EXFY Q3 2026 Earnings Call Transcript

Niki Wallroth: Hello. Thank you for joining us for Expensify's Q3 2026 earnings call. My name is Niki, and I am joined today by Ryan Schaffer, our CFO, and David Barrett, our Founder and CEO. As usual, I will kick off with our legal disclaimer. Please note that all 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. With that, I will hand it over to Ryan.

Ryan Schaffer: Thanks, Niki, and thanks everyone for joining today's call. Let's start with the Q3 financials. Revenue for the quarter was $33 million. Average paid members was 630,000. Expensify Card interchange revenue across both Classic and New Expensify was $5.8 million, up 8% year-over-year. While we continue to see some pressure on the top line, our focus remains firmly on the fundamentals of the business and on executing the work required to return to sustainable growth. We have been hard at work to meaningfully improve profitability and cash flow. Operating cash flow was $4 million, and free cash flow was $3.3 million. Our GAAP net loss was $3.3 million. Non-GAAP net income was $3.1 million, and adjusted EBITDA was $6.1 million.

Q3 free cash flow was $3.3 million, which increased 170% from the same period last year. Today, we are raising our full year 2026 free cash flow guidance of $12 million-$14 million, up to $13.5 million-$15.5 million. As always, we like to give you an early look at next quarter's paid member trend. For October 2026, we had 636,000 paid members. October is generally strong compared to Q3, so this is both expected and welcome. Before I hand it over, a quick note on capital allocation. In Q3, we repurchased 722,121 shares of our Class A common stock for

approximately $1.3 million. That's a continued commitment to returning capital to shareholders, even as we keep investing in growth.

With that, I will hand it over to David for a business and product update.

David Barrett: Thanks, Ryan. Q3 was a quarter where the growth engine really started to show up in the numbers. New Expensify revenue, the Expensify Card, Expensify Travel, our partner ecosystem, and our AI all moved forward at the same time. Let me walk you through what that looked like. I want to start with the number I think matters most. Revenue from New Expensify, meaning revenue from customers who signed up on New Expensify and never touched Classic, so this excludes all of the Classic customers who simply migrated over, grew 30% from Q2 and up to 212% year-on-year to over $13 million in ARR. Last quarter, we told you it had crossed $10 million.

It is growing on top of and separate from the Classic migration. It is not just that more people are signing up. They are converting better. Our older cohorts continue to convert into paying customers over time, and each new cohort is outperforming the ones before. That tells us the product is getting better at turning the first expense into a paying customer, which is exactly the flywheel we have been building toward. The Expensify Card kept expanding this quarter, both in where it works and what it can do. On reach, we are now issuing in pounds and euros, serving 13 European and U.K. markets, which opens up a big piece of our international opportunity.

On functionality, we have added enhanced PIN and biometric controls, one-time and date-bound virtual cards, and 14 new rules that block out-of-policy purchases before they happen, including a rule that blocks international currency transactions. The idea is simple: stop the bad spend at the swipe instead of chasing it down at month end. Expensify Travel had a great quarter too. On economics, we launched consolidated travel billing, which rolls a company's travel booking into a single monthly debit, and that results in substantially more revenue to Expensify from each booking. On volume, trips booked through Expensify Travel grew 13% from Q2 and 40% year-over-year, and Q3 was the biggest quarter on record.

We also kept growing the partner ecosystem around Expensify. We launched native integrations with Rillet and DualEntry, two of the fastest-growing AI-native ERPs. With Rillet, we signed a revenue share agreement, so both sides are invested in growing it together. We now offer dozens of HR integrations, including Workday, HiBob, and BambooHR. In September, Expensify became one of the first expense tools in Anthropic's Claude for Small Business plugin.

A small business owner on any paid Claude plan can connect Expensify and simply ask, in plain English, things like, "Which expenses from last month are still missing receipts?" or "When did we spend on software this quarter by vendor?" Claude answers in seconds from the real expense, card, and receipt data. We followed that up with a joint webinar with Anthropic in October that drew more than 1,000 registrants. Every one of these meets customers inside the systems they already run their business on. Earlier this week, we announced a referral

agreement with Visa. Visa can now refer eligible clients and corporate card programs to Expensify. That is a big deal for our bring-your-own-card strategy.

A business can keep their Visa card, the points, and the banking relationship it already has, and get receipt matching, AI coding, spend controls, and reconciliation with no card switch required. On AI, the Expensify MCP, which lets assistants like Claude and ChatGPT work directly with your expense data, went live last quarter, and adoption is exploding, in part because we were selected for the Claude for Small Business bundle. More and more of our customers are managing their expenses from inside the AI tools they already use every day. Our agents keep getting more capable. Today, Expensify's agent handles over 96% of what it is asked to do without any constraints on what the user can ask.

That number goes up a little every day, and every point is work our customers no longer have to do themselves. To summarize the quarter, we continued returning capital to shareholders, repurchasing over 700,000 shares for approximately $1.3 million. Expensify Travel and the card program continue to grow, with trips up 40% year-on-year and interchange revenue up 8% to $5.8 million. AI is expanding across the platform, MCP adoption is exploding, and our agents handle nearly everything they are asked to do a little better every day. New Expensify continues to grow, the revenue up 30% from Q2 and 212% year-over-year. Our path forward is the same one we have continued to talk about.

Finish migrating the remaining Classic customers onto New Expensify, where they get a dramatically better experience, and keep accelerating new customer acquisition into a market that is still almost entirely untapped. Each quarter, the evidence that the plan is working gets a little stronger. With that, thank you all for joining us today, and let us move to Q&A.

Niki Wallroth: Fantastic. Mark, I believe you are on the line, if you want to start us off with a couple questions.

Speaker 3: Hi, thanks for taking my questions here. David, a question for you on the relatively new travel offering. Maybe you could just talk about how it is changing your competitive positioning. For example, are you seeing travel help you win new customers that would otherwise not have considered Expensify? Or is the primary benefit just increasing wallet share among your existing customers?

David Barrett: Yeah. Great question. I definitely would want Ryan's take on this as well, because he's a bit closer to it. I would say my general take is that, I mean, there's three major pieces to growth. One is acquiring new customers, one is expanding existing customers, and then, of course, retaining customers. I would say the most important of those is probably the retention to start, in that basically, historically, travel was seen as a major cause of churn. Bringing in native travel was primarily to address a known cause of churn, and I think it was really effective in that regard. However, of course, it's also a major lead generator as well as a tool for expanding existing customers.

It hits on all three of those pistons, but I would say, for me, the most important and urgent at the start was actually to reduce churn. I'm curious, Ryan, what do you think about that?

Ryan Schaffer: Yes, I agree. I think before we had travel, we would see customers leave Expensify for T&E solutions like Navan or similar programs that have both travel and expense, and we only had the expense. It was basically a one-way direction, right? They would leave the expense-only product for a T&E product. Now we see we pull customers from Navan. Obviously, there's kind of battling it out both ways, but it used to just be a one-way battle. People go into a T&E solution. Now we're pulling customers from Navan as well, so we're very competitive in that space. With our new consolidated travel billing, which we announced earlier this year, we've gotten very competitive on price as well.

I think the travel product continues to improve, is getting more competitive, and will continue to be even more competitive every day, and especially next quarter, next year. I still think travel is ramping up and getting better and better. It's a part of the business I'm very excited for and I think could eventually rival the Expensify Card. Obviously, it's not there yet, but I have a lot of confidence and hope in the travel product.

Speaker 3: Thanks. That's helpful. Switching gears a little bit here, David, I was wondering if you could just provide some more details on the new Claude for Small Business bundle and the strategic opportunity it represents to the company. More specifically, how should investors think about the bundle's potential impact on things like customer acquisition and retention, in your view?

David Barrett: I mean, that's a good question. I mean, I would say, I think it was very flattering to be picked by Anthropic for this. I think it's a testament to the strength of our AI integration, our MCP server, and basically the overall capabilities of the platform. At a minimum, I think it's a strong validation of our position in the market. I think that when it comes to long-term customer acquisition, I mean, that remains to be seen. I think that out of the gate, we've been really happy with how much attention is driven to our MCP server, and I think we've been really happy with the joint marketing that we've already done.

I don't think we have anything to announce right now about basically future joint marketing with them, but I would say we view this as the start of a long-term partnership with Anthropic.

Speaker 3: Thank you. That's all for me.

Niki Wallroth: Able to unmute? Let's see. Aaron, can you hear me?

Aaron Kimson: I can hear you.

Niki Wallroth: There we go.

Ryan Schaffer: Hey, Aaron.

David Barrett: How's it going?

Aaron Kimson: Hey, guys. Pretty well. My first question is, as New Expensify continues to scale, and with the majority of users now on New Expensify, can you talk to your visibility on how we should think about the inflection point where growth from net new customers on New Expensify consistently exceeds the revenue attrition from Classic, such that we can get back to top-line growth? Whether you can speak to that in terms of, I guess, qualitatively or quantitatively.

Ryan Schaffer: Yeah, I can take that, and David, if you want to jump in. So that is a huge focus for us right now, Aaron. So what we basically have is an exciting technology startup company hidden inside of our kind of legacy technology company. One is slowly declining, and one is growing quite rapidly. We are trying to figure out when exactly the break-even point is where the new exciting company is outpacing the growth of the decline of the larger kind of legacy company. We think if things stay the same, that will happen next year, and if things go a little bit better than what we projected, it will happen earlier.

If it happened a little worse, it will happen a little later. But we think we are getting very close to that point.

David Barrett: Yeah, I guess I would add to that, I think the real challenge is that we are sort of balancing two largely unrelated systems that seem to be counteracting each other. We have this quickly growing New Expensify platform, and then we have this large but slowly declining sort of legacy Classic customer base. I think what I find exciting about this is it needn't take a lot to have significant changes. Now, it is hard to predict when those changes will happen, but even a relatively small decrease in churn can have a really rapid impact upon top-line revenue growth. I would say, I think we are very happy with the growth of New Expensify.

I know I am putting a lot of time in just churn reduction, which is not nearly as exciting, but it is much more impactful. We have been putting a lot of work into our customer support organization, to our account management, and just the nuts and bolts of making everything work super reliably. We talked about how one of the major motivations for Expensify Travel was to reduce churn. That is a kind of a big ticket way to do that, but there are 100 smaller ways that we are just focusing on the small wins that aggravate customers that cause them to look around. I think we have been making a lot of steady progress on that.

So, it is hard to project when that tipping point will happen, and there is a lot of different ways, a lot of different paths to that point, but I know it is one that we feel confident is coming, and it is just kind of chipping away at that problem every day.

Aaron Kimson: Got it. That's really helpful. Then as a follow-up, New Expensify is designed to target the 99% of businesses that you guys believe are uninterested in a traditional expense management solution. So it's great to see the more than $13 million in ARR from net new customers using New Expensify. When we think about that 99% that you weren't going to reach before, are you seeing any common characteristics of those customers, whether by vertical geography or employee count, where you're getting traction with parts of the market you couldn't previously access with Classic?

David Barrett: Maybe I'll take a crack at this one, and Ryan, you can go after that. I would say one of the challenges with Expensify from the start is that we've never really had a particular vertical alignment. I would say we have customers in every single industry all over the world. I don't think we've seen that there are specific I mean, like manufacturing is less than professional services, just because from a headcount perspective and who does expense reports and so forth. But every business does expense management. Before you have revenue, you have expenses. It's the very first accounting problem. It's universal with business.

As a consequence of that, I think that's why we've seen traction kind of across the board. I would say one of the sort of thesis that we have going into this is that it asks the question, so why? Why has 99% of the market opted out of traditional expense management? I would say a big reason for that, I believe, is that people don't want necessarily a new app, a new website, a new thing to think about. They need something that's going to They don't want to adapt their processes, as janky as they might be.

They don't want to wake up in the morning and be like, "Hmm, today's the day I rethink my expense management, and I want to adapt my company to whatever the tool can do." I think we're moving away from I think the future is moving away from highly configurable tools, where you have to adapt your process to what the tool can do. I think it's moving towards more sort of highly programmable tools that adapt to your processes. That sounds like maybe just marketing buzzwords, and I can get behind that. But I would say I think that's one reason why we invest so much in our agents and what's so exciting about the progress we're making.

Like, one of the stats I threw out there is that agents currently are able to do about 96% of what they're asked to do. That's not 100%, it's true, we're working on that. But it's kind of crazy to think, without any constraints. There's an infinite number of things that a customer could ask us to do. Truly, anything that they can possibly imagine, they can ask us. Currently, we get about 96% of it right, which is pretty wild. I think that's sort of it's never going to be worse than today. It's only going to get better. Over time, I think our ability to adapt to their existing processes gets better and better.

Additionally, I think our ability to engage them in the tools they already use. So whether they're using Claude, whether they're just using email, because you can just email concierge@expensify.com, and you can use pretty much the entire product that way. You don't actually have to sign into our app. You can just text us and things like this. From the employee

experience, doesn't require that they actually change their behavior. I think the way that we capture that 99% is by making a tool which adapts to their needs and meets them on the platforms that they operate on. I think it's a radically different design than we've seen sort of elsewhere in the market.

I think it is going to take something different to capture the other 99%, and I think that's why we've optimized for this design. I think the results are speaking for themselves. I mean, New Expensify growth is pretty strong. I think that's a consequence of the design decisions that have been put into it. There's still a long path to go, absolutely. But I'd say I think there's a broad opportunity across every industry, across every country, and if we can just meet them where they are with a tool that adapts to their needs, and that's what we're aiming for.

Aaron Kimson: Got it. Thank you.

Niki Wallroth: All right, that brings us to a close.

David Barrett: All right. Thanks, everyone. Really appreciate your time here.

Ryan Schaffer: Thank you all. See you next quarter.