

apigee

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“So, digital is really about getting today’s list done while also preparing for an unknown future of continuous, rapid change.”



APIs Underpin a Digital Business Platform, by Randy Heffner of Forrester, January 28, 2016



Retail



Customer

Mobile commerce
Omni channel



Employee

Sales & support
Insights



Partner

App partners
Market places

Financial Services



Mobile banking
Digital payments

Sales & support
Compliance

Digital distribution
Merchant on boarding
Robo advisors

Media

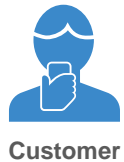


Streaming apps
Subscription services

Digital sales

App market place
Digital distribution
New business models

Telco



Voice & data
Mobile identity



Sales & support
Digital acquisition



OTT partners
New services
IoT integration

Health



Patient apps
Consumer health devices

Digital health care apps
HIPAA compliance

Tele medicine
Provider and payer networks
Med device networks

Manufacturing



Mobile commerce
Digital enablement

Digital sales
Digital support

IoT connectivity
Supply chain & procurement
New business models

Customer experience use cases are only a part of the opportunity



Customers

Customer Experience



Partners

Partner ecosystem



Employees

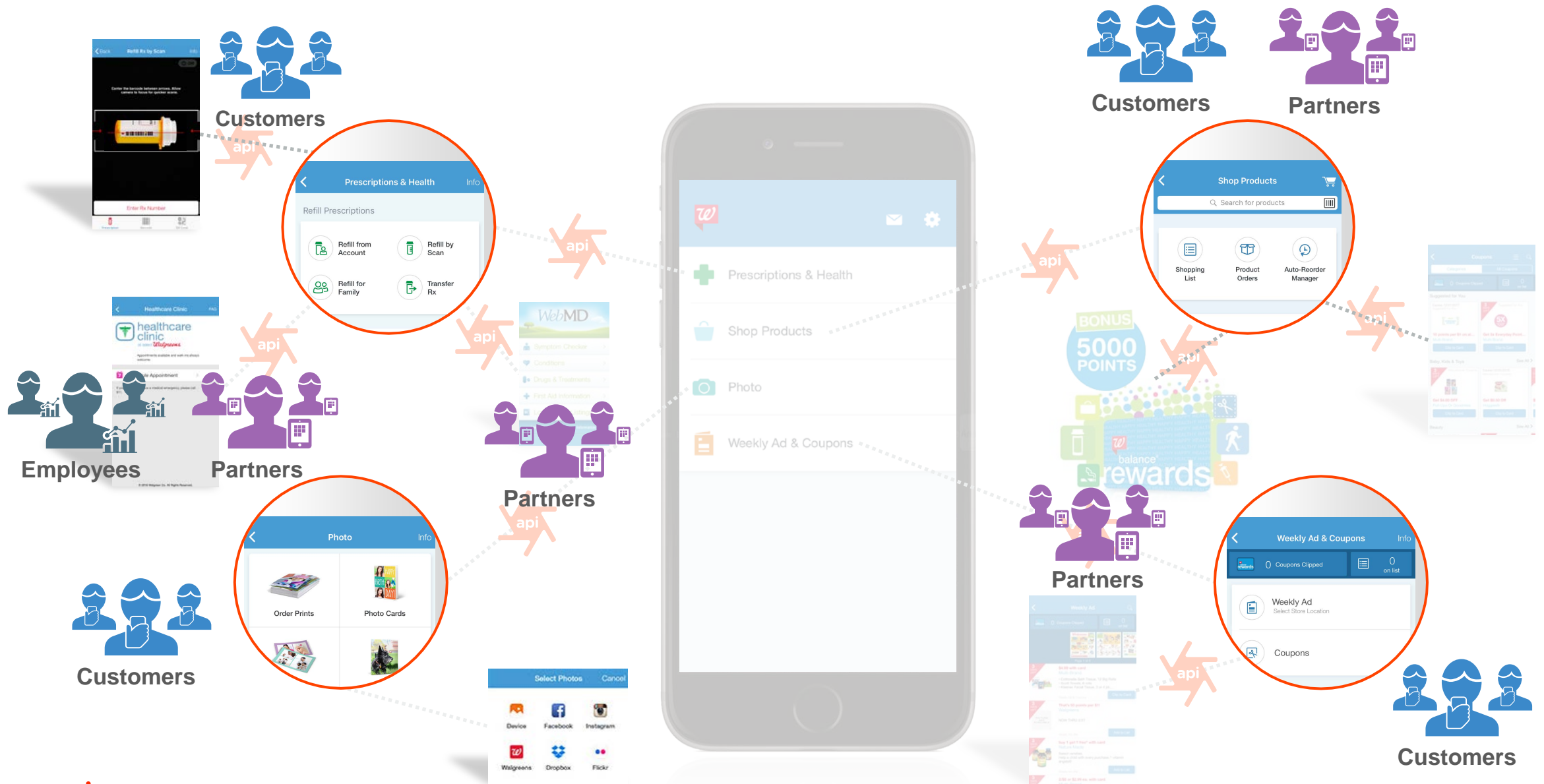
Operational efficiency



Walgreens delivers a **connected** digital experience, powered by APIs



... serving **customer**, **partner** and **employee** use cases



Walgreens digital business platform



33 million downloads



#3 most downloaded consumer app 2015



Apple "Top App" 2012 & 2013



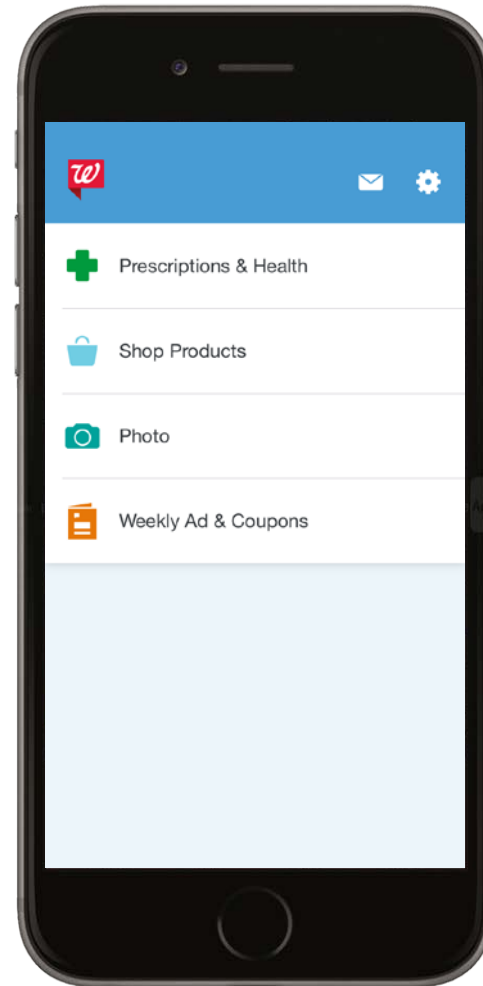
South by Southwest Appy Award 2013



Top retail app



Best integrated mobile experience 2013



6x

Store + mobile + online spend more than store-only customer

41%

Apps are 41% of 2.0 million digital visits per day

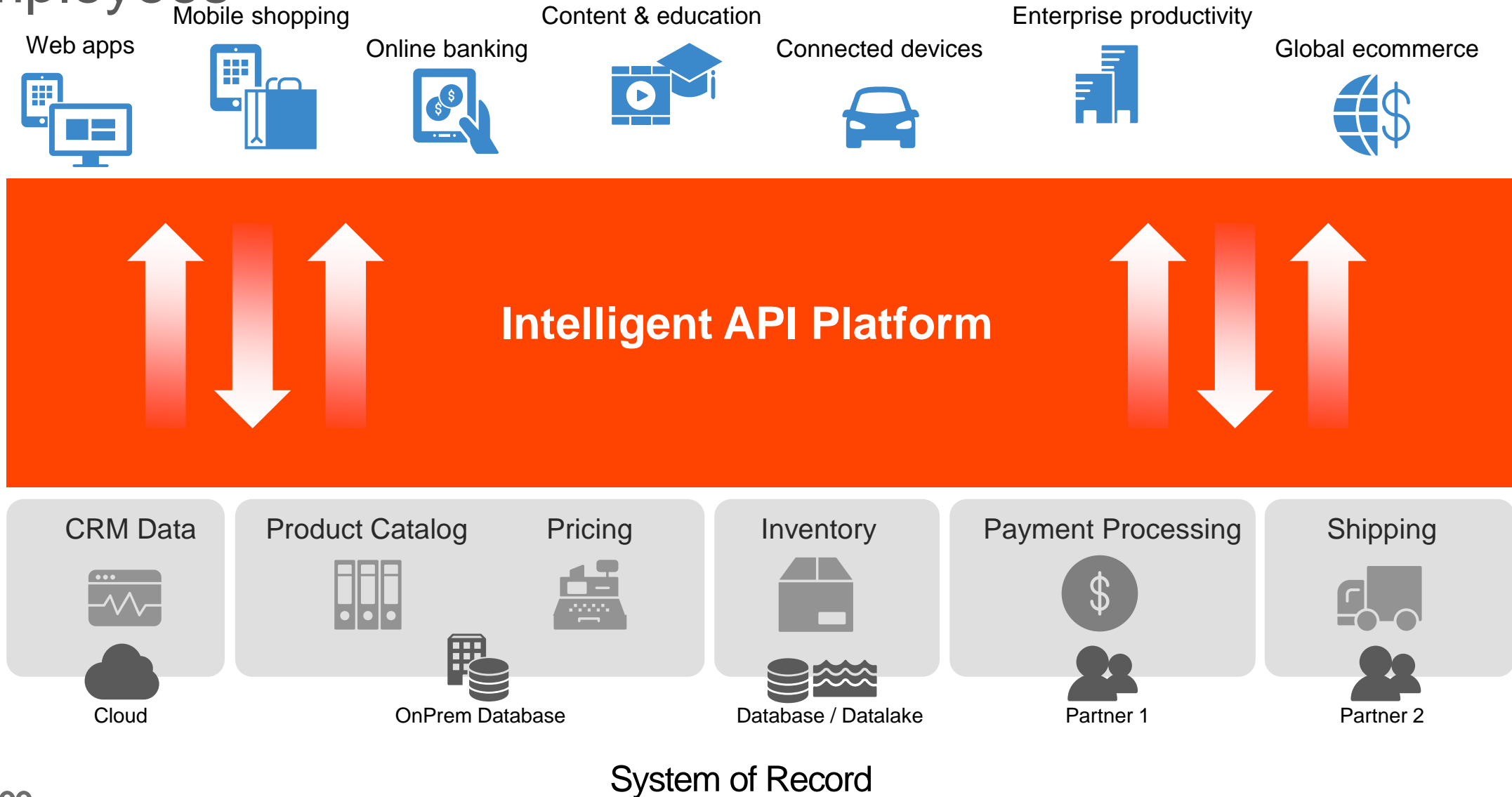
>1
Rx/sec

Fills >1 Rx/sec from a mobile device

40m

Patients access Rx from 3rd party apps

Connected experience for customers, partners, and employees



Inside the Intelligent API Platform



Deployment options
cloud, on-premises, hybrid



Enterprise grade reliability
up to 99.999% availability



Pay for what you need
consumption-based pricing

Apigee Intelligent API Platform

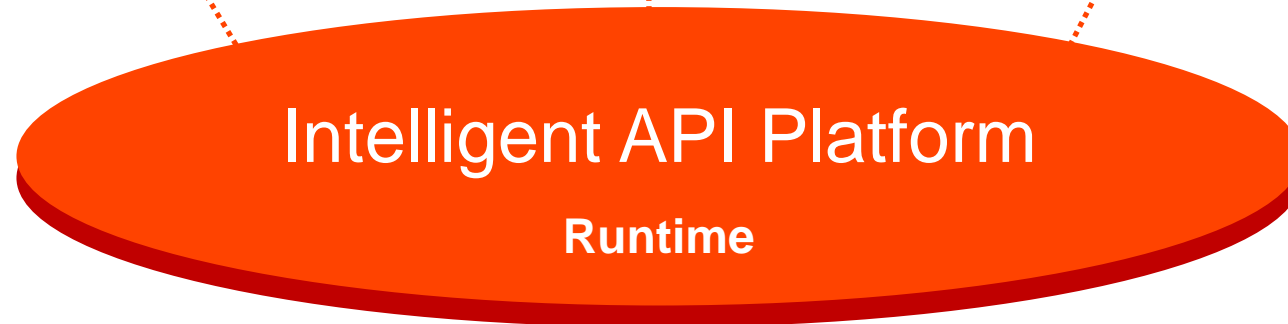
apigee link
Internet of Things

apigee APIx
Healthcare
Telco

apigee sense
Intelligent Security



apigee insights
Customer Engagement



 **apigee edge**
API Management

Why we Win



Reliable scalability

- Architecture built for the cloud
- Cloud, on-premises, and hybrid deployment
- Up to 60 million API calls/hour
- Up to 99.999% availability
- 24 x 7 x 365 global support



Ease of use

- Code or configure with a GUI
- Self-service options for developers, IT, and business
- Test, create PoC, or build free



Rich feature set

- Monetization
- Analytics engine
- Backend as a Service
- Developer portal
- Global redundancy
- API design tools
- API health solution
- PCI/HIPAA compliance



Agility & Speed

- Securely share assets from heterogeneous environments (SaaS, public cloud, and enterprise data centers)
- Customizable solution delivers fast time to market for customers
- Grow with customers as they add APIs, apps, developers, partners

Our Customers

260+ customers
Multiple verticals

accenture
Partners
(System Integrators)



SAP
Partners
(Re-sellers)



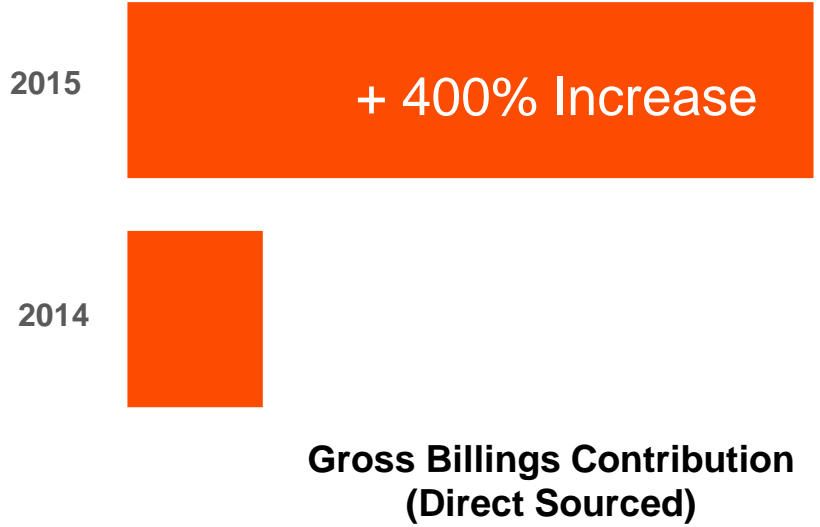
Business
(Direct)



Developers
(Ecosystem)



Growing Partnerships and Direct Impact



Revenue Model



Subscription

- SaaS delivery model
- Consumption-based pricing



License & Support

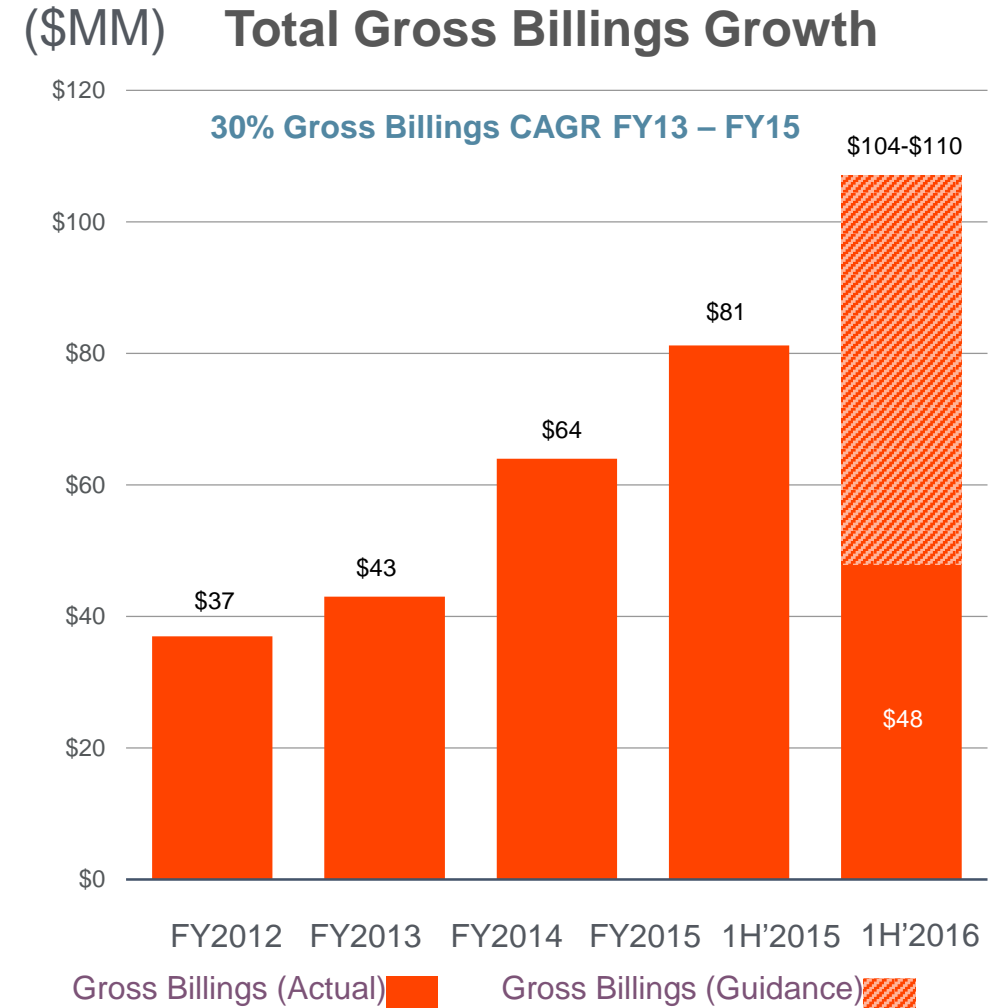
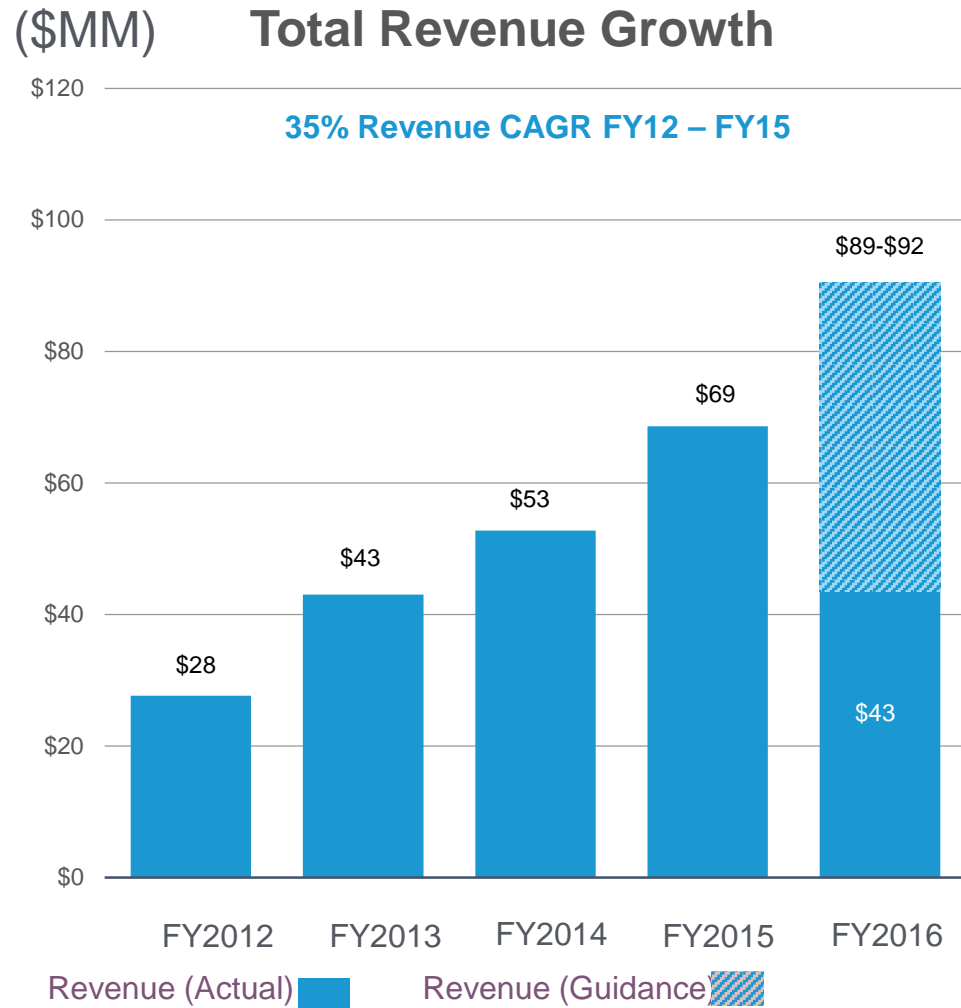
- Generally perpetual licenses
- Enterprises with regulatory and compliance sensitivities



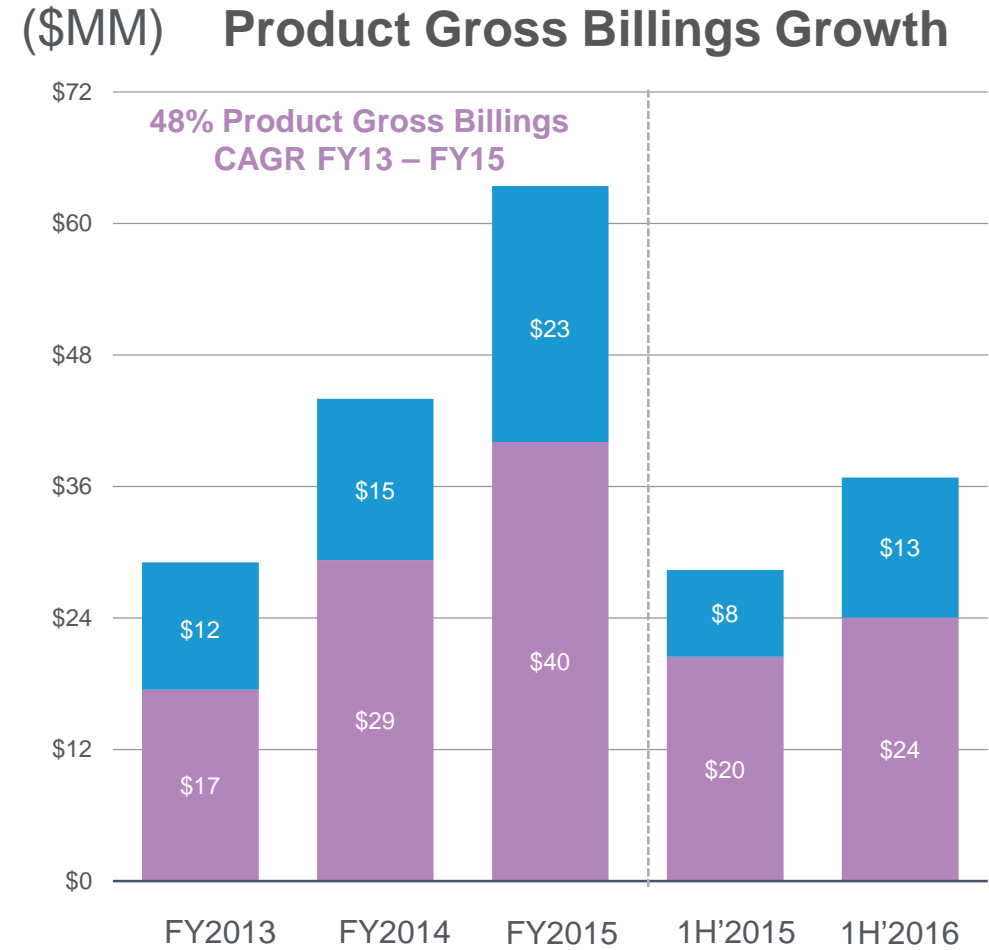
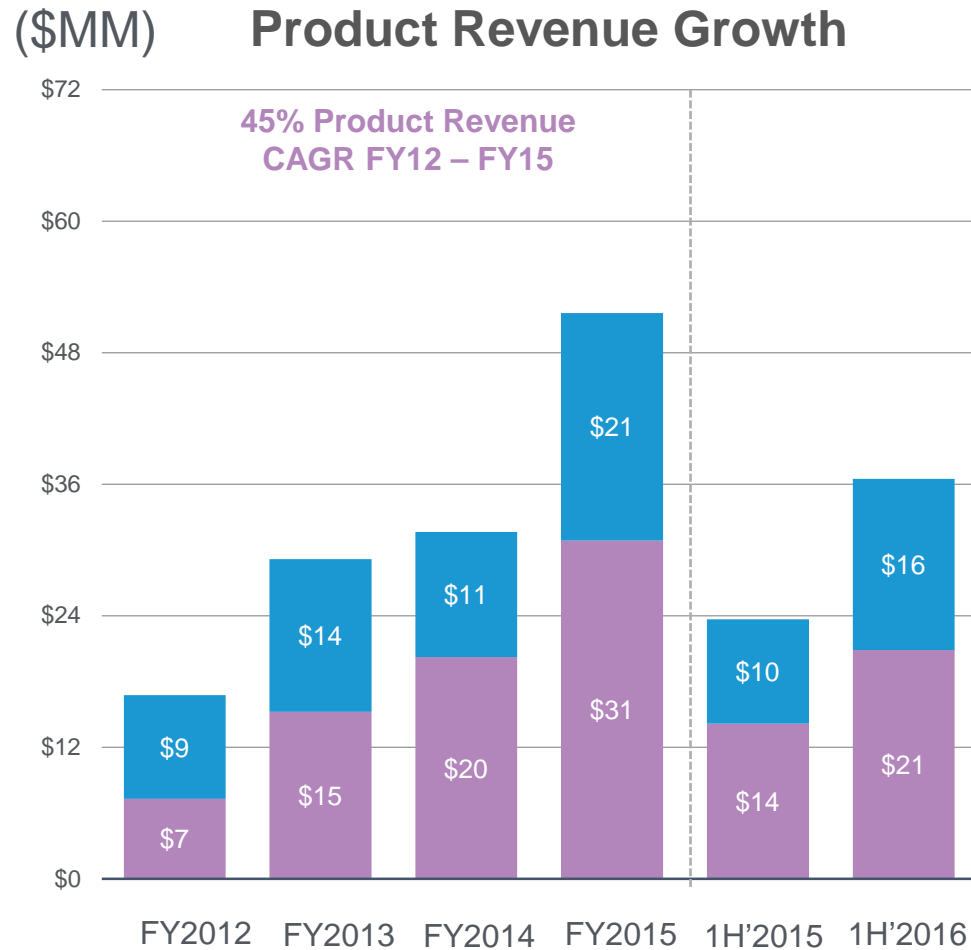
Professional Services & Other

- Delivering strategic, high value services with strong gross margins

Full Year Revenue and Gross Billings Growth

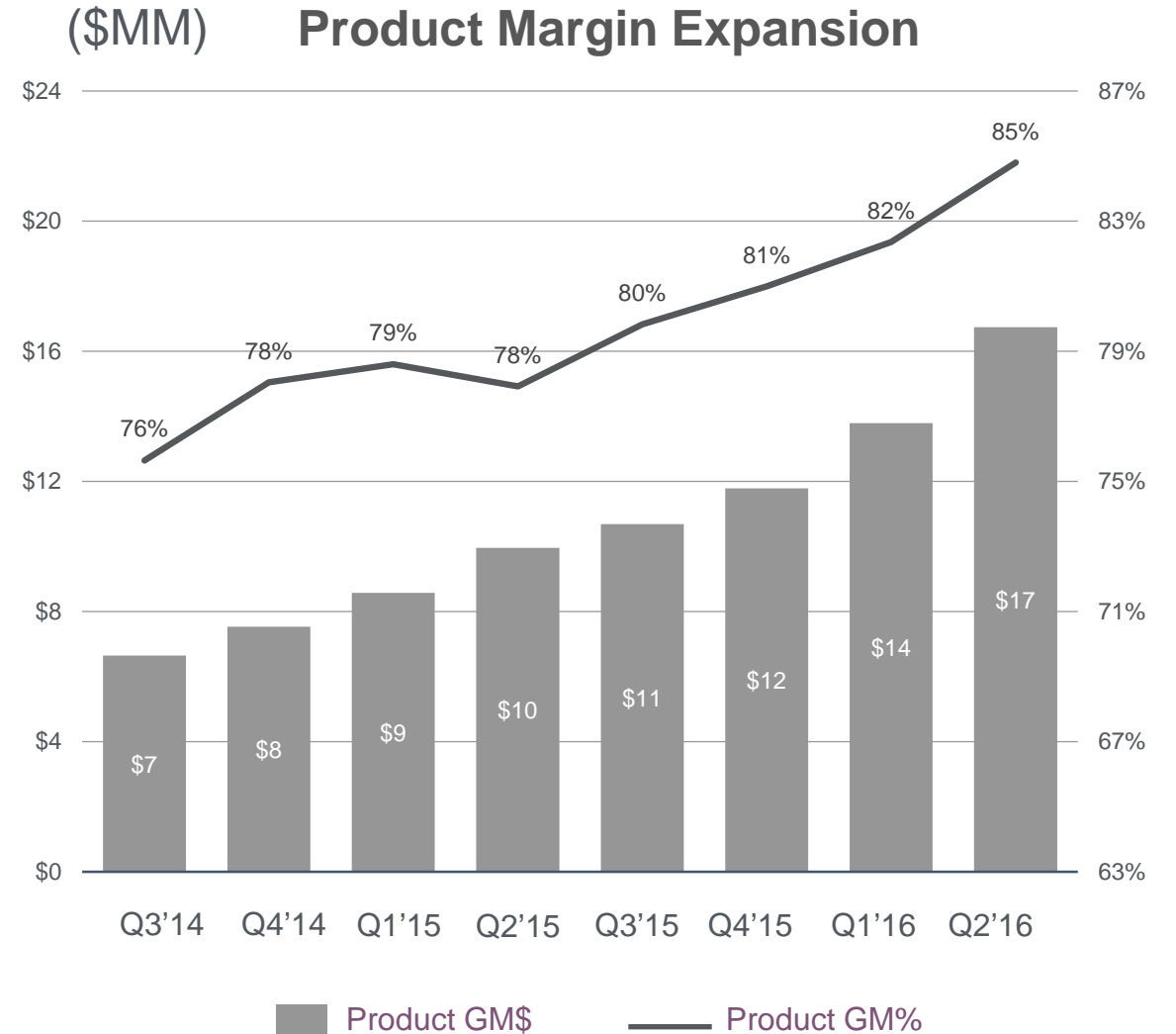
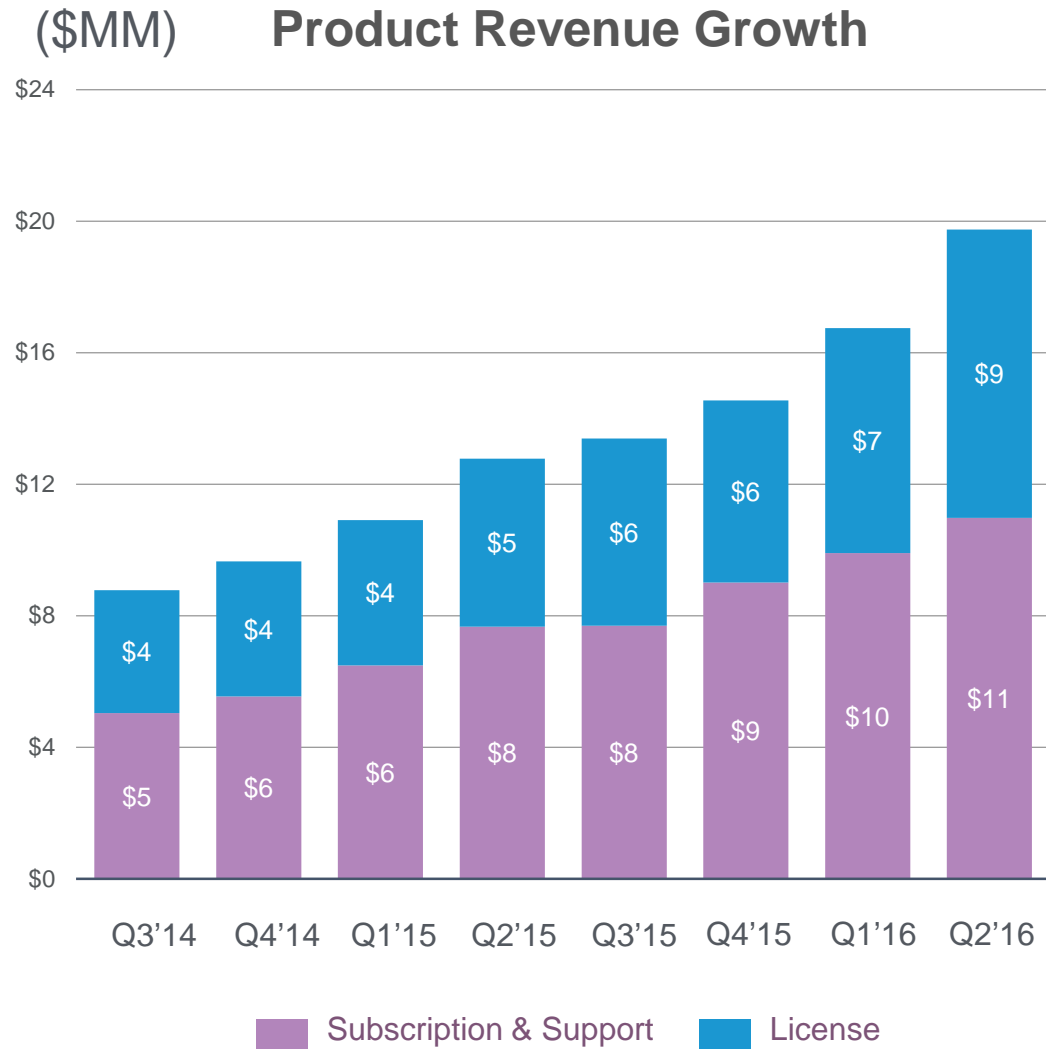


Strong Product Revenue and Gross Billings Growth



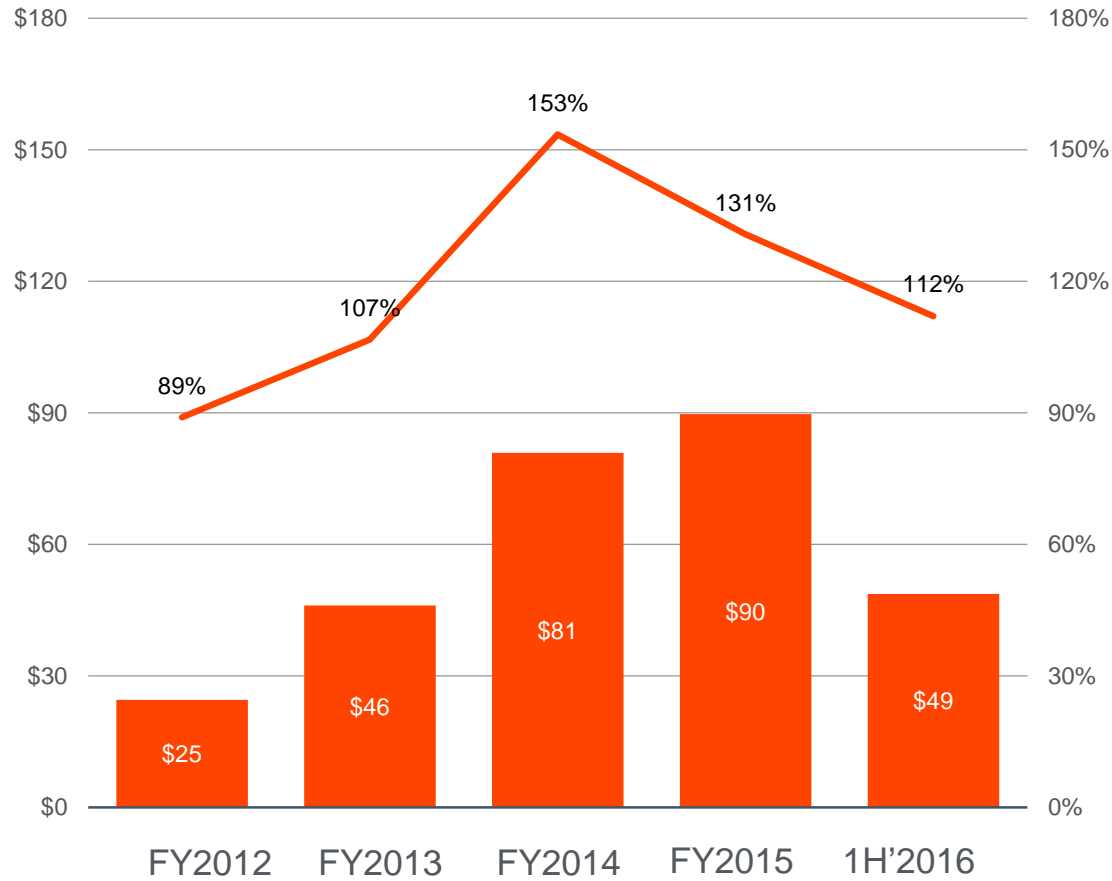
Subscription & Support
 License

Strong Product Revenue Growth and Product Margin Expansion

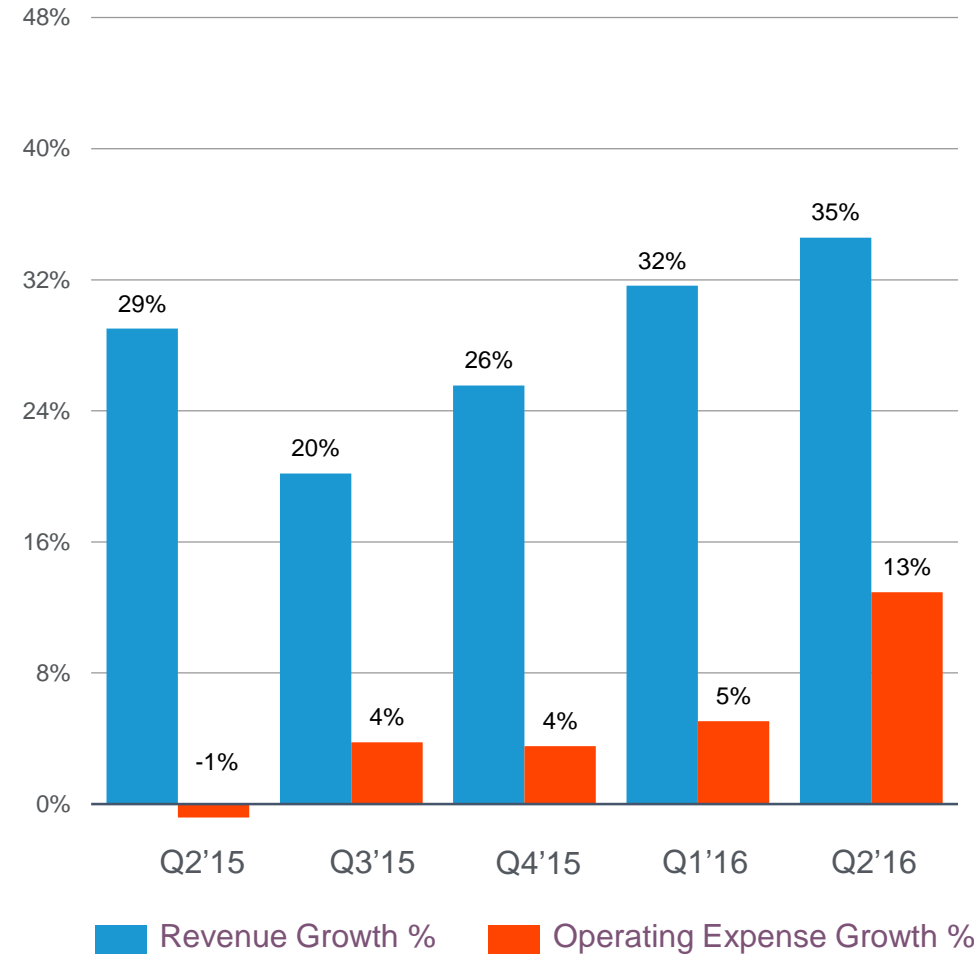


Improving Leverage (Non-GAAP)

(\$MM) OpEx and OpEx % of Revenue



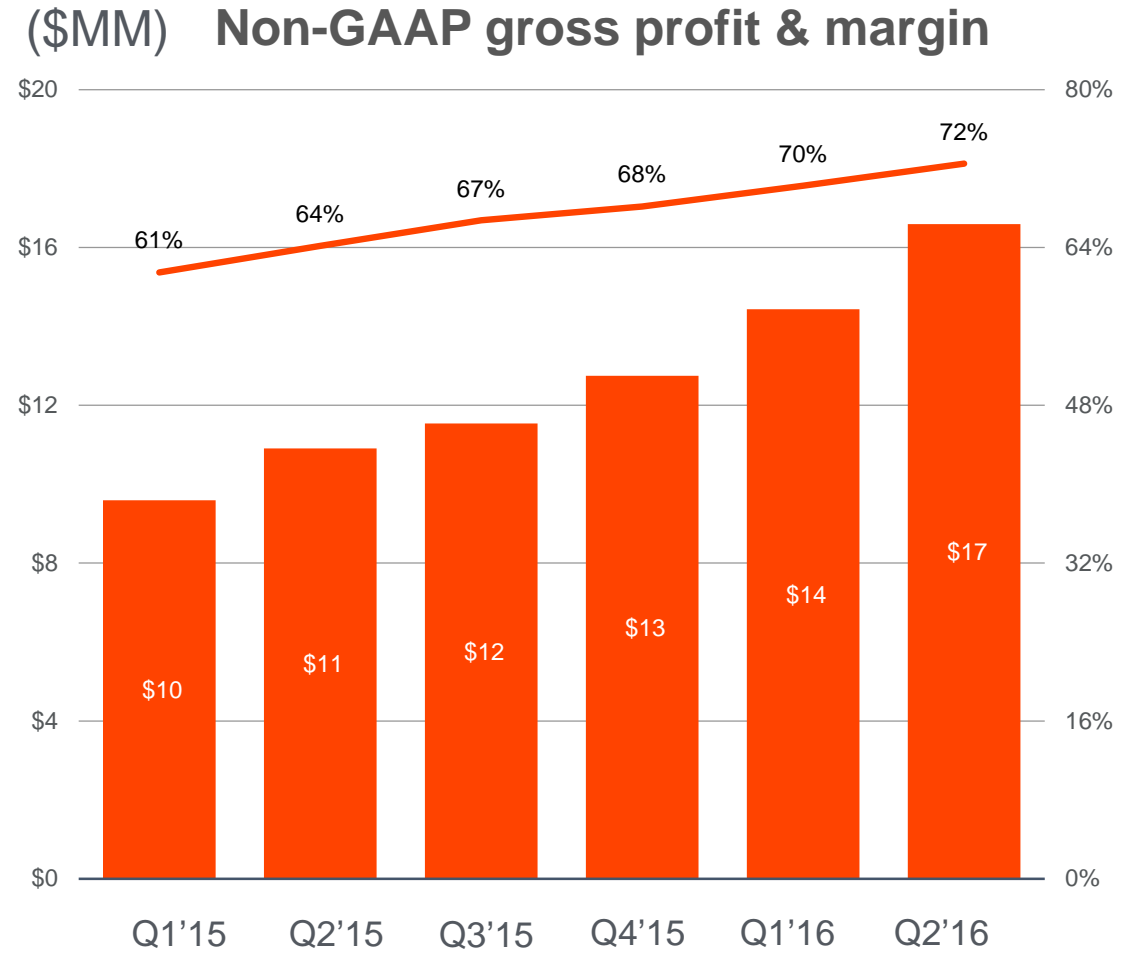
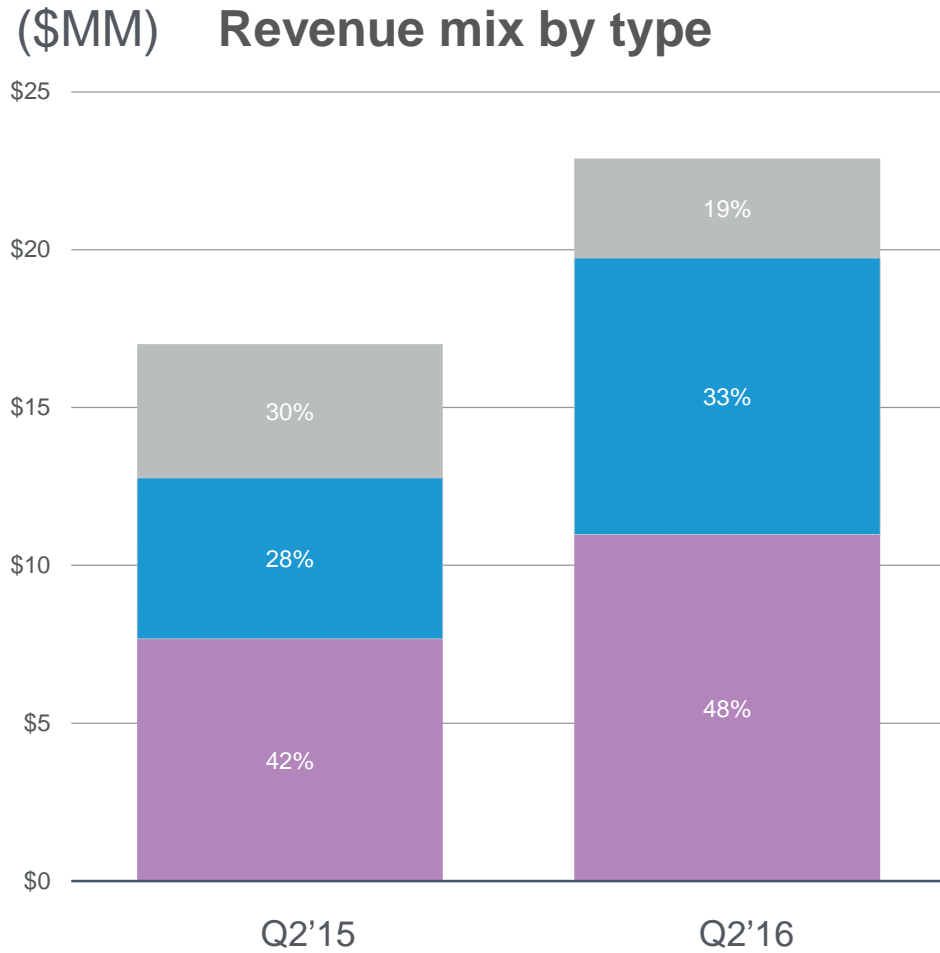
Revenue and OpEx Growth



Year on Year Growth Across Key Metrics

Non-GAAP Metrics	1H'15	1H'16	Growth
Revenue	\$32.6M	\$43.4M	33%
Product Revenue	\$23.7M	\$36.5M	54%
Gross Billings	\$37.6M	\$48.0M	28%
Product Gross Billings	\$28.4M	\$36.8M	30%
Gross Margin %	62.9%	71.4%	+850 bps
Product Gross Margin %	78.2%	83.7%	+545 bps
Operating Expense	\$44.8M	\$48.7M	+9%
Operating Margin	(\$24.3M)	(\$17.6M)	+\$6.7M
Cash Flow from Operations	(\$21.3M)	(\$15.6M)	+\$5.7M
# Customers	170+	260+	+55%

Revenue Mix and Gross Margin with Subscription Growth



■ Subscription & Support ■ Professional Services
■ License

Land and Expand Example – License Customer A



Profile & Initial Purchase

Financial services
company

Customer for 3 years

On-premises deployment



Renewal

Annual renewal of
maintenance



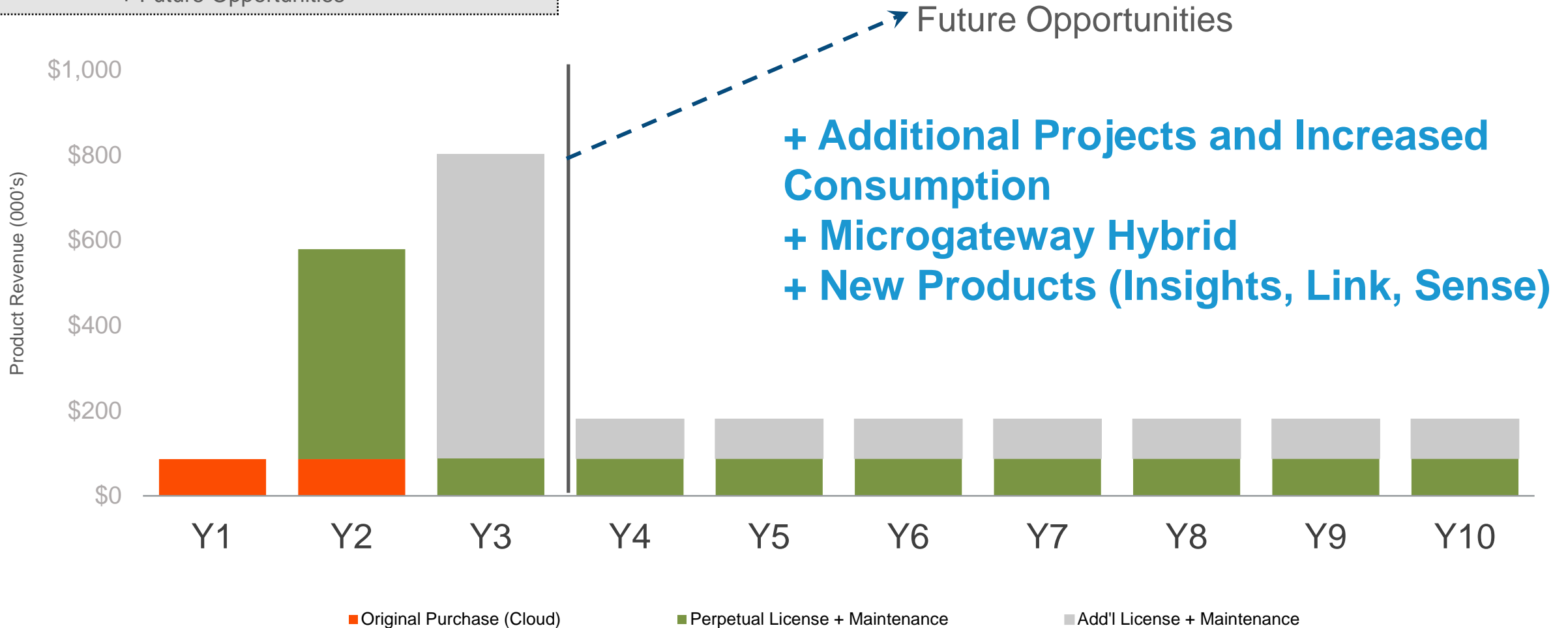
Product

Enterprise on-premises
perpetual

Maintenance

Land and Expand Example – License Customer A

3-Year Revenue	\$1.5M
Expected 10-Year Revenue	\$2.7M
+ Future Opportunities	



Land and Expand Example – Cloud Customer B

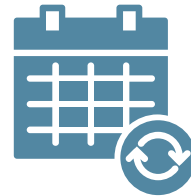


Profile & Initial Purchase

Retail company

Customer for 3 years

Apigee Edge 250 cloud
deployment



Renewal

Annual renewal



Product

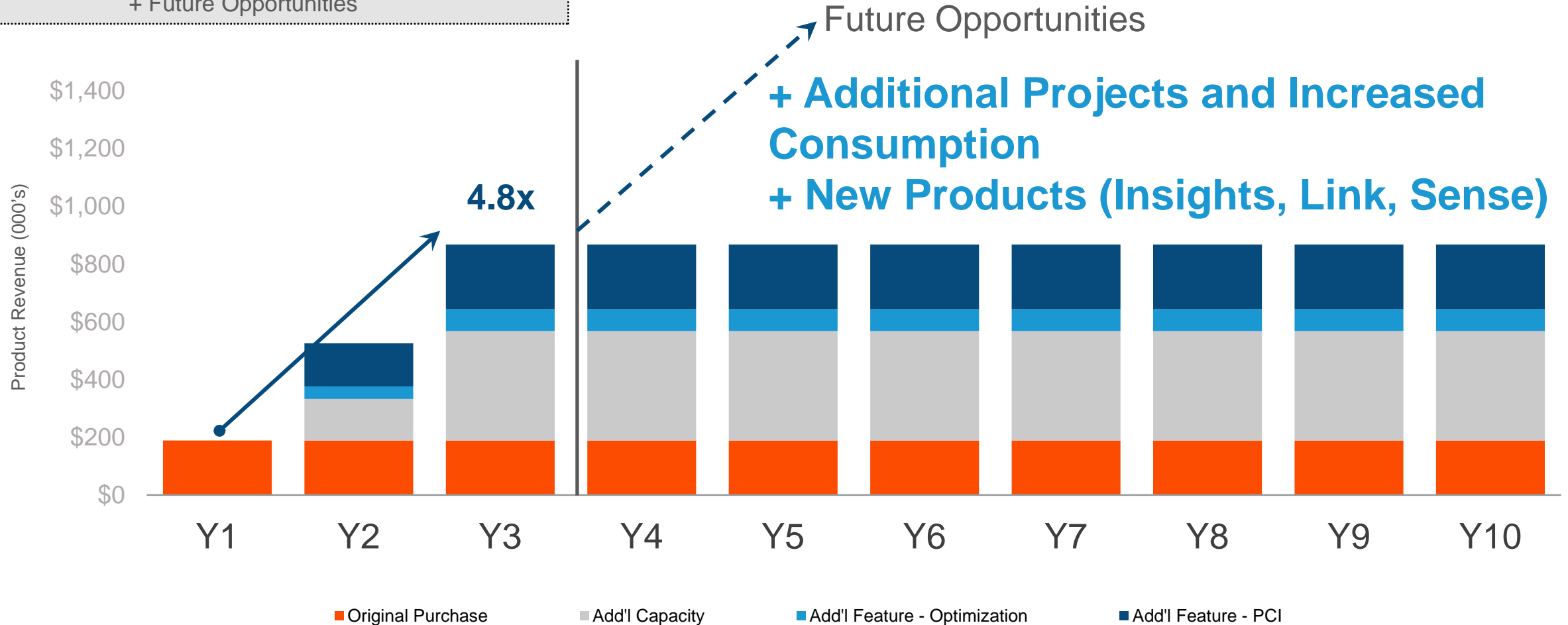
Apigee Edge 250

PCI compliance package

Additional capacity

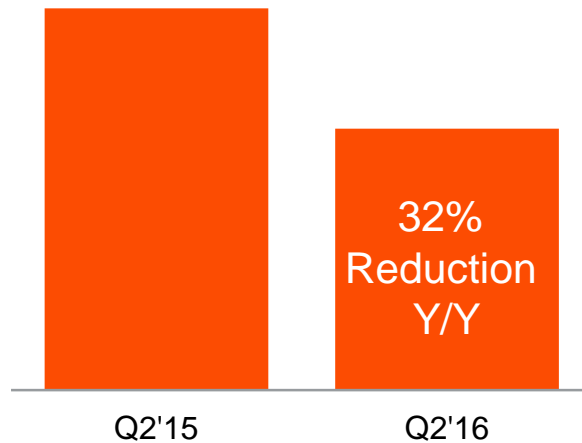
Land and Expand Example – Cloud Customer B

3-Year Revenue	\$1.6M
Expected 10-Year Revenue	\$7.9M
+ Future Opportunities	



Improving Customer Economics (Non-GAAP)

Customer Acquisition Cost*



* Customer acquisition cost is calculated as total S&M expense divided by new product customer additions (excl SMB)

Assumed 10-Year Customer Value (\$000s)

	Cloud	License
ASP**	\$212	\$630 (License) + \$126 (Maintenance)
10-Year Value	\$2,120	\$1,890
Cost of Goods***	\$530	\$315
10-Year Gross Profit	\$1,590	\$1,575
Add'l Opportunities	+ Increased Capacity + New Projects + New Products	+ Increased Capacity + New Projects + New Products

**ASP based on new customers in 1H FY16, 20% Support and Maintenance

***Cost of Goods assumes 75% Subscription & Support Maintenance Gross Margin, and 100% License Gross Margin

Appendix: Gross Billings Calculation

Gross billings	Q2'15	Q2'16	1H'15	1H'16
Total revenue	\$ 17,007	\$ 22,889	\$ 32,615	\$ 43,433
Total deferred revenue, end of period	33,193	45,352	33,193	45,352
Less: Total deferred revenue, beginning of period	<u>(27,368)</u>	<u>(42,531)</u>	<u>(28,190)</u>	<u>(40,801)</u>
Total change in deferred revenue	<u>5,825</u>	<u>2,821</u>	<u>5,003</u>	<u>4,551</u>
Gross billings	<u>\$ 22,833</u>	<u>\$ 25,710</u>	<u>\$ 37,618</u>	<u>\$ 47,984</u>

Product gross billings				
License revenue	\$ 5,106	\$ 8,763	\$ 9,522	\$ 15,603
Subscription and support revenue	<u>7,670</u>	<u>10,977</u>	<u>14,163</u>	<u>20,879</u>
Total product revenue	12,776	19,740	23,685	36,482
Total license, subscription and support deferred revenue, end of period	29,547	36,955	29,547	36,955
Less: Total license, subscription and support deferred revenue, beginning of period	<u>(24,556)</u>	<u>(35,816)</u>	<u>(24,848)</u>	<u>(36,637)</u>
Total change in license, subscription and support deferred revenue	<u>4,991</u>	<u>1,139</u>	<u>4,699</u>	<u>318</u>
Product gross billings	<u>\$ 17,767</u>	<u>\$ 20,879</u>	<u>\$ 28,384</u>	<u>\$ 36,800</u>

Appendix: Gross Billings Calculation

Gross billings	FY2012	FY2013	FY2014	FY2015
Total revenue	\$ 27,607	\$ 43,152	\$ 52,702	\$ 68,607
Total deferred revenue, end of period	17,140	17,124	28,190	40,802
Less: Total deferred revenue, beginning of period	<u>(8,046)</u>	<u>(17,140)</u>	<u>(17,124)</u>	<u>(28,190)</u>
Total change in deferred revenue	9,094	(16)	11,066	12,612
Gross billings	<u>\$ 36,701</u>	<u>\$ 43,136</u>	<u>\$ 63,768</u>	<u>\$ 81,219</u>

Product gross billings				
License revenue		\$ 13,917	\$ 11,411	20,757
Subscription and support revenue		<u>15,243</u>	<u>20,237</u>	<u>30,865</u>
Total product revenue		29,160	31,648	51,622
Total license, subscription and support deferred revenue, end of period		12,503	24,848	36,638
Less: Total license, subscription and support deferred revenue, beginning of period		<u>(12,590)</u>	<u>(12,503)</u>	<u>(24,848)</u>
Total change in license, subscription and support deferred revenue		(87)	12,345	11,790
Product gross billings		<u>\$ 29,073</u>	<u>\$ 43,993</u>	<u>\$ 63,412</u>

Appendix: GAAP to Non-GAAP Reconciliation

Non-GAAP gross profit	FY2014	FY2015	1H'15	1H'16
Gross profit	\$ 24,994	\$ 43,616	\$ 19,947	\$ 30,304
Add: Stock-based compensation expense	157	267	104	267
Add: Amortization of intangible assets	612	908	454	454
Non-GAAP gross profit	<u>\$ 25,763</u>	<u>\$ 44,791</u>	<u>\$ 20,505</u>	<u>\$ 31,025</u>

Non-GAAP gross margin				
Gross margin	47.4%	63.6%	61.2%	69.8%
Add: Stock-based compensation expense	0.3%	0.4%	0.3%	0.6%
Add: Amortization of intangible assets	1.2%	1.3%	1.4%	1.0%
Non-GAAP gross margin	<u>48.9%</u>	<u>65.3%</u>	<u>62.9%</u>	<u>71.4%</u>

Non-GAAP product gross profit				
License gross profit	\$ 11,045	\$ 20,243	\$ 9,265	\$ 15,346
Subscription and support gross profit	8,326	19,803	8,797	14,655
Total product gross profit	19,371	40,046	18,062	30,001
Add: Stock-based compensation expense	24	44	13	71
Add: Amortization of intangible assets	612	908	454	454
Non-GAAP product gross profit	<u>\$ 20,007</u>	<u>\$ 40,998</u>	<u>\$ 18,529</u>	<u>\$ 30,526</u>

Non-GAAP product gross margin				
Product gross margin	61.2%	77.6%	76.3%	82.2%
Add: Stock-based compensation expense	0.1%	0.1%	0.1%	0.2%
Add: Amortization of intangible assets	1.9%	1.8%	1.9%	1.2%
Non-GAAP product gross margin	<u>63.2%</u>	<u>79.4%</u>	<u>78.2%</u>	<u>83.7%</u>

Appendix: GAAP to Non-GAAP Reconciliation

	FY2014	FY2015	1H'15	1H'16
Non-GAAP sales and marketing expense				
GAAP sales and marketing expense	\$ 47,029	\$ 49,250	\$ 25,174	\$ 25,310
Less: Stock-based compensation expense	(1,090)	(777)	(319)	(799)
Less: Amortization of intangible assets	(92)	(58)	(58)	(0)
Non-GAAP sales and marketing expense	\$ 45,847	\$ 48,415	\$ 24,797	\$ 24,511
Non-GAAP research and development expense				
GAAP research and development expense	\$ 22,273	\$ 30,387	\$ 14,385	\$ 18,037
Less: Stock-based compensation expense	(490)	(1,195)	(453)	(1,238)
Less: Amortization of intangible assets	(176)	(176)	(88)	(88)
Non-GAAP research and development expense	\$ 21,607	\$ 29,016	\$ 13,844	\$ 16,711
Non-GAAP general and administrative expense				
GAAP general and administrative expense	\$ 14,415	\$ 13,453	\$ 6,704	\$ 8,398
Less: Stock-based compensation expense	(989)	(1,212)	(571)	(963)
Less: Amortization of intangible assets	-	-	-	-
Non-GAAP general and administrative expense	\$ 13,426	\$ 12,241	\$ 6,133	\$ 7,435
Non-GAAP operating expense				
GAAP operating expense	\$ 83,717	\$ 93,090	\$ 46,263	\$ 51,745
Less: Stock-based compensation expense	(2,569)	(3,184)	(1,343)	(3,000)
Less: Amortization of intangible assets	(268)	(234)	(146)	(88)
Non-GAAP operating expense	\$ 80,879	\$ 89,672	\$ 44,774	\$ 48,657
Non-GAAP operating margin				
GAAP operating margin	\$ (58,723)	\$ (49,474)	\$ (26,316)	\$ (21,441)
Add: Stock-based compensation expense	2,726	3,451	1,447	3,268
Add: Amortization of intangible assets	880	1,142	600	542
Non-GAAP operating margin	\$ (55,117)	\$ (44,881)	\$ (24,269)	\$ (17,631)