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Appian Q2 2026 Earnings Call Prepared Remarks Transcript

Brian Denyeau

Good morning and thank you for joining us. Today, we'll review Appian's second 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 third 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?

Matt Calkins, Chairman and CEO

Thanks Brian.

In the second quarter of 2026, Appian's cloud subscriptions revenue grew 23% to $131.7 million. Subscriptions revenue grew 19% to $157.7 million. Total revenue grew 19% to $203.3 million. Adjusted EBITDA was $16.2 million. For the second consecutive quarter, constant currency cloud revenue accelerated and grew over 20%. Our weighted-rule-of-forty was 36, and our GTM efficiency metric posted its 12th straight quarter of improvement.

We're increasing full-year guidance. We now expect our cloud business to grow 20% for the year, and we're raising EBITDA margin by two percentage points to 13%.

Those who've heard our earnings calls, or our investor day last quarter, know what's going on here. For others, I'll offer a brief explanation.

Appian is part of the AI stack.

Before you can deploy AI in enterprise applications, you need certain supporting functionality. Some call it a harness, a control plane, or an orchestration layer. Appian provides it.

Let's quickly review what that supporting functionality is.

First – You need a deterministic layer, since AI is probabilistic. This makes AI reliable enough to run in critical applications. Our process technology fits this need.

Second – You need to access information from across the enterprise, quickly and securely. Agents need broad access so they can roam for data. Our data fabric serves this purpose.

Third – You need governance, to track AI's actions and outcomes; for transparency, and for continuous improvement.

Fourth – you need to save tokens by allocating work to the right workers. You've got multiple AI models of different costs, plus digital workers, and people. AI is expensive, and nobody wants to be locked in, so a layer that allocates work is essential.

AI in the enterprise needs support – I've just listed four key things it needs. There's growing awareness of these needs. In this emerging space, Appian's capabilities are being validated by our customers.

Customers' Appian AI usage is twenty times greater than last Q2. And, 85% of our Q2 new logos bought our AI.

Appian's approach to AI is distinct and appeals to the high-end of the market. Our customers are big organizations, in highly regulated industries. Appian is used by two-thirds of the world's largest pharmas, insurers, and non-Chinese banks; plus 20 major governments. The US government is our single largest customer. These organizations cannot afford to make mistakes. They're not willing to throw AI at mission-critical applications and see what happens. They need a reliable framework for AI, and Appian provides it. We are all about reliability, and security, and safety.

Next I'll share a few examples of the value Appian customers are achieving with AI.

First, a leading health insurance provider that manages client services and enrollment on our platform. Before Appian, the insurer's template-based document processing system was unable to handle a diverse range of documents. This quarter, it deployed DocCenter, Appian's AI-powered document intake solution, to interpret over 100,000 medical records annually. The organization expects to save more than $10 million in operational costs over the next three years.

Next, a top global asset management firm runs dozens of Appian applications, saving hundreds of thousands of labor hours annually. This quarter, it deployed our AI into its existing Appian client services and onboarding processes to optimize them further. Our AI automatically classifies and extracts data from millions of customer forms per month, processing 90% automatically and routing the rest for human review. With this deployment they expect to save additional tens-of-millions of dollars annually.

Finally, a top global bank and long-time customer runs more than one-hundred mission critical Appian applications. In Q2, it signed a seven-figure net new software deal for additional licenses and to access our latest AI features. The bank intends to build a host of new apps, starting in its retail and commercial business. It'll deploy DocCenter to process customer-facing documents, for onboarding new customers, know-your-customer checks, and closing accounts. It will use our AI-assisted application development features to create new apps at scale. Appian is an essential part of the bank's plan to use AI to generate over a billion euros of business value by 2028.

Appian is seeing a rising tide of legacy modernization requests. AI has ignited demand in this market for two reasons. First, AI-driven application development is faster and more efficient than old ways of modernizing. Second, AI can exploit vulnerabilities in legacy systems, making them a liability. Every application built on Appian automatically inherits the latest features and best-in-class security of our platform.

I'll share two stories from Q2 that highlight our customers' growing appetite to modernize. First, a European rail operator signed a seven-figure Appian software deal to modernize core operations. It'll start by unifying its claims process, including injury, baggage loss, and trip cancellations. Before Appian, workers swiveled between decades-old systems to process each claim. Now, Appian will deliver a modern system to reduce processing times by 75%. The customer expects to save millions of dollars in labor costs.

Second, a collection of US federal law enforcement agencies aims to reduce transnational crime. Its legacy custom-coded applications are difficult to maintain and can't handle increased workloads. This quarter, it signed a seven-figure Appian software deal to replace 10 outdated systems to ingest and advance classified cases.

In closing, Appian is accelerating – due to our position in the AI stack. We help large organizations make AI reliable enough to use in mission-critical applications. When AI is involved, we are more likely to win new logos and we enjoy stronger revenue growth rates.

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

Serge Tanjga, CFO

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

Starting with Q2 results, we had a very strong quarter of new business, driven by continued AI traction. We saw strength across all major regions and industry verticals. Appian exceeded the guidance ranges we provided on our key metrics of cloud revenue, total revenue, and adjusted EBITDA. Cloud subscriptions revenue was $131.7 million, an increase of 23% year over year. On a constant currency basis, cloud subscriptions revenue increased 22% year over year, our strongest performance in over two years.

Total subscriptions revenue was $157.7 million, an increase of 19% year over year. On a constant currency basis, total subscriptions revenue grew 18% year over year. Professional services revenue was $45.6 million, up 20% compared to the second quarter of 2025. Total revenue was $203.3 million, an increase of 19% year over year. On a constant currency basis, total revenue grew 18% year over year.

Our cloud net ARR expansion was 115% in Q2, compared to 113% a year ago, and 115% 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 72%, flat year-over-year and down from 74% in the prior quarter. Our subscriptions gross margin was 84%, compared to 85% in the year ago period and down from 86% in the prior quarter. Professional services gross margin was 31%, compared to 29% in the year ago period and in the prior quarter. Total operating expenses were $133.1 million, up from $117.9 million in the year ago period.

Adjusted EBITDA was $16.2 million, ahead of our guidance range of between $5.0 and $8.0 million, and compared to adjusted EBITDA of $8.1 million in the year ago period. This outperformance relative to our guide was driven by greater than expected revenue and timing of certain expenses.

Net income was $9.2 million, or $0.13 cents per diluted share, compared to net income of $0.3 million, or breakeven for the second quarter of 2025. This is based on 73.3 million diluted shares outstanding for the second quarter of 2026 and 74.6 million diluted shares outstanding for the second quarter of 2025.

Our stock-based compensation expense was $10.6 million in Q2 2026, or $0.14 cents per diluted share. In the second quarter, we purchased approximately 1.8 million shares for $43.9 million, bringing our total buyback to $65.7 million under our current $100 million authorization.

Turning to our balance sheet, as of June 30, 2026, cash and cash equivalents and investments were $167.9 million, compared with $187.2 million at the end of last year. For the second quarter, cash provided by operations was $12.1 million compared to cash used by operations of ($1.9) million for the same period last year. Today we are also announcing that we have refinanced our credit facility on more favorable terms, reflecting our significantly improved profitability; as a result, our interest expense will be lower by approximately $4 million annually.

Turning to guidance - starting with the third quarter of 2026, cloud subscriptions revenue is expected to be between $133 and $135 million, representing year-over-year growth of 18% at the midpoint of the range. Total revenue is expected to be between $214 and $218 million, representing year-over-year growth of 16% at the midpoint.

Adjusted EBITDA for the third quarter of 2026 is expected to be between $30 and $33 million. Non-GAAP earnings per share is expected to be between $0.31 and $0.35 cents. This assumes 72.6 million fully diluted weighted average shares outstanding.

For the full year 2026, our cloud subscriptions revenue is expected to be between $525 and $529 million, representing year-over-year growth of 20% at the midpoint of the range. Total revenue is expected to be between $845 and $853 million, representing year-over-year growth of 17% at the midpoint.

Adjusted EBITDA is expected to range between $104 and $110 million, for an approximately 13% margin and 39% year-over-year growth at the midpoint. Non-GAAP earnings per share is expected to be between $1.04 and $1.12, or approximately 77% growth at the midpoint. This assumes 73.2 million fully diluted weighted average shares outstanding.

Our guidance assumes the following:

- First, we anticipate our non-cloud subscription revenue to grow in the low double digits in Q3, and low-to-mid single digits for the full year.
- Second, we expect professional services revenue to grow in the mid teens in Q3 and in high teens for the full year, driven by strength in the US public sector.
- Third, net interest income and interest expense will be approximately $3 million in Q3 and $10 million for the full year 2026.
- Fourth, our guidance assumes FX rates as of early August. Due to the recent strengthening of the US dollar, we now expect FX to represent a modest headwind to our reported revenue growth in the back half of 2026.
- Finally, we are now forecasting approximately two percentage points of EBITDA margin improvement in 2026, as we continue to balance investing for growth and expanding margins.

In closing, we see our strong Q2 results and increased guidance as continued validation of our AI value proposition. We are excited about the opportunity ahead and we’ll continue to invest responsibly to maximize our long term value.

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