

May 27, 2015

Financial Technology Partners LP FTP Securities LLC

Transaction Profile:

AppFolio Files for its Initial Public Offering



NasdaqGS: APPF

Courtesy of:



*The Only Investment Bank
Focused Exclusively on Financial Technology*

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San Francisco, CA 94105
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www.ftpartners.com



Steve McLaughlin
Managing Partner
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AppFolio Files for its IPO

Filing Overview

AppFolio's product suite currently targets the property management and legal sectors, but the company plans on expanding into additional verticals to offer tailored business software solutions

Company Description

AppFolio provides cloud-based software solutions for SMBs in the areas of property management and legal services

- AppFolio's core solutions cover a number of business functions including accounting, document management, interactive search, data analytics and communications services
- Solutions are designed to record and automate business and engagement processes to improve interactions between SMBs and their customers

Filing Details

| | |
|---------------|---------------|
| CEO: | Brian Donahoo |
| Headquarters: | Goleta, CA |
| Founded: | 2006 |
| Employees: | 430 |

| | |
|--------------------------|--------------|
| Initial S-1 Filing Date: | May 18, 2015 |
|--------------------------|--------------|

| | |
|------------------------|-----|
| Expected Pricing Date: | TBD |
|------------------------|-----|

| | |
|---------|----------------|
| Ticker: | NasdaqGS: APPF |
|---------|----------------|

| | |
|---------------|-----|
| Filing Range: | TBD |
|---------------|-----|

| | |
|-----------------|-----|
| Shares Offered: | TBD |
|-----------------|-----|

| | |
|-----------------|-----|
| Intended Raise: | TBD |
|-----------------|-----|

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Form S-1

AppFolio, Inc.



NasdaqGS: APPF

Brian Donahoo
Chief Executive Officer
50 Castilian Drive
Goleta, California 93117

Morgan Stanley

CREDIT SUISSE



William Blair














AppFolio Files for its IPO

Company / Product Overview

Ownership

| Name | % |
|---|------|
| Investment Group of Santa Barbara | 33.9 |
| e.Ventures | 14.5 |
| Klaus Schauerer (Chief Strategist & Founder) | 18.0 |
| Jonathan Walker (CTO & Founder) | 7.3 |
| Brian Donahoo (President & CEO) | 4.8 |
| Other | 21.5 |

Transaction History

| Date | Amt (in mm) | Type | Target | Investor(s) / Acquirer |
|----------|----------------|-----------|---|---|
| 04/08/15 | na | M&A |  |  |
| 10/30/12 | na | M&A |  |  |
| 08/16/09 | \$8 | Financing |  | Investment Group of Santa Barbara  |
| 04/16/08 | 17 | Financing |  | Investment Group of Santa Barbara   |
| 01/10/08 | 5 | Financing |  |  |

Product Overview

- **AppFolio Property Manager:**
 - End-to-end property management software solution that allows for the management of rental properties in a single interface
 - Designed for real estate investors and rental property managers
- **AppFolio mycase:**
 - AppFolio's web-based case management software is designed to allow law firms to better manage cases, documents, time tracking, contacts and billing to clients



Product Overview (cont.)

- Property management solution covers a number of marketing and leasing needs such as allowing users to create professional looking websites for their listings, advertise building vacancies, allow for online rental applications for prospective renters, a built-in renter screening capability and completely online lease agreements
- Routine property management tasks are covered within the web-based and mobile platform including online rent collection, rent comparison tools to other properties in the area and an easy to use interface to interact with renters about property issues
- Solution is equipped with a full accounting and reporting system
- Web-based legal case management solution keeps track of all cases and their related materials in a single place
- Integrated time and billing feature allows for lawyers to create electronic bills, speed up the payment process and send payment reminders
- Solution syncs calendars, documents and contacts directly to the paired mobile application to provide full access to client and case information
- Clients are given secure access to important case details and information with the mycase application and can receive and send messages to their lawyer at any time

AppFolio Files for its IPO

Management Team – Executive Officers



Brian Donahoo, President and CEO

- President and CEO of AppFolio
- Prior to becoming CEO of AppFolio, was Sr. Vice President of Products and Services at Expertcity (CitrixOnline) for eight years
- He was in charge of launching the successful SaaS products of GoToMyPC, GoToAssist, GoToMeeting and GoToWebinar



Klaus Schauser, Chief Strategist and Founder

- One of the original founders of the Company and currently serves as the Chief Strategist
- Prior to founding AppFolio, founded and was CTO of Expertcity (aka: CitrixOnline), where he was responsible for designing and building GoToMyPC, GoToAssist, and GoToMeeting



Jon Walker, Chief Technology Officer and Founder

- One of the original founders of AppFolio and is in charge of technology and engineering for the Company
- Before AppFolio, was the CTO of Versora, which provided software for Windows to Linux migrations



Ida Kane, Chief Financial Officer

- As CFO, she is in charge of the Company's financial strategy and legal / administrative operations
- Prior to joining AppFolio, was the CFO of Rightscale, a provider of cloud portfolio management software



AppFolio Files for its IPO

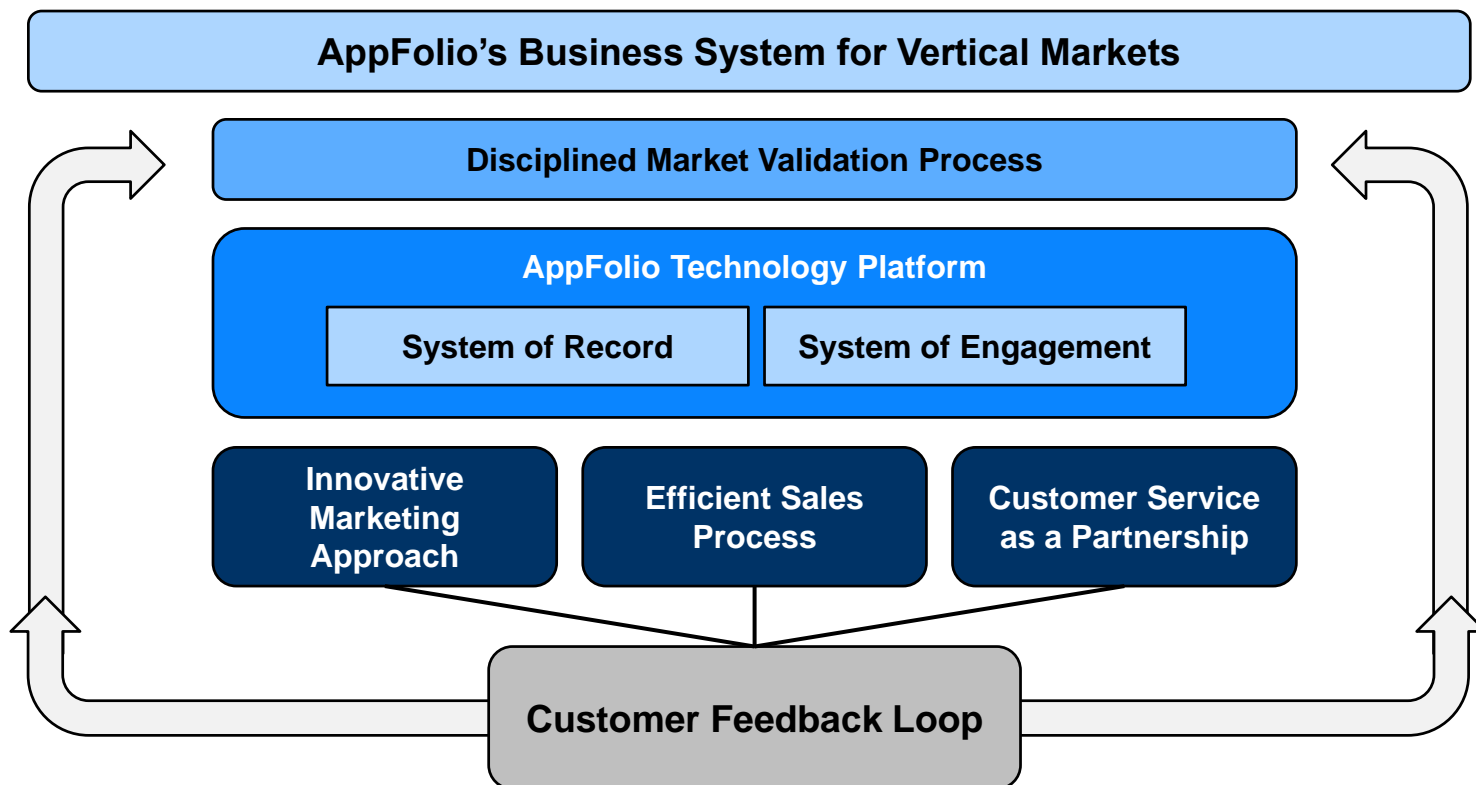
Product Overview

| AppFolio Business System | | Key Points of Software Solution | |
|--|--|--------------------------------------|--|
| Disciplined Market Validation Process | <ul style="list-style-type: none"> Validation process involves selecting and developing core functionality and services to identify adjacent markets and new industries | All-in-one System | <ul style="list-style-type: none"> SMB focused and industry specific solutions result in increased functionality and eliminates the need for multiple products |
| AppFolio Technology Platform | <ul style="list-style-type: none"> A cloud-based technology platform designed to improve efficiency and productivity for SMBs across targeted verticals | Essential Value Add Services | <ul style="list-style-type: none"> Solutions are focused on adding mission critical services to customers to increase efficiency |
| Innovative Marketing Approach | <ul style="list-style-type: none"> Go-to-market strategy includes content marketing, search engine optimization and marketing, as well as informative training programs to guide sales strategy | Cloud-Based Solutions | <ul style="list-style-type: none"> Cloud-based software allows for a cost-effective delivery of the Company's software and allows for frequent updating when needed |
| Efficient Sales Process | <ul style="list-style-type: none"> Fast onboarding and transparent pricing model simplify the sales process by pricing subscriptions based on the size of a business | Device and Timing Agnostic | <ul style="list-style-type: none"> Software has been designed to be fully mobile and available to SMB customers at any time |
| Customer Service as a Partnership | <ul style="list-style-type: none"> Customer service department partners with customers to provide training and support as well as assist with the software onboarding | Frequent R&D Efforts | <ul style="list-style-type: none"> Frequent research and product development based off of customer feedback loop and market validation findings leads to increased functionality of product and further value-add services |
| Customer Feedback Loop | <ul style="list-style-type: none"> AppFolio utilizes customer feedback to drive changes to its software solutions and provide updates and bug fixes when notified of problems by customers | Vertical Data Analytics | <ul style="list-style-type: none"> Data capture and accompanying analytics informs AppFolio and its customers on the trends and movements across industry verticals |
| | | Benefits to SMBs | <ul style="list-style-type: none"> Solution enables customers to eliminate manual processes, increasing efficiency and reducing costs |
| | | Benefits to Customers of SMBs | <ul style="list-style-type: none"> Solution allows for increased communication between SMB's and their clients by placing a number of administrative services and interactions online, accessible by the customer at any time |



AppFolio Files for its IPO

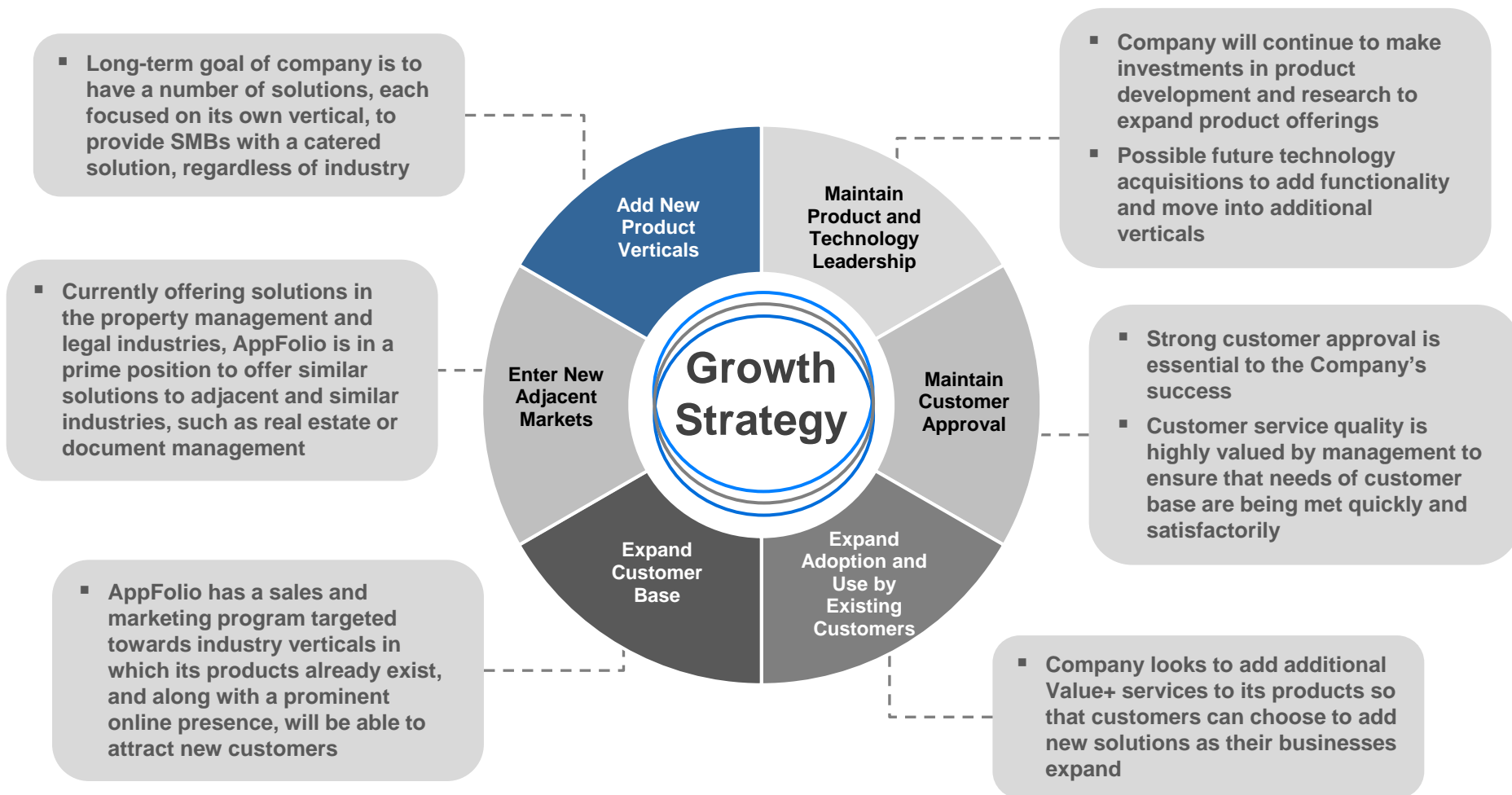
Product Development Overview





AppFolio Files for its IPO

Strategies for Growth



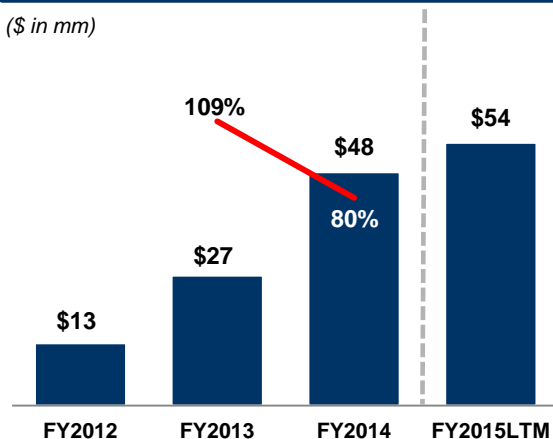


AppFolio Files for its IPO

Key Financials

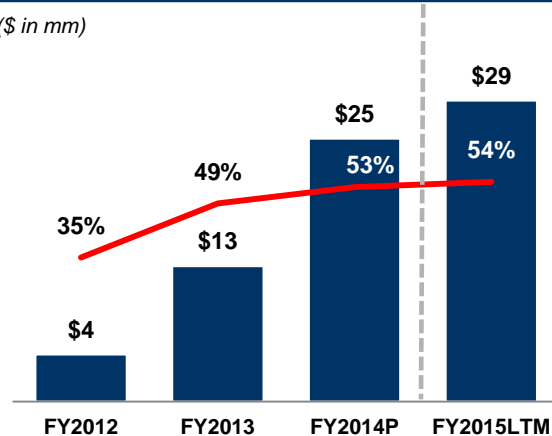
Total Revenue / % YoY Growth

(\$ in mm)



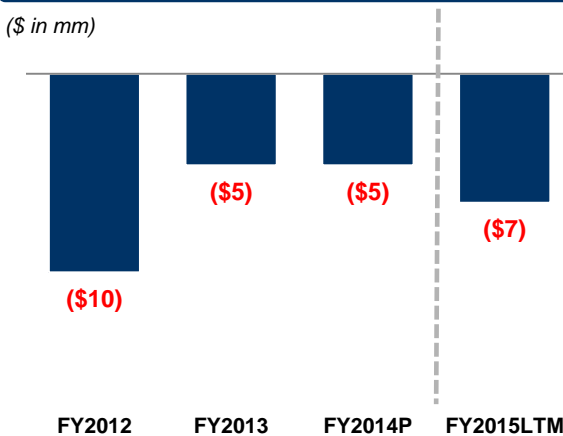
Gross Profit / Gross Margin

(\$ in mm)

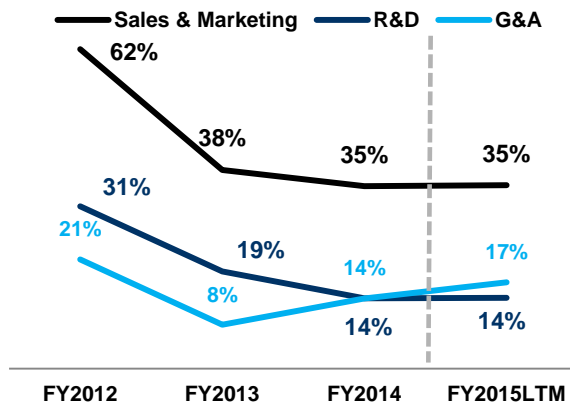


EBITDA

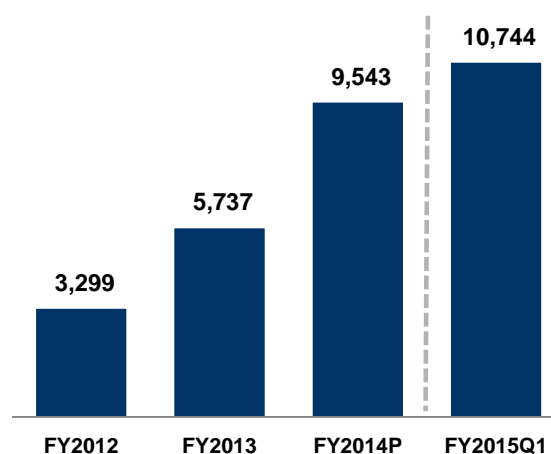
(\$ in mm)



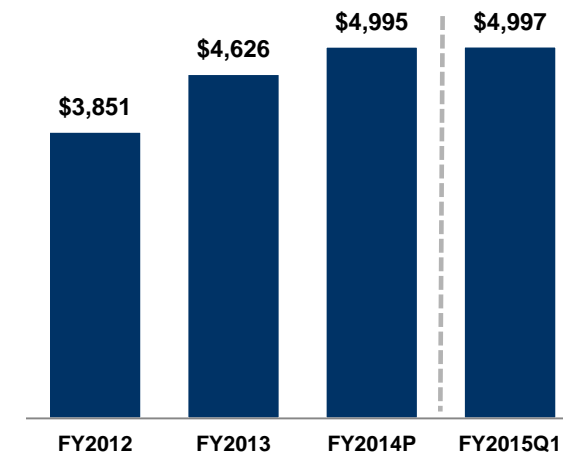
Key Expenses as a % of Revenue



Number of Customers



Revenue per Customer



FINANCIAL
TECHNOLOGY
PARTNERS

Source: SEC filings.

AppFolio Files for its IPO

Risk Factors



Key Risk Factors:

Any of the following risks could materially and adversely affect AppFolio's business, financial condition or results of operations

Inability to Move into New Verticals

Revenue growth is partially dependent on expanding software solutions for new verticals and if this fails or if new products are not adopted, growth will be negatively impacted

Limited Operating History and Significant Operating Losses

Since forming in 2006, Company has incurred a loss in every fiscal period and has limited experience selling its product across verticals

Long-term View Might Not Appeal to Short Term Investors

Company founders consistently take a long-term approach when viewing the success of the Company and are willing to sacrifice short-term gains for potentially higher long-term success

Data and Platform Security

Software could be susceptible to cyber attacks, which can result in services going offline and accidental releases of personal information of merchants and customers on the platform, which could a loss of customer trust

Disruption of Service

A large growth in users and amount of data being processed on platform could result in infrastructure-related service outages, negatively impacting reputation of firm

Protection of Intellectual Property Rights

Intellectual property is crucial to the success of the business and must be protected; must guard against claims by third parties of intellectual property infringement

Payment-Related Regulations

Further expansion of electronic payments services may subject the Company to additional laws and regulations regarding money transfer and anti-money laundering, with significant fines if non-compliance occurs

Overview of FT Partners

Financial Management Solutions Sector

FT Partners has the experience and capabilities to generate outstanding outcomes for a wide breadth of companies that provide Financial Management Solutions


Financial Management Solutions



Overview of FT Partners


Strong Domain Expertise in Financial Management Solutions

Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to



in its sale to

MOELIS CAPITAL PARTNERS



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Focused Exclusively on Financial Technology

Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

ShareholderInSite

in its sale to

IPREO



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Focused Exclusively on Financial Technology

Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to




in its Series D financing, including investment from
QUESTMARK PARTNERS
BBVA **edbi**

for total consideration of approximately
\$ 40,000,000




The Only Investment Bank
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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to



in its 80% majority sale to

HEARST corporation



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

customcredit systems
a portfolio company of
Triton Pacific Capital Partners, LLC

in its sale to

MISYS
a portfolio company of
V

Vieta Equity Partners



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

Performant

in its debt financing led by

MAIDEN CAPITAL FUNDING

totalling approximately
\$ 148,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

jack henry & ASSOCIATES INC.

In its acquisition of

iPay Technologies

for total consideration of approximately
\$ 300,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its role as
strategic and financial advisor to

MERCURY[®]

in its cash sale to

vantiv[®]

for total consideration of approximately
\$1,650,000,000



The Only Investment Bank
Focused Exclusively on Financial Technology

Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

YAPSTONE[™]
ePayments as a Service

in its minority investment led by

ACCEL PARTNERS

For total consideration of approximately
\$ 50,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

CUSTOM HOUSE

in its sale to

WESTERN UNION

For total cash consideration of approximately
\$ 370,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

avidxchange

in its agreement of financing with

BOATHOUSE CAPITAL



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Focused Exclusively on Financial Technology


Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

ATD
Automotive Technology Development, LLC

in its sale to

citi

for cash and stock consideration of approximately
\$ 700,000,000



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Focused Exclusively on Financial Technology


Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

FLEET ONE

in its cash sale to

wex

for total consideration of approximately
\$ 369,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

ACCRETIVE HEALTH
results providers trust

in its

\$138,000,000
Initial Public Offering

valuing the equity at approximately
\$ 1,200,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

EISI

in its sale to

ZYWAVE



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Focused Exclusively on Financial Technology


Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

Lynk

in its sale to

The Royal Bank of Scotland

for cash consideration of approximately
\$ 525,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

Performant

in its

\$93,000,000
Initial Public Offering

valuing the equity at approximately
\$ 465,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

VeriFone
THE WAY TO PAY[™]

in its

\$177,000,000
Initial Public Offering

valuing the equity at approximately
\$ 650,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

VERUS

in its sale to

sage

for cash consideration of approximately
\$ 325,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

AmWINS Group, Inc.

in its recapitalization by

NMC
NEW MOUNTAIN CAPITAL LLC

valued at approximately
\$ 1,300,000,000



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Financial Technology Partners LP
FTP Securities LLC
is pleased to announce its exclusive role as
sole strategic and financial advisor to

square trade protection platform

in its recapitalization by

BainCapital
BainCapital Ventures

of approximately
\$ 238,000,000



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Overview of FT Partners

Award-Winning Investment Banking Franchise Focused on Superior Client Results

FT Partners has been recognized as Investment Banking Firm of the Year and regularly achieves Merger and Financing Deal of the Year recognition



M&A Advisor Awards

- | | |
|------|--|
| 2014 | <ul style="list-style-type: none"> ■ Equity Financing Deal of the Year ■ Professional Services Deal of the Year, Above \$100mm |
| 2012 | <ul style="list-style-type: none"> ■ Dealmaker of the Year ■ Professional Services Deal of the Year, Above \$100 mm |
| 2011 | <ul style="list-style-type: none"> ■ Boutique Investment Bank of the Year ■ Deal of the Decade ■ <i>10 Deal of the Year Nominations Across 9 Categories</i> |
| 2010 | <ul style="list-style-type: none"> ■ Upper Middle Market Deal of the Year, Above \$500 mm ■ IT Services Deal of the Year, Below \$500mm ■ Cross-Border Deal of the Year, Below \$500mm |
| 2007 | <ul style="list-style-type: none"> ■ Dealmaker of the Year – Steve McLaughlin ■ Business to Business Services Deal of the Year ■ Computer and Information Technology Deal of the Year, Above \$100mm ■ Financial Services Deal of the Year, Above \$100mm |



- | | |
|-----------|---|
| 2006-2008 | <ul style="list-style-type: none"> ■ Steve McLaughlin consecutively ranked (2006, 2007 and 2008) among the top Bankers in Financial Technology |
|-----------|---|



Middle Market Financing Awards

- | | |
|------|--|
| 2008 | <ul style="list-style-type: none"> ■ Equity Financing Dealmaker of the Year – Steve McLaughlin ■ Information Technology Deal of the Year ■ Financial Services Deal of the Year |
| 2006 | <ul style="list-style-type: none"> ■ Financing Professional of the Year – Steve McLaughlin ■ <i>Financing Deal of the Year - Equity</i> ■ <i>Financing Deal of the Year - Debt</i> |