



AppFolio, Inc. Announces Second Quarter 2019 Financial Results

July 29, 2019

SANTA BARBARA, Calif., July 29, 2019 (GLOBE NEWSWIRE) -- AppFolio, Inc. (NASDAQ: APPF) ("AppFolio" or the "Company"), a leading provider of cloud-based business software solutions, today announced its financial results for the quarter ended June 30, 2019.

AppFolio's operating results for the second quarter of 2019 are summarized in the tables accompanying this press release. The Company nevertheless urges investors to read its Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission (the "SEC") on February 28, 2019, as well as its more detailed second quarter 2019 results that will be included in the Company's Quarterly Report on Form 10-Q, which will be filed with the SEC on July 29, 2019. These periodic report filings, together with other documents the Company files with the SEC from time to time, will be accessible 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

Based on information available as of July 29, 2019, AppFolio's outlook for fiscal year 2019 follows:

- Full year revenue is expected to be in the range of \$253 million to \$255 million.
- Diluted weighted average shares are expected to be approximately 36 million for the full year.

Conference Call Information

As previously announced, the Company will host a conference call today, July 29, 2019, at 1:30 p.m. Pacific Time, 4:30 p.m. Eastern Time, to discuss its financial results. Investors are invited to submit questions to management via the Investor Q&A form located on the Investor Overview section of AppFolio's website.

The conference call can be accessed by dialing 844.624.1561 and entering ID # 7094869. International callers may dial 647.253.8652. A replay of the conference call will be available at 800.585.8367 and 416.621.4642 for international callers. A live and recorded webcast of the conference call will be available at <http://ir.appfolioinc.com>.

About AppFolio, Inc.

AppFolio offers industry-specific, cloud-based business software solutions, services, and data analytics to the real estate and legal markets. Today our products include real estate software ([AppFolio Property Manager](#), AppFolio Property Manager PLUS and [AppFolio Investment Management](#)) and legal practice management software ([MyCase](#)). 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," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "could," "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 future or assumed revenues and weighted-average outstanding shares, as well as its future growth and success.

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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, which will be filed with the SEC on July 29, 2019, 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)

| | June 30, | December 31, |
|---|-----------------|---------------------|
| | 2019 | 2018 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 19,514 | \$ 74,076 |
| Investment securities—current | 19,425 | 16,631 |
| Accounts receivable, net | 8,180 | 5,516 |
| Prepaid expenses and other current assets | 16,945 | 11,775 |
| Total current assets | 64,064 | 107,998 |
| Investment securities—noncurrent | 3,586 | 11,256 |
| Property and equipment, net | 7,930 | 6,871 |
| Operating lease right-of-use assets | 15,440 | — |
| Capitalized software, net | 24,658 | 20,485 |
| Goodwill | 58,518 | 15,548 |
| Intangible assets, net | 24,003 | 5,895 |
| Deferred taxes | 21,704 | — |
| Other long-term assets | 6,191 | 7,688 |
| Total assets | \$ 226,094 | \$ 175,741 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 1,579 | \$ 1,481 |
| Accrued employee expenses | 13,626 | 12,377 |
| Accrued expenses | 9,407 | 8,281 |
| Deferred revenue | 3,929 | 3,414 |
| Other current liabilities | 12,067 | 1,447 |
| Long-term debt, net—current portion | 1,208 | 1,213 |
| Total current liabilities | 41,816 | 28,213 |
| Operating lease liabilities | 18,071 | — |
| Long-term debt, net | 47,979 | 48,602 |
| Other long-term liabilities | 13 | 7,080 |
| Total liabilities | 107,879 | 83,895 |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value, 25,000 authorized and no shares issued and outstanding at June 30, 2019 and December 31, 2018 | — | — |
| Class A common stock, \$0.0001 par value, 250,000 shares authorized at June 30, 2019 and December 31, 2018; issued - 16,456 and 16,159, shares at June 30, 2019 and December 31, 2018; outstanding - 16,086 and 15,789 shares at June 30, 2019 and December 31, 2018, respectively; | 2 | 2 |
| Class B common stock, \$0.0001 par value, 50,000 shares authorized at June 30, 2019 and December 31, 2018; 17,952 and 18,109 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively; | 2 | 2 |
| Additional paid-in capital | 157,195 | 157,898 |
| Accumulated other comprehensive loss | 18 | (178) |
| Treasury stock, at cost, 370 Class A shares at June 30, 2019 and December 31, 2018 | (21,562) | (21,562) |
| Accumulated deficit | (17,440) | (44,316) |
| Total stockholders' equity | 118,215 | 91,846 |
| Total liabilities and stockholders' equity | \$ 226,094 | \$ 175,741 |

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(in thousands, except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------|------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | \$ 63,624 | \$ 47,240 | \$ 120,715 | \$ 89,580 |
| Costs and operating expenses: | | | | |
| Cost of revenue (exclusive of depreciation and amortization) | 25,128 | 17,729 | 49,309 | 34,342 |
| Sales and marketing | 13,232 | 7,625 | 24,451 | 15,030 |
| Research and product development | 9,339 | 5,750 | 17,820 | 11,083 |
| General and administrative | 8,214 | 5,248 | 16,406 | 10,564 |
| Depreciation and amortization | 5,415 | 3,579 | 10,491 | 7,079 |
| Total costs and operating expenses | <u>61,328</u> | <u>39,931</u> | <u>118,477</u> | <u>78,098</u> |
| Income from operations | 2,296 | 7,309 | 2,238 | 11,482 |
| Other expense, net | (56) | (18) | (57) | (21) |
| Interest income (expense), net | (427) | 226 | (924) | 402 |
| Income before provision for (benefit from) income taxes | 1,813 | 7,517 | 1,257 | 11,863 |
| Provision for (benefit from) income taxes | (21,338) | 43 | (25,619) | 69 |
| Net income | <u>\$ 23,151</u> | <u>\$ 7,474</u> | <u>\$ 26,876</u> | <u>\$ 11,794</u> |
| Net income per common share: | | | | |
| Basic | \$ 0.68 | \$ 0.22 | \$ 0.79 | \$ 0.35 |
| Diluted | \$ 0.65 | \$ 0.21 | \$ 0.76 | \$ 0.33 |
| Weighted average common shares outstanding: | | | | |
| Basic | 34,010 | 34,173 | 33,962 | 34,122 |
| Diluted | 35,412 | 35,408 | 35,385 | 35,361 |

Stock-Based Compensation Expense

(in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------------|------------------------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Costs and operating expenses: | | | | |
| Cost of revenue (exclusive of depreciation and amortization) | \$ 415 | \$ 250 | \$ 739 | \$ 470 |
| Sales and marketing | 302 | 228 | 550 | 438 |
| Research and product development | 363 | 287 | 671 | 512 |
| General and administrative | 607 | 572 | 1,279 | 1,235 |
| Total stock-based compensation expense | <u>\$ 1,687</u> | <u>\$ 1,337</u> | <u>\$ 3,239</u> | <u>\$ 2,655</u> |

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Cash from operating activities | | | | |
| Net income | \$ 23,151 | \$ 7,474 | \$ 26,876 | \$ 11,794 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 5,415 | 3,579 | 10,491 | 7,079 |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Amortization of operating lease right-of-use assets | 987 | — | 1,928 | — |
| Stock-based compensation | 1,687 | 1,337 | 3,239 | 2,655 |
| Deferred income taxes | (21,362) | — | (25,643) | — |
| Other | 81 | 67 | 108 | 146 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (644) | (1,020) | (2,695) | (2,168) |
| Prepaid expenses and other current assets | (1,859) | (1,000) | (5,199) | (559) |
| Other long-term assets | 830 | (296) | 1,254 | (1,062) |
| Accounts payable | 88 | 424 | 188 | 839 |
| Accrued employee expenses | 3,547 | 1,802 | 680 | (2,040) |
| Accrued expenses | (196) | 822 | 1,384 | 1,433 |
| Deferred revenue | 313 | (1,955) | 581 | (3,289) |
| Operating lease liabilities | (1,024) | — | (1,759) | — |
| Other long-term liabilities | 504 | 478 | 380 | 226 |
| Net cash provided by operating activities | <u>11,518</u> | <u>11,712</u> | <u>11,813</u> | <u>15,054</u> |
| Cash from investing activities | | | | |
| Purchases of property and equipment | (1,365) | (317) | (2,395) | (580) |
| Additions to capitalized software | (4,762) | (2,569) | (9,420) | (5,505) |
| Purchases of investment securities | (678) | (5,259) | (678) | (20,832) |
| Sales of investment securities | — | — | 1,750 | 5 |
| Maturities of investment securities | 1,750 | 7,299 | 4,000 | 15,595 |
| Acquisition, net of cash acquired | — | — | (54,004) | — |
| Purchases of intangible assets | (30) | — | (30) | — |
| Net cash used in investing activities | <u>(5,085)</u> | <u>(846)</u> | <u>(60,777)</u> | <u>(11,317)</u> |
| Cash from financing activities | | | | |
| Proceeds from stock option exercises | 109 | 188 | 199 | 658 |
| Tax withholding for net share settlement | (3,436) | (1,593) | (4,751) | (2,494) |
| Proceeds from issuance of debt | 572 | 31 | 1,169 | 63 |
| Principal payments on debt | (885) | (31) | (1,794) | (63) |
| Payment of debt issuance costs | (60) | — | (420) | — |
| Net cash used in financing activities | <u>(3,700)</u> | <u>(1,405)</u> | <u>(5,597)</u> | <u>(1,836)</u> |
| Net increase (decrease) in cash, cash equivalents and restricted cash | <u>2,733</u> | <u>9,461</u> | <u>(54,561)</u> | <u>1,901</u> |
| Cash, cash equivalents and restricted cash | | | | |
| Beginning of period | <u>17,212</u> | <u>8,977</u> | <u>74,506</u> | <u>16,537</u> |
| End of period | <u>\$ 19,945</u> | <u>\$ 18,438</u> | <u>\$ 19,945</u> | <u>\$ 18,438</u> |



Source: AppFolio, Inc.