



Q2 2022 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 third quarter and full year 2022, 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,” 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 2021 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.

Q2 2022 business highlights.

Results are steady amidst economic uncertainty.

- Achieved 99% gross renewal rate, consistent with historical performance
- Experienced limited impact from macroeconomic conditions in Q2

Appian is a market-favorite product.

- Named a "Customers' Choice" Gartner® Peer Insights™ once again
- Leading with Appian Process Mining as an efficiency tool that appeals to a cost-conscious buyer
- Achieving quick adoption of Appian Portals with new logos and existing customers
- Launched and sold "Vendor Management" solution as part of the Government Acquisition Management (GAM) suite

Chris Jones joins as our new Chief Revenue Officer.

New Appian Product Development Center opens in Chennai, India.

Q2 2022 financial highlights.

Revenue

- Cloud subscription revenue was \$57.1 million in Q2 2022, representing growth of 34% over Q2 2021
- Subscriptions revenue was \$76.7 million in Q2 2022, representing growth of 35% over Q2 2021
- Total revenue was \$110.1 million in Q2 2022, representing growth of 33% over Q2 2021

Retention

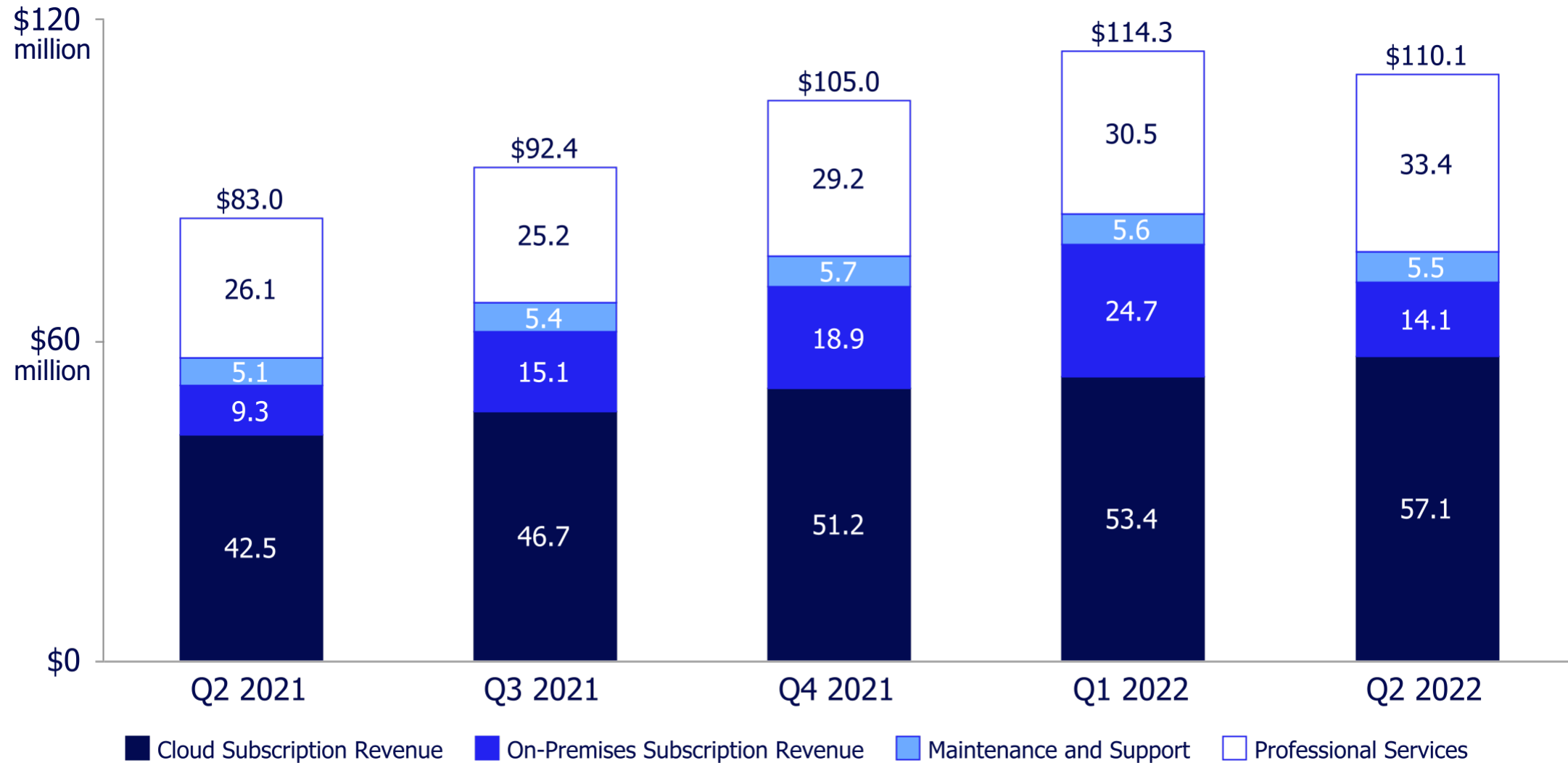
- Cloud subscription revenue retention rate was 116% as of June 30, 2022

Gross Margins*

- Subscriptions gross margin was 89%
- Professional services gross margin was 30%
- Overall gross margin was 71%

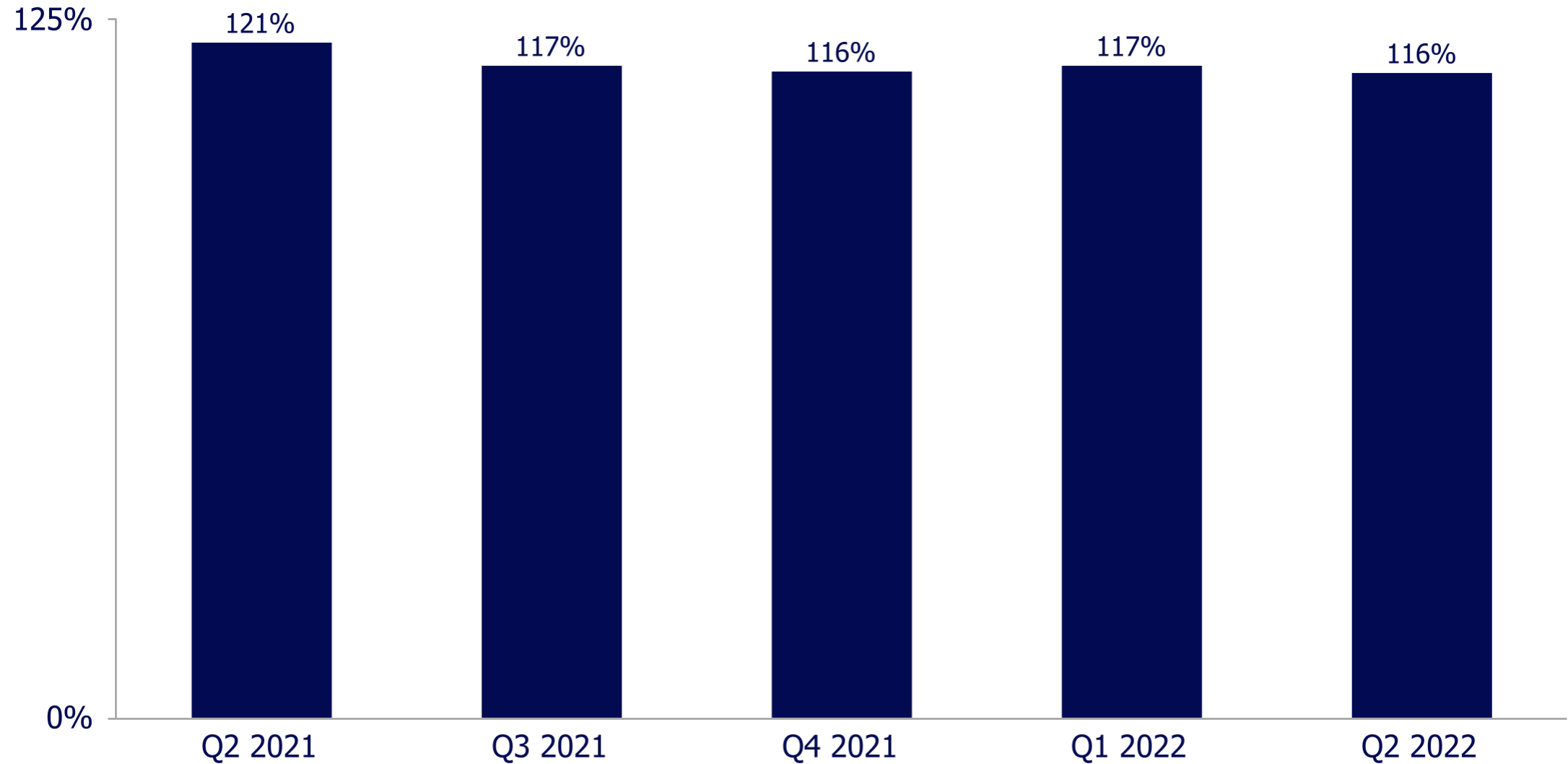
*Non-GAAP - Data excludes stock-based compensation expense. Refer to the reconciliation of GAAP to non-GAAP measures in the Appendix.

Total revenue.*

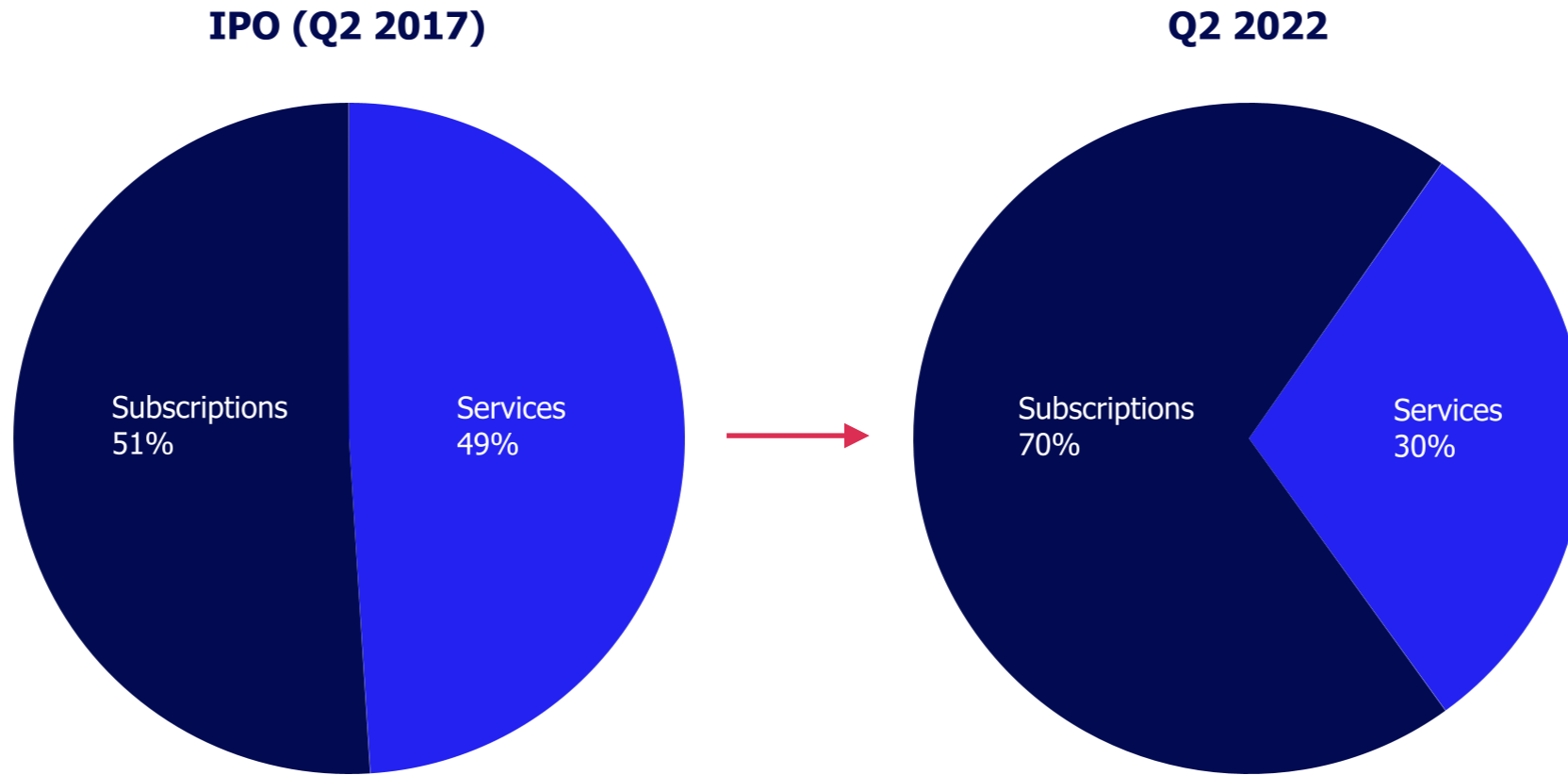


*Total revenue may not foot due to rounding

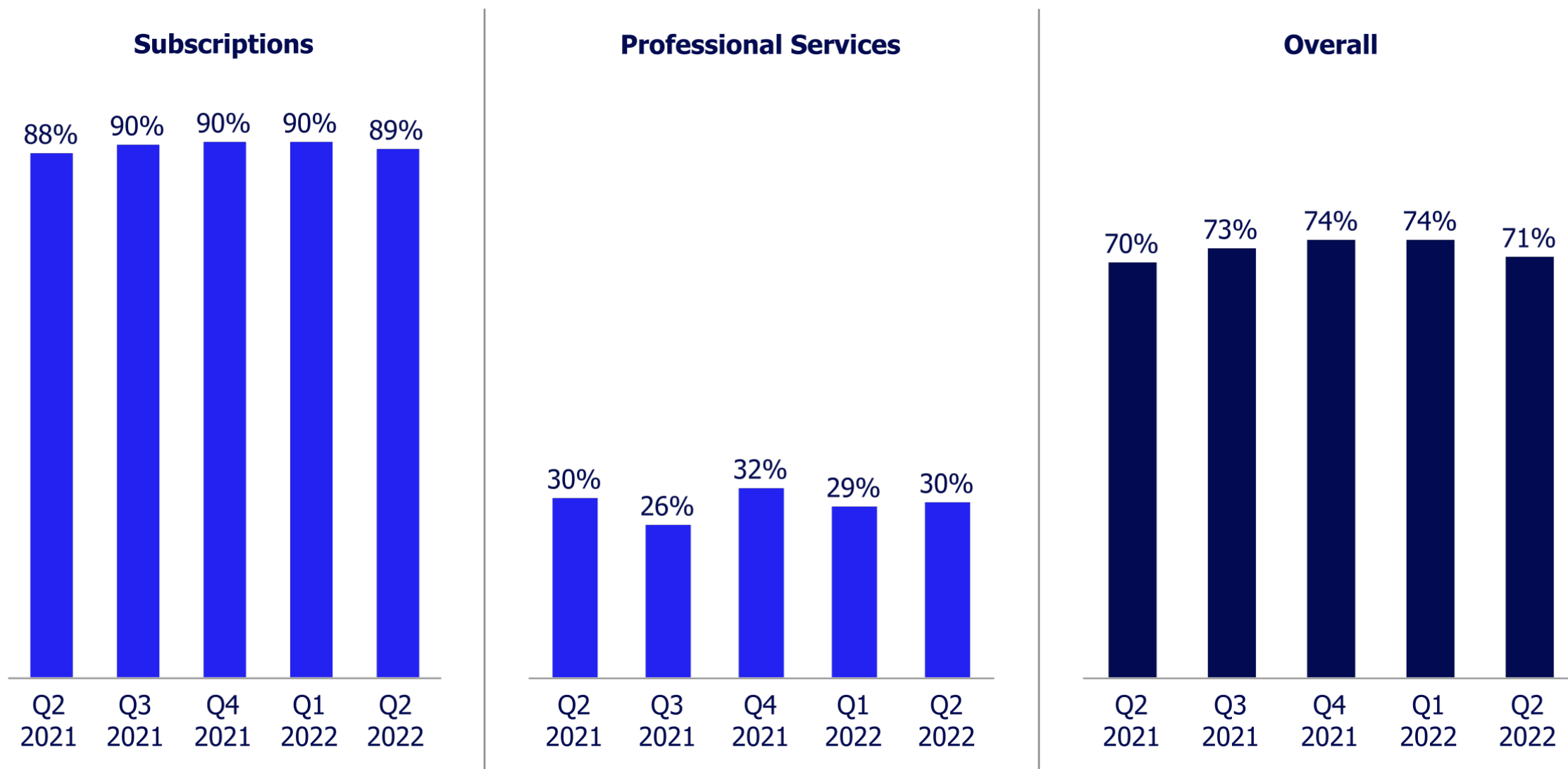
Cloud subscription revenue retention.



Subscriptions vs. Professional Services revenue.



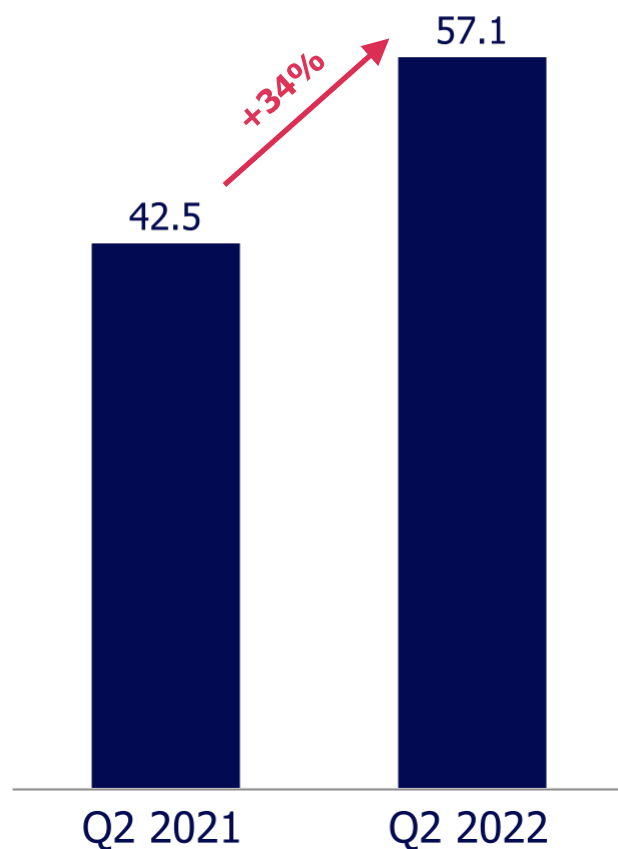
Gross margins.*



Q2 2022 summary.

Cloud Subscription Revenue

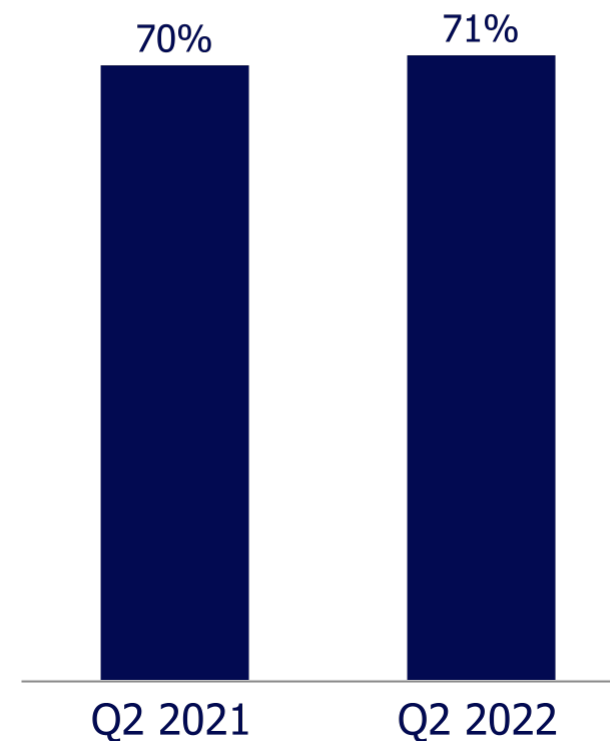
(USD, in millions)



Cloud Subscription Revenue Retention*



Overall Gross Margins**



*As of June 30, 2022

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

Guidance.

Given on August 4, 2022

(in millions, except for EPS)	Q3 2022			Full Year 2022		
Cloud Subscription Revenue	\$60.8	–	\$61.3	\$236.0	–	\$238.0
Cloud Subscription Revenue Growth YoY	30%	–	31%	32%	–	33%
Total Revenue	\$115.0	–	\$117.0	\$466.0	–	\$470.0
Total Revenue Increase YoY	24%	–	27%	26%	–	27%
Adjusted EBITDA Loss	\$(15.0)	–	\$(13.0)	\$(53.0)	–	\$(50.0)
Non-GAAP Loss per Share*	\$(0.23)	–	\$(0.20)	\$(0.91)	–	\$(0.86)

Appendix

Balance sheet.

\$ in thousands

	As of	
	June 30, 2022 (unaudited)	December 31, 2021
Assets		
Cash and cash equivalents	\$ 76,185	\$ 100,796
Short-term investments and marketable securities	59,748	55,179
Accounts receivable, net of allowance of \$1,401 and \$1,400, respectively	120,424	130,049
Deferred commissions, current	26,792	24,668
Prepaid expenses and other current assets	31,515	26,781
Restricted cash, current	728	791
Property and equipment, net of accumulated depreciation of \$16,845 and \$14,106, respectively	38,539	36,913
Long-term investments	2,022	12,044
Goodwill	25,597	27,795
Intangible assets, net of accumulated amortization of \$1,899 and \$1,260, respectively	5,840	7,144
Right-of-use assets for operating leases	27,113	27,897
Deferred commissions, net of current portion	48,671	49,017
Restricted cash, net of current portion	2,185	2,373
Other assets	4,270	3,072
Total assets	\$ 469,629	\$ 504,519
Liabilities and Stockholders' Equity		
Deferred revenue, current	151,266	150,169
Operating lease liabilities, current	7,988	8,110
Other current liabilities	53,072	57,442
Operating lease liabilities, net of current portion	47,210	48,784
Deferred revenue, net of current portion	1,786	2,430
Other non-current liabilities	3,247	3,667
Total liabilities	264,569	270,602
Stockholders' equity		
Common stock	7	7
Additional paid-in capital	538,249	497,128
Accumulated other comprehensive loss	(3,157)	(5,687)
Accumulated deficit	(330,039)	(257,531)
Total stockholders' equity	205,060	233,917
Total liabilities and stockholders' equity	\$ 469,629	\$ 504,519

Income statement.

\$ in thousands, except for per share data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Revenue				
SaaS (cloud) subscriptions	\$ 57,083	\$ 42,486	\$ 110,462	\$ 81,539
Term license (on prem) subscriptions	14,063	9,323	38,770	29,176
Maintenance and support	5,522	5,137	11,156	9,997
Total subscriptions revenue	76,668	56,946	160,388	120,712
Professional services	33,395	26,053	63,941	51,142
Total revenue	110,063	82,999	224,329	171,854
Cost of revenue				
Subscriptions	8,528	6,860	16,751	12,714
Professional services	24,765	18,975	47,563	36,650
Total cost of revenue	33,293	25,835	64,314	49,364
Gross profit	76,770	57,164	160,015	122,490
Operating expenses				
Sales and marketing	56,166	40,520	102,192	76,504
Research and development	33,842	23,862	63,778	44,552
General and administrative	29,509	17,358	60,658	36,500
Total operating expenses	119,517	81,740	226,628	157,556
Operating loss	(42,747)	(24,576)	(66,613)	(35,066)
Other non-operating expense (income)				
Other expense (income), net	6,153	(1,081)	6,940	1,812
Interest expense	60	80	134	161
Total other non-operating expense (income)	6,213	(1,001)	7,074	1,973
Loss before income taxes	(48,960)	(23,575)	(73,687)	(37,039)
Income tax expense (benefit)	394	250	(1,179)	373
Net loss	\$ (49,354)	\$ (23,825)	\$ (72,508)	\$ (37,412)
Net loss per share:				
Basic and diluted	\$ (0.68)	\$ (0.34)	\$ (1.00)	\$ (0.53)
Weighted average common shares outstanding:				
Basic and diluted	72,390	70,953	72,272	70,842

Stock-based compensation expense.

<i>\$ in thousands</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Cost of revenue:				
Subscriptions	\$ 249	\$ 295	\$ 428	\$ 592
Professional services	1,330	865	2,387	1,506
Operating expenses:				
Sales and marketing	2,266	1,197	4,054	2,305
Research and development	3,063	1,069	5,377	2,084
General and administrative	2,240	1,172	3,845	6,005
Total stock-based compensation expense	<u>\$ 9,148</u>	<u>\$ 4,598</u>	<u>\$ 16,091</u>	<u>\$ 12,492</u>

Reconciliation of GAAP to non-GAAP measures.

\$ in thousands, except for per share data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Reconciliation of non-GAAP operating loss:				
GAAP operating loss	\$ (42,747)	\$ (24,576)	\$ (66,613)	\$ (35,066)
Add back:				
Stock-based compensation expense	9,148	4,598	16,091	12,492
Litigation expenses	6,831	2,353	18,623	4,040
Non-GAAP operating loss	\$ (26,768)	\$ (17,625)	\$ (31,899)	\$ (18,534)
Reconciliation of non-GAAP net loss:				
GAAP net loss	\$ (49,354)	\$ (23,825)	\$ (72,508)	\$ (37,412)
Add back:				
Stock-based compensation expense	9,148	4,598	16,091	12,492
Litigation expenses	6,831	2,353	18,623	4,040
Non-GAAP net loss	\$ (33,375)	\$ (16,874)	\$ (37,794)	\$ (20,880)
GAAP net loss per share, basic and diluted	\$ (0.68)	\$ (0.34)	\$ (1.00)	\$ (0.53)
Non-GAAP weighted average shares used to compute net loss per share, basic and diluted	72,390	70,953	72,272	70,842
Non-GAAP net loss per share, basic and diluted	\$ (0.46)	\$ (0.24)	\$ (0.52)	\$ (0.29)
Reconciliation of adjusted EBITDA:				
GAAP net loss	\$ (49,354)	\$ (23,825)	\$ (72,508)	\$ (37,412)
Other expense (income), net	6,153	(1,081)	6,940	1,812
Interest expense	60	80	134	161
Income tax expense (benefit)	394	250	(1,179)	373
Depreciation and amortization	1,800	1,283	3,573	2,561
Stock-based compensation expense	9,148	4,598	16,091	12,492
Litigation expenses	6,831	2,353	18,623	4,040
Adjusted EBITDA	\$ (24,968)	\$ (16,342)	\$ (28,326)	\$ (15,973)

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

This table reconciles our GAAP gross margin percentage to our non-GAAP gross margin percentage for our overall, subscriptions, and professional services margins. The non-GAAP adjustment represents adding back the margin impact of stock-based compensation expense recorded to "Cost of revenue" within our consolidated income statement.

	<u>Q2 2022</u>	<u>Q1 2022</u>	<u>Q4 2021</u>	<u>Q3 2021</u>	<u>Q2 2021</u>
Reconciliation of non-GAAP overall gross margin:					
GAAP overall gross margin	69.8 %	72.9 %	73.1 %	71.3 %	68.9 %
Add back:					
Non-GAAP adjustments to overall gross margin	1.4 %	1.1 %	1.0 %	1.3 %	1.4 %
Non-GAAP overall gross margin	71.2 %	74.0 %	74.1 %	72.6 %	70.3 %
Reconciliation of non-GAAP subscriptions gross margin:					
GAAP subscriptions gross margin	88.9 %	90.2 %	90.0 %	89.5 %	88.0 %
Add back:					
Non-GAAP adjustments to subscriptions gross margin	0.3 %	0.2 %	0.3 %	0.5 %	0.5 %
Non-GAAP subscriptions gross margin	89.2 %	90.4 %	90.3 %	90.0 %	88.5 %
Reconciliation of non-GAAP professional services gross margin:					
GAAP professional services gross margin	25.8 %	25.7 %	29.1 %	22.9 %	27.2 %
Add back:					
Non-GAAP adjustments to professional services gross margin	4.0 %	3.4 %	2.9 %	3.1 %	3.3 %
Non-GAAP professional services gross margin	29.8 %	29.1 %	32.0 %	26.0 %	30.5 %

A low-angle, upward-looking shot of a modern glass skyscraper against a clear blue sky. The building's facade is composed of large glass panels reflecting the sky. At the top of the building, the word "appian" is displayed in large, dark, three-dimensional letters. In the center of the image, the word "appian" is written in a large, white, lowercase sans-serif font, overlaid on the building's facade.

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