



AppFolio, Inc. Announces Fourth Quarter and Fiscal Year 2020 Financial Results

March 1, 2021

SANTA BARBARA, Calif., March 01, 2021 (GLOBE NEWSWIRE) -- AppFolio, Inc. (NASDAQ: APPF) ("AppFolio" or the "Company"), today announced its financial results for the fourth quarter and fiscal year ended December 31, 2020. The Company urges investors to read its Annual Report on Form 10-K for the year ended December 31, 2020, which will also be filed with the Securities and Exchange Commission (the "SEC") today, March 1, 2021, and will be available on AppFolio's website, <http://ir.appfolioinc.com>. The limited information that follows in this press release is not adequate for making an informed investment judgment.

Financial Outlook

The Company is not providing revenue guidance for fiscal year 2021 due to limited visibility into future business trends and financial performance in the current operating environment. Diluted weighted average shares are expected to be approximately 36 million for fiscal year 2021.

Conference Call Information

As previously announced, the Company will host a conference call today, March 1, 2021, at 1:30 p.m. Pacific Time, 4:30 p.m. Eastern Time, to discuss its financial results. Participants who wish to dial into the conference call please register in advance at <http://www.directeventreg.com/registration/event/8438087>. After registering, a confirmation email will be sent, including dial-in details and a unique code for entry. Registration will be open through the start of the live call.

Following the conference call, a replay will be available at (800) 585-8367 (domestic) or (416) 621-4642 (international). The replay passcode is 8438087. An archived webcast of this conference call will also be available on AppFolio's Investor Relations website at <http://ir.appfolioinc.com>.

About AppFolio, Inc.

AppFolio provides innovative software, services and data analytics to the real estate industry. Our industry-specific, cloud-based business management solutions are designed to enable our customers to digitally transform their businesses, address critical business operations and enable exceptional customer service. Today our core solutions include AppFolio Property Manager, AppFolio Property Manager PLUS, and AppFolio Investment Management. In addition, the Company offers a variety of Value+ services that are designed to enhance, automate and streamline essential processes and workflows for our customers. AppFolio was founded in 2006 and is headquartered in Santa Barbara, CA. Learn more at www.appfolioinc.com.

Investor Relations Contact: ir@appfolio.com

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements are subject to considerable risks and uncertainties. Forward-looking statements include all statements that are not statements of historical fact contained in this press release, and can be identified by words such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "seeks," "should," "will," "would" or similar expressions and the negatives of those expressions. In particular, forward-looking statements contained in this press release relate to the Company's business opportunities, the impact of the Company's strategic actions and initiatives, the impact of the COVID-19 pandemic on the Company's business, and the timing of providing updated financial guidance.

Forward-looking statements represent AppFolio's current beliefs and assumptions based on information currently available. Forward-looking statements involve numerous known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks and uncertainties that may cause the Company's actual results to materially differ from those expressed or implied by these forward-looking statements are described in the section entitled "Risk Factors" in AppFolio's Annual Report on Form 10-K for the year ended December 31, 2020, which will be filed with the SEC today, as well as in the Company's other filings with the SEC. You should read this press release with the understanding that the Company's actual future results may be materially different from the results expressed or implied by these forward looking statements.

Except as required by applicable law or the rules of the NASDAQ Global Market, AppFolio assumes no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except par values)

| | December 31, 2020 | December 31, 2019 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 140,263 | \$ 15,813 |
| Investment securities—current | 28,256 | 22,876 |
| Accounts receivable, net | 10,057 | 7,562 |
| Prepaid expenses and other current assets | 20,777 | 15,540 |
| Total current assets | 199,353 | 61,791 |
| Investment securities—noncurrent | 6,770 | 12,089 |
| Property and equipment, net | 26,439 | 14,744 |
| Operating lease right-of-use assets | 30,561 | 27,803 |
| Capitalized software development costs, net | 35,459 | 30,023 |
| Goodwill | 56,147 | 58,425 |
| Intangible assets, net | 16,357 | 21,377 |
| Deferred taxes | 12,181 | 27,574 |
| Other long-term assets | 6,213 | 6,276 |
| Total assets | <u>\$ 389,480</u> | <u>\$ 260,102</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 1,040 | \$ 1,927 |
| Accrued employee expenses | 18,888 | 17,758 |
| Accrued expenses | 14,069 | 10,833 |
| Deferred revenue | 2,262 | 4,600 |
| Income tax payable | 9,095 | — |
| Other current liabilities | 4,451 | 11,139 |
| Term loan, net—current portion | — | 1,208 |
| Total current liabilities | 49,805 | 47,465 |
| Operating lease liabilities | 40,146 | 33,312 |
| Term loan, net | — | 47,375 |
| Deferred taxes | 13,609 | — |
| Total liabilities | 103,560 | 128,152 |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value, 25,000 shares authorized and no shares issued and outstanding as of December 31, 2020 and December 31, 2019 | — | — |
| Class A common stock, \$0.0001 par value, 250,000 shares authorized as of December 31, 2020 and December 31, 2019; 19,148 and 16,923 shares issued as of December 31, 2020 and December 31, 2019, respectively; 18,729 and 16,552 shares outstanding as of December 31, 2020 and December 31, 2019, respectively | 2 | 2 |
| Class B common stock, \$0.0001 par value, 50,000 shares authorized as of December 31, 2020 and December 31, 2019; 15,659 and 17,594 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively | 2 | 2 |
| Additional paid-in capital | 161,247 | 161,509 |
| Accumulated other comprehensive income | 56 | 33 |
| Treasury stock, at cost, 419 and 371 shares of Class A common stock as of December 31, 2020 and December 31, 2019, respectively | (25,756) | (21,562) |
| Retained earnings (accumulated deficit) | 150,369 | (8,034) |
| Total stockholders' equity | 285,920 | 131,950 |
| Total liabilities and stockholders' equity | <u>\$ 389,480</u> | <u>\$ 260,102</u> |

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)**

(in thousands, except per share amounts)

| Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|------------------------------------|------|-------------------------------------|------|
| 2020 ⁽¹⁾ | 2019 | 2020 ⁽¹⁾ | 2019 |

| | | | | | | | | |
|--|----|---------|----|---------|----|---------|----|----------|
| Revenue | \$ | 72,432 | \$ | 67,362 | \$ | 310,056 | \$ | 256,012 |
| Costs and operating expenses: | | | | | | | | |
| Cost of revenue (exclusive of depreciation and amortization) | | 29,905 | | 26,403 | | 119,029 | | 101,642 |
| Sales and marketing | | 15,328 | | 14,441 | | 58,445 | | 51,528 |
| Research and product development | | 11,735 | | 11,086 | | 48,529 | | 39,508 |
| General and administrative | | 11,177 | | 9,117 | | 47,480 | | 34,478 |
| Depreciation and amortization | | 7,039 | | 6,226 | | 26,790 | | 22,395 |
| Total costs and operating expenses | | 75,184 | | 67,273 | | 300,273 | | 249,551 |
| (Loss) income from operations | | (2,752) | | 89 | | 9,783 | | 6,461 |
| Other income, net | | 1,138 | | 84 | | 188,897 | | 16 |
| Interest income (expense), net | | 60 | | (330) | | (1,849) | | (1,654) |
| (Loss) income before (benefit from) provision for income taxes | | (1,554) | | (157) | | 196,831 | | 4,823 |
| (Benefit from) provision for income taxes | | (1,041) | | (4,585) | | 38,428 | | (31,459) |
| Net (loss) income | \$ | (513) | \$ | 4,428 | \$ | 158,403 | \$ | 36,282 |
| Net (loss) income per common share: | | | | | | | | |
| Basic | \$ | (0.01) | \$ | 0.13 | \$ | 4.62 | \$ | 1.07 |
| Diluted | \$ | (0.01) | \$ | 0.12 | \$ | 4.44 | \$ | 1.02 |
| Weighted average common shares outstanding: | | | | | | | | |
| Basic | | 34,332 | | 34,091 | | 34,264 | | 34,016 |
| Diluted | | 34,332 | | 35,597 | | 35,713 | | 35,567 |

(1) MyCase was divested on September 30, 2020. The results of MyCase have been included in our results of operations through the date of divestiture.

Stock-Based Compensation Expense

(in thousands)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | | | | | |
|--|------------------------------------|-------|-------------------------------------|-------|----|-------|----|-------|
| | 2020 (1) | 2019 | 2020 (1) | 2019 | | | | |
| Costs and operating expenses: | | | | | | | | |
| Cost of revenue (exclusive of depreciation and amortization) | \$ | 408 | \$ | 393 | \$ | 1,506 | \$ | 1,466 |
| Sales and marketing | | 346 | | 367 | | 1,415 | | 1,271 |
| Research and product development | | 470 | | 387 | | 1,818 | | 1,411 |
| General and administrative | | 993 | | 731 | | 4,286 | | 3,161 |
| Total stock-based compensation expense | \$ | 2,217 | \$ | 1,878 | \$ | 9,025 | \$ | 7,309 |

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (in thousands)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | | | | | |
|---|------------------------------------|-------|-------------------------------------|---------|----|-----------|----|----------|
| | 2020 (1) | 2019 | 2020 (1) | 2019 | | | | |
| Cash from operating activities | | | | | | | | |
| Net income | \$ | (513) | \$ | 4,428 | \$ | 158,403 | \$ | 36,282 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | | | |
| Depreciation and amortization | | 7,039 | | 6,226 | | 26,790 | | 22,395 |
| Amortization of operating lease right-of-use assets | | 728 | | 1,114 | | 3,701 | | 4,130 |
| Deferred income taxes | | 6,124 | | (4,423) | | 29,002 | | (31,455) |
| Stock-based compensation | | 2,217 | | 1,878 | | 9,025 | | 7,309 |
| Gain on sale of business | | (22) | | — | | (187,658) | | — |

| | | | | |
|--|-------------------|------------------|-------------------|------------------|
| Other | (45) | (104) | 125 | 32 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (553) | 747 | (2,782) | (2,031) |
| Prepaid expenses and other current assets | (5,035) | 372 | (5,894) | (4,031) |
| Other assets | (199) | 247 | (519) | 1,376 |
| Accounts payable | (1,598) | 241 | (903) | 511 |
| Accrued employee expenses | 880 | 4,056 | 2,799 | 4,542 |
| Accrued expenses | 947 | 69 | 6,878 | 55 |
| Deferred revenue | (285) | 154 | 530 | 1,193 |
| Operating lease liabilities | 571 | 224 | (564) | (2,662) |
| Other liabilities | (7,173) | 245 | 9,366 | 1,241 |
| Net cash provided by operating activities | <u>3,083</u> | <u>15,474</u> | <u>48,299</u> | <u>38,887</u> |
| Cash from investing activities | | | | |
| Purchases of available-for-sale investments | (13,998) | (14,508) | (43,877) | (25,198) |
| Proceeds from sales of available-for-sale investments | 2,769 | — | 16,711 | 2,750 |
| Proceeds from maturities of available-for-sale investments | 14,030 | 4,660 | 27,330 | 15,660 |
| Purchases of property, equipment and intangible assets | (2,487) | (3,999) | (19,038) | (8,084) |
| Capitalization of software development costs | (6,345) | (5,329) | (26,042) | (20,998) |
| Cash paid in business acquisition, net of cash acquired | — | — | — | (54,004) |
| Proceeds from sale of business, net of cash divested | — | — | 191,427 | — |
| Net cash (used in) provided by investing activities | <u>(6,031)</u> | <u>(19,176)</u> | <u>146,511</u> | <u>(89,874)</u> |
| Cash from financing activities | | | | |
| Proceeds from stock option exercises | 420 | 294 | 822 | 553 |
| Tax withholding for net share settlement | (1,237) | (614) | (12,196) | (6,155) |
| Payment of contingent consideration | — | — | (5,977) | — |
| Proceeds from issuance of debt | — | 472 | 50,752 | 2,169 |
| Principal payments on debt | — | (785) | (99,565) | (3,419) |
| Payment of debt issuance costs | — | — | — | (420) |
| Purchase of treasury stock | — | — | (4,194) | — |
| Net cash used in financing activities | <u>(817)</u> | <u>(633)</u> | <u>(70,358)</u> | <u>(7,272)</u> |
| Net (decrease) increase in cash and cash equivalents and restricted cash | <u>(3,765)</u> | <u>(4,305)</u> | <u>124,452</u> | <u>(58,259)</u> |
| Cash, cash equivalents and restricted cash | | | | |
| Beginning of period | <u>144,464</u> | <u>20,552</u> | <u>16,247</u> | <u>74,506</u> |
| End of period | <u>\$ 140,699</u> | <u>\$ 16,247</u> | <u>\$ 140,699</u> | <u>\$ 16,247</u> |

(1) MyCase was divested on September 30, 2020. The results of MyCase have been included in our results of operations through the date of divestiture.



Source: AppFolio, Inc.