Appian Q3 2026 Earnings Call Prepared Remarks Transcript

Brian Denyeau

Good morning and thank you for joining us. Today, we'll review Appian's third 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 fourth 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. Appian had an excellent Q3.

Our cloud subscriptions revenue grew 20% to $136 million. Our Cloud Net ARR expansion rate was 120%, +5 percentage points above last quarter. Subscriptions revenue grew 28% to $188 million, +9 percentage points above last quarter. Total revenue grew 25% to $235 million, +6 percentage points up. Adjusted EBITDA was $43 million.

If you've been watching Appian, you know how we positioned ourselves to win in the AI revolution. You've seen this growth coming and you understand why it's happening. For those new to our story, I will take a few minutes to explain.

This month, the LLM revolution is 4 years old. It's transformative, but also non typical. Unlike every other tech revolution I can think of, it didn't start with the highest-value use cases. As you know, the first people who bought mobile devices … were the ones who most needed mobile devices. And when they first lit a street with electric light, it was a big street. But AI is different … it isn't used for the biggest work. It's used for personal productivity, but not the mission-critical core work of the largest organizations. Repeated studies have shown this. And if anyone still argues today against the profound effects of the AI revolution, this is their best argument, that it's not moving the needle on critical work.

So the AI revolution exists, but it's haunted (this is Halloween season, after all). The AI revolution is haunted by a question: how can AI be used on the most valuable work? That's where Appian comes in.

Appian provides the specific capabilities AI requires to work in high-performance situations. Appian connects the world's most important technology to the world's most important work. Here are the capabilities I'm talking about – bear with me please, it's a simple list.

First, AI is probabilistic and needs a deterministic orchestration layer. Our orchestration layer is ranked #1 in the world.

Second, AI is only as smart as the data you give it. Especially agents, that want to roam the enterprise for information. Our data fabric is the ideal connectivity layer, providing access to distant data sources that are lightweight, performant, and secure.

Third, AI needs governance, by which I mean tracking, validation, escalations, and guardrails. Governance means safer operation and continuous improvement.

Fourth and last, tokens are expensive. We can allocate jobs to whichever LLM or digital worker can do them most efficiently. This saves a lot of money, versus sending everything to a frontier model, and it also prevents lock-in.

One-two-three-four. That's my quick overview.

With these capabilities, AI can participate in the most important work. We make AI reliable enough, and efficient, and more powerful. The revolution won't be complete until we can deploy AI into the highest-value processes, and that's what Appian is doing for our customers.

And our customers are responding, with great enthusiasm. Their Appian AI usage is up more than 50% over the prior quarter.

We succeed by bringing AI deeply into the enterprise, at scale. For example, our customers have deployed Appian AI to conduct audits 3-times faster, perform underwriting reviews 75% faster, and run investment processes with 34% greater efficiency.

Appian provides the most value to the high-end of the market, and especially highly regulated industries. As you know, 80% of our ARR comes from our key verticals (Financial Services, Life Sciences, and the Public Sector). Our platform is used by leading institutions, including two-thirds of the world's largest pharmas, insurers, and non-Chinese banks, plus 20 major governments around the world. In the US, Appian is used by all 15 cabinet-level federal agencies and all military branches. These top organizations have one thing in common. They cannot afford to make mistakes. Many are under mandate to adopt AI and need the reliability that Appian provides. I'll share two recent examples.

First, a large European bank manages its internal audits on Appian. This quarter, it upgraded its licenses to embed our AI into its workflow. Appian agents will identify compliance risks and recommend actions. Downstream, agents will analyze the business to ensure controls are properly implemented for regulatory compliance. The bank chose our AI for our data fabric, which will supply agents with the necessary data to reduce review times from 10 days to 30 minutes.

Second, a North American insurer and long-time Appian customer deployed DocCenter, our document-processing AI, into its claims appeal operations earlier this year. Our AI automatically classifies and extracts data from a hundred thousand files annually. It chose to deploy DocCenter to more areas of its business and increased its Appian spend by 86%.

This quarter, Gartner named Appian a Leader in its recent Magic Quadrant™ for Business Orchestration and Automation Technologies (BOAT, for short). The report praises our ability to orchestrate AI alongside humans and digital workers. Gartner ranked us the #1 vendor for deterministic workflow automation and also for platform consolidation. Having spoken earlier about 'deterministic automation', I'd like to spend a few minutes now on 'platform consolidation'.

There is more interest today in writing new apps with AI than I have ever seen. The reasons are simple. AI is exceptionally good at writing applications, quickly and accurately. And post-Mythos, every old application is likely hackable, a security vulnerability. So, AI lowers the cost of creating a new app, and raises the cost of not doing so.

When you write an application, you have a choice whether to build it on a platform, like Appian, or to write it from scratch. Homegrown applications have always been the top alternative to using Appian.

In the era of AI, you still have that choice. Sometimes companies will choose to write an app on a platform, and other times they will write it in code. They should choose a platform when the benefits of the support exceed the cost of the platform. The support of course includes consultants and experts, tech support, upgrades, patches, and a corporation that stands behind the application. Platforms also help unify applications across the enterprise, and provide advanced capabilities consistently and out-of-the-box. For many applications AI builds, a platform is worth the cost.

Appian offers a compelling combination: the speed of AI development, plus the reliability and power of a platform. AI is our preferred development method, and it saves a lot of time. It's even possible now to develop sophisticated Appian applications without ever opening an Appian interface. You can build directly through Claude, Codex, or others. The newly created app can leverage existing Appian objects and can be fine-tuned later in an Appian design interface. Once built, the AI-written app will stay modern through Appian upgrades, it will be secure through Appian certifications, and it will be supported by our community of experts and employees.

For example, a leading insurance provider and seven-figure ARR customer upgraded its Appian licenses this quarter to access our AI and expedite its multi-year modernization effort. The group will replace its incomplete systems with enhanced Appian apps. Our AI will automatically extract requirements from

company artifacts, draft new design plans, execute builds, and iterate on user feedback. Our platform will facilitate a dialogue between developer and AI to validate the apps are secure, reliable, and designed as intended. The group chose Appian to modernize its enterprise three-times faster than originally planned.

This Q3, we exceeded our plans in all major regions, especially in the US Public Sector. The Federal government is more focused on efficiency than ever. It's more willing to contract directly with vendors. Appian is acting on this opportunity by connecting with critical mission areas. We're doing more prime and large deals than ever before.

For example, a US cabinet-level agency and long-time customer expanded its use of Appian this quarter into a new mission area . The acquisitions group decided to automate its procurement process and signed a seven-figure license deal. It directly contracted with Appian to accelerate the purchase cycle. Now, Appian will help facilitate the awarding of over $100B in annual budget.

My final example is with a US military branch that expanded its use of Appian with a seven-figure software deal. The armed service awarded Appian a prime contract to modernize its fleet management operations after a system integrator's multi-year implementation failed. The branch will unify dozens of disjointed systems. Service members will schedule maintenance, manage repairs, and procure new parts. Our AI will expedite the process by recommending replacement parts and providing repair documentation.

In closing, Appian has claimed a distinctive and valuable place in the AI stack. We connect the world's most important technology to the world's most important work. We provide an ideal platform for AI-written apps. And we are modernizing legacy applications at scale. This latest quarter, by far the strongest in Appian history, is the best validation yet of our essential role in the AI revolution.

Over to you, Serge.

Serge Tanjga, CFO

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

Starting with our results, we had an excellent 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 $136 million, an increase of 20% year over year. On a constant currency basis, cloud subscriptions revenue increased 21% year over year.

Total subscriptions revenue was $188 million, an increase of 28% year over year. On a constant currency basis, total subscriptions revenue grew 29% year over year. In Q3, we saw very strong demand for our self-managed software; our customers, who as you know are in heavily regulated industries, continue to value deployment flexibility and data sovereignty that self-managed software provides. Providing customers that flexibility to deploy Appian in the cloud or on-prem is a strategic differentiator for us. Professional services revenue was $47 million, up 18% compared to the third quarter of 2025. Total revenue was $235 million, an increase of 25% year over year. On a constant currency basis, total revenue grew 26% year over year.

Our cloud net ARR expansion was 120% in Q3, compared to 112% a year ago, and 115% in the prior quarter. As a reminder, we present net ARR expansion on a constant currency basis. This is the strongest net ARR expansion in over five years and it's a great indicator of new business momentum we had in Q3.

Now, let's turn to profitability. I'll be discussing our results on a Non-GAAP basis unless otherwise noted. Gross margin was 74%, flat year-over-year and up from 72% in the prior quarter. Our subscriptions gross margin was 86%, also flat year-over-year and up from 84% in the prior quarter. Professional services

gross margin was 24%, compared to 31% in the year ago period and in the prior quarter. Total operating expenses were $133 million, up from $108 million in the year ago period.

Adjusted EBITDA was $43 million, ahead of our guidance range of between $30 and $33 million, and compared to adjusted EBITDA of $32 million in the year ago period. This outperformance relative to our guide was driven by greater than expected revenue.

Net income was $37 million, or $0.51 cents per diluted share, compared to $24 million, or $0.32 per diluted share for the third quarter of 2025. This is based on 73 million diluted shares outstanding for the third quarter of 2026 and 75 million diluted shares outstanding for the third quarter of 2025.

Our stock-based compensation expense was $13 million in Q3, or $0.17 cents per diluted share. In the third quarter, we purchased approximately half a million shares for $17 million, bringing our total buyback to $83 million under our current $100 million authorization.

Turning to our balance sheet, as of September 30, 2026, cash and cash equivalents and investments were $89 million, compared with $187 million at the end of last year. For the third quarter, cash used by operations was ($15) million compared to cash provided by operations of $19 million for the same period last year. Our cash flow in the quarter was impacted by timing of collections, which can naturally vary quarter to quarter.

Turning to guidance - based on our strong underlying business momentum and our success year-to-date, we are meaningfully increasing our outlook for the fourth quarter and the full year.

Starting with the fourth quarter of 2026, cloud subscriptions revenue is expected to be between $143 and $145 million, representing year-over-year growth of 23% at the midpoint of the range. Total revenue is

expected to be between $233 and $237 million, representing year-over-year growth of 16% at the midpoint.

Adjusted EBITDA for the fourth quarter of 2026 is expected to be between $30 and $33 million. Non-GAAP earnings per share is expected to be between $0.30 and $0.34 cents. This assumes 73 million fully diluted weighted average shares outstanding.

For the full year 2026, our cloud subscriptions revenue is expected to be between $536 and $538 million, representing year-over-year growth of 23% at the midpoint of the range. Total revenue is expected to be between $873 and $877 million, representing year-over-year growth of 20% at the midpoint.

Adjusted EBITDA is expected to range between $116 and $119 million, for an approximately 13% margin and 53% year-over-year growth at the midpoint. Non-GAAP earnings per share is expected to be between $1.20 and $1.24, or approximately 100% growth at the midpoint. This assumes 74 million fully diluted weighted average shares outstanding.

Our guidance assumes the following:

- First, we anticipate our non-cloud subscription revenue to be down slightly in Q4, and up in the high single digits for the full year.
- Second, we expect professional services revenue to grow in the mid teens in Q4 and in the high teens for the full year.
- Third, net interest expense will be approximately $3 million in Q4 and $10 million for the full year 2026.
- Fourth, our guidance assumes FX rates as of early November. Due to continued strengthening of the US dollar since our last call, we now expect FX to represent a 2-3 percentage point headwind to our reported revenue growth in Q4 of 2026.

- Finally, we are now forecasting nearly three percentage points of EBITDA margin improvement in 2026, compared to one percentage point we expected at the start of the year.

In closing, we see our Q3 results and excellent new business performance as clear indications 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?