



## 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 first quarter of 2020 and full year 2020, 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” 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 2019 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. 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.

# Q4 and Full Year 2019 Business Highlights

- **Completed acquisition of Robotic Process Automation Company\***
  - Addressing a larger and converging Automation market
  - Became a 'one-stop shop for automation' to orchestrate humans, multi-vendor bots, and AI
  - Meeting CIO security, reliability, scalability, and governance needs for RPA
- **Grew customer base and expanded existing customers in 2019**
  - Added 109 net new subscription customers
  - Increased to 48 customers with seven-figure ARR
- **Partners contributed more new logos in 2019**
  - Doubled new logo contribution in Q4 2019 compared to Q4 2018
  - Contributed 70% more new logos in 2019 compared to 2018
- **Appian Cloud continues to differentiate**
  - Grew to 93% of booked TCV for new logo customers in 2019
  - Expanded into five new Appian Cloud regions
  - Added three new certifications – HITRUST, ISO 27001, & NIST Cybersecurity
  - Established a partnership with Smartronix to deliver Impact Level 4 cloud security for defense agencies

\*Agreement executed in January 2020

# 2019 Q4 Financial Highlights – ASC 605

- **Revenue**

- Subscription Revenue was \$43.1m in Q4 2019, growth of 28% over Q4 2018
- Total Revenue was \$70.5m in Q4 2019, growth of 17% over Q4 2018

- **Retention**

- Net Revenue Retention Rate was 116% as of December 31, 2019

- **Gross Margins\***

- Subscriptions Margin was 89%
- Professional Services Margin was 33%
- Overall Gross Margin was 68%

\*Non-GAAP - Data does not include any stock-based compensation expense

# 2019 Financial Highlights – ASC 605

- **Revenue**

- Subscription Revenue was \$155.1m in 2019, growth of 34% over 2018
- Total Revenue was \$266.3m in 2019, growth of 17% over 2018

- **Retention**

- Net Revenue Retention Rate was 116% as of December 31, 2019

- **Gross Margins\***

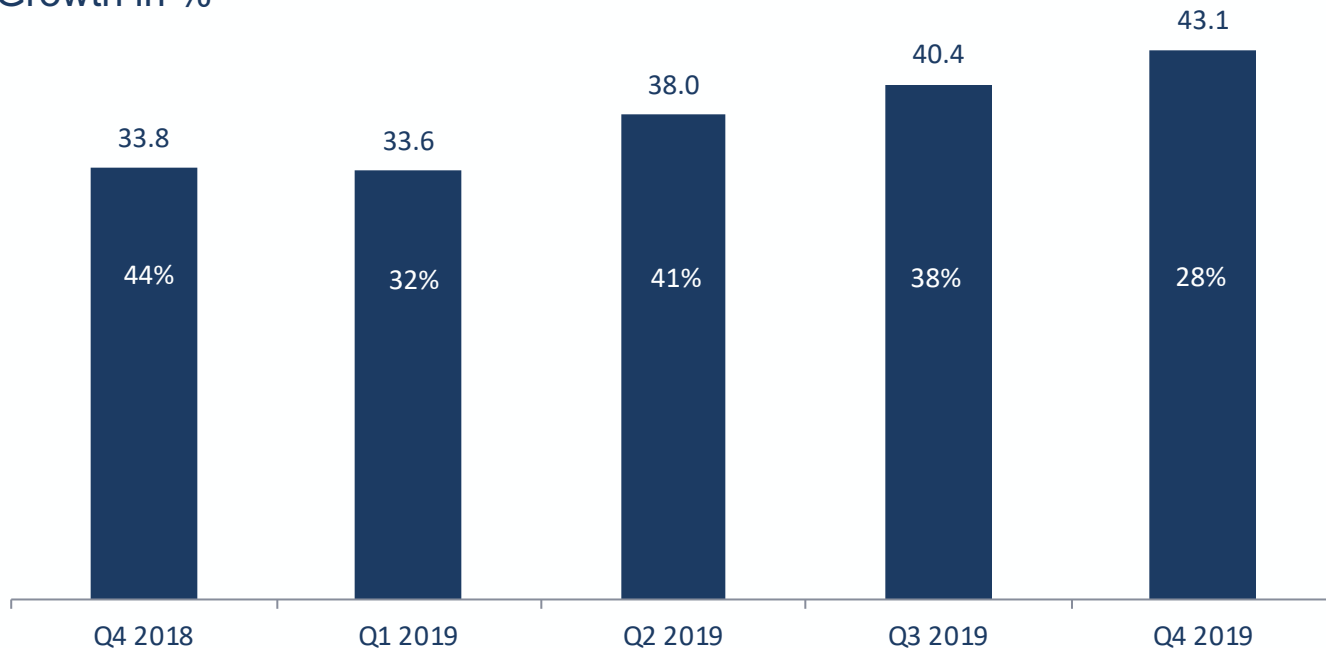
- Subscriptions Margin was 90%
- Professional Services Margin was 30%
- Overall Gross Margin was 66%

\*Non-GAAP - Data does not include any stock-based compensation expense

# Subscription Revenue – ASC 605

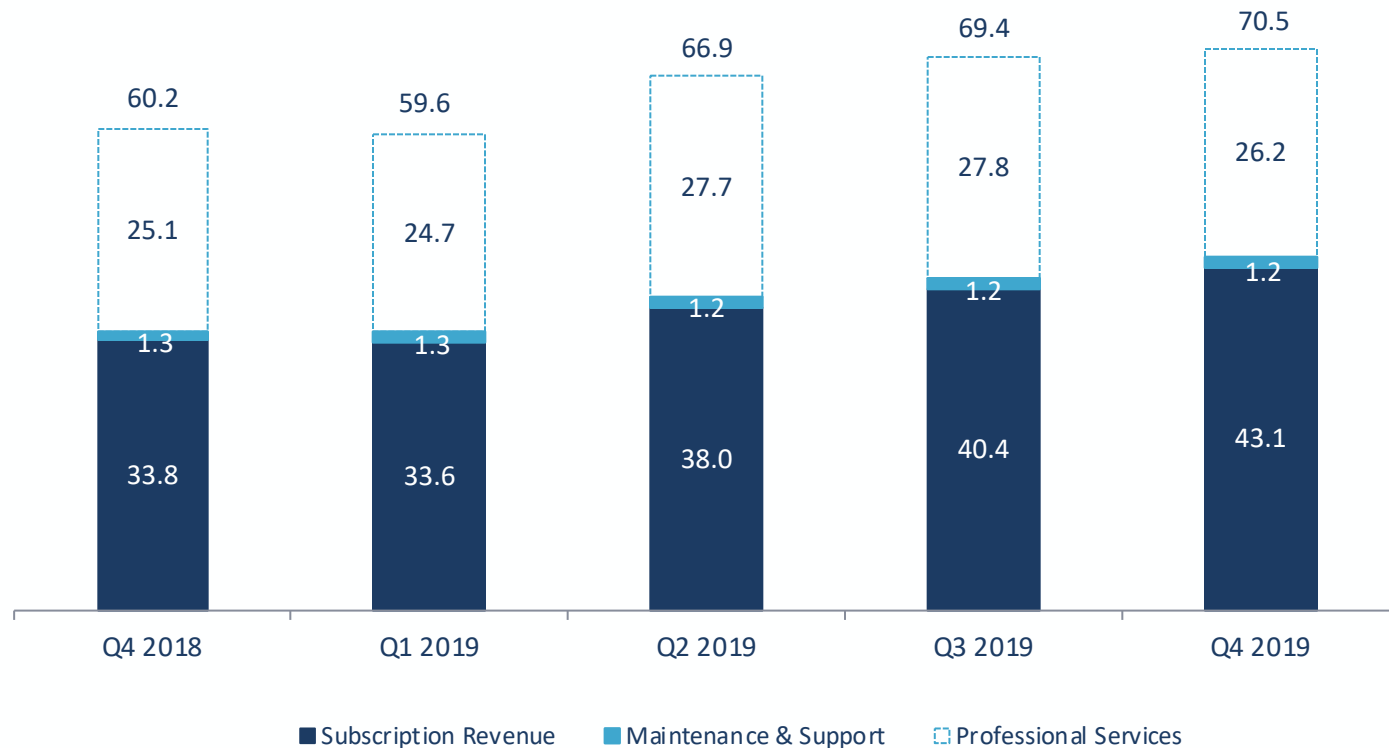
USD Millions

Y/Y Growth in %



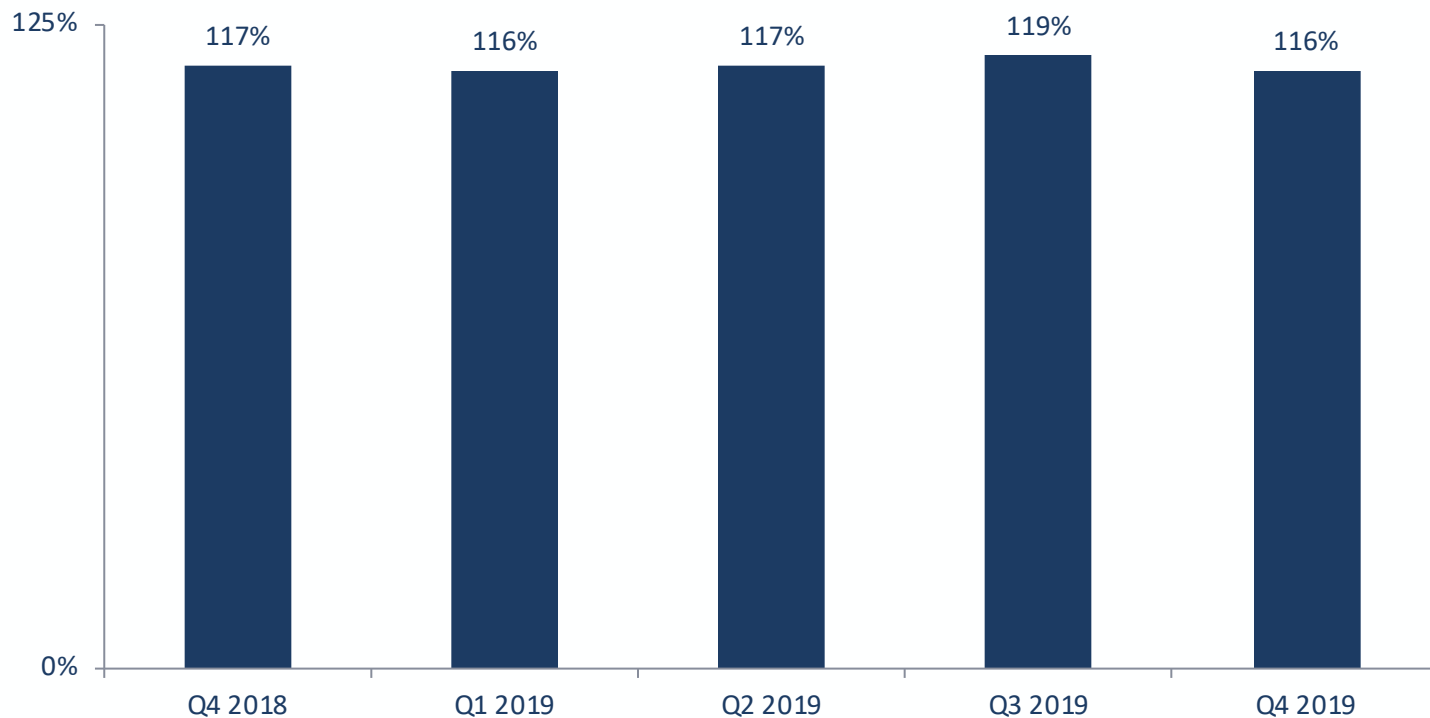
# Total Revenue – ASC 605

USD Millions



\*Total revenue may not foot due to rounding

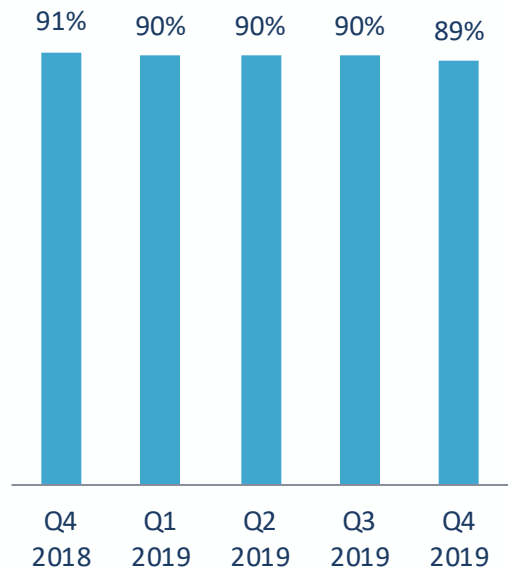
# Subscription Revenue Retention – ASC 605



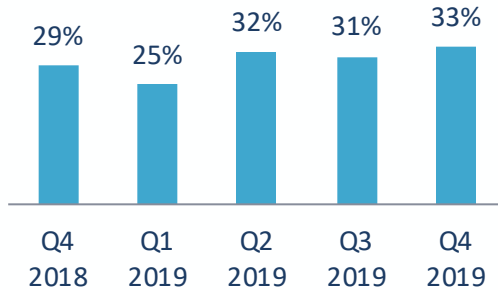


# Gross Margins\* - ASC 605

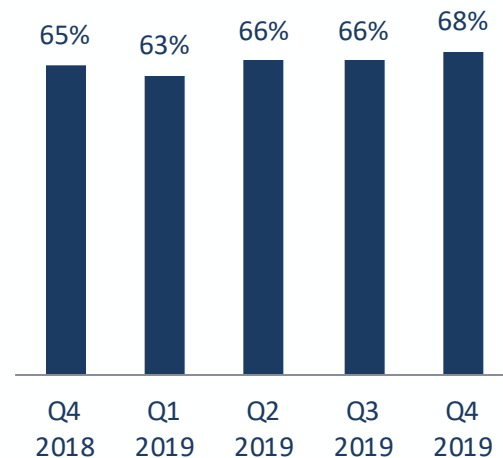
## Subscriptions



## Professional Services



## Overall



\*Non-GAAP - Data does not include any stock-based compensation expense

# Full Year 2019 Highlights – ASC 605

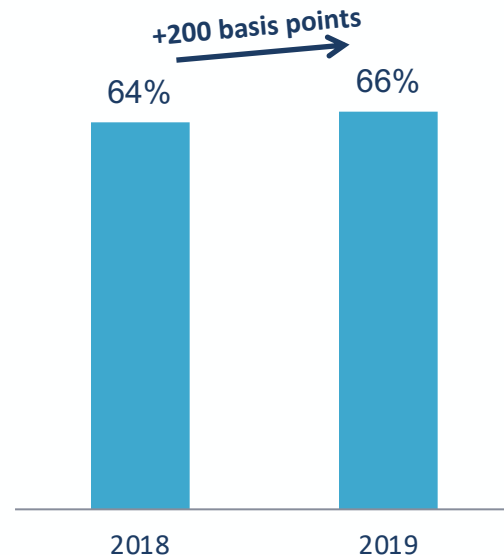
## Subscription Revenue (\$MM)



## Subscription Revenue Retention\*



## Overall Gross Margins\*\*



\*As of December 31, 2019

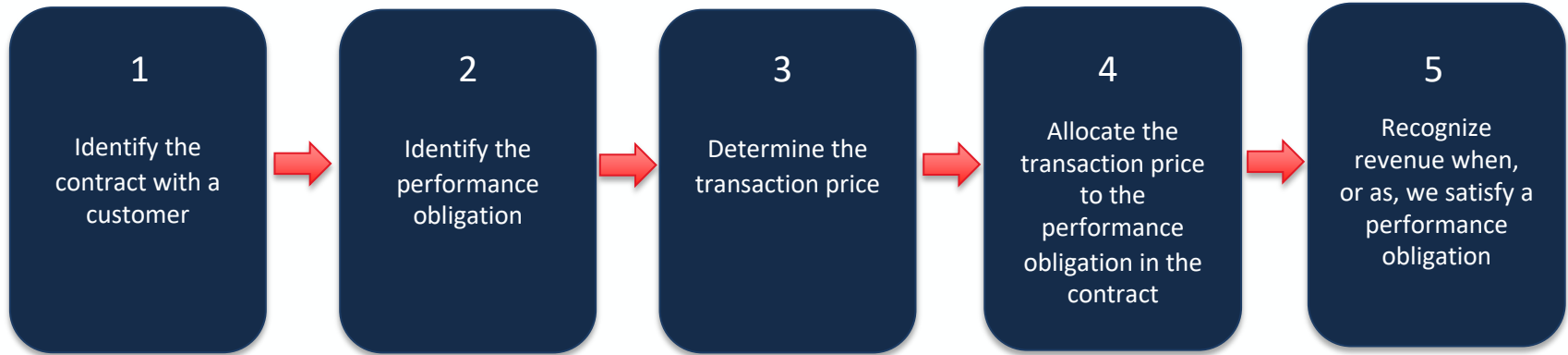
\*\*Non-GAAP - Data does not include any stock-based compensation expense

# ASC 606 Overview

- Appian adopted ASC 606 in our Annual Report on Form 10-K for the year ended December 31, 2019 using the modified retrospective method.
- Our annual and quarterly results for 2019 were recast.
- Amounts related to periods before 2019 were reflected in beginning retained earnings as of January 1, 2019.
- We provided a reconciliation of annual and quarterly 2019 results under both ASC 606 and ASC 605 for comparability.

# ASC 606 – Revenue Recognition Approach

Five-steps:



# ASC 606 – Key Differences

	ASC 605	ASC 606
SaaS (cloud) subscriptions	Ratable	Ratable
Term license (on prem) subscriptions	Ratable	Upon Delivery
Sales commissions	Deferred over contract term	Deferred over five year estimated economic life (new licenses)
Deferred revenue	Contractual amounts billed but not recognized as revenue	Contractual amounts billed but not recognized as revenue
Contract asset	Not disclosed	Unbilled amounts for which the amount of revenue recognized exceeds the amount billed
Remaining performance obligation	Not disclosed	Amount of contractual obligations yet to be recognized as revenue

# New Metrics

	ASC 605	ASC 606
Scale of the Business	Subscriptions, Software, and Support	Subscriptions Revenue
Future Growth*	Subscription Revenue	Cloud Subscription Revenue
Land and Expand*	Subscription Revenue Retention Rate	Cloud Subscription Revenue Retention Rate
Profitability	Non-GAAP loss from operations	Adjusted EBITDA

\*New Key Metric in Annual Report on Form 10-K

# Multi-year On-prem Licenses Obfuscate the Growth of Business

ASC 606 requires multi-year on-prem deals to be recognized upon delivery, which obfuscates the company's growth trajectory.

## Deal Terms – Example

**Total contract value:** \$300

**Term:** Three years

**Delivery date:** January 1, Year 1

**Invoicing:** Annually in advance

**Revenue recognition:** 80% upfront, 20% ratable over contract term

**Revenue recognition**

**commences:** January 1, Year 1

	End of Year 1	End of Year 2	End of Year 3
Term license (on prem) subscriptions revenue	\$240	\$0	\$0
Maintenance and support revenue	\$20	\$20	\$20
Billing	\$100	\$100	\$100
Deferred Revenue	\$0	\$0	\$0
Contract Asset	\$160	\$80	\$0
Unrecognized remaining performance obligations	\$40	\$20	\$0

# Annually Renewable On-prem Licenses Provide Visibility

Annually renewable on-prem licenses provide better visibility because they are recognized each year upon auto-renewal.

## Deal Terms – Example

**Total contact value:** \$300

**Term:** Three years w/ annual auto-renewals

**Delivery date:** January 1, Year 1

**Invoicing:** Annually in advance

**Revenue recognition:** 80% upfront, 20% ratable over contract term

**Revenue recognition**

**commences:** January 1, Year 1

	End of Year 1	End of Year 2	End of Year 3
Term license (on prem) subscriptions revenue	\$80	\$80	\$80
Maintenance and support revenue	\$20	\$20	\$20
Billing	\$100	\$100	\$100
Deferred Revenue	\$0	\$0	\$0
Contract Asset	\$0	\$0	\$0
Unrecognized remaining performance obligations	\$0	\$0	\$0



# 2019 Q4 Financial Highlights – ASC 606

- **Revenue**

- Cloud Subscription Revenue was \$26.4m in Q4 2019
- Subscriptions Revenue was \$42.1 million in Q4 2019
- Total Revenue was \$68.6m in Q4 2019

- **Retention**

- Cloud Subscription Revenue Retention Rate was 115% as of December 31, 2019

- **Gross Margins\***

- Subscriptions Margin was 89%
- Professional Services Margin was 34%
- Overall Gross Margin was 67%

\*Non-GAAP - Data does not include any stock-based compensation expense

# 2019 Financial Highlights – ASC 606

- **Revenue**

- Cloud Subscription Revenue was \$95.0m in 2019
- Subscriptions Revenue was \$151.3 million in 2019
- Total Revenue was \$260.4m in 2019

- **Retention**

- Cloud Subscription Revenue Retention Rate was 115% as of December 31, 2019

- **Gross Margins\***

- Subscriptions Margin was 89%
- Professional Services Margin was 32%
- Overall Gross Margin was 65%

\*Non-GAAP - Data does not include any stock-based compensation expense

# Guidance - ASC 606<sup>1</sup>

Given on February 20, 2020

In \$ Millions except for EPS	Q1 2020	FY 2020
Cloud Subscription Revenue	27.8 – 28.1	121.3 – 123.1
Cloud Subscription Revenue Growth Y/Y	31% - 32%	28% - 30%
Total Revenue	71.0 – 71.5	296.0 – 298.0
Total Revenue Growth Y/Y	18% - 19%	14%
Adjusted EBITDA Loss	(12.0) – (11.0)	(34.0) – (32.0)
Non-GAAP Loss per Share	(0.20) – (0.18) <sup>2</sup>	(0.58) – (0.55) <sup>3</sup>

(1) The impact from ASC 606 on FY 2020 subscriptions revenue is predicted to be more than the \$8.8 million in 2019 due to multi-year contracts that would have been recognized in prior years under ASC 605.

(2) Based on 67.6 million basic and diluted weighted average common shares outstanding for Q1 2020

(3) Based on 68.3 million basic and diluted weighted average common shares outstanding for FY2020

# Appendix

# Balance Sheet

\$ in thousands

## Assets

	As of December 31,			
	As Reported (ASC 606)	2019 Impacts from Adoption	Without Adoption (ASC 605)	2018 As Reported (ASC 605)
Cash and cash equivalents	\$ 159,755	\$ -	\$ 159,755	\$ 94,930
Accounts receivable, net of allowance of \$600	70,408	-	70,408	79,383
Deferred commissions, current	14,543	(6,061)	20,604	14,020
Prepaid expenses and other current assets	32,955	16,343	16,612	21,293
Property and equipment, net	39,554	-	39,554	7,539
Operating right-of-use asset	24,205	-	24,205	-
Deferred commissions, net of current portion	28,979	15,780	13,199	15,088
Other assets	1,086	-	1,086	927
<b>Total assets</b>	<b>\$ 371,485</b>	<b>\$ 26,062</b>	<b>\$ 345,423</b>	<b>\$ 233,180</b>

## Liabilities and Stockholders' Equity

Deferred revenue, current	\$ 82,201	\$ (28,985)	\$ 111,186	\$ 95,523
Operating lease liability, current	3,836	-	3,836	-
Finance lease liability, current	1,447	-	1,447	-
Other current liabilities	24,796	-	24,796	32,878
Operating lease liability, net of current	44,416	-	44,416	-
Finance lease liability, net of current	2,375	-	2,375	-
Deferred revenue, net of current portion	7,139	(4,891)	12,030	16,145
Other long-term liabilities	38	-	38	15,442
<b>Total liabilities</b>	<b>166,248</b>	<b>(33,876)</b>	<b>200,124</b>	<b>159,988</b>

## Stockholders' equity

Common stock	6	-	6	6
Additional paid-in capital	340,929	-	340,929	218,284
Accumulated other comprehensive (loss) income	(285)	320	(605)	542
Accumulated deficit	(135,413)	59,618	(195,031)	(145,640)
<b>Total stockholders' equity</b>	<b>205,237</b>	<b>59,938</b>	<b>145,299</b>	<b>73,192</b>

<b>Total liabilities and stockholders' equity</b>	<b>\$ 371,485</b>	<b>\$ 26,062</b>	<b>\$ 345,423</b>	<b>\$ 233,180</b>
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# Income Statement

	Three Months Ended March 31,			Three Months Ended June 30,		
	2019			2019		
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)
<i>\$ in thousands, except for shares</i>						
Revenue:						
SaaS (cloud) subscriptions	\$ 21,278	\$ 667	\$ 20,611	\$ 22,796	\$ 782	\$ 22,014
Term license (on prem) subscriptions	9,557	(3,417)	12,974	10,103	(5,908)	16,011
Maintenance and support	3,722	2,398	1,324	3,961	2,727	1,234
Total subscriptions revenue	34,557	(352)	34,909	36,860	(2,399)	39,259
Professional services	25,747	1,077	24,670	28,415	763	27,652
Total revenue	60,304	725	59,579	65,275	(1,636)	66,911
Cost of revenue:						
Subscriptions	3,585	-	3,585	4,036	-	4,036
Professional services	20,481	-	20,481	19,015	-	19,015
Total cost of revenue	24,066	-	24,066	23,051	-	23,051
Gross profit	36,238	725	35,513	42,224	(1,636)	43,860
Operating expenses:						
Sales and marketing	28,591	(1,354)	29,945	29,992	(1,156)	31,148
Research and development	13,956	-	13,956	12,765	-	12,765
General and administrative	9,016	-	9,016	9,261	-	9,261
Total operating expenses	51,563	(1,354)	52,917	52,018	(1,156)	53,174
Operating loss	(15,325)	2,079	(17,404)	(9,794)	(480)	(9,314)
Other (income) expense:						
Other income, net	(302)	(242)	(60)	(79)	177	(256)
Interest expense	71	—	71	69	—	69
Total other (income) expense	(231)	(242)	11	(10)	177	(187)
Loss before income taxes	(15,094)	2,321	(17,415)	(9,784)	(657)	(9,127)
Income tax expense	122	-	122	267	-	267
Net loss	(15,216)	2,321	(17,537)	(10,051)	(657)	(9,394)
Net loss per share attributable to common stockholders:						
Basic and diluted	\$ (0.24)	\$ 0.04	\$ (0.27)	\$ (0.16)	\$ (0.01)	\$ (0.15)
Weighted average common shares outstanding:						
Basic and diluted	64,306,667	—	64,306,667	64,753,044	—	64,753,044

# Income Statement

*\$ in thousands, except for shares*

	Three Months Ended September 30,			Three Months Ended December 31,		
	2019			2019		
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)
<b>Revenue:</b>						
SaaS (cloud) subscriptions	\$ 24,573	\$ 914	\$ 23,659	\$ 26,381	\$ 559	\$ 25,822
Term license (on prem) subscriptions	9,199	(7,577)	16,776	11,569	(5,687)	17,256
Maintenance and support	4,002	2,838	1,164	4,158	2,918	1,240
Total subscriptions revenue	37,774	(3,825)	41,599	42,108	(2,210)	44,318
Professional services	28,381	593	27,788	26,510	358	26,152
Total revenue	66,155	(3,232)	69,387	68,618	(1,852)	70,470
<b>Cost of revenue:</b>						
Subscriptions	4,484	-	4,484	4,993	-	4,993
Professional services	19,467	-	19,467	17,780	-	17,780
Total cost of revenue	23,951	-	23,951	22,773	-	22,773
Gross profit	42,204	(3,232)	45,436	45,845	(1,852)	47,697
<b>Operating expenses:</b>						
Sales and marketing	27,603	(1,255)	28,858	31,254	(860)	32,114
Research and development	15,697	-	15,697	15,625	-	15,625
General and administrative	11,191	-	11,191	12,028	-	12,028
Total operating expenses	54,491	(1,255)	55,746	58,907	(860)	59,767
Operating loss	(12,287)	(1,977)	(10,310)	(13,062)	(992)	(12,070)
<b>Other expense (income) :</b>						
Other expense (income), net	2,262	246	2,016	(2,822)	(228)	(2,594)
Interest expense	96	—	96	131	—	131
Total other expense (income)	2,358	246	2,112	(2,691)	(228)	(2,463)
Loss before income taxes	(14,645)	(2,223)	(12,422)	(10,371)	(764)	(9,607)
Income tax expense (benefit)	5	-	5	426	-	426
Net loss	(14,650)	(2,223)	(12,427)	(10,797)	(764)	(10,033)
<b>Net loss per share attributable to common stockholders:</b>						
Basic and diluted	\$ (0.22)	\$ (0.03)	\$ (0.19)	\$ (0.16)	\$ (0.01)	\$ (0.15)
<b>Weighted average common shares outstanding:</b>						
Basic and diluted	65,508,113	—	65,508,113	67,316,098	—	67,316,098

# Income Statement

	Year Ended December 31,			
	2019			2018
	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 606)	As Reported (ASC 605)
<i>\$ in thousands, except for shares</i>				
Revenue:				
Subscriptions	151,299	(8,786)	160,085	126,012
Professional services	109,053	2,791	106,262	100,731
Total revenue	260,352	(5,995)	266,347	226,743
Cost of revenue:				
Subscriptions	17,098	-	17,098	11,997
Professional services	76,743	-	76,743	72,928
Total cost of revenue	93,841	-	93,841	84,925
Gross profit	166,511	(5,995)	172,506	141,818
Operating expenses:				
Sales and marketing	117,440	(4,625)	122,065	105,992
Research and development	58,043	-	58,043	44,724
General and administrative	41,496	-	41,496	37,821
Total operating expenses	216,979	(4,625)	221,604	188,537
Operating loss	(50,468)	(1,370)	(49,098)	(46,719)
Other expense :				
Other expense, net	(941)	(47)	(894)	2,295
Interest expense	367	—	367	198
Total other expense	(574)	(47)	(527)	2,493
Loss before income taxes	(49,894)	(1,323)	(48,571)	(49,212)
Income tax expense (benefit)	820	-	820	239
Net loss	(50,714)	(1,323)	(49,391)	(49,451)
Net loss per share attributable to common stockholders:				
Basic and diluted	\$ (0.77)	\$ (0.02)	\$ (0.75)	\$ (0.80)
Weighted average common shares outstanding:				
Basic and diluted	65,479,327	—	65,479,327	62,140,684



# Reconciliation of Non-GAAP Measures

## Three Months Ended December 31,

2019

2018

As Reported

Without Adoption

As Reported

(ASC 606)

(ASC 605)

(ASC 605)

*\$ in thousands, except for shares*

Reconciliation of non-GAAP operating loss:

GAAP operating loss	\$ (13,062)	\$ (12,070)	\$ (13,302)
Add back:			
Stock-based compensation expense	3,388	3,388	4,807
Non-GAAP operating loss	\$ (9,674)	\$ (8,682)	\$ (8,495)

## Year Ended December 31,

2019

2018

As Reported

Without Adoption

As Reported

(ASC 606)

(ASC 605)

(ASC 605)

*\$ in thousands, except for shares*

Reconciliation of non-GAAP operating loss:

GAAP operating loss	\$ (50,468)	\$ (49,098)	\$ (46,719)
Add back:			
Stock-based compensation expense	16,443	16,443	16,054
Non-GAAP operating loss	\$ (34,025)	\$ (32,655)	\$ (30,665)

# Reconciliation of Non-GAAP Measures

	Three Months Ended December 31,		
	2019		2018
	As Reported (ASC 606)	Without Adoption (ASC 605)	As Reported (ASC 605)
<i>\$ in thousands, except for shares</i>			
Reconciliation of non-GAAP net loss:			
GAAP net loss	\$ (10,797)	\$ (10,033)	\$ (13,903)
Add back:			
Stock-based compensation expense	3,388	3,388	4,807
Non-GAAP net loss	<u>\$ (7,409)</u>	<u>\$ (6,645)</u>	<u>\$ (9,096)</u>
GAAP net loss per share attributable to common stockholders, basic and diluted	\$ (0.16)	\$ (0.15)	\$ (0.22)
Non-GAAP weighted average shares used to compute net loss per share attributable to common stockholders, basic and diluted	67,316,098	67,316,098	63,793,704
Non-GAAP net loss per share, basic and diluted	<u>\$ (0.11)</u>	<u>\$ (0.10)</u>	<u>\$ (0.14)</u>
Reconciliation of adjusted EBITDA:			
GAAP net loss	\$ (10,797)	\$ (10,033)	\$ (13,903)
Other (income) expense, net	(2,822)	(2,594)	510
Interest expense	131	131	64
Income tax expense	426	426	27
Depreciation expense	1,469	1,469	568
Stock-based compensation expense	3,388	3,388	4,807
Adjusted EBITDA	<u>\$ (8,205)</u>	<u>\$ (7,213)</u>	<u>\$ (7,927)</u>

# Reconciliation of Non-GAAP Measures

	Year Ended December 31,		
	2019		2018
	As Reported (ASC 606)	Without Adoption (ASC 605)	As Reported (ASC 605)
<i>\$ in thousands, except for shares</i>			
Reconciliation of non-GAAP net loss:			
GAAP net loss	\$ (50,714)	\$ (49,391)	\$ (49,451)
Add back:			
Stock-based compensation expense	16,443	16,443	16,054
Loss (gain) on disposal of asset	146	146	(4)
Non-GAAP net loss	<u>\$ (34,125)</u>	<u>\$ (32,802)</u>	<u>\$ (33,401)</u>
GAAP net loss per share attributable to common stockholders, basic and diluted	\$ (0.77)	\$ (0.75)	\$ (0.80)
Non-GAAP weighted average shares used to compute net loss per share attributable to common stockholders, basic and diluted	65,479,327	65,479,327	62,140,684
Non-GAAP net loss per share, basic and diluted	<u>\$ (0.52)</u>	<u>\$ (0.50)</u>	<u>\$ (0.54)</u>
Reconciliation of adjusted EBITDA:			
GAAP net loss	\$ (50,714)	\$ (49,391)	\$ (49,451)
Other (income) expense, net	(941)	(894)	2,295
Interest expense	367	367	198
Income tax expense	820	820	239
Depreciation expense	4,742	4,742	2,020
Stock-based compensation expense	16,443	16,443	16,054
Adjusted EBITDA	<u>\$ (29,283)</u>	<u>\$ (27,913)</u>	<u>\$ (28,645)</u>

# Stock Based Compensation Expense

<i>\$ in thousands</i>	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Cost of revenue:				
Subscriptions	\$ 185	\$ 159	\$ 647	\$ 514
Professional services	287	1,072	2,748	1,717
Operating Expenses				
Sales and marketing	771	1,692	4,742	3,473
Research and development	497	1,310	3,480	2,416
General and administrative	1,648	574	4,826	7,934
Total stock-based compensation expense	\$ 3,388	\$ 4,807	\$ 16,443	\$ 16,054

**Appian**