



# APPFOLIO (NASDAQ: APPF) EMBEDDED FINANCE CASE STUDY: Building a ~\$722M Financial Engine

## FROM PROPERTY MANAGEMENT SaaS TO EMBEDDED FINANCE POWERHOUSE

CORE SUBSCRIPTION  
~41%



VALUE ADDED SERVICES (VAS)  
~59%

THEN: Early SaaS Focus

TRANSFORMATION:  
76% of \$951M Total Revenue is Financial Services

CORE SUBSCRIPTION  
~24%



VALUE ADDED SERVICES (VAS)  
~76%

NOW: Embedded Finance Driven (FY 2025)

## THE EMBEDDED FINANCE ENGINE: FOUR KEY VALUE ADDED SERVICES (VAS)



### ELECTRONIC PAYMENT SERVICES

Largest VAS Category. Rent, deposits, fees collected online.  
**Monetization:** Transaction fees on high-volume, recurring payments.



### FOLIOGUARD™ RISK MITIGATION

Embedded insurance & compliance. Smart Ensure (auto-enrollment), Renters Insurance, Security Deposit Alternative.  
**Monetization:** Commissions, premiums, fees.



### TENANT SCREENING (FOLIOSCREEN)

Integrated credit, background, & income checks.  
**Monetization:** Per-application screening fees.



### RESIDENT SERVICES MARKETPLACE

Move-in concierge (LiveEasy), utility setup, smart payables.  
**Monetization:** Commissions, referrals fees.

## STRUCTURAL ADVANTAGES (WHY IT WORKS)



**CAPTIVE DISTRIBUTION:** Software workflow mandates financial adoption.



**RECURRING FLOWS:** Rent is non-discretionary & high-frequency.



**UNIT GROWTH FLYWHEEL:** More units = automatic VAS revenue growth.



**VERTICAL INTEGRATION:** Owning insurance/payments increases margins.



**AI-POWERED AUTOMATION:** Automates enrollment & workflows (Realm).

## REVENUE GROWTH TRAJECTORY & PROFITABILITY



### FY 2025 KEY METRICS

Total Rev: **\$951M** (+20%)  
VAS Rev: **\$722M** (+19%)  
Units: **9.4M** (+8%)

### PROFITABILITY INFLECTION

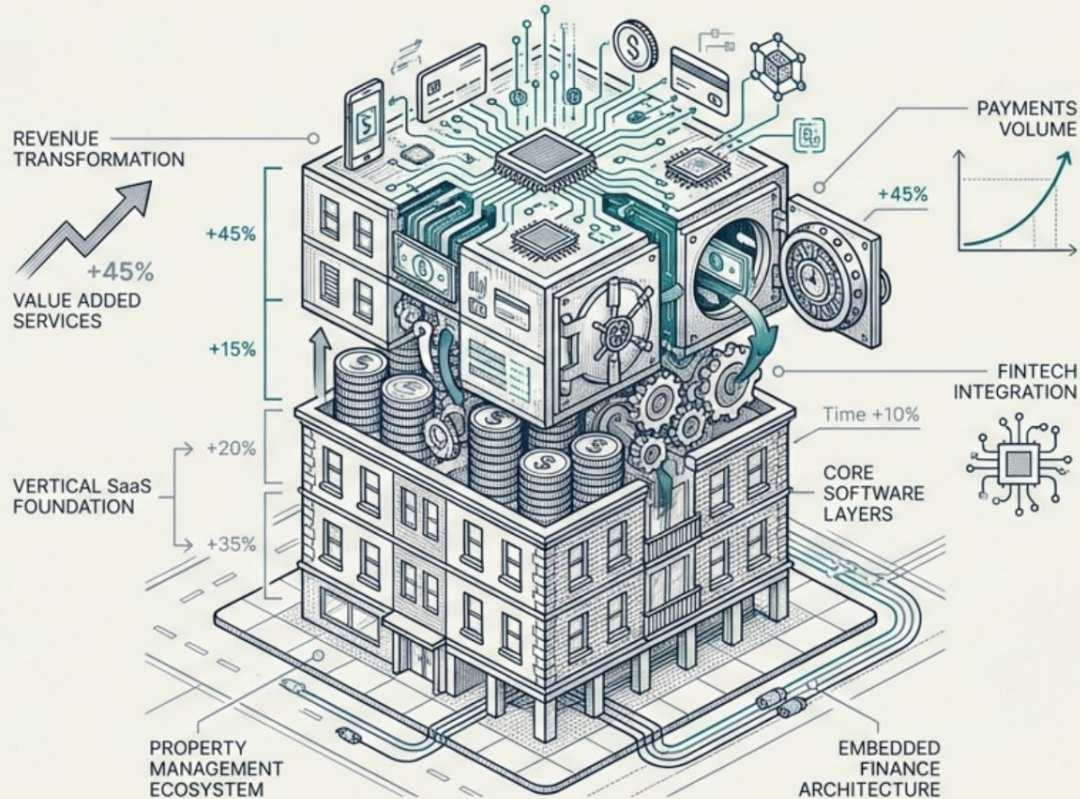
FY 2025 Non-GAAP Op. Income:  
**\$235M** (24.7% Margin)

### 2026 GUIDANCE

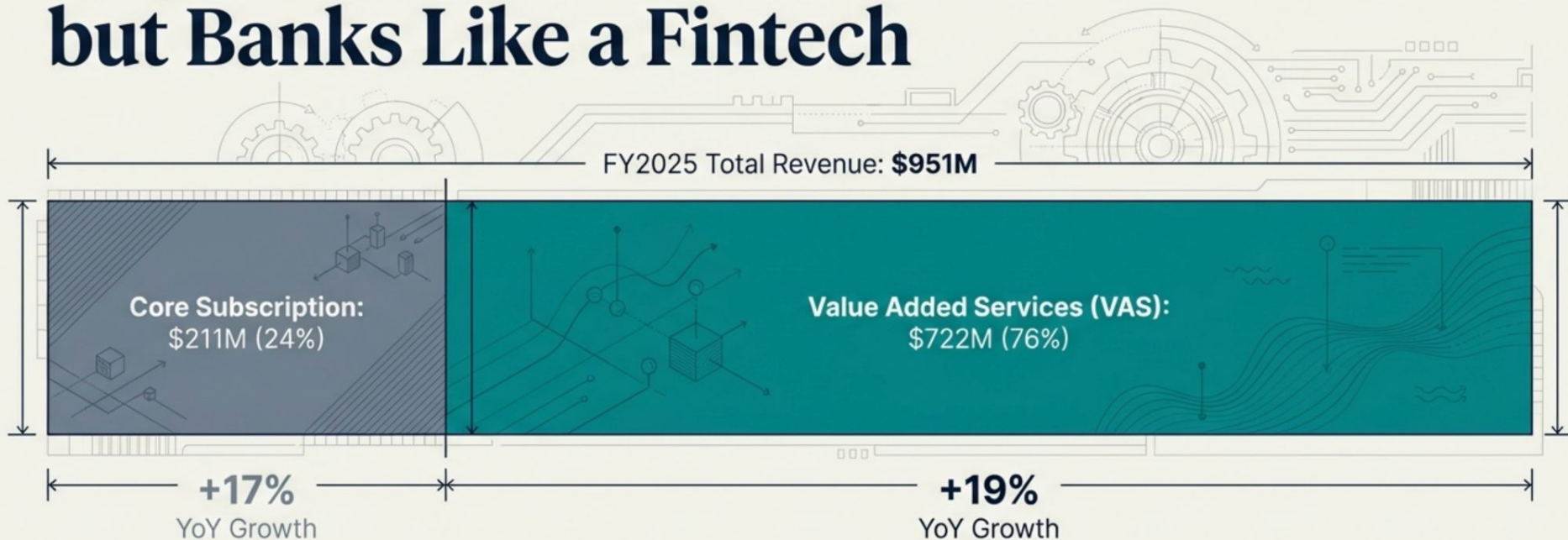
Total Rev: **\$1.10B-\$1.12B**  
Non-GAAP Op. Margin: **25.5%-27.5%**

# THE FINTECH DISGUISE

Deconstructing AppFolio's Pivot from Vertical SaaS to Embedded Finance Powerhouse.

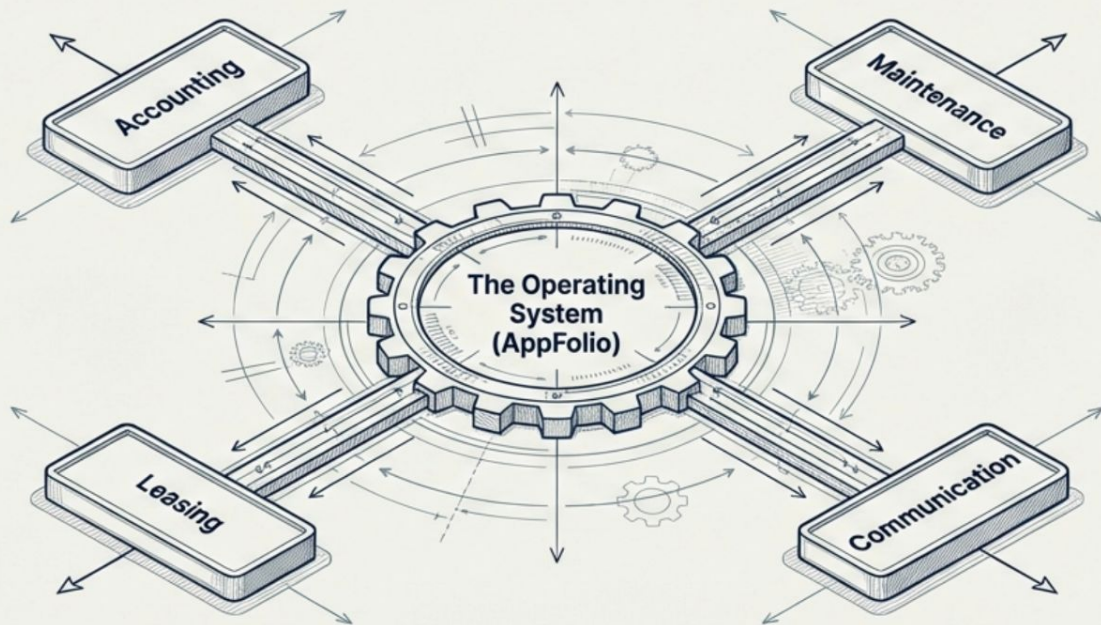


# AppFolio Looks Like Software, but Banks Like a Fintech



**The subscription is the distribution mechanism.  
The revenue is the transaction.**

# Owning the System of Record



**20,784+**  
Property Management  
Customers

**9.4 Million**  
Units Under Management

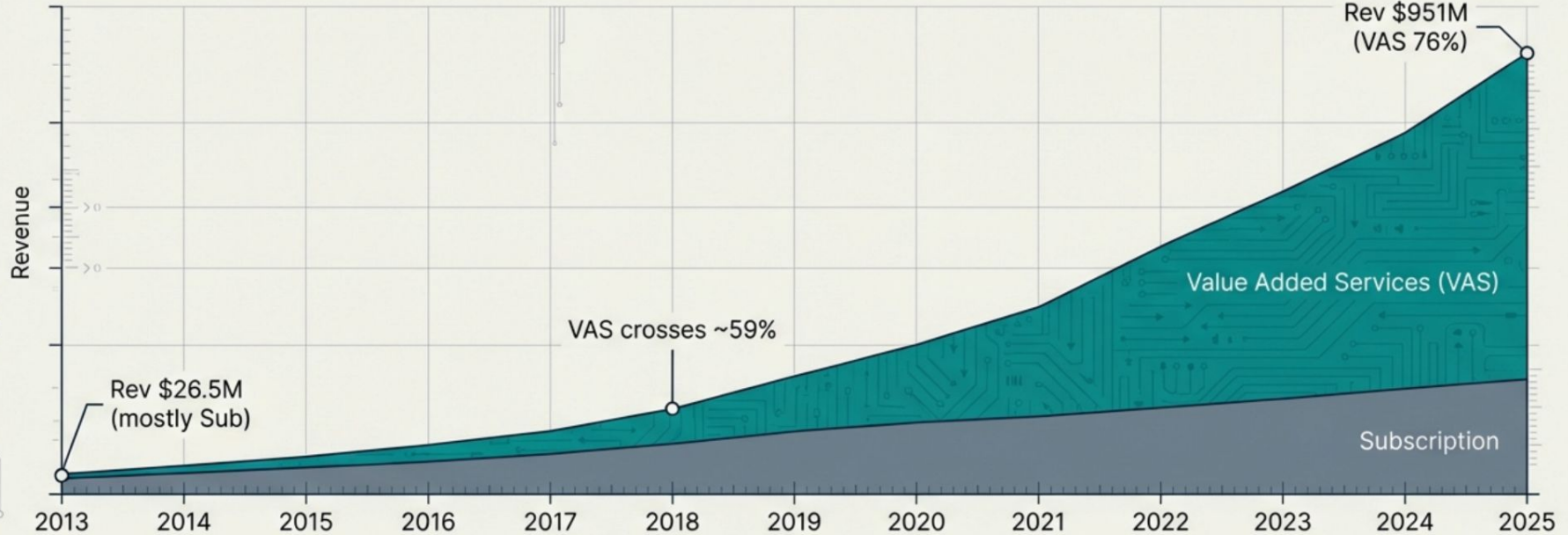
AppFolio captured the critical workflows of property management. By becoming the gatekeeper for 9.4 million units, they control the flow of rent, risk, and data.

You cannot tax the transaction if you don't control the venue.

# The 12-Year Transformation

Growth is driven by layering financial services on top of unit growth. Every new unit added creates a perpetual stream of payment and insurance opportunities.

Compound Annual Growth Rate (CAGR): **34%**

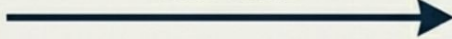


# Strategy Deep Dive: Captive Distribution



AppFolio

B2B Sale



Property Manager

Value: Automation & Efficiency

Mandate Portal Usage



Resident

Driver: Operational Sanity

“Property managers effectively distribute these services to their residents as part of normal business operations.”

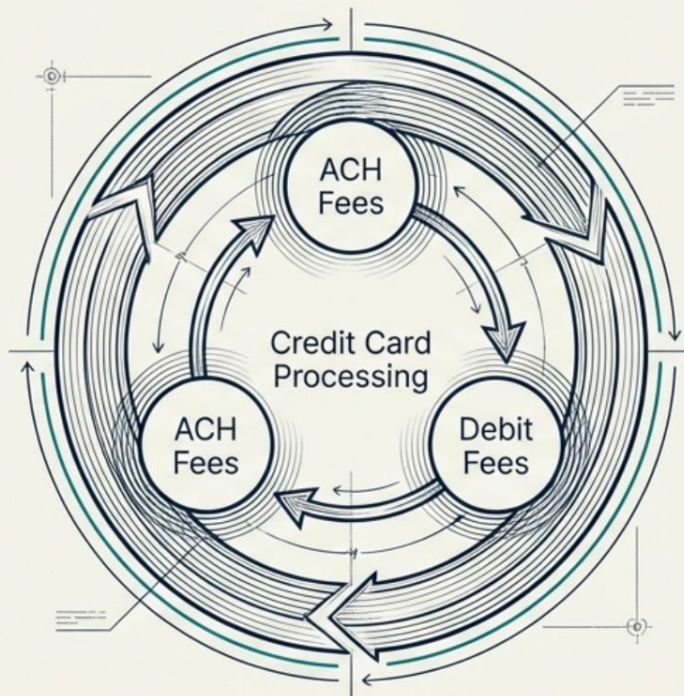
Mandatory Rent & Insurance

Result: 0% CAC


**0% CAC**  
for Financial End-User

# Engine #1: Electronic Payments (The Whale)

Rent is the single largest recurring, non-discretionary expense for millions of Americans.



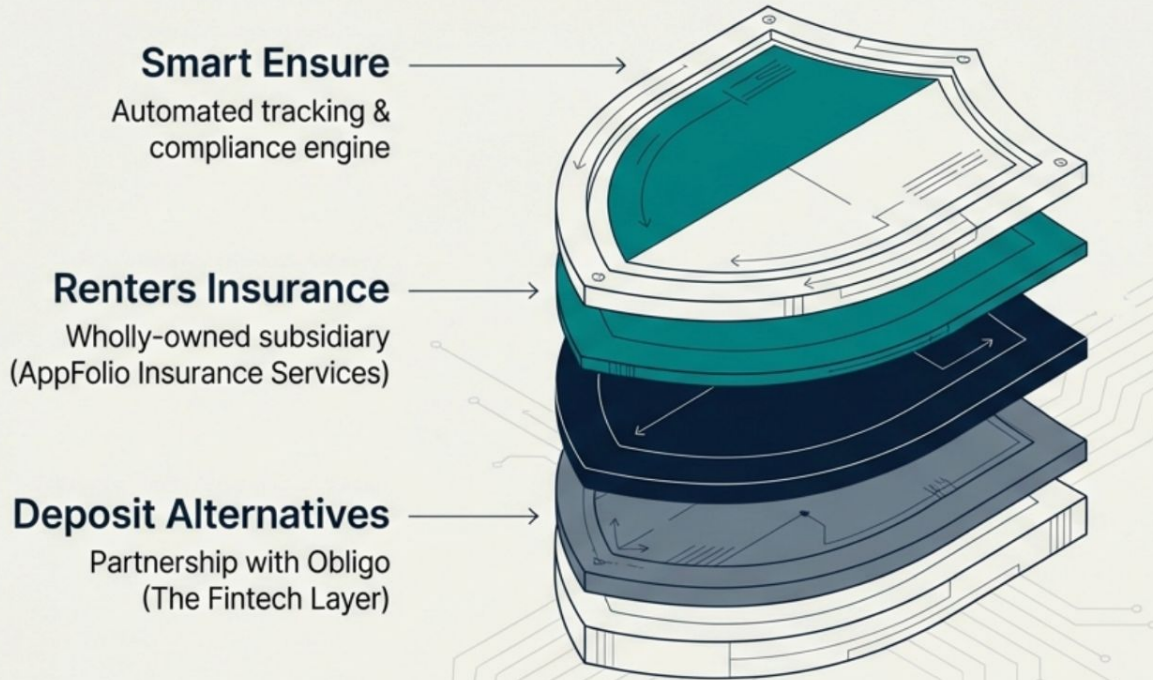
 **Volume:**  
Monthly Recurring

 **Value:**  
\$1,000–\$3,000+  
per unit

 **Lever:**  
Pricing Mix  
(e.g., eCheck fees)

Customers report moving toward 100% online rent collection.

# Engine #2: Risk & Insurance (FolioGuard)



Set-and-forget compliance. The software runs in the background, ensuring near 100% attach rates for liability coverage.

# Engine #3: Screening & The Resident Lifecycle

## Moments of Monetization



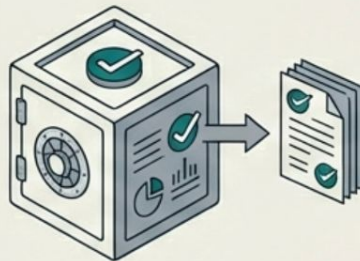
Expanding the monetizable surface area beyond just rent by capturing revenue at high-intent moments.

# The AI Multiplier

Automated Workflows (AI)



Higher Compliance



Higher VAS Revenue



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Automated Workflows (AI)

Higher Compliance

Higher VAS Revenue

## The Logic

- Automated lease processing → Faster move-ins
- Automated compliance checks → Higher insurance enrollment

## The Proof

**31%**



AI-led firms expect portfolio growth vs 12% for others.

Automation clears the path for the financial transaction.

# Superior Unit Economics

~\$101

**Annual Revenue  
Per Unit (ARPU)**

Significantly higher than  
pure-play software models.

## Competitive Landscape

1	<b>AppFolio</b>	<b>SMB/Mid-Market.</b> High velocity "All-in-one" adoption. Full Fintech integration.
2	<b>Yardi / RealPage</b>	<b>Enterprise Legacy.</b> Slower pivot to embedded fintech dominance.

Vertical integration of the financial stack  
captures margins competitors leave on the  
table.

# Profitable Growth at Scale

**\$153M**

FY2025 Operating  
Income (GAAP)

**24.7%**

Non-GAAP Margin

**\$242M**

Operating Cash Flow  
(+28% YoY) ↗

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Market Valuation: Enterprise Value grew ~144% from 2022 to 2024.

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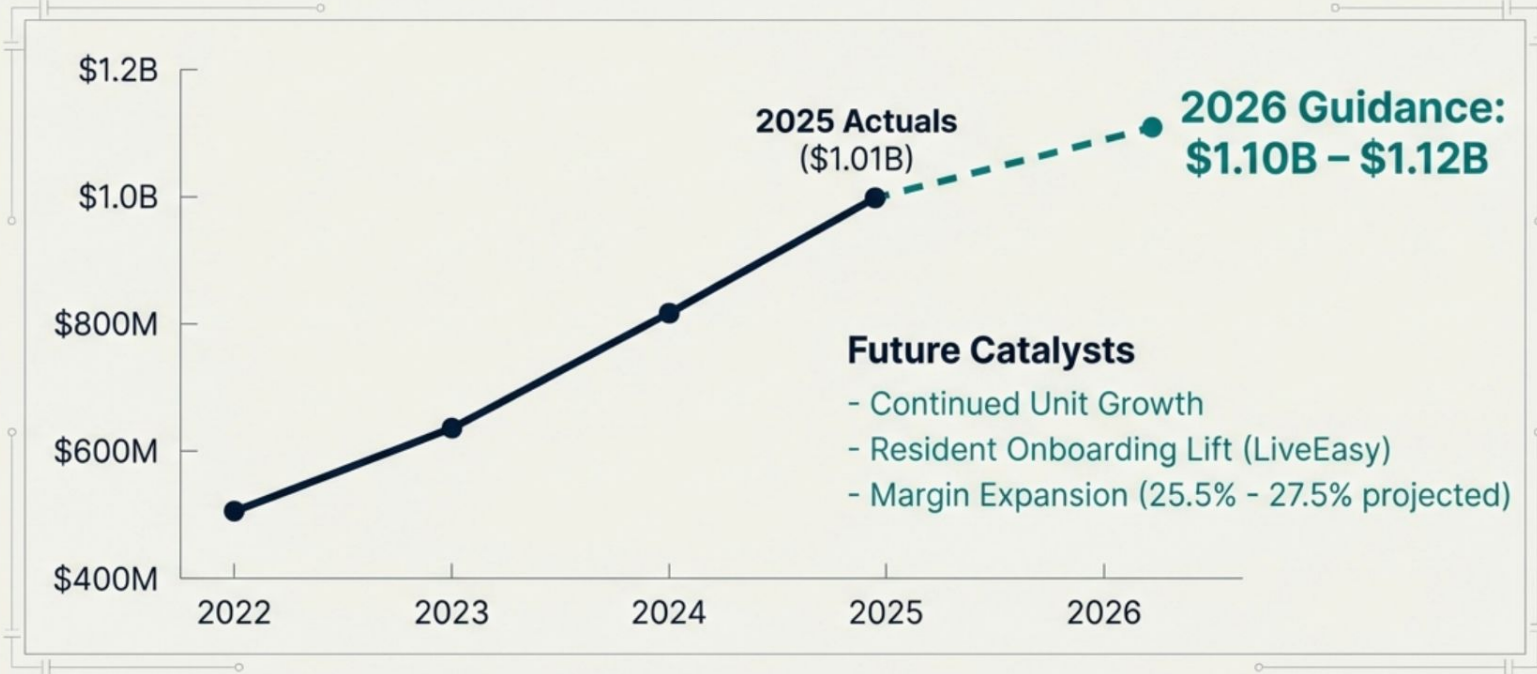
High-margin embedded finance revenue provides the capital to fund AI innovation, creating a self-reinforcing loop.

# The Playbook for Vertical SaaS

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- **1. Embed in Workflow:** Integrate at the point of action, do not bolt on.
  - **2. Target Non-Discretionary Spend:** Focus on Rent & Compliance.
  - **3. Own the Value Chain:** Move from referrals to owned subsidiaries.
  - **4. Automate Enrollment:** 'Default-on' settings drive adoption.
  - **5. Subscription as Distribution:** Price software to acquire; monetize transactions to scale.
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# The Road to \$1 Billion



**The ceiling is higher than we thought.**

# The Trojan Horse Reality

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**AppFolio proves that in Vertical SaaS, the software is the hook. The business is the transaction.**

When financial services are embedded into mission-critical workflows, they become the primary revenue engine.