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AppFolio Second Quarter 2026 Earnings Call

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Prepared Remarks

Lori Barker, Investor Relations

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

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

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

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

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

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

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

Shane Trigg, Chairman and Chief Executive Officer

Thanks Lori, and welcome to everyone joining us today.

AppFolio delivered a strong second quarter. Revenue reached $281 million dollars, a 19% year-over-year increase. For the first time, we've crossed $1 billion in revenue on a trailing twelve-month basis. Non-GAAP operating income was 27.1% of revenue, and GAAP operating income was 18.8% of revenue. Units on platform grew to 9.6 million.

This is an exciting time for our business and our industry. I want to start where it matters most: with the operators running and growing their businesses on AppFolio.

We spent time at NAA Apartmentalize this quarter, the largest multifamily gathering of the year. And the signal coming out of New Orleans was clear. There's universal interest in AI. Every vendor on the floor was promising something new. But the conversation that kept repeating – at the Executive Forum, in the hallways – wasn't about adding more tools. It was about the cost of complexity. The accumulating weight of systems that don't talk to each other, workflows that require human translation, and AI that executes tasks without delivering performance outcomes.

To drive greater impact across their real estate operations, property managers are prioritizing technology consolidation. In fact, our recent AppFolio Property Management Benchmark survey reveals that 45% are actively planning to streamline their software solutions. It's a story we hear consistently from customers who've made the switch to AppFolio. Case in point: RST & Associates reduced from 6 disconnected systems. Advanced Management Company from 9. Northpoint Asset Management from 14. The pattern is clear.

But consolidation isn't the end game. It's simply removing blockers to what customers actually want: real performance.

The gap between those who have it and those who don't is widening. Property managers in the top quartile are more than twice as profitable as the rest of the industry, according to performance benchmark data from ProfitCoach, a business coaching firm. Meanwhile, AppFolio's Performance Ecosystem Report shows the average property management leader still spends two-thirds of their time on reactive, routine operational work. That's the Performance Gap. It's real, it's growing, and it's exactly the problem AppFolio is solving for our customers.

Real performance requires a platform that combines an AI-native architecture with interconnected systems of record, action, and growth. A platform that stores the data, does the work, creates value, unifies the experience, drives the economics, and powers the future of real estate. That's our vision, and Real Estate Performance Management, or as we call it "RPM," is the organizing discipline for how the top operators are winning.

Our customer PURE HomeRiver is what RPM looks like at scale. Formed through the merger of PURE Property Management and HomeRiver Group, they now operate in 35 states. On AppFolio since 2020, upgraded to Plus in 2022, and executing a successful M&A strategy ever since – this quarter, they renewed their commitment to AppFolio, establishing us as their single platform of choice to support the consolidation of their current 40,000-unit portfolio and their anticipated growth to 60,000 units.

As their Co-founder and CEO Joseph Polverari put it: "We've been dedicated to unifying operations and standardizing processes to create simplified resident, owner, and manager experiences that deliver results. In building the technology stack to support that scale, AppFolio was the only clear option for the phase we're in. One source of truth clarifies the path to performance across every market we're in today, and in the future."

That's the confidence of an operator who's experienced what our platform can do. It reflects the work we do every day across three strategic pillars, starting with Differentiate to Win.

Our Performance Platform is our differentiator, and our advantage.

At the center of our system of action is Realm-X Flows, the orchestration layer that automates the work and governs how it gets done. We've expanded the breadth of Flows significantly this quarter: five times the triggers, with over 1,000 conditional options to route and filter workflows. Among customers who have adopted Flows, runs have grown triple digits year-over-year across lead nurture, rental application, move-in, delinquency, and renewal.

When Flows routes work to a Realm-X Performer, it hands off to an AI agent designed and deployed by AppFolio, purpose-built for the major domains of property management.

Leasing Performer is now involved in roughly half of all completed showings for customers who've deployed it. Our voice capability is designed to ensure fewer leads slip through the cracks, capturing more after-hours demand and improving inquiry-to-showing conversion.

Maintenance Performer responds to resident inquiries in seconds. Now, residents receive a consistent, timely response to every request, including those that come in after hours.

Resident Messenger Performer is handling renewal communications and resident questions throughout the rental journey.

Building on this success, we announced our newest agent, Accounting Performer, at Apartmentalize. It will accelerate the manual close cycle by streamlining bill entry, financial close processes, and budgeting.

Every agent action – whether it runs through a Performer, a certified partner, or a third-party model – operates within the permissions and guardrails defined within AppFolio. The operator’s policies, their business context, their governance: all of it travels with every workflow. That is the architecture, and we’ve extended it in two directions. Through AppFolio Stack, Realm-X connects to a certified network of partners and their agents. The Realm-X Claude Connector goes further, enabling true agent-to-agent communication with Claude. The ecosystem can grow. The governance never changes. Brandon Morett, COO of 3,600-unit customer Atlas Management, shared with us: “I tried to connect APIs to Claude but ended up spending hours recreating permissions and business context outside AppFolio. The Realm-X Connector eliminates that – the controls and business logic we already have in AppFolio apply out of the box. No exports, no workarounds.”

In our system of growth, we’re creating value at one of the moments that matters most: move-in.

It starts with getting the right resident in the door. FolioScreen Trusted Renter is making leasing decisions faster and more confident – customers report they’re catching 69% more fraudulent applications compared to their previous solution, and reaching a leasing decision 5.7 days faster. That’s time back for the operator and better protection for the asset, enhanced with new AI-powered document fraud detection through our partnership with Snappt.

Once the resident is selected, Resident Onboarding sets the tone for the entire journey – starting with Concierge, white-glove utility setup that removes friction for residents from day one.

For operators who want to go deeper, Resident Onboarding Lift, co-created with Second Nature, a partnership we announced last year, is gaining strong traction. It transforms move-in from a checklist of manual tasks into a streamlined, transparent, digital experience. Renters insurance, group rate internet, and other essential services, activated in one seamless flow, turning a moment that used to be administrative into a value-generating experience for the resident and the operator.

Consider Stratton Vantage, a Phoenix-based operator managing 1,600 units. Since implementing Resident Onboarding Lift earlier this year, 100% of their leases have moved through the platform.

Residents are actively selecting services that make their home work better for them. That same moment creates a new revenue stream where none existed before, and Stratton's leasing team reports recapturing nearly 20 hours a month, redirecting that capacity from coordinating onboarding logistics to higher-value work. As their designated broker Chris Goodman put it: "We're doing this to help the owners, help our processes, and create a better experience for the residents."

Our second pillar is Delivering Performance Efficiently, and the impact of RPM is showing up in how customers choose us, stay with us, and grow with us.

Many in real estate are attaching bolt-on AI to products built for tasks. You get faster tasks. We built the machine around performance itself. And the more our customers adopt, the better real estate works – for their residents, their owners, their investors.

That's showing up in our results. Premium tier adoption has expanded from approximately one in four units to nearly one in three. Customers are going deeper into the platform, adopting our interconnected systems of record, action, and growth. The results are measurable.

7,500-unit customer Yale Management Services in Los Angeles upgraded to our MAX tier, pairing Leasing CRM and Income and ID Verification with the Realm-X Lead Nurturing Flow. In six months, they've achieved a 1.9 percentage point lift in their occupancy rate.

Bluestone manages 3,000 residential units across the Pacific Northwest. They're running both Leasing Performer and Maintenance Performer – and the results show what the bundle delivers. On leasing, Performer has handled more than 10,000 leads since deployment, with 55% coming in after hours, and an average response time under nine seconds. At initial rollout, Bluestone saw a 30%-plus lift in lease applications. On maintenance, 2,500 work orders have been logged since December 2025, 49% of them after hours, and Performer is deflecting more than a quarter of them through AI-led self-help, resolving the issue without a technician ever getting involved.

Deeper adoption is strengthening our position as the preferred platform in real estate. For the fourth consecutive quarter, AppFolio's been named the overall leader on the G2 grid, recognition driven entirely by our customers' own experience.

Our third and final pillar is Great People and Culture, and numbers tell you where you are, but people tell you why you win.

One of our most enduring values is that listening to customers is in our DNA. During times like this for the industry, when performance pressure is high and the pace of change is accelerating, this value has never been more important. We are customer obsessed. We engage with customers to listen, learn, and take action, because we win when our customers win.

This quarter, we brought our team to New Orleans to spend time with customers in that part of the country during Apartmentalize. We visited 1st Lake Properties, a customer since 2025 with 11,000 units on MAX, and had the kind of conversation that reminds you what it means to be a true partner in a real estate business performing at its best. Cliff Ledet, CFO, told us: “We truly feel that we have a partner that considers themselves a vital part of our success, consistently demonstrating the same high level of support and commitment since we began. It is an exceptionally talented group of people who are committed to listening to, valuing, and working alongside us to achieve our goals.” This kind of relationship is the model for everything we’re building.

AppFolio is an AI-native vertical technology company leading the real estate industry toward exceptional performance. As the industry’s performance gap widens, the operators who fully leverage our platform are pulling ahead, delivering unparalleled value for their residents, owners, and investors.

This is RPM in practice.

For the real estate operators who are in search of performance, FUTURE — our annual industry event, September 28 through October 1 in San Diego — will be the most significant demonstration yet of where RPM is heading. We’re expanding our education program and opening it to all customers, with half the sessions dedicated to workshops and labs built to accelerate platform adoption and drive real outcomes.

With that, I’ll turn it over to Tim to share more about AppFolio’s Q2 financial results.

Tim Eaton, Chief Financial Officer

Thank you Shane.

We delivered a strong second quarter, with continued revenue growth, margin expansion, healthy new business acquisition, and durable customer retention. Our performance platform continues to convert customer value into results, and this is increasingly visible across our financials.

In the second quarter, we delivered revenue of $281 million dollars, growing 19 percent year-over-year, compared to $236 million dollars in Q2 2025.

Subscription Services revenue grew 14 percent year-over-year to $60 million dollars, compared to $52.5 million dollars in the second quarter of 2025. This growth was driven by winning new customers, growth in units under management, and customers continuing to upgrade to our premium tiers. Nearly one in three units are now on a premium tier, reflecting the value customers find in Plus and Max, including Realm-X Flows, our AI-powered workflow automation engine.

Value Added Services revenue grew 22 percent year-over-year to $219 million dollars, led by our FolioGuard risk mitigation services, FolioScreen offerings, and online payments, alongside continued growth in units under management. Newer offerings are also contributing a growing share of Value Added Services revenue, including Resident Onboarding Lift, Move-In Services through LiveEasy, and Realm-X Performers, our agentic product offerings for Leasing, Maintenance and Resident messaging.

We ended the quarter managing approximately 9.6 million units, an 8 percent increase from 8.9 million units a year ago. Customers grew to 22,751, up 6 percent from 21,403. New customer wins and new-unit additions remained strong. Customer and unit retention continued to be healthy and consistent with historical averages. This is our go-to-market model at work: we bring new units onto the platform at attractive entry pricing under multi-year agreements, then grow revenue over time as customers adopt and rely on Value Added Services to operate their businesses.

Turning to margin: in the second quarter, GAAP operating income, which includes stock based compensation expense, grew 31% year-over-year to $53 million dollars, or 18.8 percent of revenue, compared to $41 million dollars, or 17.2 percent of revenue, a year ago. Non-GAAP operating income grew 24% to $76 million, or 27.1 percent of revenue compared to $62 million, or 26.2 percent of revenue in 2025.

Continuing with non-GAAP measures, cost of revenue, exclusive of depreciation and amortization, was 36 percent of revenue, up from 35 percent a year ago. Operating efficiencies were offset by our payments product mix and by incremental data center capacity to support rising customer usage of our AI capabilities.

Sales and Marketing was 14 percent of revenue, consistent with the second quarter of 2025, as we continued to add sales capacity and fund go-to-market initiatives across new-unit acquisition, premium-tier upgrades, and Value Added Services adoption. Sequentially, sales and marketing, as a percentage of revenue, rose modestly, reflecting our usual second-quarter presence at the NAA Apartmentalize industry conference.

Research and development declined to 15 percent of revenue, from 16 percent in the prior year. Our use of AI tools and systems continues to increase the velocity of our innovation and the productivity of our engineering teams, particularly across the Resident experience and our AI product capabilities.

G&A expense was 7 percent which was consistent with the prior-year quarter.

We exited the quarter with 1,732 employees, an increase of 3 percent from the second quarter of 2025, reflecting our ability to scale revenue while thoughtfully managing employee growth.

We generated $88 million dollars in operating cash flow during the quarter and ended the period with $222 million dollars in cash, cash equivalents and current investment securities. Our capital-allocation approach remains unchanged: we prioritize investing in the business, and our share-repurchase program remains opportunistic. Our healthy balance sheet continues to provide the flexibility to execute on our mission to build the platform where real estate comes to do business.

Now turning to our 2026 outlook, we are raising our full-year revenue guidance to a range of $1.117 to $1.127 billion dollars, lifting the midpoint growth rate to 18% percent, fueled by premium tier adoption, growth in new business units, and increasing adoption of our products and services, including Agentic AI Performers and resident services. Our outlook assumes a more moderate pace of unit expansion among existing customers, while new customer acquisition and retention remain healthy.

We continue to expect 2026 Subscription Services and Value Added Services revenue seasonality to be broadly consistent with 2025. Other revenue can vary throughout the year, and, as a reminder, 2025 included one-time revenue from a Stack partnership in the fourth quarter.

We are also raising our guidance for non-GAAP operating margin, to a range of 26.5% to 28.0%, compared to 24.7% in 2025. We expect Cost of Revenue, exclusive of depreciation and amortization, to be relatively flat as a percentage of revenue compared to 2025. While we continue to hire selectively, including in sales, we expect operating expenses as a percentage of revenue to decline modestly as we scale and leverage AI to drive efficiency across our internal operations. We anticipate diluted weighted average shares outstanding of approximately 36 million for the full year.

In closing, this quarter we crossed $1 billion dollars in trailing twelve month revenue for the first time, continuing to acquire, grow, and retain customers, while deepening adoption across our platform. Our continued investment in AI and the resident experience is expanding the value customers receive from our platform and we remain focused on durable revenue growth, margin expansion, and disciplined capital allocation as we power the future of real estate.

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