

## Appian Corporation

# Quality Beat-and-Raise

Appian posted a cloud-driven Q2 beat, and with the raised FY23 outlook, we see shares potentially rising near term. Even so, we remain UW on valuation.

Appian delivered very solid top- and bottom-line results (see difference table below). This time, the majority of the beat came from cloud, which is a change from the past where beats were more professional services driven. Additionally, Appian raised cloud and overall FY23 guidance by more than the 2Q beat. With improving P&L trends and a growing GenAI product cadence (expect Appian AI Copilot to debut with Appian v23.3 on 8/9/23) helping sentiment, we think that is enough to see shares rise even after the strong YTD performance (+48% for APPN vs. +37% for IGV).

Management provided Q3 and FY23 guidance. Q3 cloud subscription revenue is expected to be in the range of \$75.5-\$76.5mn (vs. consensus of \$75.6mn), total revenue in the range of \$134.0-\$136.0mn (vs. consensus of \$134.5mn), adjusted EBITDA in the range of -\$16.0mn to -\$12.0mn (vs. consensus of -\$15.0mn) and EPS in the range of -\$0.28 to -\$0.23 (vs. consensus of -\$0.25). For FY23, cloud subscription revenue is expected to be in the range of \$299.0-\$301.0mn (vs. prior guidance of \$296.0-\$298.0mn and consensus of \$296.3mn), total revenue in the range of \$538.0-\$543.0mn (vs. prior guidance of \$533.0-\$538.0mn and consensus of \$532.8mn), adjusted EBITDA in the range of -\$67.0mn to -\$63.0mn (vs. prior guidance of -\$70.0mn to -\$65.0mn and consensus of -\$67.4mn) and EPS in the range of -\$1.16 to -\$1.10 (vs. prior guidance of -\$1.16 to -\$1.09 and consensus of -\$1.15).

## CORE First Look

APPN	UNDERWEIGHT
U.S. Software	POSITIVE
Price Target	USD 35.00
Price (02-Aug-23)	USD 48.44
Potential Upside/Downside	-27.7%

### U.S. Software

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**FIGURE 1. Difference Table**

\$, mn	2Q 22	2Q 23	2Q 23	Actual	2Q 23	Actual
	Actual	Actual	Barclays	vs. Barclays	Cons.	vs. Cons.
Billings	115.0	124.5	135.1	(1.8)%	126.8	(1.8)%
% growth	29.0%	8.2%	17.5%		10.3%	
Cloud Subscriptions	57.1	74.4	72.6	2.2%	72.8	2.2%
% growth	34.4%	30.3%	27.2%		27.6%	
Total Subscription	76.7	93.8	89.7	3.9%	90.3	3.9%
% growth	34.6%	22.3%	17.0%		17.8%	
Professional Services	33.4	33.9	34.7	(0.8)%	34.2	(0.8)%
% growth	28.2%	1.6%	4.0%		2.4%	
Total Revenue	110.1	127.7	124.4	2.8%	124.3	2.8%
% growth	32.6%	16.0%	13.1%		12.9%	
Gross profit, non-GAAP	0	92.6	90.8	2.0%	90.8	2.0%
% margin	71.2%	72.5%	73.0%		73.1%	
Adj. EBITDA	(25.0)	(24.7)	(29.4)	nm	(27.6)	nm
% margin	-22.7%	-19.3%	-23.6%		-22.2%	
Net income, adjusted	(33.4)	(33.4)	(31.0)	nm	(31.0)	nm
EPS, adjusted	(0.46)	(0.46)	(0.42)	nm	(0.43)	nm

Source: Barclays Research, Bloomberg

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**Appian Corporation** (APPN, 02-Aug-2023, USD 48.44), Underweight/Positive, CE/J

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Splunk Inc. (SPLK)	Sprinklr, Inc. (CXM)	Sprout Social, Inc. (SPT)
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Veeva Systems Inc. (VEEV)	VMware Inc. (VMW)	WalkMe Ltd. (WKME)
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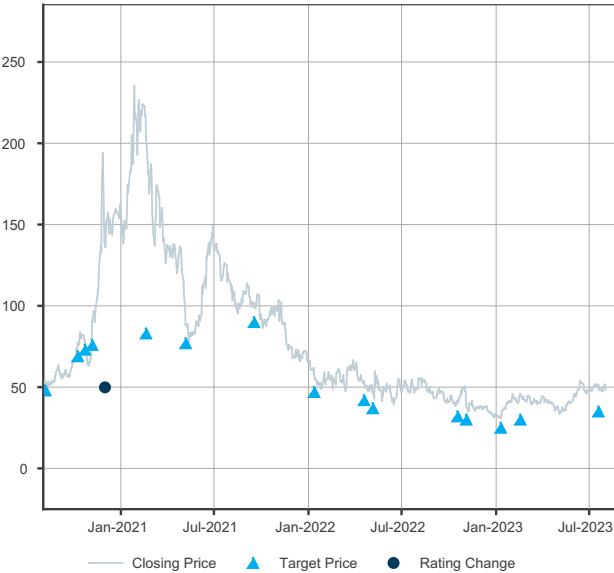
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**Appian Corporation (APPN / APPN)**

Stock Rating: **UNDERWEIGHT**  
Industry View: **POSITIVE**  
Closing Price: **USD 48.44** (02-Aug-2023)

**Rating and Price Target Chart - USD (as of 02-Aug-2023)**  
Currency=USD



19-Feb-2021	203.86		83.00
01-Dec-2020	137.10	Underweight	
06-Nov-2020	90.58		76.00
23-Oct-2020	78.28		73.00
09-Oct-2020	77.19		69.00
07-Aug-2020	53.96		48.00

On 03-Aug-2020, prior to any intra-day change that may have been published, the rating for this security was Equal Weight, and the adjusted price target was 43.00.

Source: Bloomberg, Barclays Research

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