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 June 30, 2022.

☐ 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	**26-0359894**
(State of incorporation or organization)	***(I.R.S. Employer Identification No.)***
70 Castilian Drive **Santa Barbara, California**	**93117**
(Address of principal executive offices)	***(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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 July 21, 2022, the number of shares of the registrant’s Class A common stock outstanding was 20,174,583 and the number of shares of the registrant’s Class B common stock outstanding was 14,826,432.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2022 (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, 2021 (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, except par values)

	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 42,626	$ 57,847
Investment securities—current	75,425	64,600
Accounts receivable, net	16,175	12,595
Prepaid expenses and other current assets	22,157	23,553
Total current assets	156,383	158,595
Investment securities—noncurrent	49,909	61,076
Property and equipment, net	28,270	30,479
Operating lease right-of-use assets	29,228	41,710
Capitalized software development costs, net	37,496	41,212
Goodwill	56,147	56,147
Intangible assets, net	9,408	11,711
Other long-term assets	8,587	7,087
Total assets	$ 375,428	$ 408,017
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,338	$ 1,704
Accrued employee expenses—current	26,757	30,065
Accrued expenses	15,807	13,284
Deferred revenue	3,075	2,512
Other current liabilities	7,742	5,077
Total current liabilities	54,719	52,642
Operating lease liabilities	54,044	55,733
Other liabilities	1,674	2,261
Total liabilities	110,437	110,636
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Class A common stock	2	2
Class B common stock	2	2
Additional paid-in capital	185,542	171,930
Accumulated other comprehensive loss	(1,939)	(194)
Treasury stock	(25,756)	(25,756)
Retained earnings	107,140	151,397
Total stockholders' equity	264,991	297,381
Total liabilities and stockholders' equity	$ 375,428	$ 408,017

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	$ 117,450	$ 89,040	$ 222,746	$ 167,961
Costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization)(1)	47,430	32,819	90,777	66,117
Sales and marketing(1)	26,995	17,714	51,914	33,893
Research and product development(1)	26,687	15,506	51,007	29,889
General and administrative(1)	37,947	14,206	56,911	27,567
Depreciation and amortization	8,321	7,649	16,736	15,018
Total costs and operating expenses	147,380	87,894	267,345	172,484
(Loss) income from operations	(29,930)	1,146	(44,599)	(4,523)
Other income, net	45	496	35	1,058
Interest income	151	55	258	108
(Loss) income before provision for (benefit from) income taxes	(29,734)	1,697	(44,306)	(3,357)
Provision for (benefit from) income taxes	236	(324)	(49)	(5,857)
Net (loss) income	$ (29,970)	$ 2,021	$ (44,257)	$ 2,500
Net (loss) income per common share:				
Basic	$ (0.86)	$ 0.06	$ (1.27)	$ 0.07
Diluted	$ (0.86)	$ 0.06	$ (1.27)	$ 0.07
Weighted average common shares outstanding:				
Basic	34,927	34,548	34,881	34,479
Diluted	34,927	35,674	34,881	35,697

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Stock-based compensation expense included in costs and operating expenses:				
Cost of revenue (exclusive of depreciation and amortization)	$ 726	$ 463	$ 1,084	$ 934
Sales and marketing	2,013	447	3,473	849
Research and product development	4,024	1,214	6,830	2,071
General and administrative	3,198	1,090	5,992	2,136
Total stock-based compensation expense	$ 9,961	$ 3,214	$ 17,379	$ 5,990

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net (loss) income	$ (29,970)	$ 2,021	$ (44,257)	$ 2,500
Other comprehensive loss:				
Changes in unrealized losses on investment securities	(400)	(48)	(1,745)	(66)
Comprehensive (loss) income	$ (30,370)	$ 1,973	$ (46,002)	$ 2,434

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 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
Exercise of stock options	41	—	27	—	503	—	—	—	503
Stock-based compensation	—	—	—	—	10,639	—	—	—	10,639
Vesting of restricted stock units, net of shares withheld for taxes	66	—	—	—	(4,524)	—	—	—	(4,524)
Conversion of Class B common stock to Class A common stock	37	—	(37)	—	—	—	—	—	—
Issuance of restricted stock awards	6	—	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(400)	—	—	(400)
Net loss	—	—	—	—	—	—	—	(29,970)	(29,970)
Balance June 30, 2022	20,173	$ 2	14,826	$ 2	$ 185,542	$ (1,939)	$ (25,756)	$ 107,140	$ 264,991

	Common Stock Class A		Common Stock Class B		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2020	18,729	$ 2	15,659	$ 2	$ 161,247	$ 56	$ (25,756)	$ 150,369	$ 285,920
Exercise of stock options	23	—	—	—	100	—	—	—	100
Stock-based compensation	—	—	—	—	3,295	—	—	—	3,295
Vesting of restricted stock units, net of shares withheld for taxes	42	—	—	—	(3,992)	—	—	—	(3,992)
Conversion of Class B common stock to Class A common stock	108	—	(108)	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(18)	—	—	(18)
Net income	—	—	—	—	—	—	—	479	479
Balance at March 31, 2021	18,902	$ 2	15,551	$ 2	$ 160,650	$ 38	$ (25,756)	$ 150,848	$ 285,784
Exercise of stock options	13	—	84	—	545	—	—	—	545
Stock-based compensation	—	—	—	—	3,873	—	—	—	3,873
Vesting of restricted stock units, net of shares withheld for taxes	56	—	—	—	(4,908)	—	—	—	(4,908)
Conversion of Class B common stock to Class A common stock	14	—	(14)	—	—	—	—	—	—
Issuance of restricted stock awards	4	—	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(48)	—	—	(48)
Net income	—	—	—	—	—	—	—	2,021	2,021
Balance at June 30, 2021	18,989	$ 2	15,621	$ 2	$ 160,160	$ (10)	$ (25,756)	$ 152,869	$ 287,267

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)

	Six Months Ended June 30,	
	2022	2021
Cash from operating activities		
Net (loss) income	$ (44,257)	$ 2,500
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	15,637	14,190
Amortization of operating lease right-of-use assets	1,809	1,399
Impairment	19,792	—
Deferred income taxes	(1,550)	(6,086)
Stock-based compensation, including as amortized	18,478	6,818
Other	6	(579)
Changes in operating assets and liabilities:		
Accounts receivable	(2,924)	(4,007)
Prepaid expenses and other current assets	(2,652)	(2,171)
Other assets	(1,308)	(982)
Accounts payable	17	1,301
Accrued employee expenses—current	(3,217)	7,638
Accrued expenses	3,182	(3,047)
Deferred revenue	(94)	33
Operating lease liabilities	(1,311)	1,685
Other liabilities	1,673	(8,031)
Net cash provided by operating activities	3,281	10,661
Cash from investing activities		
Purchases of available-for-sale investments	(44,900)	(148,293)
Proceeds from sales of available-for-sale investments	—	42,198
Proceeds from maturities of available-for-sale investments	43,498	26,750
Purchases of property and equipment	(5,099)	(2,804)
Capitalization of software development costs	(7,193)	(11,911)
Net cash used in investing activities	(13,694)	(94,060)
Cash from financing activities		
Proceeds from stock option exercises	603	646
Tax withholding for net share settlement	(5,597)	(8,900)
Net cash used in financing activities	(4,994)	(8,254)
Net decrease in cash, cash equivalents and restricted cash	(15,407)	(91,653)
Cash, cash equivalents and restricted cash		
Beginning of period	58,283	140,699
End of period	$ 42,876	$ 49,046
Noncash investing and financing activities		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 484	$ 822
Capitalization of software development costs included in accrued expenses and accrued employee expenses	205	1,361
Stock-based compensation capitalized for software development	1,226	1,178

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):

	June 30,	
	2022	2021
Cash and cash equivalents	$ 42,626	$ 48,610
Restricted cash included in other assets	250	436
Total cash, cash equivalents and restricted cash	$ 42,876	$ 49,046

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 enable our customers to digitally transform their businesses, automate and streamline critical business operations and deliver a better customer experience. We were founded in 2006 with the vision of revolutionizing vertical industry businesses by providing great software and services. Our mission is even more relevant today, when digital transformation is effectively a requirement for business success in the modern world, and the way we work and live requires powerful software solutions to enable a more seamless experience.

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 28, 2022. 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 six months ended June 30, 2022 are not necessarily indicative of the results expected for the full year ending December 31, 2022.

Reclassification

We reclassified certain amounts in our Condensed Consolidated Balance Sheets and 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) Income per Common Share

Net (loss) income 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) income per common share (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Weighted average common shares outstanding	34,931	34,553	34,885	34,484
Less: Weighted average unvested restricted shares subject to repurchase	4	5	4	5
Weighted average common shares outstanding; basic	34,927	34,548	34,881	34,479
Plus: Weighted average options, restricted stock units and restricted shares used to compute diluted net income per common share	—	1,126	—	1,218
Weighted average common shares outstanding; diluted	34,927	35,674	34,881	35,697

For the three and six months ended June 30, 2022 and 2021, an aggregate of 197,000 and 120,000 shares, respectively, underlying performance-based restricted stock units ("PSUs") were not included in the computations of diluted and anti-dilutive shares as they are considered contingently issuable upon satisfaction of pre-defined performance measures and their respective performance measures have not been met. Restricted stock units ("RSUs") with an anti-dilutive effect were excluded from the calculation of weighted average number of shares used to compute diluted net income per common share and they were not material for the three and six months ended June 30, 2021. Because we reported a net loss for the three and six months ended June 30, 2022, all potentially dilutive common shares are anti-dilutive for that period and have been excluded from the calculation of net loss per share.

Recent Accounting Pronouncements Not Yet Adopted

In October 2021, the FASB issued 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 expect to adopt ASU 2021-08 on January 1, 2023.

3. Investment Securities and Fair Value Measurements

Investment Securities

Investment securities classified as available-for-sale consisted of the following as of June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 19,464	$ —	$ (60)	$ 19,404
Agency securities	19,752	—	(443)	19,309
Treasury securities	88,126	—	(1,505)	86,621
Total available-for-sale investment securities	$ 127,342	$ —	$ (2,008)	$ 125,334

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 29,080	$ —	$ (11)	$ 29,069
Agency securities	19,753	—	(27)	19,726
Treasury securities	77,108	2	(229)	76,881
Total available-for-sale investment securities	$ 125,941	$ 2	$ (267)	$ 125,676

As of June 30, 2022, 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 June 30, 2022 or December 31, 2021.

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

	June 30, 2022		December 31, 2021	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 75,878	$ 75,425	$ 64,627	$ 64,600
Due after one year through three years	51,464	49,909	61,314	61,076
Total available-for-sale investment securities	$ 127,342	$ 125,334	$ 125,941	$ 125,676

During the six months ended June 30, 2022 and 2021, we had sales and maturities (which include calls) of investment securities, as follows (in thousands):

	Six Months Ended June 30, 2022			
	Gross Realized Gains	Gross Realized Losses	Gross Proceeds from Sales	Gross Proceeds from Maturities
Corporate bonds	$ —	$ —	$ —	$ 23,998
Treasury securities	—	—	—	19,500
Total	$ —	$ —	$ —	$ 43,498

	Six Months Ended June 30, 2021			
	Gross Realized Gains	Gross Realized Losses	Gross Proceeds from Sales	Gross Proceeds from Maturities
Agency securities	$ —	$ —	$ —	$ 5,250
Treasury securities	6	—	42,198	21,500
Total	$ 6	$ —	$ 42,198	$ 26,750

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 June 30, 2022 and December 31, 2021 by level within the fair value hierarchy (in thousands):

	June 30, 2022		
	Level 1	Level 2	Total Fair Value
Cash equivalents:			
Money market funds	$ 4,784	$ —	$ 4,784
Available-for-sale investment securities:			
Corporate bonds	—	19,404	19,404
Agency securities	—	19,309	19,309
Treasury securities	86,621	—	86,621
Total	$ 91,405	$ 38,713	$ 130,118

	December 31, 2021		
	Level 1	Level 2	Total Fair Value
Cash equivalents:			
Money market funds	$ 6,105	$ —	$ 6,105
Available-for-sale investment securities:			
Corporate bonds	—	29,069	29,069
Agency securities	—	19,726	19,726
Treasury securities	76,881	—	76,881
Total	$ 82,986	$ 48,795	$ 131,781

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):

	June 30, 2022	December 31, 2021
Capitalized software development costs, gross	$ 121,981	$ 115,377
Less: Accumulated amortization	(84,485)	(74,165)
Capitalized software development costs, net	$ 37,496	$ 41,212

Capitalized software development costs were $4.2 million and $7.0 million for the three months ended June 30, 2022 and 2021, respectively, and $8.3 million and $14.1 million for the six months ended June 30, 2022 and 2021, respectively. Amortization expense with respect to capitalized software development costs totaled $6.0 million and $5.3 million for the three months ended June 30, 2022 and 2021, respectively, and $12.0 million and $10.3 million for the six months ended June 30, 2022 and 2021, respectively. During the three and six months ended June 30, 2022, we disposed of $0.9 million and $1.7 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,	
2022	$ 11,216
2023	16,400
2024	8,276
2025	1,604
Total amortization expense	$ 37,496

5. Intangible Assets, net

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

	June 30, 2022			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life in Years
Customer relationships	$ 2,840	$ (2,234)	$ 606	5.0
Database	8,330	(3,036)	5,294	10.0
Technology	6,539	(5,823)	716	4.0
Trademarks and trade names	1,890	(1,325)	565	5.0
Partner relationships	680	(680)	—	3.0
Non-compete agreements	7,400	(5,184)	2,216	5.0
Domain names	90	(79)	11	5.0
Patents	252	(252)	—	5.0
Total intangible assets, net	$ 28,021	$ (18,613)	$ 9,408	6.3

	December 31, 2021			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life in Years
Customer relationships	$ 2,840	$ (2,006)	$ 834	5.0
Database	8,330	(2,620)	5,710	10.0
Technology	6,539	(5,107)	1,432	4.0
Trademarks and trade names	1,890	(1,128)	762	5.0
Partner relationships	680	(680)	—	3.0
Non-compete agreements	7,400	(4,444)	2,956	5.0
Domain names	90	(75)	15	5.0
Patents	252	(250)	2	5.0
Total intangible assets, net	$ 28,021	$ (16,310)	$ 11,711	6.3

Amortization expense with respect to intangible assets totaled $1.2 million for the three months ended June 30, 2022 and 2021, and $2.3 million for the six months ended June 30, 2022 and 2021. Future amortization expense with respect to intangible assets is estimated as follows (in thousands):

Years Ending December 31,	
2022	$ 2,302
2023	3,060
2024	835
2025	833
2026	833
Thereafter	1,545
Total amortization expense	$ 9,408

6. Leases

Operating leases for our corporate offices have remaining lease terms ranging from one to eleven 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease cost	$ 1,468	$ 1,202	$ 2,915	$ 2,297
Variable lease cost	252	394	375	700
Total lease cost	$ 1,720	$ 1,596	$ 3,290	$ 2,997

Lease-related assets and liabilities were as follows:

	June 30, 2022	December 31, 2021
Assets		
Prepaid expenses and other current assets	$ 124	$ 4,854
Operating lease right-of-use assets	29,228	41,710
Liabilities		
Other current liabilities	$ 3,451	$ 1,874
Operating lease liabilities	54,044	55,733
Total lease liabilities	$ 57,495	$ 57,607

Future minimum lease payments under non-cancellable leases as of June 30, 2022 were as follows (in thousands):

Years ending December 31,	
2022	$ 2,199
2023	5,427
2024	6,351
2025	6,837
2026	7,035
Thereafter	42,281
Total future minimum lease payments	70,130
Less: imputed interest	(12,759)
Total	$ 57,371

During the second quarter of 2022, we decided to exit and make available for sublease certain leased office spaces. As a result, we reassessed our asset groupings and evaluated the recoverability of our right-of-use and other lease related assets, and determined that the carrying value of the respective asset groups of $23.3 million was not fully recoverable. As a result, we utilized discounted cash flow models to estimate the fair value of the asset groups taking into consideration the time period it will take to obtain a sublessee, the applicable discount rate and the anticipated sublease income and calculated the corresponding impairment loss. We use prices and other relevant information generated primarily by recent market transactions involving similar or comparable assets, as well as our historical experience in real estate transactions. When available, we use valuation inputs from independent valuation experts, such as real estate appraisers and brokers, to corroborate our estimates of fair value. We recorded an impairment of $19.4 million consisting of $15.7 million related to ROU assets and $3.7 million related to property and equipment associated with our leased office spaces. These charges were recorded within *General and administrative expenses* in our Condensed Consolidated Statements of Operations.

7. 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 June 30, 2022 and December 31, 2021 was $2.4 million and $1.7 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 June 30, 2022 and December 31, 2021 are $3.0 million 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 legal proceedings, nor are we aware of any pending or threatened legal proceedings, 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.

8. Stock-Based Compensation

Stock Options

A summary of activity in connection with our stock options for the six months ended June 30, 2022, 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, 2021	846	$	13.15	3.0
Options granted	—			
Options exercised	(85)		7.06	
Options cancelled/forfeited	—			
Options outstanding as of June 30, 2022	761	$	13.84	2.5

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

No stock options were granted during the six months ended June 30, 2022 or 2021.

Restricted Stock Units

A summary of activity in connection with our RSUs for the six months ended June 30, 2022, is as follows (number of shares in thousands):

	Number of Shares		Weighted Average Grant Date Fair Value per Share
Unvested as of December 31, 2021	837	$	118.27
Granted	547		112.97
Vested	(136)		103.08
Forfeited	(117)		101.13
Unvested as of June 30, 2022	1,131	$	119.30

Unvested RSUs as of June 30, 2022 were composed of 0.9 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 June 30, 2022, 0.1 million are subject to vesting based on the achievement of pre-established performance metrics for the year ending December 31, 2022 and will vest over a three year period, 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 150% 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 June 30, 2022 are subject to vesting based on the achievement of pre-established performance metrics for three year measurement periods ending December 31, 2022 and 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 $10.5 million and $3.7 million for the three months ended June 30, 2022 and 2021, respectively, and $18.3 million and $6.8 million for the six months ended June 30, 2022 and 2021, respectively. Excluded from stock-based compensation expense is capitalized software development costs of $0.7 million and $1.2 million for the three and six months ended June 30, 2022 and 2021. As of June 30, 2022, the total estimated remaining stock-based compensation expense for the aforementioned RSUs and PSUs was $107.4 million, which is expected to be recognized over a weighted average period of 3.0 years.

Restricted Stock Awards

A summary of activity in connection with our restricted stock awards ("RSAs") for the six months ended June 30, 2022 is as follows (number of shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Unvested as of December 31, 2021	4	$ 144.33
Granted	6	96.33
Vested	(4)	144.33
Forfeited	—	—
Unvested as of June 30, 2022	6	$ 96.33

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 June 30, 2022, the total estimated remaining stock-based compensation expense for unvested RSAs with a repurchase right was $0.6 million, which is expected to be recognized over a weighted average period of one year.

9. 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 and six months ended June 30, 2022, we recorded income tax expense of $0.2 million and an income tax benefit of $49 thousand, respectively. The effective tax rate as compared to the U.S. federal statutory rate of 21% differs primarily due to the significance of the benefits associated with stock-based compensation expense, research and development tax credits, offset by the change in the valuation allowance against deferred taxes.

There were no material changes to our unrecognized tax benefits during the six months ended June 30, 2022 and we do not expect to have any significant changes to unrecognized tax benefits through the remainder of the fiscal year.

10. Revenue and Other Information

The following table presents our revenue categories for the three and six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Core solutions	$ 32,414	$ 25,363	$ 63,223	$ 49,537
Value Added Services	81,450	60,447	152,950	111,957
Other	3,586	3,230	6,573	6,467
Total revenue	$ 117,450	$ 89,040	$ 222,746	$ 167,961

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

During the six months ended June 30, 2022 and 2021, we recognized $2.1 million and $1.8 million of revenue, respectively, which were included in the deferred revenue balances as of December 31, 2021 and 2020, respectively.

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 enable our customers to digitally transform their businesses, automate and streamline critical business operations and deliver a better customer experience. Our products assist an interconnected and growing ecosystem of users, including property managers, property owners, real estate investment managers, rental prospects, residents, and service providers with critical transactions across the real estate lifecycle, including screening potential tenants, sending and receiving payments and providing insurance-related 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 users 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 have evolved our compensation and employee reward practices, which has had, and we expect will continue to have, a material impact on our results.

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 the number of active units in our core solutions. We had 6.83 million and 5.82 million property management units under management as of June 30, 2022 and 2021, 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 electronic 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 electronic 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 directly and indirectly from the use of our electronic payment services, tenant screening services, and risk mitigation services. Usage-based fees are paid either by customers or by users.

We charge our customers for on-boarding assistance to our core solutions and certain other non-recurring services. We generally invoice for these other services in advance of the services being completed and recognize revenue upon completion of the related service. 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 June 30, 2022 and 2021, we had 17,878 and 16,532 property management customers, respectively.

Costs and Operating Expenses

Cost of Revenue. 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 electronic 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. Sales commissions and other incremental costs to acquire customers and grow adoption and utilization of our Value Added Services by our new and existing customers are deferred and then amortized on a straight-line basis over a period of benefit, which we have determined to be three years. 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 enhancing 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 for existing and adjacent markets. 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, tax, and consulting services), transaction costs related to business combinations and divestitures, regulatory fees, other corporate expenses, impairment of long-lived assets, 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, Net. Other income, net includes gains and losses associated with the sale of property and equipment and income from certain post-closing transition services provided by us to MyCase during fiscal year 2021.

Interest Income. Interest income 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 notes receivable and on cash deposited in our bank accounts.

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

Results of Operations

Revenue

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2022	2021	Amount	%	2022	2021	Amount	%
	(dollars in thousands)							
Core solutions	$ 32,414	$ 25,363	$ 7,051	28 %	$ 63,223	$ 49,537	$ 13,686	28 %
Value Added Services	81,450	60,447	21,003	35 %	152,950	111,957	40,993	37 %
Other	3,586	3,230	356	11 %	6,573	6,467	106	2 %
Total revenue	$ 117,450	$ 89,040	$ 28,410	32 %	$ 222,746	$ 167,961	$ 54,785	33 %

The increase in revenue for the three and six months ended June 30, 2022, compared to the same periods in the prior year, was primarily attributable to growth in our base of property management customers driving an increase in the number of property units under management, and growth in users of our subscription and usage-based services. During the three and six month period ended June 30, 2022, we experienced growth of 17% in the number of property management units under management resulting from 8% growth in the number of property management customers, compared to the same periods in the prior year.

Cost of Revenue (Exclusive of Depreciation and Amortization)

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2022	2021	Amount	%	2022	2021	Amount	%
	(dollars in thousands)							
Cost of revenue (exclusive of depreciation and amortization)	$ 47,430	$ 32,819	$ 14,611	45 %	$ 90,777	$ 66,117	$ 24,660	37 %
Percentage of revenue	40.4 %	36.9 %			40.8 %	39.4 %		
Stock-based compensation, included above	$ 726	$ 463	$ 263	57 %	$ 1,084	$ 934	$ 150	16 %
Percentage of revenue	0.6 %	0.5 %			0.5 %	0.6 %		

For the three and six months ended June 30, 2022, expenditures to third-party service providers related to the delivery of our Value Added Services increased $11.3 million and $18.7 million, respectively, compared to the same periods in the prior year. These increases were directly associated with the increased adoption and utilization of our Value Added Services, as evidenced by the increases of $21.0 million and $41.0 million for the three and six months ended June 30, 2022, respectively, in Value Added Services revenue, compared to the same periods in the prior year. Personnel-related costs, including performance-based compensation, necessary to support growth and key investments, increased $3.4 million and $5.7 million for the three and six months ended June 30, 2022, respectively, compared to the same periods in the prior year. Additionally, offsetting cost of revenue (exclusive of depreciation and amortization) during the three months ended June 30, 2021, was $2.1 million of incentives earned from third-party service providers related to programs intended to increase adoption and utilization of online payments.

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, 2022, to increase as a percentage of revenue compared to the year ended December 31, 2021, as we expect expenditures to third-party service providers related to the delivery of our Value Added Services revenue to increase at a faster rate than total revenue as a result of a higher growth rate related to our Value Added Services revenue.

Sales and Marketing

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change Amount	Change %	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Change Amount	Change %
	(dollars in thousands)							
Sales and marketing	$ 26,995	$ 17,714	$ 9,281	52 %	$ 51,914	$ 33,893	$ 18,021	53 %
Percentage of revenue	23.0 %	19.9 %			23.3 %	20.2 %		
Stock-based compensation, included above	$ 2,013	$ 447	$ 1,566	350 %	$ 3,473	$ 849	$ 2,624	309 %
Percentage of revenue	1.7 %	0.5 %			1.6 %	0.5 %		

Sales and marketing expense for the three and six months ended June 30, 2022 increased primarily due to increases in personnel-related costs, including performance-based compensation, necessary to support growth in the business of $5.8 million and $12.2 million, respectively, compared to the same periods in the prior year. Allocated shared and other costs increased by $3.0 million and $4.7 million for the three and six months ended June 30, 2022, respectively, compared to the same periods 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, 2022 to increase as a percentage of revenue compared to the year ended December 31, 2021, as we continue to increase our advertising, promotion and other marketing activities.

Research and Product Development

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change Amount	Change %	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Change Amount	Change %
	(dollars in thousands)							
Research and product development	$ 26,687	$ 15,506	$ 11,181	72 %	$ 51,007	$ 29,889	$ 21,118	71 %
Percentage of revenue	22.7 %	17.4 %			22.9 %	17.8 %		
Stock-based compensation, included above	$ 4,024	$ 1,214	$ 2,810	231 %	$ 6,830	$ 2,071	$ 4,759	230 %
Percentage of revenue	3.4 %	1.4 %			3.1 %	1.2 %		

Research and product development expense for the three and six months ended June 30, 2022 increased primarily due to an increase in personnel-related costs, including performance-based compensation, net of capitalized software development costs of $10.4 million and $19.9 million, respectively, compared to the same periods in the prior year.

We expect research and product development expenses for the year ending December 31, 2022 to increase as a percentage of revenue compared to the year ended December 31, 2021, 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 and to continue to strengthen the security of our product.

General and Administrative

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change Amount	Change %	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(dollars in thousands)					
General and administrative	$ 37,947	$ 14,206	$ 23,741	167 %	$ 56,911	$ 27,567
Percentage of revenue	32.3 %	16.0 %			25.5 %	16.4 %
Stock-based compensation, included above	$ 3,198	$ 1,090	$ 2,108	193 %	$ 5,992	$ 2,136
Percentage of revenue	2.7 %	1.2 %			2.7 %	1.3 %

General and administrative expense for the three and six months ended June 30, 2022 increased primarily due to lease-related asset impairment charges of $19.4 million and $19.8 million, respectively. Personnel-related costs, including performance-based compensation, increased $3.3 million and $7.0 million for the three and six months ended June 30, 2022, respectively, compared to the same periods in the prior year. Allocated shared and other costs increased $1.0 million and $2.5 million for the three and six months ended June 30, 2022, respectively, compared to the same periods in the prior year, for professional fees, education and training, insurance, software and other costs to support our growth.

Excluding the impairment charges, we expect general and administrative expenses for the year ending December 31, 2022 to increase slightly as a percentage of revenue compared to the year ended December 31, 2021, as we continue to invest in headcount.

Depreciation and Amortization

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2022	2021	Amount	%	2022	2021	Amount	%
	(dollars in thousands)							
Depreciation and amortization	$ 8,321	$ 7,649	$ 672	9 %	$ 16,736	$ 15,018	$ 1,718	11 %
Percentage of revenue	7.1 %	8.6 %			7.5 %	8.9 %		

Depreciation and amortization expense for the three and six months ended June 30, 2022 increased, compared to the same periods in the prior year, primarily due to increased amortization expense associated with higher accumulated capitalized software development balances.

Other Income, Net

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2022	2021	Amount	%	2022	2021	Amount	%
	(dollars in thousands)							
Other income, net	$ 45	$ 496	$ (451)	(91)%	$ 35	$ 1,058	$ (1,023)	(97)%
Percentage of revenue	— %	0.6 %			— %	0.6 %		

Other income, net for the three and six months ended June 30, 2022 decreased primarily due to $0.3 million and $0.7 million in other income recorded during the three and six months ended June 30, 2021, respectively, compared to the same periods in the prior year, due to certain post-closing transition services provided to MyCase.

Provision for (Benefit from) Income Taxes

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2022	2021	Amount	%	2022	2021	Amount	%
	(dollars in thousands)							
Provision for (benefit from) income taxes	$ 236	$ (324)	$ 560	*	$ (49)	$ (5,857)	$ 5,808	*
Percentage of revenue	0.2 %	(0.4)%			— %	(3.5)%		

*Percentage not meaningful

Our effective tax rate as compared to the U.S. federal statutory rate of 21% differs primarily due to the significance of the benefits associated with stock-based compensation expense, research and development tax credits, offset by the change in the valuation allowance against deferred taxes.

Liquidity and Capital Resources

Our principal sources of liquidity continue to be cash, cash equivalents, and investment securities, 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.

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, the timing and extent of our expansion into new or adjacent markets, 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):

	Six Months Ended June 30,	
	2022	**2021**
Net cash provided by operating activities	$ 3,281	$ 10,661
Net cash used in investing activities	(13,694)	(94,060)
Net cash used in financing activities	(4,994)	(8,254)
Net decrease in cash, cash equivalents and restricted cash	$ (15,407)	$ (91,653)

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.

Net cash provided by operating activities was $3.3 million for the six months ended June 30, 2022 compared to net cash provided by operating activities of $10.7 million for the six months ended June 30, 2021. The net decrease in cash provided by operating activities was primarily due to an increase in employee related costs and the settlement of accounts payable offset by an increase in cash collections from customers due to higher revenue growth and a decrease in income taxes paid related to the sale of MyCase during the six months ended June 30, 2021.

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.

Net cash used in investing activities for the six months ended June 30, 2022 was $13.7 million compared to $94.1 million for the six months ended June 30, 2021. The net decrease in cash used in investing activities was primarily due to a decrease in purchases of available-for-sale investment securities, offset by an increase in proceeds from maturities 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.

Net cash used in financing activities for the six months ended June 30, 2022 was $5.0 million compared to $8.3 million for the six months ended June 30, 2021. The decrease in cash used in financing activities was primarily due to a decrease in taxes paid related to net share settlement of equity awards.

Critical Accounting Policies and Estimates

Impairment of long-lived assets

In accordance with ASC 360, Property, Plant, and Equipment (“ASC 360”), we evaluate our long-lived assets, such as property and equipment and right-of-use assets, for impairment whenever events and circumstances indicate that the assets might be impaired due to the carrying amount of an asset group not being recoverable. When the projected undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts, the assets are adjusted to their estimated fair value and an impairment loss is recorded as a component of operating expenses.

During the second quarter of 2022, we decided to exit and make available for sublease certain other leased office spaces. As a result, we reassessed our asset groupings and evaluated the recoverability of our right-of-use and other lease related assets, and determined that the carrying value of the respective asset groups was not fully recoverable. As a result, we utilized discounted cash flow models to estimate the fair value of the asset groups and calculated the corresponding impairment loss. We recorded an impairment of $19.4 million consisting of $15.7 million related to ROU assets and $3.7 million related to property and equipment associated with our leased office spaces as described further in Note 6, *Leases.* The Company used the following significant assumptions to determine the impairment charge: time period it will take to obtain a sublessee, the applicable discount rate and the anticipated sublease income.

Item 3. Qualitative and Quantitative Disclosure about Market Risk

Interest Rate Risk

Investment Securities

As of June 30, 2022, we had $125.3 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 June 30, 2022, 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 $1.0 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 $1.0 million. This estimate is based on a sensitivity model which measures an instant change in interest rates by 100 basis points at June 30, 2022.

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, 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 28, 2022, 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 5. Other Information

On July 27, 2022, the Company entered into an employment agreement (the “Employment Agreement”) with Jason Randall, the Company’s President and Chief Executive Officer. Pursuant to the Employment Agreement, Mr. Randall is entitled to receive (a) an annual base salary of $500,000, (b) an annual cash bonus award, with a target of $500,000 for fiscal year 2022, and (c) long-term incentive cash awards for increases in “economic value” on a per share basis measured as of December 31, 2023, December 31, 2024, and December 31, 2025 under the “long-term executive cash incentive plan” more fully described in the Company’s 2022 Proxy Statement. In the event the Company terminates Mr. Randall’s employment without “cause” or he resigns for “good reason,” he will be entitled to (i) twelve months of base salary continuation, (ii) a prorated short-term incentive award for the year of termination, (iii) payment of COBRA premiums for twelve months, (iv) payment of any earned but unpaid short-term incentive award, and (v) if such termination or resignation occurs in fiscal year 2022, a cash payment of $5,000,000 or, if such termination or resignation occurs during fiscal year 2023, 2024 or 2025, a prorated long-term incentive cash award.

The foregoing description of the Employment Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Employment Agreement, a copy of which is filed as an exhibit to this Quarterly Report.

Item 6. Exhibits

Exhibit Number	Description of Document
10.1	Employment agreement between the Company and Jason Randall
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:	July 28, 2022	By:	/s/ Jason Randall Jason Randall Chief Executive Officer (Principal Executive Officer)
Date:	July 28, 2022	By:	/s/ Fay Sien Goon Fay Sien Goon Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** ("Agreement") is entered into as of July 27, 2022, between AppFolio, Inc., a Delaware corporation (the "Company"), and Jason Randall ("Randall").

W I T N E S S E T H

WHEREAS, the Company and Randall desire to enter into this Agreement as to the terms of Randall's employment with the Company.

NOW, THEREFORE, the parties to this Agreement agree as follows:

1. Employment Term. The Company agrees to employ Randall pursuant to the terms of this Agreement, and Randall agrees to be so employed, commencing as of July 27, 2022 (the "Effective Date"). Randall's employment may be terminated in accordance with Section 3 of this Agreement. The period of time between the Effective Date and the termination of Randall's employment is the "Employment Term."

2. Position and Duties.

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

(2) During the Employment Term, Randall shall devote all of his business time, energy, business judgment, knowledge and skill and his best efforts to the performance of his duties with the Company. Notwithstanding the foregoing, Randall may: (i) serve on boards of directors of non-profit organizations and, in a manner consistent with the Company's applicable policies and procedures and practices, of other for-profit companies, (ii) participate in charitable, civic, educational, professional, community or industry affairs, (iii) manage Randall's passive personal investments, provided, however, that in each case of clauses (i)-(iii), so long as such activities in the aggregate do not interfere or conflict with Randall's duties under this Agreement or create a potential business or fiduciary conflict.

3. Termination. Randall's employment and the Employment Term shall terminate on the first of the following to occur:

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

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

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

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

(7) **Death.** Automatically upon the date of death of Randall.

(8) **Disability.** Immediately upon written notice by the Company to Randall of termination due to Disability (capitalized terms in this Section 3 that have not been previously defined in this Agreement are defined in Section 11 below).

4. Base Salary. During the Employment Term, the Company will pay Randall a base salary (the "Base Salary") at an annual rate of $500,000 in accordance with the Company's regular payroll practices. The Base Salary is subject to annual review by the Company's Board of Directors (the "Board").

5. Corporate Bonus Program. For each fiscal year of the Company completed during the Employment Term, Randall will be eligible to earn an annual bonus (each annual bonus, an "Annual Bonus") under the Company's Corporate Bonus Program. The Annual Bonus is subject to the Board's approval and Randall's execution of the applicable participation agreement under the Corporate Bonus Program. For fiscal year 2022, Randall will be eligible for an Annual Bonus of $500,000 at target (subject to a possible increase or decrease relative to certain performance metrics). In each case, the Annual Bonus will be subject to the terms and conditions of this Section 5 and the applicable plan documents.

6. Long-Term Cash Incentive. Randall is eligible for cash bonus opportunities under the Long-Term Cash Incentive Plan and its Exhibits, (the "Incentive Plan") adopted by the AppFolio Board of Directors on February 20, 2018, and the Long-Term Cash Incentive Award Offer of the same date (the "Incentive Offer"), subject to the following additional terms:

(1) The Payout Formula (as defined in the Incentive Plan) for Randall will be as set forth in Exhibit B of the Incentive Plan, but the payout percentage will be as follows: .5% for an annual Internal Rate of Return ("IRR") at 10% and below 15%; 1% (one percent) for IRR at 15% and below 20%; 1.5% for IRR at 20% and below 25%; and at 2.5% for IRR at 25% or above.

(2) In the event of voluntary resignation or termination of employment by the Company with Cause whenever such resignation or termination occurs during the calendar year, Randall will receive no payment from the Company other than what it may have already paid to him which he shall retain.

(3) In the event of termination of employment by the Company without Cause or by Randall for Good Reason occurring during the calendar year 2022 the Company will pay Randall the sum of $5,000,000; and if such a termination occurs during calendar years 2023, 2024 or 2025, the Company will pay Randall a pro-rated amount, based on the number of full months Randall worked between January 1, 2018 and the date of the event, to be paid if and when such amounts are earned under the Payout Formula, in each case subject to Randall's continued compliance with Sections 9 and 10 of this Agreement. (For illustration, if such termination or resignation occurs on July 10, 2024, Randall would be entitled to 78 months over 96 months which is .8125 of the 2024 and 2025 payments, if and to the extent the thresholds for those payments are met.)

(4) In the event of termination of employment other than for Cause or Randall's resignation with Good Reason, in each case within 12 months of a Change of Control (as that term is defined in the Incentive Plan), the Company will pay Randall $5,000,000 if such termination or resignation occurs in 2022, and if such termination or resignation occurs in 2023, 2024 or 2025, Randall would be entitled to payment of the pro-rated amount as set forth in subsection (c) above, in each case subject to Randall's continued compliance with Sections 9 and 10 of this Agreement.

(5) In the event of termination of employment as a result of Randall's death or Disability occurring in 2022 the Company will pay Randall or his estate $5,000,000 and for such a termination occurring in 2023, 2024 or 2025 the Company will pay Randall or his estate the

greater of $5,000,000 or the pro-rated amount set forth in (c) above; provided, however, for purposes of that pro-rated payment 12 months will be added to his time of service at his death. For a termination for Disability, 12 months will be added to his time of service but it shall be measured from the first date Randall is continuously unable to work as a result of that disability. (For example, if Randall's employment terminated as a result of death on July 10, 2023, or for Disability that began on that date, his estate would be entitled to 78 months over 96 months or .8125 of the 2024 and 2025 payments if, and to the extent, the thresholds are met, less any amount already paid in previous years; or $5,000,000, whichever is greater.)

7. Employee Benefits.

(1) **Benefit Plans; Vacation.** During the Employment Term, Randall 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. Randall 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.

(2) **Business Expenses.** The Company will reimburse Randall for all reasonable and necessary out-of-pocket business expenses incurred in connection with the performance of Randall's duties under this Agreement, in accordance with the Company's expense reimbursement policy.

8. Other Benefits On Termination.

(a) **Termination For Cause Or Voluntary Termination By Randall.** If Randall's employment is terminated: (x) by the Company for Cause, or (y) by Randall other than by reason of death, Disability or resignation for Good Reason, then the Company shall pay to Randall the Accrued Benefits.

(b) **Termination Without Cause or Resignation for Good Reason.** If Randall's employment by the Company is terminated by the Company other than for Cause or Randall resigns for Good Reason, the Company shall pay or provide Randall with the following:

(1) the Accrued Benefits; and

(2) subject to Randall's continued compliance with Sections 9 and 10 of this Agreement, (1) an amount equal to Randall's monthly Base Salary paid in accordance with the Company's normal payroll practices for a period of twelve (12) months following such termination; (2) 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 Randall 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; (3) payment of COBRA premiums (through premium reimbursement or direct payment to the insurer) for twelve (12) months following termination; and (4) payment of any earned but unpaid Annual Award for the prior completed fiscal year. Notwithstanding the foregoing, any such payment scheduled to occur pursuant to this Section 8(b)(ii) 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.

(a) **Death; Disability.** In the event that Randall's employment and/or the Employment Term ends on account of Randall's death or Disability, the Company shall pay to

Randall or Randall's estate, as the case may be, the Accrued Benefits, any earned but unpaid Annual Award, and a pro-rated portion of the then current year's Annual Award at target. Also, if the Employment Term ends because of Randall's death, the Company will pay COBRA premiums for twelve (12) months for any family members covered by the Company's plans subject to COBRA and any required timely elections for COBRA coverage. Notwithstanding the foregoing, all right 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) **Resignation From All Other Positions**. Upon any termination of the Employment Term, Randall will promptly resign, and will be deemed to have automatically resigned, from all positions, if any, that Randall 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. Randall will take all actions reasonably requested by the Company to give effect to this Section (e).

(c) **Exclusive Remedy.** The amounts payable to Randall following termination of employment and the Employment Term pursuant to Sections 6 and 8 of this Agreement shall be in full and complete satisfaction of Randall's rights under this Agreement and any other claims that Randall may have in respect of Randall's employment with the Company or any of its affiliates. Randall acknowledges that such amounts are fair and reasonable and are Randall's sole and exclusive remedy, in lieu of all other remedies at law or in equity, with respect to the termination of Randall's employment or any breach of this Agreement.

9. Release; Continued Compliance. Any and all payments and benefits provided Randall pursuant to Sections 6 and 8 of this Agreement beyond the Accrued Benefits (the "Additional Payments and Benefits") shall be payable only if Randall 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 Randall is receiving the Additional Payments and Benefits, if (a) the Company discovers grounds constituting Cause existed before Randall's termination or (b) Randall breaches any of the restrictive covenants set forth in the Employee Proprietary Information and Invention Assignment Agreement attached to this Agreement as Exhibit B, Randall's right to receive the Additional Payment and Benefits, including without limitation those pursuant to Section 6 of this Agreement, will immediately cease and become null and void, and any previously paid Additional Payments and Benefits shall be repaid to the Company by Randall.

10. Restrictive Covenants. Randall 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.

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

(1) "Accrued Benefits" means: (i) any accrued but unpaid Base Salary through the date of termination; (ii) any other amount already earned but not yet paid; and (iii) reimbursement for any unreimbursed business expenses incurred through the date of termination.

(2) "Cause" means Randall's: (i) theft, dishonesty, misconduct, falsification of any employment or Company records or any other act or omission that has a material detrimental effect on the Company's reputation or business; (ii) conviction (including any plea of guilty or no contest) for any felony, or for any criminal act that materially impairs Randall's ability to perform Randall's duties to the Company; (iii) breach of fiduciary duty; (iv) material breach of this Agreement any other agreement between Randall and the Company; or (v) material violation of any Company policy, including but not limited to the harassment policy; or (vi) Randall's willful

failure to perform, or willful misconduct or gross negligence in the performance of, Randall's duties to the Company or Randall's failure to follow the lawful directives of the Board (other than as a result of death or Disability); provided that, in the case of clauses (iv), (v) and (vi), Randall shall have an opportunity to cure, if susceptible to cure, for a period of thirty (30) days following notice by the Board.

(3) "Disability" or "Disabled" means Randall 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.

(4) "Good Reason" means, without Randall's prior written consent: (i) a material reduction in Randall's base salary (other than a reduction pertaining to all similarly situated employees of the Company); (ii) a material diminution of Randall's duties inconsistent with Randall's position, including a change of the title of his position to one of less responsibility or scope; (iii) an adverse change in Randall's reporting line to other than the Company's Board of Directors; (iv) a material breach by the Company or its affiliate of the Agreement or any other material written agreement with the Company; or (v) the relocation of Randall's principal work location by more than thirty-five (35) miles when either virtual work or a flexible hybrid work arrangement involving both off-site services and in-person services at the Company's headquarters is not available to Randall; provided that, "Good Reason" shall exist only if Randall 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 Randall gives notice of resignation from employment within thirty (30) days after the end of such cure period.

(5) "Section 409A" means Section 409A of the Internal Revenue Code and the regulations and guidance promulgated under the Internal Revenue Code.

12. 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.

13. 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 Randall:

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

If to the Company:

70 Castillan 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.

14. 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.

15. 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.

16. 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.

17. Arbitration. Any dispute or controversy arising under or in connection with this Agreement or Randall'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.jamsdr.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 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.

18. 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).

19. 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 Randall 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 Randall and the Company with respect to the subject matter of this Agreement. 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.

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

21. Tax Matters.

(1) **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.

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

(a) 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 Randall by Section 409A or damages for failing to comply with Section 409A.

(b) 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 Randall 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 Randall, and (B) the date of Randall'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.(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 Randall 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.

(c) 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 Randall, (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.

(d) For purposes of Section 409A, Randall'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.

(e) 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

JASON RANDALL

/s/ Jason Randall

Jason Randall

[Signature Page to Employment Agreement]

Exhibit A GENERAL RELEASE

I, ________________, in consideration of and subject to the performance by AppFolio, Inc. (together with its subsidiaries, the "Company") of its obligations under that Employment Agreement, dated as of ________, __, 2022 (the "Agreement"), do hereby release and forever discharge as of the date hereof the Company and its respective affiliates and all present, former and future managers, directors, officers, employees, successors and assigns of the Company and its affiliates and direct or indirect owners (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 Additional Payments and 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 Additional Payments and 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 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. below 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 heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, 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, both past and present (through the date that this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, the Company, 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 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; the California Fair Labor Standards Act; any applicable regulations or Executive Order Programs; or the state or local counterparts of all of the foregoing, including without limitation, the Fair Employment and Housing Act, as amended, the California Labor Code; the California Equal Pay Act, and the California False Claims Act; 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. hereof include all such claims, whether known or unknown by me. Therefore, I waive the effect of California Civil Code § 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."**

Notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge, I expressly acknowledge that the Separation Agreement is intended to include, and does include in its effect, without limitation, all claims which I do not know or suspect to exist in my favor against Releasees at the time of execution hereof, and that the settlement agreed upon expressly contemplates the extinguishment of all such claims, except as otherwise provided herein.

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 may arise under the Age Discrimination in Employment Act of 1967 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 hereby waive 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 (i) any right to the Accrued Benefits or any Additional Payments and Benefits to which I am entitled under the Agreement, (ii) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents or otherwise, or (iii) 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. I further agree that in the event 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.

a. 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 Released Party or myself of any improper or unlawful conduct.

b. 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.

c. Any non-disclosure 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.

d. I hereby acknowledge that Exhibit B of the Agreement shall survive as applicable therein my execution of this General Release.

e. 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 Released Party of the Agreement after the date hereof.

f. 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;

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:_________________

<u>Exhibit B</u>

[Employee Proprietary Information and Invention Assignment Agreement]

(Attached)

EXHIBIT 31.1

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

I, Jason Randall, 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 Rules13a-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: July 28, 2022

/s/ Jason Randall
Jason Randall
Chief Executive Officer

EXHIBIT 31.2

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 Rules13a-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: July 28, 2022

/s/ Fay Sien Goon
Fay Sien Goon
Chief Financial Officer

EXHIBIT 32.1

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 June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

I, Jason Randall, 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:	July 28, 2022	By:	/s/ Jason Randall
			Jason Randall
			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:	July 28, 2022	By:	/s/ Fay Sien Goon
			Fay Sien Goon
			Chief Financial Officer