

# Q1 2023 Earnings Call Presentation

**Matt Calkins, Founder & CEO**

**Mark Matheos, CFO**

# 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 second quarter and full year 2023, the impact of macroeconomic changes, 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,” “plan,” 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 2022 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.

# Q1 2023 highlights.

## Business

- Hosted annual user conference in San Diego last week. More than twice as many prospects attended compared to last year.
- Doubled the number of seven-figure software deals in Q1 compared to the same period last year.
- Launched two new solutions for US Public Sector, Contract Writing and Constituent Case Management.
- Achieved StateRAMP certification for state and local governments.

## Revenue

- Cloud subscription revenue was \$69.7 million in Q1 2023, representing growth of 31% over Q1 2022.
- Subscriptions revenue was \$99.0 million in Q1 2023, representing growth of 18% over Q1 2022.
- Total revenue was \$135.2 million in Q1 2023, representing growth of 18% over Q1 2022.

## Retention

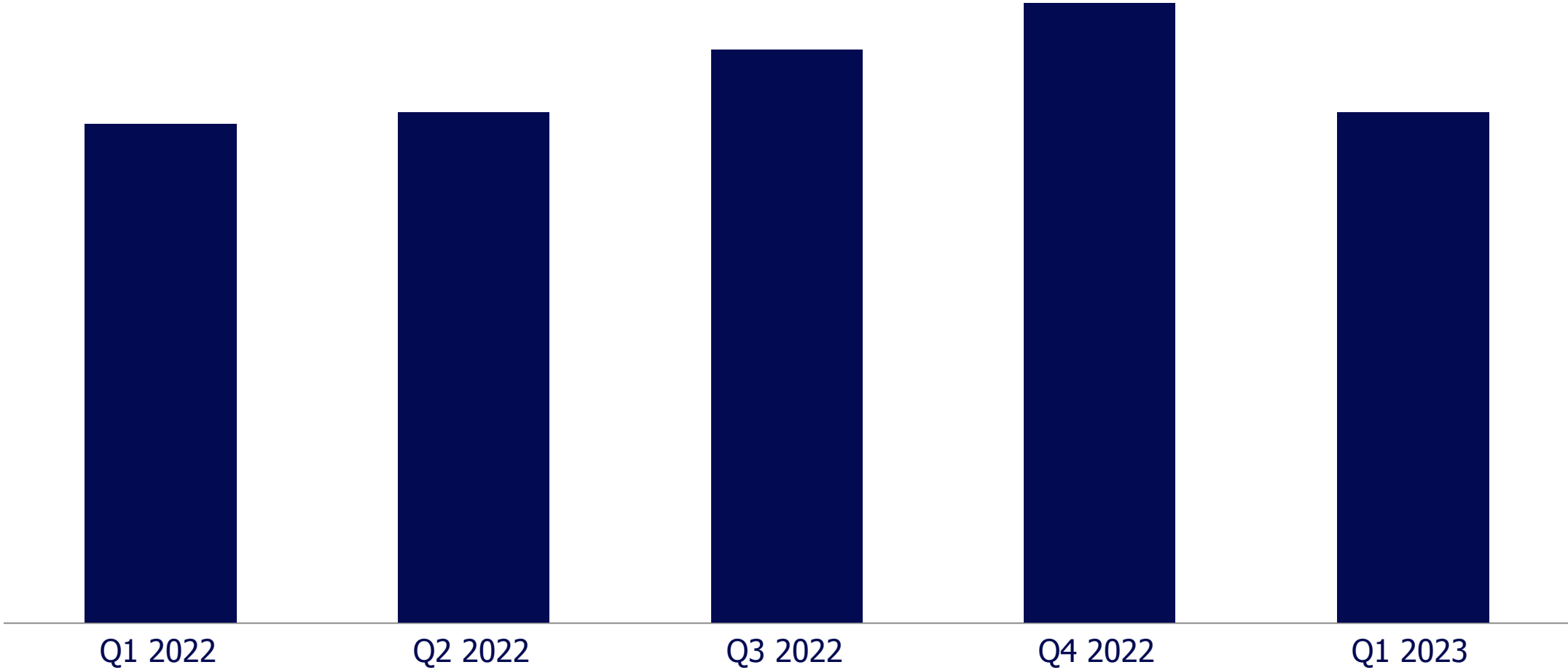
- Cloud subscription revenue retention rate was 115% as of March 31, 2023.

## Gross Margins\*

- Subscriptions gross margin was 90%.
- Professional services gross margin was 34%.
- Overall gross margin was 75%.

\*Non-GAAP - Data excludes stock-based compensation expense and severance costs. Refer to the reconciliation of GAAP to non-GAAP measures in the Appendix.

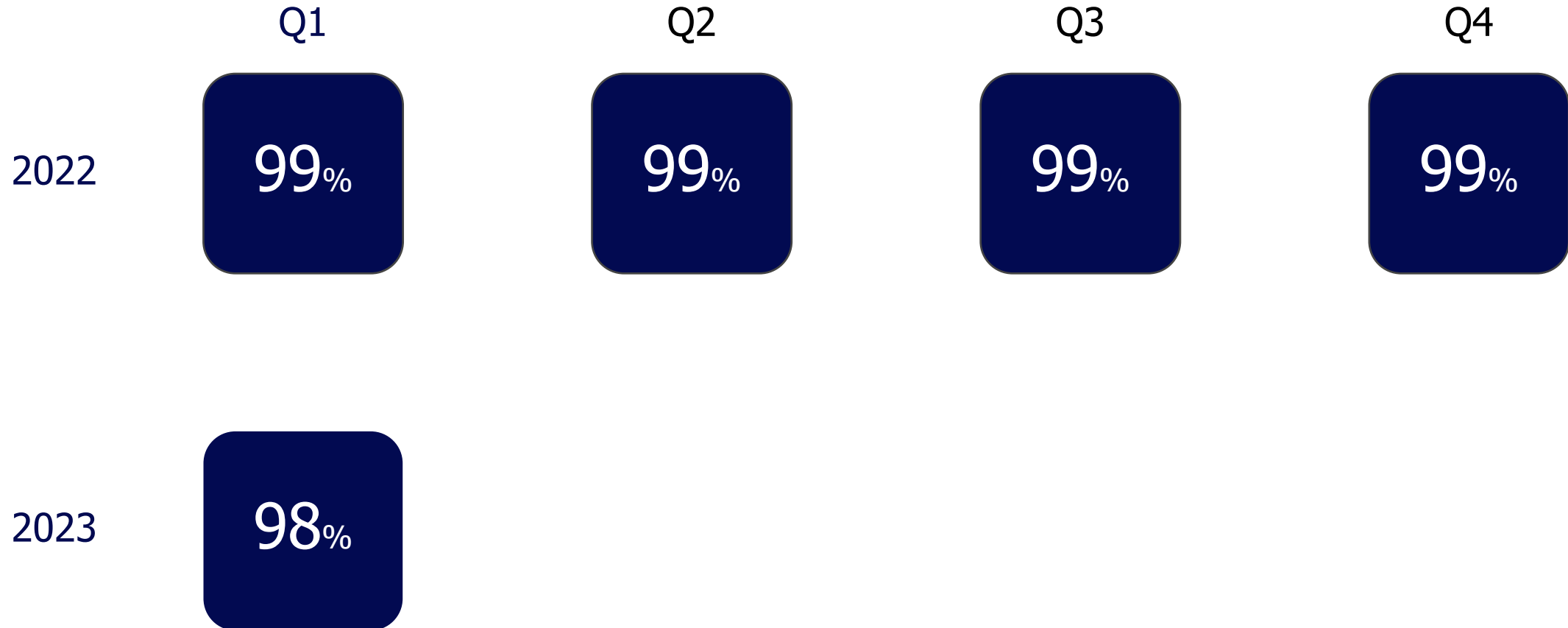
# Days Sales Outstanding.



Calculated as the average accounts receivable balance for the period divided by total revenue.

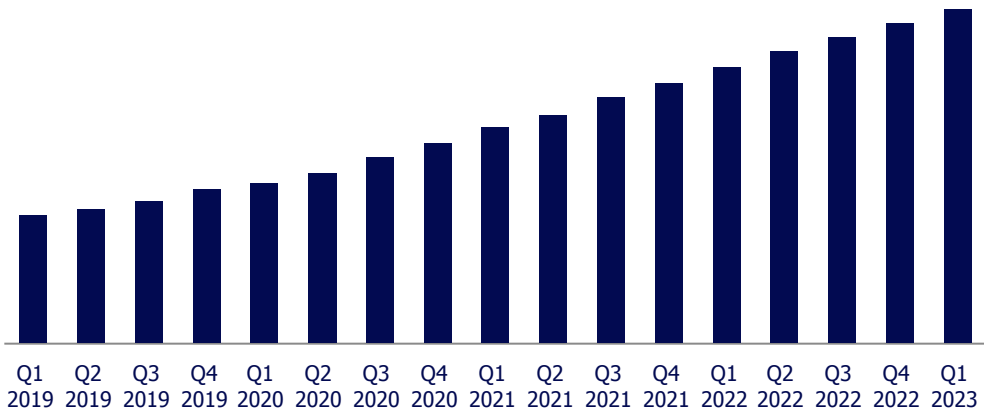


# Cloud Gross Renewal Rate.

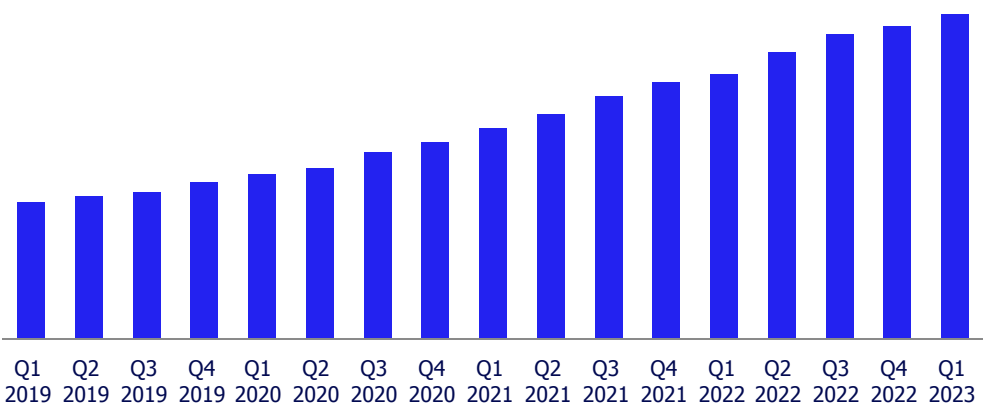


# Annualized Recurring Revenue (ARR).

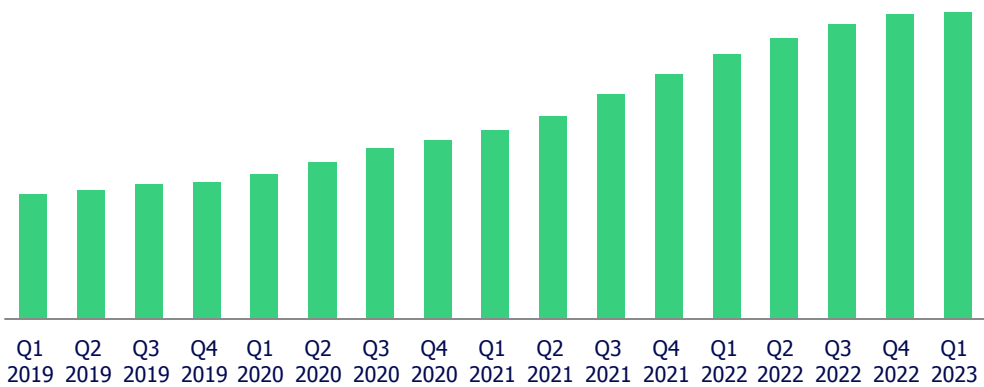
Total ARR



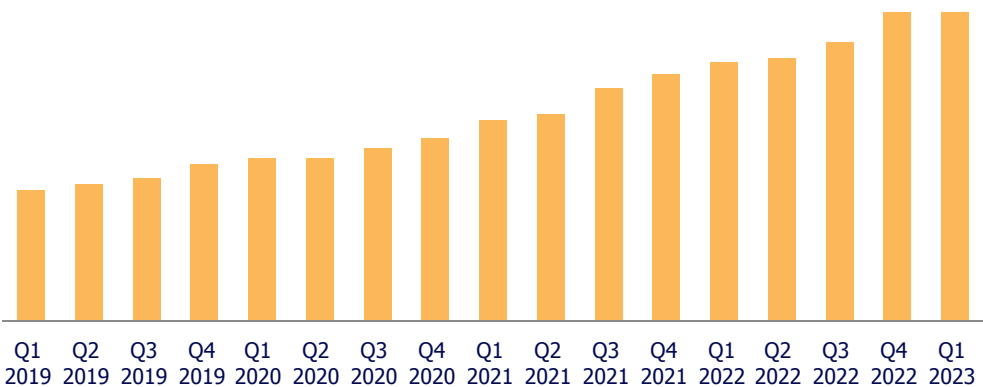
\$250K+ ARR Customers



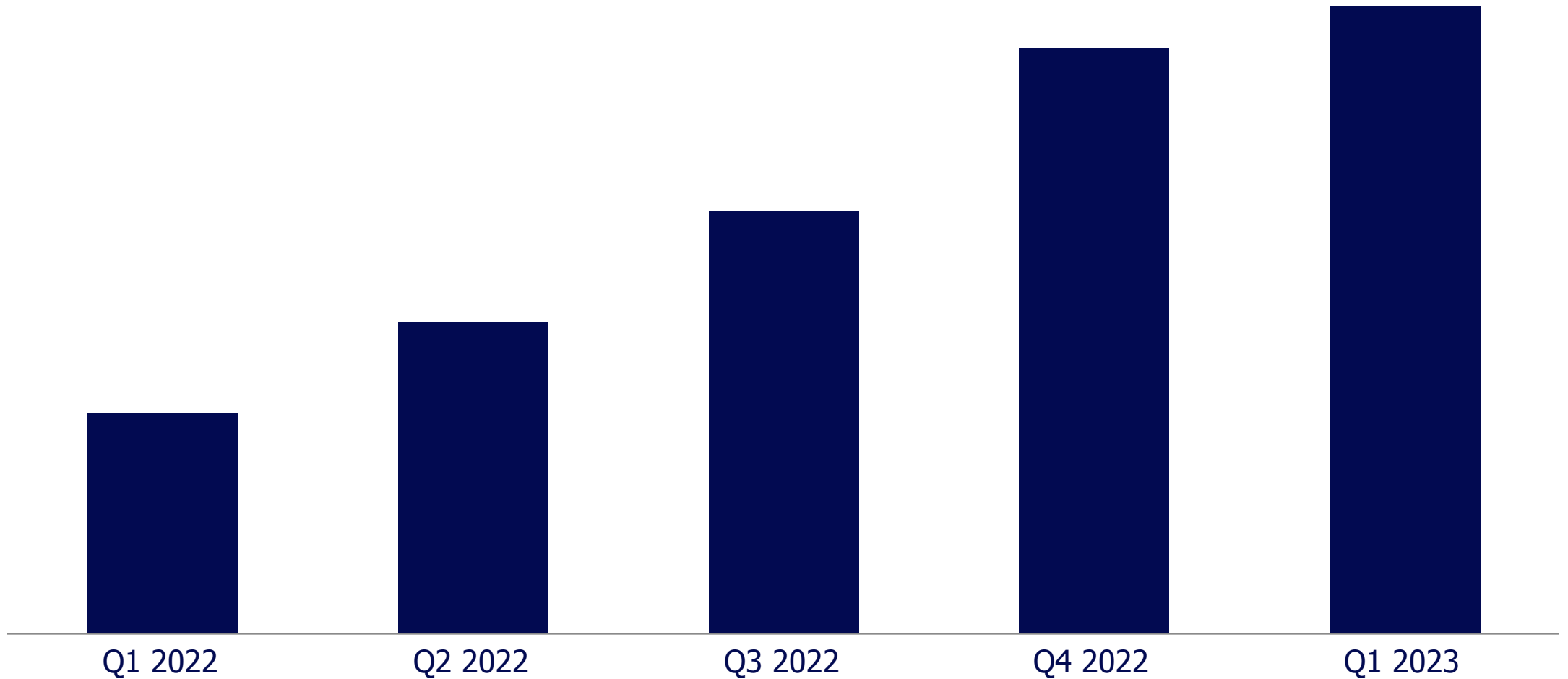
\$500K+ ARR Customers



\$1M+ ARR Customers

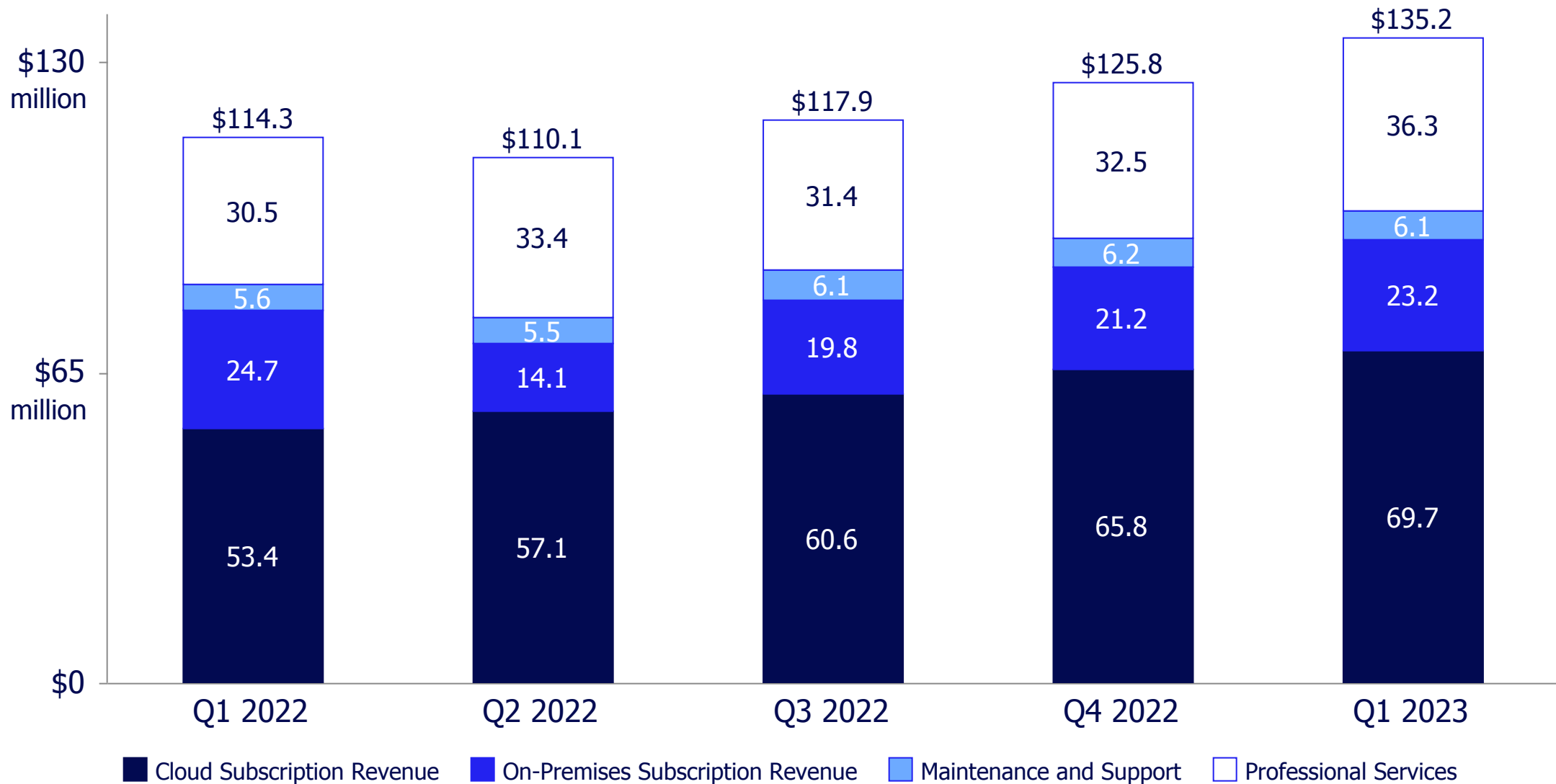


# Appian Community members.



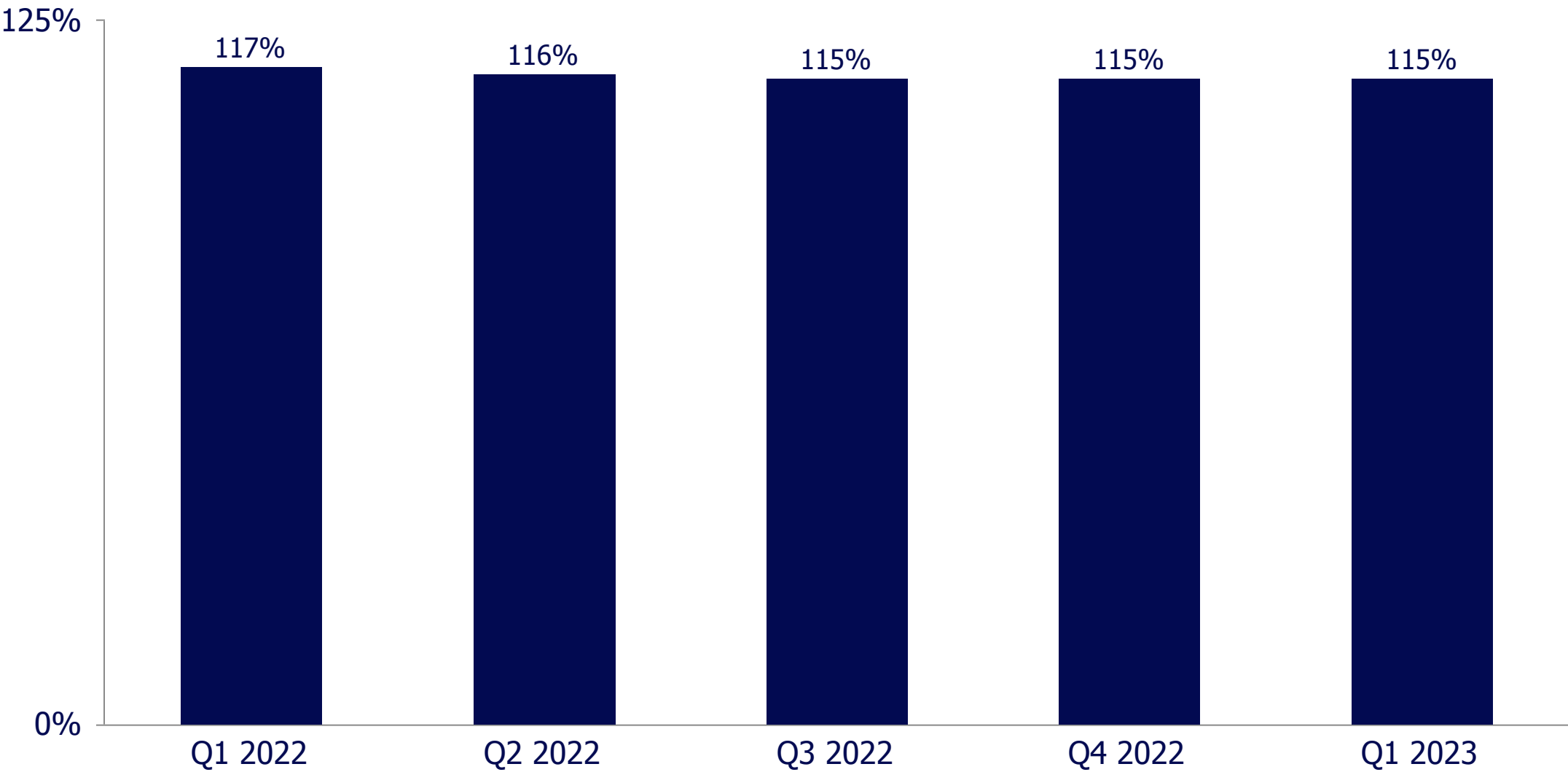
Community members are individuals with an Appian Community profile.

# Total Revenue.\*



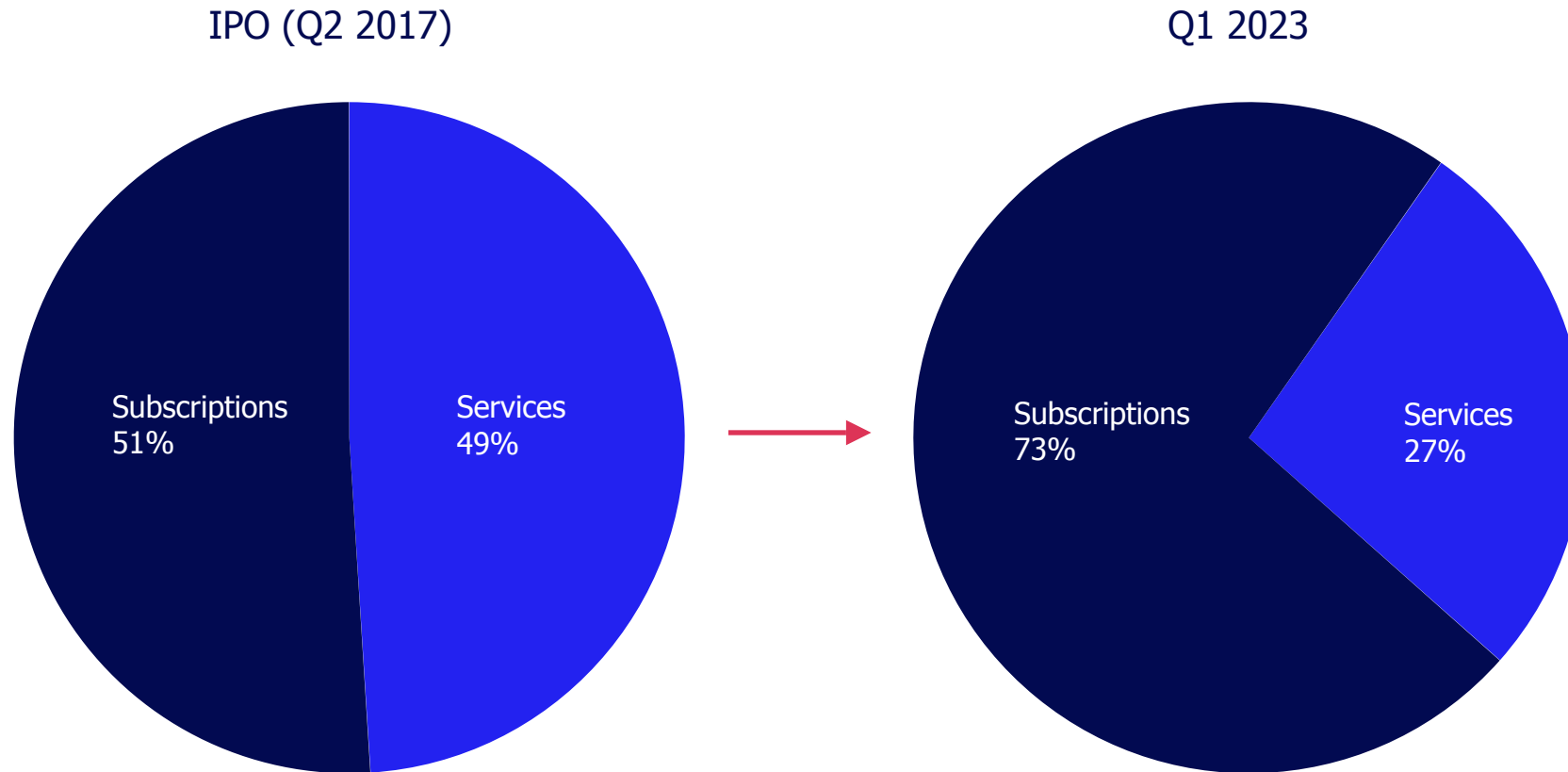
\*Total revenue is reported in millions and may not foot due to rounding

# Cloud Subscription Revenue Retention.

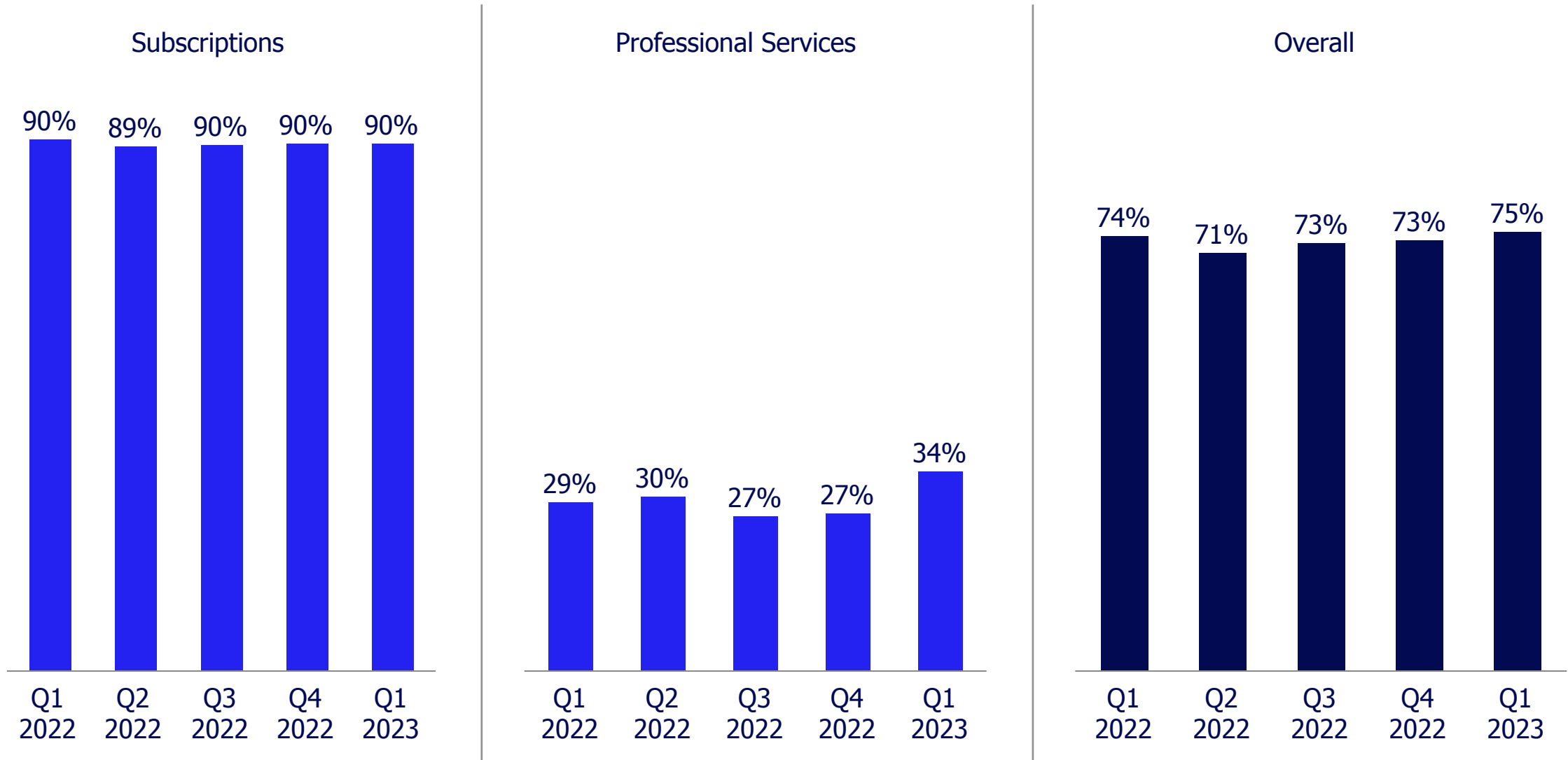




# Subscriptions vs. Professional Services revenue.

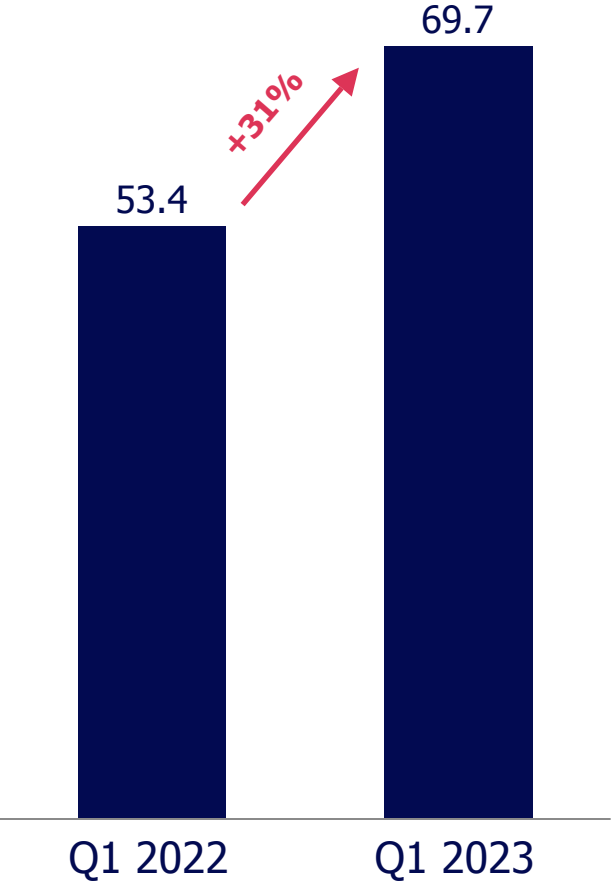


# Gross margins.\*



# Q1 2023 summary.

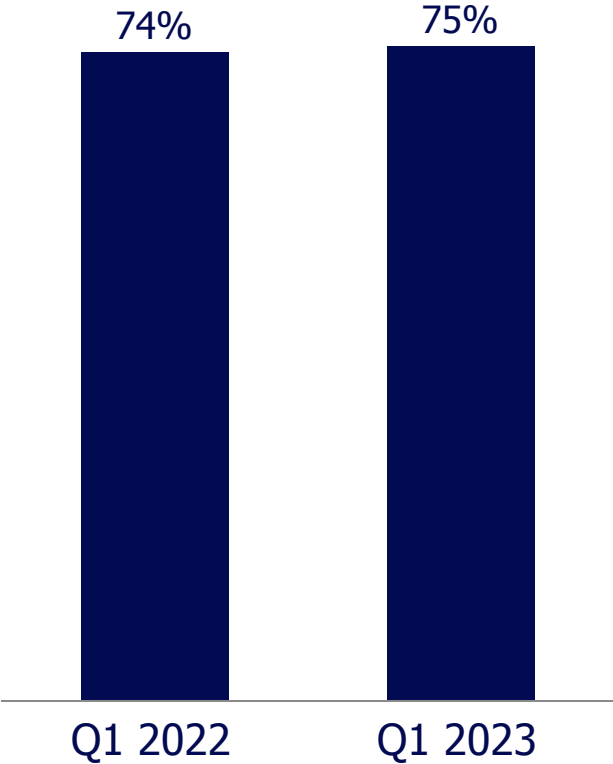
Cloud Subscription  
Revenue  
(USD, in millions)



Cloud Subscription Revenue  
Retention\*



Overall Gross Margins\*\*



\*As of March 31, 2023

\*\*Non-GAAP - Data excludes stock-based compensation expense and severance costs. Refer to the reconciliation of GAAP to non-GAAP measures in the Appendix.

# Guidance.

Given on May 9, 2023

(in millions, except for EPS)	Q2 2023			Full Year 2023		
Cloud Subscription Revenue	\$72.0	–	\$74.0	\$296.0	–	\$298.0
Cloud Subscription Revenue Growth YoY	26%	–	30%	25%	–	26%
Total Revenue	\$123.0	–	\$125.0	\$533.0	–	\$538.0
Total Revenue Increase YoY	12%	–	14%	14%	–	15%
Adjusted EBITDA Loss	\$(30.0)	–	\$(26.0)	\$(70.0)	–	\$(65.0)
Non-GAAP Loss per Share*	\$(0.46)	–	\$(0.40)	\$(1.16)	–	\$(1.09)

# Appendix



# Balance sheet.

\$ in thousands

	As of	
	March 31, 2023	December 31, 2022
<b>Assets</b>		
Cash and cash equivalents	\$ 198,679	\$ 148,132
Short-term investments and marketable securities	55,803	47,863
Accounts receivable, net of allowance	147,579	165,964
Deferred commissions, current	30,697	30,196
Prepaid expenses and other current assets	36,556	28,093
Restricted cash, current	2,280	2,249
Property and equipment, net	45,877	41,855
Goodwill	26,711	26,349
Intangible assets, net of accumulated amortization	4,950	5,251
Right-of-use assets for operating leases	35,425	37,248
Deferred commissions, net of current portion	55,601	55,788
Deferred tax assets	1,596	1,940
Other assets	3,064	3,286
<b>Total assets</b>	<b>\$ 644,818</b>	<b>\$ 594,214</b>
<b>Liabilities and Stockholders' Equity</b>		
Deferred revenue, current	193,902	194,768
Debt	65,432	2,740
Operating lease liabilities, current	8,980	8,681
Other current liabilities	55,451	64,063
Long-term debt	143,728	115,379
Operating lease liabilities, net of current portion	56,073	57,225
Deferred revenue, net of current portion	4,750	5,556
Other non-current liabilities	103	102
<b>Total liabilities</b>	<b>528,419</b>	<b>448,514</b>
<b>Stockholders' equity</b>		
Common stock	7	7
Additional paid-in capital	569,618	561,390
Accumulated other comprehensive loss	(7,946)	(7,246)
Accumulated deficit	(445,280)	(408,451)
<b>Total stockholders' equity</b>	<b>116,399</b>	<b>145,700</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 644,818</b>	<b>\$ 594,214</b>

# Income statement.

\$ in thousands, except for per share data

	Three Months Ended March 31,	
	2023	2022
<b>Revenue</b>		
Cloud subscriptions	\$ 69,692	\$ 53,379
Term license (on prem) subscriptions	23,151	24,707
Maintenance and support	6,114	5,634
Total subscriptions revenue	98,957	83,720
Professional services	36,278	30,546
<b>Total revenue</b>	135,235	114,266
<b>Cost of revenue</b>		
Subscriptions	10,448	8,206
Professional services	25,645	22,710
<b>Total cost of revenue</b>	36,093	30,916
<b>Gross profit</b>	99,142	83,350
<b>Operating expenses</b>		
Sales and marketing	63,090	45,916
Research and development	41,624	29,839
General and administrative	29,694	31,461
<b>Total operating expenses</b>	134,408	107,216
<b>Operating loss</b>	(35,266)	(23,866)
<b>Other non-operating expense</b>		
Other (income) expense, net	(2,690)	787
Interest expense	3,118	74
<b>Total other non-operating expense</b>	428	861
<b>Loss before income taxes</b>	(35,694)	(24,727)
Income tax expense (benefit)	1,135	(1,573)
<b>Net loss</b>	\$ (36,829)	\$ (23,154)
Net loss per share:		
Basic and diluted	\$ (0.51)	\$ (0.32)
Weighted average common shares outstanding:		
Basic and diluted	72,869	72,217

# Stock-based compensation expense.

	Three Months Ended March 31,	
	2023	2022
<i>\$ in thousands</i>		
Cost of revenue		
Subscriptions	\$ 272	\$ 179
Professional services	1,591	1,057
Operating expenses		
Sales and marketing	2,445	1,788
Research and development	3,626	2,314
General and administrative	3,122	1,605
Total stock-based compensation expense	<u>\$ 11,056</u>	<u>\$ 6,943</u>

# Reconciliation of GAAP to non-GAAP measures.

\$ in thousands

	Three Months Ended March 31, 2023				
	GAAP Measure	Stock-Based Compensation	Litigation Expenses	Severance Costs	Non-GAAP Measure
Subscriptions cost of revenue	\$ 10,448	\$ (272)	\$ —	\$ (11)	\$ 10,165
Professional services cost of revenue	25,645	(1,591)	—	(123)	23,931
Total cost of revenue	36,093	(1,863)	—	(134)	34,096
Total operating expenses	134,408	(9,193)	(1,842)	(4,070)	119,303
Operating loss	(35,266)	11,056	1,842	4,204	(18,164)
Net loss	\$ (36,829)	\$ 11,056	\$ 1,842	\$ 4,204	\$ (19,727)

	Three Months Ended March 31, 2022				
	GAAP Measure	Stock-Based Compensation	Litigation Expenses	Severance Costs	Non-GAAP Measure
Subscriptions cost of revenue	\$ 8,206	\$ (179)	\$ —	\$ —	\$ 8,027
Professional services cost of revenue	22,710	(1,057)	—	—	21,653
Total cost of revenue	30,916	(1,236)	—	—	29,680
Total operating expenses	107,216	(5,707)	(11,792)	—	89,717
Operating loss	(23,866)	6,943	11,792	—	(5,131)
Net loss	\$ (23,154)	\$ 6,943	\$ 11,792	\$ —	\$ (4,419)

in thousands, except for per share data

	Three Months Ended March 31,	
	2023	2022
GAAP net loss per share, basic and diluted	\$ (0.51)	\$ (0.32)
Non-GAAP weighted average shares used to compute net loss per share, basic and diluted	72,869	72,217
Non-GAAP net loss per share, basic and diluted	\$ (0.27)	\$ (0.06)

# Reconciliation of GAAP to non-GAAP measures (cont).

*\$ in thousands*

	Three Months Ended March 31,	
	2023	2022
<b>Reconciliation of adjusted EBITDA:</b>		
GAAP net loss	(36,829)	(23,154)
Other (income) expense, net	(2,690)	787
Interest expense	3,118	74
Income tax expense (benefit)	1,135	(1,573)
Depreciation and amortization	2,342	1,773
Stock-based compensation expense	11,056	6,943
Litigation expenses	1,842	11,792
Severance costs	4,204	—
Adjusted EBITDA	<u>\$ (15,822)</u>	<u>\$ (3,358)</u>

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
<b>Reconciliation of non-GAAP overall gross margin:</b>					
GAAP overall gross margin	72.9%	69.8%	71.4%	72.0%	73.3%
Add back:					
Non-GAAP adjustments to overall gross margin	1.0%	1.4%	1.4%	1.4%	1.5%
Non-GAAP overall gross margin	<u>73.9%</u>	<u>71.2%</u>	<u>72.8%</u>	<u>73.4%</u>	<u>74.8%</u>

<b>Reconciliation of non-GAAP subscriptions gross margin:</b>					
GAAP subscriptions gross margin	90.2%	88.9%	89.2%	89.4%	89.4%
Add back:					
Non-GAAP adjustments to subscriptions gross margin	0.2%	0.3%	0.4%	0.2%	0.3%
Non-GAAP subscriptions gross margin	<u>90.4%</u>	<u>89.2%</u>	<u>89.6%</u>	<u>89.6%</u>	<u>89.7%</u>

<b>Reconciliation of non-GAAP professional services gross margin:</b>					
GAAP professional services gross margin	25.4%	25.8%	22.0%	22.3%	29.3%
Add back:					
Non-GAAP adjustments to professional services gross margin	3.4%	4.0%	4.5%	4.7%	4.7%
Non-GAAP professional services gross margin	<u>28.8%</u>	<u>29.8%</u>	<u>26.5%</u>	<u>27.0%</u>	<u>34.0%</u>



The background of the image is a low-angle shot of a modern glass skyscraper against a clear blue sky. The Appian logo is mounted on the upper part of the building's facade. In the center of the image, the word "appian" is written in a large, white, lowercase, sans-serif font.

# appian

A leader in low-code.