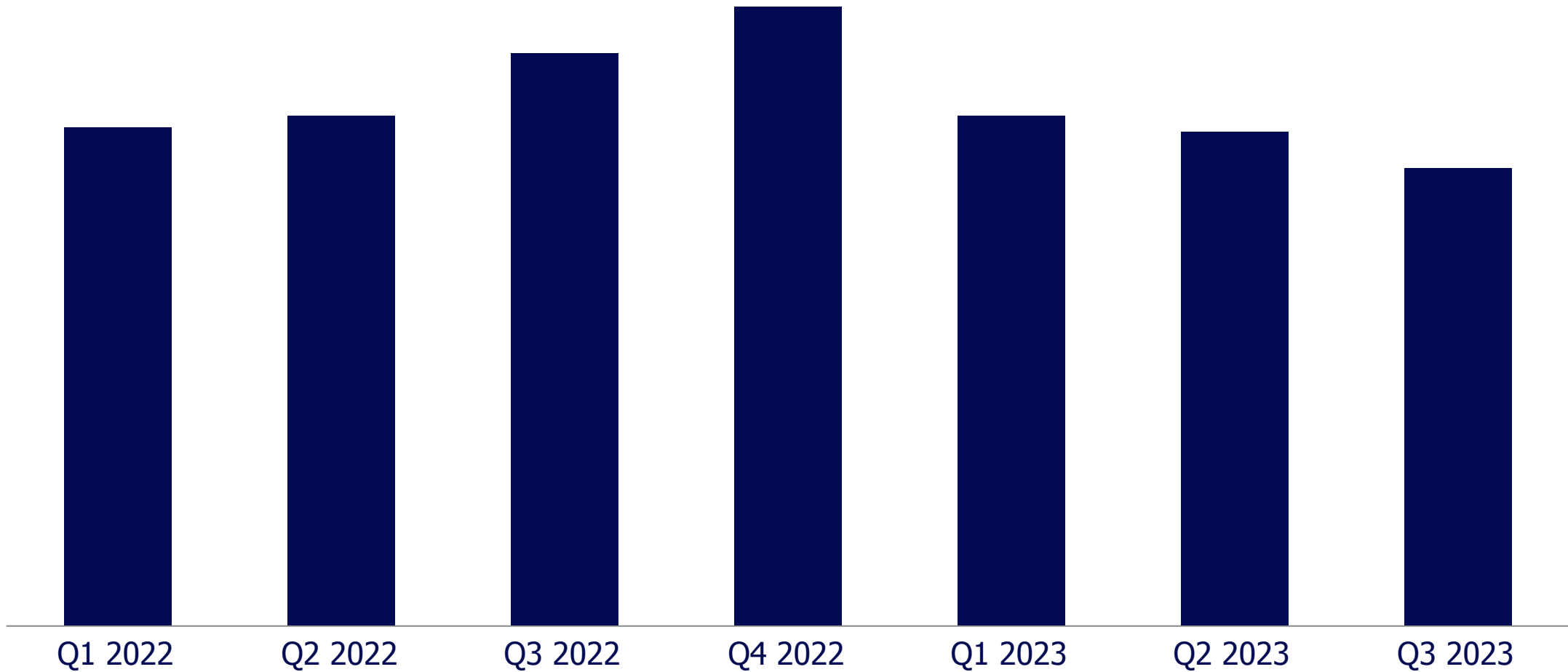
## Retention

- Cloud subscription revenue retention rate was 117% as of September 30, 2023.

## Gross Margins\*

- Subscriptions gross margin was 89%.
- Professional services gross margin was 30%.
- Overall gross margin was 75%.

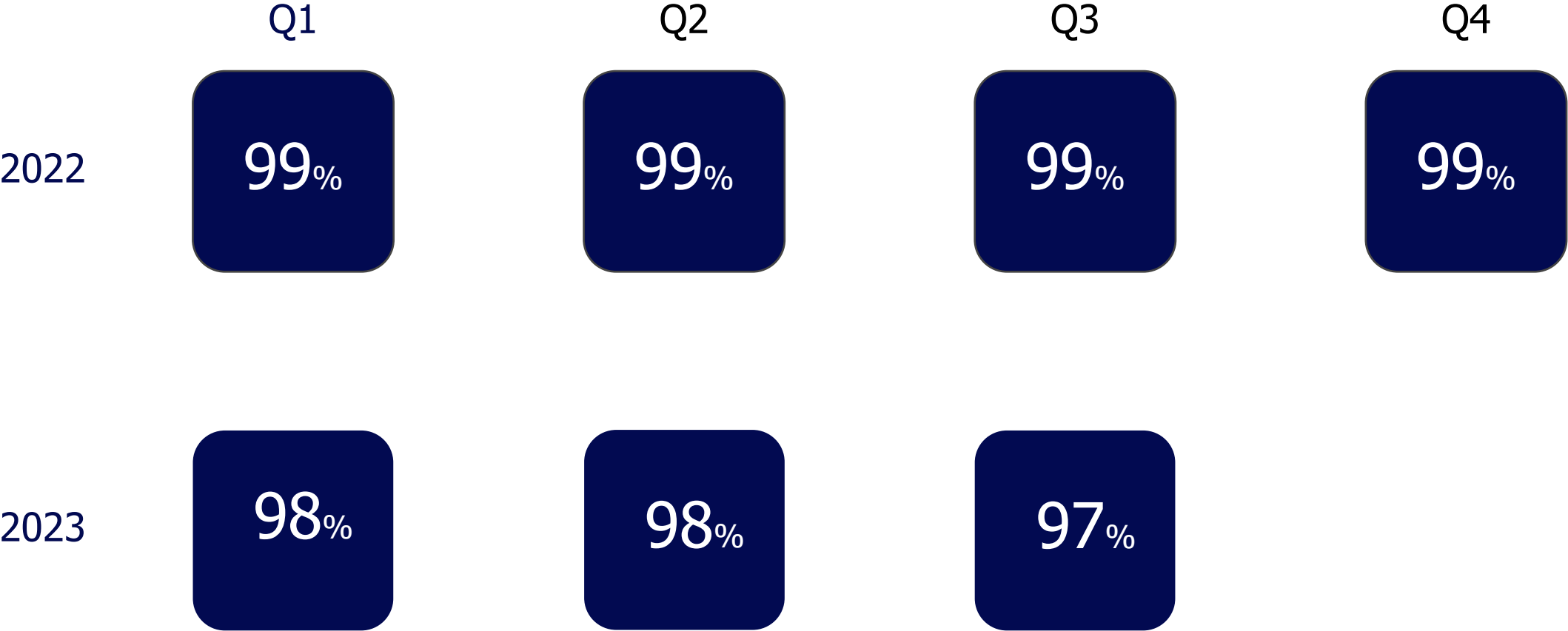
# Days Sales Outstanding.



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

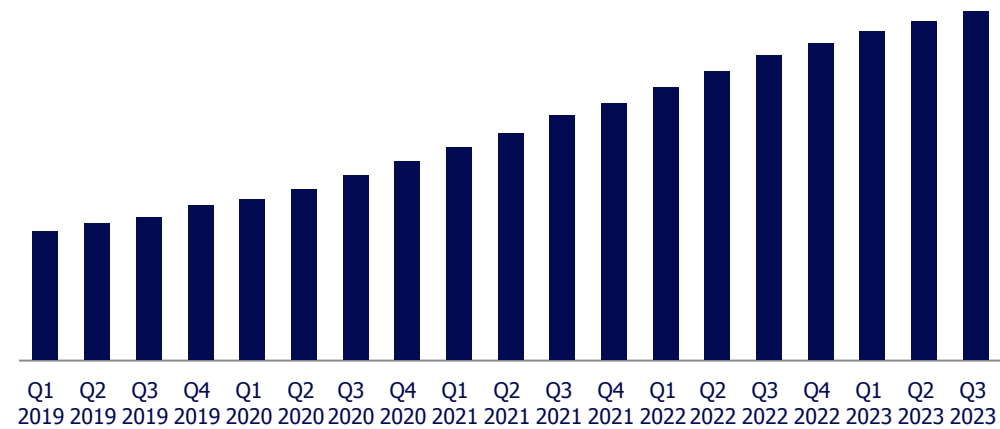


# Cloud Gross Renewal Rate.

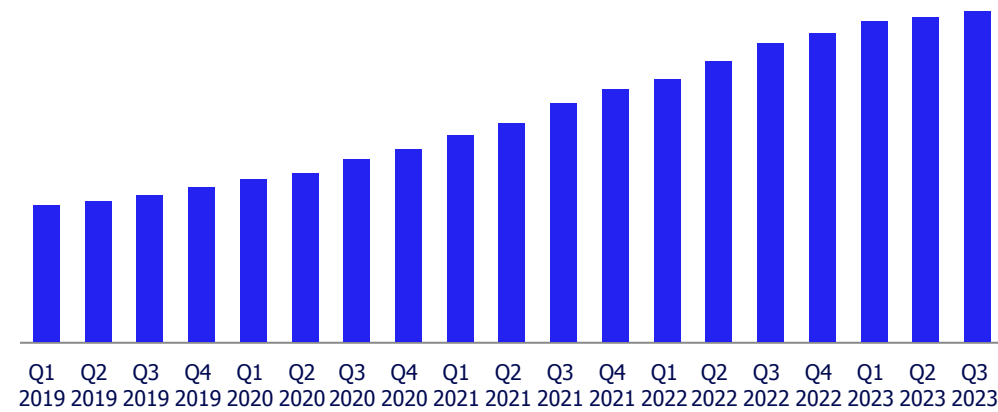


# Annualized Recurring Revenue (ARR).

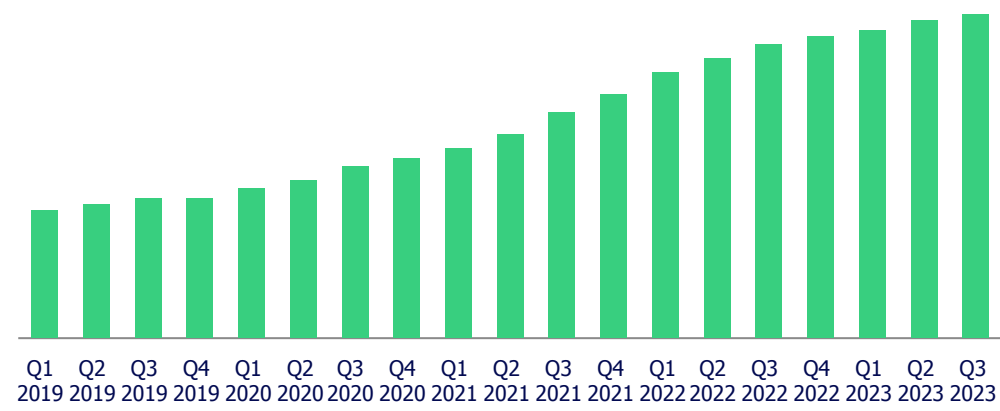
Total ARR



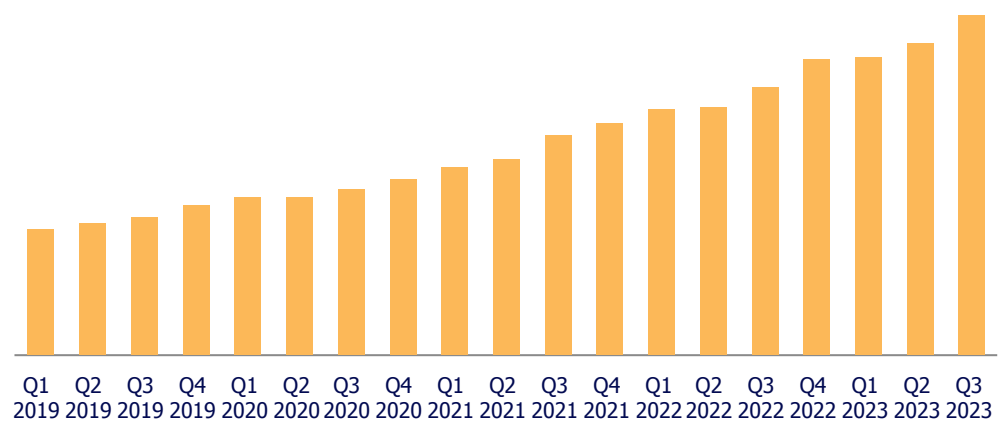
\$250K+ ARR Customers



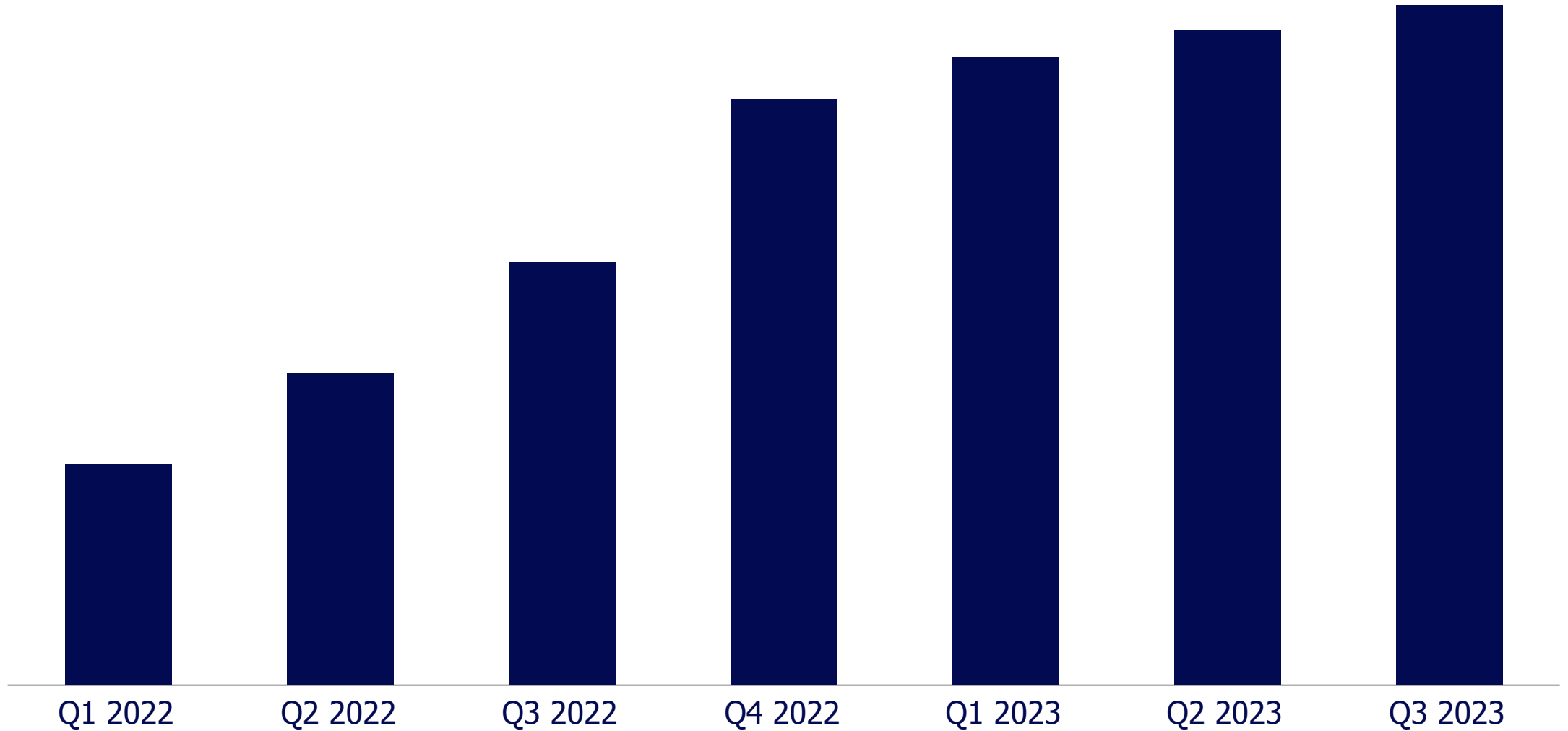
\$500K+ ARR Customers



\$1M+ ARR Customers

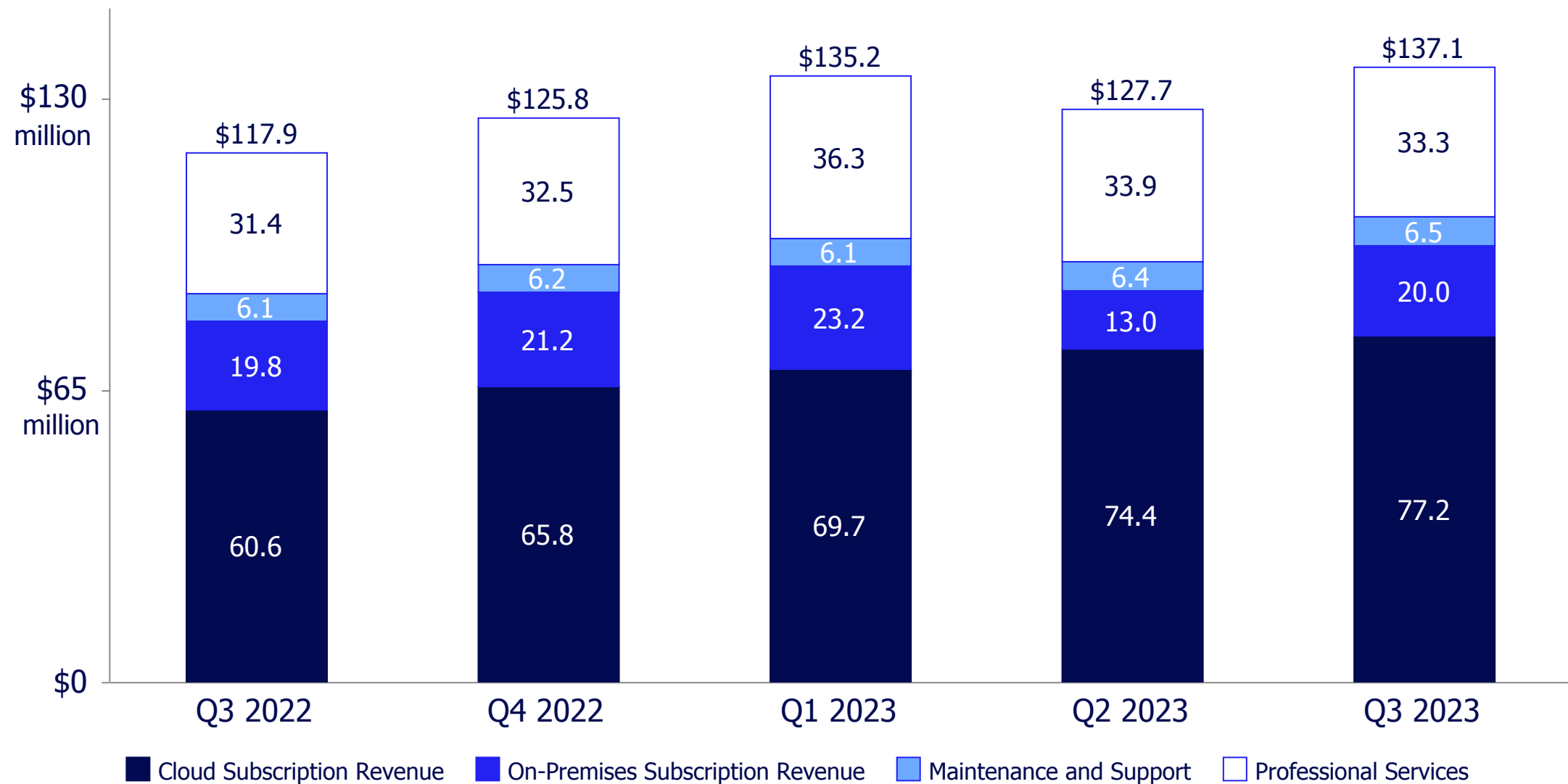


# Appian Community members.



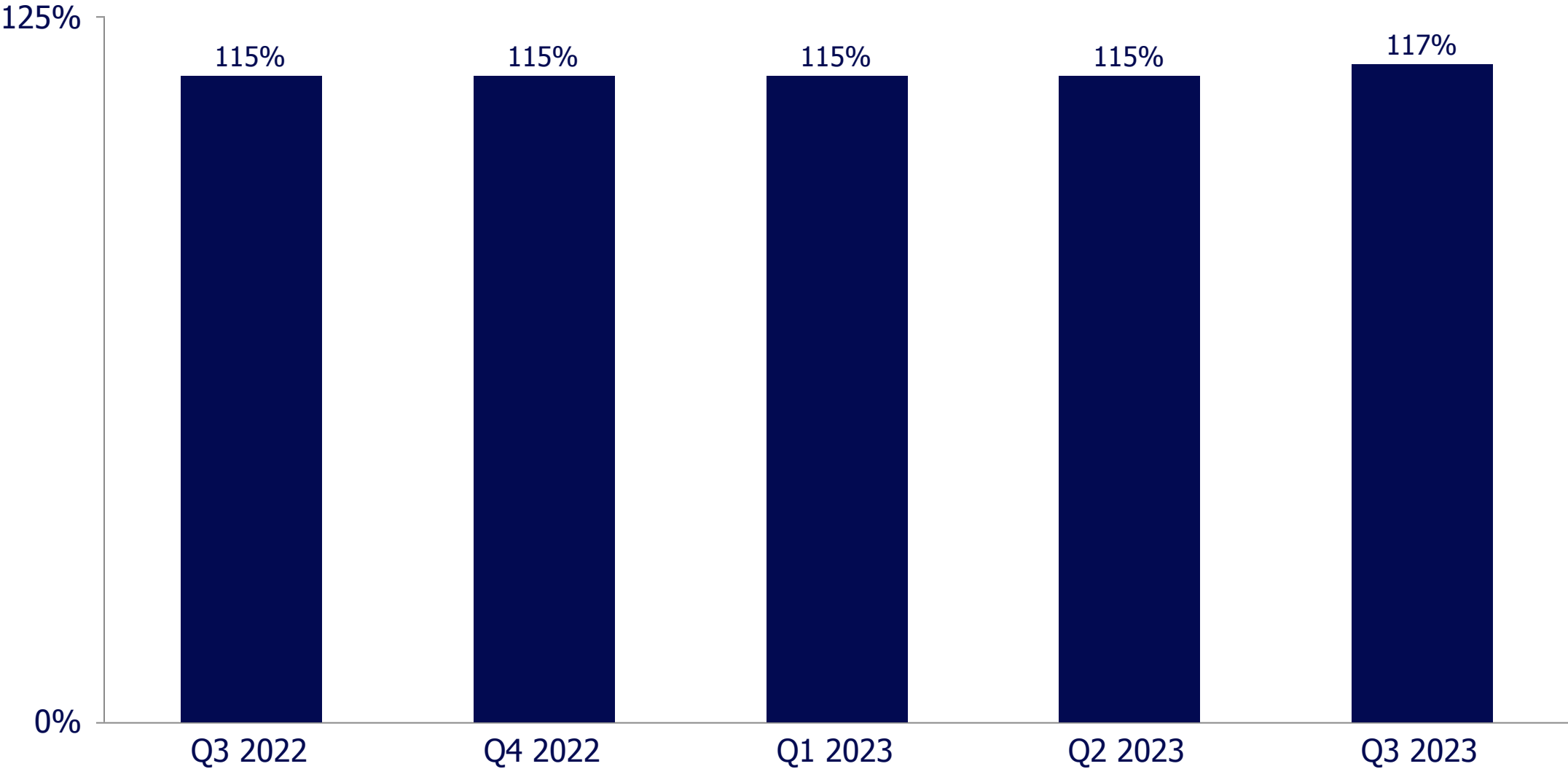
Community members are individuals with an Appian Community profile.

# Total Revenue.\*



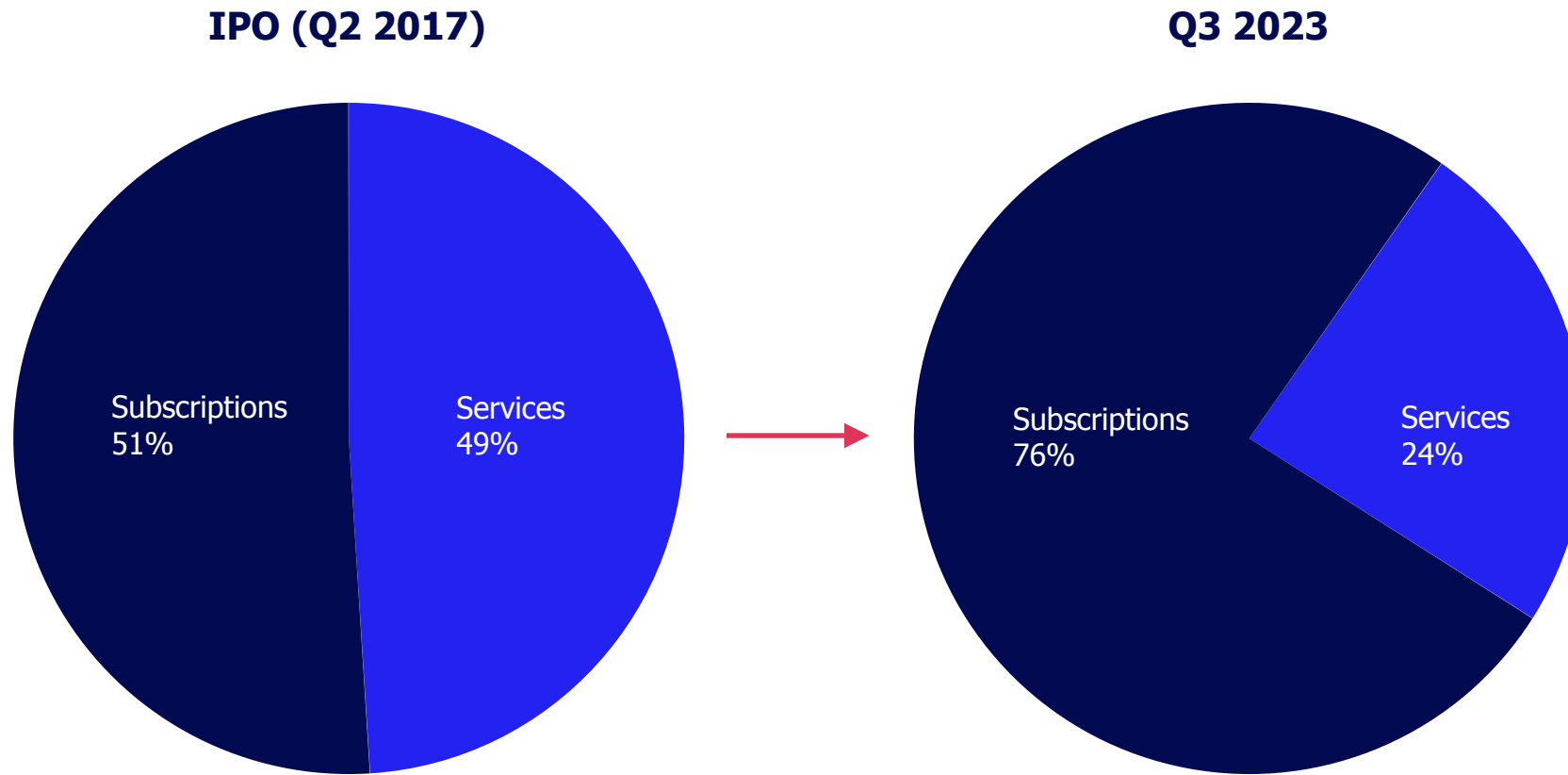
\*Total revenue is reported in millions and may not foot due to rounding.

# Cloud Subscription Revenue Retention.

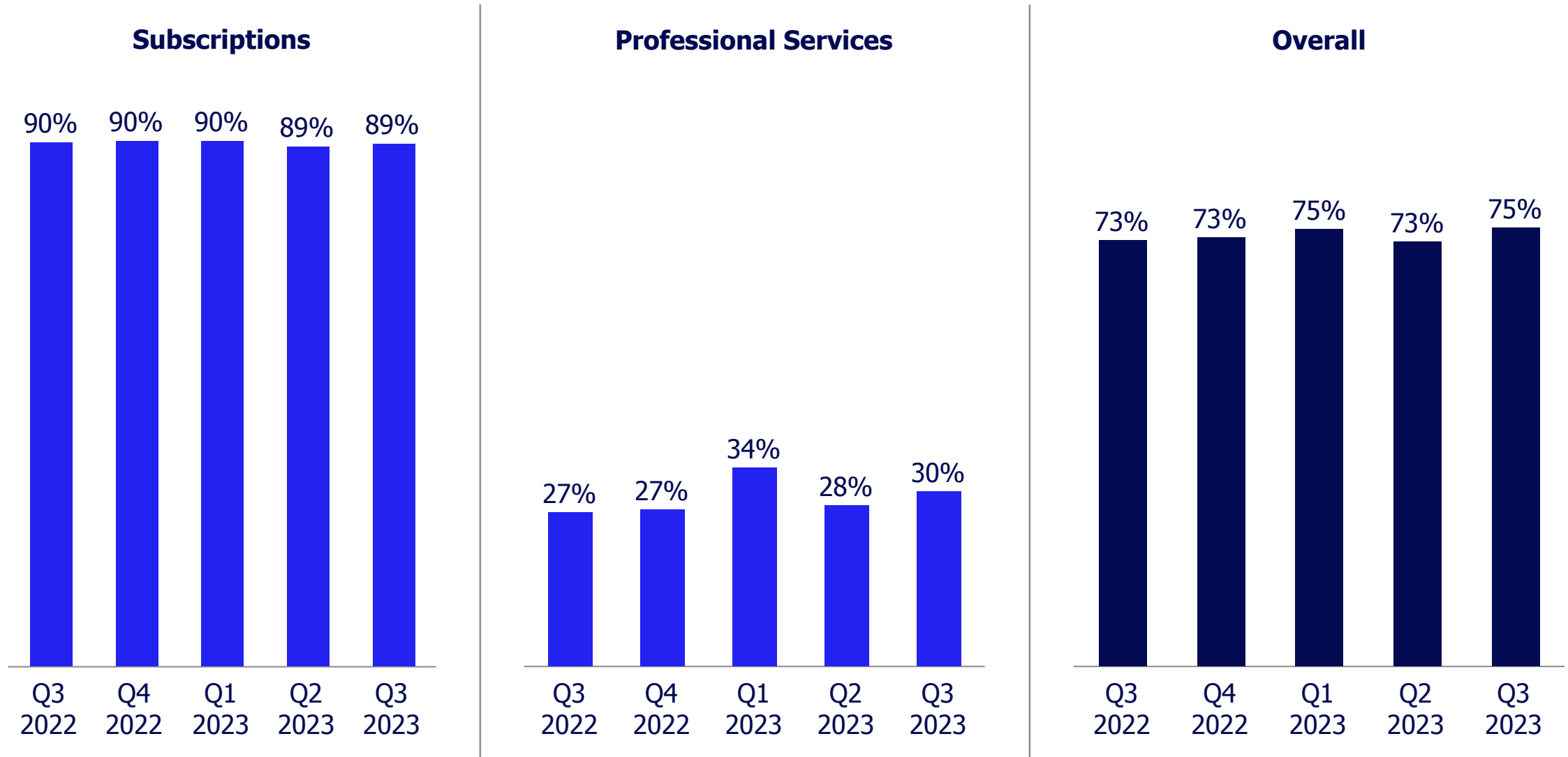




# Subscriptions vs. Professional Services revenue.

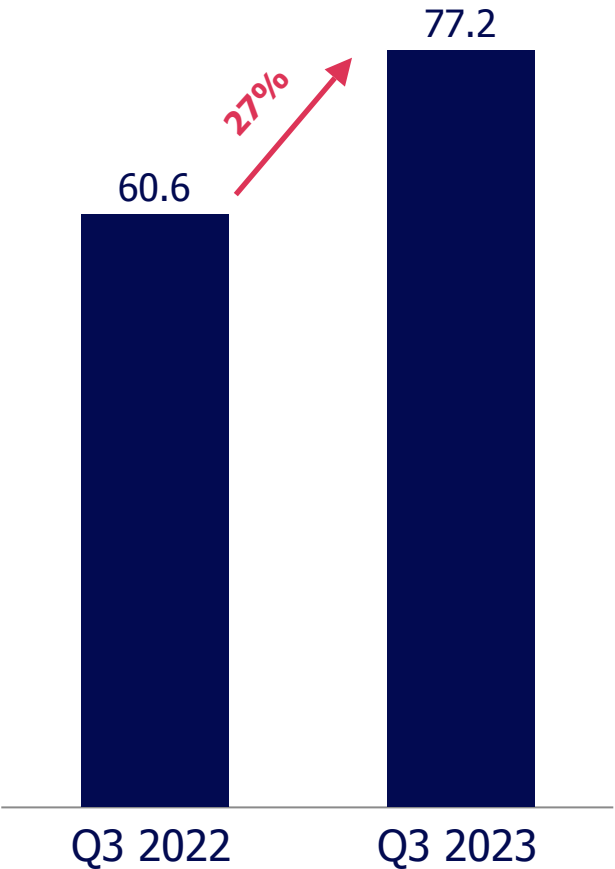


# Gross margins.\*



# Q3 2023 summary.

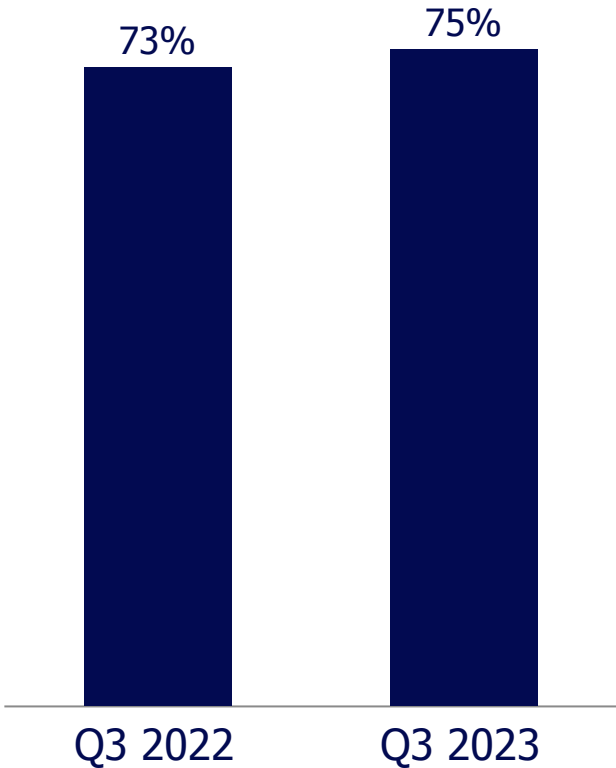
**Cloud Subscription Revenue**  
(USD, in millions)



**Cloud Subscription Revenue Retention\***



**Overall Gross Margins\*\***



\*As of September 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 November 2, 2023

(in millions, except for EPS)	Q4 2023			Full Year 2023		
Cloud Subscription Revenue	\$78.6	–	\$79.6	\$300.0	–	\$301.0
Cloud Subscription Revenue Growth YoY	19%	–	21%	27%		
Total Revenue	\$138.0	–	\$143.0	\$538.0	–	\$543.0
Total Revenue Increase YoY	10%	–	14%	15%	–	16%
Adjusted EBITDA Loss	\$(16.1)	–	\$(12.1)	\$(62.0)	–	\$(58.0)
Non-GAAP Loss per Share*	\$(0.29)	–	\$(0.24)	\$(1.13)	–	\$(1.07)

# Appendix



# Balance sheet.

\$ in thousands

	As of	
	September 30, 2023	December 31, 2022
<b>Assets</b>		
Cash and cash equivalents	\$ 130,761	\$ 148,132
Short-term investments and marketable securities	38,726	47,863
Accounts receivable, net of allowance	133,548	165,964
Deferred commissions, current	31,107	30,196
Prepaid expenses and other current assets	51,230	28,093
Restricted cash, current	—	2,249
Property and equipment, net	42,444	41,855
Goodwill	25,991	26,349
Intangible assets, net of accumulated amortization	4,092	5,251
Right-of-use assets for operating leases	40,501	37,248
Deferred commissions, net of current portion	54,932	55,788
Deferred tax assets	2,688	1,940
Other assets	41,018	3,286
<b>Total assets</b>	<b>\$ 597,038</b>	<b>\$ 594,214</b>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	5,956	7,997
Accrued expenses	11,275	12,227
Accrued compensation and related benefits	33,866	40,718
Deferred revenue	194,602	194,768
Debt	65,431	2,740
Operating lease liabilities	11,003	8,681
Other current liabilities	1,119	3,121
Long-term debt	142,016	115,379
Non-current operating lease liabilities	60,339	57,225
Non-current deferred revenue	3,243	5,556
Deferred tax liabilities	87	102
<b>Total liabilities</b>	<b>528,937</b>	<b>448,514</b>
<b>Stockholders' equity</b>		
Common stock	7	7
Additional paid-in capital	588,029	561,390
Accumulated other comprehensive loss	(10,049)	(7,246)
Accumulated deficit	(509,886)	(408,451)
<b>Total stockholders' equity</b>	<b>68,101</b>	<b>145,700</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 597,038</b>	<b>\$ 594,214</b>

# Income statement.

\$ in thousands, except for per share data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenue</b>				
Cloud subscriptions	\$ 77,247	\$ 60,621	\$ 221,381	\$ 171,083
Term license subscriptions	20,026	19,773	56,176	58,543
Maintenance and support	6,530	6,126	18,997	17,282
Total subscriptions revenue	103,803	86,520	296,554	246,908
Professional services	33,291	31,356	103,490	95,297
<b>Total revenue</b>	137,094	117,876	400,044	342,205
<b>Cost of revenue</b>				
Subscriptions	11,265	9,313	32,492	26,065
Professional services	24,804	24,447	76,515	72,011
<b>Total cost of revenue</b>	36,069	33,760	109,007	98,076
<b>Gross profit</b>	101,025	84,116	291,037	244,129
<b>Operating expenses</b>				
Sales and marketing	55,667	54,912	181,338	157,104
Research and development	37,135	37,623	118,502	101,401
General and administrative	23,440	29,357	82,342	90,014
<b>Total operating expenses</b>	116,242	121,892	382,182	348,519
<b>Operating loss</b>	(15,217)	(37,776)	(91,145)	(104,390)
<b>Other non-operating expense</b>				
Other expense (income), net	1,939	5,876	(4,637)	12,815
Interest expense	4,917	89	12,790	222
<b>Total other non-operating expense</b>	6,856	5,965	8,153	13,037
<b>Loss before income taxes</b>	(22,073)	(43,741)	(99,298)	(117,427)
Income tax expense (benefit)	178	255	2,137	(924)
<b>Net loss</b>	\$ (22,251)	\$ (43,996)	\$ (101,435)	\$ (116,503)
Net loss per share:				
Basic and diluted	\$ (0.30)	\$ (0.61)	\$ (1.39)	\$ (1.61)
Weighted average common shares outstanding:				
Basic and diluted	73,178	72,503	73,032	72,372

# Stock-based compensation expense.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>\$ in thousands</i>				
Cost of revenue				
Subscriptions	\$ 211	\$ 284	\$ 713	\$ 712
Professional services	1,535	1,401	4,598	3,788
Operating expenses				
Sales and marketing	3,245	2,667	8,462	6,721
Research and development	2,930	3,454	9,466	8,831
General and administrative	3,090	3,530	9,976	7,375
Total stock-based compensation expense	<u>\$ 11,011</u>	<u>\$ 11,336</u>	<u>\$ 33,215</u>	<u>\$ 27,427</u>

# Reconciliation of GAAP to non-GAAP measures.

*\$ in thousands*

	<b>GAAP Measure</b>	<b>Stock-Based Compensation</b>	<b>Litigation Expenses</b>	<b>JPI Amortization</b>	<b>Severance Costs</b>	<b>Non-GAAP Measure</b>
<b>Three Months Ended September 30, 2023</b>						
Subscriptions cost of revenue	\$ 11,265	\$ (211)	\$ —	\$ —	\$ —	\$ 11,054
Professional services cost of revenue	24,804	(1,535)	—	—	—	23,269
Total cost of revenue	36,069	(1,746)	—	—	—	34,323
Total operating expenses	116,242	(9,265)	4,961	(1,485)	—	110,453
Operating loss	(15,217)	11,011	(4,961)	1,485	—	(7,682)
Income tax impact of above items	178	88	—	—	—	266
Net loss	(22,251)	11,099	(4,961)	1,485	—	(14,628)
Net loss per share, basic and diluted	\$ (0.30)	\$ 0.15	\$ (0.07)	\$ 0.02	\$ —	\$ (0.20)
<b>Nine Months Ended September 30, 2023</b>						
Subscriptions cost of revenue	\$ 32,492	\$ (713)	\$ —	\$ —	\$ (30)	\$ 31,749
Professional services cost of revenue	76,515	(4,598)	—	—	(158)	71,759
Total cost of revenue	109,007	(5,311)	—	—	(188)	103,508
Total operating expenses	382,182	(27,904)	2,772	(1,485)	(6,111)	349,454
Operating loss	(91,145)	33,215	(2,772)	1,485	6,299	(52,918)
Income tax impact of above items	2,137	731	—	—	139	3,007
Net loss	(101,435)	33,946	(2,772)	1,485	6,438	(62,338)
Net loss per share, basic and diluted	\$ (1.39)	\$ 0.46	\$ (0.04)	\$ 0.02	\$ 0.09	\$ (0.86)

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

*\$ in thousands*

	GAAP Measure	Stock-Based Compensation	Litigation Expenses	Non-GAAP Measure
<b>Three Months Ended September 30, 2022</b>				
Subscriptions cost of revenue	\$ 9,313	\$ (284)	\$ —	\$ 9,029
Professional services cost of revenue	24,447	(1,401)	—	23,046
Total cost of revenue	33,760	(1,685)	—	32,075
Total operating expenses	121,892	(9,651)	(1,810)	110,431
Operating loss	(37,776)	11,336	1,810	(24,630)
Net loss	(43,996)	11,336	1,810	(30,850)
Net loss per share, basic and diluted	\$ (0.61)	\$ 0.16	\$ 0.02	\$ (0.43)
<b>Nine Months Ended September 30, 2022</b>				
Subscriptions cost of revenue	\$ 26,065	\$ (712)	\$ —	\$ 25,353
Professional services cost of revenue	72,011	(3,788)	—	68,223
Total cost of revenue	98,076	(4,500)	—	93,576
Total operating expenses	348,519	(22,927)	(20,432)	305,160
Operating loss	(104,390)	27,427	20,432	(56,531)
Net loss	(116,503)	27,427	20,432	(68,644)
Net loss per share, basic and diluted	\$ (1.61)	\$ 0.38	\$ 0.28	\$ (0.95)



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>\$ in thousands</i>				
<b>Reconciliation of adjusted EBITDA:</b>				
GAAP net loss	(22,251)	(43,996)	(101,435)	(116,503)
Other expense (income), net	1,939	5,876	(4,637)	12,815
Interest expense	4,917	89	12,790	222
Income tax expense (benefit)	178	255	2,137	(924)
Depreciation and amortization of intangibles	2,340	1,759	7,046	5,332
Stock-based compensation expense	11,011	11,336	33,215	27,427
Litigation expenses	(4,961)	1,810	(2,772)	20,432
JPI amortization	1,485	—	1,485	—
Severance costs	—	—	6,299	—
Adjusted EBITDA	<u>\$ (5,342)</u>	<u>\$ (22,871)</u>	<u>\$ (45,872)</u>	<u>\$ (51,199)</u>

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

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.

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<b>Reconciliation of non-GAAP overall gross margin:</b>					
GAAP overall gross margin	71.4%	72.0%	73.3%	71.2%	73.7%
Add back:					
Non-GAAP adjustments to overall gross margin	1.4%	1.4%	1.5%	1.3%	1.3%
Non-GAAP overall gross margin	72.8%	73.4%	74.8%	72.5%	75.0%
<b>Reconciliation of non-GAAP subscriptions gross margin:</b>					
GAAP subscriptions gross margin	89.2%	89.4%	89.4%	88.5%	89.1%
Add back:					
Non-GAAP adjustments to subscriptions gross margin	0.4%	0.2%	0.3%	0.3%	0.3%
Non-GAAP subscriptions gross margin	89.6%	89.6%	89.7%	88.8%	89.4%
<b>Reconciliation of non-GAAP professional services gross margin:</b>					
GAAP professional services gross margin	22.0%	22.3%	29.3%	23.2%	25.5%
Add back:					
Non-GAAP adjustments to professional services gross margin	4.5%	4.7%	4.7%	4.4%	4.6%
Non-GAAP professional services gross margin	26.5%	27.0%	34.0%	27.6%	30.1%

The Appian logo is displayed in large, dark, three-dimensional letters on the upper right portion of a modern glass skyscraper. The building's facade is composed of a grid of glass panels, and the sky in the background is a clear, deep blue.

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