

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2023.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 001-37468

AppFolio, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation or organization)

26-0359894
(I.R.S. Employer Identification No.)

70 Castilian Drive
Santa Barbara, California
(Address of principal executive offices)

93117
(Zip Code)

(805) 364-6093

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, \$0.0001 par value	APPF	NASDAQ Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 20, 2023, the number of shares of the registrant's Class A common stock outstanding was 20,766,610 and the number of shares of the registrant's Class B common stock outstanding was 14,719,225.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2023 (this "Quarterly Report"), contains forward-looking statements within the meaning of federal securities laws, which statements involve substantial risks and uncertainties. The forward-looking statements made in this Quarterly Report are based primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results, and prospects and relate only to events as of the date on which the statements are made. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "might," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report and "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (our "Annual Report"), as well as in the other reports we file with the Securities and Exchange Commission (the "SEC"). You should read this Quarterly Report, and the other documents we file with the SEC, with the understanding that our actual future results may be materially different from the results expressed or implied by these forward-looking statements. As such, you should not rely upon forward-looking statements as predictions of future events. Examples of forward-looking statements include, among others, statements made regarding changes in the competitive environment, responding to customer needs, research and product development plans, future products and services, growth in the size of our business and number of customers, strategic plans and objectives, business forecasts and plans, our future or assumed financial condition, results of operations and liquidity, trends affecting our business and industry, capital needs and financing plans, capital resource allocation plans, share repurchase plans, and commitments and contingencies, including with respect to the outcome of legal proceedings or regulatory matters. Any forward-looking statement made by us in this Quarterly Report is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report to reflect events or circumstances after the date of this Quarterly Report or to reflect new information or the occurrence of unanticipated events, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

APPFOLIO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands)

	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 103,925	\$ 70,769
Investment securities—current	65,022	89,297
Accounts receivable, net	17,416	16,503
Prepaid expenses and other current assets	25,515	24,899
Total current assets	211,878	201,468
Investment securities—noncurrent	12,723	25,161
Property and equipment, net	25,789	26,110
Operating lease right-of-use assets	20,849	23,485
Capitalized software development costs, net	30,467	35,315
Goodwill	56,060	56,060
Intangible assets, net	4,214	4,833
Other long-term assets	8,720	8,785
Total assets	\$ 370,700	\$ 381,217
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 740	\$ 2,473
Accrued employee expenses	47,087	34,376
Accrued expenses	18,029	15,601
Other current liabilities	13,971	8,893
Total current liabilities	79,827	61,343
Operating lease liabilities	45,257	50,237
Other liabilities	5,047	4,091
Total liabilities	130,131	115,671
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Class A common stock	2	2
Class B common stock	2	2
Additional paid-in capital	219,074	209,704
Accumulated other comprehensive loss	(921)	(1,684)
Treasury stock	(25,756)	(25,756)
Retained earnings	48,168	83,278
Total stockholders' equity	240,569	265,546
Total liabilities and stockholders' equity	\$ 370,700	\$ 381,217

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2023	2022
Revenue	\$ 136,100	\$ 105,296
Costs and operating expenses:		
Cost of revenue (exclusive of depreciation and amortization) ⁽¹⁾	56,208	43,347
Sales and marketing ⁽¹⁾	29,398	24,919
Research and product development ⁽¹⁾	37,662	24,320
General and administrative ⁽¹⁾	31,691	18,964
Depreciation and amortization	7,671	8,415
Total costs and operating expenses	<u>162,630</u>	<u>119,965</u>
Loss from operations	(26,530)	(14,669)
Other income (loss), net	20	(10)
Interest income, net	1,361	107
Loss before provision for income taxes	(25,149)	(14,572)
Provision for (benefit from) income taxes	9,961	(285)
Net loss	<u>\$ (35,110)</u>	<u>\$ (14,287)</u>
Net loss per common share, basic and diluted	<u>\$ (0.99)</u>	<u>\$ (0.41)</u>
Weighted average common shares outstanding, basic and diluted	<u>35,443</u>	<u>34,836</u>

⁽¹⁾ Includes stock-based compensation expense as follows:

	Three Months Ended March 31,	
	2023	2022
Stock-based compensation expense included in costs and operating expenses:		
Cost of revenue (exclusive of depreciation and amortization)	\$ 768	\$ 358
Sales and marketing	2,417	1,460
Research and product development	5,439	2,806
General and administrative	5,279	2,794
Total stock-based compensation expense	<u>\$ 13,903</u>	<u>\$ 7,418</u>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (35,110)	\$ (14,287)
Other comprehensive income (loss):		
Changes in unrealized gains (losses) on investment securities	763	(1,345)
Comprehensive loss	<u>\$ (34,347)</u>	<u>\$ (15,632)</u>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(in thousands)

	Common Stock Class A		Common Stock Class B		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total
	Shares	Amount	Shares	Amount					
Balance December 31, 2022	20,569	\$ 2	14,746	\$ 2	\$ 209,704	\$ (1,684)	\$ (25,756)	\$ 83,278	\$ 265,546
Exercise of stock options	64	—	—	—	834	—	—	—	834
Stock based compensation	—	—	—	—	14,075	—	—	—	14,075
Vesting of restricted stock units, net of shares withheld for taxes	79	—	—	—	(5,539)	—	—	—	(5,539)
Conversion of Class B common stock to Class A common stock	27	—	(27)	—	—	—	—	—	—
Issuance of restricted stock awards	2	—	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	763	—	—	763
Net loss	—	—	—	—	—	—	—	(35,110)	(35,110)
Balance March 31, 2023	20,741	\$ 2	14,719	\$ 2	\$ 219,074	\$ (921)	\$ (25,756)	\$ 48,168	\$ 240,569

	Common Stock Class A		Common Stock Class B		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2021	19,417	\$ 2	15,408	\$ 2	\$ 171,930	\$ (194)	\$ (25,756)	\$ 151,397	\$ 297,381
Exercise of stock options	17	—	—	—	100	—	—	—	100
Stock-based compensation	—	—	—	—	7,967	—	—	—	7,967
Vesting of restricted stock units, net of shares withheld for taxes	17	—	—	—	(1,073)	—	—	—	(1,073)
Conversion of Class B common stock to Class A common stock	572	—	(572)	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(1,345)	—	—	(1,345)
Net loss	—	—	—	—	—	—	—	(14,287)	(14,287)
Balance at March 31, 2022	20,023	\$ 2	14,836	\$ 2	\$ 178,924	\$ (1,539)	\$ (25,756)	\$ 137,110	\$ 288,743

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2023	2022
Cash from operating activities		
Net loss	\$ (35,110)	\$ (14,287)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,937	7,878
Amortization of operating lease right-of-use assets	568	887
Gain on lease modification	(2,366)	—
Deferred income taxes	4	(342)
Stock-based compensation, including as amortized	14,637	7,955
Other	(159)	427
Changes in operating assets and liabilities:		
Accounts receivable	(914)	(3,431)
Prepaid expenses and other current assets	(2,465)	(1,942)
Other assets	66	(573)
Accounts payable	(1,777)	2,987
Accrued employee expenses	13,041	(5,016)
Accrued expenses	2,407	1,722
Operating lease liabilities	(771)	(631)
Other liabilities	7,475	2,122
Net cash provided by (used in) operating activities	1,573	(2,244)
Cash from investing activities		
Purchases of available-for-sale investments	(1,285)	(23,309)
Proceeds from sales of available-for-sale investments	1,013	—
Proceeds from maturities of available-for-sale investments	37,890	23,343
Purchases of property and equipment	(794)	(1,830)
Capitalization of software development costs	(1,165)	(3,484)
Proceeds from sale of equity-method investment	629	—
Net cash provided by (used in) investing activities	36,288	(5,280)
Cash from financing activities		
Proceeds from stock option exercises	834	100
Tax withholding for net share settlement	(5,539)	(1,073)
Net cash used in financing activities	(4,705)	(973)
Net increase (decrease) in cash, cash equivalents and restricted cash	33,156	(8,497)
Cash, cash equivalents and restricted cash		
Beginning of period	71,019	58,283
End of period	\$ 104,175	\$ 49,786

The following table presents a reconciliation of cash, cash equivalents and restricted cash reported within our Condensed Consolidated Balance Sheets to the total of the same such amounts shown above (in thousands):

	March 31,	
	2023	2022
Cash and cash equivalents	\$ 103,925	\$ 49,536
Restricted cash included in other assets	250	250
Total cash, cash equivalents and restricted cash	\$ 104,175	\$ 49,786

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.**NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS****1. Nature of Business**

AppFolio, Inc. ("we," "us" or "our") is a leading provider of cloud business management solutions for the real estate industry. Our solutions are designed to enable our customers to digitally transform their businesses, address critical business operations and deliver a better customer experience. Digital transformation is effectively a requirement for business success in the modern world, and the way we work and live requires powerful software solutions.

2. Summary of Significant Accounting Policies***Basis of Presentation and Significant Accounting Policies***

The accompanying unaudited Condensed Consolidated Financial Statements were prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these Condensed Consolidated Financial Statements should be read in conjunction with our audited consolidated financial statements and the related notes included in our Annual Report, which was filed with the SEC on February 9, 2023. The year-end condensed balance sheet was derived from our audited consolidated financial statements. Our unaudited interim Condensed Consolidated Financial Statements include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair statement of our Condensed Consolidated Financial Statements. The operating results for the three months ended March 31, 2023 are not necessarily indicative of the results expected for the full year ending December 31, 2023.

Reclassification

We reclassified certain amounts in our Condensed Consolidated Statements of Cash Flows within the cash flows from operating activities section in the prior year to conform to the current year's presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue, expenses, other income, and provision for income taxes during the reporting period. Assets and liabilities which are subject to judgment and use of estimates include the fair value of financial instruments, capitalized software development costs, period of benefit associated with deferred costs, incremental borrowing rate used to measure operating lease liabilities, the recoverability of goodwill and long-lived assets, income taxes, useful lives associated with property and equipment and intangible assets, contingencies, assumptions underlying performance-based compensation (whether cash or stock-based), and assumptions underlying stock-based compensation. Actual results could differ from those estimates and any such differences may have a material impact on our Condensed Consolidated Financial Statements.

Net Loss per Common Share

Net loss per common share was the same for shares of our Class A and Class B common stock because they are entitled to the same liquidation and dividend rights and are therefore combined in the table below. The following table presents a reconciliation of the weighted average number of shares of our Class A and Class B common stock used to compute net loss per common share (in thousands):

	Three Months Ended March 31,	
	2023	2022
Weighted average common shares outstanding	35,451	34,840
Less: Weighted average unvested restricted shares subject to repurchase	8	4
Weighted average common shares outstanding; basic and diluted	<u>35,443</u>	<u>34,836</u>

Because we reported a net loss for all periods presented, all potentially dilutive common shares are anti-dilutive for these periods and have been excluded from the calculation of net loss per share.

Recent Accounting Pronouncements Not Yet Adopted

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, "Revenue from Contracts with Customers," as if the acquirer had originated the contracts. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. We adopted ASU 2021-08 on January 1, 2023. Adoption did not have an impact on our condensed consolidated financial statements.

3. Investment Securities and Fair Value Measurements

Investment Securities

Investment securities classified as available-for-sale consisted of the following as of March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	\$ 9,631	\$ —	\$ (52)	\$ 9,579
Agency securities	11,259	—	(317)	10,942
Treasury securities	58,249	—	(1,025)	57,224
Total available-for-sale investment securities	<u>\$ 79,139</u>	<u>\$ —</u>	<u>\$ (1,394)</u>	<u>\$ 77,745</u>

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	\$ 17,497	\$ 2	\$ (112)	\$ 17,387
Agency securities	17,507	—	(484)	17,023
Treasury securities	81,605	—	(1,557)	80,048
Total available-for-sale investment securities	<u>\$ 116,609</u>	<u>\$ 2</u>	<u>\$ (2,153)</u>	<u>\$ 114,458</u>

As of March 31, 2023, the decline in fair value below amortized cost basis was not considered other than temporary as it is more likely than not we will hold the securities until maturity or recovery of the cost basis. No allowance for credit losses for available-for-sale investment securities was recorded as of March 31, 2023 or December 31, 2022.

The fair values of available-for-sale investment securities, by remaining contractual maturity, are as follows (in thousands):

	March 31, 2023		December 31, 2022	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 66,348	\$ 65,022	\$ 90,822	\$ 89,297
Due after one year through three years	12,791	12,723	25,787	25,161
Total available-for-sale investment securities	<u>\$ 79,139</u>	<u>\$ 77,745</u>	<u>\$ 116,609</u>	<u>\$ 114,458</u>

During the three months ended March 31, 2023 and 2022, we had sales and maturities of investment securities, as follows (in thousands):

	Three Months Ended March 31, 2023			
	Gross Realized Gains	Gross Realized Losses	Gross Proceeds from Sales	Gross Proceeds from Maturities
Corporate bonds	\$ 3	\$ —	\$ 1,013	\$ 6,860
Agency securities	—	—	—	6,250
Treasury securities	—	—	—	24,780
Total	\$ 3	\$ —	\$ 1,013	\$ 37,890

	Three Months Ended March 31, 2022			
	Gross Realized Gains	Gross Realized Losses	Gross Proceeds from Sales	Gross Proceeds from Maturities
Corporate bonds	\$ —	\$ —	\$ —	\$ 12,343
Treasury securities	—	—	—	11,000
Total	\$ —	\$ —	\$ —	\$ 23,343

Fair Value Measurements

Recurring Fair Value Measurements

The following tables present our financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022 by level within the fair value hierarchy (in thousands):

	March 31, 2023		
	Level 1	Level 2	Total Fair Value
Cash equivalents:			
Money market funds	\$ 24,442	\$ —	\$ 24,442
Treasury securities	56,173	—	56,173
Available-for-sale investment securities:			
Corporate bonds	—	9,579	9,579
Agency securities	—	10,942	10,942
Treasury securities	57,224	—	57,224
Total	\$ 137,839	\$ 20,521	\$ 158,360

	December 31, 2022		
	Level 1	Level 2	Total Fair Value
Cash equivalents:			
Money market funds	\$ 41,973	\$ —	\$ 41,973
Treasury securities	1,287	—	1,287
Available-for-sale investment securities:			
Corporate bonds	—	17,387	17,387
Agency securities	—	17,023	17,023
Treasury securities	80,048	—	80,048
Total	\$ 123,308	\$ 34,410	\$ 157,718

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short maturity of these items.

Fair value for our Level 1 investment securities is based on market prices for identical assets. Our Level 2 securities were priced by a pricing vendor. The pricing vendor utilizes the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, other observable inputs like market transactions involving comparable securities are used.

4. Capitalized Software Development Costs, net

Capitalized software development costs were as follows (in thousands):

	March 31, 2023	December 31, 2022
Capitalized software development costs, gross	\$ 128,120	\$ 129,749
Less: Accumulated amortization	(97,653)	(94,434)
Capitalized software development costs, net	<u>\$ 30,467</u>	<u>\$ 35,315</u>

Capitalized software development costs were \$1.0 million and \$4.1 million for the three months ended March 31, 2023 and 2022, respectively. Amortization expense with respect to capitalized software development costs totaled \$5.9 million and \$6.1 million for the three months ended March 31, 2023 and 2022. During the three months ended March 31, 2023 and 2022, we disposed of \$2.2 million and \$0.8 million, respectively, of fully amortized capitalized software development costs.

Future amortization expense with respect to capitalized software development costs is estimated as follows (in thousands):

Years Ending December 31,	
2023	\$ 13,707
2024	11,598
2025	4,567
2026	595
Total amortization expense	<u>\$ 30,467</u>

5. Intangible Assets, net

Intangible assets consisted of the following (in thousands, except years):

	March 31, 2023			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life in Years
Customer relationships	\$ 1,670	\$ (1,503)	\$ 167	5.0
Database	4,710	(2,002)	2,708	10.0
Technology	6,539	(6,539)	—	4.0
Trademarks and trade names	1,520	(1,288)	232	5.0
Partner relationships	680	(680)	—	3.0
Non-compete agreements	7,340	(6,239)	1,101	5.0
Domain names	90	(84)	6	5.0
Patents	252	(252)	—	5.0
Total intangible assets, net	<u>\$ 22,801</u>	<u>\$ (18,587)</u>	<u>\$ 4,214</u>	5.8

	December 31, 2022			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life in Years
Customer relationships	\$ 1,670	\$ (1,448)	\$ 222	5.0
Database	4,710	(1,884)	2,826	10.0
Technology	6,539	(6,539)	—	4.0
Trademarks and trade names	1,520	(1,211)	309	5.0
Partner relationships	680	(680)	—	3.0
Non-compete agreements	7,340	(5,872)	1,468	5.0
Domain names	90	(82)	8	5.0
Patents	252	(252)	—	5.0
Total intangible assets, net	<u>\$ 22,801</u>	<u>\$ (17,968)</u>	<u>\$ 4,833</u>	4.7

Amortization expense with respect to intangible assets totaled \$0.6 million and \$1.2 million for the three months ended March 31, 2023 and 2022, respectively. Future amortization expense with respect to intangible assets is estimated as follows (in thousands):

Years Ending December 31,	
2023	\$ 1,857
2024	473
2025	471
2026	471
2027	471
Thereafter	471
Total amortization expense	<u>\$ 4,214</u>

6. Accrued Employee Expenses

Accrued employee expenses consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Accrued vacation	\$ 13,263	\$ 12,067
Accrued bonuses	5,525	13,806
Accrued severance	16,693	496
Accrued payroll and other	11,606	8,007
Total accrued employee expenses	<u>\$ 47,087</u>	<u>\$ 34,376</u>

Accrued severance as of March 31, 2023 is primarily related to \$14.9 million of separation costs associated with our former Chief Executive Officer's Transition and Separation Agreement, dated March 1, 2023 ("Separation Agreement"), which will be paid out in the second quarter of 2023.

7. Leases

Operating leases for our corporate offices have remaining lease terms ranging from one to ten years, some of which include options to extend the leases for up to ten years. These options to extend have not been recognized as part of our operating lease right-of-use assets and lease liabilities as it is not reasonably certain that we will exercise these options. Our lease agreements do not contain any residual value guarantees or material restrictive covenants. Certain leases contain provisions for property-related costs that are variable in nature for which we are responsible, including common area maintenance, which are expensed as incurred.

The components of lease expense recognized in the Condensed Consolidated Statements of Operations were as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Operating lease cost	\$ 1,145	\$ 1,447
Variable lease cost	573	123
Total lease cost	<u>\$ 1,718</u>	<u>\$ 1,570</u>

Lease-related assets and liabilities were as follows (in thousands):

	March 31, 2023	December 31, 2022
Assets		
Operating lease right-of-use assets	\$ 20,849	\$ 23,485
Liabilities		
Other current liabilities	\$ 3,132	\$ 3,357
Operating lease liabilities	45,257	50,237
Total lease liabilities	<u>\$ 48,389</u>	<u>\$ 53,594</u>

In January 2023, we entered into an amendment to the lease agreement for our San Diego facility. We remeasured the lease liability and recorded a reduction to the lease liability and right-of-use asset using the discount rate at the modification date, which resulted in a gain of \$2.4 million in the Condensed Consolidated Statements of Operations.

Future minimum lease payments under non-cancellable leases as of March 31, 2023 were as follows (in thousands):

Years ending December 31,		
2023	\$	1,077
2024		5,607
2025		6,837
2026		7,035
2027		7,239
Thereafter		35,043
Total future minimum lease payments		62,838
Less: imputed interest		(14,449)
Total	\$	48,389

8. Commitments and Contingencies

Legal Liability to Landlord Insurance

We have a wholly owned subsidiary, Terra Mar Insurance Company, Inc., which was established in connection with reinsuring liability to landlord insurance policies offered to our customers by our third-party service provider. Each policy has a limit of \$100 thousand per incident. We assume a 100% quota share of the liability to landlord insurance policies placed with our customers by our third-party service provider. We accrue for reported claims, and include an estimate of losses incurred but not reported by our property manager customers, in cost of revenue because we bear the risk related to all such claims. Our estimated liability for reported claims and incurred but not reported claims as of March 31, 2023 and December 31, 2022 was \$3.4 million and \$2.7 million, respectively, and is included in *Other current liabilities* on our Condensed Consolidated Balance Sheets.

Included in *Prepaid expenses and other current assets* as of March 31, 2023 and December 31, 2022 are \$2.8 million and \$4.5 million, respectively, of deposits held with a third party related to requirements to maintain collateral for this insurance service.

Legal Proceedings

From time to time we may become involved in various legal proceedings, investigative inquiries, and other disputes arising from or related to matters incident to the ordinary course of our business activities. We are not currently a party to any matters, nor are we aware of any pending or threatened matters, that we believe would have a material adverse effect on our business, operating results, cash flows or financial condition should such proceedings be resolved unfavorably.

Indemnification

In the ordinary course of business, we may provide indemnification of varying scope and terms to customers, business partners, investors, directors, officers, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of any applicable agreements, intellectual property infringement claims made by third parties, and other liabilities relating to or arising from our services or our acts or omissions. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments we could be required to make under these indemnification provisions may not be subject to maximum loss clauses and is indeterminable. We have not incurred any costs as a result of such indemnification obligations and have not recorded any liabilities related to such obligations in the Condensed Consolidated Financial Statements.

9. Stock-Based Compensation

Stock Options

A summary of activity in connection with our stock options for the three months ended March 31, 2023, is as follows (number of shares in thousands):

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life in Years
Options outstanding as of December 31, 2022	516	\$ 12.90	2.7
Options granted	120	129.74	
Options exercised	(64)	13.05	
Options outstanding as of March 31, 2023	<u>572</u>	<u>\$ 37.38</u>	<u>3.3</u>

During the three months ended March 31, 2023, we granted our Chief Executive Officer 120,000 stock options of our Class A common stock. These stock options vest based on service conditions with one-third vesting at the end of each of the years ending December 31, 2025, 2026 and 2027. No stock options were granted during the three months ended March 31, 2022.

Our stock-based compensation expense for stock options was not material for the periods presented.

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following table summarizes information relating to our stock options granted during three months ended March 31, 2023:

Weighted average grant-date fair value per share	\$ 67.23
Weighted average Black-Scholes model assumptions:	
Risk-free interest rate	4.06 %
Expected term (in years)	6.92
Expected volatility	44 %
Expected dividend yield	—

As of March 31, 2023, the total estimated remaining stock-based compensation expense for the aforementioned stock options was \$7.9 million, which is expected to be recognized over a weighted average period of 4.8 years.

Restricted Stock Units

A summary of activity in connection with our RSUs for the three months ended March 31, 2023, is as follows (number of shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested as of December 31, 2022	1,162	\$ 116.88
Granted	610	122.08
Vested	(124)	116.45
Forfeited	(28)	112.95
Unvested as of March 31, 2023	<u>1,620</u>	<u>\$ 118.94</u>

Unvested RSUs as of March 31, 2023 were composed of 1.4 million RSUs with only service conditions and 0.2 million PSUs with both service conditions and performance conditions. RSUs granted with only service conditions generally vest over a four-year period. The number of PSUs granted, as included in the above table, assumes achievement of the performance metric at 100% of the performance target. Of the unvested PSUs as of March 31, 2023, 0.1 million are subject to vesting based on the achievement of pre-established performance metrics for the year ending December 31, 2023 and will vest over a three year period, assuming continued employment through each vesting date. The actual number of shares to be issued at the end of the performance period will range from 0% to 142% of the target number of shares depending on achievement relative to the performance metric over the applicable period. The remaining 0.1 million PSUs unvested as of March 31, 2023 are subject to vesting based on the achievement of pre-established performance metrics for three year measurement periods ending December 31, 2023, assuming continued employment throughout the performance period. The actual number of shares to be issued at the end of the performance period will range from 0% to 100% of the initial target awards. Achievement of the performance metric between 100% and 150% of the performance target will result in a performance-based cash bonus payment between 0% and 65% of the initial target awards.

We recognized stock-based compensation expense for the RSUs and PSUs of \$13.8 million and \$7.8 million for the three months ended March 31, 2023 and 2022, respectively. Excluded from stock-based compensation expense is capitalized software development costs of \$0.2 million and \$0.5 million for the three months ended March 31, 2023 and 2022, respectively. As of March 31, 2023, the total estimated remaining stock-based compensation expense for the aforementioned RSUs and PSUs was \$152.7 million, which is expected to be recognized over a weighted average period of 2.9 years.

Restricted Stock Awards

A summary of activity in connection with our restricted stock awards ("RSAs") for the three months ended March 31, 2023 is as follows (number of shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested as of December 31, 2022	6	\$ 96.33
Granted	2	126.44
Unvested as of March 31, 2023	<u>8</u>	<u>\$ 103.59</u>

We have the right to repurchase any unvested RSAs subject to certain conditions. RSAs vest over a one-year period. Our stock-based compensation expense for RSAs was not material for the periods presented.

As of March 31, 2023, the total estimated remaining stock-based compensation expense for unvested RSAs with a repurchase right was \$0.4 million, which is expected to be recognized over a weighted average period of 0.7 years.

10. Income Taxes

We calculate our provision for (benefit from) income taxes on a quarterly basis by applying an estimated annual effective tax rate to income/loss from operations and by calculating the tax effect of discrete items recognized during the quarter.

For the three months ended March 31, 2023, we recorded income tax expense of \$10.0 million. The effective tax rate as compared to the U.S. federal statutory rate of 21% differs primarily due to the change in valuation allowance against deferred tax assets, non-deductible officers' compensation and state income taxes, partially offset by tax benefits from research and development tax credits.

There were no material changes to our unrecognized tax benefits during the three months ended March 31, 2023.

11. Revenue and Other Information

The following table presents our revenue categories for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Core solutions	\$ 37,169	\$ 30,809
Value Added Services	96,835	71,500
Other	2,096	2,987
Total revenue	<u>\$ 136,100</u>	<u>\$ 105,296</u>

Our revenue is generated primarily from customers in the United States. All of our property and equipment is located in the United States.

Deferred Revenue

Deferred revenue as of March 31, 2023 and December 31, 2022 was \$1.0 million and \$0.9 million, respectively, and is included in *Other current liabilities* on our Condensed Consolidated Balance Sheets. During the three months ended March 31, 2023 and 2022, we recognized \$0.6 million and \$1.3 million of revenue, respectively, which were included in the deferred revenue balances as of December 31, 2022 and 2021, respectively.

Remaining Performance Obligations

As of March 31, 2023, the total non-cancelable remaining performance obligations ("RPO") under our contracts with customers was \$20 million, and we expect to recognize revenue on approximately 49% of these RPO over the following 12 months, with the balance to be recognized thereafter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our Condensed Consolidated Financial Statements and the related notes included elsewhere in this Quarterly Report and in our Annual Report. This discussion and analysis contains forward-looking statements that are based on our current expectations and reflect our plans, estimates and anticipated future financial performance. These statements involve numerous risks and uncertainties. Our actual results may differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including those set forth in the section entitled "Risk Factors" in our Annual Report, as well as our other public filings with the SEC. Please also refer to the section of this Quarterly Report entitled "Forward-Looking Statements" for additional information.

Overview

We are a leading provider of cloud business management solutions for the real estate industry. Our solutions are designed to enable our property manager customers to digitally transform their businesses, address critical business operations and deliver a better customer experience. Our products assist our customers with an interconnected and growing network of stakeholders in their business ecosystems, including property owners, real estate investment managers, rental prospects, residents, and service providers, and provide key functionality related to critical transactions across the real estate lifecycle, including screening potential tenants, sending and receiving payments and risk mitigation services. AppFolio's intuitive interface, coupled with streamlined and automated workflows, make it easier for our customers to eliminate redundant and manual processes so they can deliver a great experience for their network of stakeholders while improving financial and operational performance.

We rely heavily on our talented team of employees to execute our growth plans and achieve our long-term strategic objectives. We believe our people are at the heart of our success and our customers' success, and we have worked hard not only to attract and retain talented individuals, but also to provide a challenging and rewarding work environment to motivate and develop our valuable human capital. As we navigate the challenges of increased competition for talent, we continue to evolve our compensation and employee reward practices.

Property management units under management. We believe that our ability to increase our number of property management units under management is an indicator of our market penetration, growth, and potential future business opportunities. We define property management units under management as active or committed units under management at the period end date. We had 7.5 million and 6.6 million property management units under management as of March 31, 2023 and 2022, respectively.

Key Components of Results of Operations

Revenue

Our core solutions and certain of our Value Added Services are offered on a subscription basis. Our core solutions subscription fees vary by property type and are designed to scale with the size of our customers' businesses. We recognize revenue for subscription-based services on a straight-line basis over the contract term beginning on the date that our service is made available. We generally invoice monthly or, to a lesser extent, annually in advance of the subscription period.

We also offer certain Value Added Services, which are not covered by our subscription fees, on a per-use basis. Usage-based fees are charged either as a percentage of the transaction amount (e.g., for certain of our payment services) or on a flat fee per transaction basis with no minimum usage commitments (e.g., for our tenant screening and risk mitigation services). We recognize revenue for usage-based services in the period the service is rendered. Our payments services fees are recorded gross of the interchange and payment processing related fees. We generally invoice our usage-based services on a monthly basis or collect the fee at the time of service. A significant majority of our Value Added Services revenue comes from the use of our payment services, tenant screening services, and risk mitigation services.

We charge our customers for assistance onboarding onto our core solutions and for certain other non-recurring services. We generally invoice for these other services in advance of the services being completed and recognize revenue in the period the service is rendered. We generate revenue from the legacy customers of previously acquired businesses by providing services outside of our property management core solution platform. Revenue derived from these services is recorded in *Other revenue*. As of March 31, 2023 and 2022, we had 18,834 and 17,550 property management customers, respectively.

Costs and Operating Expenses

Cost of Revenue (Exclusive of Depreciation and Amortization). Many of our Value Added Services are facilitated by third-party service providers. Cost of revenue paid to these third-party service providers includes the cost of electronic interchange and payment processing-related services to support our payments services, the cost of credit reporting services for our tenant screening services, and various costs associated with our risk mitigation service providers. These third-party costs vary both in amount and as a percent of revenue for each Value Added Service offering. Cost of revenue also consists of personnel-related costs for our employees focused on customer service and the support of our operations (including salaries, performance-based compensation, benefits, and stock-based compensation), platform infrastructure costs (such as data center operations and hosting-related costs), and allocated shared and other costs. Cost of revenue excludes depreciation of property and equipment, amortization of capitalized software development costs and amortization of intangible assets.

Sales and Marketing. Sales and marketing expense consists of personnel-related costs for our employees focused on sales and marketing (including salaries, sales commissions, performance-based compensation, benefits, and stock-based compensation), costs associated with sales and marketing activities, and allocated shared and other costs. Marketing activities include advertising, online lead generation, lead nurturing, customer and industry events, and the creation of industry-related content and collateral. We focus our sales and marketing efforts on generating awareness of our software solutions, creating sales leads, establishing and promoting our brands, and cultivating an educated community of successful and vocal customers.

Research and Product Development. Research and product development expense consists of personnel-related costs for our employees focused on research and product development (including salaries, performance-based compensation, benefits, and stock-based compensation), fees for third-party development resources, and allocated shared and other costs. Our research and product development efforts are focused on expanding functionality and the ease of use of our existing software solutions by adding new core functionality, Value Added Services and other improvements, as well as developing new products and services. We capitalize our software development costs that meet the criteria for capitalization. Amortization of capitalized software development costs is included in depreciation and amortization expense.

General and Administrative. General and administrative expense consists of personnel-related costs for employees in our executive, finance, information technology, human resources, legal, compliance, corporate development and administrative organizations (including salaries, performance-based cash compensation, benefits, and stock-based compensation). In addition, general and administrative expense includes fees for third-party professional services (including audit, legal, compliance, and tax services), transaction costs related to sales of subsidiary businesses, regulatory fees, other corporate expenses, impairment of long-lived assets, gains on lease modifications, and allocated shared and other costs.

Depreciation and Amortization. Depreciation and amortization expense includes depreciation of property and equipment, amortization of capitalized software development costs, and amortization of intangible assets. We depreciate or amortize property and equipment, software development costs, and intangible assets over their expected useful lives on a straight-line basis, which approximates the pattern in which the economic benefits of the assets are consumed.

Other Income (Loss), Net. Other income (loss), net includes gains and losses associated with the sale of businesses and property and equipment.

Interest Income, Net. Interest income, net includes interest earned on investment securities, amortization and accretion of the premium and discounts paid from the purchase of investment securities, and interest earned on cash deposited in our bank accounts.

Provision for (Benefit from) Income Taxes. Provision for income taxes consists of federal and state income taxes in the United States.

Results of Operations

Revenue

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Core solutions	\$ 37,169	\$ 30,809	\$ 6,360	21 %
Value Added Services	96,835	71,500	25,335	35 %
Other	2,096	2,987	(891)	(30)%
Total revenue	<u>\$ 136,100</u>	<u>\$ 105,296</u>	<u>\$ 30,804</u>	29 %

The increase in revenue for the three months ended March 31, 2023, compared to the same period in the prior year, was primarily attributable to growth in our base of property management customers driving an increase in the number of property management units under management, and growth in users of our subscription and usage-based services. During the three month period ended March 31, 2023, we experienced growth of 14% in the number of property management units under management, compared to the same period in the prior year. Our payment services, tenant screening and risk mitigation services usage also increased during the comparative periods in line with the increase in units under management.

Cost of Revenue (Exclusive of Depreciation and Amortization)

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Cost of revenue (exclusive of depreciation and amortization)	\$ 56,208	\$ 43,347	\$ 12,861	30 %
Percentage of revenue	41.3 %	41.2 %		
Stock-based compensation, included above	\$ 768	\$ 358	\$ 410	115 %
Percentage of revenue	0.6 %	0.3 %		

For the three months ended March 31, 2023, expenditures to third-party service providers related to the delivery of our Value Added Services increased \$8.2 million, compared to the same period in the prior year. This increase was directly associated with the increased adoption and utilization of our Value Added Services. Personnel-related costs, including performance-based compensation, necessary to support growth and key investments, increased \$3.7 million for the three months ended March 31, 2023, compared to the same period in the prior year. Allocated shared and other costs increased by \$1.0 million for the three months ended March 31, 2023, compared to the same period in the prior year, primarily related to platform infrastructure, software and other costs incurred in support of our overall growth.

As a percentage of revenue, cost of revenue (exclusive of depreciation and amortization) fluctuates primarily based on the mix of Value Added Services revenue in the period, given the varying percentage of revenue we pay to third-party service providers. We expect cost of revenue (exclusive of depreciation and amortization) for the year ending December 31, 2023, to decrease as a percentage of revenue compared to the year ended December 31, 2022, as we expect to leverage headcount efficiencies to offset an increase in expenditures to third-party service providers related to the delivery of our Value Added Services.

Sales and Marketing

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Sales and marketing	\$ 29,398	\$ 24,919	\$ 4,479	18 %
Percentage of revenue	21.6 %	23.7 %		
Stock-based compensation, included above	\$ 2,417	\$ 1,460	\$ 957	66 %
Percentage of revenue	1.8 %	1.4 %		

Sales and marketing expense for the three months ended March 31, 2023 increased primarily due to increases in personnel-related costs, including performance-based compensation, necessary to support growth in the business of \$3.3 million, compared to the same period in the prior year. Advertising costs increased by \$0.8 million for the three months ended March 31, 2023, compared to the same period in the prior year, due to increased promotional activities. Allocated shared and other costs increased by \$0.4 million for the three months ended March 31, 2023, compared to the same period in the prior year, with such increase being primarily related to software and other costs incurred in support of our overall growth.

We expect sales and marketing expense for the year ending December 31, 2023 to decrease as a percentage of revenue compared to the year ended December 31, 2022, as we continue to leverage headcount efficiencies.

Research and Product Development

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Research and product development	\$ 37,662	\$ 24,320	\$ 13,342	55 %
Percentage of revenue	27.7 %	23.1 %		
Stock-based compensation, included above	\$ 5,439	\$ 2,806	\$ 2,633	94 %
Percentage of revenue	4.0 %	2.7 %		

Research and product development expense for the three months ended March 31, 2023 increased primarily due to an increase in personnel-related costs including performance-based compensation, net of capitalized software development costs, of \$12.8 million, compared to the same period in the prior year. The increase in personnel-related costs was primarily due to headcount growth within our research and product development organization. Allocated shared and other costs also increased by \$0.5 million driven by expenses supporting our growth.

We expect research and product development expenses for the year ending December 31, 2023 to increase as a percentage of revenue compared to the year ended December 31, 2022, as we continue to invest in our research and product development organization to support our strategy to expand the use cases of our product capabilities to the larger customer segment.

General and Administrative

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
(dollars in thousands)				
General and administrative	\$ 31,691	\$ 18,964	\$ 12,727	67 %
Percentage of revenue	23.3 %	18.0 %		
Stock-based compensation, included above	\$ 5,279	\$ 2,794	\$ 2,485	89 %
Percentage of revenue	3.9 %	2.7 %		

General and administrative expense for the three months ended March 31, 2023 increased primarily due to an increase in personnel-related costs, including performance-based compensation, of \$15.6 million, compared to the same period in the prior year. The increase in personnel-related costs was driven primarily by the separation costs associated with our former Chief Executive Officer's Separation Agreement. For further information see Note 6, Accrued Employee Expenses, of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this report. Allocated shared and other costs decreased \$2.9 million for the three months ended March 31, 2023, compared to the same period in the prior year, primarily due to a gain on lease modification of \$2.4 million.

We expect general and administrative expenses for the year ending December 31, 2023 to decrease as a percentage of revenue compared to the year ended December 31, 2022, as we continue to leverage headcount efficiencies.

Depreciation and Amortization

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
(dollars in thousands)				
Depreciation and amortization	\$ 7,671	\$ 8,415	\$ (744)	(9)%
Percentage of revenue	5.6 %	8.0 %		

Depreciation and amortization expense for the three months ended March 31, 2023 decreased, compared to the same period in the prior year, primarily due to decreased amortization expense associated with capitalized software development and intangible balances.

We expect depreciation and amortization expenses for the year ending December 31, 2023 to decrease as a percentage of revenue compared to the year ended December 31, 2022 due to a decrease in amortization of accumulated capitalized software development balances.

Interest Income, Net

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
(dollars in thousands)				
Interest income, net	\$ 1,361	\$ 107	\$ 1,254	1,172 %
Percentage of revenue	1 %	— %		

Interest income for the three months ended March 31, 2023 increased, compared to the same period in the prior year, primarily due to higher interest rates.

Provision for (Benefit from) Income Taxes

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	(dollars in thousands)			
Provision for (benefit from) income taxes	\$ 9,961	\$ (285)	\$ 10,246	*
Percentage of revenue	7.3 %	(0.3)%		

*Percentage not meaningful

Our effective tax rate as compared to the U.S. federal statutory rate of 21% differs primarily due to change in valuation allowance against deferred tax assets, non-deductible officers' compensation and state income taxes, partially offset by tax benefit.

Liquidity and Capital Resources

Our principal sources of liquidity continue to be cash, cash equivalents, and investment securities totaling \$181.7 million, as well as cash flows generated from our operations. We have financed our operations primarily through cash generated from operations. We believe that our existing cash and cash equivalents, investment securities, and cash generated from operating activities will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve months.

Capital Requirements

Our future capital requirements will depend on many factors, including continued market acceptance of our software solutions, changes in the number of our customers, adoption and utilization of our Value Added Services by new and existing customers, the timing and extent of the introduction of new core functionality, products and Value Added Services, and the timing and extent of our investments across our organization. In addition, we have in the past entered into, and may in the future enter into, arrangements to acquire or invest in new technologies or markets adjacent to those we serve today. Furthermore, our Board of Directors has authorized the repurchase of up to \$100.0 million of shares of our Class A common stock from time to time. To date, we have repurchased \$4.2 million of our Class A common stock under the share repurchase program.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2023	2022
Net cash provided by (used in) operating activities	\$ 1,573	\$ (2,244)
Net cash provided by (used in) investing activities	36,288	(5,280)
Net cash used in financing activities	(4,705)	(973)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 33,156	\$ (8,497)

Operating Activities

Our primary source of operating cash inflows is cash collected from our customers in connection with their use of our core solutions and Value Added Services. Our primary uses of cash from operating activities are for personnel-related expenditures and third-party costs incurred to support the delivery of our software solutions.

The net increase in cash provided by operating activities for the three months ended March 31, 2023, compared to the same period in the prior year, was primarily due to an increase in cash collections from customers offset by changes in working capital levels and timing of payments related to employee-related costs.

Investing Activities

Cash used in investing activities is generally composed of purchases of investment securities, maturities and sales of investment securities, purchases of property and equipment, and additions to capitalized software development.

The net increase in cash provided by investing activities for the three months ended March 31, 2023, compared to the same period in the prior year, was primarily due to higher proceeds from maturities and sales of available-for-sale investment securities.

Financing Activities

Cash used in financing activities is generally composed of net share settlements for employee tax withholdings associated with the vesting of equity awards offset by proceeds from the exercise of stock options.

The net increase in cash used in financing activities in the three months ended March 31, 2023, compared to the same period in the prior year, was primarily due to an increase in net share settlements for employee tax withholdings associated with the vesting of equity awards.

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements and the related notes are prepared in accordance with accounting principles generally accepted in the United States. The preparation of our Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

There have been no changes to our critical accounting policies and estimates described in our Annual Report that have had a material impact on our Condensed Consolidated Financial Statements and related notes.

Item 3. Qualitative and Quantitative Disclosure about Market Risk

Interest Rate Risk

Investment Securities

As of March 31, 2023, we had \$77.7 million of investment securities consisting of United States government agency securities, corporate bonds, and treasury securities. The primary objective of investing in securities is to support our liquidity and capital needs. We did not purchase these investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

Our investment securities are exposed to market risk due to interest rate fluctuations. While fluctuations in interest rates do not impact our interest income from our investment securities as all of these securities have fixed interest rates, changes in interest rates may impact the fair value of the investment securities. Since our investment securities are held as available for sale, all changes in fair value impact our other comprehensive (loss) income unless an investment security is considered impaired in which case changes in fair value are reported in other expense. As of March 31, 2023, a hypothetical 100 basis point decrease in interest rates would have resulted in an increase in the fair value of our investment securities of approximately \$0.5 million and a hypothetical 100 basis point increase in interest rates would have resulted in a decrease in the fair value of our investment securities of approximately \$0.5 million. This estimate is based on a sensitivity model which measures an instant change in interest rates by 100 basis points at March 31, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the supervision and participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and other procedures designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based on our management's evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various investigative inquiries, legal proceedings and other disputes arising from or related to matters incident to the ordinary course of our business activities, including actions with respect to intellectual property, employment, labor, regulatory and contractual matters. Although the results of such investigative inquiries, legal proceedings and other disputes cannot be predicted with certainty, we believe that we are not currently a party to any matters which, if determined adversely to us, would, individually or taken together, have a material adverse effect on our business, operating results, financial condition or cash flows. However, regardless of the merit of any matters raised or the ultimate outcome, investigative inquiries, legal proceedings and other disputes may generally have an adverse impact on us as a result of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

An investment in our Class A common stock involves risks. Before making an investment decision, you should carefully consider all of the information in this Quarterly Report, including in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Condensed Consolidated Financial Statements and related notes. In addition, you should carefully consider the risks and uncertainties described in the section entitled “Risk Factors” in our Annual Report, which was filed with the SEC on February 9, 2023, as well as in our other public filings with the SEC. If any of the identified risks are realized, our business, financial condition, operating results and prospects could be materially and adversely affected. In that case, the trading price of our Class A common stock may decline, and you could lose all or part of your investment. In addition, other risks of which we are currently unaware, or which we do not currently view as material, could have a material adverse effect on our business, financial condition, operating results and prospects. As of the date of this report, there have been no material changes to the risk factors previously disclosed in the Annual Report. We may, however, disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description of Document</u>
10.1	Transition and Separation Agreement, dated March 1, 2023, by and between Jason Randall and the Company
10.2	Employment agreement, dated March 1, 2023, between the Company and William Shane Trigg
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certifications of Chief Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* The certifications attached as Exhibit 32.1 accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the registrant for purposes of Section 18 of the Exchange Act, and are not to be incorporated by reference into any of the registrant’s filings under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AppFolio, Inc.

Date: April 27, 2023

By: /s/ Shane Trigg
Shane Trigg
Chief Executive Officer
(Principal Executive Officer)

Date: April 27, 2023

By: /s/ Fay Sien Goon
Fay Sien Goon
Chief Financial Officer
(Principal Financial and Accounting Officer)

TRANSITION AND SEPARATION AGREEMENT

This TRANSITION AND SEPARATION AGREEMENT (this “Agreement”), dated as of March 1, 2023 (the “Effective Date”), is entered into by and between AppFolio, Inc., a Delaware corporation (the “Company”), and Jason Randall (the “Executive”).

WHEREAS, the Executive currently serves as President and Chief Executive Officer of the Company pursuant to that certain Employment Agreement, by and between the Company and the Executive, dated as of July 27, 2022 (the “Employment Agreement”);

WHEREAS, the Company and the Executive have mutually agreed to end their employment relationship effective as of the Separation Date (as defined below);

WHEREAS, the Company seeks to retain the Executive for a period of time, as set forth below, for the purpose of transitioning his duties prior to the Separation Date;

WHEREAS, the parties wish for the Executive to receive severance pay and additional consideration as set forth in this Agreement, which pay and consideration is conditioned upon the Executive’s timely execution (and non-revocation) of this Agreement and the Confirming Release (as defined below), and the Executive’s compliance with the terms of this Agreement; and

WHEREAS, the parties wish to resolve any and all claims that the Executive has or may have against the Company or any of the other Company Parties (as defined below), including any claims that Executive may have arising out of the Executive’s employment or the end of such employment.

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive hereby agree as follows:

1. Separation from Service. The Company and the Executive agree that the Executive’s employment with the Company shall terminate on March 31, 2023 (the “Separation Date”). The Separation Date shall be deemed to be the date of separation from service, and the date that employment ends, for purposes of any applicable plans or programs. Effective as of the Effective Date and by virtue of executing this Agreement, the Executive resigns the Executive’s position as President and Chief Executive Officer of the Company and as a member of the board of directors of the Company (the “Board”), or as a director, manager, officer, or any other position with, the Company or any subsidiary or affiliate of the Company.

2. Transition Period.

(a) Position and Duties. During the period commencing on the Effective Date and ending on the Separation Date (the “Transition Period”), the Executive shall continue to serve as an employee of the Company and shall perform such transition services as may be requested by, and shall report to, the Board and the Chief Executive Officer of the Company (the “CEO”). The Executive shall perform such duties, responsibilities, and functions to the Company and its subsidiaries to the best of his abilities in a diligent, trustworthy, professional, and efficient manner and shall comply with the Company’s and its subsidiaries’ policies and procedures in all material respects. The Executive shall have no authority (and shall not in any manner hold himself out as having

any authority or otherwise take any action) to bind the Company or its subsidiaries to any contract, commitment, or undertaking without the express prior written consent of the Board or the CEO.

(b) Compensation; Expenses; Benefits. During the Transition Period, the Executive shall continue to receive his base salary as in effect as the date hereof. The Company shall also continue to reimburse the Executive for all reasonable and necessary out-of-pocket business expenses incurred in connection with the performance of the Executive's duties under this Agreement, in accordance with the Company's expense reimbursement policy. The Executive shall also be entitled to continue to participate in the Company's employee benefit plans on the same basis as other senior executives of the Company to the extent permitted under the terms of such plans and under applicable law.

(c) Annual Bonus Plan. The Executive shall continue to participate in the Company's Corporate Bonus Program. In respect of fiscal year 2022, the Executive received an annual bonus payment in the amount of \$531,583.44, which was based on actual performance for such year as determined and approved by the Board.

(d) Outstanding Options. The Executive holds the following options to purchase shares of the Company's Class A Common Stock ("Options") granted under the Company's 2015 Stock Incentive Plan and 2007 Stock Incentive Plan (the "Stock Incentive Plans"): (i) 20,000 Options granted on May 18, 2017; (ii) 38,280 Options granted on February 24, 2017; (iii) 100,000 Options granted on May 20, 2016; (iv) 80,001 Options granted on May 20, 2016; (v) 98,666 Options granted on February 29, 2016; (vi) 29,297 Options granted on December 3, 2014; and (vii) 25,000 Options granted on December 3, 2014 (collectively, the "Outstanding Options"). The Outstanding Options shall remain exercisable following the Separation Date in accordance with Section 3(b)(vi). Other than the Outstanding Options, the Executive does not hold or have any right to any incentive equity or equity-based awards under the Stock Incentive Plans or otherwise. Except as provided in this Agreement, the Outstanding Options will remain subject to the terms of the Stock Incentive Plans and the applicable Stock Option Agreements.

3. Separation Payments and Benefits.

(a) Accrued Benefits. On the Separation Date the Executive shall receive any earned but unpaid base salary and other compensation, if any, through the Separation Date. As soon as practicable following the Separation Date (and, in any event, within 60 days after the Separation Date), the Executive shall receive any unpaid expense reimbursements. Following the Separation Date, the Executive shall also be entitled to any vested amount arising from the Executive's participation in, or benefits under, any employee benefit plans, programs, or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs, or arrangements and applicable law.

(b) Severance. Subject to (w) this Agreement becoming effective, (x) the Executive providing the assistance and services described in Section 2(a); (y) the Executive timely executing and returning the Confirming Release (as defined below) (and the Executive not exercising his revocation right described in the Confirming Release); and (z) the Executive complying in all respects with each of the Executive's commitments set forth herein, then:

(i) the Company shall pay to the Executive cash severance equal to \$500,000, less applicable taxes and withholdings (the "Separation Payment"), payable in a lump sum no later than the first regularly scheduled payroll date following the 60th day after the Separation Date;

(ii) the Company shall pay to the Executive a lump sum payment equal to \$125,000, which represents a pro rata portion of the Executive's annual bonus

under the Company's Corporate Annual Bonus Program in respect of fiscal year 2023 (based on target level of performance), payable no later than the first regularly scheduled payroll date following the 60th day after the Separation Date;

(iii) the Company shall pay to the Executive a lump sum payment equal to \$14,300,800, which represents a pro rata portion of the Executive's long-term cash incentive payments under the Company's Long-Term Cash Incentive Plan in respect of fiscal years 2023, 2024 and 2025, payable in accordance with the timing specified in Section 6(c) of the Employment Agreement;

(iv) subject to and conditioned upon the Executive's valid and timely election to receive continuation coverage pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company shall directly pay to the insurer, or reimburse the Executive for, the monthly premiums for the Executive and the Executive's covered dependents, if any, during the period commencing on the Separation Date and ending on the earlier to occur of (A) the first anniversary of the Separation Date and (B) the date that the Executive first becomes eligible to obtain group health insurance through another employer or otherwise ceases to be eligible for continuation coverage under COBRA;

(v) if the Executive validly and timely elects to receive continuation coverage pursuant to COBRA and to the extent permitted by the terms of the program, the Company will extend the Executive's participation in the Company's Executive Medical Reimbursement Program, at the Company's sole expense, from the Separation Date until the earlier of (A) the end of the calendar year 2023 and (B) the date that the Executive first becomes eligible to obtain group health insurance coverage through another employer; and

(vi) all Outstanding Options shall remain exercisable until the earlier of (A) 18 months following the Separation Date and (B) the applicable expiration date (if the Executive's employment had not terminated).

The payments and benefits set forth in this Section 3(b) are referred to herein collectively as the "Separation Benefits". During such time that the Executive is receiving the Separation Benefits, if (x) the Company discovers grounds constituting Cause (as defined in the Employment Agreement) existed before the Executive's termination or (y) the Executive breaches any restrictive covenants applicable to the Executive, the Executive's right to receive the Separation Benefits will immediately cease and become null and void, and any previously paid Separation Benefits shall be repaid to the Company by the Executive.

4. Satisfaction of All Leaves and Payment Amounts; Prior Rights and Obligations. The Executive expressly acknowledges and agrees that the Executive has received all leaves (paid and unpaid) to which the Executive has been entitled during the Executive's employment with the Company or any other Company Party, and subject to receipt of the Accrued Benefits, the Executive has received all wages, bonuses and other compensation, been provided all benefits and been afforded all rights and been paid all sums that the Executive is owed or has been owed by the Company or any other Company Party, including all payments arising out of all incentive plans and any other bonus arrangements, except as set forth in this Agreement. Notwithstanding the foregoing, the Executive will remain entitled to receive the compensation and benefits provided under Section 2 for services performed during the Transition Period. For the avoidance of doubt, the Executive acknowledges and agrees that Executive had no right to the Separation Benefits but for the Executive's entry into this Agreement and satisfaction of the terms herein and that the Separation Benefits are consideration for the Executive's promises and covenants contained and affirmed in this Agreement, including, without limitation, his execution

of the Confirming Release, and that such consideration is above and beyond any compensation to which he is entitled in connection with his employment or the cessation thereof, or under any contract or law.

5. General Release of Claims.

(a) Except (x) as provided in Sections 5(d), 5(e) and 5(f), (y) compensation and benefits provided under Section 2 for services performed during the Transition Period and (z) for the provisions of this Agreement that expressly survive the termination of the Executive's employment with the Company, including, but not limited to, Section 3, the Executive knowingly and voluntarily (for himself, his spouse, heirs, executors, administrators, agents and assigns) releases and forever discharges the Company and all of its present, former and future affiliates, subsidiaries, predecessors, parents, related companies, successors and assigns; and all of their respective present, former and future managers, directors, officers, shareholders, employees, agents, direct or indirect owners, consultants and attorneys; and all of their respective heirs, assigns and estate representatives; as well as all employee benefit plans maintained by the Company or its affiliates and all fiduciaries and administrators of any such plans, in their personal and representative capacities (each of the foregoing, a "Company Party" and, collectively, the "Company Parties"), from any and all claims, losses, suits, controversies, actions, causes of action, cross-claims, counter claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees or liabilities of any nature whatsoever in law and in equity, whether known or unknown, suspected or claimed against the Company or any of the other Company Parties that the Executive, his spouse or any of his heirs, executors, administrators, agents or assigns, has or may acquire, arising at any time, past or present, through the date that the Executive executes this Agreement (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act) ("ADEA"); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; the California WARN; the California Fair Employment and Housing Act; the California Family Rights Act; the California Labor Code; the California Equal Pay Act; the California False Claims Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under this Agreement; or for compensation or equity or equity-based compensation; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, or defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Released Claims"). **THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES.**

(b) The released claims described in Section 5(a) include all Released Claims whether known or unknown by the Executive. Therefore, the Executive waives the effect of California Civil Code § 1542 and any other analogous provision of applicable law of any jurisdiction. California Civil Code § 1542 states:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Notwithstanding the provisions of California Civil Code § 1542, and for the purpose of implementing a full and complete release and discharge, the Executive expressly acknowledges that this Agreement is intended to include, and does include in its effect, without limitation, all Released Claims which the Executive does not know or suspect to exist in the Executive's favor against the Company Parties at the time of executing this Agreement, and that the settlement agreed upon expressly contemplates his extinguishment of all such Released Claims, except as otherwise provided herein.

(c) The Executive represents and warrants that, as of the time the Executive executes this Agreement, the Executive has not brought or joined any lawsuit or filed any charge or claim against any of the Company Parties in any court or before any government agency or arbitrator for or with respect to a matter, claim or incident that occurred or arose out of one or more occurrences that took place on or prior to the time at which the Executive signs this Agreement. The Executive further represents and warrants that the Executive has not assigned, sold, delivered, transferred or conveyed any rights the Executive has asserted or may have against any of the Company Parties to any person or entity, in each case, with respect to any Released Claims. The Executive shall not solicit or encourage any other person or entity to file or assert any Released Claims or assist or cooperate with any person or entity filing or asserting any Released Claims, except to the extent specifically required by law or legal process.

(d) This Agreement does not waive or release any rights or claims that the Executive may have under ADEA that arise after the date he executes this Agreement. The Executive's separation from employment with the Company in compliance with the terms of this Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under ADEA).

(e) In no event shall the Released Claims include any claim to vested benefits under an employee benefit plan of the Company that is subject to ERISA (including any rights to vested benefits under health and retirement plans). Further notwithstanding this release of liability, nothing in this Agreement prevents the Executive from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission ("EEOC") or other governmental agency or participating in any investigation or proceeding conducted by the EEOC or other governmental agency or cooperating with such agency; however, the Executive is waiving any and all rights to recover any monetary or personal relief as a result of such EEOC or other governmental agency proceeding or subsequent legal actions. Further, nothing herein waives the Executive's right to receive an award for information provided to a governmental agency.

(f) The Executive waives all rights to sue or obtain equitable, remedial, or punitive relief from any or all Company Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the foregoing, the Executive is not waiving and is not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that the Executive disclaims and waives any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding, excepting only any monetary award to which he may become entitled pursuant to Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Additionally, the Executive is not waiving (i) any right to the Accrued Benefits or the Separation Benefits, (ii) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents or otherwise, including, without limitation, that certain indemnification agreement between the Company and the Executive, dated as of November 18, 2022 (the "Indemnification Agreement"), or (iii) his rights as an equity or security holder in the Company or its affiliates.

(g) In executing this Agreement, the Executive acknowledges and intends that it shall be effective as a bar to each and every one of the Released Claims hereinabove mentioned or implied. The Executive expressly consents that this release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Released Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected, and unanticipated Released Claims), if any, as well as those relating to any other Released Claims hereinabove mentioned or implied. The Executive acknowledges and agrees that this waiver is an essential and material term of this Agreement and that without such waiver the Company would not have agreed to the terms of this Agreement. In the event that the Executive should bring a Claim seeking damages against the Company, or in the event he should seek to recover against the Company in any Claim brought by a governmental agency on his behalf, this release shall serve as a complete defense to such Released Claims to the maximum extent permitted by law. The Executive further agrees that he is not aware of any pending claim of the type described in Section 5(a) as of the execution of this Agreement.

(h) The Executive agrees that neither this release, nor the furnishing of the consideration for this release, shall be deemed or construed at any time to be an admission by the Company, any other Company Party or the Executive of any improper or unlawful conduct.

(i) The Company agrees to continue to maintain for the Executive's benefit any and all directors and officers insurance policies and other similar insurance policies for six years following the Separation Date. The Company further acknowledges and agrees that nothing contained in this Agreement or the Confirming Release shall release the Company from any indemnification obligations with respect to the Executive, including, without limitation, any right of indemnification the Executive may have under the Company's organizational documents, the Indemnification Agreement or otherwise.

(j) Any nondisclosure provision in this Agreement does not prohibit or restrict the Executive (or his attorney) from responding to any inquiry about this release or its underlying facts and circumstances by the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the National Association of Securities Dealers, Inc., any other self-regulatory organization, or any governmental entity.

(k) Notwithstanding anything herein to the contrary, this release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any other Company Party of this Agreement.

6. Executive's Acknowledgements. By executing and delivering this Agreement, the Executive expressly acknowledges that:

(a) the Executive has carefully read this Agreement;

(b) the Executive has had sufficient time to consider this Agreement before the execution and delivery to Company;

(c) the Executive has been advised, and hereby is advised in writing, to discuss this Agreement with an attorney of the Executive's choice and the Executive has had adequate opportunity to do so prior to executing this Agreement;

(d) the Executive fully understands the final and binding effect of this Agreement; the only promises made to the Executive to sign this Agreement are those stated within the four corners of this document; and the Executive is executing this Agreement knowingly, voluntarily and of the Executive's own free will, and that the Executive understands and agrees to each of the terms of this Agreement; and

(e) no Company Party has provided any tax or legal advice regarding this Agreement and the Executive has had an adequate opportunity to receive sufficient tax and legal advice from advisors of the Executive's own choosing such that the Executive enters into this Agreement with full understanding of the tax and legal implications thereof.

7. Confirming Release. On the Separation Date or within 21 days thereafter, the Executive shall execute the Confirming Release Agreement that is attached as Exhibit A (the "Confirming Release") and return the executed Confirming Release to the Company such that it is received by the Company's Chief Legal Officer, at 70 Castilian Drive, Santa Barbara, California 93117, no later than the date that is 21 days after the Separation Date. Notwithstanding the foregoing, at any time during the seven days following Executive's execution of the Confirming Release, the Executive may revoke his acceptance of the Confirming Release in writing addressed as set forth in the preceding sentence.

8. Affirmation of Restrictive Covenants; Permitted Disclosures. The Executive expressly acknowledges and agrees that restrictive covenants set forth on Exhibit B of the Employment Agreement and any other restrictive covenants applicable to the Executive are enforceable in all respects and promises to comply in all respects with their terms.

9. Non-Disparagement. As a material inducement for the Company to enter into this Agreement, the Executive agrees to refrain from making any statements orally or in writing (or permitting any such statements to be reported as being attributed to him) that are critical, disparaging or derogatory about, or which could reasonably be expected to injure the reputation of the Company or any other Company Party. Notwithstanding the foregoing, the Executive may respond to subpoenas, provide testimony or otherwise provide evidence to the extent required by law, and may discuss or disclose information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct the Executive has reason to believe is unlawful. Similarly, except as required by any applicable law, any governmental or regulatory agency or authority, a court of competent jurisdiction, a recognized subpoena power or other appropriate legal or regulatory process or as required to enforce the terms of this Agreement or other agreements between the Executive and the Company, the Company shall instruct its officers and directors to refrain from making any statements orally or in writing (or permit any such statements to be reported as being attributed to the Company) that are critical, disparaging or derogatory about, or which could reasonably be expected to injure the reputation of, the Executive. Furthermore, nothing in this Section 9 shall restrict either party from, or impose any liability on either party for, truthful statements required to be made by such party under oath, to comply in any legal proceeding or to enforce such party's rights hereunder.

10. Cooperation. The Executive agrees that, during the Transition Period and following the Separation Date, upon the Company's request, the Executive will assist and cooperate with the Company and any of its affiliates in connection with the defense or prosecution of any claim that may be made against or by the Company or any of the other Company Parties arising out of events occurring during the Executive's employment, or in connection with any ongoing or future investigation or dispute or claim of any kind involving the Company or any other Company Party, including any proceeding before any arbitral, administrative, regulatory, self-regulatory, judicial, legislative or other body or agency. Such cooperation will take place at mutually convenient times and locations. The Executive will be reimbursed, upon presentation of appropriate supporting documentation or receipts, for the reasonable and necessary out-of-pocket expenses incurred by the Executive to satisfy the Executive's cooperation obligations set forth under this Section 10, in accordance with the Company's reimbursement policies in effect from time to time.

11. Whistleblower Protection. Notwithstanding anything to the contrary contained herein, no provision of this Agreement will be interpreted so as to impede the Executive (or any other individual) from: (a) making any disclosure of relevant and necessary information or

documents in any action, investigation or proceeding relating to this Agreement, or as required by applicable law or legal process, including with respect to possible violations of applicable law;

(b) participating, cooperating or testifying in any action, investigation or proceeding with, or providing information to, any governmental agency, legislative body or any self-regulatory organization, including, but not limited to, the Department of Justice, the U.S. Securities and Exchange Commission (“SEC”), the United States Congress and any agency Inspector General;

(c) accepting any SEC awards; or (d) making other disclosures under the whistleblower provisions of applicable federal law or regulation. In addition, nothing in this Agreement or any other agreement or Company policy prohibits or restricts the Executive from initiating communications with, or responding to any inquiry from, any administrative, governmental, regulatory or supervisory authority regarding any good faith concerns about possible violations of applicable law or regulation. The Executive does not need the prior authorization of the Company to make any such reports or disclosures, and the Executive will not be required to notify the Company that such reports or disclosures have been made.

12. Trade Secrets. 18 U.S.C. § 1833(b) provides: “An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (x) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.” Accordingly, the parties hereto have the right to disclose in confidence trade secrets to federal, state and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of applicable law. The parties hereto also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).

13. Publicity. The Executive shall not issue, without prior written consent of the Company, any press release or make any public announcement or statement with respect to the terms of this Agreement.

14. Entire Agreement; Amendment. This Agreement, together with the Employment Agreement, constitutes the entire agreement between the parties with respect to the matters herein provided. No modifications or waiver of any provision hereof shall be effective unless in writing and signed by each party.

15. Dispute Resolution.

(a) Any dispute or controversy arising under or in connection with this Agreement or the Executive’s employment with the Company shall be settled exclusively by arbitration, conducted before a single arbitrator in Santa Barbara, California in accordance with the JAMS Employment Rules and Procedures then in effect (available at www.jamsadr.com). The decision of the arbitrator will be final and binding upon the parties. Judgment may be entered on the arbitrator’s award in any court having jurisdiction. In connection with any such arbitration and regardless of outcome, (i) each party shall pay all its own costs and expenses, including, without limitation, its own legal fees and expenses, and (ii) the arbitration costs shall be borne by the Company.

(b) THE PARTIES HERETO EACH ACKNOWLEDGE AND AGREE THAT BY SELECTING ARBITRATION AS THE SOLE AND EXCLUSIVE REMEDY FOR RESOLVING ALL DISPUTES AMONG THEM AS CONTEMPLATED BY THIS SECTION 15, THEY WILL NOT HAVE THEIR DISPUTES DETERMINED BY A JURY TRIAL TO WHICH THEY MAY OTHERWISE BE ENTITLED.

16. Governing Law and Jurisdiction. The validity, interpretation, construction, performance and enforcement of this Agreement shall be governed by the laws of the State of

California without regard to its conflict of laws principles that would result in the application of the laws of another jurisdiction.

17. Assignment. This Agreement is personal to each of the parties. Except as provided below, no party may assign or delegate any rights or obligations under this Agreement without first obtaining the written consent of the other party. The Company may assign this Agreement to any successor to all or substantially all of its business or assets.

18. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given

(a) on the date of delivery, if delivered by hand, (b) on the date of transmission, if delivered by confirmed facsimile or electronic mail, (c) on the first business day following the date of deposit, if delivered by guaranteed overnight delivery service, or (d) on the fourth business day following the date delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:

AppFolio Inc.
70 Castilian Drive
Santa Barbara, California 93117 Attention: Chief Legal Officer

If to the Executive:

At the most recent address in the books and records of the Company.

19. Headings; Interpretation. Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Unless the context requires otherwise, all references herein to an agreement, instrument or other document shall be deemed to refer to such agreement, instrument or other document as amended, supplemented, modified and restated from time to time to the extent permitted by the provisions thereof. The word "or" as used herein is not exclusive and is deemed to have the meaning "and/or". The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement, including exhibits, and not to any particular provision hereof. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation", "but not limited to", or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties.

20. Third Party Beneficiaries. Each Company Party that is not a signatory hereto shall be a third-party beneficiary of the Executive's covenants, warranties, representations, and release of claims set forth in this Agreement and entitled to enforce such covenants, warranties, representations, and release of claims as if it, he or she was a party hereto.

21. Return of Property. The Executive represents and warrants that he has returned to the Company, or as of the Separation Date he will have returned to the Company, all property

belonging to the Company and any other Company Party, including all computer files and other electronically stored information, client materials, electronically stored information and other materials provided to the Executive by the Company or any other Company Party in the course of his employment and the Executive further represents and warrants that he has not maintained (or, after the Separation Date, he will not maintain) a copy of any such materials in any form.

22. No Waiver. No failure by any party at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

23. Severability and Modification. To the extent permitted by applicable law, the parties agree that any term or provision of this Agreement (or part thereof) that renders such term or provision (or part thereof) or any other term or provision (or part thereof) of this Agreement invalid or unenforceable in any respect shall be severable and shall be modified or severed to the extent necessary to avoid rendering such term or provision (or part thereof) invalid or unenforceable, and such severance or modification shall be accomplished in the manner that most nearly preserves the benefit of the parties' bargain hereunder.

24. Withholding of Taxes and Other Deductions. The Company may withhold from any payments made pursuant to this Agreement all federal, state, local, and other taxes and withholdings as may be required pursuant to any law or governmental regulation or ruling.

25. Counterparts. This Agreement may be executed in one or more counterparts (including electronic mail in portable document format (.pdf), facsimile or by any other electronic means intended to preserve the original graphic and pictorial appearance of the document), each of which shall be deemed to be an original, but all of which together will constitute one and the same agreement. Delivery of a copy of this Agreement bearing an original signature by facsimile transmission or by electronic mail shall have the same effect as physical delivery of the paper document bearing the original signature.

26. Section 409A.

(a) Neither this Agreement nor the payments provided hereunder are intended to constitute "deferred compensation" subject to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury regulations and interpretive guidance issued thereunder (collectively, "Section 409A"), and the payments and benefits under this Agreement are intended to be exempt from Section 409A to the maximum extent permitted by applicable law and shall be construed and administered in accordance with such intent. Notwithstanding the foregoing, the Company makes no representations that this Agreement or the payments provided under this Agreement complies with or is exempt from the requirements of Section 409A and in no event shall the Company or any other Company Party be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amount or benefit that constitutes "nonqualified deferred compensation" upon or following a termination of employment, unless such termination is also a "separation from service" within the meaning of Section 409A, and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment or benefit under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Section 409A be subject to offset by any other amount unless otherwise permitted by Section 409A.

(b) For purposes of compliance with Section 409A, to the extent any reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation", (i) all expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses

were incurred by the Executive, (ii) any right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit and (iii) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(c) For purposes of Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period is within the sole discretion of the Company.

27. Review and Revocation. The Executive shall have 21 calendar days from the Effective Date to sign this Agreement and return it to the Company's Chief Legal Officer, at 70 Castilian Drive, Santa Barbara, California 93117. The offers made in this Agreement expire after 21 calendar days. In addition, at any time within seven days after the Executive signs this Agreement, the Executive may revoke his acceptance of this Agreement in writing addressed as set forth in the preceding sentence (such seven-day period described herein, the "Revocation Period"). This Agreement will not become effective until the Executive has signed and timely returned this Agreement to the Company in accordance with this Section 27 and the Revocation Period has passed.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

APPFOLIO, INC.

By: /s/ Andreas von Blottnitz
Name: Andreas von Blottnitz
Title: Chairperson of the Board of Directors

EXECUTIVE

/s/ Jason Randall
Jason Randall

[Signature Page to Transition and Separation Agreement]

EXHIBIT A CONFIRMING RELEASE

AGREEMENT

This Confirming Release Agreement (this "Confirming Release") is that certain Confirming Release referenced in Section 7 of the Transition and Separation Agreement (the "Separation Agreement") entered into by and between Jason Randall (the "Executive") and AppFolio, Inc., a Delaware corporation (the "Company"). Capitalized terms used herein that are not otherwise defined have the meanings assigned to them in the Separation Agreement.

1. Except (x) as provided in Sections 5(d), 5(e) and 5(f) of the Separation Agreement and (y) for the provisions of the Separation Agreement that expressly survive the termination of the Executive's employment with the Company, including, but not limited to, Section 3 of the Agreement, the Executive knowingly and voluntarily (for himself, his spouse, heirs, executors, administrators, agents and assigns) releases and forever discharges the Company and all of its present, former and future affiliates, subsidiaries, predecessors, parents, related companies, successors and assigns; and all of their respective present, former and future managers, directors, officers, shareholders, employees, agents, direct or indirect owners, consultants and attorneys; and all of their respective heirs, assigns and estate representatives; as well as all employee benefit plans maintained by the Company or its affiliates and all fiduciaries and administrators of any such plans, in their personal and representative capacities (each of the foregoing, a "Confirming Release Company Party" and, collectively, the "Confirming Release Company Parties"), from any and all claims, losses, suits, controversies, actions, causes of action, cross-claims, counter claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees or liabilities of any nature whatsoever in law and in equity, whether known or unknown, suspected or claimed against the Company or any of the other Confirming Release Company Parties that the Executive, his spouse, or any of his heirs, executors, administrators, agents or assigns, has or may acquire, arising at any time, past or present, through the date that the Executive executes this Confirming Release (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act) ("ADEA"); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; the California WARN; the California Fair Employment and Housing Act; the California Family Rights Act; the California Labor Code; the California Equal Pay Act; the California False Claims Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under this Agreement; or for compensation or equity or equity-based compensation; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, or defamation; or any claim for costs, fees, or other expenses, including attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Confirming Released Claims"). **THIS CONFIRMING RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE CONFIRMING RELEASE COMPANY PARTIES.**

2. The released claims described in paragraph 1 include all Confirming Released Claims whether known or unknown by the Executive. Therefore, the Executive waives the effect of California Civil Code § 1542 and any other analogous provision of applicable law of any jurisdiction. California Civil Code § 1542 states:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO

EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

Notwithstanding the provisions of California Civil Code § 1542, and for the purpose of implementing a full and complete release and discharge, the Executive expressly acknowledges that this Confirming Release is intended to include, and does include in its effect, without limitation, all Claims which the Executive does not know or suspect to exist in the Executive's favor against the Confirming Release Company Parties at the time of signs this Confirming Release, and that the settlement agreed upon expressly contemplates his extinguishment of all such Confirming Released Claims, except as otherwise provided herein.

3. The Executive represents and warrants that, as of the time the Executive signs this Confirming Release, the Executive has not brought or joined any lawsuit or filed any charge or claim against any of the Confirming Release Company Parties in any court or before any government agency or arbitrator for or with respect to a matter, claim or incident that occurred or arose out of one or more occurrences that took place on or prior to the time at which the Executive signs this Confirming Release Agreement. The Executive further represents and warrants that the Executive has not assigned, sold, delivered, transferred or conveyed any rights the Executive has asserted or may have against any of the Confirming Release Company Parties to any person or entity, in each case, with respect to any Confirming Released Claims. The Executive shall not solicit or encourage any other person or entity to file or assert any Confirming Released Claims or assist or cooperate with any person or entity filing or asserting any Confirming Released Claims, except to the extent specifically required by law or legal process.

4. This Confirming Release does not waive or release any rights or claims that the Executive may have under ADEA that arise after the date he executes this Confirming Release. The Executive's separation from employment with the Company in compliance with the terms of this Confirming Release shall not serve as the basis for any claim or action (including, without limitation, any claim under ADEA).

5. In no event shall the Confirming Released Claims include any claim to vested benefits under an employee benefit plan of the Company that is subject to ERISA (including any rights to vested benefits under health and retirement plans). Further notwithstanding this release of liability, nothing in this Confirming Release prevents the Executive from filing any non-legally waivable claim (including a challenge to the validity of this Confirming Release) with the Equal Employment Opportunity Commission (“EEOC”) or other governmental agency or participating in any investigation or proceeding conducted by the EEOC or other governmental agency or cooperating with such agency; however, the Executive is waiving any and all rights to recover any monetary or personal relief as a result of such EEOC or other governmental agency proceeding or subsequent legal actions. Further, nothing herein waives the Executive's right to receive an award for information provided to a governmental agency.

6. The Executive waives all rights to sue or obtain equitable, remedial, or punitive relief from any or all Confirming Release Company Parties of any kind whatsoever in respect of any Confirming Release Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the foregoing, the Executive is not waiving and is not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that the Executive disclaims and waives any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding, excepting only any monetary award to which he may become entitled pursuant to Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Additionally, the Executive is not waiving (a) any right to the Accrued Benefits or the Separation Benefits, (b) any claim relating to directors' and officers' liability insurance coverage or any right of

indemnification under the Company's organizational documents, the Indemnification Agreement or otherwise or (c) his rights as an equity or security holder in the Company or its affiliates.

7. In executing this Confirming Release, the Executive acknowledges and intends that it shall be effective as a bar to each and every one of the Confirming Released Claims hereinabove mentioned or implied. The Executive expressly consents that this release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Confirming Released Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected, and unanticipated Confirming Released Claims), if any, as well as those relating to any other Confirming Released Claims hereinabove mentioned or implied. The Executive acknowledges and agrees that this waiver is an essential and material term of the Separation Agreement and that without such waiver the Company would not have agreed to the terms of the Separation Agreement. In the event that the Executive should bring a Confirming Release Claim seeking damages against the Company, or in the event he should seek to recover against the Company in any Confirming Release Claim brought by a governmental agency on his behalf, this Confirming Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. The Executive further agrees that he is not aware of any pending claim of the type described in paragraph 1 as of the execution of this Confirming Release.

8. The Executive agrees that neither this release, nor the furnishing of the consideration for this release, shall be deemed or construed at any time to be an admission by the Company, any other Confirming Release Company Party or the Executive of any improper or unlawful conduct.

9. Notwithstanding anything herein to the contrary, this release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any other Confirming Release Company Party of the Separation Agreement.

10. In executing this Confirming Release, the Executive expressly acknowledges and agrees that the Executive has received all leaves (paid and unpaid) to which the Executive has been entitled during the Executive's employment with the Company or any other Confirming Release Company Party, and the Executive has received all wages, bonuses and other compensation, been provided all benefits and been afforded all rights and been paid all sums that the Executive is owed or has been owed or ever could be owed by the Company or any other Confirming Release Company Party (with the exception of the Separation Benefits, if still not paid or provided), including all payments arising out of all incentive plans and any other bonus arrangements. Notwithstanding the foregoing, the Executive remains entitled to receive, if still unpaid, any unpaid base salary for services performed in the pay period in which the Separation Date occurred.

11. The Executive has been advised, and hereby is advised in writing, to consult with an attorney of his choice regarding the form and content of this Confirming Release, and he represents that he has had a sufficient opportunity to do so and that he has read this Confirming Release carefully, and enters into the Confirming Release voluntarily and of his own free will. This Confirming Release and the releases and covenants contained herein shall be binding upon the Executive, his heirs, executors, administrators, assigns, agents, attorneys in fact, attorneys at law, and representatives. This Confirming Release and the releases and covenants contained herein shall inure to the benefit of all Confirming Released Parties and each of their respective predecessors, successors, and assigns.

12. Notwithstanding the initial effectiveness of this Confirming Release, the Executive may revoke the delivery (and therefore the effectiveness) of this Confirming Release within the seven-day period beginning on the date the Executive executes this Confirming Release (such seven-day period being referred to herein as the "Release Revocation Period"). To be effective, such revocation must be in writing signed by the Executive and must be received by the Company, care of the Chief Legal Officer, at 70 Castilian Drive, Santa Barbara, California

93117, by the last day of the Release Revocation Period. If an effective revocation is delivered in the foregoing manner and timeframe, then no consideration shall be provided to the Executive pursuant to Section 3(b) of the Separation Agreement, this Confirming Release (including the release of claims set forth in this Confirming Release) shall be of no force or effect and the remainder of the Separation Agreement shall be in full force and effect.

13. Whenever possible, each provision of this Confirming Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this Confirming Release is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision or any other jurisdiction, but this Confirming Release shall be reformed, construed, and enforced in such jurisdiction as if such invalid, illegal, or unenforceable provision had never been contained herein.

[Signature Page Follows]

Exhibit A-16

By executing this Confirming Release, the Executive represents and agrees that:

- 1. He has read this Confirming Release carefully;**
- 2. He understands all of its terms and knows that he is giving up important rights, including, but not limited to, rights under the Age Discrimination in Employment Act of 1967, as amended; Title VII of the Civil Rights Act of 1964, as amended; the Equal Pay Act of 1963; the Americans with Disabilities Act of 1990; and the Employee Retirement Income Security Act of 1974, as amended;**
- 3. He voluntarily consents to everything in it;**
- 4. He has been advised to consult with an attorney before executing it and he has done so or, after careful reading and consideration, he has chosen not to do so of his own volition;**
- 5. He has had at least 21 days from the date of his receipt of this Confirming Release to consider it, and the changes made since his receipt of this Confirming Release are not material or were made at his request and will not restart the required 21- day period;**
- 6. He understands that he has had seven days after executing this Confirming Release to revoke it and that this Confirming Release shall not become effective or enforceable until the revocation period has expired;**
- 7. He has signed this Confirming Release knowingly and voluntarily and with the advice of any counsel retained to advise him with respect to it; and**
- 8. He agrees that the provisions of this Confirming Release may not be amended, waived, changed, or modified except by an instrument in writing signed by an authorized representative of the Company and by him.**

Signed: __ Dated: __

Exhibit A-17

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This **AMENDED AND RESTATED EMPLOYMENT AGREEMENT** (this “**Agreement**”) is entered into as of March 1, 2023 (the “**Effective Date**”), between AppFolio, Inc., a Delaware corporation (the “**Company**”), and William Shane Trigg (the “**Executive**”).

WITNESETH

WHEREAS, the Executive is party to that certain Employment Agreement by and between the Company and the Executive, dated as of February 8, 2023 (the “**Prior Agreement**”);

WHEREAS, the Company and the Executive desire to amend and restate the Prior Agreement on the terms and conditions set forth herein; and

WHEREAS, the Company desires to continue to employ the Executive to render services to it and the Executive desires to continue to be employed by and render services to the Company, in each case, on the terms set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Employment Term. The Company agrees to employ the Executive pursuant to the terms of this Agreement, and the Executive agrees to be so employed, commencing as of the Effective Date. The Executive’s employment may be terminated in accordance with **Sections 8 and 9**. The period of time between the Effective Date and the termination of the Executive’s employment is the “**Employment Term**”.

2. Position and Duties.

(a) During the Employment Term, the Executive will serve as the Chief Executive Officer of the Company, reporting to the Company’s Board of Directors (the “**Board**”). In this capacity, the Executive will have the duties, authorities and responsibilities as are consistent with that position.

(b) The Company shall appoint the Executive to the Board and, during the Employment Term, the Company shall use reasonable best efforts to cause the Executive to be nominated for re-election to the Board.

(c) During the Employment Term, the Executive shall devote all of the Executive’s business time, energy, business judgment, knowledge and skill and the Executive’s reasonable best efforts to the performance of the Executive’s duties with the Company. Notwithstanding the foregoing, the Executive may, subject to the Company’s policies, practices and procedures:

- (i) serve on the boards of directors of non-profit organizations and, in a manner consistent with the Company’s applicable policies and procedures and practices, other for-profit companies;
- (ii) participate in charitable, civic, educational, professional, community or industry affairs; and
- (iii) manage the Executive’s passive personal investments; provided that in each case of clauses (i)-(iii), so long as such activities in the aggregate do not interfere or conflict with the Executive’s duties under this Agreement or create a potential business or fiduciary conflict.

(d) During the Employment Term, the Executive’s principal place of employment will be the Company’s headquarters in Santa Barbara, California; provided that the Executive

understands and agrees that the Executive may be required to travel from time to time for business purposes.

3. Base Salary. During the Employment Term, the Company will pay the Executive a base salary at an annual rate of \$525,000 in accordance with the Company's regular payroll practices. The Base Salary is subject to annual review by the Board for increase (and not decrease). The base salary as determined herein and increased from time to time shall constitute "Base Salary," for purposes of this Agreement.

4. Corporate Bonus Program. For each fiscal year of the Company completed during the Employment Term, the Executive will be eligible to earn an annual bonus under the Company's Corporate Bonus Program based on a target bonus opportunity of 100% of the Base Salary (with greater or lesser amounts paid for performance above and below target) (each annual bonus, an "Annual Bonus"). The Annual Bonus is subject to the Board's approval and, if required by the Board, the Executive's execution of any applicable participation agreement under the Corporate Bonus Program. In each case, the Annual Bonus will be subject to the terms and conditions of this Section 4 and the applicable plan documents. The performance criteria for any particular year shall be determined by the Board (or a committee thereof), after consultation with the Executive, no later than sixty (60) days after the commencement of the relevant year.

5. Sign-on Bonus. The Company will pay the Executive a one-time cash sign-on bonus of \$300,000 (the "Sign-on Bonus"), payable on the next regularly scheduled payroll date following the Effective Date. If the Executive's employment is terminated (a) by the Company for Cause (as defined below) or (b) by the Executive for any reason (other than death, Disability or resignation for Good Reason (each, as defined below)), in each case, following the payment of the Sign-On Bonus but prior to the first (1st) anniversary of the Effective Date, the Executive will promptly repay the Sign-On Bonus to the Company, net of any income and employment taxes actually paid by the Executive and will cooperate with the Company to facilitate the Company's recoupment of the taxes withheld and remitted to the applicable taxing authorities with respect to the Sign-on Bonus.

6. Equity Awards. The Executive will be eligible to receive the following incentive equity awards:

(a) **Initial RSUs.** With thirty (30) days following the Effective Date, the Executive will receive a one-time award of RSUs (as defined below) covering a number of Shares having an aggregate value of approximately \$1.5 million, determined in accordance with the Company's standard practices (such RSUs, the "Initial RSUs"). The Initial RSUs will be subject to the terms and conditions of the applicable equity plan and award grant agreement.

(b) **Initial Options.** With thirty (30) days following the Effective Date, the Executive will receive a one-time award of Options to purchase a total of 120,000 Shares (such Options, the "Initial Options"). The Initial Options will be subject to the terms and conditions of the applicable equity plan and award grant agreement.

(c) **Annual Awards.** Subject to the Board's approval, for each of fiscal years 2024, 2025, 2026 and 2027, the Executive will receive an annual equity award ("Annual Equity Award") consisting of RSUs and PRSUs (as defined below) covering a number of Shares having an aggregate value of (x) in respect of each of fiscal years 2024 and 2025, no less than \$3.0 million, and (y) in respect of each of fiscal years 2026 and 2027, no less than \$3.5 million, in each case, determined in accordance with the Company's standard practices. The Annual Equity Awards will be subject to the terms and conditions of the applicable equity plan and award grant agreement, which shall be no less favorable in the aggregate than the terms of similar equity-based awards provided to other senior executives of the Company. Each Annual Equity Award shall be granted at the same time equity-based incentive awards are granted to other senior executives of the Company, but in all events during the first fiscal quarter of each year.

7. Employee Benefits.

(a) **Benefit Plans; Vacation.** During the Employment Term, the Executive will be eligible to participate in any employee benefit plan adopted by the Company for the benefit of its executive employees, subject to satisfying the applicable eligibility requirements, except to the extent such plans are duplicative of the benefits otherwise provided under this Agreement. The Executive shall be entitled to the same vacation policy for executive employees of the Company as in effect from time to time. Notwithstanding the foregoing, the Company may modify or terminate any employee benefit plan at any time.

(b) **Business Expenses.** The Company will reimburse the Executive for all reasonable and necessary out-of-pocket business incurred by the Executive in connection with the performance of the Executive's duties under this Agreement, including reasonable travel costs and expenses incurred in connection with the Executive's commute to the Company's headquarters, in accordance with the Company's expense reimbursement policy.

(c) **Reimbursement of Legal Fees.** Upon presentation of appropriate invoices, the Company will pay directly to the Executive's counsel up to \$10,000 for reasonable legal fees incurred by the Executive in negotiating, preparing and executing this Agreement, which fees shall be paid within forty-five (45) days following the Company's receipt of the aforementioned invoices.

8. Termination. The Executive's employment and the Employment Term shall terminate on the first of the following to occur:

(a) **Disability.** Immediately upon written notice by the Company to the Executive of termination due to Disability.

(b) **Death.** Automatically upon the date of death of the Executive.

(c) **Cause.** Immediately upon written notice by the Company to the Executive of a termination for Cause.

(d) **Without Cause.** Immediately upon written notice by the Company to the Executive of an involuntary termination without Cause (other than for death or Disability).

(e) **Good Reason.** Upon written notice by the Executive to the Company of a termination for Good Reason.

(f) **Without Good Reason.** Upon thirty (30) days' prior written notice by the Executive to the Company of the Executive's voluntary termination of employment without Good Reason (which the Company may, in its sole discretion, make effective earlier than any notice date).

9. Consequences Of Termination.

(a) **Death; Disability.** In the event that the Executive's employment and/or the Employment Term ends on account of the Executive's death or Disability, the Company shall pay or provide to the Executive or the Executive's estate, as the case may be:

(i) the Accrued Benefits (as defined below);

(ii) payment of any earned but unpaid Annual Bonus for the prior completed fiscal year, payable at the same time annual bonuses are paid to other senior executives of the

Company, but in no event later than March 15 following the year in which such termination occurs (“Earned but Unpaid Bonus”);

(iii) a pro-rated portion of the Annual Bonus for the fiscal year in which such termination occurs, with such pro-rated portion determined based on the number of days the Executive was employed by the Company during such year, and achievement of the applicable performance goals determined by the Board at the time of such termination based on forecasted results (but no greater than target-level performance), payable on the first regularly scheduled pay period following the sixtieth (60th) day following such termination (the “Pro-Rated Bonus”);

(iv) subject to the Executive’s valid and timely election to receive continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”), payment of COBRA premiums (through premium reimbursement or direct payment to the insurer) (“COBRA Premiums”) until the earlier of (A) twelve (12) months following the date of such termination and (B) the date that the Executive first becomes eligible to obtain group health insurance through another employer or otherwise ceases to be eligible for continuation coverage under COBRA; and

(v) the Death/Disability Equity Award Treatment.

(b) **Termination For Cause or Voluntary Termination by Executive.** If the Executive’s employment is terminated: (x) by the Company for Cause, or (y) by the Executive without Good Reason, then the Company shall pay to the Executive the Accrued Benefits.

(c) **Termination Without Cause or Resignation for Good Reason.** If the Executive’s employment by the Company is terminated by the Company other than for Cause (excluding due to the Executive’s death or Disability) or by the Executive for Good Reason, in addition to the Accrued Benefits, the Company shall pay or provide the Executive with the following, subject to the Executive’s compliance with the Executive’s obligations under Sections 10 and 11:

(i) an amount equal to the Executive’s Base Salary (but not as an employee), payable in equal installments in accordance with the Company’s normal payroll practices for a period of twelve (12) months following such termination;

(ii) payment of any Earned but Unpaid Bonus, payable at the same time annual bonuses are paid to other senior executives of the Company, but in no event later than March 15 following the year in which such termination occurs;

(iii) the Pro-Rated Bonus, payable on the first regularly scheduled pay period following the sixtieth (60th) day following such termination;

(iv) subject to the Executive’s valid and timely election to receive continuation coverage pursuant to COBRA, payment of COBRA premiums (through premium reimbursement or direct payment to the insurer) until the earlier of (A) twelve (12) months following the date of such termination and (B) the date that the Executive first becomes eligible to obtain group health insurance through another employer or otherwise ceases to be eligible for continuation coverage under COBRA; and

(v) the Qualifying Termination Equity Award Treatment.

Notwithstanding the foregoing, any such payment scheduled to occur pursuant to this Section 9(c) during the first sixty (60) days following the termination will not be paid until the first regularly scheduled pay period following the sixtieth (60th) day following such

termination and will include payment of any amount that was otherwise scheduled to be paid prior thereto.

(d) **Corporate Transaction.** In addition to the payments described in Section 9(c), if the Executive's employment by the Company (or its successor) is terminated by the Company (or its successor) other than for Cause or by the Executive for Good Reason on or within twelve (12) months following the consummation of a Corporate Transaction (as defined below), subject to the Executive's compliance with the Executive's obligations under Sections 10 and 11, all outstanding RSU and PRSU awards held by the Executive as of the applicable termination date shall accelerate and become fully-vested effective as of immediately prior to such termination, with the level of performance achievement of the applicable performance goals determined by the Board at the time of such termination based on forecasted results (but no greater than target-level performance). In addition, if the outstanding equity awards held by the Executive as of immediately prior to the consummation of a Corporate Transaction are not assumed or substituted for fair value upon such Corporate Transaction, such equity awards shall accelerate and become fully-vested effective as of immediately prior to such Corporate Transaction.

(e) **Resignation From All Other Positions.** Upon any termination of the Employment Term, the Executive will promptly resign, and will be deemed to have automatically resigned, from all positions, if any, that the Executive holds as a member of the Board (including any committees), officer, director, manager or fiduciary of the Company or any of its affiliates or subsidiaries. The Executive will take all actions reasonably requested by the Company to give effect to this Section 9(e).

(f) **Exclusive Remedy.** The amounts payable to the Executive following termination of employment and the Employment Term pursuant to Section 9 shall be in full and complete satisfaction of the Executive's rights under this Agreement and any other claims that the Executive may have in respect of the Executive's employment with the Company or any of its affiliates. The Executive acknowledges that such amounts are fair and reasonable and are the Executive's sole and exclusive remedy, in lieu of all other remedies at law or in equity, with respect to the termination of the Executive's employment or any breach of this Agreement.

10. Release; Continued Compliance. Any and all amounts payable and benefits or additional rights provided upon termination of employment pursuant to this Agreement beyond the Accrued Benefits pursuant to Section 9(c) or 9(d) (the "Severance Benefits") shall be payable if and only if the Executive delivers to the Company, and does not revoke, a general release of claims in favor of the Company in substantially the form attached hereto as Exhibit A. Such release will be executed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following termination. During such time that the Executive is receiving the Severance Benefits, if (a) the Company discovers grounds constituting Cause existed before the Executive's termination of employment (as determined within twelve (12) months following the date of the Executive's termination of employment) or (b) the Executive materially breaches any of the restrictive covenants set forth in this Agreement or the Employee Proprietary Information and Invention Assignment Agreement attached to this Agreement as Exhibit B, the Executive's right to receive the Severance Benefits will immediately cease and be forfeited and any previously paid Severance Benefits shall be repaid by the Executive to the Company.

11. Restrictive Covenants.

(a) **Employee Proprietary Information and Invention Assignment Agreement.** The Executive acknowledges and agrees to be bound by the restrictive covenants set forth in the Employee Proprietary Information and Invention Assignment Agreement attached to this Agreement as Exhibit B.

(b) **Non-Disparagement.** The Executive agrees not to make negative comments or otherwise disparage the Company or its officers, directors, employees, shareholders, agents or products other than in the good-faith performance of the Executive's duties to the Company while the Executive is employed by the Company. The Company agrees that it will not direct, instruct or consent to anyone in their Company capacity to make negative comments or otherwise disparage the Executive, and will specifically instruct its directors and executive officers, respectively, to not make negative comments or otherwise disparage the Executive. The foregoing will not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings). The Executive acknowledges that nothing in this Agreement prevents the Executive from discussing or disclosing information (i) about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful, (ii) necessary with respect to any litigation, arbitration or mediation involving this Agreement and the enforcement thereof; or (iii) required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with jurisdiction over such person.

12. Certain Defined Terms. As used in this Agreement, the following terms have the meanings set forth below:

(a) "Accrued Benefits" means: (i) any accrued but unpaid Base Salary through the date of termination; (ii) reimbursement for any unreimbursed business expenses incurred through the date of termination; and (iii) all other accrued but unpaid payments, benefits or fringe benefits and equity-based awards to which the Executive shall be entitled under the terms of any applicable compensation or benefit arrangement. Notwithstanding anything to the contrary, the Accrued Benefits will be paid within sixty (60) days following termination of employment, or such earlier date as may be required by applicable law; provided that all rights and obligations to the Accrued Benefits shall be subject to state and federal laws governing disabilities and leaves of absence as well as the Company's applicable policies.

(b) "Cause" means the Executive's: (i) theft, dishonesty, material misconduct or falsification of any employment or Company records; (ii) act or omission that has a material detrimental effect on the Company's reputation or business, other than in the good faith performance of the Executive's duties to the Company; (iii) indictment or conviction (including any plea of guilty or no contest) for any felony, or for any criminal act that materially impairs the Executive's ability to perform the Executive's duties to the Company; (iv) material breach of this Agreement, the Employee Proprietary Information and Invention Assignment Agreement attached to this Agreement as Exhibit B or any other material agreement between the Executive and the Company; (v) material violation of any material Company policy; or (vi) willful failure to perform, or willful misconduct or gross negligence in the performance of, the Executive's duties to the Company or the Executive's failure to follow the lawful directives of the Board (other than as a result of death or Disability). In the case of clauses (iv), (v) and (vi), the Company will provide the Executive with written notice detailing the event or circumstance constituting Cause and the Executive will have an opportunity to cure, if susceptible to cure, for a period of thirty (30) days following written notice by the Company, except that such opportunity to cure will not apply if there are habitual or repeated breaches by the Executive.

(c) "Corporate Transaction" has the meaning set forth in the Company's 2015 Stock Incentive Plan, as may be amended or restated from time to time.

(d) "Death/Disability Equity Award Treatment" means (i) full accelerated vesting of all outstanding and unvested RSU awards held by the Executive (including the Initial RSUs and any annual RSUs granted pursuant to Section 6(c)); (ii) full accelerated vesting of all outstanding and unvested PRSU awards held by the Executive (including any annual PRSUs granted pursuant to Section 6(c)), and, to the extent the applicable performance condition has not been satisfied, the level of performance achievement of the applicable performance goals will

determined by the Board at the time of such termination based on forecasted results (but no greater than target-level performance); and (iii) pro-rated vesting of all outstanding and unvested Option awards held by the Executive (including the Initial Options) based on the number of full or partial calendar months elapsed between the applicable vesting commencement date and the date of such termination, with the vested portion of all outstanding and vested Option awards held by the Executive (including any portion that vests in connection with such termination) remaining exercisable until the earlier of (A) eighteen (18) months following the date of such termination and (B) the applicable expiration date.

(e) “Disability” or “Disabled” means the Executive becomes “disabled” or suffers from a “disability” as defined in Section 409A, or in any successor regulation, as determined by the Board in good faith.

(f) “Good Reason” means, without the Executive’s prior written consent: (i) a material reduction in the Executive’s base salary (other than a reduction pertaining to all similarly situated employees of the Company); (ii) a material diminution of the Executive’s duties inconsistent with the Executive’s position; (iii) a material breach by the Company or its affiliates of this Agreement or any other material written agreement between the Executive and the Company; (iv) a relocation of the Executive’s principal place of employment outside of the greater Santa Barbara, California area; (v) any change in the Executive’s reporting structure such that Executive no longer reports to the Board; or (vi) a failure of the Board to approve, and the Company to grant, an Annual Equity Award in respect of fiscal year 2024, 2025, 2026 or 2027 in accordance with the terms of Section 6(c); provided that, “Good Reason” will only exist if the Executive tenders written objection to the Company within thirty (30) days of the initial occurrence of such Good Reason setting forth in reasonable detail the circumstances alleged to give rise to Good Reason, the Company fails to remedy the condition within thirty (30) days after receiving such written objection notice, and the Executive gives notice of resignation from employment within thirty (30) days after the end of such cure period.

(g) “Option” means an option to purchase a Share.

(h) “PRSU” means a performance-based restricted stock unit covering a Share that may be settled in cash and/or by issuance of a Share.

(i) “PRSU Award Treatment” means (i) to the extent that the performance condition applicable to such PRSU award has not been satisfied, a pro-rated portion of such PRSU award will accelerate and become vested effective as of immediately prior to such termination, with such pro-rated portion determined based on the number of full or partial calendar months the Executive was employed by the Company during the applicable performance period and a level of performance achievement of the applicable performance goals determined by the Board at the time of such termination based on forecasted results (but no greater than target-level performance), or (ii) to the extent that the performance condition applicable to the PRSU award has been satisfied, the portion of such PRSU award that would have vested had the Executive remained employed with the Company for an additional twelve (12) months following the date of such termination will accelerate and become vested effective as of immediately prior to such termination.

(j) “Qualifying Termination Equity Award Treatment” means (i) accelerated vesting of a portion of all outstanding and unvested RSU awards held by the Executive (including the Initial RSUs and any annual RSUs granted pursuant to Section 6(c)) in accordance with the RSU Award Treatment; (ii) accelerated vesting of a portion of all outstanding and unvested PRSU awards held by the Executive (including any annual PRSUs granted pursuant to Section 6(c)) in accordance with the PRSU Award Treatment; and (iii) pro-rated vesting of all outstanding and unvested Option awards held by the Executive (including the Initial Options) based on the number of full or partial calendar months elapsed between the applicable vesting commencement date and the date of such termination, with the vested portion of all outstanding and vested

Option awards held by the Executive (including any portion that vests in connection with such termination) remaining exercisable until the earlier of (A) eighteen (18) months following the date of such termination and (B) the applicable expiration date.

(k) “RSU” means a time-based restricted stock unit covering a Share that may be settled in cash and/or by issuance of a Share.

(l) “RSU Award Treatment” means (i) if such termination occurs on or prior to December 31, 2024, the portion of such RSU award that would have vested had the Executive remained employed through the end of December 31, 2025 will accelerate and become vested effective as of immediately prior to such termination, or (ii) if such termination occurs following December 31, 2024, the portion of such RSU award that would have vested had the Executive remained employed with the Company for an additional twelve (12) months following the date of such termination will accelerate and become vested effective as of immediately prior to such termination.

(m) “Section 409A” means Section 409A of the Internal Revenue Code and the regulations and guidance promulgated under the Internal Revenue Code.

(n) “Share” means a share of Class A Common Stock of the Company.

13. No Assignments. This Agreement is personal to each of the parties. Except as provided below, no party may assign or delegate any rights or obligations under this Agreement without first obtaining the written consent of the other party. The Company may assign this Agreement to any successor to all or substantially all of its business or assets.

14. Notice. All communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given (a) on the date of delivery, if delivered by hand, (b) on the date of transmission, if delivered by electronic mail, or (c) on the first business day following the date of deposit, if delivered by guaranteed overnight delivery service:

If to the Executive:

At the address (or to the email address) shown in the books and records of the Company.

If to the Company:

70 Castilian Drive

Santa Barbara, CA 93117 Attention: Chief Legal Officer

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

15. Interpretation. The section headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement. In the event of any inconsistency between the terms of this Agreement and any form, award, plan or policy of the Company, the terms of this Agreement shall govern and control. Whenever in this Agreement the word “including” is used, it shall be deemed to be for purposes of identifying only one or more of the possible alternatives, and the entire provision in which such word appears shall be read as if the phrase “including without limitation” were actually used in the text.

16. Severability. The provisions of this Agreement shall be deemed severable. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not

affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties shall be enforceable to the fullest extent permitted by applicable law.

17. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

18. Arbitration. Any dispute or controversy arising under or in connection with this Agreement or the Executive's employment with the Company shall be settled exclusively by arbitration, conducted before a single arbitrator in Santa Barbara, California in accordance with the JAMS Employment Rules and Procedures then in effect (available at www.jamsadr.com). The decision of the arbitrator will be final and binding upon the parties. Judgment may be entered on the arbitrator's award in any court having jurisdiction. In connection with any such arbitration and regardless of outcome, (a) each party shall pay all of its own costs and expenses, including, without limitation, its own legal fees and expenses, and (b) the arbitration costs shall be borne by the Company.

19. Governing Law. This Agreement, the rights and obligations of the parties, and all claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of California (without regard to its choice of law provisions).

20. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer or director as may be designated by the Board. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement, together with all exhibits attached to this Agreement, sets forth the entire agreement of the parties in respect of the subject matter contained in this Agreement and supersedes any and all prior agreements or understandings between the Executive and the Company with respect to the subject matter of this Agreement, including the Prior Agreement; provided that nothing set forth herein shall limit or restrict the Executive's rights with respect to indemnification from the Company (including pursuant to that Indemnification Agreement, dated November 19, 2022, between the Company and the Executive) or with respect to any outstanding equity-based incentive award(s). No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. In the event of any inconsistency between the terms of this Agreement and any equity award, the terms of this Agreement shall govern and control.

21. Representations. The Executive represents and warrants to the Company that: (a) the Executive has the legal right to enter into this Agreement and to perform all of the obligations on the Executive's part to be performed under this Agreement; and (b) the Executive is not a party to any agreement or understanding, written or oral, and is not subject to any restriction, which, in either case, would prevent or impair the Executive from entering into this Agreement or performing the Executive's duties and obligations under this Agreement.

22. Tax Matters.

(a) **Withholding.** The Company may withhold from any and all amounts payable under this Agreement or otherwise such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(b) **Section 409A Compliance.**

(i) The intent of the parties is that payments and benefits under this Agreement comply with, or are exempt from, Section 409A. Accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith or exempt therefrom. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Executive by Section 409A or damages for failing to comply with Section 409A.

(ii) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A. For purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service". Notwithstanding anything to the contrary in this Agreement, if the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Section 409A, then with regard to any payment or the provision of any benefit that is considered deferred compensation under Section 409A payable on account of a "separation from service," such payment or benefit shall not be made or provided until the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive and (B) the date of the Executive's death, to the extent required under Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this Section 22(b)(ii) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

(iii) To the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" for purposes of Section 409A, (A) all expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(iv) For purposes of Section 409A, the Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

(v) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Section 409A be subject to offset by any other amount unless otherwise permitted by Section 409A.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

APPFOLIO, INC.

By: /s/ Andreas von Blottnitz Name: Andreas von Blottnitz
Title: Chairperson of the Board of Directors

EXECUTIVE

By: /s/ William Shane Trigg William Shane Trigg

[Signature Page to Amended and Restated Employment Agreement]

Exhibit A GENERAL RELEASE

I, William Shane Trigg, in consideration of and subject to the performance by AppFolio, Inc. (together with its subsidiaries, the "Company") of its obligations under that Amended and Restated Employment Agreement, dated as of March 1, 2023 (the "Agreement"), do hereby release and forever discharge as of the date hereof (x) the Company and all of its present, former and future affiliates, subsidiaries, predecessors, parents, related companies, successors and assigns, (y) all of their respective present, former and future managers, directors, officers, shareholders, employees, agents, direct or indirect owners, consultants and attorneys and (z) and all of their respective heirs, assigns and estate representatives (collectively, the "Released Parties") to the extent provided below (this "General Release"). The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Terms used herein but not otherwise defined shall have the meanings given to them in the Agreement.

1. My employment or service with the Company and its affiliates terminated as of ___, and I hereby resign from any position as an officer, member of the board of managers or directors (as applicable) or fiduciary of the Company or its affiliates (or reaffirm any such resignation that may have already occurred). I understand that the Severance Benefits represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive the Severance Benefits unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter. I understand and agree that such payments and benefits are subject to the restrictive covenants set forth in the Agreement and Exhibit B attached to the Agreement, which (as noted below) expressly survive my termination of employment and the execution of this General Release. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its affiliates.

2. Except as provided in paragraphs 5 and 6 and except for the provisions of the Agreement which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my spouse, my heirs, executors, administrators, agents and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, losses, suits, controversies, actions, causes of action, cross-claims, counterclaims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, whether known or unknown, suspected, or claimed against the Company or any of the other Released Parties which I, my spouse, or any of my heirs, executors, administrators, agents or assigns, have or may acquire, arising at any time, past or present, through the date that you execute this General Release (including, but not limited to, any allegation, claim or violation, arising under: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Exhibit A - 1 Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act; or their state or local counterparts; or under any other federal, state or local civil or human rights law, or under any other local, state, or federal law, regulation or ordinance; or under any public policy, contract or tort, or under common law; or arising under any policies, practices or procedures of the Company; or any claim for wrongful discharge, breach of contract, infliction of emotional distress, defamation; or any claim for costs, fees, or other expenses, including

attorneys' fees incurred in these matters) (all of the foregoing collectively referred to herein as the "Claims").

3. The released claims described in paragraph 2 include all such claims, whether known or unknown by me. Therefore, I waive the effect of California Civil Code Section 1542 and any other analogous provision of applicable law of any jurisdiction. Section 1542 states:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

4. I represent that I have made no assignment or transfer of any right, claim, demand, cause of action, or other matter covered by paragraph 2 above.
5. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release. I acknowledge and agree that my separation from employment with the Company in compliance with the terms of the Agreement shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).
6. I agree that I am waiving all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding. Additionally, I am not waiving (a) any right to the Accrued Benefits or any severance benefits to which I am entitled under the Agreement, (b) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents or otherwise or (c) my rights as an equity or security holder in the Company or its affiliates.
7. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver the Company would not have agreed to the terms of the Agreement. In the event that I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law. I further agree that I am not aware of any pending claim of the type described in paragraph 2 above as of the execution of this General Release.

8. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any other Released Party or myself of any improper or unlawful conduct.
9. I agree that if I violate this General Release by suing the Company or the other Released Parties, I will pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees.
10. Any nondisclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or any governmental entity.
11. I hereby acknowledge that Section 11 of the Agreement and Exhibit B of the Agreement shall survive as applicable therein my execution of this General Release.
12. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 2 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it.
13. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any other Released Party of the Agreement after the date hereof.
14. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

1. I HAVE READ IT CAREFULLY;
2. I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;
3. I VOLUNTARILY CONSENT TO EVERYTHING IN IT;
4. I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING

AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

5. I HAVE HAD AT LEAST 21 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED 21-DAY PERIOD;-
6. I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;
7. I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND
8. I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED:___ DATED:___

Exhibit B

Employee Proprietary Information and Invention Assignment Agreement (attached)

Exhibit B-1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shane Trigg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AppFolio, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2023

/s/ Shane Trigg

Shane Trigg
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Fay Sien Goon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AppFolio, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2023

/s/ Fay Sien Goon

Fay Sien Goon
Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The following certifications are hereby made in connection with the Quarterly Report on Form 10-Q of AppFolio, Inc. (the "Company") for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

I, Shane Trigg, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented.

Date: April 27, 2023

By: /s/ Shane Trigg

Shane Trigg
President and Chief Executive Officer

I, Fay Sien Goon, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented.

Date: April 27, 2023

By: /s/ Fay Sien Goon

Fay Sien Goon
Chief Financial Officer