



Appian Q4 2025 Earnings Call Prepared Remarks Transcript

Brian Denyeau, Investor Relations

Good morning and thank you for joining us. Today, we'll review Appian's fourth quarter 2025 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 first 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 Chief Executive Officer

Thanks Brian, and thanks everyone for joining us today.

In the fourth quarter of 2025, Appian's cloud subscriptions revenue grew 18% to \$117.0 million.

Subscriptions revenue grew 19% to \$162.3 million. Total revenue grew 22% to \$202.9 million. Adjusted EBITDA was \$19.7 million. For the full year, Appian's cloud subscriptions revenue grew 19% to \$437.4 million. Subscriptions revenue grew 18% to \$576.5 million. Total revenue grew 18% to \$726.9 million. Adjusted EBITDA was \$76.8 million.

2025 was a successful year for Appian, for several reasons.

First, we executed our strategy to sell big deals to leading organizations. The number of customers that purchased over a million dollars of software this year grew 50%, nearly doubling the value of our seven-figure transactions. I'll share two quick examples. A European pharmaceutical research organization purchased a seven-figure software deal to digitize its clinical trial site selection. Appian will accelerate its selection process with AI, improving patient selection efficiency and reducing trial costs. Separately, a North American aerospace manufacturer purchased a seven-figure software deal to automate a core manufacturing system and save the company nearly \$60M over the next three years.

The second reason Appian had a successful 2025 is that our position within the US Public Sector strengthened, partly due to structural changes. We closed big deals as the new administration emphasized efficiency and changed how it purchases and implements technology. For example, a US military branch named Appian its cornerstone platform to modernize operations and increase efficiency. In Q4, it signed a seven-figure software deal to unify systems and deploy them to over one-hundred-thousand users.



The federal government has shifted to partner more directly with software vendors and reduce its reliance on intermediaries. Appian stands to benefit, as indicated by the Enterprise Agreement that the US Army awarded us this quarter. The Army is already an eight-figure ARR customer. This new framework allows it to purchase 500 million dollars in Appian software and services over the next 10 years. This agreement shows the Army's ambition and commitment to use Appian to modernize systems and transform operations, with process and AI.

The third reason Appian had a successful year is that we continued to increase our operational efficiency. We've now increased our go-to-market efficiency in 10 sequential quarters. You know this metric means a lot to me; I always mention it. Appian generated 11% adjusted EBITDA margin for the full year 2025, compared to -8% just two years before. We created \$63 million in operating cash flow, compared to a loss of -\$110 million two years ago. Credit these efficiency improvements to tighter resource allocation in sales, global diversification, and back-office AI enhancements. We're creating an operating model that's built to drive further margin expansion going forward. Appian's strong financial performance puts us in a position to start consistently returning capital to shareholders. Today, we're announcing a \$50 million stock buyback.

Finally, I will tell you the best thing about 2025. The best thing is that it's become common knowledge over the past 6 months that AI needs process (also known as workflow). Without a process framework, AI cannot add value to complex workstreams or collaborations. Market analysts and researchers, like Gartner and MIT, published papers on the topic. Customers, prospects, and partners have all confirmed the trend. Our competitors shifted their messaging, began talking about workflow, and added rudimentary process technology. This trend validates Appian's longstanding position on the issue, and recognizes the synergy between AI and process that we built our strategy around.

I'll take a moment to explain why AI needs process. AI is probabilistic, which is to say it's slightly unpredictable. Most important work, at the large organizations Appian targets, requires total reliability. So



AI needs a deterministic framework, like our process layer. That deterministic layer provides direction, and guardrails, and certain functionality you wouldn't ask AI to write on its own. Code is becoming cheap, but mistakes aren't -- so the more important the work the more essential is the deterministic layer.

In the coming years, AI will do a lot of work, and write a lot of software, but it's not going to do it alone! Where AI goes, process must also go. Our technology is an essential enabler of AI.

Appian has been a process leader for more than 20 years. We were a pioneer in this market back when they called it 'business process management'. We led providing BPM in the cloud. We led in building a process-centric suite. Our unitary platform provides workflows, data fabric, process mining, and built-in security. We led again embedding AI in our processes. We've earned trust at the largest firms and are executing mission-critical processes to the highest standards. Two-thirds of the world's top 10 life science firms, asset managers, and non-Chinese banks are Appian customers, as well as all 15 cabinet-level agencies and military branches in the US government. These groups use our platform for complex mission-critical processes like customer onboarding, claims management, patient intake, regulatory compliance, and procurement.

Exponential growth in our AI traffic shows that our platform is becoming an AI vehicle for large organizations. AI use on our platform grew 14x year over year, and we are monetizing that growth. Customers must upgrade to Appian's AI license tier, which comes with an average price increase of 25%. A meaningful number of customers make this upgrade every quarter, including this quarter. Much of our revenue, profit, and pipeline growth in 2025 is a result of our synergy with AI. Most of the seven-figure software deals we booked this year were driven by a desire to access our advanced features, like AI. Here are three examples:

First, a leading pharmaceutical company deployed Appian AI into an existing application this quarter. The application tracks interactions between the company's sales team and healthcare practitioners to ensure



compliance with international regulations. We're deploying an Appian product called DocCenter that uses AI to parse incoming emails, documents, and other communications. DocCenter uploads data, pre-populates forms, triggers workflows, and accelerates response times (in this case) by 88%.

Next, a top advocacy organization representing over 100 million Americans and seven-figure ARR customer named Appian an enterprise standard this year. It recognized the importance of deploying AI within an Appian process after evaluating various AI vendors. In Q4, it purchased a large upgrade to access our latest AI features. The group will deploy Appian AI agents to reconcile tens of thousands of invoice payments annually. Reconciliations used to take over an hour per invoice. Now, the organization expects to complete tie outs in just minutes.

Finally, a network of European banks signed a seven-figure software deal this quarter to access our latest AI features. The group already runs know-your-customer and loan overdraft processes on Appian. In Q4, they named our platform as an enterprise standard for modernizing core processes. The conglomerate will use Appian DocCenter to classify and extract data from dozens of documents to open cases for processing. The banks expect to save more than 20 million euros over three years as they scale operations.

Recent market moves show investors are concerned that AI poses an existential threat to software firms, including Appian. There are two main worries: first that AI will do all the work that software used to do, and second that AI will write all the applications. I'll address each point.

First, Appian leads in a technology that AI cannot thrive without. It's becoming understood now just how much AI needs process. AI is probabilistic technology, not reliable enough for the highest-value use cases. Unpredictability is an indelible part of AI's identity; years of improvement will not make it otherwise. Nor will enterprises ever decide to accept AI-level unreliability. A deterministic layer is essential, something to direct the work, something to detect and remediate the errors, something that



can produce perfect outputs from imperfect efforts. Process and workflow is that technology. Long before AI, process orchestration was developed to best utilize that other unpredictable worker, the human being.

As repeated studies attest, AI is not yet transformative in the enterprise. In PWC research last month, most CEOs report AI having no impact on revenue or cost. But impact is coming, when AI is connected to valuable workstreams, and Appian is leading the way. With the help of a process layer, AI will be a very productive worker indeed, and very widely deployed. Providing a framework so that AI can address the world's most important work is like selling pickaxes in a gold rush.

Second, about AI writing code; we sell to our customers value and safety, not code. Approximately 80% of our revenue comes from highly regulated industries and the government sector. Customers buy Appian for performance, precision, and peace of mind. We sell compliance to regulations, reliable customer service, and accurate decisions. We sell the reassurance of a community of practitioners and 24-hour expert support. AI-generated code cannot provide these things. Only with Appian's deterministic framework can AI create applications and perform work to meet the most exacting requirements. This is the reason why no Appian buyer has ever suggested to me that they would vibe-code a critical system. They know better.

This current concern about AI-generated code reminds me of the open-source scare years ago. Open source seemed to threaten the pricing power of the entire sector, but in the end it proved that code isn't the center of value in enterprise software. The value comes from the community and the support and the corporate commitment to reliability. Since 'open source' became a popular term in the late 90s, the global software industry has grown by a factor of over 5x. Appian has faced open source competitors in our market; they appealed best to low-end buyers and had no impact on our growth. I expect AI-generated code to be adopted in mistake-tolerant and low-value use cases. To write enterprise code, AI needs a platform like ours that facilitates careful specification, developer collaboration, revision, and the strategic reuse of pre-existing assets.



In conclusion: The more organizations use AI, the more they need process orchestration. Process mitigates AI's shortcomings. Together AI & process can address the world's most critical jobs, but AI cannot do it alone.

Before I end my segment, I'd like to welcome Dave Link to Appian's Board of Directors. Dave is an expert in scaling enterprise software companies and applying AI to complex, globally distributed systems. He is the CEO of ScienceLogic, an AI-driven observability and IT operations platform. I'm excited to welcome him to our team. I also want to thank Jack Biddle for his exceptional contributions over the course of many years on the Appian board.

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

Serge Tanjga, Chief Financial Officer

Thanks, Matt. Before turning to our fourth quarter results, I want to cover some changes that we are making in our reporting in order to give investors better insight into our financial performance.

- First, we have reclassified certain IT, cybersecurity, and facility expenses from our G&A expense line item into other line items on our P&L. There is no change to our total expenses, just which line item they are shown in. We believe this new presentation of our financials is more comparable to those of other software companies.
- Second, we are introducing a new metric, cloud net ARR expansion. This metric is calculated by taking the ARR of our cloud customers at the end of the prior year period and measures the ARR of those same customers at the end of the current quarter. We report cloud net ARR expansion in constant currency. We believe this metric gives investors a more timely insight into our business and is more comparable to how other software companies report expansion from existing customers. Going forward, we will no longer report cloud gross renewal rate and net revenue retention.



- Finally, we refined our definition of a customer. We now aggregate entities based on their ultimate parent company or an equivalent government entity, whereas we previously counted at a more granular level. As with our other changes, we believe this new methodology is more common practice.

Please refer to the earnings call supplemental deck for further information on these changes.

Now let me turn to our Q4 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 Commercial North America theater, with the fastest new business growth in over 3 years. Cloud net new ACV bookings were approximately 76% of total net new software bookings in Q4, compared to 65% in the prior year. Q4 cloud net new ACV growth was the strongest we've seen in almost three years.

Appian met or exceeded the guidance ranges we provided on our key metrics of cloud revenue, total revenue, and adjusted EBITDA. Cloud subscriptions revenue was \$117.0 million, an increase of 18% year over year. We achieved the high end of our guidance even as FX contributed approximately \$1 million less than what was assumed in our guidance. On a constant currency basis, cloud subscription revenue increased 16% year over year. This quarter was more back-end loaded than normal in terms of new business, resulting in relatively little revenue contribution from new business in the quarter; our constant currency cloud ARR growth, which represents the exit run rate, was stable versus Q3.

Total subscriptions revenue was \$162.3 million, an increase of 19% year over year. On a constant currency basis, total subscriptions revenue grew 16% year over year. Professional services revenue was \$40.6 million, up 36% compared to the fourth quarter of 2024. Total revenue was \$202.9 million, an increase of 22% year over year. On a constant currency basis, total revenue grew 19% year over year.



Our cloud net ARR expansion was 114% in Q4, compared to 113% a year ago, and 112% in the prior quarter. The uptick was driven by a particularly strong quarter of upsells to existing customers in Q4. We ended the year with 140 customers with \$1MM+ of ARR, compared to 115 a year ago.

Now, let's turn to profitability. Non-GAAP gross margin was 73%, compared to 77% from the year ago period and 74% in the prior quarter. Our subscriptions non-GAAP gross profit margin was 86%, compared to 88% in the year ago period and 86% in the prior quarter. Professional services non-GAAP gross margin was 23%, compared to 27% in the year ago period and 31% in the prior quarter. Total non-GAAP operating expenses were \$131.5 million, up from \$109.8 million in the year ago period.

Adjusted EBITDA was \$19.7 million, ahead of our guidance of \$10.0 to \$13.0 million, and compared to adjusted EBITDA of \$21.2 million in the year ago period. This outperformance relative to our guide was largely driven by greater than expected revenue.

Non-GAAP net income was \$11.1 million, or \$0.15 cents per diluted share, compared to a non-GAAP net income of \$13.2 million, or \$0.18 cents per diluted share for the fourth quarter of 2024. This is based on 74.9 million diluted shares outstanding for the fourth quarter of 2025 and 74.6 million diluted shares outstanding for the fourth quarter of 2024.

Turning to our balance sheet, as of December 31, 2025, cash and cash equivalents and investments were \$187.2 million, compared with \$159.9 million at the end of last year. For the fourth quarter, cash provided by operations was \$1.1 million compared to \$13.9 million for the same period last year. For the full year 2025, cash provided by operations was \$62.9 million, compared to \$6.9 million in 2024.

Turning to guidance, we are expecting to deliver another year of solid cloud subscription revenue growth and our 3rd consecutive year of adjusted EBITDA margin expansion. Our focus is on consistent execution and capitalizing on the opportunity in front of us.



Starting with the first quarter of 2026, cloud subscriptions revenue is expected to be between \$119 and \$121 million, representing year-over-year growth of 20% at the midpoint of the range. Total revenue is expected to be between \$189 and \$193 million, representing year-over-year growth of 15% at the midpoint.

Adjusted EBITDA for the first quarter of 2026 is expected to be between \$19 and \$22 million. Non-GAAP earnings per share is expected to be between \$0.16 and \$0.20 cents. This assumes 75.1 million fully diluted weighted average shares outstanding.

For the full year 2026, our cloud subscriptions revenue is expected to be between \$502 and \$510 million, representing year-over-year growth of 16% at the midpoint of the range. Total revenue is expected to be between \$801 and \$817 million, representing year-over-year growth of 11% at the midpoint.

Adjusted EBITDA is expected to range between \$89 and \$99 million, for an approximately 12% margin at the midpoint of the range. Non-GAAP earnings per share is expected to be between \$0.82 and \$0.96 cents, or approximately 46% growth at the midpoint. This assumes 74.8 million fully diluted weighted average shares outstanding.

Our guidance assumes the following:

- First, we anticipate our non-cloud subscription revenue to be roughly flat on a year-over-year basis in Q1 and in 2026, as our customers are increasingly opting for the cloud.
- Second, we expect professional services to grow in the teens in Q1 and in high single digits for the full year.
- Third, total other income and interest expense will be approximately \$3.0 million in Q1 and \$12.0 million for the full year 2026.



- Fourth, our guidance assumes FX rates as of mid-February. Please note that we expect FX benefit to our reported revenue growth rates in Q1, but we expect FX to be roughly neutral to year-over-year growth for the rest of the year as we annualize the US dollar depreciation from April of last year.
- Finally, as discussed previously, after two years of relatively flat Opex, we are returning to a moderate pace of investment in 2026. We are investing in the growth of our Sales org as well as the expansion of our engineering capacity in India. Despite these investments, we are forecasting one percentage point of adjusted EBITDA margin expansion in 2026.

Before wrapping, let me also touch on our share repurchase announcement. As most of you know, we are very careful about dilution, as evidenced by our stock-based compensation expense as a percent of revenue which is less than half that of other software companies our size. As Matt mentioned, thanks to the significant improvements in profitability over the last two years and becoming a meaningful cash flow generator, we are in a position to announce a \$50 million share buyback. We expect this program will essentially offset the dilution from stock grants issued this year. We see this buyback authorization as the beginning of a consistent capital return policy for our shareholders. Our intention is to scale the size of our share repurchase program in line with the growth in our cash flow in the coming years. We will look to execute on this buyback during 2026.

In closing, we're pleased with our Q4 results, in particular our traction with AI, and believe we are well positioned to deliver a successful 2026. We are excited about the opportunity ahead and we'll continue to invest responsibly to maximize our long term value.

Before we move to Q&A, I'd like to invite you to our Investor Day in New York on May 14th. We'll be sharing updates on our product and strategy, and you'll have the opportunity to hear directly from our customers. If you'd like to attend, please reach out to investors@appian.com.

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