



# Q3 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 fourth quarter and full year 2020, 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 2019 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](http://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.

# Q3 2020 Business Highlights

## Partners increase their contributions

- More than doubled new logos year-to-date compared to the same period in 2019
- Influenced 77% of new logos during Q3 2020
- Helped us win most of our seven-figure deals in Q3 2020

## Federal industry grows

- Doubled software bookings compared to Q3 2019
- Increased new logos by 33% compared to Q3 2019
- Launched the Requirements Management solution, which automates an early step in a federal agency's acquisition process

## EMEA region grows

- Subscriptions revenue grew by 68% compared to Q3 2019
- Added a top-5 global oil and gas company as a new customer
- Doubled attendance at Appian Europe user conference compared to 2019

# Q3 2020 Financial Highlights

## Revenue

- Cloud Subscription Revenue was \$34.3m in Q3 2020, growth of 40% over Q3 2019
- Subscriptions Revenue was \$50.8m in Q3 2020, growth of 34% over Q3 2019
- Total Revenue was \$77.3m in Q3 2020, growth of 17% over Q3 2019

## Retention

- Cloud Subscription Revenue Retention Rate was 115% as of September 30, 2020

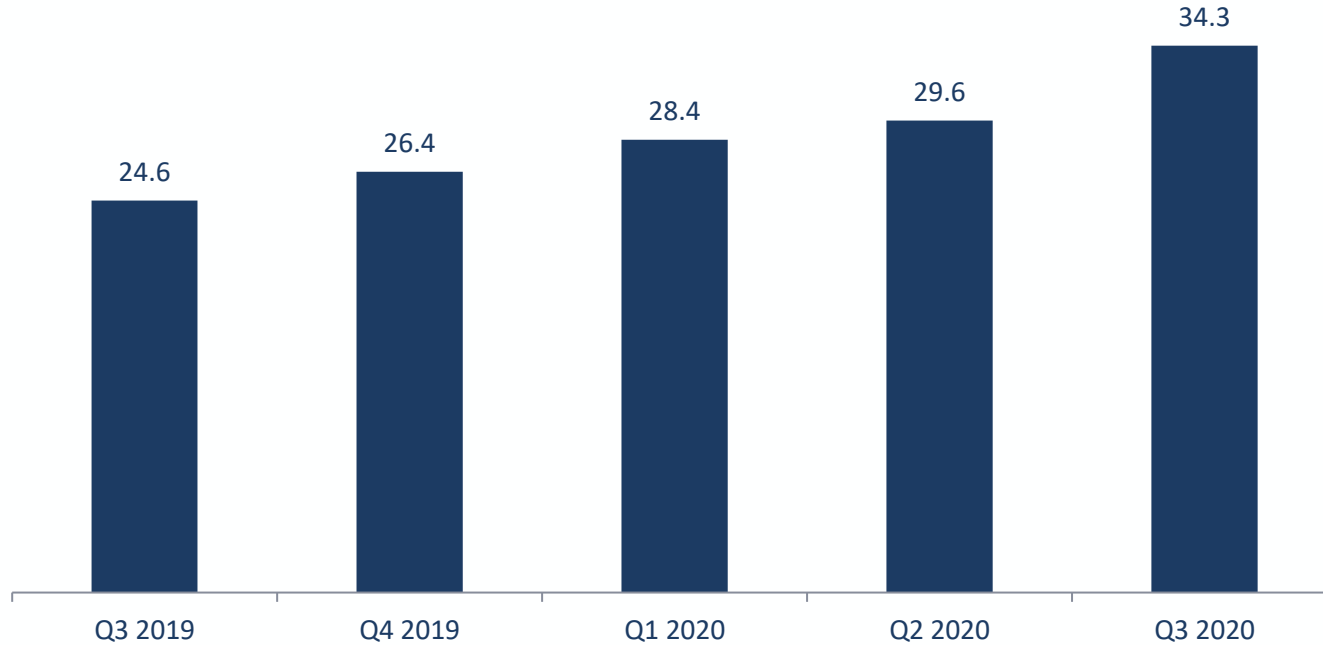
## Gross Margins\*

- Subscriptions Margin was 90%
- Professional Services Margin was 40%
- Overall Gross Margin was 73%

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

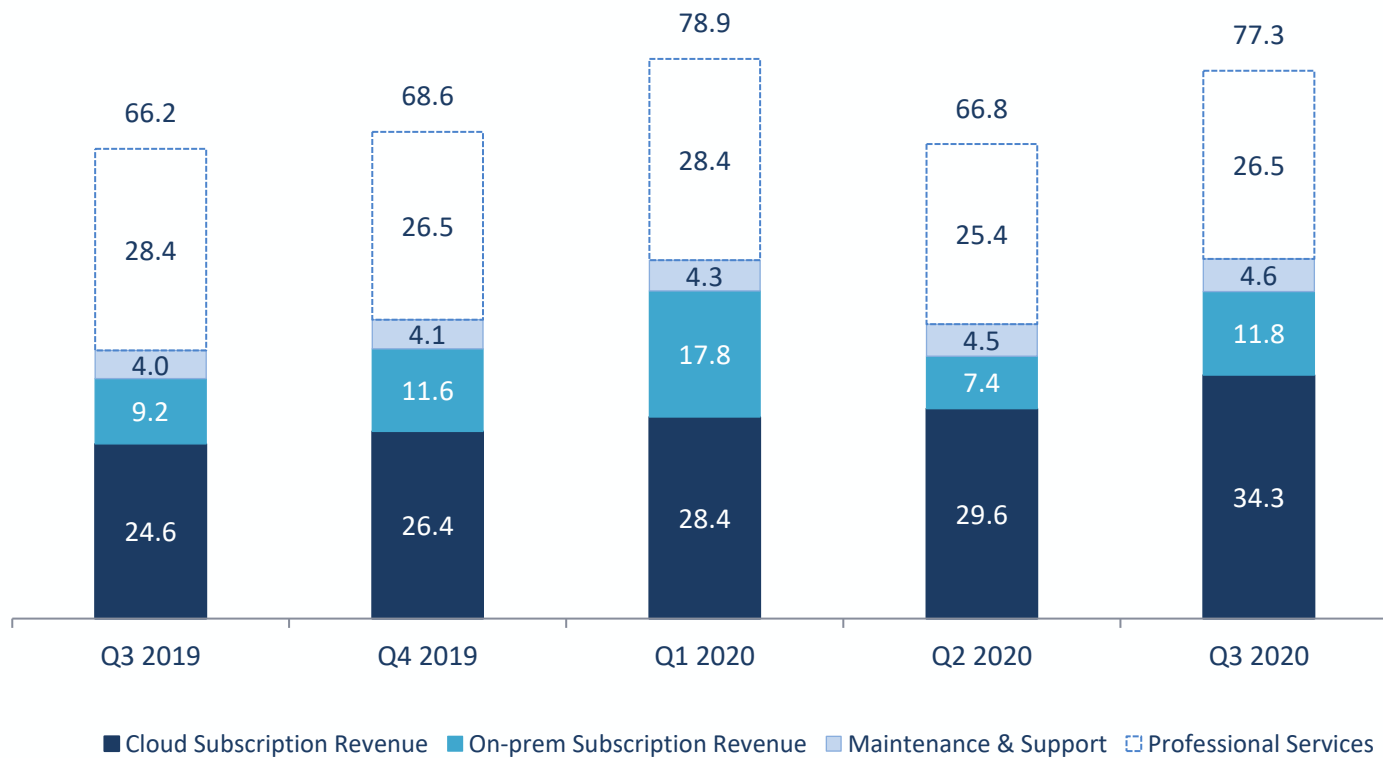
# Cloud Subscription Revenue

USD Millions



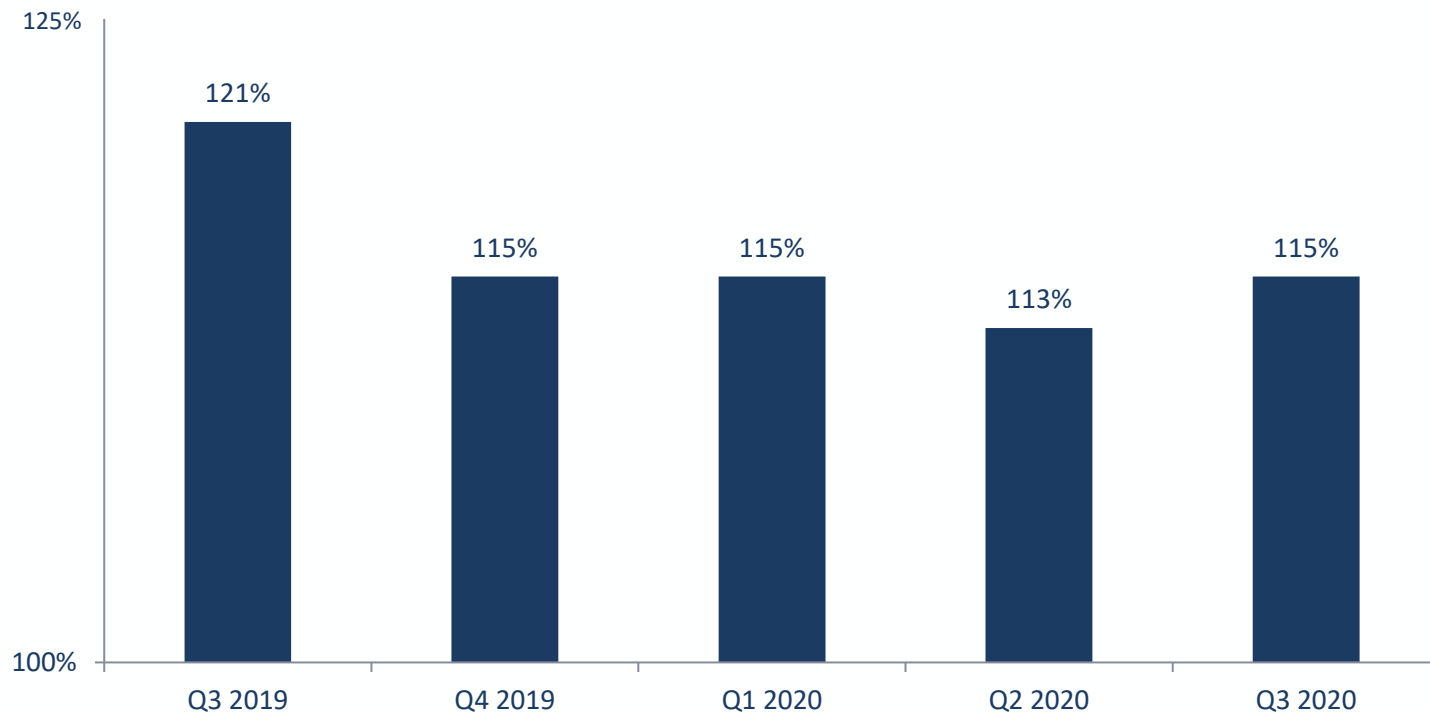
# Total Revenue\*

USD Millions

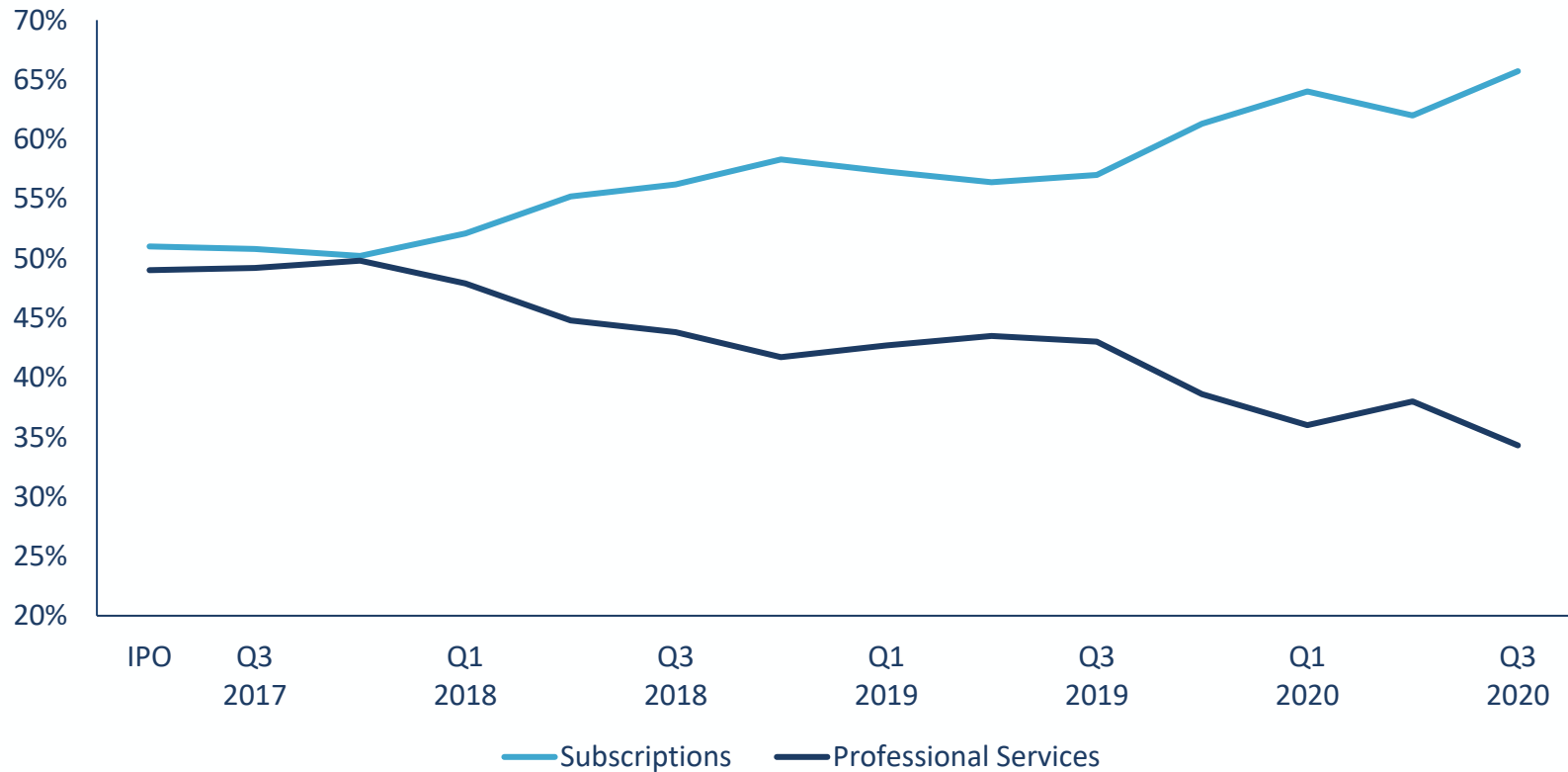


\*Total revenue may not foot due to rounding

# Cloud Subscription Revenue Retention



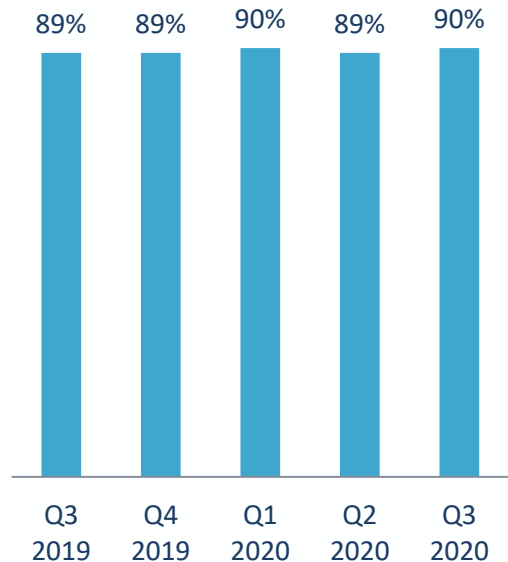
# Mix of Subscriptions and Professional Services Revenue



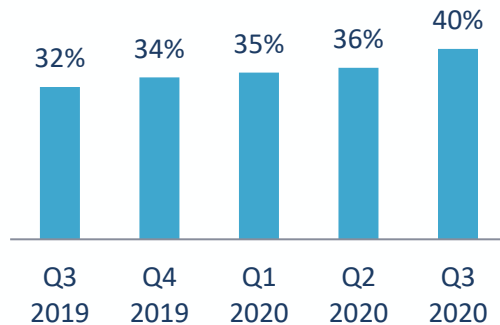


# Gross Margins\*

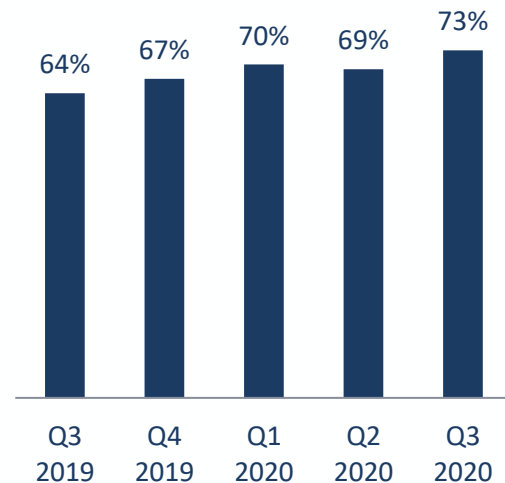
## Subscriptions



## Professional Services



## Overall



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

# Q3 2020 Highlights

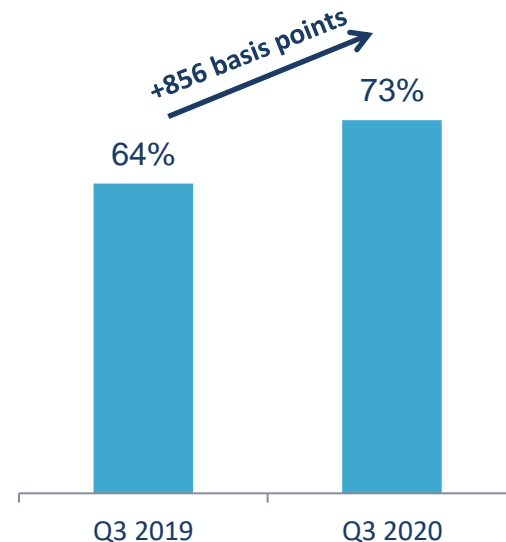
## Cloud Subscription Revenue (\$MM)



## Cloud Subscription Revenue Retention\*



## Overall Gross Margins\*\*



\*As of September 30, 2020

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

# Guidance

Given on November 5, 2020

In \$ Millions except for EPS	Q4 2020	FY 2020
Cloud Subscription Revenue	35.0 – 35.5	127.3 – 127.8
Cloud Subscription Revenue Growth Y/Y	33% - 35%	34%
Total Revenue	73.0 – 74.0	296.0 – 297.0
Total Revenue Growth Y/Y	6% - 8%	14%
Adjusted EBITDA Loss	(11.0) – (10.0)	(24.0) – (23.0)
Non-GAAP Loss per Share	(0.18) – (0.16)*	(0.42) – (0.40) **

\*Based on 70.5 million basic and diluted weighted average common shares outstanding for Q4 2020

\*\*Based on 69.1 million basic and diluted weighted average common shares outstanding for FY 2020

# Appendix

# Balance Sheet

*\$ in thousands*

## Assets

	As of September 30, 2020 <u>(unaudited)</u>	As of December 31, 2019
Cash and cash equivalents	\$ 251,088	\$ 159,755
Accounts receivable, net of allowance of \$1,200 and \$600 as of September 30, 2020 and December 31, 2019, respectively	89,219	70,408
Deferred commissions, current	16,292	14,543
Prepaid expenses and other current assets	25,909	32,955
Property and equipment, net	36,415	39,554
Goodwill	4,637	—
Intangible assets, net of accumulated amortization of \$307 as of September 30, 2020	1,765	—
Operating right-of-use assets	30,855	24,205
Deferred commissions, net of current portion	31,580	28,979
Other assets	4,696	1,086

<b>Total assets</b>	<b>\$ 492,456</b>	<b>\$ 371,485</b>
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## Liabilities and Stockholders' Equity

Deferred revenue, current	\$ 96,902	\$ 82,201
Operating lease liabilities, current	6,592	3,836
Finance lease liabilities, current	1,549	1,447
Other current liabilities	27,851	24,796
Operating lease liabilities, net of current portion	51,727	44,416
Finance lease liabilities, net of current portion	1,192	2,375
Deferred revenue, net of current portion	4,371	7,139
Other non-current liabilities	4,530	38

<b>Total liabilities</b>	<b>194,714</b>	<b>166,248</b>
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## Stockholders' equity

Common stock	7	6
Additional paid-in capital	462,686	340,929
Accumulated other comprehensive loss	(2,442)	(285)
Accumulated deficit	(162,509)	(135,413)

<b>Total stockholders' equity</b>	<b>297,742</b>	<b>205,237</b>
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<b>Total liabilities and stockholders' equity</b>	<b>\$ 492,456</b>	<b>\$ 371,485</b>
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# Income Statement

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
<i>\$ in thousands, except for shares</i>				
<b>Revenue:</b>				
SaaS (cloud) subscriptions	\$ 34,312	\$ 24,573	\$ 92,282	\$ 68,647
Term license (on prem) subscriptions	11,830	9,199	37,002	28,859
Maintenance and support	4,618	4,002	13,330	11,685
Total subscriptions revenue	50,760	37,774	142,614	109,191
Professional services	26,544	28,381	80,329	82,543
Total revenue	77,304	66,155	222,943	191,734
<b>Cost of revenue:</b>				
Subscriptions	5,101	4,484	15,185	12,105
Professional services	16,450	19,467	51,641	58,963
Total cost of revenue	21,551	23,951	66,826	71,068
Gross Profit	55,753	42,204	156,117	120,666
<b>Operating expenses:</b>				
Sales and marketing	31,633	27,603	94,891	86,186
Research and development	18,150	15,697	51,366	42,418
General and administrative	13,485	11,191	38,076	29,468
Total operating expenses	63,268	54,491	184,333	158,072
Operating loss	(7,515)	(12,287)	(28,216)	(37,406)
<b>Other (income) expense:</b>				
Other (income) expense, net	(4,277)	2,262	(1,845)	1,881
Interest expense	119	96	390	236
Total other (income) expense	(4,158)	2,358	(1,455)	2,117
Loss before income taxes	(3,357)	(14,645)	(26,761)	(39,523)
Income tax expense	255	5	335	394
Net loss	\$ (3,612)	\$ (14,650)	\$ (27,096)	\$ (39,917)
<b>Net loss per share attributable to common stockholders:</b>				
Basic and diluted	\$ (0.05)	\$ (0.22)	\$ (0.39)	\$ (0.62)
<b>Weighted average common shares outstanding</b>				
Basic and diluted	69,923,553	65,508,113	68,611,994	64,860,342

# Reconciliation of Non-GAAP Measures

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(unaudited)		(unaudited)	
<i>\$ in thousands, except for shares</i>				
Reconciliation of non-GAAP operating loss:				
GAAP operating loss	\$ (7,515)	\$ (12,287)	\$ (28,216)	\$ (37,406)
Add back:				
Stock-based compensation expense	3,578	3,141	10,668	13,055
Non-GAAP operating loss	\$ (3,937)	\$ (9,146)	\$ (17,548)	\$ (24,351)
Reconciliation of non-GAAP net loss:				
GAAP net loss	\$ (3,612)	\$ (14,650)	\$ (27,096)	\$ (39,917)
Add back:				
Stock-based compensation expense	3,578	3,141	10,668	13,055
Loss on disposal of property and equipment	—	1	22	146
Non-GAAP net loss	\$ (34)	\$ (11,508)	\$ (16,406)	\$ (26,716)
GAAP net loss per share, basic and diluted	\$ (0.05)	\$ (0.22)	\$ (0.39)	\$ (0.62)
Non-GAAP weighted average shares used to compute net loss per share, basic and diluted	69,923,553	65,508,113	68,611,994	64,860,342
Non-GAAP net loss per share, basic and diluted	\$ (0.00)	\$ (0.18)	\$ (0.24)	\$ (0.41)
Reconciliation of adjusted EBITDA				
GAAP net loss	\$ (3,612)	\$ (14,650)	\$ (27,096)	\$ (39,917)
Other (income) expense, net	(4,277)	2,262	(1,845)	1,881
Interest expense	119	96	390	236
Income tax expense	255	5	335	394
Depreciation and amortization expense	1,505	1,340	4,485	3,273
Stock-based compensation expense	3,578	3,141	10,668	13,055
Adjusted EBITDA	\$ (2,432)	\$ (7,806)	\$ (13,063)	\$ (21,078)

# Stock-Based Compensation Expense

<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
(unaudited)		(unaudited)	

*\$ in thousands*

Cost of revenue:

Subscriptions	\$ 236	\$ 147	\$ 678	\$ 462
Professional services	406	243	935	2,461
Operating expenses:				
Sales and marketing	427	776	1,837	3,971
Research and development	669	433	1,841	2,983
General and administrative	1,840	1,542	5,377	3,178
Total stock-based compensation expense	<u>\$ 3,578</u>	<u>\$ 3,141</u>	<u>\$ 10,668</u>	<u>\$ 13,055</u>



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