

AppFolio Third Quarter 2025 Earnings Call

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Prepared Remarks

Lori Barker, Investor Relations

I'm Lori Barker, Investor Relations for AppFolio, and I'd like to thank you for joining us today as we report AppFolio's Third Quarter 2025 financial results. With me on the call today are Shane Trigg, AppFolio's President and CEO and Tim Eaton, AppFolio's CFO. This call is simultaneously being webcast on the Investor Relations section of our website at appfolioinc.com.

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

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

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

For greater detail about risks and uncertainties, please see our SEC filings, including our Form 10-K for the fiscal year ended December 31, 2024, which was filed with the SEC on February 6, 2025.

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

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

Shane Trigg, President and Chief Executive Officer

Thanks Lori, and welcome to everyone joining us today.

In the third quarter, revenue was \$249 million dollars, growing 21% year over year and non-GAAP operating margin was 23.5%. We continued to grow new business and our unit count is now 9.1 million. These results reflect that we are winning in the market and it's an incredibly exciting time at AppFolio.

Earlier this month, we welcomed 2,200 AppFolio customers, prospects, partners, and employees to FUTURE, our flagship industry event. There, we introduced our bold vision for the industry – Real Estate Performance Management – and shared the product strategy for achieving it, demonstrating strong progress toward our mission to be the platform where real estate comes to do business.

Property management is facing big challenges, battling external market pressures, a surge of new AI tools, and an overreliance on disjointed, task-based operations.

This environment has created a “performance gap” where businesses are struggling to move beyond task efficiency.

New research by the National Apartment Association, in partnership with AppFolio, shows that property management businesses devote 42% of their time to routine work and another 24% to reactive tasks, totaling two-thirds of their time spent simply keeping things running.

By contrast, only 16% of the week is focused on strategic or performance-driven work like long-term planning and team development, and 17% on stakeholder engagement. This efficiency focus, coupled with fragmented technology and the flurry of bolt-on AI tools, is widening the performance gap.

Real Estate Performance Management is the answer, shifting from reactive to proactive to achieve Real Performance and creating a value ecosystem where everyone thrives – property managers, residents, investors, owners, and vendors.

AppFolio's Performance Platform is designed to meet this moment. It's built on top of an AI-native architecture, meaning AI is at the core, not an add-on, and is made up of three interconnected systems.

First, a system of record: the source of truth for data, stakeholders, and operations.

Next, a system of action: using agentic AI to automate and quickly complete repetitive tasks with context and optimal results.

Finally, a system of growth: finding and unlocking new revenue streams by giving residents and investors access to services within one unified experience for the moments that matter.

The sum of these systems uniquely enables us to drive productivity, amplify human strengths, and transform performance for everyone in our ecosystem. By positioning property managers as the competitive advantage and driving the core economics of the business, we create powerful network effects and redefine what winning looks like.

AppFolio customer Wolfgang Croskey, president of Bay Area based Croskey Real Estate and co-founder of Crane, a popular community for property management professionals, shared this: “The shift from property manager to performance manager is the future of this business. Owners are demanding strategic asset performance, which requires us to move beyond fragmented tools and adopt smarter, unified platforms.”

We believe continued strategic execution is the key to unlocking market leadership and sustained value creation. The first pillar of our strategy is Differentiate to Win.

The future of innovation isn’t just about creating better tools for work; it’s about creating systems that do the work with you.

Realm-X Performers is the latest innovation in our Realm-X embedded AI suite – our system of action.

With Performers, we’re moving beyond traditional automation to agentic, goal-driven AI, transforming the performance of our customers’ business.

Performers are designed to handle both routine and exception tasks, adapt to changing situations, and optimize for business goals set by property managers.

Initial offerings include the Realm-X Leasing Performer, Maintenance Performer, and Resident Messenger Performer, which automate lead-to-lease, maintenance triage, and resident communications, respectively.

Customers fully adopting Realm-X are seeing tangible outcomes – vacancies are being filled more than 5 days faster, renewal rates are increasing by 20%, net operating income is almost 3% higher, and an average of 10 hours per week are saved on completing tasks.

Our most successful customers are moving fast and adopting early – an example being St. Augustine, Florida based Dream Live Prosper Communities, managing over 9,000 units.

Says Rob Gayle, President: “AI does not work if you have it separated. It has to be in one workflow or one software that flows all the way through, and that’s what sets AppFolio apart. No one else can do that.”

AppFolio’s system of action ensures that all of DLP’s capabilities work together seamlessly – including Realm-X Messages, Assistant, Flows, and the newest addition, Maintenance Performer. While Realm-X boosts productivity for their team, it’s also crucial for ensuring residents remain a priority – helping DLP to track interactions, automate reminders, and give residents the maintenance support they need.

Another way we’re Differentiating to Win is through our system of record. In today’s data-driven landscape, a single, trusted system of record powers faster, smarter, and more confident decisions.

We’re expanding the options for customers to configure AppFolio to mirror their business structure through Accounting Configurations and more granular Permissions, providing the clean, actionable data that fuels AI and automation.

We’re also enabling customers with complex, mixed portfolios to manage all aspects of their business in AppFolio – from automated student leasing workflows and roommate pairing, to enhanced compliance in affordable housing for HUD and LIHTC properties.

And our Stack Marketplace makes it easier than ever for partners to seamlessly plug into our platform.

One of our newest Stack partners is Procore. A growing number of our customers run vertically integrated businesses that include real estate development and construction, and this partnership means they can manage their entire operation on AppFolio by automatically syncing project financials with Procore.

Ultimately, the strength of our innovation helps our customers win, solidifying AppFolio’s leadership in the market.

Our second strategic pillar is Deliver Performance Efficiently.

Our system of growth is creating value for everyone in our customers’ ecosystem. Through FolioSpace, AppFolio’s next-generation resident experience, we continue to identify and capitalize on moments that matter for our customers.

One of these high leverage moments is resident onboarding.

Three-quarters of residents report challenges during move-in, and a positive experience at this stage correlates to a 76% increase in overall satisfaction with their property manager. This is not just an operational necessity – it's a critical moment for trust-building and value delivery.

Our customers process millions of move-ins a year, making the magnitude of this opportunity immense. That's why we've fully reimagined the Resident Onboarding experience, transforming one of the most stressful parts of the resident journey into a simplified, guided flow for crucial tasks like lease signing, payment, insurance, and utility setup.

This provides both residents and property managers a clear, streamlined path, resulting in faster move-ins and a reduction in follow-up calls, giving teams time back to focus on building community.

To take that experience even further, we've launched Resident Onboarding Lift, co-created by AppFolio and Second Nature.

Onboarding Lift focuses on meeting residents' needs at the time they need it most by delivering highly desired, value-add services such as credit building, pest control, and discounted group-rate internet. This creates a win-win that elevates the resident experience while being a differentiator for property managers.

According to Tommy Perfect, Founder and CEO of 900 unit, San Diego-based Uplift Property Management: "Onboarding Lift is an amazing addition to the leasing experience. We now have the ability to give residents choices in the leasing process to meet their needs while still achieving our necessary property management compliance. This takes customer experience to the next level!"

Our third strategic pillar is Great People and Culture, and I'm incredibly proud of our team and our strong performance year-to-date towards attaining our goals. Our team was recently recognized on two prestigious Fortune lists: the Future 50, highlighting our potential for long-term growth and innovation, and Best Workplaces in Technology, which affirms our company value that great people make a great company.

For us, the ultimate mark of success is helping our customers win. We were thrilled to be voted Vendor of the Year by the 350-plus franchisees of AppFolio customer Real Property Management. Says Jeff Pepperney, President: "We are proud to collaborate with a company whose value is recognized by the people using it every day. This demonstrates the impact AppFolio's innovative solutions have on our Franchisees' continued business success and growth."

The foundation of our great people and culture is built on serving our customers. This award reflects that our success is deeply aligned with our customers' success. We are incredibly grateful to the RPM team for this recognition.

I'm looking forward to sharing more information and seeing many of you in person or virtually during our November 18th Investor Meeting. With that, I'm delighted to welcome for the first time as CFO, Tim Eaton, who will discuss our financial performance during the third quarter.

Tim Eaton, Chief Financial Officer

Thank you Shane. I'm deeply proud to be part of an organization that values continuous innovation, close customer partnerships, and building trust every day. I'm honored to fully embrace the CFO role and am excited to help lead our teams as we build the platform where real estate comes to do business.

I'm pleased to report in the third quarter, we delivered revenue of \$249 million dollars, growing 21 percent year-over-year.

Core Solutions revenue was \$54 million dollars in the third quarter, a 17 percent year-over-year increase, driven by winning new customers, growth in total units under management, and more customers choosing our Plus and Max premium tiers. At the end of the quarter, we managed approximately 9.1 million units from 21,759 customers, compared to 8.5 million units from 20,403 customers a year ago. This represents a 7 percent increase in ending units and a 7 percent increase in customers. Our growth in units under management illustrates our continued success in the market.

Third quarter revenue from Value Added Services grew 22 percent year-over-year to \$192 million dollars. This increase reflects greater use and adoption of our risk mitigation services, new screening offerings, and online payments, and usage of credit and debit cards for rent payments, as well as growth in units under management. Additionally, LiveEasy and our Second Nature Partnership are beginning to contribute to Value Added Services.

In the third quarter, non-GAAP operating margin was 23.5 percent compared to 28.7 percent last year. In Q3, we accrued an additional year-to-date expense of approximately \$13 million dollars, or 5.5 percent of Q3 revenue, as a result of the performance levels we now expect to attain under our annual corporate bonus plan. This Q3 incremental expense was driven by strong new business unit acquisition and revenue growth, and the accrual covers the last three quarters. Excluding the impact of this over attainment, operating margin was approximately 29 percent of revenue.

Cost of Revenue (exclusive of depreciation and amortization) in the third quarter was 36 percent of revenue compared to 34 percent last year. This increase was the result of increasing adoption of credit

cards, additional data center spend to support our customers growing usage of our AI product capabilities, and the additional expense from expected bonus plan over attainment.

As a percent of revenue, in the third quarter, combined Sales and Marketing, R&D and G&A expense was 39 percent compared to 35 percent last year.

We exited the quarter with 1,703 employees, which is an increase of 10 percent from the third quarter of 2024. This reflects growth in most functional areas as we continue to invest in innovation and sales capacity, and the addition of the LiveEasy business in late 2024.

Now turning to guidance...

Our 2025 guidance for annual revenue is increasing to \$945 to \$950 million dollars, for a full year mid-point growth rate of 19 percent fueled by Plus and Max tier adoption, growth in customers and new business units, and increasing adoption of our products and services. We expect to deliver non-GAAP operating margin between 23.5% and 24.5%. Diluted weighted average shares outstanding, incorporating the shares we repurchased earlier in the year, is now anticipated to be approximately 36 million for the full year compared to 37 million in 2024.

Cost of Revenue, exclusive of depreciation and amortization, is expected to be higher as a percentage of revenue compared to the prior year as the benefit from operational efficiencies will be offset by product mix, the additional expense from expected bonus plan over attainment, and increasing data center spend from usage of our AI product capabilities.

Operating Margin as a percent of revenue is projected to be lower than last year with revenue mix impacting cost of revenues, growth in sales capacity, increased spending to support usage of our new resident and AI capabilities, and additional expense from expected bonus plan over attainment. It is too early to guide for 2026, but we continue to prioritize delivering efficiencies as we scale.

In summary, I'm proud of our strong third quarter performance and I look forward to seeing some of you virtually or in Santa Barbara at our upcoming Nov 18th investor meeting where we will dive deeper into the foundations of our growth and how our recent innovations in AI and the Resident experience are driving our momentum.

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