
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 29, 2018

Apptio, Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-37885
(Commission File Number)

26-1175252
(IRS Employer
Identification No.)

11100 NE 8th Street, Suite 600

Bellevue, WA
(Address of Principal Executive Offices)

98004
(Zip Code)

Registrant's Telephone Number, Including Area Code: (866) 470-0320

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On October 29, 2018, Apptio, Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended September 30, 2018. A copy of the press release is furnished herewith as Exhibit 99.1.

The information furnished under this Item 2.02 and in the accompanying Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release issued by Apptio, Inc. dated October 29, 2018.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Apptio, Inc.

Date: October 29, 2018

By: /s/ Kurt Shintaffer
Kurt Shintaffer
Chief Financial Officer

Apptio Announces Results for the Third Quarter 2018

Reported Q3 revenue of \$59 million, 26% growth year over year

Bellevue, WA (October 29, 2018) - Apptio, Inc. (NASDAQ:APTI), the business management system of record for hybrid IT, today announced results for the fiscal third quarter ended September 30, 2018.

"Our third quarter highlights include 26% year over year revenue growth and expanding non-GAAP operating income to \$4 million," said Sunny Gupta, co-founder and CEO, Apptio. "We had strong contributions from our strategic segment and continued progress with our upsells, further validating our land and expand strategy. The move toward a digital enterprise, enabled by cloud, is fueling the need for CIOs to adopt Apptio. We are excited about our recent acquisition of FittedCloud, which will add capabilities to our offering in the rapidly expanding Hybrid and Multi-cloud market."

Third Quarter Financial Summary

- Subscription revenue was \$49.6 million, an increase of 26% from the third quarter of 2017, and comprised 84% of total revenue. Services revenue was \$9.6 million, an increase of 27% from the third quarter of 2017. Total revenue was \$59.2 million, an increase of 26% from the third quarter of 2017.
- GAAP gross margin was 69.5%, as compared to the third quarter of 2017 GAAP gross margin of 70.4%. Non-GAAP gross margin of 72.3% improved from non-GAAP gross margin of 71.7% in the third quarter of 2017.
- GAAP operating margin was negative 4.9%, an improvement from GAAP operating margin of negative 8.6% in the third quarter of 2017. Non-GAAP operating margin improved to 7.3%, as compared to non-GAAP operating margin of 0.6% in the third quarter of 2017.
- GAAP net loss per basic and diluted share was \$0.10 based on 44.8 million weighted average shares outstanding, compared to GAAP net loss per basic and diluted share of \$0.10 based on 40.1 million weighted average shares outstanding in the third quarter of 2017.
- Non-GAAP net income per diluted share was \$0.05 based on 49.3 million weighted average shares outstanding, compared to non-GAAP net income per basic and diluted share of \$0.01 based on 43.3 million weighted average shares outstanding in the third quarter of 2017.
- Cash, cash equivalents and marketable securities were approximately \$258.0 million as of September 30, 2018.

Financial Outlook

Apptio provides guidance based on current market conditions and expectations and actual results may differ materially. Please refer to the company's comments below regarding Forward-Looking Statements. Apptio is providing guidance for the fourth quarter ending December 31, 2018 and for the full year 2018 as follows:

Fourth quarter of 2018:

- Total revenue is expected to be in the range of \$61.0 to \$62.0 million
- Non-GAAP operating income of approximately \$1.0 million

Full year 2018:

- Total revenue is expected to be in the range of \$233.3 and \$234.3 million
- Non-GAAP operating income of approximately \$7.4 million

All forward-looking non-GAAP financial measures contained in this section titled "Financial Outlook" exclude the effects of stock-based compensation expense, acquisition-related expenses, and amortization of acquisition related intangible assets. Guidance reflects the contribution from Digital Fuel which we acquired on February 2, 2018 and the impact of the full retrospective adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* on January 1, 2018.

Conference Call Information

Apptio plans to host a conference call today to discuss the results. The call is scheduled to begin at 2:00 p.m. PT/ 5:00 p.m. ET and can be accessed by dialing 844-233-0116 (passcode: 6180216), or if outside North America, by dialing 574-990-1011 (passcode: 6180216). Individuals may also access the live teleconference from the investor relations section of the Apptio website at investors.apptio.com. A replay will be available following completion of the live broadcast.

About Apptio

Apptio (NASDAQ: APTI) is the business management system of record for hybrid IT. We transform the way IT runs its business and makes decisions. With our cloud-based applications, IT leaders manage, plan and optimize their technology investments across on-premises and cloud. With Apptio, IT leaders become strategic partners to the business by demonstrating the value of IT investments, accelerate innovation and shift their technology investments from running the business to digital innovation. Hundreds of customers choose Apptio as their business system of record for hybrid IT. For more information, please visit www.Apptio.com.

Forward-Looking Statements

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding our strategy, prospects, customer demand, application adoption, potential benefits from acquired companies, and our financial outlook for the fourth quarter of, and full year, 2018. Forward-looking statements are subject to risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from the results predicted include, among others, those risks and uncertainties included under the caption "Risk Factors" and elsewhere in our filings with the U.S. Securities and Exchange Commission, including, without limitation, the Form 10-Q filed with the SEC on August 3, 2018. All information provided in this release and in the attachments is as of the date hereof, and we undertake no duty to update this information unless required by law.

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP), we use the following non-GAAP financial measures: non-GAAP gross margin, non-GAAP operating loss, non-GAAP net loss per basic and diluted share, and free cash flow. In computing these measures, with the exception of free cash flow, we exclude the effects of stock-based compensation expense, acquisition-related expenses, and amortization of acquisition-related intangible assets. We define free cash flow as net cash used in operating activities, less the purchases of property and equipment. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and our non-GAAP measures may be different from non-GAAP measures used by other companies.

We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our ongoing core business operating results. We believe

that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when analyzing historical performance and liquidity and planning, forecasting, and analyzing future periods.

For a reconciliation of these non-GAAP financial measures to GAAP measures, please see the tables captioned "Results of Operations GAAP to Non-GAAP Reconciliation" included at the end of this release. We have not reconciled guidance for non-GAAP metrics to their most directly comparable GAAP measures because such items that impact these measures are not within our control or cannot be reasonably predicted.

Apptio, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 *As Adjusted	2018	2017 *As Adjusted
Revenue				
Subscription	\$ 49,610	\$ 39,426	\$ 144,287	\$ 112,860
Professional services	9,613	7,570	28,051	23,292
Total revenue	<u>59,223</u>	<u>46,996</u>	<u>172,338</u>	<u>136,152</u>
Cost of revenue				
Subscription	9,157	7,167	27,777	22,269
Professional services	8,916	6,763	26,925	21,599
Total cost of revenue	<u>18,073</u>	<u>13,930</u>	<u>54,702</u>	<u>43,868</u>
Gross profit	<u>41,150</u>	<u>33,066</u>	<u>117,636</u>	<u>92,284</u>
Operating expenses				
Research and development	12,130	10,139	36,204	30,060
Sales and marketing	23,993	19,792	70,695	60,401
General and administrative	7,905	7,188	25,558	20,342
Total operating expenses	<u>44,028</u>	<u>37,119</u>	<u>132,457</u>	<u>110,803</u>
Loss from operations	<u>(2,878)</u>	<u>(4,053)</u>	<u>(14,821)</u>	<u>(18,519)</u>
Other (expense) income				
Interest expense	(1,897)	(1)	(4,021)	(21)
Interest income	1,126	326	2,375	859
Other income (expense), net	109	(14)	81	(27)
Foreign exchange (loss) gain	(335)	93	(797)	159
Loss before income taxes	<u>(3,875)</u>	<u>(3,649)</u>	<u>(17,183)</u>	<u>(17,549)</u>
Provision for income taxes	(695)	(463)	(783)	(614)
Net loss	<u>\$ (4,570)</u>	<u>\$ (4,112)</u>	<u>\$ (17,966)</u>	<u>\$ (18,163)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.10)</u>	<u>\$ (0.41)</u>	<u>\$ (0.46)</u>
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	<u>44,785</u>	<u>40,120</u>	<u>43,830</u>	<u>39,240</u>

*As adjusted for the three and nine months ended September 30, 2017 to reflect the adoption of Accounting Standards Update, ASU, No. 2014-09, Revenue from Contracts with Customers (Topic 606).

Apptio, Inc.
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u> <u>*As Adjusted</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 177,677	\$ 55,069
Short-term investments	77,495	93,901
Accounts receivable, net of allowance for doubtful accounts of \$839 and \$413	66,485	68,782
Deferred costs	14,252	11,898
Prepaid expenses and other current assets	5,078	5,079
Total current assets	340,987	234,729
Long-term assets		
Property and equipment, net of accumulated depreciation and amortization of \$25,394 and \$21,924	10,592	10,437
Long-term investments	2,837	--
Deferred costs, net of current portion	18,779	17,182
Acquisition-related intangible assets, net	18,112	--
Goodwill	31,004	--
Other long-term assets	951	983
Total assets	\$ 423,262	\$ 263,331
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 8,492	\$ 5,598
Accrued payroll and other expenses	19,816	16,481
Deferred revenue	118,242	116,831
Deferred rent	1,000	892
Capital leases	25	21
Total current liabilities	147,575	139,823
Long-term liabilities		
Convertible senior notes, net	109,772	--
Deferred revenue, net of current portion	5,919	2,470
Deferred rent, net of current portion	2,996	3,483
Capital leases, net of current portion	103	26
Asset retirement obligation	222	199
Total liabilities	266,587	146,001
Stockholders' equity		
Class A and Class B Common stock	5	4
Additional paid-in capital	371,491	314,301
Accumulated other comprehensive income (loss)	10	(110)
Accumulated deficit	(214,831)	(196,865)
Total stockholders' equity	156,675	117,330
Total liabilities and stockholders' equity	\$ 423,262	\$ 263,331

*As adjusted for the year ended December 31, 2017 to reflect the adoption of Accounting Standards Update, ASU, No. 2014-09, Revenue from Contracts with Customers (Topic 606).

Apptio, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 *As Adjusted	2018	2017 *As Adjusted
Cash flows from operating activities				
Net loss	\$ (4,570)	\$ (4,112)	\$ (17,966)	\$ (18,163)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities				
Depreciation and amortization	1,316	1,575	4,000	4,657
(Accretion of discounts)/amortization of premiums on investments	(280)	5	(517)	59
Amortization of acquisition-related intangible assets	896	--	2,388	--
Amortization of deferred costs	4,272	3,477	12,222	10,093
Amortization of debt discount and issuance costs	1,588	--	3,362	18
(Gain) loss on disposal of property and equipment	(38)	11	9	7
Stock-based compensation	6,155	4,357	16,686	11,667
Foreign exchange loss (gain)	335	(93)	797	(159)
Change in operating assets and liabilities, net of impact of business combination				
Accounts receivable	(7,522)	4,696	7,986	12,026
Prepaid expenses and other assets	(682)	1,779	(593)	3,260
Deferred costs	(5,448)	(4,529)	(13,611)	(10,648)
Accounts payable	265	(402)	1,104	635
Accrued expenses	3,765	(298)	2,437	(2,025)
Deferred revenue	(197)	2,892	(9,871)	72
Deferred rent	(148)	(198)	(594)	(596)
Net cash (used in) provided by operating activities	(293)	9,160	7,839	10,903
Cash flows from investing activities				
Business combination, net of cash acquired	--	--	(39,041)	--
Purchases of property and equipment	(842)	(601)	(2,238)	(2,837)
Proceeds from sale of equipment	38	2	38	11
Proceeds from maturities of investments	34,400	15,375	115,950	35,075
Purchases of investments	(34,567)	(37,298)	(101,785)	(66,196)
Return of (payments for) security deposits	3	6	53	(23)
Net cash used in investing activities	(968)	(22,516)	(27,023)	(33,970)
Cash flows from financing activities				
Proceeds from borrowings on convertible notes, net of discounts and issuance costs	--	--	139,438	--
Purchase of capped calls	--	--	(17,092)	--
Proceeds from exercises of common stock options	4,090	3,453	18,032	8,948
Payment of debt issuance fees	(4)	--	(469)	--
Proceeds from purchases of stock under employee stock purchase plan	--	--	2,391	2,251
Payment of initial public offering costs	--	--	--	(243)
Principal payments on capital lease obligations	(7)	(11)	(20)	(32)
Net cash provided by financing activities	4,079	3,442	142,280	10,924
Foreign currency effect on cash, cash equivalents and restricted cash	(135)	(641)	(488)	(585)
Net increase (decrease) in cash, cash equivalents and restricted cash	2,683	(10,555)	122,608	(12,728)
Cash, cash equivalents and restricted cash				
Beginning of period	174,994	39,834	55,069	42,007
End of period	<u>\$ 177,677</u>	<u>\$ 29,279</u>	<u>\$ 177,677</u>	<u>\$ 29,279</u>

*As adjusted for the three and nine months ended September 30, 2017 to reflect the adoption of Accounting Standards Update, ASU, No. 2014-09, Revenue from Contracts with Customers (Topic 606).

Apptio, Inc.
Results of Operations GAAP to Non-GAAP Reconciliation
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
		*As Adjusted		*As Adjusted
Revenue				
Subscription	\$ 49,610	\$ 39,426	\$ 144,287	\$ 112,860
Professional services	9,613	7,570	28,051	23,292
Total revenue	<u>59,223</u>	<u>46,996</u>	<u>172,338</u>	<u>136,152</u>
Cost of revenue reconciliation:				
GAAP subscription	9,157	7,167	27,777	22,269
Non-GAAP adjustment:				
Stock-based compensation	(286)	(330)	(894)	(927)
Amortization of acquisition-related intangible assets	(896)	--	(2,388)	--
Non-GAAP subscription cost of revenue	<u>7,975</u>	<u>6,837</u>	<u>24,495</u>	<u>21,342</u>
GAAP professional services	8,916	6,763	26,925	21,599
Non-GAAP adjustment:				
Stock-based compensation	(507)	(294)	(1,314)	(842)
Non-GAAP professional services cost of revenue	<u>\$ 8,409</u>	<u>\$ 6,469</u>	<u>\$ 25,611</u>	<u>\$ 20,757</u>
Gross profit and gross margin reconciliation:				
GAAP subscription gross profit	\$ 40,453	\$ 32,259	\$ 116,510	\$ 90,591
Non-GAAP adjustment:				
Stock-based compensation	286	330	894	927
Amortization of acquisition-related intangible assets	896	--	2,388	--
Non-GAAP subscription gross profit	<u>41,635</u>	<u>32,589</u>	<u>119,792</u>	<u>91,518</u>
GAAP subscription gross margin	81.5%	81.8%	80.7%	80.3%
Non-GAAP subscription gross margin	83.9%	82.7%	83.0%	81.1%
GAAP professional services gross profit	697	807	1,126	1,693
Non-GAAP adjustment:				
Stock-based compensation	507	294	1,314	842
Non-GAAP professional services gross profit	<u>1,204</u>	<u>1,101</u>	<u>2,440</u>	<u>2,535</u>
GAAP professional services gross margin	7.3%	10.7%	4.0%	7.3%
Non-GAAP professional services gross margin	12.5%	14.5%	8.7%	10.9%
GAAP gross profit	41,150	33,066	117,636	92,284
Non-GAAP adjustment:				
Stock-based compensation	793	624	2,208	1,769
Amortization of acquisition-related intangible assets	896	--	2,388	--
Non-GAAP gross profit	<u>\$ 42,839</u>	<u>\$ 33,690</u>	<u>\$ 122,232</u>	<u>\$ 94,053</u>
GAAP gross margin	69.5%	70.4%	68.3%	67.8%
Non-GAAP gross margin	72.3%	71.7%	70.9%	69.1%
Operating expenses reconciliation:				
GAAP research and development	\$ 12,130	\$ 10,139	\$ 36,204	\$ 30,060
Non-GAAP adjustment:				
Stock-based compensation	(1,516)	(1,179)	(4,308)	(3,332)
Non-GAAP research and development	<u>10,614</u>	<u>8,960</u>	<u>31,896</u>	<u>26,728</u>
As a % of total revenue, non-GAAP	17.9%	19.1%	18.5%	19.6%
GAAP sales and marketing	23,993	19,792	70,695	60,401
Non-GAAP adjustment:				
Stock-based compensation	(2,050)	(1,239)	(5,186)	(3,316)
Non-GAAP sales and marketing	<u>21,943</u>	<u>18,553</u>	<u>65,509</u>	<u>57,085</u>
As a % of total revenue, non-GAAP	37.1%	39.5%	38.0%	41.9%

GAAP General and administrative	7,905	7,188	25,558	20,342
Non-GAAP adjustment:				
Stock-based compensation	(1,796)	(1,315)	(4,984)	(3,250)
Acquisition-related expenses and purchase accounting adjustment	<u>(160)</u>	<u>--</u>	<u>(2,109)</u>	<u>--</u>
Non-GAAP general and administrative	<u>5,949</u>	<u>5,873</u>	<u>18,465</u>	<u>17,092</u>
As a % of total revenue, non-GAAP	10.0%	12.5%	10.7%	12.6%
Loss from operations reconciliation:				
GAAP loss from operations	(2,878)	(4,053)	(14,821)	(18,519)
Non-GAAP adjustment:				
Stock-based compensation	6,155	4,357	16,686	11,667
Acquisition-related expenses and purchase accounting adjustment	160	--	2,109	--
Amortization of acquisition-related intangible assets	<u>896</u>	<u>--</u>	<u>2,388</u>	<u>--</u>
Non-GAAP income (loss) from operations	<u>\$ 4,333</u>	<u>\$ 304</u>	<u>\$ 6,362</u>	<u>\$ (6,852)</u>
Loss from operations as a percentage of revenue:				
GAAP loss from operations	(4.9%)	(8.6%)	(8.6%)	(13.6%)
Non-GAAP income (loss) from operations	7.3%	0.6%	3.7%	(5.0%)
Net income (loss) reconciliation:				
GAAP	\$ (4,570)	\$ (4,112)	\$ (17,966)	\$ (18,163)
Non-GAAP adjustment:				
Stock-based compensation	6,155	4,357	16,686	11,667
Acquisition-related expenses and purchase accounting adjustment	160	--	2,109	--
Amortization of acquisition-related intangible assets	<u>896</u>	<u>--</u>	<u>2,388</u>	<u>--</u>
Non-GAAP Net income (loss)	<u>\$ 2,641</u>	<u>\$ 245</u>	<u>\$ 3,217</u>	<u>\$ (6,496)</u>
Weighted-average shares used in Non-GAAP basic net income (loss) per share	44,785	40,120	43,830	39,240
Effect of potentially dilutive shares	<u>4,493</u>	<u>3,161</u>	<u>4,573</u>	<u>--</u>
Weighted-average shares used in Non-GAAP diluted net income (loss) per share	<u>49,278</u>	<u>43,281</u>	<u>48,403</u>	<u>39,240</u>
Non-GAAP net income (loss) per share:				
Basic	\$ 0.06	\$ 0.01	\$ 0.07	\$ (0.17)
Diluted	\$ 0.05	\$ 0.01	\$ 0.07	\$ (0.17)

*As adjusted for the three and nine months ended September 30, 2017 to reflect the adoption of Accounting Standards Update, ASU, No. 2014-09, Revenue from Contracts with Customers (Topic 606).

Apptio, Inc.
Free Cash Flow Non-GAAP Reconciliation
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
		*As Adjusted		*As Adjusted
Net cash (used in) provided by operating activities	\$ (293)	\$ 9,160	\$ 7,839	\$ 10,903
Less: purchases of property and equipment	(842)	(601)	(2,238)	(2,837)
Free cash flow	\$ (1,135)	\$ 8,559	\$ 5,601	\$ 8,066

*As adjusted for the three and nine months ended September 30, 2017 to reflect the adoption of Accounting Standards Update, ASU, No. 2014-09, Revenue from Contracts with Customers (Topic 606).

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