

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 8-K**

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

Date of Report (Date of earliest event reported): August 8, 2016

**AppFolio, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**001-37468**

(Commission File Number)

**26-0359894**

(IRS Employer Identification Number)

**50 Castilian Drive  
Santa Barbara, CA 93117**

(Address of principal executive offices)

Registrant's telephone number, including area code: **(805) 364-6093**

**N/A**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

On August 8, 2016, AppFolio, Inc. (the “Company”) issued a press release announcing its financial results for its second fiscal quarter ended June 30, 2016. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained in this Item 2.02, including the press release attached as Exhibit 99.1 hereto, is being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that Section. Such information shall not be deemed to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing, except as otherwise expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits:

**Exhibit**

<b>Number</b>	<b>Description</b>
99.1	Press release issued on August 8, 2016.

**SIGNATURE**

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

**AppFolio, Inc.**

By: /s/ Ida Kane

\_\_\_\_\_  
Name: Ida Kane

Title: Chief Financial Officer

## EXHIBIT INDEX

**Exhibit**

**Number**

**Description**

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99.1

Press release issued on August 8, 2016.



## News Release

### **AppFolio, Inc. Announces Second Quarter Financial Results**

SANTA BARBARA, Calif., August 8, 2016 (GLOBE NEWSWIRE) -- AppFolio, Inc. (NASDAQ: APPF), a leading provider of cloud-based business software solutions, today announced results for the second quarter ended June 30, 2016.

#### **Second Quarter 2016 Highlights**

- Second quarter revenue was \$26.2 million, an increase of 42% period-over-period.
- Second quarter GAAP net loss was \$2.3 million, or a net loss of \$0.07 per share; Non-GAAP net loss was \$1.2 million, or a net loss of \$0.03 per share.
- Increased property manager customers 32% year-over-year to 9,275; increased units under management 26% year-over-year to 2.4 million.
- Increased law firm customers 50% year-over-year to 7,349.

The Company generated approximately \$3.1 million in cash from operating activities and reported \$1.1 million in positive Non-GAAP Adjusted EBITDA for the second quarter of 2016. At June 30, 2016, the Company had \$51.2 million in cash and cash equivalents and investment securities.

"We executed well on our strategic initiatives in the quarter and made important progress toward realizing operating leverage in our business," commented Brian Donahoo, President and CEO of AppFolio. "The market for our SMB software continues to expand, as property management and legal customers seek solutions to help them automate, modernize and grow in today's digital world. AppFolio's technology and customer focus remains a competitive differentiator, and the impact of our word of mouth marketing from happy customers continues to be a powerful tool for our long-term success."

#### **Financial Outlook**

Based on information available as of August 8, 2016, we are updating our outlook for full year 2016 as indicated below.

- Full year revenue is expected to be in the range of \$103.0 million to \$105.0 million.
- Weighted average common shares outstanding are expected to be approximately 33.7 million for the full year.

## **Non-GAAP Financial Measures**

To supplement our consolidated financial statements, which are prepared and presented in accordance with U.S. Generally Accepted Accounting Principles, or GAAP, we provide investors with certain Non-GAAP financial measures, including Non-GAAP net loss, Non-GAAP net loss per share, and Non-GAAP Adjusted EBITDA which are financial measures that have not been prepared in accordance with GAAP. Non-GAAP net loss and non-GAAP net loss per share are defined as net loss and net loss per share, respectively, attributable to common stockholders before stock-based compensation expense. Non-GAAP Adjusted EBITDA is defined as net loss before depreciation and amortization, stock-based compensation expense, provision for income taxes, other income (expense), net, and interest income (expense), net.

We use these Non-GAAP financial measures internally in analyzing our financial results and believe they are useful to investors, as a supplement to GAAP measures, in evaluating our ongoing operational performance. The principal limitation of these Non-GAAP financial measures is that they exclude expenses that are required by GAAP to be recorded in our financial statements. These financial measures are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP. In addition, these financial measures may be different from Non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. A reconciliation of the Non-GAAP financial measures to the most direct comparable GAAP measure has been provided in the financial statement tables included below in this press release.

We urge investors to review these reconciliations and not to rely on any single financial measure to evaluate our business.

## **Conference Call Information**

As previously announced, we will host a conference call today, August 8, 2016, to discuss our second quarter financial results at 2:00 p.m. Pacific Time, 5:00 p.m. Eastern Time. A live webcast of the conference call will be available at <http://ir.appfolioinc.com>. The conference call can also be accessed by dialing 844-239-5286 (Domestic), or 513-268-0783 (International). The conference ID is 54075354. A replay will be available at 855-859-2056 (Domestic) and 404-537-3406 (International) until the end of day August 12, 2016. An archived webcast of this conference call will be available for 12 months on our website listed above.

## **About AppFolio, Inc.**

AppFolio provides comprehensive, easy-to-use, cloud-based business software solutions for small and medium-sized businesses in various vertical markets. Our products include cloud-based property management software ([AppFolio Property Manager](#)) and cloud-based legal practice management software ([MyCase](#)). The Company was founded in 2006 and is headquartered in Santa Barbara, CA. Learn more at [www.appfolioinc.com](http://www.appfolioinc.com).

## **Forward-Looking Statements**

This press release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements are subject to considerable risks and uncertainties. Forward-looking statements include all statements that are not statements of historical fact contained in this press release, and can be identified by words such as “anticipates,” “believes,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “could,” “will,” “would,” or similar expressions and the negatives of those expressions. In particular, forward-looking statements contained in this press release relate to our future or assumed revenues and weighted-average outstanding shares, as well as our future growth and success.

Forward-looking statements represent our management’s current beliefs and assumptions based on information currently available. Forward-looking statements involve numerous known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks and uncertainties that may cause our actual results to materially differ from those expressed or implied by these forward-looking statements are described in the section entitled “Risk Factors” in our Annual Report on Form 10-

K for the year ended December 31, 2015, which we filed with the Securities and Exchange Commission (the "SEC") on February 29, 2016, as well as in our other filings with the SEC. You should read this press release with the understanding that our actual future results may be materially different from the results expressed or implied by these forward looking statements.

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

**Investor Relations Contact:**

Erica Abrams, [ir@appfolio.com](mailto:ir@appfolio.com), 805-364-6093

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

(in thousands, except par values)

	June 30, 2016	December 31, 2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 10,963	\$ 12,063
Investment securities—current	11,234	10,235
Accounts receivable, net	3,045	2,048
Prepaid expenses and other current assets	3,807	3,160
Total current assets	29,049	27,506
Investment securities—noncurrent	28,977	34,417
Property and equipment, net	7,143	6,107
Capitalized software, net	12,804	10,022
Goodwill	6,737	6,737
Intangible assets, net	3,808	4,516
Other assets	1,236	1,176
Total assets	\$ 89,754	\$ 90,481
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 1,090	\$ 2,369
Accrued employee expenses	6,235	5,159
Accrued expenses	3,751	3,340
Deferred revenue	6,101	4,953
Other current liabilities	1,631	1,084
Total current liabilities	18,808	16,905
Other liabilities	1,865	879
Total liabilities	20,673	17,784
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 25,000 authorized and no shares issued and outstanding as of June 30, 2016 and December 31, 2015	—	—
Class A common stock, \$0.0001 par value, 250,000 shares authorized as of June 30, 2016 and December 31, 2015; 11,018 and 9,005 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively;	1	1
Class B common stock, \$0.0001 par value, 50,000 shares authorized as of June 30, 2016 and December 31, 2015; 22,625 and 24,541 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively;	3	3
Additional paid-in capital	143,406	141,528
Accumulated other comprehensive income (loss)	220	(153)
Accumulated deficit	(74,549)	(68,682)
Total stockholders' equity	69,081	72,697
Total liabilities and stockholders' equity	\$ 89,754	\$ 90,481



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

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue	\$ 26,203	\$ 18,425	\$ 49,414	\$ 34,273
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization)	11,212	8,109	21,742	15,174
Sales and marketing	7,567	6,239	15,118	11,948
Research and product development	3,024	2,154	6,067	4,163
General and administrative	4,389	3,707	7,938	7,099
Depreciation and amortization	2,359	1,431	4,476	2,614
Total costs and operating expenses	28,551	21,640	55,341	40,998
Loss from operations	(2,348)	(3,215)	(5,927)	(6,725)
Other income (expense), net	2	(5)	(22)	(7)
Interest income (expense), net	95	(243)	119	(275)
Loss before provision for income taxes	(2,251)	(3,463)	(5,830)	(7,007)
Provision for (benefit from) income taxes	13	(63)	37	11
Net loss	\$ (2,264)	\$ (3,400)	\$ (5,867)	\$ (7,018)
Net loss per share, basic and diluted	(0.07)	(0.36)	(0.18)	(0.77)
Weighted average common shares outstanding, basic and diluted	33,523	9,328	33,493	9,122

**Supplemental Revenue Information**

The following table presents our revenue categories for the quarter ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Core solutions	\$ 10,572	\$ 7,697	\$ 20,335	\$ 14,831
Value+ services	14,399	9,408	26,653	17,112
Other	1,232	1,320	2,426	2,330
Total revenues	\$ 26,203	\$ 18,425	\$ 49,414	\$ 34,273

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Cash from operating activities</b>				
Net loss	\$ (2,264)	\$ (3,400)	\$ (5,867)	\$ (7,018)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,359	1,431	4,476	2,614
Purchased investment premium, net of amortization	(50)	—	95	—
Amortization of deferred financing costs	16	26	32	31
Loss on disposal of property and equipment	3	6	32	13
Noncash interest expense	—	223	—	223
Stock-based compensation	1,092	212	1,555	345
Lease abandonment	(31)	—	60	—
Changes in operating assets and liabilities:				
Accounts receivable	(402)	(557)	(996)	(1,222)
Prepaid expenses and other current assets	634	(82)	(647)	(608)
Other assets	18	(39)	(92)	(83)
Accounts payable	82	674	(571)	883
Accrued employee expenses	812	163	906	1,064
Accrued expenses	(236)	(240)	751	560
Deferred revenue	443	20	1,148	475
Other liabilities	637	(33)	1,495	(84)
Net cash provided by (used in) operating activities	3,113	(1,596)	2,377	(2,807)
<b>Cash from investing activities</b>				
Purchases of property and equipment	(1,270)	(789)	(3,161)	(1,510)
Additions to capitalized software	(2,980)	(1,924)	(5,159)	(3,155)
Purchases of investment securities	(7,300)	—	(16,685)	—
Sales and calls of investment securities	8,069	—	19,074	—
Maturities of investment securities	—	—	2,330	—
Cash paid in business acquisition, net of cash acquired	—	(4,039)	—	(4,039)
Purchases of intangible assets	—	(6)	—	(11)
Net cash used in investing activities	(3,481)	(6,758)	(3,601)	(8,715)
<b>Cash from financing activities</b>				
Proceeds from stock option exercises	73	250	153	318
Proceeds from issuance of restricted stock	—	—	—	141
Proceeds from issuance of options	—	208	—	208
Principal payments under capital lease obligations	(8)	(9)	(15)	(15)
Proceeds from the initial public offering, net of underwriting discounts and commissions	—	69,192	—	69,192
Payments of initial public offering costs	—	(807)	—	(807)
Payment of contingent consideration	—	(2,429)	—	(2,429)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Proceeds from issuance of debt	28	—	57	10,000
Principal payments on debt	(30)	(42)	(71)	(42)
Payment of debt issuance costs	—	(119)	—	(532)
Net cash provided by financing activities	63	66,244	124	76,034
Net cash (decrease) increase in cash and cash equivalents	(305)	57,890	(1,100)	64,512
<b>Cash and cash equivalents</b>				
Beginning of period	11,268	12,034	12,063	5,412
End of period	\$ 10,963	\$ 69,924	\$ 10,963	\$ 69,924

**Stock-Based Compensation Expense**

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Costs and operating expenses:</b>				
Cost of revenue (exclusive of depreciation and amortization)	\$ 138	\$ 27	\$ 183	\$ 51
Sales and marketing	130	28	172	51
Research and product development	104	7	155	12
General and administrative	720	150	1,045	231
Total stock-based compensation expense	\$ 1,092	\$ 212	\$ 1,555	\$ 345

## Reconciliation of GAAP Measures to Non-GAAP Measures

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss	\$ (2,264)	\$ (3,400)	\$ (5,867)	\$ (7,018)
Stock-based compensation expense	1,092	212	1,555	345
Non-GAAP net loss	\$ (1,172)	\$ (3,188)	\$ (4,312)	\$ (6,673)
Non-GAAP net loss per share, basic and diluted	\$ (0.03)	\$ (0.34)	\$ (0.13)	\$ (0.73)
Weighted average common shares outstanding, basic and diluted	33,523	9,328	33,493	9,122

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss	\$ (2,264)	\$ (3,400)	\$ (5,867)	\$ (7,018)
Depreciation and amortization	2,359	1,431	4,476	2,614
Stock-based compensation expense	1,092	212	1,555	345
Provision (benefit) for income taxes	13	(63)	37	11
Other (income) expense, net	(2)	5	22	7
Interest (income) expense, net	(95)	243	(119)	275
Non-GAAP Adjusted EBITDA	\$ 1,103	\$ (1,572)	\$ 104	\$ (3,766)

The following table presents our customers and units under management at the end of each quarter for the last six quarters:

	2016		2015			
	June 30.	March 31.	December 31.	September 30.	June 30.	March 31.
Property manager customers	9,275	8,816	8,218	7,561	7,016	6,491
Property manager units under management (in millions)	2.41	2.30	2.15	2.01	1.92	1.81
Legal customers	7,349	6,834	6,145	5,566	4,891	4,253