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Appian Q1 2026 Earnings Call Prepared Remarks Transcript

Brian Denyeau, Investor Relations

Good morning and thank you for joining us. Today, we'll review Appian's first quarter 2026 financial results. With me are Matt Calkins, Chairman and Chief Executive Officer, and Serge Tanjga, Chief Financial Officer. After prepared remarks, we'll open the call for questions.

During this call, we may make statements related to our business that are considered forward looking. These include comments related to our financial results; trends and guidance for the second quarter and full year 2026; 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.

These statements reflect our views only as of today and don't represent our views as of any subsequent date. We won't update these statements as a result of new information unless required by law. Actual results may differ materially from expectations due to the risks and uncertainties described in our SEC filings. Additionally, non-GAAP financial measures will be discussed on this conference call. Reconciliations of GAAP to non-GAAP financial measures are provided in our earnings release.

With that, I'd like to turn the call over to our CEO, Matt Calkins. Matt?

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Matt Calkins, Chairman and Chief Executive Officer

Thanks Brian, and thanks everyone for joining us today.

In the first quarter of 2026, Appian's cloud subscriptions revenue grew 25% year-over-year to $124.5 million. Subscriptions revenue grew 19% to $160.3 million. Total revenue grew 21% to $202.2 million. Adjusted EBITDA was $26.6 million. Our weighted-rule-of-forty scored 42, the highest level since we introduced the metric last year. Our GTM efficiency metric posted its 11th straight quarter of improvement.

Appian continues to build on our success in 2025. We met or exceeded financial expectations in Q1 and raised full year guidance. Serge will share the details.

Last week Appian announced the results of a study done with the Harvard Business Review on the state of AI in the workplace. It captures this unique moment in which every organization intends to use AI, but many struggle to get value from it, especially in the most important use cases.

HBR found that AI is used more for personal efficiency than it is for strategic applications. If an application is customer-facing or makes business decisions, it's probably not benefitting from AI. Appian's purpose is to bring AI into mission-critical applications at large, regulated companies where errors are not acceptable. We make AI reliable enough for such use cases by wrapping it in a deterministic framework of process technology.

AI is a probabilistic technology, unreliable by nature, while the most valuable use cases require complete dependability. HBR's study shows corporate users know what's needed to make their AI reliable: 92% know they need guardrails for AI, though most have not created them; most intend to integrate AI into process, though only 18% have done it. Organizations now understand how to equip AI for serious use cases, even if they haven't done it yet.

The HBR study conclusion states: "The next phase of AI maturity will depend on embedding AI directly into the core of how work gets done." Appian has been 'embedding AI into the core of how work gets done' for years, with our leading process automation technology. My conversations with customers indicate that we've helped them move faster than the market as a whole. Nearly 40% of Appian customers have purchased our AI-inclusive license tiers. Driven by AI demand, our 2026 pipeline is above our expectations and a key factor in our increased guidance for the remainder of this year.

Excitement over Appian AI was evident at our annual user conference, Appian World, which took place last week in Orlando. Our theme was "Serious AI", meaning AI used for strategic and valuable work. (Our point of course was that serious AI requires process.) Over a thousand customers, prospects and partners heard from Appian experts and peer organizations, including Citi, Pfizer, Merck, GE Aerospace, GE Healthcare, NASA, AARP, Regeneron, MunichRe, and CIBC Mellon. Customers reported that AI transformations are increasingly a board-level priority. AI alone operates at a low level of reliability but with Appian's framework it can work (and write applications) at a high level of reliability. We've created technology that complements AI, enabling it to be used in the most valuable situations.

Appian DocCenter is a great example of deploying AI within process. DocCenter automatically extracts data from incoming documents, then takes action accordingly. DocCenter runs at scale with over 95% accuracy, significantly higher than the 60% accuracy of traditional document recognition technology. Our customers processed more document pages in Q1 this year than they did in all of 2025 combined. Production use cases span all major industries.

I'll share a few customer examples. First, an international insurance company is automating processes and working to eliminate $100 million in operational costs by 2030. It named Appian its AI-document intake standard after DocCenter processed complex, unstructured physician statements with 98% accuracy.

Next, a global medical devices company manages its order-to-installation process on Appian. This quarter, it deployed DocCenter to automatically compare order packages against client documentation. It can now process items 80% faster. Once rolled out globally, Appian will validate one-hundred-thousand orders annually and save the firm an expected $16 million in operational costs over the next three years.

Finally, a top oil and gas company has been an Appian customer for several years. It uses our platform to onboard customers and suppliers 70% faster than before. This quarter, its Finance department chose Appian to spearhead its AI transformation and purchased a seven-figure software deal. Appian will automate the procure-to-pay process, starting with invoice payments. DocCenter will extract data from millions of supplier invoices annually and automatically reconcile them against the company's order management system. Appian will provide significant labor savings and help the company achieve its goal to reduce operating costs by $400M by the end of 2027.

Legacy modernization is a fast-growing component of our business, and perhaps the most popular topic at our conference last week. C-level executives respond immediately to the promise that we can migrate their legacy apps to our modern platform. According to McKinsey, 70% of Fortune-500 software is over 20 years old. We've been doing modernization migrations for a decade, with good results. The US Air Force saved $80 million after modernizing its tech stack with Appian and Hitachi consolidated over 500 systems into a single central Appian application.

Legacy modernization may be an idea whose time has come. New AI technology has expanded the opportunity by lowering the cost and increasing urgency. The cost is lower because natural-language development is now a mainstream way to compose applications in Appian. The urgency is higher because products like Anthropic's Mythos threaten to expose security weaknesses in all applications, especially old code stacks without modern support.

Many applications cannot be vibe-coded, written by AI alone. (As I often say, code may be cheap, but mistakes are still expensive.) Important applications will require a greater degree of reliability and precision, which Appian provides. We make AI enterprise-grade reliable in writing apps, just like we make it reliable in doing work.

For example, a major European automotive manufacturer manages supply chain operations, finance, and warranty claims on our platform. In Q1, it named Appian as its core modernization platform and purchased a seven-figure deal for more software licenses. The company's sprawling tech stack includes over 3,000 outdated and incomplete applications. Now, Appian will unify the enterprise as the organization decommissions legacy systems. The manufacturer aims to reduce its application landscape by about 40% as it builds enhanced workflows on Appian.

Customers have strong interest in Appian's agentic AI. Like all types of Appian AI, our agents are informed by our data fabric and deployed within the guardrails of our process. For example, a leading telecommunications company is using Appian to unify its digital advertisement operations. This quarter, it decided to automate compliance reviews and purchased more Appian licenses. Every network and streaming provider has unique rules about when and what type of content can be positioned on their channels. Before Appian, the company validated content manually. Now, Appian data fabric will unify client policies so our AI agents can reference a holistic dataset. Our agents will verify thousands of ads every day and flag outliers that need human review. Early results suggest Appian agents will achieve 98% accuracy and require 33% fewer resources.

The AI economy asks for transparency and openness. Appian is a longstanding believer in these values, as shown in our data fabric, that unifies distributed data sources without moving them. We've embraced what I call the three rules of the AI ecosystem: be useful, be open, and be safe. Our technology utilizes MCP inbound and outbound. Data fabric is an ideal data source for AI agents because it is comprehensive, open, performant, and secure. You can now develop Appian applications without ever opening an Appian interface, entirely from an AI command line in a product like Claude or Kiro. Our AI-enabling layer is also AI-agnostic, preventing AI lock-in, and empowering our clients to switch AI platforms 'in the background' without losing any of their capabilities.

Appian is off to a strong start in 2026. Our position as an essential enabler of AI continues to drive business momentum as customers gain real-world value from our platform.

With that, I'll hand the call to Serge.

Serge Tanjga, Chief Financial Officer

Thanks, Matt. I'll begin with a detailed review of our first quarter results and then finish with our outlook for the second quarter and full fiscal year 2026.

Starting with Q1 results, we had a strong quarter of new business, driven by continued AI traction and ongoing momentum in our focus on the high end of the market. The standout performer was our EMEA region. Cloud net new ACV bookings were approximately 82% of total net new software bookings in Q1, consistent with the prior year.

Appian exceeded the guidance ranges we provided on our key metrics of cloud revenue, total revenue, and adjusted EBITDA. Cloud subscriptions revenue was $124.5 million, an increase of 25% year over year. On a constant currency basis, cloud subscription revenue increased 20% year over year.

Total subscriptions revenue was $160.3 million, an increase of 19% year over year. On a constant currency basis, total subscriptions revenue grew 15% year over year. Professional services revenue was $41.9 million, up 31% compared to the first quarter of 2025. Total revenue was $202.2 million, an increase of 21% year over year. On a constant currency basis, total revenue grew 17% year over year.

Our cloud net ARR expansion was 115% in Q1, compared to 112% a year ago, and 114% in the prior quarter. As a reminder, we present net ARR expansion on a constant currency basis.

Now, let's turn to profitability. I'll be discussing our results on a Non-GAAP basis unless otherwise noted. Gross margin was 74%, compared to 75% from the year ago period and 73% in the prior quarter. Our subscriptions gross margin was 86%, compared to 87% in the year ago period and consistent with the prior quarter. Professional services gross margin was 29%, compared to 25% in the year ago period and

23% in the prior quarter. Total operating expenses were $125.6 million, up from $110.0 million in the year ago period.

Adjusted EBITDA was $26.6 million, ahead of our guidance range of $19 to $22 million, and compared to adjusted EBITDA of $16.8 million in the year ago period. This outperformance relative to our guide was largely driven by greater than expected revenue.

Net income was $19.8 million, or $0.27 cents per diluted share, compared to net income of $9.8 million, or $0.13 cents per diluted share for the first quarter of 2025. This is based on 74.4 million diluted shares outstanding for the first quarter of 2026 and 74.5 million diluted shares outstanding for the first quarter of 2025.

Turning to our balance sheet, as of March 31, 2026, cash and cash equivalents and investments were $206.0 million, compared with $187.2 million at the end of last year. For the first quarter, cash provided by operations was $48.8 million compared to $45.0 million for the same period last year. In the first quarter, we purchased $21.8 million worth of our stock.

Turning to guidance - starting with the second quarter of 2026, cloud subscriptions revenue is expected to be between $126 and $128 million, representing year-over-year growth of 19% at the midpoint of the range. Total revenue is expected to be between $191 and $195 million, representing year-over-year growth of 13% at the midpoint.

Adjusted EBITDA for the second quarter of 2026 is expected to be between $5 and $8 million. Non-GAAP earnings per share is expected to be between ($0.02) and $0.02 cents. This assumes 74.2 million fully diluted weighted average shares outstanding.

For the full year 2026, our cloud subscriptions revenue is expected to be between $515 and $521 million, representing year-over-year growth of 18% at the midpoint of the range. Total revenue is expected to be between $819 and $831 million, representing year-over-year growth of 13% at the midpoint.

Adjusted EBITDA is expected to range between $97 and $105 million, for an approximately 12% margin at the midpoint of the range. Non-GAAP earnings per share is expected to be between $0.94 and $1.05, or approximately 60% growth at the midpoint. This assumes 73.9 million fully diluted weighted average shares outstanding.

Our guidance assumes the following:

- First, we anticipate our non-cloud subscription revenue to be down in the mid single digits in Q2, related to timing of renewals vs Q3. For the full year, we expect non-cloud subscription revenue to be flat to slightly up.
- Second, we expect professional services revenue to grow in the high single digits in Q2 and low double digits for the full year.
- Third, total other income and interest expense will be approximately $3 million in Q2 and $12 million for the full year 2026.
- Fourth, our guidance assumes FX rates as of early May. Please note that we expect FX to benefit our reported revenue growth rates by roughly one percent in Q2, and have a neutral impact for the rest of the year.
- Finally, Q2 is our seasonally high quarter for marketing and event expenses, impacting our sequential EBITDA guidance. For the full year, we are raising our EBITDA guidance as we expect more than one percentage point of adjusted EBITDA margin expansion in 2026.

Before wrapping, let me also touch on our increased share repurchase program. As most of you know, we have always been careful about dilution. Thanks to a strong start to 2026 and our increased guidance, we are in a position to increase our buyback authorization from $50 to $100 million. We plan to execute this buyback during 2026, which will reduce our overall share count this year, driving further growth in our earnings per share.

In closing, we're pleased with our Q1 results. We are excited about the opportunity ahead and we'll continue to invest responsibly to maximize our long term value. We look forward to seeing many of you next week at our Investor Day in New York. We'll be sharing updates on our product and strategy, and you'll have the opportunity to hear directly from our customers and partners. If you'd like to attend, please reach out to investors@appian.com.

Now, we'll turn the call over for questions. Operator?