Presenter Speech

Ryan Schaffer (Executives)

Hello, everyone. Welcome to the Q4 and Fiscal Year 2022 Expensify Earnings Call. Our CEO, David Barrett, couldn't be here today, he had a personal emergency come up last minute, but the show must go on. So I'm Ryan Schaffer, Chief Financial Officer for Expensify. We also have our Chief Operating Officer, Anu on the line. We're going to be taking you through the call today.

And without further ado, we're going to hand it over to Anu, who's going to take us through the legal disclosures.

Presenter Speech

Anuradha Muralidharan (Executives)

Good afternoon, everyone. So disclaimer. Before we begin, please note that all of the information presented on today's call is unaudited. And during the course of this call, management may make forward-looking statements within the meaning of the federal securities laws. These statements are based on management's current expectations and beliefs and involve risks and uncertainties that could cause actual results to differ materially from those described in these forward-looking statements.

Forward-looking statements in the earnings release that we issued today, along with the comments on this call, are made only as of today and will not be updated as actual events unfold. Please refer to today's press release and our filings with the SEC for a detailed discussion of the risks that could cause actual results to differ materially from those expressed or implied in any forward-looking statements made today.

Please also note that on today's call, management will refer to certain non-GAAP financial measures. While we believe these non-GAAP financial measures provide useful information for investors, the presentation of this information is not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. Please refer to today's press release or the investor presentation for a reconciliation of these non-GAAP financial measures to their most comparable GAAP measures.

That out of the way, next slide, I'm very happy to be here to remind you guys about Expensify's long-term strategy and why you should believe in this company. Next slide. There are 3 secrets to our long-term success. And you've heard all this before, but it bears mention again. The first is the market is enormous and largely untapped. There are far more small businesses and far more employees that work at small businesses out there than there are enterprise companies. And most of them do not use any kind of product today for expense management, so it's largely greenfield.

Second is we have a very unique bottom-up acquisition model. And why that's interesting or bears mention is because this unique bottom-up acquisition model is really primed to take this enormous untapped largely, small and medium business market opportunity, and we'll talk about that really briefly further down as well. And last but not the least, there is no dearth of ambition at Expensify. We have our sights set on 1 billion user platform opportunity, and we are here for the long haul, and we hope you will come with us.

Next slide. So really briefly, why is the market opportunity so huge? And you've seen this over and over again, but again, just reminding you that there are far more small businesses and employees that work at small businesses, all over the world. And way -- and if you add them all up together, by measures of -- by a huge measure outpace enterprise companies and their employees. But it's just that the market is huge in the small and medium business space, it's also that it's largely greenfield. They're not using any kind of tool today. They are using Excel and manual processes. And what you really just need to do is convince them that using Expensify is a better use of their time and resources.

But the challenge is most of the market, all of our competition is operating with a top-down sales-driven acquisition model. What this means is if they try to go to market and pick off one small business after another in order to acquire them, they can't do it -- scalably, they can do it. Profitably, it just doesn't work.

Next slide. And this is where our acquisition model comes in. So we have a bottom-up acquisition model. And why is that interesting? We market a very consumer-grade product to end users who are employees. These employees have a very real pain point that none of the other competitor applications out there are targeting or trying to solve. What this means is we make the employees life better for free and they can adopt us without asking their company for permission. And this motivates them to talk about us to their colleagues, it motivates them to talk about us to their managers and sell us up into their company, and that's how we grow. We grow bottom up.

So we have this very scalable, very profitable business model that can use word-of-mouth and viral lead-gen to pick off small business after small business in a manner that we can acquire this large untapped market opportunity over time.

Next slide. So to recap, we are one of the few free applications out there that is consumer grade and can be sold to employees who can adopt us without asking their companies for permission. But then once we are sold up into the company, as that company grows, we have enterprise scale and we have global reach. So we can continue to scale with that growing company, and they never need to leave us, and we can retain them forever. And combined the fact that we free consumer grade, but we have enterprise reach and global scale is why you should believe in us.

Next slide. So you've seen this slide many times at all, but I just want to remind you that this is our road map. And largely, the only thing that's changed here over time, like since we went public is the fact that more and more of these features have gone from gray, which means it's in development, to green, which means it's in beta to blue, which means it's launched.

So the way to read this slide is go left to right and everything that is on the far left are consumer-grade viral lead-gen features and helps us sort of continue to grow user base as on the free product. And then as you go right, you see more and more enterprise-grade features. And taken together, this allows us to hit the market really hard, acquire them profitably and then keep on growing with them such that we can build on our transactional and subscription revenue with companies as they keep growing as well.

So that's a recap on business strategy and why we are who we are and why our business is built for the long haul. With that said, I'm going to hand it back to Ryan.

Presenter Speech

Ryan Schaffer (Executives)

Great. Thank you, Anu. So let's talk about some 2022 highlights. We had strong growth despite some tough headwinds. So Expensify remains resolute despite the economy. As everyone knows, if you're watching the headlines, a lot of companies are laying off employees. Some companies are pivoting. They're changing their business model, their go-to-market. At Expensify, we are steadfast in an economic storm. We're hiring. We've been hiring the entire time since pandemic. We continue to hire.

We're generating a lot of excess cash at $1.2 million in revenue per employee, which is quite high. We're also just focused on the future. We're still executing the same plan. We're not changing. If the economy gets shaky, we don't need to pivot into something completely different. We just keep moving forward. And as you know, we've been buying back shares as well.

So some of the things that we did in 2022 that we want to talk about is that we spend a lot of energy supercharging the accounting channel. And people always ask, okay, why accountings? Why accounting firms? Why SMB accounting firms. So one thing that's important to note is even a small accounting firm is an enterprise-size opportunity. Each firm has dozens of accountants. Each accountant has dozens of SMB clients. Each of the SMB clients has multiple employees, in some cases, a lot of employees. So when you add up all the employees managed by -- all the customers of the accounting firm managed by all the accountants, even a small firm can be a very large revenue opportunity for us.

Some things we did to help supercharge the accounting channel is we announce the Expensify CPA Card with account-specific perks. We have assigned partner managers to the 500 largest partner firms which is over half of all of our partner revenue, which is now overseen by a partner manager. And we've announced ExpensiCon 3, where we're bringing together 100 of the top minds in accounting. And you may have seen our announcement that we're going to have headline speaker, George Clooney. So we're very excited about that. The previous 2 ExpensiCons have been very successful for us, and we're excited for ExpensiCon 3 and to meet Mr. Clooney.

Now let's talk about how we've supercharged our sales efforts. So we have scaled our account managers so that nearly all revenue is now overseen by an account manager. We've added onboarding phone support. So all customers that want to talk to someone through the onboarding process can get a response within 2 minutes or less and be on the phone with them very quickly.

Previously, most customers did self-service. And if you wanted to call, you kind of had to be a larger customer. At this point, anyone that wants to get on the phone can get on the phone, and they can get on the phone quickly, which has been a great development for us.

We've also created an outbound SDR program. This is something that didn't exist at all, and now we've built that. So it's kind of 0 to 1-type of function, and we're working with the multiple vendors to scale that SDR program efficiently.

And this is -- this might be new to some people, but we're also supercharging what we call our contributor community. So we talked a lot about Expensify Chat, and it's this new platform we're building, and we're building it on programming language called React Native. And we made the very exciting decision to open source that, which means external engineers can work on Expensify Chat. And what we've done is something very unique is that we are paying these open source contributors normally and open source, it's just fall into your work.

So we have -- it's transformed how we work. So our internal engineers, which are incredible, incredible people, they will design a feature, break it out in a little pieces. They post those pieces into Upwork. And then very quickly within minutes, we'll have 5, 10 proposals and then our engineers then project manage all these contributors working together and they're able to ship features much more quickly, much more efficiently. And we think it's pretty unique. It's not really done by many people and certainly not in a paid manner like we're doing.

So this is we think, over the long term, going to be a very competitive advantage for us. And we have -- we currently have hundreds of React Native engineers using our -- are active in our contributor community. And in 2022, we paid out over $1 million to those engineers. And if you're a React Native engineer listening to this, we'd love to work with you. So check it out.

All right. So now let's get to 2022 and Q4 financial performance. We had a great year. In '22, we did $169.5 million in revenue. Our year-on-year revenue growth was 19%. On the Expensify Card, the gross interchange was $6.8 million, and the growth on the Expensify Card was 118%. And just a reminder, that interchange is not included in that revenue number.

We also generate a lot of cash. Our operating cash flow was $32.9 million. Our free cash flow was $26.3 million. We break out free cash flow from operating cash flow because we do hold on to some customer funds, and that's not really our money. We're just holding it and it's basically in transit. So if we want to talk about the money that we actually generated, it's -- that free cash flow number, the $26.3 million.

On a GAAP basis, we had a net loss of $27 million. And we've talked about this before. That is primarily driven by stock-based comp. And that stock-based comp is primarily driven by a pre-IPO program we did that went effective on the IPO. And we get questions about this because the stock-based comp is quite high. You value a grant based on the value of the stock at the day of grant. So at that day of grant, it was $42 a share. So every share at best is we recorded $42 expense. So it is significantly higher than what the stock is right now, which can make the stock-based comp maybe look higher than what you're expecting. But as we've discussed in the past, the stock-based comp is decreasing over time. If you look at the earnings release, we have a forecast on how that is decreasing over time.

Now if you take out stock-based comp, we have a non-GAAP net income of $25.3 million and adjusted EBITDA of $42.5 million, which are very healthy numbers. So we're very proud of our performance in '22.

Now let's talk about Q4. Q4 revenue was $43.5 million. Our paid -- average paid members were 779,000. The card, we had gross interchange of 2 million with interchange growth year-on-year of 91%. We generated a lot of cash in Q4, too. It's kind of a theme with us. Our operating cash flow was $6.6 million, and our free cash flow was $6 million.

In Q4, our GAAP net loss was $3.4 million. Again, this is driven primarily by the stock-based comp, which is driven by the grant that we discussed. And for the quarter, it was about $10 million. So when you take out the stock-based comp, our non-GAAP net income is $7.1 million and adjusted EBITDA of $11.2 million.

So as you might recall, we are currently not giving guidance, but we are giving information on the month that has happened thus far. In the past, we've disclosed that and we're disclosing it here. One thing we've discussed in the past is that we have 2 types of users. And we've talked about this, but I get a lot of questions on this in the calls. So I want to make sure that we all understand.

We have subscription-based users who are locked in for 12 months. They pay every month for 12 months. And then we have pay-per-use users, which are activity based. So if they use it one month, they pay. If they didn't use it the next, they don't pay. Since the -- and they pay a higher price. Since the pandemic, we have seen the percentage of pay-per-use users as a percentage of all users increased substantially to about 35% of all users, which is higher than it's ever been, which has introduced a level of volatility in the revenue that we haven't seen before. And we've discussed this on the last call.

I've actually highlighted the last 3 Januaries on this chart in yellow and you'll see that volatility kind of show up. We usually have a good Q4. And then in January, we see a drop in that pay-per-use, but it's not a sustained permanent drop, it recovers quite quickly. So in January, we are seeing that kind of -- that seasonality, that drop in pay-per-use users. It's not a drop in subscription. It's not a big churn off of customers. It's just a decrease in pay-per-use, which we don't expect to be long term, just some seasonality that we do see.

So this is -- we are working on increasing the percentage of users as -- on subscription as a percentage of all users because that will reduce the volatility. So we started working on this push for annual subscriptions in Q4, and I'm happy to report that we've already had some signs of early success. So in Q4, new users are trending more towards annual subscriptions versus pay-per-use. In previous quarters, if you look at new users, there were more -- we're adding more pay-per-use users than subscription. In Q4, we've reversed that trend. So I do think that we've started to see success in our efforts, and we expect that success to continue throughout 2023.

And we are increasing subscription through a number of different ways. Our sales team is now focused on subscription instead of pay-per-use. Previously, the sales team, they were just focused on getting users and that we didn't really care if they're subscription or pay-per-use. Now they're solely focused on subscription. Similarly, our account managers are also focused on converting customers with pay-per-use users to subscription and they're prioritizing the customers that have the highest percentage of their employees on pay-per-use and working on getting those over to subscription.

So the volatility is great when it goes up, sometimes it goes down, so that -- and we would like to decrease the volatility in the revenue that we've been seeing. So the good news is that this isn't an impossible problem. It's very easy to solve, move them over subscription. We know how to do it. We have started doing it. It is showing success. So we think this volatility is a temporary issue that is easy to solve. It's just going to take some time to solve it, and we're already seeing progress.

To summarize, in '22, we had a steadfast performance in uncertain times. We had strong free cash flow, and we were profitable on an adjusted EBITDA basis and free cash flow. Our paid members continue to grow. The Expensify Card is up nearly 120% from last year and we have an exciting product road map that opens up more use cases among our customers.

Now we'll turn it over to Anu for Q&A. But before I hand it over to her, I wanted to highlight that, we are now hosting a frequently asked questions in FAQ on our Investor Relations page. We get a lot of e-mails from investors, institutional and retail, to investors@expensify.com. And a lot of them are the same questions. So we're going to just start posting those questions on that page with answers. So if you have questions for us, please e-mail investors@expensify.com. We will post your answers and -- sorry, your questions and our answers on that page, and we'll be updating that throughout the quarter. So that's a great page to check out if you're curious about Expensify and you have questions, maybe we didn't answer in this call.

So Anu, if you want to kick off the Q&A.

Answer

Anuradha Muralidharan (Executives)

Amazing. So first up, we have Koji from Bank of America.

Question

Koji Ikeda (Analysts)

Can you hear me okay? Can you guys hear me okay? .

Answer

Ryan Schaffer (Executives)

Yes, Koji.

Question

Koji Ikeda (Analysts)

I know you guys are not specifically guiding to 2023. But I wanted to ask you a question on margins, specifically adjusted EBITDA. I mean you finished kind of about a 25% EBITDA level -- margin level. So I just -- is there anything to call out that would make that adjusted EBITDA margin level swing meaningfully to the upward downside from that level this year?

Answer

Ryan Schaffer (Executives)

So the -- our adjusted EBITDA is heavily influenced by our sales and marketing spend. And we have decreased the amount we are spending on marketing but increased the amount we spend on sales. But the overall level is probably going to be pretty consistent throughout the year. So I wouldn't expect a huge shift, but if there's a change, we'll definitely let everyone know.

Question

Koji Ikeda (Analysts)

Got it. Got it. Okay. Cool. And then just a second question for me. Thinking about the share buybacks. Could you remind us how much is left on the share buyback program from here? And if you run out of that share buyback program, are you thinking about maybe potentially expanding it or introducing a new one?

Answer

Ryan Schaffer (Executives)

Great question. So we did about -- we did $10 million and then we did an additional, I think, $2 million. So we're at $12 million, so we have about $38 million out of that $50 million authorized. And the idea was just to authorize enough shares for a year or 2, 3 and then when we use that up, make another evaluation. So we do intend to use that and we'll -- I have nothing to announce now, but when we use that, we'll let you know if we're reauthorizing more, I mean at this point, I expect that we would, but we'll be sure to let you know.

Answer

Anuradha Muralidharan (Executives)

Next up, we have Raquel from JPMorgan, please.

Answer

Ryan Schaffer (Executives)

Raquel, are you there?

Answer

Anuradha Muralidharan (Executives)

Okay, we'll circle back to her. Let's go to George at Citi.

Answer

Ryan Schaffer (Executives)

George?

Answer

Anuradha Muralidharan (Executives)

Okay. Hopefully, this is not a technical glitch, but let's try Mauro with Piper Sandler.

Question

Mauro Molina (Analysts)

So I just have a couple of questions. First one is around the progress getting customers to go from pay-per-use to subscription. Have you seen any pushback from customers on that as you've sort of ramped up efforts to get that shift to happen? And then the second thing is, is there a target mix of pay-per-use that you're thinking about either for 2023 or for the longer term?

And the reason I ask that is because I imagine you'd still want to take advantage of the potential upside you could see from pay-per-use use once customer activity does improve.

Answer

Ryan Schaffer (Executives)

Yes. Great questions. So no, we don't really see a lot of pushback. Actually, what we find is most customers didn't realize that they were -- they had so much pay-per-use, and they're happy to increase the subscription. It's more kind of letting them know. Expensify is not very expensive, and it's no one's job to micro manage your Expensify bill. So a lot of times, people they -- when they sign up, let's say they do 50 subscription and then a year or 2 years later, maybe they have another 50 pay-per-use use, and they just haven't thought about it since they originally signed up.

So -- and there hasn't been a lot of pushback. And in terms of -- in idealness, I think that's pretty hard to say. Historically, it was -- it's been around 20%. So I think that's kind of where we're initially shooting for. But you're absolutely right that we love having the pay-per-use because if a customer wants to grow superfast and shoot up or they want the flexibility, that's definitely an option for them. We never want to get in their way or create friction. So we do like having the pay-per-use, but we want to obviously have as many subscriptions as we can. So I think this is -- it got a little bit out of balance, and we're just kind of generally pushing it back into balance.

Question

Mauro Molina (Analysts)

Okay. Got it. And then just one last thing for me. Can you remind us what your industry exposure looks like today, particularly as it relates to companies in the software vertical? .

Answer

Ryan Schaffer (Executives)

So can you say the first part of your question again, is a little fine?

Question

Mauro Molina (Analysts)

Yes. So just trying to get a reminder on what your industry exposure looks like and maybe a percentage of revenue?

Answer

Ryan Schaffer (Executives)

Great. So we have an extremely diversified customer base. We have no customer that represents even 1% of revenue. We are certainly very popular in some industries, technology, media, nonprofits, stuff like that. But I think different from some other people in our space is we are diversified, not just within industries, but also geographically.

So we're not just coastal. It's not like all of our customers are just crypto companies. We're not a start-up just selling to other start-ups. We have a lot of mom-and-pops and small businesses across the entire United States and Australia, U.K., Canada, around the world. So I'd say we're very well diversified. There are some -- I wouldn't say there's like one major industry that we make all our revenue from.

Answer

Anuradha Muralidharan (Executives)

Cool. Going to the next person, Daniel from BMO, please.

Question

Daniel Jester (Analysts)

Great. So I want to go back to the pay-per-user comment, the 35% of the customer base that's pay-per-use. If you track those pay-per-use customers over time, what percentage of them actually pay you more than their subscription fee would be if they convert it? So I guess I'm just understanding -- I want to understand like how many of these are like onetime users or how many have been on the platform for a long time and just spend and spend and spend more so than they would have on the subscription?

Answer

Ryan Schaffer (Executives)

Okay. It's a great question. So the way the math works out. Pay-per-use actually is twice the rate of subscription or said another way, you get a 50% discount for going on subscription versus pay-per-use use. So you're right, if someone is active on pay-per-use for 12 months out of the year, they end up paying us more. But what we see is that they're actually -- the breakeven point is 6 months, and we see that they're active, in general, less than 6 months. So if we try to bond right now that I can push that would convert all pay-per-use to subscription, I would definitely push that because that represents more annual revenue from us -- for us. But -- so we would prefer to have them on subscription.

I don't think -- to go back to the previous question, I don't think that goal is to get it to 0% and customers do like the flexibility that it provides. But we think it's probably too high right now and we're thinking 20% is probably a better place for us to be in terms of revenue volatility and all that.

Answer

Anuradha Muralidharan (Executives)

And part of the dynamic here is also what Ryan touched on earlier, like, because the number or actual price is quite low, companies, as they keep growing don't really look at their bill or review their bill or review their total spend because it's actually materially not significant to their spend overall. So what happens is somebody like, I don't know, just to throw out a number like, Instagram, as a company started off really small, is paying us, never really increases their subscription size, continues on and on and on, growing to a much bigger company.

And what we're trying to prevent is that one day they open up their bill and think that they're paying Expensify too much, like we want to take care of them. So if it looks like they're just actually committed users in that they stick around for more than 6 months, and it would work out better for the company to go to annual. It benefits both Expensify and the company to make them go to annual and that's really how we approach it. Like it's as much a retention tool as it improves our financial volatility.

Answer

Ryan Schaffer (Executives)

It's a great answer.

Question

Daniel Jester (Analysts)

Great. That's really helpful. And then you mentioned a little bit about sort of the importance of freelancers and the workflow. Just maybe could you expand a little bit on that? I've noticed maybe in terms of like per job expense, it feels like that might be going up. Is that because it's getting harder to attract freelances or because the skill set you need is higher? Like just help us think about like what that spending could look like in the year ahead, given the importance of both getting the chat out but also doing it in a cost-efficient manner?

Answer

Ryan Schaffer (Executives)

So -- go ahead, Anu.

Answer

Anuradha Muralidharan (Executives)

Sorry, I was just wondering, when you say the cost per job is going up, like what do you mean for us, like something in our financial statement?

Question

Daniel Jester (Analysts)

Yes. I mean I just -- sort of like I track the jobs that you post, and it feels like sometimes in the last 4 months, the amount that you have to like post the job for seems like it's higher than it has been in the past. And so what is driving that and how concerning is that from a cost perspective for you?

Answer

Anuradha Muralidharan (Executives)

It's a great question. Actually, that's not of concern at all, but I'll tell you why. The reason we increased the amount that we pay for a job is if that job has been sitting out there for a certain period of time. And I think Ryan was talking about this when he was presenting the specific use cases, like when you post a job, there is so much hungry talent out there that I have literally posted a job, and I haven't even moved off of the page and I see 4 proposals come in.

So there's a lot of supply that is soaking up the demand. So when a job sits out there with no proposals, it's not because there is no engineer out there that can -- like it's not a bandwidth issue. It's more that the job itself is actually too complicated. So the vast majority of people are like, "I don't know how to fix this." So they avoid that job and go to other jobs. So when we increase the price, it's because it's been sitting out there and it sits out there because it is actually a more complicated bug or more complicated task. So the increase really just like kind of brings us on par with now we need a type of engineer that has more experience, more talent. And so it kind of just pays for the time, and it scales nicely. So we only increase it when that happens, sits out there for a while. And then it keeps on doing that.

At some point, increasing it doesn't make any sense, and we pull it internal. And we use that as a gauge sort of like we do the first, second responders, like if the question is tougher, it goes to the higher skilled person, think of it similarly. The total check, so to speak, that we got for upward is still so small that even from an audit perspective, it's just insignificant. So there's a lot of room to grow in that space.

Answer

Ryan Schaffer (Executives)

It's basically like price discovery, right? Like if no one is willing to do it for $1,000 but we do at $10,000. Some engineers don't want to -- they have -- they value their own time at certain rates. And if it's very hard, you've to move it up. And we don't know exactly what that is. So this is basically a price discovery mechanism.

Answer

Anuradha Muralidharan (Executives)

Sort of like surging or something, yes.

Question

Daniel Jester (Analysts)

Got you. And then maybe just one last one on the card. Can you remind us how much you spent out in travel -- in rewards this quarter? And just any update on the transition with regards to Marketo, sort of the question you get every quarter?

Answer

Anuradha Muralidharan (Executives)

Of course. So I don't think that we release the specific reward dollars we paid. But all I can say qualitatively is our cash-back is still not material to the interchange that we're bringing in. If we do break out cash-back, it will be in the 10-Q, but I don't think we do.

Answer

Ryan Schaffer (Executives)

Okay. Yes.

Answer

Anuradha Muralidharan (Executives)

I just don't remember off the top of my head, but it is still the same structure. It's 1% if you spend $25,000 at least, it's 2% if you spend $250,000, and the vast majority don't spend $250,000. So it's kind of tiered to make it aspirational to put all of your spend on the card, which is the real challenge because it's a big behavioral change.

In terms of moving it over to revenue, I think we've been kind of reporting on the progress of that project. We've got all of the contracts nailed down. I think we are -- probably there or 99% there in terms of getting the accounting treatment nailed down. So that was the bulk of the challenge. Now we are in implementation mode. What we'll do next is launch it on ourselves, so to speak, like move all of the Expensify employees on to the new program, test it and then start the transition.

And we -- without talking about our future plans too much, we have exciting ways to incentivize our existing cardholders to move over to the new program because that's really what we want. We want to be able to migrate everyone over as fast as possible and sunset the old program. And more to come on that in the following quarters.

Answer

Ryan Schaffer (Executives)

Cash-back for the year was $2.8 million -- yes, that's actually -- it's contra revenue. So that way, yes.

Answer

Anuradha Muralidharan (Executives)

The anomalies continue. Cool. Now I have to see who else is left. Next up, we have Eric from Lake Street.

Question

Eric Martinuzzi (Analysts)

I've got a couple of questions here. I know you are not giving a revenue guidance anymore, but it is, to me, in Q4, we kind of -- this is a milestone because the revenue growth was only 8%, and you guys have historically been a double-digit grower. How should an investor view just the 2023 outlook? Do you guys view yourselves as -- and given the current volatility for SMB, do you view yourselves as a double-digit grower?

Answer

Ryan Schaffer (Executives)

Yes, I think so. Why we're going to continue to grow? I think it's -- I mean if we go into recession, recession is not good for anyone, but we -- I think we're better positioned than most, and we are profitable or cash flow positive, and we don't need to fundamentally change anything about our business model. We are layering on sales, I think will be helpful. It's been -- the SDRs are very new, but they're really starting to come online. So we'll start to see hopefully some greater results from that in '23. So yes, I think that we are well positioned going into the next year.

Question

Eric Martinuzzi (Analysts)

And I understand you haven't stepped away from your long-term growth outlook. But -- obviously, the near term is a different playbook.

Answer

Ryan Schaffer (Executives)

Yes.

Question

Eric Martinuzzi (Analysts)

Okay. The interchange fees, I've heard you say in the past that in 2023, you're talking about interchange fees of around $2 million a quarter, and then that's stepping up to around $5 million a quarter in 2024. Are those still good numbers?

Answer

Ryan Schaffer (Executives)

So that's -- you're asking for guidance. We don't give guidance. But I'd say the card is growing very well, obviously. So we don't expect that to dramatically slow down where -- it's a big focus for us. And all of our -- sales team members are pitching the card alongside the subscription. So we think it's going to continue to perform.

Question

Eric Martinuzzi (Analysts)

Okay. And then you've made a big investment in account management. I think at the end of Q3, you had 41% of customers have been kind of touched by account management. And in today's press release, you said substantially all. As you are reaching out to these accounts, are you -- is the account management program being tweaked? Because I got to imagine we're getting into much smaller account sizes as we get down into the remainder of the installed base.

Answer

Anuradha Muralidharan (Executives)

The main goal of the account management program and really the job of the account manager is to be more proactive in terms of supporting the customer. What I mean by that is, a lot of the time, churn doesn't happen because the price is too high. It doesn't happen because they are looking for some feature that we're missing. It's because they have implemented Expensify on their end in some way that is too janky.

And so it's not quite working for them. And they think, therefore, the product is not working for them and they start looking for other alternatives. So what we're trying to do is use our account managers to sort of get in there early, make sure the setup is actually working for them. And if it isn't, like how can we help them set it up, so they never need to think about their expenses ever. Because once you do that, no price is too high to pay, and then it's smooth sailing and they're never going to take a sales call from a rep. So that's really the idea. And I think it equally lends itself to 10% company but also 500% company like a good setup is what is the primary goal of account managers.

But then the other goals are things like looking at their bill, making sure that if they have high pay-per-use than making them cost optimize their bill so they can go to committed seats to the extent that works for their business, generally, just taking care of the customers, so they feel that Expensify in their corner. That really helps.

Question

Eric Martinuzzi (Analysts)

You've used the conversion rate of like when you touch a customer, they convert to subscription at 2x the control group. Is that still a good number?

Answer

Ryan Schaffer (Executives)

That was what the early results that we saw. That's a good question and maybe some we can post on our FAQ. I don't -- that was true at one point. I don't know if it's true right now. I know that we have been successful in reversing the trend. So it's some good rates, but we can actually probably follow up with you on the Investor Relations site.

But to put maybe a finer point on what Anu just said, a lot of our customers self-service, and small businesses grow quickly, their needs to change. So when they self-service with some sort of setup that works for them, their needs change and then they don't go back in kind of updating their setup. So that's when we say -- when we say janky, what she means is basically their needs have changed and they don't update it. So the account managers are basically saying, "Hey, is everything still working for you? Is anything frustrating you? And let's make sure you got the right configuration that works for you and your new needs." So I just want to clarify a little bit.

Answer

Anuradha Muralidharan (Executives)

No, makes sense. Like a 10% company grows to 100% and they never look again at how they set it up. It just doesn't work anymore, but no one told them to think about that. That's really the opportunity. .

Answer

Ryan Schaffer (Executives)

You go from no approvals to approvals to like a multi-level approval like that type of stuff. Yes.

Answer

Anuradha Muralidharan (Executives)

And I think that's it.

Answer

Ryan Schaffer (Executives)

Great. Well, thank you all for joining us. We love doing these. We love talking to you. So if you have any questions, please follow up with us at investors@expensify.com. We're going to be posting your questions, like I said, on our Investors Relations page. And maybe your question will get featured on there. So thank you all, and we'll see you next quarter.

Answer

Anuradha Muralidharan (Executives)

Bye, everyone.