Transcript : Expensify, Inc., Q1 2022 Earnings Call, May 12, 2022
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Presenter Speech
David Barrett (Executives)

Well, hello, everyone. Welcome. Welcome. Welcome to the Q1 '22 earnings call for Expensify. I am David Barrett, Founder and CEO of Expensify. We have Ryan, our CFO, Anu, our COO; and Trent here from Technical Accounting. We are here to answer all other questions that you have, and so let's get started. Just a second. Let's try this again. Here we go.

First, we're going to start some fascinating disclaimers led by our friend here, Anu.

Presenter Speech
Anuradha Muralidharan (Executives)

Before we begin, please note that all the information presented on today's call is unaudited. And throughout 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 consistent not -- sorry, 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 the most comparable GAAP measures.

With all that, I'll hand it back to you, David.

Presenter Speech
David Barrett (Executives)

Great. All right. So we are coming to you live from the Bank of Expensify here in Portland, our lovely office up here, in the great, great North.

So first, we're going to start off just talking about a reminder of why we're all here. Basically, what is the heart to Expensify's sort of secret for success and it rests on 3 major pillars. The first is that we believe the market size is enormous. The opportunity is huge. We think that basically all the companies in the world, virtually none of them do anything yet. Almost every company in the world is still struggling with expense management. And we think that -- all of them are going to switch to some platform, and we're gunning for it. So we think there's a huge opportunity, and we have a business model that can acquire at all. This business model is unique to Expensify. All of our competition has the same classic top-down enterprise sales model and shocker it only really works in the enterprise. The vast majority of the opportunity is outside of that and is inaccessible to the traditional business models. And so we think that we have a unique opportunity to capture the overall majority of the market.

Third, we think this market is huge. We think that we can link 1 billion people together in a common platform. If Instagram can link 1 billion people through photos, we think we can do the same through money. And so to kind of dig into that a bit more. The market is enormous, and it's not just the enterprise. We think that we can go into the overwhelming opportunity size of the SMB. The SMB is by far the biggest and best part of the market, the highest margin part of the market. And so yes, we can go anywhere. We have enterprise customers. We have all sorts of customers. But we think the greatest part of the opportunity is SMB, where we are uniquely optimized and focused on.

Our model basically involves brand advertising and freemium acquisition to create really efficient lead generation and then we have a super-efficient high-velocity sales model involves inside sales team, partners and of course, just our automatic self-service subscriptions. And we think that all of this is what leads to our super profitable growth over time. As a reminder, our business model works by individual employees, signing up for Expensify in the company before waiting to be -- before being asked or asking permission. It is basically signing up and giving the shot. This turns every expense report into a highly targeted marketing message directly to the decision maker. And so this is a way that we can generate leads in the companies of all sizes, basically without having to pay for them and thus be able to close them. Turning every employee of other companies into a salesperson for Expensify.

Come on, clicker, you can do it. Here we go. So Expensify's model, we think we're the only ones who can reach the full markets. We're the only ones who can make 5 super important claims. First, we have true enterprise scale. We can go up to the very top of the market, so part of the large multinational public companies, like ourselves. And -- but we also have a consumer-grade design. We can meet the bottom of the market and support basically the small VSBs and individuals as they're just entering into the entrepreneurial space, the side hustle phase, things like this. We have global reach. We support all currencies, we support all sort of corporate card fees. We have not just a native corporate card or Expensify Card, but also native corporate travel as well built into our concierge.

And finally, all of this is free. We're the only company that can make these 5 claims. We think this is very unique to Expensify, and so the key part of why we think we can capture the whole market.

We think there's a huge, huge opportunity out there of uniting all these previously disparate financial use cases into a single flow. Everything from unstructured chat to P2P wallet functionality like Venmo, corporate travel, invoicing bill processing, corporate card, payroll expense. We think we can link all of this onto a common platform because they're all the same variations upon the same common theme. It's a list of expenses that you give to someone and they pay you in return. And we're taking it all.

So maybe just to kind of -- there's a quick refresher for everyone who doesn't already know the most of what we do. And just to kind of touch on a couple of different business updates. First, as we launched our CPA card. CPA card is the very first corporate card built exclusively for accountants and their clients. And so this card has a number of perks designed specifically for accountants like reimbursing AICPA memberships, CPE credits and things like this. Also has dedicated a special pricing for accountants to manage the firms. And so this is the first into the industry. We're taking this out through our extensive partner network out to all the accounting firms in the world, and we're super excited about the traction so far.

Second, let's talk about that Free Plan. And so the Free Plan isn't new, but we are going to talk about some exciting sort of growth we've had. So the Free Plan we would like to say is the free-est of Free Plans around. It has more free functionality than anything else in the market. It has all sorts of administrative features to manage not just your expense reporting and not just reimbursements, but also has a corporate card. You can send invoices, you can pay bills, so you can collect revenue and sort of support everything, you do corporate travel. It has everything built into a single platform that is completely free. And the Expensify Free Plan is designed for companies, again, small businesses in the start of their journey when they're brand new and just getting started, but it's a complete platform for everything.

And so we like to say that our free customers pay us in a few different ways. First, if you use the Expensify Card, you're generating interchange for us. And so basically, every use of the Expensify Card is making us interchange. Even though it's free for the customer, it makes us cash. Second, they're paying us in viral leadgen. Every time you send an invoice, you're sending it to the accounts payable group of a different company. And so invoicing and bill processing allows us to leapfrog between the accounting departments and different companies. And so basically, just to use the Free Plan you can't help but promote us to everyone around you.

Third, of course, as you use us, pay us in word-of-mouth branding. To use Expensify, it's -- because it touches such a potent pinpoint, you just can't help but talk about it. And so we would much rather that you're using Expensify by for free, then continuing to use Excel or use a competitor. And so it basically locks up and establishes our brand dominance in the market. And then, of course, you don't stay free forever. Eventually, if your company is successful, you keep hiring, you're growing, your complexity hits a certain point where you cross over the paywall, so to become a fully paid subscription. So the Free Plan is an incredible plan that we're super excited about.

And with that, I think I will turn it over to Ryan.

Presenter Speech
Ryan Schaffer (Executives)

All right. Hello, everyone. I'm excited to talk to you about our Q1 performance. Q1 is kind of interesting and that it was the height of the pandemic. So more people got COVID in Q1, which is -- provides a kind of an interesting condition for a banner business month. But actually, March was our second best month in company history, and I'm going to kind of break down what that means.

So first, let's get off on -- let's talk about the actual results. So our range was $38 million to $36 million -- $38.6 million to $39.6 million in revenue. We came in at $40.4 million, so above expectations. And then the paid members, we were expecting 684 to 702, we actually came in over that as well at 706. Things are going great, and we're excited about the performance we're seeing in the growth of the business.

I mentioned the impact of Omicron. So we got a lot of questions about this last time, so I wanted to just explain how this all -- the quarter kind of shook out. So in December, we have a great end of the year. In January, Omicron peaks. Like I said, more people infected in January than any other time in the pandemic. What's great about -- not great, what happened with Omicron is that many got infected, but they got over very quickly. It didn't last as long as kind of the other spikes. And we see that in our numbers. So in March, we actually -- if you were to cut out January and February and just took March from December, it's actually consistent up and to the right. However, we did have that Omicron impact at the first half of the quarter, which makes it tough, but we had a huge rebound in March. So going forward, we feel great. Things are moving perfectly. Obviously, Omicron is a bump in the road.

We continue to demonstrate strong long-term growth. So again, 706,000 paid members, $40.4 million in revenue. Our year-on-year revenue growth is 36%. And on an annualized basis, that's $161.6 million in revenue. I also want to talk about kind of the profitability of the business. So we generated significant cash and profit. Our operating cash flow was $11.2 million. On a GAAP net loss basis, we had negative $7.4 million. That is driven primarily by the stock-based comp expense, if you back out stock-based comp, our non-GAAP net income was $7.3 million and adjusted EBITDA was $11 million.

David talked about the Free Plan. I wanted to actually just share some numbers. So we had over 9,000 new customers sign up for the Free Plan. That's a 183% quarter-over-quarter increase in Free Plan members. So the Free Plan is extremely popular. And as David kind of we through how these customers pay us either through word of mouth, through actual interchange or actually upgrading into a paid plan, we see this as a very exciting sign for things to come. And this plan has not been out very long, and it's going great. So we wanted to really just highlight some exciting signs of future growth, and we think that this is one of them. We also reaffirm our long-term growth guidance, not only this year, but we think that we can maintain

25% to 35% growth over the multiple years going forward. So we just want to remind everyone of that.

And that -- with that, we'll start our Q&A.

Presenter Speech
David Barrett (Executives)

Anu is going to...

Answer
Anuradha Muralidharan (Executives)

I come in here, but I wasn't ready. So first, we have Brent from Piper Sandler.

Question
Brent Bracelin (Analysts)

And great to see the business snap back from a paid perspective post the little Omicron air pocket. I guess first question is really on just this general return to business travel that you're clearly seeing in March? Looks like that return to business travel continued into April and May. Maybe walk us through the lag or the timing of when you start to see a return to travel start to show up either in active paid member -- users or in kind of TPV volume? Just trying to understand how we should connect the dots there as we see external business travel pick up and how that impacts your business.

Answer
Ryan Schaffer (Executives)

Yes. So more people traveling is obviously great for us not only because they're more active on the platform, but actually we see more sign-ups in times when people are growing. The reason for that is we solve a very real pain point. And that's when -- it's expense report. So people can explain more about expense reports when they're traveling. So if we see more people traveling, not only are they more active on our platform. Other people who are not using Expensify are complaining about expense management and because we have such a strong brand in that space, they're more likely to get a recommendation for Expensify when we have more people actively complaining about travel which we didn't have in obviously during the COVID periods.

Now you asked about the lag time. So we build in arrears, so it's basically like a 30-day lag. So if we see a huge uptick, let's say, in April, there's much reports that travel doubled or something that will be wild, but if that were to happen, that would show up the next month in terms of when we would see that.

Question

Brent Bracelin (Analysts)

Helpful color there. And just to be clear on the delta between the reported 706,000 paid members versus the 742,000 in your slide, the delta there is just the average we should think about when you report the quarterly paid members, the 706,000 is the average over the full quarter and then the 742,000 was just a snapshot. Is that the right way to think about it?

Answer
Ryan Schaffer (Executives)

That's a great question, Brent. So the paid user number that we report every quarter, that is the average of 3 months. So normally, we don't break out months, and we won't do this going forward. But we felt like this is a very important piece of data that we need to show. And if we were -- the average doesn't tell the whole story, right? We had the height of the pandemic, numbers are down. We had actually the second best month in company history from paid member perspective in March, but that isn't shown up in the average. And just so you know, the first best month in company history was the month prior to the pandemic. So it's the second best one. We think that's actually really exciting, but we will not be showing monthly data going forward. It's just to give you an average, but this was important for the...

Question
Brent Bracelin (Analysts)

We won't complain. We won't complain if you choose to, to disclose more. Okay. My last question, kind of a follow-up here on the Free Plan. It sounds like really good momentum this quarter. Can you describe the type of customers that you landed? It looked like about close to 5,000 net new folks going on the Free Plan. Are these small entrepreneurs? They're just now starting out that are onboarding or is it a wide range? Just trying to understand what that customer profile looks like for my own TPV assumptions.

Answer
David Barrett (Executives)

Yes, that's a great question. I think if we kind of go back to our island of markets. This is the -- I told you the beachhead. That's basically, these are like, again, the sole proprietor, side hustle, brand-new SMBs, people just entering the market. So we view it like very much top of funnel for us. We were trying to capture everyone at the very earliest points of their journey with a free product because once we're in, then we stay in forever, so long as we just don't screw it up basically. Because it's like if we're already there and then invoicing solutions is like I can just use the one I already have. And also like, finally, I have some bills, I should probably start using this bill and things like this. And so we just want to be have pole position for every new financial use case they have by getting there in earliest point. And then we can hold on to them as they go through their journey. If they go up to the snowy thunder of the north, like, well, we can follow them the entire way.

Question
Brent Bracelin (Analysts)

Very helpful color there. I'll cede the floor, but great to see you they recover in the business.

Answer
Anuradha Muralidharan (Executives)

One piece to add to that, the Free Plan metrics. So it's definitely concentrated more towards really small customers. So 1 to 5 employee companies. But there's actually an immaterial number of slightly larger companies in there as well, like 10 to 20 range. And that's interesting because sometimes a company comes in on board from the Free Plan, uses it in a very low control simple use case, test it out for -- we don't know yet how long, but like for some period of time and then decide to upgrade. So there is actually -- while still an edge case, a healthy pipeline as well. So that's exciting, and we look forward to talking more about conversion in the coming quarters.

The next question, let's go to Koji at Bank of America.

Question
Koji Ikeda (Analysts)

Can you hear me okay?

Answer
David Barrett (Executives)

Yes.

Answer
Ryan Schaffer (Executives)

Yes.

Question
Koji Ikeda (Analysts)

Bouncing in a couple of different calls here. So apologies it sounds like you gave some good information on the subscriber side. Just wanted to ask you a question on -- you reported the fourth quarter essentially at the end of Q1 on March 30. But you did beat by the subs -- by the subs and the revs and it sounds like you beat the revs in the March quarter by a lot. So just curious, was that just conservatism when you were coming out on the fourth quarter call guiding to this quarter? Or was there something else going on that just kind of surprised you right at the end of the quarter?

Answer
Ryan Schaffer (Executives)

So the guidance that we gave was based on how we saw the quarter coming out, but the -- I mean, March was a really big month, right. It was the second largest so that every single week, the numbers were going up and up. So we gave the best guidance that we thought at the time, and we came in a little bit above that.

Answer
Anuradha Muralidharan (Executives)

And it's not going to be conservatism for the sake of it. Like one thing to consider as we know at the point that we did the call, we know what we know about activity. But from an accounting perspective, we haven't yet booked the revenue. So we also want to make sure that we take into consideration that there might be accounting-related treatment that might differ based on the actual results. So that's why we do a range.

Question
Koji Ikeda (Analysts)

Got it. Got it. And just one follow-up for me. Apologies again if you mentioned this on the call, Ryan, in your commentary. Just any sort of change in the way you're thinking about sales and marketing spend for the rest of the year, especially given that you did have such a record -- a record month in new sub adds. I mean, are you thinking about sales and marketing the same as you did kind of a couple of months ago? Or are you deciding to maybe step on the gas a little bit? Any sort of help there in the way we should be thinking about your sales spend on marketing side?

Answer
Ryan Schaffer (Executives)

I don't think -- we're not currently planning on increasing it. We're still measuring the effectiveness in all these markets because remember, we kind of exploded onto all these in the top 20 largest markets in the U.S. And we mentioned last quarter that we are layering in more of a sales function than we've had historically. So I would expect relatively the same amount of S&M as you were thinking before, but we're actually going to be probably adding in more sales but less marketing and experimenting with that.

Answer
Anuradha Muralidharan (Executives)

Next, we go to Tyler from Citi.

Question
Tyler Radke (Analysts)

I wanted to see if you could just comment...

Answer
David Barrett (Executives)

I think we just lost Tyler. Hope you back.

Question
Tyler Radke (Analysts)

Okay. That was weird. Can you just talk about clearly a really nice improvement throughout the month of March to that 704... I don't want to keep going out -- can you talk about how that's trended through April and May? Has that improvement continued?

Answer
Ryan Schaffer (Executives)

Just to make sure, are you saying -- are you asking for insight into how paid members are looking in Q2? Was that what you're asking?

Question
Tyler Radke (Analysts)

Yes. How is -- yes, the paid member growth throughout Q2 since the end of March.

Answer
Ryan Schaffer (Executives)

It's doing great. Obviously, we're not seeing a drop like we saw in Q1. So I think that growth has remained consistent. And obviously, we're not going to give guidance here, but it's going great.

Question
Tyler Radke (Analysts)

Okay. And I'm curious like with that drop, how much of -- Sorry, less -- yes. So with the drop in paid members, how much of an impact did that have on interchange revenue? And would you expect that growth to accelerate now that you have this free program and obviously, we're kind of through Omicron.

Answer
Ryan Schaffer (Executives)

Yes. That's a really great question. So if you -- let's say, we were to layer on the interchange on to this chart. It went down with Omicron, but we -- the quarter-over-quarter increase in interchange was 15%, and that's despite the Omicron drop. So obviously, that did negatively impact that. But it was still a -- there's a bigger growth in interchange than there was in revenue quarter-over-quarter despite that, but we do believe or know that Omicron impacted the growth of the interchange. Did that answer your question?

Question
Tyler Radke (Analysts)

Yes. I guess like just given that what you're seeing in the Free momentum, which should help the interchange business as well now that we're post Omicron like do we -- should we think about year-over-year growth accelerating kind of going forward of that interchange revenue because this was kind of such an impacted quarter?

Answer
Anuradha Muralidharan (Executives)

I think 1 month is -- like the 1-month impact is very pronounced in the quarterly results. But when you look annually at a program like the card, which is still kind of in an evolutionary stage as we launched it like 2 years ago and it really started to take off only post pandemic. I don't think -- it's a blip in the annual journey so I don't think it should be -- it's not going to be material to the results when you look at it year-over-year.

Answer
Ryan Schaffer (Executives)

And the way we see people modeling it, I think, is probably pretty accurate. Maybe -- let's talk about this in Q2. It's a weird quarter, right? So in Q2 we can talk about that.

Answer
Anuradha Muralidharan (Executives)

Next, we go to Pat at JMP Securities. Do we have Pat? Okay. Let's circle back to maybe later.

So Mark from Loop Capital.

Is there a connection issue or something?

Let's try Daniel with BMO.

Question
Daniel Jester (Analysts)

Can you hear me?

Answer
Anuradha Muralidharan (Executives)

Yes.

Question
Daniel Jester (Analysts)

Okay. It won't let me start my video, so I apologize. I'd love to see you in person. But on the buyback program, right, that was announced today as well. It wasn't mentioned, but I'd love to kind of compare and contrast your commentary about how impressive the market opportunity is and how to race to capture it and sort of the choice to do a buyback program instead of investing that for growth?

Answer
David Barrett (Executives)

Okay. Great question. And so I think that if you're talking about like 1 billion user opportunity, that's not an opportunity that you capture through advertisement. The way that we grow in the long run, like the bulk of -- welcome. The bulk of our -- between now and the next 1 billion users is not going to be acquired by someone like clicking on an ad or talking to a salesperson, it's going to come because we've cracked the viral code. And so all of our -- the primary driver in the long run of long-term growth is going to be product in viral. And so I think that it's tempting to see like basically this direct correlation between spending on customer acquisition and growth. But I think that -- and we have definitely been very aggressive when it comes to spending on advertising customer acquisition.

But you shouldn't misattribute our current growth exclusively to our increased advertising. I think the bulk of that growth is a consequence of just a better product -- good -- better market conditions and are really to capture the sort of viral loops, which is just a long way to say, I think that there is a point of diminishing returns to advertising.

Like right now, we buy every single keyword relevance to expense management and the -- we're at -- every single one, like you can't 10x the amount of qualified inventory available, even if our money does 10x. And so like we're in a ridiculous number of cities, like I see our billboards in Portland like 10 times a day. And it was like, okay, I can do 20 or 100 times a day. But like at some point, it's like, okay, it's just pretty saturated. And so I think that like we're already one of the top advertisers in -- like outdoor advertisers in the nation. And so I think that advertising is great, and customer acquisition is wonderful. But we just have a business that kicks off so much cash that at some point, spending on another billboard or another ad isn't the best use of funds.

Now I think that also is, as I said, it's a crazy market conditions. And so this is not an obligation to do anything. But it is an opportunity. And so basically, we're saying, it's like, hey, we're authorized if the conditions warrant it. And we think at the moment, this is the right thing to do, then we can act quickly, but it's not an obligation to do so.

Any thoughts -- additional thoughts on that?

Answer
Ryan Schaffer (Executives)

Yes. I think so we have had a lot of discipline growing sustainably over the last decade, and we've managed to grow at a great pace and also add cash in the bank. And the buyback would never -- any shares that repurchase would not be at the expense of sales and marketing or growth or anything like that. It's -- if you have excess cash and you're just collecting interest on it, let's buybacks and shares versus just having -- sitting on a bigger and bigger pile of cash over time. So that's kind of the thought process behind the authorization of that. It's not instead of growth, it's what do we do with the cash in excess of all the money we're spending in growth.

Question
Daniel Jester (Analysts)

I appreciate the context. And then it hasn't been asked yet, so I'll ask it. Any update on the Marketo contract?

Answer
Ryan Schaffer (Executives)

Actually some pretty good progress. Do you want to...

Answer
Anuradha Muralidharan (Executives)

Yes. I mean we're still working through it. It's sort of more of the same, but we're still -- we're making steady progress. We still think we can get it done this year. We are working right now to make sure we are locked and loaded on the accounting treatment, which is like the primary goal of doing it. So we're trying to get it all right.

Answer
Ryan Schaffer (Executives)

It's a great progress, and we're more confident than -- even more confident this quarter than we were last quarter.

Question
Daniel Jester (Analysts)

And maybe I can just sneak one more in then. How is the penetration of the card into the nonfree base? How is that trending relative to your expectations?

Answer
Ryan Schaffer (Executives)

That's a great question. So we have done a great job of getting customers signed up on the card. So I believe around the time of IPO, we were like at a 4.5% or it was 5%, something like that, go back and check the S-1, so something like that. Now we're looking at more at about a 9% tax rate that's customers signed up. Now that has made a 9% fully penetrated across those customers. Our job now is to get all the employees using the card at all these customers, but we're actually doing -- I'm very, very happy with our ability to get customers signed up. And our job now is to just make sure that they fully deploy it across the company because that is kind of a habit change.

Answer
Anuradha Muralidharan (Executives)

And I don't know if you guys saw this, but maybe a month -- less than a month ago, we launched monthly settlement, which we have some early results, although we're not -- we're not talking about exact numbers. Clearly, results have actually been super promising. So it was one of the most requested enhancements to the card, which we've gotten out. So we are very optimistic that it will give us a little bit of a boost to an already high momentum program.

Answer
David Barrett (Executives)

And let me explain a little bit what that means. So the Expensify Card to date has been a daily settlement program, which is really great for sort of high spend companies. So basically, it's optimized for companies that need to turn over their credit very, very quickly. So I view that like $100,000 limit or something like that for a $10,000 limit, you can do every single day, $10,000, so you can spend a lot of money very quickly. But especially as we go into other companies that are more cash constrained, who actually want to sort of finance the business, they're not turning over -- the turning over the credit as quickly. They actually want to extend that over for a longer period of time. So I think we're the only program that supports basically both monthly and daily settlement option. Monthly is really great for high-spend companies, daily is really good high spend companies, month is really great for sort of a cash-constrained company trying to finance their operations. And so we support both ends of that.

I think it will be sound that actually the cash constrained spectrum is the more attractive for the accounting community, and that's why we launched it in parallel with our CPA card because this is something that we found that CPAs are no longer just trying to identify problems, but also solve problems for the clients. And so they say, "Hey, you are very constrained when it comes to your credit facilities." Now they can work through us to be extending essentially credit to their clients through the Expensify CPA card. And so I think that it's a new thing, but we're very, very excited about it. And we know our accounting partners are super-duper excited about.

Answer
Anuradha Muralidharan (Executives)

So let's try Mark from Loop Capital. One more time.

Question
Mark Schappel (Analysts)

Can you hear me okay?

Answer
David Barrett (Executives)

Yes.

Question
Mark Schappel (Analysts)

So Dave, a question for you. On the last quarter's call, you mentioned that you were adding some outbound capabilities to your go-to-market motion, basically where you go out and call prospective customers. I realize it's still early days for that initiative, but I was wondering if you could just give us an update on how those outbound efforts are going.

Answer
David Barrett (Executives)

Yes. I mean I'd say it's still early days. I think that basically, our philosophy overall is we want to expand this sort of inside sales team such that we can turn around calls within 30 seconds. And so as when anyone wants to call 24/7 that there's someone there who is able to pick up the phone and talk to them and give them a demo like within 30 seconds of the request. That's sort of the main focus right now is nailing that down. And an approach towards outbound is because the way that you ensure that you can do that is you just have an [excessive] people sitting on at all times and then outbound is basically how you fill in the gaps between that. And so we are putting an enormous amount of effort into this. We've substantially sized up that team, and I think we're super excited about that progress. Still early days in terms of from a results perspective, but it's definitely something we're excited about and working on.

Question
Mark Schappel (Analysts)

And then a question on the hiring front. Many software companies and tech companies out there are having a difficult time hiring good IT talent. I was just wondering if you could -- just give us an update and discuss how the company is managing through some of the hiring challenges.

Answer
David Barrett (Executives)

That's interesting. That's something we talk about a lot internally. And I think that it seems weird in a number of ways, one of which is our approach towards just building the team. I think for a lot of companies, hiring is -- it's a vanity metric. It's like basketball. People are like, oh, yes, we got to hire, we had 500 people this quarter or something like that, and they brag about it. Like this is a sign of success. We view hiring a bit like golf. We're going to hire the fewest people necessary to solve the problems that we have. But even better than hiring is; one, don't have problems; two, automate a way the solutions of those problems; and then three, find some outsourced providers that can actually solve that problem and if we're super cost-effective and scaled away; and then only fourth, basically, if we can't solve the problem in any other way, should we be expanding sort of the core team.

So our core team is really just kind of the creative collaborative hub of the company. And expansion of the core team does not correlate directly with sort of revenue growth. Like we can -- and we've already shown us we can double -- we can 10x revenue with the current team.

And so we hire not to just like keep the business running, we hire in order to pursue more opportunities. And so there's kind of like there's not a direct relationship between those 2. Hiring is basically necessary to sustain very long-term growth, but it does actually have really impact on the short term. So that's all just a long preamble to say, we're not hiring the same kinds of people that a lot of other companies are. Like a lot of companies are like, it's really hard to find 500 qualified engineers, is like, yes, I'm sure it is, that's pretty tough. We're not looking for 500 qualified engineers. We're like we're pretty much hiring one absolutely amazing person a month, and like more or less. And for us, that's a good rate because we like to really invest in our existing team so much to get the maximum value to everyone.

And so I think that we hire slowly but that's by design. And we've never struggled to hire. In fact, we actually just kind of been increasing our hiring standards across the board because we're finding it easier and easier to hire. And so we're -- but we're looking to hire at a very controlled rates and only the absolute best of the best. And I feel like we do very well at that.

Answer

Anuradha Muralidharan (Executives)

To add to that, we did -- agree with all of that, but we also did hire 2 very seasoned individuals into our accounting team, which we're very excited about. And that is, I guess, an example of a strategic hire like an area that we're beating up that we are paying closer attention to and looking forward to getting a lot of those processes well ironed out.

Answer
Ryan Schaffer (Executives)

Expensify is a great place to work. So we don't really have maybe the same challenges that other people have.

Answer
David Barrett (Executives)

That's a fair point. We don't have the turnover problems either. So it's not like we're replacing -- like most companies, it is basically like the average is even if like 2 years or something like this. So it's like -- look to your left, look to your right. One of those people started in 6 months ago, the other one is going to leave in 6 months. It's like most companies are just frantically treading water, whereas we just hold on to people kind of forever. And so we just don't have to have that steady replacements.

Answer
Ryan Schaffer (Executives)

Yes, if you have to turn over your -- on average, your entire employee base every couple of years, that does make it very hard to hire -- we retain everyone for basically forever. So we don't struggle with that as much.

Answer
Anuradha Muralidharan (Executives)

One last question from Pat who's, I think, having technical difficulties being heard. His question is, what are 1 or 2 most important things on David's to-do list for this year?

Answer
Ryan Schaffer (Executives)

That's a great question.

Answer
David Barrett (Executives)

You're killing me here. Most important thing is a good time. I mean, a lot of is just the table stakes of being a public company. Like we're a new public company. And like we talked about, we're beefing up our accounting. We're going through SOX compliance. And there's just a lot of work to just make sure that we can continue to earn the position that we've. Like this conversation we're having right now is an exciting conversation for us, but it's also kind of a new conversation. We're kind of working out our -- beefing up our muscle memory for how to do this.

And so I'd say first is just and it's pretty boring, but just organizational excellence does like what is all the important stuff we need to do, write it down, get everyone trained on it, getting everyone doing it reliably. And so it's not the sexiest thing, but it's something that I care a lot about. And so I know I'm putting a lot of personal attention to, that's one. And then second, I would say, is finishing, reunification. So I'd like on our product road map, we're doing a tremendous amount of investments into this new vision of what the industry can do. And it's a new thing. It takes a lot of work. And so we have a huge traction of our team working on a daily basis to imagine this base of the new chat centric sort of chat-first mobile-first way, so not just do expense management, but you do all corporate finance on a single platform. And no one's ever done that before, no one even try or think anything like this is possible, but we do. And so we put a lot of thought into that.

And so I'd say I balance my time between, on one hand, just holding the organizations feet to the fire for like an incredible efficiency and just excellence across the Board in the exciting things and on the boring things. And then on the other hand, participating in these very robust discussions we have about how are we going to disrupt and revolutionize this industry forever. And that's exciting. And both of those are very important.

Answer
Anuradha Muralidharan (Executives)

Well, I think we're ready to wrap it up.

Answer
David Barrett (Executives)

Great. Well, as always, it's a pleasure. So to summarize in the Q1, we remain cash flow positive and profitable despite peak COVID, which is a pretty exciting thing. Revenues are up 36%, Expensify Card is 150%, Free Plan is up 183% from last quarter alone. So this is an exciting time for the business. I'm so -- I mean this is the most obvious thing in the world, really excited the COVID looks like maybe is behind us, kin of-ish. And so will -- the more that's true, the more things are going to be awesome. And because we're built for good times and bad, but obviously, we like the good times better. So I think that's it. Thank you so much, and we'll see you here in the next quarter.

Answer
Anuradha Muralidharan (Executives)

All right. Thank you.