



Q4 & Full Year 2020 Earnings Call Presentation

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Appian

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 and full year 2021, the impact of COVID-19 on our business and on the global economy, 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 2020 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.

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 & Full Year 2020 Business Highlights

Ranked as top vendor by analysts and customers

- Named a Leader in Gartner's 2020 Magic Quadrant for Enterprise Low-Code Application Platforms
- Named a 2021 Customer's Choice for Enterprise Low-Code Application Platforms on Gartner Peer Insights
- Ranked as the #1 low-code vendor among Global and Large Enterprises on Gartner Peer Insights

Grew customer base and expanded within existing customers

- Added 167 net new subscription customers, growth of 50% compared to 2019
- 81% of 2019 seven-figure ARR customers purchased more software in 2020

EMEA region had noteworthy expansion

- Doubled new logos in Q4 2020 compared to Q4 2019
- Won twice as many seven-figure deals in 2020 compared to 2019

Partner ecosystem drives growth in 2020

- Contributed more than 70% of new logos during 2020
- Contributed more new logos in 2020 than the number of new logos added to Appian's customer base in 2019

Q4 2020 Financial Highlights

Revenue

- Cloud Subscription Revenue was \$36.9m in Q4 2020, growth of 40% over Q4 2019
- Subscriptions Revenue was \$56.1m in Q4 2020, growth of 33% over Q4 2019
- Total Revenue was \$81.6m in Q4 2020, growth of 19% over Q4 2019

Retention

- Cloud Subscription Revenue Retention Rate was 119% as of December 31, 2020

Gross Margins*

- Subscriptions Margin was 90%
- Professional Services Margin was 38%
- Overall Gross Margin was 74%

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

Full Year 2020 Financial Highlights

Revenue

- Cloud Subscription Revenue was \$129.2m in 2020, growth of 36% over 2019
- Subscriptions Revenue was \$198.7m in 2020, growth of 31% over 2019
- Total Revenue was \$304.6m in 2020, growth of 17% over 2019

Retention

- Cloud Subscription Revenue Retention Rate was 119% as of December 31, 2020

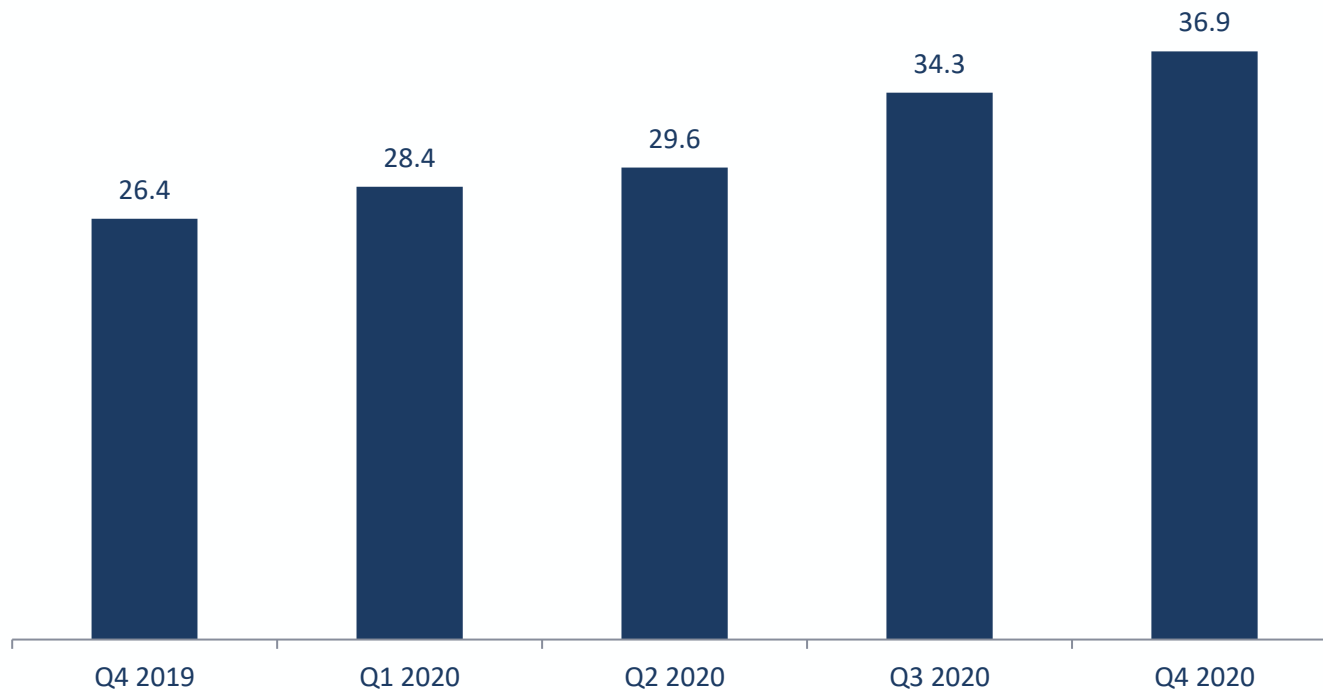
Gross Margins*

- Subscriptions Margin was 90%
- Professional Services Margin was 37%
- Overall Gross Margin was 72%

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

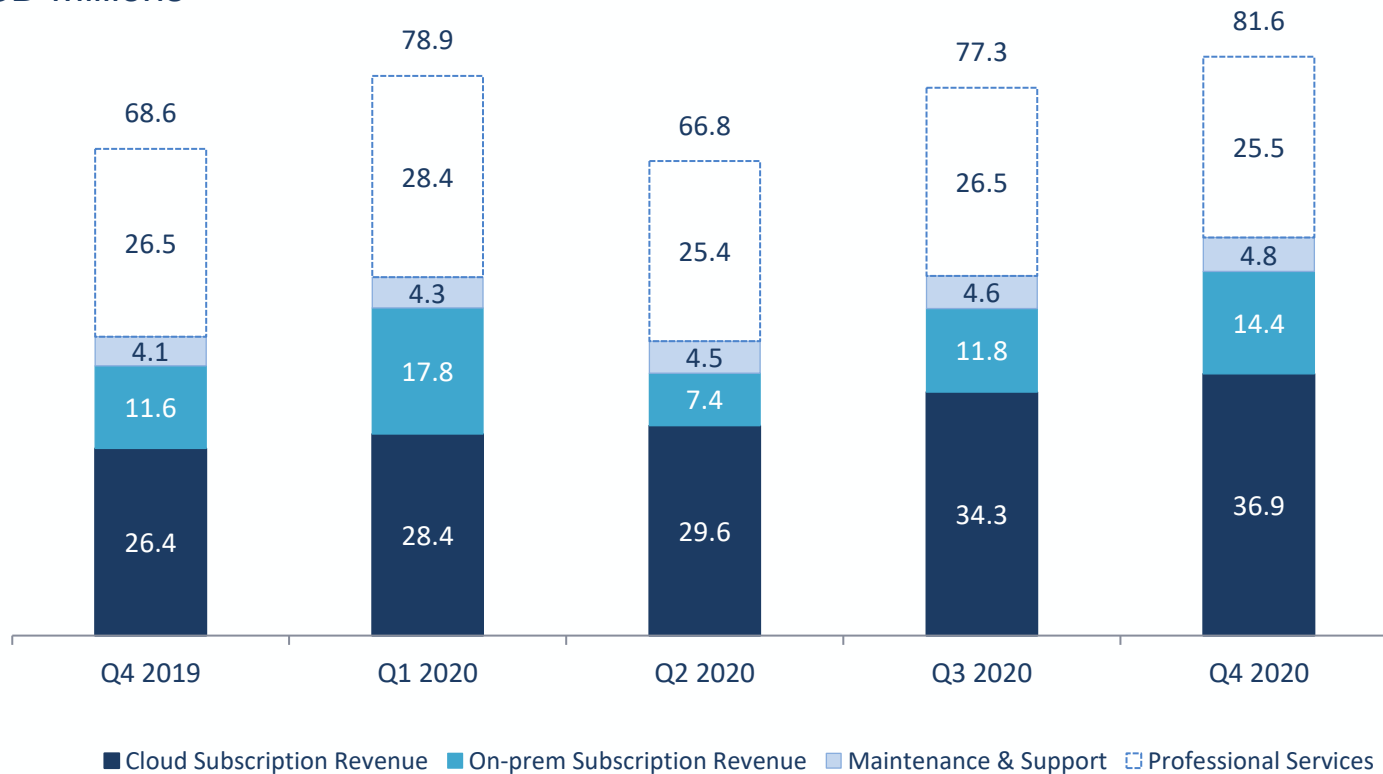
Cloud Subscription Revenue

USD Millions



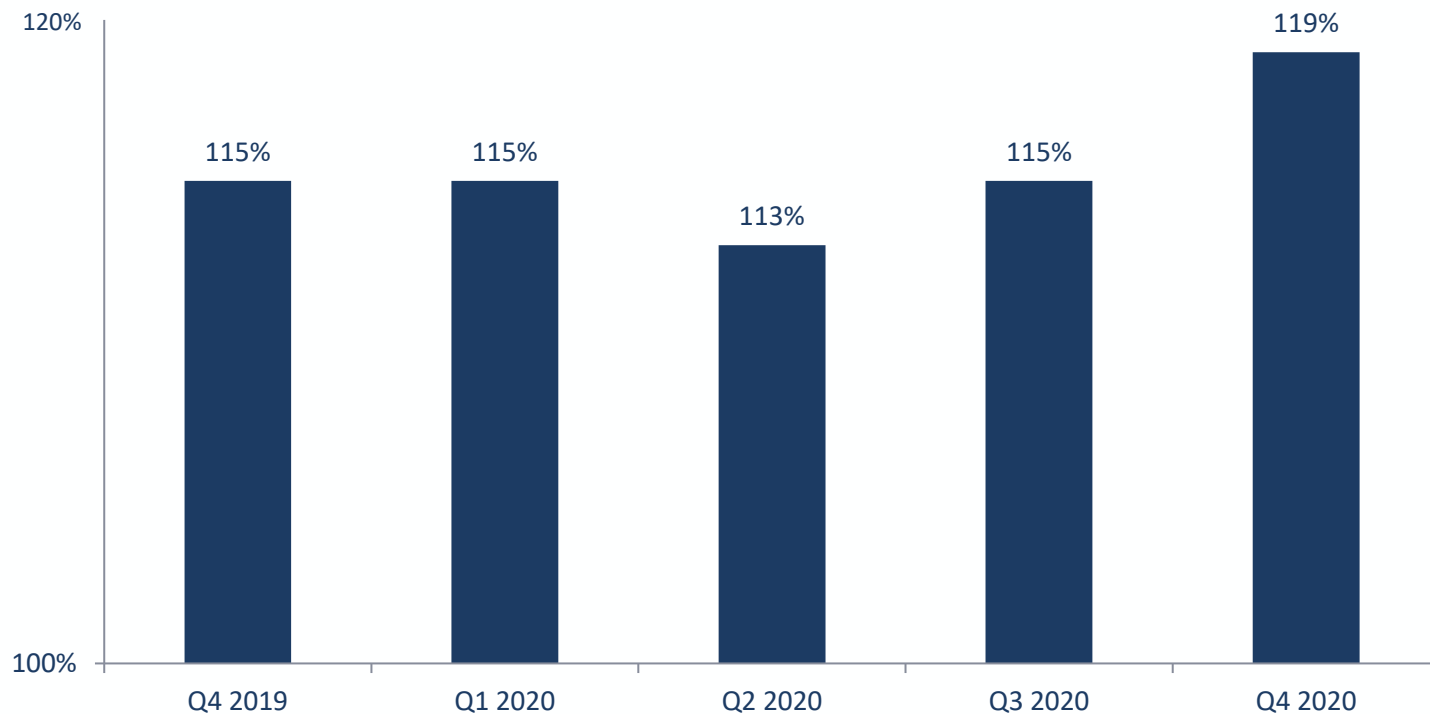
Total Revenue*

USD Millions

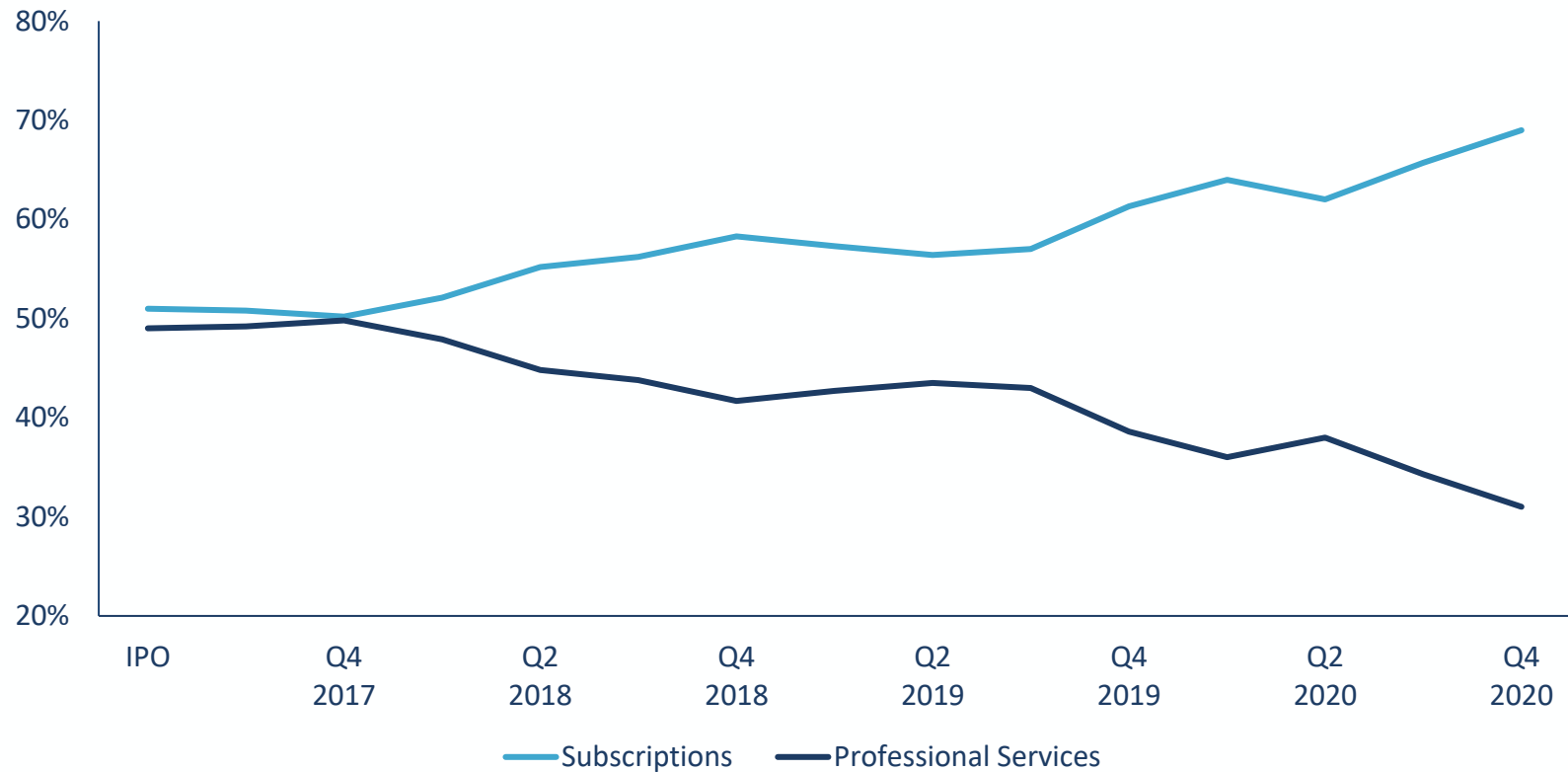


*Total revenue may not foot due to rounding

Cloud Subscription Revenue Retention

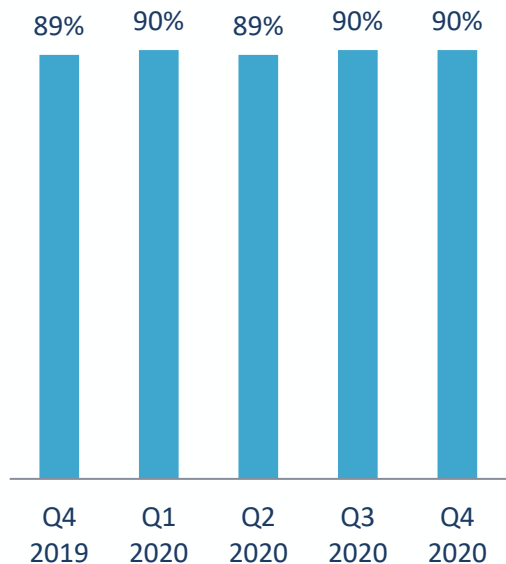


Mix of Subscriptions and Professional Services Revenue

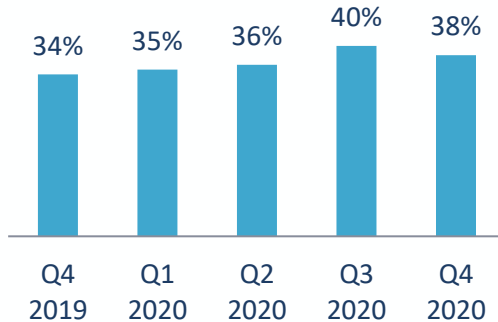


Gross Margins*

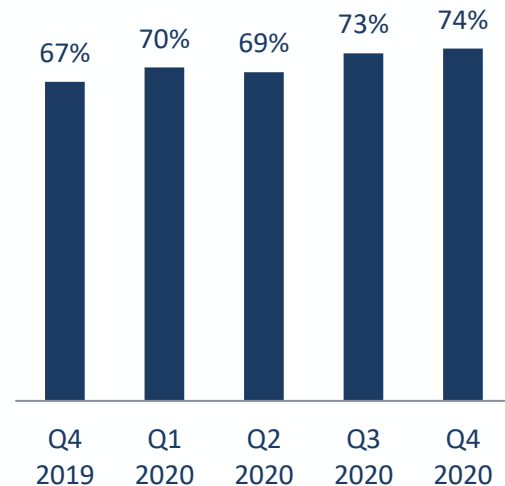
Subscriptions



Professional Services



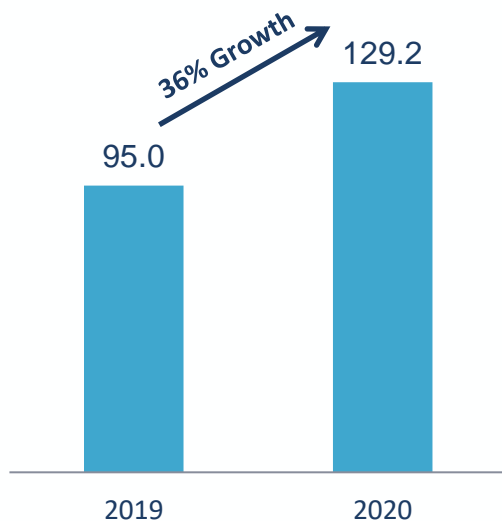
Overall



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

Full Year 2020 Highlights

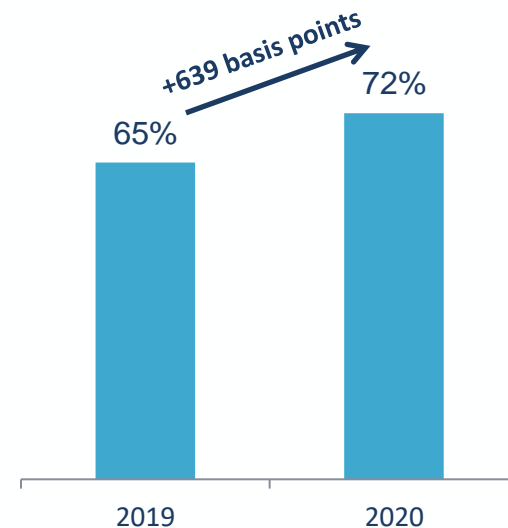
Cloud Subscription Revenue (\$MM)



Cloud Subscription Revenue Retention*



Overall Gross Margins**



*As of December 31, 2020

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

Guidance

Given on February 18, 2021

| In \$ Millions except for EPS | Q1 2021 | FY 2021 |
|---------------------------------------|------------------|--------------------|
| Cloud Subscription Revenue | 37.7 – 38.2 | 167.5 – 169.5 |
| Cloud Subscription Revenue Growth Y/Y | 33% - 35% | 30% - 31% |
| Total Revenue | 81.7 – 82.7 | 353.0 – 355.0 |
| Total Revenue Growth Y/Y | 4% - 5% | 16% - 17% |
| Adjusted EBITDA Loss | (9.0) – (8.0) | (38.0) – (36.0) |
| Non-GAAP Loss per Share | (0.15) – (0.13)* | (0.64) – (0.60) ** |

*Based on 70.8 million basic and diluted weighted average common shares outstanding for Q1 2021

**Based on 71.2 million basic and diluted weighted average common shares outstanding for FY 2021

Appendix

Balance Sheet

| | As of <u>December 31, 2020</u> | As of <u>December 31, 2019</u> |
|--|-----------------------------------|-----------------------------------|
| <i>\$ in thousands</i> | | |
| Assets | | |
| Cash and cash equivalents | \$ 112,462 | \$ 159,755 |
| Short-term investments and marketable securities | 109,826 | — |
| Accounts receivable, net of allowance of \$1,400 and \$600 as of December 31, 2020 and December 31, 2019, respectively | 97,278 | 70,408 |
| Deferred commissions, current | 17,899 | 14,543 |
| Prepaid expenses and other current assets | 27,955 | 32,955 |
| Property and equipment, net | 35,404 | 39,554 |
| Long-term investments | 36,120 | — |
| Goodwill | 4,862 | — |
| Intangible assets, net of accumulated amortization of \$429 as of December 31, 2020 | 1,744 | — |
| Operating right-of-use assets | 30,659 | 24,205 |
| Deferred commissions, net of current portion | 34,198 | 28,979 |
| Other assets | 4,114 | 1,086 |
| Total assets | <u>\$ 512,521</u> | <u>\$ 371,485</u> |
| Liabilities and Stockholders' Equity | | |
| Deferred revenue, current | \$ 116,256 | \$ 82,201 |
| Operating lease liabilities, current | 6,923 | 3,836 |
| Finance lease liabilities, current | — | 1,447 |
| Other current liabilities | 32,709 | 24,796 |
| Operating lease liabilities, net of current portion | 51,194 | 44,416 |
| Finance lease liabilities, net of current portion | — | 2,375 |
| Deferred revenue, net of current portion | 3,886 | 7,139 |
| Other non-current liabilities | 4,948 | 38 |
| Total liabilities | <u>215,916</u> | <u>166,248</u> |
| Stockholders' equity | | |
| Common stock | 7 | 6 |
| Additional paid-in capital | 470,498 | 340,929 |
| Accumulated other comprehensive loss | (5,010) | (285) |
| Accumulated deficit | (168,890) | (135,413) |
| Total stockholders' equity | <u>296,605</u> | <u>205,237</u> |
| Total liabilities and stockholders' equity | <u>\$ 512,521</u> | <u>\$ 371,485</u> |

Income Statement

| | Three months ended December 31, | | Year ended December 31, | |
|---|---------------------------------|-------------|-------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | (unaudited) | | | |
| <i>\$ in thousands, except for shares</i> | | | | |
| Revenue: | | | | |
| SaaS (cloud) subscriptions | \$ 36,937 | \$ 26,381 | \$ 129,219 | \$ 95,028 |
| Term license (on prem) subscriptions | 14,413 | 11,569 | 51,415 | 40,428 |
| Maintenance and support | 4,746 | 4,158 | 18,076 | 15,843 |
| Total subscriptions revenue | 56,096 | 42,108 | 198,710 | 151,299 |
| Professional services | 25,534 | 26,510 | 105,863 | 109,053 |
| Total revenue | 81,630 | 68,618 | 304,573 | 260,352 |
| Cost of revenue: | | | | |
| Subscriptions | 5,641 | 4,993 | 20,826 | 17,098 |
| Professional services | 16,299 | 17,780 | 67,940 | 76,743 |
| Total cost of revenue | 21,940 | 22,773 | 88,766 | 93,841 |
| Gross Profit | 59,690 | 45,845 | 215,807 | 166,511 |
| Operating expenses: | | | | |
| Sales and marketing | 35,425 | 31,254 | 130,316 | 117,440 |
| Research and development | 18,875 | 15,625 | 70,241 | 58,043 |
| General and administrative | 15,076 | 12,028 | 53,152 | 41,496 |
| Total operating expenses | 69,376 | 58,907 | 253,709 | 216,979 |
| Operating loss | (9,686) | (13,062) | (37,902) | (50,468) |
| Other income: | | | | |
| Other income, net | (3,941) | (2,822) | (5,786) | (941) |
| Interest expense | 88 | 131 | 478 | 367 |
| Total other income expense | (3,853) | (2,691) | (5,308) | (574) |
| Loss before income taxes | (5,833) | (10,371) | (32,594) | (49,894) |
| Income tax expense | 548 | 426 | 883 | 820 |
| Net loss | \$ (6,381) | \$ (10,797) | \$ (33,477) | \$ (50,714) |
| Net loss per share attributable to common stockholders: | | | | |
| Basic and diluted | \$ (0.09) | \$ (0.16) | \$ (0.48) | \$ (0.77) |
| Weighted average common shares outstanding | | | | |
| Basic and diluted | 70,362,387 | 67,316,098 | 69,050,565 | 65,479,327 |

Reconciliation of Non-GAAP Measures

| | Three months ended December 31, | | Year ended December 31, | |
|--|---------------------------------|-------------------|-------------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | (unaudited) | | (unaudited) | |
| <i>\$ in thousands, except for shares</i> | | | | |
| Reconciliation of non-GAAP operating loss: | | | | |
| GAAP operating loss | \$ (9,686) | \$ (13,062) | \$ (37,902) | \$ (50,468) |
| Add back: | | | | |
| Stock-based compensation expense | 4,611 | 3,388 | 15,279 | 16,443 |
| Non-GAAP operating loss | <u>\$ (5,075)</u> | <u>\$ (9,674)</u> | <u>\$ (22,623)</u> | <u>\$ (34,025)</u> |
| Reconciliation of non-GAAP net loss: | | | | |
| GAAP net loss | \$ (6,381) | \$ (10,797) | \$ (33,477) | \$ (50,714) |
| Add back: | | | | |
| Stock-based compensation expense | 4,611 | 3,388 | 15,279 | 16,443 |
| Loss on disposal of property and equipment | — | — | 22 | 146 |
| Non-GAAP net loss | <u>\$ (1,770)</u> | <u>\$ (7,409)</u> | <u>\$ (18,176)</u> | <u>\$ (34,125)</u> |
| GAAP net loss per share, basic and diluted | \$ (0.09) | \$ (0.16) | \$ (0.48) | \$ (0.77) |
| Non-GAAP weighted average shares used to compute net loss per share, basic and diluted | 70,362,387 | 67,316,098 | 69,050,565 | 65,479,327 |
| Non-GAAP net loss per share, basic and diluted | <u>\$ (0.03)</u> | <u>\$ (0.11)</u> | <u>\$ (0.26)</u> | <u>\$ (0.52)</u> |
| Reconciliation of adjusted EBITDA | | | | |
| GAAP net loss | \$ (6,381) | \$ (10,797) | \$ (33,477) | \$ (50,714) |
| Other income, net | (3,941) | (2,822) | (5,786) | (941) |
| Interest expense | 88 | 131 | 478 | 367 |
| Income tax expense | 548 | 426 | 883 | 820 |
| Depreciation and amortization expense | 1,366 | 1,469 | 5,851 | 4,742 |
| Stock-based compensation expense | 4,611 | 3,388 | 15,279 | 16,443 |
| Adjusted EBITDA | <u>\$ (3,709)</u> | <u>\$ (8,205)</u> | <u>\$ (16,772)</u> | <u>\$ (29,283)</u> |

Stock-Based Compensation Expense

| Three months ended December 31, | | Year ended December 31, | |
|---------------------------------|------|-------------------------|------|
| 2020 | 2019 | 2020 | 2019 |

(unaudited)

\$ in thousands

Cost of revenue:

| | | | | |
|--|----------|----------|-----------|-----------|
| Subscriptions | \$ 265 | \$ 185 | \$ 943 | \$ 647 |
| Professional services | 542 | 287 | 1,477 | 2,748 |
| Operating expenses: | | | | |
| Sales and marketing | 984 | 771 | 2,821 | 4,742 |
| Research and development | 877 | 497 | 2,718 | 3,480 |
| General and administrative | 1,943 | 1,648 | 7,320 | 4,826 |
| Total stock-based compensation expense | \$ 4,611 | \$ 3,388 | \$ 15,279 | \$ 16,443 |

Appian