

AppFolio First Quarter 2026 Earnings Call

April 23, 2026

Prepared Remarks

Lori Barker, Investor Relations

Thank you. Good afternoon, everyone. I'm Lori Barker, Investor Relations for AppFolio, and I'd like to thank you for joining us today as we report AppFolio's First Quarter 2026 financial results. With me on the call today are Shane Trigg, AppFolio's President and CEO, and Tim Eaton, AppFolio's CFO. This call is simultaneously being webcast on the Investor Relations section of our website at appfolioinc.com. Additionally, an audio replay of the call and a transcript of the prepared comments will be posted to the website.

Before we get started, I would like to remind everyone of AppFolio's safe harbor policy. Comments made during this conference call and webcast contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to risks and uncertainties.

Any statement that refers to expectations, projections, or other characterizations of future events, including financial projections, future market conditions, business performance, or future product enhancements or development, is a forward-looking statement. AppFolio's actual future results could differ materially from those expressed in such forward-looking statements for any reason, including those listed in our SEC filings.

AppFolio assumes no obligation to update any such forward-looking statements except as required by law.

For greater detail about risks and uncertainties, please see our SEC filings, including our Form 10-K for the fiscal year ended December 31, 2025, which was filed with the SEC on February 5, 2026.

In addition, this call includes non-GAAP financial measures. Reconciliations of these non-GAAP financial measures with the most directly comparable GAAP measures are included in our first quarter earnings release posted on the Investor Relations section of our website.

With that, I will turn the call over to Shane Trigg. Shane, please go ahead.

Shane Trigg, President and Chief Executive Officer

Thanks Lori, and welcome to everyone joining us today.

AppFolio is off to a strong start in 2026. First quarter revenue reached \$262 million dollars, a 20% year-over-year increase, and up from the 16% year-over-year increase we delivered in Q1 2025. Non-GAAP operating income grew 36% and was 27.3% of revenue, and GAAP operating income increased 50% and was 19.4% of revenue. We had the best first quarter in company history for residential new business unit acquisition. And, units on platform grew to 9.5 million, in line with our expectations and typical seasonality.

This is an exciting time for our business and our industry.

AI is powerful, and we're putting it to work across every dimension of our business, accelerating performance for our customers while driving greater efficiency across our own operations.

At our annual FUTURE Conference last year, we introduced Real Estate Performance Management, what we call RPM, a new way of thinking about value creation in real estate. RPM represents a fundamental shift: from reactive, task-oriented property management to a holistic practice of delivering value across the entire real estate ecosystem. Residents that love where they live. Investors that see consistent, strong returns. Property management businesses that grow, serving communities that thrive.

Achieving that requires a performance platform that provides the harness for intelligent AI orchestration in real estate. With an AI-native architecture of three interconnected systems: a system of record, a system of action, and a system of growth. All accessible through one unified experience. There's a unique advantage in operating a mission-critical platform in a vertical market, sitting at the center of how our customers operate their business.

Compliance is embedded in how our platform works, not layered on after the fact, and the domain knowledge we've encoded across residential real estate is sharpened by tens of thousands of customers. Our Realm-X Performers are fully operational AI agents built directly into the platform, taking ownership of entire workflows and doing the work with and for our customers. And by reimagining the

resident experience with the services renters demand, we turn AppFolio from a cost center into a growth driver, one whose value deepens with every customer we serve.

The RPM discipline we've introduced and the performance platform we've built are redefining what it means to win in real estate. It's gratifying to see the market embracing RPM and our customers turning it into daily practice. Dan Rubenstein puts it well. He's the CEO of Hampton Management Associates, a 3,000-unit Bay Area property management company that this quarter signed a three-year renewal on our Max plan.

"AppFolio is attacking the friction in our business by consolidating our tech stack onto a single platform. By integrating Realm-X Performers to automate core workflows, we've transitioned our team from manual administrative tasks to high-value resident engagement. Partnering with AppFolio allows us to spend less time on system maintenance and compliance and reallocate resources toward scaling. It provides one source of truth where everything is simplified, so we can stop reinventing the wheel and get back to the business of bettering our properties."

Dan's experience reflects the type of customer outcomes we pursue through the pillars of our company strategy.

Our first strategic pillar is to Differentiate to Win.

Starting with our System of Action. Our AI strategy is producing measurable commercial outcomes at scale. More than 99% of our nearly 23,000 customers are now using some form of our AI-powered Realm suite. AI actions are up 7x year over year, and Performer adoption has grown almost 500% quarter over quarter. The Business Intelligence Group has recognized this momentum, naming AppFolio a 2026 Artificial Intelligence Excellence Award winner in the Agentic AI category.

Maintenance Performer is a good example since it tackles a workflow that's universal in property management. Resident issues don't stop at 5 PM, and neither does AppFolio. Over half of all work orders are submitted after-hours, and Realm-X Maintenance Performer is there to respond to residents in an average of 6 seconds, triaging and troubleshooting the issue and automatically creating a work order when needed.

This quarter, we enhanced the Maintenance Performer with new Vendor Follow-Up capabilities. It now proactively contacts vendors, monitors open work orders, confirms completions, and logs every interaction automatically.

Turning to our System of Record. AppFolio Stack is deepening what customers can do directly within AppFolio while continuously expanding the categories it covers, most recently adding cloud

communications through SimpleVoIP. We've surpassed 5 million units connected on Stack, creating a powerful network whose value grows with every connection.

The depth of these integrations is what sets them apart. Through our partnership with AvidXchange, Plus and Max customers can now manage their entire accounts payable lifecycle, bill payment, real-time status tracking, reconciliation, and fraud protection, directly within AppFolio. This isn't just a data handoff between systems. It's the full workflow, inside our platform.

In our System of Growth, we start with one conviction: the resident is at the center of the real estate ecosystem. When they thrive, so does everyone in the industry. And the data is clear on what that means for business performance. Our national study of more than 3,000 renters confirms that a modern resident experience is a strong driver of satisfaction. The research shows satisfied residents are 72% more likely to renew and 34% less likely to plan a move, directly impacting NOI and property performance.

But we're measuring something deeper than satisfaction: the impact on the daily lives of renters. Residents on our platform with access to resident services score 14% higher on the Cantril Ladder for life satisfaction.

The highest-leverage moment to deliver that value is at move-in. It sets the tone for the entire resident journey, and is where offering easy access to the right services becomes a differentiator for property managers.

Resident Onboarding Lift transforms that moment. Rather than a checklist of manual tasks, move-in becomes a streamlined, transparent, digital experience covering renters' insurance, utilities setup, and other essential services. The result is a 95% attach rate at move-in, compared to 64% without it, and more renters with insurance coverage that protects their personal property. Our recent addition of Group Rate Internet to Resident Onboarding Lift gives residents convenient, affordable connectivity from the moment they move in. In the same renter research I mentioned a moment ago, 97% of Group Rate Internet users say it's saved them money and improved their financial well-being.

Brad Randall, the President of Welch Randall, a nearly 6,000-unit AppFolio customer headquartered in Ogden, Utah, explains it this way: "Residents complete the entire move-in on their phone. It walks them through each step clearly, so they understand exactly what they're signing up for and why. The result is faster lease execution, fewer questions, and residents who feel confident and set up for success from day one."

Our second strategic pillar is to Deliver Performance Efficiently. Let's start with how we're delivering for our customers.

As the industry shifts toward RPM, ambitious operators are choosing AppFolio to drive increased performance. Mandy Management, a New Haven, Connecticut-based operator managing more than 3,000 units, is one of our newest customers. They selected AppFolio to consolidate their disparate systems into a unified platform. By replacing clunky interfaces and manual accounting with integrated AI workflows and real-time reporting, they're streamlining everything from maintenance coordination to resident communications to accelerate performance.

New customer momentum is one measure of our success. Equally important is the retention and growth we're driving within our existing customer base.

Since 2017, West Des Moines, Iowa-based Newbury Living has grown its portfolio to 2,300 units on AppFolio. They continue to consolidate new acquisitions under our platform, driven by our high-performance AI tools.

Rich Overholt, Technology Implementation Coordinator at Newbury Living, explains: "We evaluated a specialized AI leasing solution alongside Realm-X Leasing Performer, and chose AppFolio. What won us over was how much AppFolio already understood about how we operate. Other solutions required us to bring all that context to them. With AppFolio, it was already there. Since deploying Leasing Performer, our inquiry to completed showings conversion rate has increased 20%, and Leasing Performer is now driving 57% of all completed showings, freeing our onsite team to stay focused on closing high-intent tours."

We're successfully attaching AI products when customers sign, expand, or renew with us, reflecting the growing value they see in our platform and continuing to drive growth for AppFolio.

That value is rooted in how AppFolio is built. A unified platform that tightly connects the system of record and the system of action provides the harness for intelligent AI orchestration. Our AI agents operate directly on governed, real-time data and transactional workflows, reducing latency, avoiding connector fragility, and improving accuracy and security. AppFolio's AI data architecture gives agentic capabilities native access to the underlying data model and execution layer, enabling more reliable automation, better orchestration, and faster results.

The same discipline we bring to our customers' performance, we apply to our own. AI-native engineering is changing how we build. We're compressing the time from concept to deployment, enabling our teams to design, code, test, and refine products with greater speed and precision. That means more value in the hands of our customers, faster.

This shift is freeing our engineers to pursue the work that compounds long-term platform value, including market and customer opportunities that otherwise may have taken us longer to address. Our

growing efficiency is reflected in our financial performance, as we reduced R&D as a percentage of revenue year over year, which Tim will speak to shortly.

Our third strategic pillar is Great People and Culture. I'm consistently inspired by our team's ability to innovate at an exceptional pace and make a real difference for our customers. It's their dedication that makes our vision to power the future of real estate a reality.

I'm pleased to share that AppFolio has been re-certified as a Great Place to Work for 2026. That recognition is a reflection of the people at the heart of this company. AppFolians who exemplify our values, live the AppFolian Way, and deeply care about our customers.

On that note, I'm delighted to announce that Kyle Triplett has been promoted to Chief Product Officer. Many of you know Kyle from his leadership across our product organization, where he's been instrumental in delivering the AppFolio Performance Platform and our Realm-X AI capabilities. In this expanded role, Kyle will continue to lead our product strategy and design, advancing AppFolio's innovation leadership and ensuring our platform continues to set the standard for the industry.

The RPM discipline we've introduced and the performance platform we have built are turning property managers into performance managers, and when they win, everyone in the real estate ecosystem does as well.

With that, I will hand it over to Tim to share more about AppFolio's Q1 financial results.

Tim Eaton, Chief Financial Officer

Thank you, Shane.

I am pleased with our first quarter results and strong start to 2026, which demonstrate how our performance platform continues to deliver outcomes for our customers and that customer value is increasingly visible in our financial results.

In the first quarter, we delivered revenue of \$262 million dollars, growing 20 percent year-over-year, compared to \$218 million dollars in Q1 2025.

Subscription Services revenue, previously called Core revenue, grew 18 percent year-over-year to \$58 million dollars compared to \$49.5 million dollars in Q1 2025. This growth was driven by winning new customers, growth in total units under management, and an increasing number of customers upgrading to our Plus and Max premium tiers. This tier upgrade trend reflects the growing value customers are finding in Realm-X Flows, our AI-powered workflow automation engine currently available in premium

tiers, our expanding Stack partner ecosystem, and mixed portfolio capabilities, such as student and affordable housing.

First quarter revenue from Value Added Services grew 22 percent year-over-year to \$201 million dollars, driven by increased adoption of our FolioGuard risk mitigation services, FolioScreen offerings, and online payments, as well as growth in units under management. Resident Onboarding Lift and Realm-X performers, comprising our Leasing, Maintenance, and Resident Messenger AI agents, are also increasing their contribution to Value Added Services revenue.

We continue to be pleased with our acquisition and retention of customers and units. At the end of the quarter, we managed approximately 9.5 million units compared to 8.8 million units a year ago, representing an 8 percent increase. Customers grew to 22,520 from 21,105 - a growth rate of 7 percent. Customer and unit retention continues to be strong and in line with historical averages.

In summary, first quarter revenue of \$262 million dollars, growing 20 percent year over year, reflects our continued strength in winning new business and driving adoption of our products and services.

Turning to margin: in the first quarter, GAAP operating income, which includes stock based compensation expense, grew 50% year-over-year to \$51 million, or 19.4 percent of revenue compared to \$34 million dollars, or 15.5 percent of revenue last year. Non-GAAP operating income grew 35% to \$72 million, or 27.3 percent of revenue compared to \$53 million, or 24.3 percent of revenue in 2025.

Continuing with non-GAAP measures, cost of Revenue, exclusive of depreciation and amortization, was flat year over year at 36 percent of revenue. Efficiencies in our operations were offset by our payments product mix and additional data center spend to support our customers' growing usage of our AI product capabilities.

As a percent of revenue, in the first quarter, Sales and Marketing was consistent with the first quarter of 2025 at 13% as we continued to invest in additional sales capacity and go-to-market initiatives to drive new unit acquisition, premium tier upgrades, and value added services adoption.

R&D spending declined as a percent of revenue to 16% from 17% in the prior year. The use of AI tools and systems is increasing the velocity of our innovation and the productivity of our engineering teams - particularly in areas such as the Resident experience and AI product capabilities.

G&A expense declined to 7% from 8% as a percentage of revenue, reflecting the benefits of scale and continued operational efficiencies.

We exited the quarter with 1,721 employees, an increase of 4 percent from the first quarter of 2025, primarily reflecting growth in sales capacity as we continue to invest to win new business, drive premium

tier upgrades, and increase adoption of value added services, such as resident onboarding lift and Performers.

In the first quarter, we deployed \$125.0 million dollars to repurchase 702.5 thousand shares. Our opportunistic share repurchase strategy is one component of how we are driving long-term shareholder value. In 2025 and 2026 to date, we have repurchased nearly 1.4 million shares and have another \$125.0 million dollars remaining of our existing share repurchase program.

Our balance sheet remains healthy, providing financial flexibility as we continue on our mission to build the platform where real estate comes to do business.

Now turning to our 2026 financial outlook,

We are raising our guidance for annual revenue to \$1.110 to \$1.125 billion dollars, for a full year mid-point growth rate of 17.5 percent, fueled by adoption of our premium tier offerings, growth in new business units, and increasing adoption of our products and services, including Agentic AI Performers and new resident services. We continue to anticipate 2026 revenue seasonality to be mostly consistent with 2025.

We are also raising our guidance for non-GAAP operating margin and expect to deliver between 26.0% and 28.0%, compared to 2025 of 24.7%. Cost of Revenue, exclusive of depreciation and amortization, is expected to be relatively flat as a percentage of revenue compared to 2025. While we expect to continue hiring in areas including sales, operating expenses as a percent of revenue are projected to decline modestly as we scale and leverage AI to drive efficiency across our internal operations. Diluted weighted average shares outstanding is now anticipated to be approximately 36 million for the full year.

To close, Q1 reflects continued long-term shareholder value creation through revenue growth, margin expansion, and disciplined capital allocation. Together, these priorities are designed to grow operating cash flow over time, manage dilution, and drive durable customer performance. We are pleased with our results and remain focused on executing on our vision to power the future of real estate.

Thanks to all of you for your support and interest in AppFolio.

Operator, this concludes today's call.