

Appian Corporation

First Take - Slightly Better Q3 Revenue, but Billings and Q4 Guidance to Weigh on Shares

We see APPN shares slightly lower post Q3 results. The P&L numbers looked solid, but billings came in weaker, and lower Q4 guidance seems to reflect this.

APPN reported solid Q3 results (see difference table below) but guided lower. APPN's cloud business, which should be key, was slightly better than guided and consensus with FY23 guidance for this also being slightly raised. However, Q4 total revenue guidance came in lower compared to consensus and Q4 EBITDA guidance was also lower compared to consensus, which might weigh on shares which have performed reasonably lately.

Management provided 4Q and FY23 guidance. 4Q expectations are as follows: 4Q cloud subscription revenue from \$78.60mn to \$79.60mn (vs. consensus of \$80.73mn), 4Q total revenue from \$138.00mn to \$143.00mn (vs. consensus of \$143.00mn), 4Q adjusted EBITDA from -\$16.10mn to -\$12.10mn (vs. consensus of -\$10.55mn), and 4Q EPS from -\$0.29 to -\$0.24 (vs. consensus of -\$0.19). FY23 expectations are as follows: FY23 cloud subscription revenue from \$300.00mn to \$301.00mn (vs. prior guidance from \$299.00mn to \$301.00mn and consensus of \$301.33mn), FY23 total revenue from \$538.00mn to \$543.00mn (vs. prior guidance from \$538.00mn to \$543.00mn and consensus of \$541.17mn), FY23 adjusted EBITDA from -\$62.00mn to -\$58.00mn (vs. prior guidance from -\$67.00mn to -\$63.00mn and consensus of -\$64.88mn), and FY23 EPS from -\$1.13 to -\$1.07 (vs. prior guidance from -\$1.16 to -\$1.10 and consensus of -\$1.10).

CORE First Look

APPN	UNDERWEIGHT
U.S. Software	POSITIVE
Price Target	USD 35.00
Price (01-Nov-23)	USD 39.13
Potential Upside/Downside	-10.6%

U.S. Software

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FIGURE 1. Difference Table

\$, mn	3Q 22	3Q 23	3Q 23	Actual	3Q 23	Actual
	Actual	Actual	Barclays	vs. Barclays	Cons.	vs. Cons.
Billings	129.4	139.5	144.7	(5.5)%	147.7	(5.5)%
% growth	28.6%	7.8%	11.8%		14.2%	
Cloud Subscriptions	60.6	77.2	78.6	1.0%	76.5	1.0%
% growth	29.8%	27.3%	29.7%		26.1%	
Total Subscription	86.5	103.8	105.0	0.7%	103.1	0.7%
% growth	28.7%	20.0%	21.4%		19.2%	
Professional Services	31.4	33.3	30.1	4.2%	32.0	4.2%
% growth	24.5%	6.2%	-4.0%		1.9%	
Total Revenue	117.9	137.1	135.1	1.3%	135.3	1.3%
% growth	27.5%	16.3%	14.6%		14.8%	
Gross profit, non-GAAP	85.8	102.8	102.7	1.4%	101.3	1.4%
% margin	72.8%	75.0%	76.0%		74.9%	
Adj. EBITDA	(23.0)	(5.3)	(13.9)	nm	(14.0)	nm
% margin	-19.5%	-3.9%	-10.3%		-10.4%	
Net income, adjusted	(30.9)	(14.6)	(12.3)	nm	(18.0)	nm
EPS, adjusted	(0.43)	(0.20)	(0.17)	nm	(0.25)	nm

Source: Barclays Research, Bloomberg

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Primary Stocks (Ticker, Date, Price)

Appian Corporation (APPN, 01-Nov-2023, USD 39.13), Underweight/Positive, CE/J

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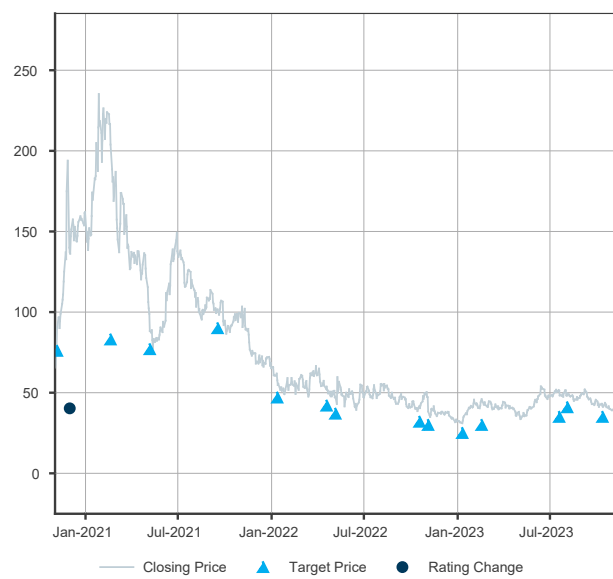
Stock Rating: **UNDERWEIGHT**

Industry View: **POSITIVE**

Closing Price: **USD 39.13** (01-Nov-2023)

Rating and Price Target Chart - USD (as of 01-Nov-2023)

Currency=USD



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
12-Oct-2023	43.11		35.00
04-Aug-2023	48.22		41.00
19-Jul-2023	51.57		35.00
17-Feb-2023	45.96		30.00
10-Jan-2023	31.28		25.00
04-Nov-2022	38.43		30.00
18-Oct-2022	41.09		32.00
06-May-2022	47.52		37.00
19-Apr-2022	52.34		42.00
12-Jan-2022	60.45		47.00
17-Sep-2021	101.19		90.00
07-May-2021	88.27		77.00
19-Feb-2021	203.86		83.00
01-Dec-2020	137.10	Underweight	
06-Nov-2020	90.58		76.00

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