

AppFolio Third 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 thank you for joining us today as we report AppFolio's Third 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 third 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.

Q3 was another quarter of strong, consistent performance for AppFolio. Revenue reached \$296 million dollars, a 19% year-over-year increase. Non-GAAP operating income was 27.3% of revenue, and GAAP operating income was 19.4% of revenue. Units on the platform grew to 9.8 million.

Along with our strong, consistent financial results, one of the biggest highlights this past quarter was FUTURE, our annual industry event, where we hosted 2,500 real estate operators and innovators united by our shared ambition to build a future of winning.

Across four days, 130 sessions, 19 expert-led Performance Labs, and our biggest-ever EXPLORE floor, our marketplace spanning the AppFolio Performance Platform and the partners across our Stack ecosystem, attendees left with tangible ways to deliver performance for their residents, investors, teams, and communities.

I felt tremendous pride and gratitude watching 60+ of our customers take the stage as FUTURE speakers, educating their peers on the ways they've achieved meaningful performance in their own businesses. It was truly a privilege to share our vision with the industry, and to watch our customers shape it alongside us.

The key theme at FUTURE this year was that the future won't be won by organizations that simply keep up. It will be won by organizations that continuously level up. As one attendee told us: "We're never done striving to get better, because the moment we think we're the best is the moment we get left behind."

Achieving a sustained competitive advantage requires two things. First, interconnected systems built with performance in mind: a system of record that securely stores data, while reflecting the operator's business, a system of action where AI does the work with and for them, and a system of growth that turns exceptional experiences for their residents and owners into growth for their business.

Second is behaviors – what a team does with the capacity the systems create: applying judgment, building relationships, and anticipating rather than reacting, meeting a resident's need before they ask,

and bringing an owner a plan, not a problem. Combine systems built for performance with these behaviors, and customers achieve real performance. That's Real Estate Performance Management, or RPM.

Eucalyptus Real Estate shows how rapid transformation is possible when an operator picks a platform that has the right systems built in and makes the right behaviors easy to adopt. This family-owned operator manages nearly 14,000 units and 106 separate tax entities across Oklahoma City, Wichita, and Topeka. Before switching to AppFolio in 2025, they ran their three cities independently, on paper checks, paper work orders, scanned applications, and fax machines. Less than a year later, 85% of receivables are paid online. Leasing runs digitally from application to signature. A single automated Flow delivers move-in disclosures consistently across every property. And 53% of maintenance requests now resolve without a work order ever being created. As Megan McGinnis, President of Eucalyptus, put it: "We didn't move to AppFolio just to change tools. We moved to change how we run this business. Three cities now work the same way, on the same platform, with one source of truth."

Customers like Eucalyptus show how Real Estate Performance Management works in practice, combining systems and behaviors to realize performance. Our goal is to enable this type of transformation for any operator in our industry. Because when customers reach new levels of performance, they start asking: "What can we do now that we couldn't do before?" They get better experiences for residents and owners, more value for their business, and new versions of what their business can become. Empowering our customers to find those answers is why we **Differentiate to Win**, the first of our three strategic pillars.

Our Performance Platform is purpose built for Real Estate Performance Management. Because customers operate on a single system of record that understands the rules of real estate, their business and permissions, every workflow, insight, and action compounds on the same data rather than fragmenting across disconnected point solutions. While operators outside our platform can buy isolated AI features, a point solution cannot provide the connected foundation, governance, and economic alignment that allow performance to compound month after month, creating an engine for competitive advantage.

Within our system of record, expanded Entity Accounting capabilities are designed to serve multi-entity operators, bringing corporate, portfolio, and credit-card accounting into the same data model for a more unified accounting experience.

At the same time, we're bringing more of our customer's financial data, balances, statements, transfers, and controls directly into AppFolio through Stack banking partnerships with Enterprise Bank & Trust and our Featured Banking Partner, Column.

Through our Column partnership, bank data flows straight into AppFolio. Transactions are matched automatically as they come in, not just at month-end, so teams only touch the exceptions. That's what makes a truly automated close possible. MAXX Property Management, an AppFolio customer managing 3,500 units across Utah, Idaho, and Arizona, is seeing the benefit. As Corey Bohner, principal broker and owner, put it: "This integration with Column brings our banking and property operations into a more connected process. It gives our accounting team cleaner information and greater confidence in the numbers, so we can scale while keeping operations smooth for our team."

In the system of action, which includes our AI suite of Realm-X, Performers, Flows, and the Connector for Claude, the new Realm-X remembers context across conversations, draws on a knowledge base where customers store their own documents and policies, and builds custom workflows and dashboards directly from a prompt. With AI-native capabilities available across every plan, every customer can move beyond task efficiency to real performance.

Realm-X runs alongside a growing suite of Performers, agents that each work from the same platform, data, and governance. Maintenance Performer responds to resident requests in seconds, including after hours. Beta customers reported that Resident Messenger Performer resolved over 30% of conversations without escalation, and Accounting Performer saved an average of 17 hours per month. And Leasing Performer boosts showings up to 35%.

A customer transforming their leasing operations through the Leasing Performer is Merge Urban Development, a 750-unit portfolio in Cedar Falls, Iowa. Since moving off a standalone tool and onto Leasing Performer, Merge has converted automated prospect engagement into move-ins, averaging nearly 45 leases a month, with a pipeline that's the largest it's ever been. As Joy Brenner, Co-founder and Operations Partner, put it: "AppFolio has moved us from reactive to proactive."

We're extending the Performer suite with Receptionist Performer, unveiled at FUTURE, which will answer incoming calls, handle simple questions on the spot, and route everything else to the right Performer or person, at any hour. And our Connector for Claude is now available to every customer, making sure that every agent action – whether it runs through a Performer or a third-party model like Claude – operates within the permissions and guardrails defined within AppFolio.

With full visibility into their business and key workflows completed on their behalf, operators can turn capacity into opportunity. This is the system of growth.

Resident Onboarding Lift continues to scale and deliver exceptional resident value across the move-in moment, activating renters insurance, group rate internet, and other essential services in one seamless flow. Certified Funds at Move-In lets residents pay move-in costs digitally with guaranteed funds, replacing certified checks from the bank. For operators, it reduces move-in friction and payment risk, while bringing another part of the financial lifecycle onto AppFolio.

Our system of growth benefits owners too. Redesigned Owner Packets give owners a clearer view of portfolio performance, with stronger data visualization and cash flow reporting, so they can see exactly what's happening with their investment. That visibility builds trust, and it's one more way operators who fully leverage our differentiated platform are pulling ahead.

Our second strategic pillar is **Deliver Performance Efficiently**, which shows up in how operators choose AppFolio and in how much more they get from the platform once they've adopted its capabilities.

Take RENOSY by Renters Warehouse. They recently brought 8,000 units across 25 locations under one corporate entity. Once their leadership had a unified view of the business, they discovered properties running on AppFolio performed better, and at a lower cost, than the fragmented legacy setup they'd inherited. So they standardized on AppFolio, and last quarter went live with a portfolio of nearly 6,000 units with the remainder in migration, including Maintenance Performer and Resident Messenger Performer.

That same connected approach extends to our partner ecosystem. The AppFolio Stack integration marketplace now connects 5.6 million units across nearly 100 partners, spanning categories from marketing to accounting. Apartment List is one of our newest partners, offering a pay-per-lease billing model built to attract qualified renters through AI matching and support occupancy goals. Each new integration creates more value within the unified experience of AppFolio.

This momentum is showing up in how the industry recognizes us. AppFolio has ranked number one on the G2 Grid for five consecutive quarters, confirming AppFolio as the platform of choice for real estate operators. In G2's Fall 2026 rankings, covering more than 28,000 reports, AppFolio ranked #5 among companies by G2 score.

None of this happens without the right team behind it, which brings me to our third and final strategic pillar, **Great People and Culture**. Since the quarter closed, AppFolio was named to Fortune's 2026 Best Workplaces in Technology list, a recognition of the culture our people build every day, where we show up as one team connected by our values. We were also named to Fortune's 2026 Future 120 list, which recognizes the companies best positioned for future growth. Together, they reflect something we believe deeply: the customer-obsessed culture we build and the results we deliver are directly connected.

Turning efficiency into capacity, capacity into opportunity, opportunity into performance, and performance into a competitive advantage that compounds over time. That's the promise of Real Estate Performance Management. It's the future we're helping our customers to create, and the reason for our strong, consistent performance.

With that, I'll turn it over to Tim to share more about AppFolio's Q3 financial results.

Tim Eaton, Chief Financial Officer

Thank you Shane.

Our third quarter results reflect the consistency of our business: 19% revenue growth, continued strength in new customer acquisition, and GAAP operating margin of 19.4%. By combining our growing scale with AI, we are continuing to add value for our customers while driving operational efficiencies.

In the third quarter, we delivered revenue of \$296 million dollars, growing 19% year-over-year, compared to \$249 million dollars in Q3 2025.

Subscription Services revenue grew 14% year-over-year to \$62 million dollars, compared to \$54 million dollars in the third 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. New and renewing customers continue to commit to multi-year agreements, which extends the contracted base of revenue underlying Subscription Services.

Value Added Services revenue grew 21% year-over-year to \$232 million dollars, led by our FolioGuard risk mitigation services, FolioScreen offerings, and online payments, alongside continued growth in units under management. Resident Onboarding Lift, Resident Concierge move-in services, and Realm-X Performers are continuing to increase their contribution to Value Added Services revenue.

We ended the quarter managing approximately 9.8 million units, an 8% increase from 9.1 million units a year ago. Customers grew to 23,121, up 6% from 21,759. Unit acquisition from new customers remained strong, and retention was healthy and consistent with historical averages. While existing customers continue to add units to our platform, unit expansion is pacing slower than last year, a trend we highlighted during our second-quarter call.

Turning to margin: in the third quarter, GAAP operating income, which includes stock based compensation expense, grew 64% year-over-year to \$57 million dollars, or 19.4% of revenue, compared to \$35 million dollars, or 14.1% of revenue, a year ago. Non-GAAP operating income grew 38% to \$81 million, or 27.3% of revenue compared to \$59 million, or 23.5% of revenue in the third quarter of 2025. Two items are worth noting when comparing margins to the prior year.

First, as we discussed a year ago, the third quarter of 2025 included an incremental year-to-date accrual across cost of revenue and each of our operating expense lines for over achievement of our annual corporate bonus plan which lowered that quarter's margin. We did not have a comparable item this quarter. Second, our annual industry event, FUTURE, took place in the third quarter this year, compared to the fourth quarter in 2025, which moved that expense earlier in the year.

With that context, and continuing with non-GAAP measures, cost of revenue, exclusive of depreciation and amortization, was 35% of revenue, down from 36% a year ago. Beyond the prior-year bonus accrual, we saw the benefits of scale across both our third-party service costs and our customer support and operations teams, partially offset by our payments product mix and by incremental data center capacity as more of our customers' work runs through Realm-X and Performers.

Sales and Marketing was 15% of revenue, up from 13% last year. The increase reflects higher advertising and promotion expense, including our largest FUTURE conference to date. It also reflects added sales capacity to drive new-unit acquisition, premium-tier upgrades, and Value Added Services adoption.

Research and development declined to 15% of revenue, from 18% in the prior year, reflecting the prior-year bonus accrual and lower personnel costs, as AI tools and systems continue to increase the productivity of our engineering teams and the velocity of our innovation.

G&A expense declined to 6% of revenue, from 8% in the prior-year quarter. Beyond the prior-year bonus accrual, the decline reflects the benefits of scale and continued operational efficiency.

We exited the quarter with 1,744 employees, an increase of 2% from the third quarter of 2025, as we continue to scale revenue ahead of headcount.

We generated \$97 million dollars in operating cash flow during the quarter and ended the period with \$307 million dollars in cash, cash equivalents and current investment securities. Our capital-allocation approach remains unchanged: we invest first in the business, and our share-repurchase program remains opportunistic. Our balance sheet flexibility allows us to keep investing where it best advances 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 \$1.122 to \$1.127 billion dollars, lifting the midpoint growth rate to 18.3%.

For the fourth quarter, we anticipate new customer acquisition and retention will remain healthy, while the pace of unit expansion among existing customers is expected to stay below last year's fourth quarter and be comparable to the third quarter. We continue to expect Subscription Services and Value Added Services seasonality to be broadly consistent with 2025. Other revenue can vary from quarter to quarter, and the fourth quarter of 2025 included one-time revenue from a Stack partnership that we do not expect to recur.

Our full year non-GAAP operating margin guidance is now 26.5% to 27.5%, compared to 24.7% in 2025. This range reflects a deliberate decision to accelerate our sales and marketing investment this year, including additional sales capacity, our FUTURE conference and other industry events, and targeted go-to-market programs, which are visible in our year-to-date results.

While we are investing more in sales and marketing, we expect full-year operating expenses as a percentage of revenue to decline modestly as we continue to scale and apply AI across our internal operations. We expect Cost of Revenue, exclusive of depreciation and amortization, to be relatively flat as a percentage of revenue compared to 2025.

We anticipate diluted weighted average shares outstanding of approximately 36 million for the full year.

In closing, the third quarter is another example of what consistency looks like at AppFolio: strong revenue growth, expanding profitability, healthy cash generation, and disciplined capital allocation. We remain focused on delivering performance for our customers efficiently, so that the value they realize on our platform continues to translate into our results.

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