

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

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2023**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-41043

**Expensify, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**401 SW 5th Ave  
Portland, Oregon**

(Address of Principal Executive Offices)

**27-0239450**

(I.R.S. Employer Identification No.)

**97204**

(Zip Code)

**(971) 365-3939**

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                                | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Class A Common Stock, par value \$0.0001 per share | EXFY              | The Nasdaq Stock Market LLC               |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period

that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐

Yes ☐ No ☒

The registrant had outstanding 69,194,671 shares of Class A common stock, par value of \$0.0001 per share, 7,333,619 shares of LT10 common stock, par value \$0.0001 per share, and 7,207,428 shares of LT50 common stock, par value \$0.0001 per share, as of November 3, 2023.

---

---

---

# Table of Contents

Page

[Special Note Regarding Forward-Looking Statements](#)

**[Part I - Financial Information](#)**

|         |   |                    |
|---------|---|--------------------|
| Item 1. | <a href="#">Condensed Consolidated Financial Statements</a>   | <a href="#">1</a>  |
|         | <a href="#">Condensed Consolidated Balance Sheets</a>   | <a href="#">2</a>  |
|         | <a href="#">Condensed Consolidated Statements of Operations</a>                                       | <a href="#">3</a>  |
|         | <a href="#">Condensed Consolidated Statements of Changes in Stockholders' Equity</a>                  | <a href="#">4</a>  |
|         | <a href="#">Condensed Consolidated Statements of Cash Flows</a>                                       | <a href="#">8</a>  |
|         | <a href="#">Notes to Condensed Consolidated Financial Statements</a>                                  | <a href="#">9</a>  |
| Item 2. | <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a> | <a href="#">24</a> |
| Item 3. | <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>                            | <a href="#">38</a> |
| Item 4. | <a href="#">Controls and Procedures</a>   | <a href="#">38</a> |

**[Part II - Other Information](#)**

|          |   |                    |
|----------|---|--------------------|
| Item 1.  | <a href="#">Legal Proceedings</a>   | <a href="#">39</a> |
| Item 1A. | <a href="#">Risk Factors</a>  | <a href="#">39</a> |
| Item 2.  | <a href="#">Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities</a> | <a href="#">39</a> |
| Item 3.  | <a href="#">Defaults Upon Senior Securities</a>   | <a href="#">40</a> |
| Item 4.  | <a href="#">Mine Safety Disclosures</a>   | <a href="#">40</a> |
| Item 5.  | <a href="#">Other Information</a>   | <a href="#">40</a> |
| Item 6.  | <a href="#">Exhibits</a>  | <a href="#">41</a> |
|          | <a href="#">Signatures</a>  |                    |

## Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “shall,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” “goal,” “objective,” “seeks,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategies, plans, or intentions. There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other important factors include, among others:

- the impact of inflation on us and our members;
- our borrowing costs have and may continue to increase as a result of increases in interest rates;
- our expectations regarding our financial performance and future operating performance;
- our ability to attract and retain members, expand usage of our platform, sell subscriptions to our platform and convert individuals and organizations into paying customers;
- the timing and success of new features, integrations, capabilities and enhancements by us, or by competitors to their products, or any other changes in the competitive landscape of our market;
- the amount and timing of operating expenses and capital expenditures that we may incur to maintain and expand our business and operations to remain competitive;
- the sufficiency of our cash, cash equivalents and investments to meet our liquidity needs;
- our ability to make required payments under and to comply with the various requirements of our current and future indebtedness;
- our cash flows, the prevailing stock prices, general economic and market conditions and other considerations that could affect the specific timing, price and size of repurchases under our stock repurchase program or our ability to fund any stock repurchases;
- geopolitical tensions, including the war in Ukraine and the escalating conflict in Israel, Gaza and surrounding areas;
- our ability to effectively manage our exposure to fluctuations in foreign currency exchange rates;
- the increased expenses associated with being a public company;
- the size of our addressable markets, market share and market trends;
- anticipated trends, developments and challenges in our industry, business and the highly competitive markets in which we operate;
- our expectations regarding our income tax liabilities and the adequacy of our reserves;
- our ability to effectively manage our growth and expand our infrastructure and maintain our corporate culture;
- our ability to identify, recruit and retain skilled personnel, including key members of senior management;

## [Table of Contents](#)

- the safety, affordability and convenience of our platform and our offerings;
- our ability to successfully defend litigation brought against us;
- our ability to successfully identify, manage and integrate any existing and potential acquisitions of businesses, talent, technologies or intellectual property;
- general economic conditions in either domestic or international markets, including geopolitical uncertainty and instability;
- our protections against security breaches, technical difficulties, or interruptions to our platform;
- our ability to maintain, protect and enhance our intellectual property; and
- the other risks and uncertainties identified under Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations, estimates, forecasts and projections about future events and trends that we believe may affect our business, results of operations, financial condition and prospects. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report on Form 10-Q, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2022, and any subsequent filings, as well as those identified in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and you are cautioned not to unduly rely upon these statements. Unless otherwise indicated or unless the context requires otherwise, all references in this document to “Expensify,” the “Company,” “we,” “us,” “our” or similar references are to Expensify, Inc. and its consolidated subsidiaries. Capitalized terms used and not defined above are defined elsewhere within this Quarterly Report on Form 10-Q.

**Part I - Financial Information**

**Item 1. Condensed Consolidated Financial Statements**

**Expensify, Inc.**  
**Condensed Consolidated Balance Sheets**  
(unaudited, in thousands, except share data)

|  | As of September 30, | As of December 31, |
|--|---------------------|--------------------|
|  | 2023                | 2022               |
| <b>Assets</b>  |                     |                    |
| Cash and cash equivalents  | \$ 89,118           | \$ 103,787         |
| Accounts receivable, net   | 14,508              | 16,448             |
| Settlement assets, net   | 42,930              | 35,838             |
| Prepaid expenses   | 5,153               | 8,825              |
| Other current assets   | 27,934              | 22,217             |
| <b>Total current assets</b>  | <b>179,643</b>      | <b>187,115</b>     |
| Capitalized software, net  | 10,247              | 6,881              |
| Property and equipment, net  | 14,598              | 14,492             |
| Lease right-of-use assets  | 6,607               | 745                |
| Deferred tax assets, net   | 430                 | 344                |
| Other assets   | 789                 | 664                |
| <b>Total assets</b>  | <b>\$ 212,314</b>   | <b>\$ 210,241</b>  |
| <b>Liabilities and stockholders' equity</b>  |                     |                    |
| Accounts payable   | \$ 1,292            | \$ 1,059           |
| Accrued expenses and other liabilities   | 12,654              | 9,070              |
| Borrowings under line of credit  | 15,000              | 15,000             |
| Current portion of long-term debt, net of original issue discount and debt issuance costs  | 8,099               | 551                |
| Lease liabilities, current   | 387                 | 800                |
| Settlement liabilities   | 36,333              | 33,882             |
| <b>Total current liabilities</b>   | <b>73,765</b>       | <b>60,362</b>      |
| Lease liabilities, non-current   | 6,506               | —                  |
| Other liabilities  | 1,408               | 1,204              |
| Long-term debt, net of original issue discount and debt issuance costs   | 35,579              | 51,434             |
| <b>Total liabilities</b>   | <b>117,258</b>      | <b>113,000</b>     |
| Commitments and contingencies (Note 4)   |                     |                    |
| Stockholders' equity:  |                     |                    |
| Preferred stock, par value \$0.0001; 10,000,000 shares of preferred stock authorized as of September 30, 2023 and December 31, 2022; no shares of preferred stock issued and outstanding as of September 30, 2023 and December 31, 2022  | —                   | —                  |
| Common stock, par value \$0.0001; 1,000,000,000 shares of Class A common stock authorized as of September 30, 2023 and December 31, 2022; 69,158,181 and 68,238,245 shares of Class A common stock issued and outstanding as of September 30, 2023 and December 31, 2022, respectively; 24,994,989 and 24,997,561 shares of LT10 common stock authorized as of September 30, 2023 and December 31, 2022, respectively; 7,333,619 and 7,336,191 shares of LT10 common stock issued and outstanding as of September 30, 2023 and December 31, 2022, respectively; 24,998,941 and 24,999,020 shares of LT50 common stock authorized as of September 30, 2023 and December 31, 2022, respectively; 7,207,428 and 6,854,931 shares of LT50 common stock issued and outstanding as of September 30, 2023 and December 31, 2022, respectively | 7                   | 7                  |
| Additional paid-in capital   | 228,618             | 194,807            |
| Accumulated deficit  | (133,569)           | (97,573)           |
| <b>Total stockholders' equity</b>  | <b>95,056</b>       | <b>97,241</b>      |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 212,314</b>   | <b>\$ 210,241</b>  |

See accompanying notes to Condensed Consolidated Financial Statements.

**Expensify, Inc.**  
**Condensed Consolidated Statements of Operations**  
(unaudited, in thousands, except share and per share data)

|   | Three Months Ended September 30, |            | Nine Months Ended September 30, |             |
|---|----------------------------------|------------|---------------------------------|-------------|
|   | 2023                             | 2022       | 2023                            | 2022        |
| Revenue   | \$ 36,494                        | \$ 42,493  | \$ 115,479                      | \$ 126,026  |
| Cost of revenue, net  | 17,680                           | 16,554     | 50,380                          | 46,564      |
| Gross margin  | 18,814                           | 25,939     | 65,099                          | 79,462      |
| Operating expenses:   |                                  |            |                                 |             |
| Research and development  | 6,607                            | 3,416      | 17,119                          | 10,701      |
| General and administrative  | 14,245                           | 15,898     | 38,386                          | 45,335      |
| Sales and marketing   | 12,860                           | 12,342     | 36,757                          | 37,958      |
| Total operating expenses  | 33,712                           | 31,656     | 92,262                          | 93,994      |
| Loss from operations  | (14,898)                         | (5,717)    | (27,163)                        | (14,532)    |
| Interest and other expenses, net  | (2,375)                          | (2,369)    | (5,158)                         | (5,226)     |
| Loss before income taxes  | (17,273)                         | (8,086)    | (32,321)                        | (19,758)    |
| Benefit from (provision for) income taxes                                   | 270                              | (156)      | (1,931)                         | (3,854)     |
| Net loss  | \$ (17,003)                      | \$ (8,242) | \$ (34,252)                     | \$ (23,612) |
| Net loss per share:   |                                  |            |                                 |             |
| Basic and diluted   | \$ (0.21)                        | \$ (0.10)  | \$ (0.42)                       | \$ (0.29)   |
| Weighted average shares of common stock used to compute net loss per share: |                                  |            |                                 |             |
| Basic and diluted   | 82,469,190                       | 80,941,664 | 82,085,508                      | 80,523,557  |

See accompanying notes to Condensed Consolidated Financial Statements.



**Expensify, Inc.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
(unaudited, in thousands, except share data)

|  | Preferred stock |        | Common stock |        | Additional<br>paid-in capital | Accumulated<br>deficit | Total<br>stockholders'<br>equity |
|--|-----------------|--------|--------------|--------|-------------------------------|------------------------|----------------------------------|
|  | Shares          | Amount | Shares       | Amount |                               |                        |                                  |
| Three months ended September 30, 2023                                      |                 |        |              |        |                               |                        |                                  |
| Balance at June 30, 2023   | —               | \$ —   | 82,776,491   | \$ 7   | \$ 216,422                    | \$ (116,566)           | \$ 99,863                        |
| Issuance of common stock on exercise of stock options                      | —               | —      | 97,033       | —      | 91                            | —                      | 91                               |
| Vesting of early exercised stock options                                   | —               | —      | —            | —      | 182                           | —                      | 182                              |
| Issuance of restricted stock units   | —               | —      | 4,221        | —      | 30                            | —                      | 30                               |
| Repurchases of early exercised stock options                               | —               | —      | (1,328)      | —      | (8)                           | —                      | (8)                              |
| Issuance of common stock under Matching Plan                               | —               | —      | 648,729      | —      | 1,056                         | —                      | 1,056                            |
| Issuance of common stock in connection with restricted stock units vesting | —               | —      | 231,018      | —      | —                             | —                      | —                                |
| Shares withheld from common stock issued to pay employee payroll taxes     | —               | —      | (56,936)     | —      | (242)                         | —                      | (242)                            |
| Stock-based compensation   | —               | —      | —            | —      | 11,087                        | —                      | 11,087                           |
| Net loss   | —               | —      | —            | —      | —                             | (17,003)               | (17,003)                         |
| Balance at September 30, 2023  | —               | \$ —   | 83,699,228   | \$ 7   | \$ 228,618                    | \$ (133,569)           | \$ 95,056                        |

See accompanying notes to Condensed Consolidated Financial Statements.

**Expensify, Inc.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
(unaudited, in thousands, except share data)

|  | Preferred stock |        | Common stock |        | Additional<br>paid-in capital | Accumulated<br>deficit | Total<br>stockholders'<br>equity |
|--|-----------------|--------|--------------|--------|-------------------------------|------------------------|----------------------------------|
|  | Shares          | Amount | Shares       | Amount |                               |                        |                                  |
| Three months ended September 30, 2022                                      |                 |        |              |        |                               |                        |                                  |
| Balance at June 30, 2022   | —               | \$ —   | 81,773,016   | \$ 6   | \$ 173,961                    | \$ (81,276)            | \$ 92,691                        |
| Issuance of common stock upon exercise of stock options                    | —               | —      | 99,664       | —      | 181                           | —                      | 181                              |
| Vesting of early exercised stock options                                   | —               | —      | —            | —      | 247                           | —                      | 247                              |
| Issuance of restricted stock units   | —               | —      | 3,939        | —      | 30                            | —                      | 30                               |
| Repurchases of early exercised stock options                               | —               | —      | (3,859)      | —      | (5)                           | —                      | (5)                              |
| Issuance of common stock under Matching Plan                               | —               | —      | 80,424       | —      | 1,235                         | —                      | 1,235                            |
| Issuance of common stock in connection with restricted stock units vesting | —               | —      | 1,020,109    | 1      | —                             | —                      | 1                                |
| Shares withheld from common stock issued to pay employee payroll taxes     | —               | —      | (329,024)    | —      | (4,162)                       | —                      | (4,162)                          |
| Stock-based compensation   | —               | —      | —            | —      | 13,839                        | —                      | 13,839                           |
| Net loss   | —               | —      | —            | —      | —                             | (8,242)                | (8,242)                          |
| Balance at September 30, 2022  | —               | \$ —   | 82,644,269   | \$ 7   | \$ 185,326                    | \$ (89,518)            | \$ 95,815                        |

See accompanying notes to Condensed Consolidated Financial Statements.

Expensify, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity  
(unaudited, in thousands, except share data)

|  | Preferred stock |        | Common stock |        |                            |                     | Total                |
|--|-----------------|--------|--------------|--------|----------------------------|---------------------|----------------------|
|  | Shares          | Amount | Shares       | Amount | Additional paid-in capital | Accumulated deficit | stockholders' equity |
| Nine months ended September 30, 2023                                       |                 |        |              |        |                            |                     |                      |
| Balance at December 31, 2022   | —               | \$ —   | 82,429,367   | \$ 7   | \$ 194,807                 | \$ (97,573)         | \$ 97,241            |
| Issuance of common stock on exercise of stock options                      | —               | —      | 199,898      | —      | 216                        | —                   | 216                  |
| Vesting of early exercised stock options                                   | —               | —      | —            | —      | 584                        | —                   | 584                  |
| Issuance of restricted stock units   | —               | —      | 9,529        | —      | 91                         | —                   | 91                   |
| Repurchases of early exercised stock options                               | —               | —      | (2,651)      | —      | (21)                       | —                   | (21)                 |
| Issuance of common stock under Matching Plan                               | —               | —      | 1,090,571    | —      | 3,132                      | —                   | 3,132                |
| Issuance of common stock in connection with restricted stock units vesting | —               | —      | 738,171      | —      | —                          | —                   | —                    |
| Shares withheld from common stock issued to pay employee payroll taxes     | —               | —      | (261,164)    | —      | (1,766)                    | —                   | (1,766)              |
| Repurchase and retirement of common stock                                  | —               | —      | (504,493)    | —      | (1,256)                    | (1,744)             | (3,000)              |
| Stock-based compensation   | —               | —      | —            | —      | 32,831                     | —                   | 32,831               |
| Net loss   | —               | —      | —            | —      | —                          | (34,252)            | (34,252)             |
| Balance at September 30, 2023  | —               | \$ —   | 83,699,228   | \$ 7   | \$ 228,618                 | \$ (133,569)        | \$ 95,056            |

See accompanying notes to Condensed Consolidated Financial Statements.

**Expensify, Inc.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
(unaudited, in thousands, except share data)

|  | Preferred stock |        | Common stock |        | Additional<br>paid-in capital | Accumulated<br>deficit | Total<br>stockholders'<br>equity |
|--|-----------------|--------|--------------|--------|-------------------------------|------------------------|----------------------------------|
|  | Shares          | Amount | Shares       | Amount |                               |                        |                                  |
| Nine months ended September 30, 2022                                       |                 |        |              |        |                               |                        |                                  |
| Balance at December 31, 2021   | —               | \$ —   | 81,400,860   | \$ 6   | \$ 142,515                    | \$ (65,906)            | \$ 76,615                        |
| Issuance of common stock upon exercise of stock options                    | —               | —      | 406,739      | —      | 615                           | —                      | 615                              |
| Vesting of early exercised stock options                                   | —               | —      | —            | —      | 998                           | —                      | 998                              |
| Issuance of restricted stock units   | —               | —      | 10,568       | —      | 76                            | —                      | 76                               |
| Repurchase of early exercised stock options                                | —               | —      | (16,929)     | —      | (25)                          | —                      | (25)                             |
| Issuance of common stock under Matching Plan                               | —               | —      | 151,946      | —      | 2,433                         | —                      | 2,433                            |
| Issuance of common stock in connection with restricted stock units vesting | —               | —      | 1,020,109    | 1      | —                             | —                      | 1                                |
| Shares withheld from common stock issued to pay employee payroll taxes     | —               | —      | (329,024)    | —      | (4,172)                       | —                      | (4,172)                          |
| Stock-based compensation   | —               | —      | —            | —      | 42,886                        | —                      | 42,886                           |
| Net loss   | —               | —      | —            | —      | —                             | (23,612)               | (23,612)                         |
| Balance at September 30, 2022  | —               | \$ —   | 82,644,269   | \$ 7   | \$ 185,326                    | \$ (89,518)            | \$ 95,815                        |

See accompanying notes to Condensed Consolidated Financial Statements.

[Table of Contents](#)

**Expensify, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(unaudited, in thousands)

|  | Nine Months Ended September 30, |             |
|--|---------------------------------|-------------|
|  | 2023                            | 2022        |
| Cash flows from operating activities:  |                                 |             |
| Net loss   | \$ (34,252)                     | \$ (23,612) |
| Adjustments to reconcile net loss to net cash provided by operating activities:                              |                                 |             |
| Depreciation and amortization  | 3,871                           | 4,072       |
| Reduction of operating lease right-of-use assets   | 476                             | 531         |
| Loss on impairment, receivables and sale or disposal of equipment  | 585                             | 722         |
| Stock-based compensation expense   | 30,612                          | 41,793      |
| Amortization of original issue discount and debt issuance costs  | 139                             | 22          |
| Deferred tax assets  | (86)                            | 170         |
| Changes in assets and liabilities:   |                                 |             |
| Accounts receivable, net   | 1,671                           | (1,016)     |
| Settlement assets, net   | (9,381)                         | (10,096)    |
| Prepaid expenses   | 3,672                           | 1,738       |
| Related party loan receivable  | —                               | 14          |
| Other current assets   | (1,861)                         | 558         |
| Other assets   | (125)                           | 11          |
| Accounts payable   | 229                             | (1,575)     |
| Accrued expenses and other liabilities   | 4,259                           | (2,195)     |
| Operating lease liabilities  | (236)                           | (601)       |
| Settlement liabilities   | 2,451                           | 14,703      |
| Other liabilities  | 78                              | 990         |
| Net cash provided by operating activities  | 2,102                           | 26,229      |
| Cash flows from investing activities:  |                                 |             |
| Purchases of property and equipment  | (1,103)                         | (467)       |
| Software development costs   | (3,730)                         | (906)       |
| Net cash used in investing activities  | (4,833)                         | (1,373)     |
| Cash flows from financing activities:  |                                 |             |
| Principal payments of finance leases   | (482)                           | (593)       |
| Principal payments of outstanding debt   | (8,450)                         | (445)       |
| Repurchases of early exercised stock options   | (21)                            | (25)        |
| Proceeds from common stock purchased under Matching Plan   | 3,132                           | 2,433       |
| Proceeds from issuance of common stock on exercise of stock options  | 216                             | 700         |
| Payments for employee taxes withheld from stock-based awards   | (1,766)                         | (4,172)     |
| Repurchase and retirement of common stock  | (3,000)                         | —           |
| Net cash used in financing activities  | (10,371)                        | (2,102)     |
| Net (decrease) increase in cash and cash equivalents and restricted cash                                     | (13,102)                        | 22,754      |
| Cash and cash equivalents and restricted cash, beginning of period   | 147,710                         | 125,315     |
| Cash and cash equivalents and restricted cash, end of period   | \$ 134,608                      | \$ 148,069  |
| Supplemental disclosure of cash flow information:  |                                 |             |
| Cash paid for interest   | \$ 4,396                        | \$ 2,721    |
| Cash paid for income taxes   | \$ 3,104                        | \$ 879      |
| Noncash investing and financing items:   |                                 |             |
| Stock-based compensation capitalized as software development costs   | \$ 2,219                        | \$ 1,093    |
| Right-of-use assets acquired through operating leases  | \$ 6,402                        | \$ —        |
| Right-of-use assets acquired through finance leases  | \$ 409                          | \$ —        |
| Reconciliation of cash and cash equivalents and restricted cash to the Condensed Consolidated Balance Sheets |                                 |             |
| Cash and cash equivalents  | \$ 89,118                       | \$ 106,212  |
| Restricted cash included in other current assets   | 23,398                          | 16,255      |
| Restricted cash included in settlement assets, net   | 22,092                          | 25,602      |
| Total cash, cash equivalents and restricted cash   | \$ 134,608                      | \$ 148,069  |

See accompanying notes to Condensed Consolidated Financial Statements.



**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

## **NOTE 1 – GENERAL INFORMATION**

### **Description of the Business**

Expensify, Inc. ("Expensify") was incorporated in Delaware on April 29, 2009. Expensify offers a comprehensive expense management platform that integrates with a variety of third-party accounting applications, including QuickBooks Desktop, QuickBooks Online, Xero, NetSuite, Intacct, Sage, Microsoft Dynamics, MYOB and others. Expensify's product simplifies the way that employees and vendors manage and submit expense receipts and bills and provides efficiencies to companies for the payment of those bills. Expensify delivers its services over the internet to corporations and individuals under license arrangements and offers unique pricing options for small and medium-sized businesses ("SMBs") and enterprises on a per-active-member basis.

Expensify also offers an Expensify charge card (the "Expensify Card"), which is primarily distributed to corporate customers in the United States ("U.S.") that subsequently distribute the card to their employees for business use. The Expensify Card allows customers to have real-time control over their employees' spending and compliance with spending limits in addition to eReceipt reporting on purchases.

### **Basis of Presentation and Principles of Consolidation**

The accompanying condensed consolidated financial statements include the accounts of Expensify and its wholly-owned subsidiaries (the "Company") and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP have been condensed or omitted pursuant to such SEC rules. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Annual Report").

All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments that are necessary for the fair presentation of the Company's financial position, results of operations, equity, and cash flows for the periods presented.

Results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 or for any other future annual or interim period.

### **Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are based on historical experience, forecasted events and various other assumptions that the Company believes to be reasonable under the circumstances. Estimates and judgments are evaluated on an ongoing basis. Actual results could differ from those estimates. Changes in estimates are recorded in the period in which they become known.

Significant estimates and assumptions by management affect the Company's classification of employee and employee-related expenses, the useful lives and recoverability of long-lived assets, income taxes, capitalization of internal-use software costs, stock-based compensation and the Company's incremental borrowing rate utilized to measure its lease right-of-use ("ROU") assets and lease liabilities.



**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

**Updates to Significant Accounting Policies**

The Company's significant accounting policies are discussed in Note 2 of the 2022 Annual Report. Since the date the 2022 Annual Report was filed with the SEC, there have been no material changes to the Company's significant accounting policies, including the status of recent accounting pronouncements adopted, other than those detailed below.

**Recently Adopted Accounting Pronouncements**

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, with subsequent ASUs issued that clarify the guidance (collectively, "Topic 326"). Topic 326 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its "lifetime expected credit losses" using a forward-looking approach and to record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. Topic 326 also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities.

As a result of no longer qualifying as an emerging growth company as of December 31, 2022, the Company was required to adopt Topic 326 retroactive to January 1, 2022. The Company was not required to amend quarterly filings issued subsequent to January 1, 2022 in which the Company filed under the legacy credit loss guidance of Accounting Standards Codification ("ASC") Topic 310. As such, the 2022 Annual Report was the first period under which the Company reported credit loss estimates in accordance with Topic 326. The adoption of Topic 326 did not have a material impact on the Company's financial position or results of operations as of and for the three and nine months ended September 30, 2022.

**NOTE 2 - REVENUE AND CERTAIN STATEMENT OF OPERATIONS COMPONENTS**

Revenue by geographic region, based on billing address, was as follows (in thousands):

|                     | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                   |
|---------------------|----------------------------------|------------------|---------------------------------|-------------------|
|                     | 2023                             | 2022             | 2023                            | 2022              |
| United States       | \$ 33,255                        | \$ 38,955        | \$ 105,377                      | \$ 114,862        |
| All other locations | 3,239                            | 3,538            | 10,102                          | 11,164            |
| Total revenue       | <u>\$ 36,494</u>                 | <u>\$ 42,493</u> | <u>\$ 115,479</u>               | <u>\$ 126,026</u> |

No individual customer represented more than 10% of the Company's total revenue during the three and nine months ended September 30, 2023 and 2022.

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

**Cashback Rewards**

The Company offers a cashback rewards program to all Expensify Card customers based on volume of Expensify Card transactions and Software as a Service ("SaaS") subscription tier. Cashback rewards are earned on a monthly basis and paid out the following month. The Company considers the cashback payments to customers as consideration payable to a customer and it is recorded as a reduction to Revenue within the Condensed Consolidated Statements of Operations. Cashback rewards for the three months ended September 30, 2023 and 2022 was \$ 1.8 million and \$0.8 million, respectively. Cashback rewards for the nine months ended September 30, 2023 and 2022 was \$4.8 million and \$2.0 million, respectively.

**Consideration From a Vendor, Net**

The Company receives consideration from a vendor for monetizing Expensify Card activities. This consideration, net of credit card processing fees paid to the vendor, is included as a reduction to Cost of revenue, net within the Condensed Consolidated Statements of Operations. Consideration from a vendor, net for the three months ended September 30, 2023 and 2022 was \$2.8 million and \$1.7 million, respectively. Consideration from a vendor, net for the nine months ended September 30, 2023 and 2022 was \$7.3 million and \$4.4 million, respectively.

**NOTE 3 - CERTAIN BALANCE SHEET COMPONENTS****Other Current Assets**

Other current assets consisted of the following (in thousands):

|   | As of September 30, | As of December 31, |
|---|---------------------|--------------------|
|   | 2023                | 2022               |
| Expensify Card posted collateral for funds held for customers | \$ 10,731           | \$ 11,509          |
| Cash in transit for funds held for customers                  | 6,643               | 2,361              |
| Expensify.org restricted cash                                 | 5,826               | 5,518              |
| Income tax receivable   | 4,241               | 2,471              |
| Matching Plan escrow and other restricted cash                | 101                 | 52                 |
| Expensify Payments LLC restricted cash                        | 97                  | 102                |
| Deferred contract acquisition costs                           | 85                  | —                  |
| Other   | 210                 | 204                |
| Other current assets  | \$ 27,934           | \$ 22,217          |

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

**Capitalized Software, Net**

Capitalized software, net consisted of the following (in thousands):

|  | As of September 30,<br>2023 | As of December 31,<br>2022 |
|--|-----------------------------|----------------------------|
| Capitalized software development costs | \$ 19,520                   | \$ 14,052                  |
| Less: accumulated amortization         | (9,273)                     | (7,171)                    |
| Capitalized software, net              | <u>\$ 10,247</u>            | <u>\$ 6,881</u>            |

Amortization expense related to capitalized software development costs is recorded in Cost of revenue, net on the Condensed Consolidated Statements of Operations. Amortization expense was \$0.8 million and \$0.6 million for the three months ended September 30, 2023 and 2022, respectively. Amortization expense was \$2.3 million and \$2.0 million for the nine months ended September 30, 2023 and 2022, respectively.

**Property and Equipment, Net**

Property and equipment, net consisted of the following (in thousands):

|                                | As of September 30,<br>2023 | As of December 31,<br>2022 |
|--------------------------------|-----------------------------|----------------------------|
| Computers and equipment        | \$ 170                      | \$ 178                     |
| Furniture and fixtures         | 1,916                       | 1,698                      |
| Leasehold improvements         | 7,937                       | 6,948                      |
| Commercial building            | 6,493                       | 6,493                      |
| Land                           | 4,151                       | 4,151                      |
| Construction in progress       | 2,570                       | 2,551                      |
| Total property and equipment   | 23,237                      | 22,019                     |
| Less: accumulated depreciation | (8,639)                     | (7,527)                    |
| Property and equipment, net    | <u>\$ 14,598</u>            | <u>\$ 14,492</u>           |

Depreciation expense related to property and equipment is recorded in General and administrative, Sales and marketing, and Interest and other expenses, net on the Condensed Consolidated Statements of Operations. Depreciation expense related to property and equipment for the three months ended September 30, 2023 and 2022 was \$0.2 million and \$0.5 million, respectively. Depreciation expense related to property and equipment for the nine months ended September 30, 2023 and 2022 was \$1.1 million and \$1.5 million, respectively.

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

**Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities consisted of the following (in thousands):

|  | As of September 30, | As of December 31, |
|--|---------------------|--------------------|
|  | 2023                | 2022               |
| Sales, payroll and other taxes payable                             | \$ 4,479            | \$ 2,721           |
| Professional fees  | 2,380               | 1,473              |
| Partner payouts and advertising fees                               | 1,967               | 669                |
| Interest payable   | 1,328               | 1,318              |
| Restricted common stock liability for early stock option exercises | 700                 | 1,283              |
| Cashback rewards   | 633                 | 223                |
| Matching Plan payroll liability                                    | 173                 | 195                |
| Accrued expense reports  | 155                 | 291                |
| Commissions payable  | 152                 | —                  |
| Hosting and license fees   | 129                 | 75                 |
| Credit card processing fees  | 40                  | 22                 |
| Other  | 518                 | 800                |
| Accrued expenses and other liabilities                             | <u>\$ 12,654</u>    | <u>\$ 9,070</u>    |

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**
**Finance and Operating Lease Arrangements**

During the nine months ended September 30, 2023, the Company entered into four operating lease agreements and renewed its finance lease. The components of lease cost reflected in the Condensed Consolidated Statements of Operations for all leases were as follows (in thousands):

|                               | Three Months Ended September 30, |               | Nine Months Ended September 30, |                 |
|-------------------------------|----------------------------------|---------------|---------------------------------|-----------------|
|                               | 2023                             | 2022          | 2023                            | 2022            |
| Finance lease cost:           |                                  |               |                                 |                 |
| Amortization of ROU assets    | \$ 77                            | \$ 198        | \$ 472                          | \$ 593          |
| Interest on lease liabilities | 3                                | 5             | 7                               | 19              |
| Total finance lease cost      | 80                               | 203           | 479                             | 612             |
| Operating lease cost          | 277                              | 173           | 707                             | 531             |
| Total lease cost              | <u>\$ 357</u>                    | <u>\$ 376</u> | <u>\$ 1,186</u>                 | <u>\$ 1,143</u> |

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

Other information related to leases was as follows (in thousands, except as noted within):

|   | As of September 30,<br>2023 | As of December 31,<br>2022 |
|---|-----------------------------|----------------------------|
| Finance lease ROU asset (included within Lease right-of-use assets)   | \$ 398                      | \$ 461                     |
| Operating lease ROU asset (included within Lease right-of-use assets) | \$ 6,209                    | \$ 284                     |
| Weighted average remaining lease term (in years):                     |                             |                            |
| Finance leases  | 2.92                        | 0.58                       |
| Operating leases  | 9.39                        | 0.42                       |
| Weighted average discount rate:                                       |                             |                            |
| Finance leases  | 8.10 %                      | 2.50 %                     |
| Operating leases  | 8.30 %                      | 5.30 %                     |

Supplemental cash flow information related to leases was as follows (in thousands):

|   | Nine months ended September 30,<br>2023 | 2022     |
|---|---|----------|
| Cash paid for amounts included in the measurement of lease liabilities: |   |          |
| Operating cash flows from operating leases                              | \$ (466)                                | \$ (595) |
| Operating cash flows from finance leases                                | \$ (7)                                  | \$ (19)  |
| Financing cash flows from finance leases                                | \$ (482)                                | \$ (593) |

Maturities of lease liabilities as of September 30, 2023 were as follows (in thousands):

| For the year ending:             | Finance leases | Operating leases |
|----------------------------------|----------------|------------------|
| Remainder of 2023                | \$ 39          | \$ 98            |
| 2024                             | 153            | 838              |
| 2025                             | 153            | 1,079            |
| 2026                             | 102            | 1,018            |
| 2027                             | —              | 1,033            |
| Thereafter                       | —              | 5,562            |
| Total future lease payments      | 447            | 9,628            |
| Less: imputed interest           | (47)           | (3,135)          |
| Less: Lease liabilities, current | (127)          | (260)            |
| Lease liabilities, non-current   | \$ 273         | \$ 6,233         |

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(unaudited)**

**Amortizing Term Mortgage**

In August 2019, the Company entered into an \$8.3 million amortizing term mortgage agreement with Canadian Imperial Bank of Commerce ("CIBC") for the Company's commercial building located in Portland, Oregon. The agreement requires principal and interest payments due each month over a five-year period. Interest accrues at a fixed rate of 5.00% per year until August 2024, at which point the remaining outstanding principal balance on the amortizing term mortgage is due in full. The borrowings are secured by the building. The outstanding balance of the amortizing term mortgage was \$7.7 million and \$7.8 million as of September 30, 2023 and December 31, 2022, respectively.

**2021 Amended Term Loan**

In September 2021, the Company amended and restated its loan and security agreement with CIBC ("2021 Amended Term Loan") to refinance the existing non-amortizing and amortizing term loans, establish a single term loan of up to \$75.0 million, consisting of a \$45.0 million initial term loan effective immediately with an option to enter into an additional \$30.0 million delayed term loan, and increase the monthly revolving line of credit to \$25.0 million. The option for the delayed term loan expired in March 2023. The term loan and revolving line of credit mature in September 2026 and September 2024, respectively. Approximately \$23.5 million of the loan proceeds were used to immediately repay the remaining balances under the amortizing and non-amortizing term loans at the time of the amendment, as well as commitment fees and other debt issuance costs associated with the amendment. The remaining proceeds from the initial term loan were utilized to fund the Company's normal business operations.

Under the 2021 Amended Term Loan, the initial term loan of \$45.0 million is payable over a 60-month period with principal and accrued interest payments due each quarter, commencing on September 30, 2021. The 2021 Amended Term Loan amortizes in equal quarterly installments of \$0.1 million through September 30, 2024, \$0.2 million beginning October 1, 2024 and \$0.6 million beginning October 1, 2025, with any remaining principal balance due and payable on maturity. The amounts borrowed bear interest at the bank's reference rate plus 2.25% (10.75% as of September 30, 2023) beginning on September 30, 2021 and continuing on a quarterly basis through maturity of the term loan. The borrowings are secured by substantially all the Company's assets. As of September 30, 2023 and December 31, 2022, the outstanding balance of the term loan was \$36.1 million and \$44.5 million, respectively.

During the nine months ended September 30, 2023, the Company made a prepayment of \$8.0 million of the 2021 Amended Term Loan. As a result of this prepayment, the Company recorded an immaterial amount of loss on extinguishment within Interest and other expenses, net.

The outstanding balance of \$36.0 million and \$0.1 million of accrued interest on the term loan were repaid in full on October 12, 2023.

**Monthly Revolving Line of Credit**

The line of credit agreement, as amended with the 2021 Amended Term Loan, provides borrowings up to \$25.0 million. Borrowings under the line of credit bear interest at CIBC's reference rate plus 1.00% (9.50% as of September 30, 2023) and are secured by substantially all of the Company's assets. As of September 30, 2023 and December 31, 2022, there were \$15.0 million of borrowings under the line of credit and \$10.0 million of capacity available for additional borrowings.

In connection with the amortizing term mortgage and the 2021 Amended Term Loan, the Company recorded an immaterial amount of debt issuance costs and the 2021 Amended Term Loan was subject to an original issue discount. These amounts are being amortized to interest expense over the term of the respective agreements using the effective interest method. As of September 30, 2023 and December 31, 2022, unamortized original issue discount and debt issuance costs were \$0.1 million and \$0.3 million, respectively.

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

Future aggregate annual principal payments on long-term debt as of September 30, 2023 is expected to be as follows (in thousands):

|   |                  |
|---|------------------|
| <b>For the year ending:</b>   |                  |
| Remainder of 2023   | \$ 150           |
| 2024  | 8,234            |
| 2025  | 1,238            |
| 2026  | 34,188           |
| Thereafter  | —                |
| Total principal payments  | 43,810           |
| Less: unamortized original issue discount and debt issuance costs   | (132)            |
| Less: Current portion of long-term debt, net of unamortized original issue discount and debt issuance costs | (8,099)          |
| Long-term debt, net of unamortized original issue discount and debt issuance costs                          | <u>\$ 35,579</u> |

Additionally, \$15.0 million of outstanding borrowings under the line of credit are due in September 2024 upon maturity of the facility.

As of September 30, 2023, the Company was not in compliance with all debt covenants, specifically the covenant restricting the amount of repurchases of common stock, which includes net share settlements of stock-based awards, the covenant related to the requirement to maintain all deposit, operating and collateral accounts with CIBC with certain exceptions during the period, and the minimum fixed charge coverage ratio covenant. A waiver was obtained from CIBC. The Company does not believe non-compliance with these covenants had any material impact on the Company or its operations.

#### Defined Contribution Plans

The Company sponsors a U.S. 401(k) defined contribution plan for all eligible employees who elect to participate. The Company is permitted to make discretionary profit sharing and 401(k) matching contributions as defined in the plan and as approved by the Board of Directors. Effective January 1, 2018, the Company matches up to 4.50% of each participant's eligible compensation. No discretionary profit-sharing contributions were made during the three and nine months ended September 30, 2023 and 2022. The Company's 401(k) matching contributions for each of the three months ended September 30, 2023 and 2022 was \$0.2 million. The Company's 401(k) matching contributions for the nine months ended September 30, 2023 and 2022 were \$0.7 million and \$0.6 million, respectively.

#### Legal

From time to time in the normal course of business, the Company may be involved in claims, proceedings and litigation. In the case of any litigation, the Company records a provision for a liability when management believes that it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated. The Company reviews such provisions at least quarterly and adjusts such provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case.

As of September 30, 2023, there were no legal contingency matters, either individually or in aggregate, that would have a material adverse effect on the Company's financial position, results of operations or cash flows.

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

## **NOTE 5 - STOCK INCENTIVE PLANS**

### **2009 and 2019 Stock Plans**

In 2009, the Board of Directors approved the 2009 Stock Plan ("2009 Stock Plan"). As amended in 2015, the 2009 Stock Plan permitted the Company to grant up to 16,495,150 shares of common stock. In January 2018, the Company increased the number of shares of common stock reserved under the 2009 Stock Plan by 535,130 shares, from 16,495,150 shares to 17,030,280 shares. In April 2019, the Board of Directors approved the adoption of the 2019 Stock Plan ("2019 Stock Plan", and together with the 2009 Stock Plan, "Stock Plans"). The 2019 Stock Plan permitted the Company to grant up to 8,173,970 additional shares, increasing the overall common stock reserved for grant under the Stock Plans to 25,204,250 shares. In September 2021, the Board of Directors approved the grant of 8,679,380 restricted stock units under the 2019 Stock Plan, covering an aggregate of 4,339,690 shares of each of Class A and LT50 common stock effective immediately prior to the effectiveness of the Company's IPO Registration Statement on Form S-1 ("IPO Registration Statement") on November 9, 2021. On November 9, 2021, the Board of Directors amended and restated the 2019 Stock Plan to, among other things, increase the common stock reserved for issuance under the 2019 Stock Plan to an aggregate of 16,856,770 shares of Class A and LT50 common stock.

Following the completion of the initial public offering of the Company's Class A common stock ("IPO"), the Company did not and does not intend to make any further grants under the Stock Plans. However, the Stock Plans will continue to govern the terms and conditions of the outstanding awards granted under the Stock Plans. Upon the expiration, forfeiture, cancellation, withholding of shares upon exercise or settlement of an award to satisfy the exercise price or tax withholding, or repurchase of any shares of Class A common stock underlying outstanding stock-based awards granted under the 2009 Stock Plan or of Class A or LT50 common stock underlying outstanding stock-based awards granted under the 2019 Stock Plan, an equal number of shares of Class A common stock will become available for grant under the 2021 Incentive Award Plan ("2021 Plan") and the Company's 2021 Stock Purchase and Matching Plan ("Matching Plan" and together with the 2021 Plan, "2021 Incentive Plans").

### **2021 Incentive Plans**

In November 2021, the Board of Directors adopted, and its stockholders approved, the 2021 Incentive Plans, which both became effective immediately before the effectiveness of the IPO Registration Statement and use a combined share reserve. Under the 2021 Incentive Plans, 11,676,932 shares of Class A common stock were initially reserved for issuance pursuant to a variety of stock-based awards, including incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock units ("RSUs"), and other forms of equity and cash compensation under the 2021 Plan and purchase rights and matching awards under the Matching Plan. The number of shares initially reserved for issuance or transfer pursuant to awards under the 2021 Incentive Plans will be increased upon the expiration, forfeiture, cancellation, withholding of shares upon exercise or settlement of an award to satisfy the exercise price or tax withholding, or repurchase of any shares of Class A common stock underlying outstanding stock-based awards granted under the 2009 Stock Plan or of Class A or LT50 common stock underlying outstanding stock-based awards granted under the 2019 Stock Plan. The number of shares of Class A common stock reserved for issuance under the 2021 Incentive Plans as of September 30, 2023 and December 31, 2022 was 22,282,735 shares and 17,336,973 shares, respectively. The number of shares will automatically increase each subsequent January 1 through January 1, 2031, by the lesser of (A) 6% of the aggregate number of shares of all classes of common stock outstanding on the immediately preceding calendar year end, or (B) such lesser number of shares as determined by the Company's Board of Directors or compensation committee; provided, however, that no more than 87,576,990 shares of Class A common stock may be issued upon the exercise of incentive stock options.



**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(unaudited)**

**Matching Plan**

The Matching Plan operates using consecutive three-month offering periods that commenced on March 15, 2022. Employees, consultants and directors (collectively, "Service Providers") of the Company can participate in the Matching Plan by electing to contribute compensation through payroll deductions or from fee payments or may be granted discretionary awards under the Matching Plan. On the last day of the offering period the contributions made during the offering period are used to purchase shares of Class A common stock.

The price at which Class A common stock is purchased under the Matching Plan equals the average of the high and low trading price of a share of Class A common stock as of the last trading day of the offering period. At the end of each offering period, the Company may provide a discretionary match up to 1/10 of a share of Class A common stock for each share of Class A common stock purchased by or issued to a Service Provider under the Matching Plan that is retained through the end of the applicable offering period. No fractional shares will be issued by the Company. The Company will round to the nearest full share for shares purchased by a Service Provider as well as any matched shares issued to a Service Provider under the Matching Plan. The match rate applicable to each offering period shall be limited to 1.50% of the shares of any class of capital stock outstanding as of the exercise date applicable to such offering period. The Company estimates the fair value of matched shares provided under the Matching Plan using the Black-Scholes option-pricing model on the date of grant. The Company recognizes stock-based compensation expense related to the matched shares pursuant to its Matching Plan on a straight-line basis over the applicable three-month offering period.

Service Providers who participated in the Matching Plan for the offering period ended September 14, 2023 purchased a total of 275,210 Class A common shares, based on a purchase price of \$3.84, resulting in gross cash proceeds to the Company of \$ 1.1 million.

Service Providers who participated in the Matching Plan for the offering period ended September 14, 2022 purchased a total of 73,959 Class A common shares, based on a purchase price of \$16.70, resulting in gross cash proceeds to the Company of \$ 1.2 million.

For the offering period ended September 14, 2023, the Company elected to match each share of Class A common stock purchased by or issued under the Matching Plan with 1/20 of a share of Class A common stock. During the three months ended September 30, 2023, the Company granted a total of 35,732 of Class A common stock as a matching contribution under the Matching Plan, net of a total of 9,054 shares withheld for taxes. During the nine months ended September 30, 2023, the Company granted a total of 72,578 shares of Class A common stock as a matching contribution under the Matching Plan, net of a total of 15,871 shares withheld for taxes.

For the offering period ended September 14, 2022, the Company elected to match each share of Class A common stock purchased by or issued under the Matching Plan with 1/20 of a share of Class A common stock. During the three and nine months ended September 30, 2023, the Company granted a total of 6,465 and 10,041 shares of Class A common stock as a matching contribution under the Matching Plan, respectively.

The Company has made discretionary contributions under the Matching Plan to eligible Service Providers. During the three months ended September 30, 2023, the Company granted a total of 299,713 shares of Class A common stock as discretionary contributions under the Matching Plan, net of a total of 29,020 shares withheld for taxes. During the nine months ended September 30, 2023, the Company granted a total of 375,024 shares of Class A common stock as discretionary contributions under the Matching Plan, net of a total of 64,411 shares withheld for taxes.

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

### Restricted Stock Units

On September 24, 2021, under the 2019 Stock Plan, the Company approved the grant of Class A and LT50 common stock RSUs to Service Providers effective November 9, 2021, the date the Company amended its Certificate of Incorporation, to include, among other things, LT50 common stock. RSUs granted to Service Providers on November 9, 2021 that were approved in September 2021 vest upon the satisfaction of both a performance and service condition. The performance condition was satisfied immediately prior to the effectiveness of the IPO Registration Statement. The service condition is satisfied over eight years with 1/8 of the grant having vested on September 15, 2022 and quarterly vesting of 1/32 of the grant every December 15, March 15, June 15 and September 15 (each, a "Specified Quarterly Date") thereafter until fully vested, in each case subject to continued service to the Company. All RSUs granted to Service Providers after the IPO, under the 2021 Plan, have a service condition only, which is satisfied over eight years from the vesting commencement date corresponding to one of the Specified Quarterly Dates nearest the date of grant, with 1/8 of each grant vesting on the first anniversary of the vesting commencement date and 1/32 of each grant vesting in equal quarterly installments thereafter until fully vested, in each case, subject to continued service to the Company.

Pursuant to the Company's Non-Employee Director Compensation Program, which was adopted under the 2021 Incentive Plans, the Company granted 55,731 Class A common stock RSUs for the nine months ended September 30, 2023. A total of 27,108 Class A common RSUs vested during the nine months ended September 30, 2023 related to previously granted RSU awards as the quarterly service conditions were satisfied.

During the nine months ended September 30, 2023, RSU activity for Service Providers and non-employee directors was as follows:

|                                   | Class A Common Stock | LT50 Common Stock | Weighted average<br>grant date fair value<br>per share |
|-----------------------------------|----------------------|-------------------|--|
| Outstanding at December 31, 2022  | 3,379,657            | 3,304,643         | \$ 33.88   |
| RSUs granted                      | 55,731               | —                 | \$ 8.17  |
| RSUs vested                       | (383,721)            | (352,576)         | \$ 32.74   |
| RSUs cancelled/forfeited/expired  | (190,424)            | (190,424)         | \$ 40.95   |
| Outstanding at September 30, 2023 | 2,861,243            | 2,761,643         | \$ 32.61   |

As of September 30, 2023, there was \$161.9 million of unamortized stock-based compensation cost related to unvested RSUs, which is expected to be recognized over the remaining weighted average life of 5.58 years. As of December 31, 2022, there was \$204.2 million of unamortized stock-based compensation cost related to unvested RSUs, which was expected to be recognized over the remaining weighted average life of 6.23 years.

### Stock Options

The Stock Plans and the 2021 Plan provide for the grant of incentive and nonstatutory stock options to employees, non-employee directors and consultants of the Company. Under the Stock Plans and the 2021 Plan, the exercise price of incentive stock options must be equal to at least 110% of the fair market value of the common stock on the grant date for a "ten-percent holder" or 100% of the fair market value of the common stock on the grant date for any other participant. The exercise price of nonstatutory options granted must be equal to at least 100% of the fair market value of the Company's common stock on the date of grant.

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

The Company has only granted options under the Stock Plans. Options typically vest over four years and are exercisable at any time after the grant date, provided that Service Providers exercising unvested options receive restricted common stock that is subject to repurchase at the original exercise price upon termination of service. The repurchase right lapses in accordance with the vesting schedule of the exercised option. Early exercises of options prior to vesting are not deemed to be substantive exercises for accounting purposes and accordingly, amounts received for early exercises of unvested options are recorded as a liability. These repurchase terms are considered to be a forfeiture provision and do not result in variable accounting. There was an immaterial amount of exercised restricted common stock repurchased during the nine months ended September 30, 2023 and 2022.

As of September 30, 2023 and December 31, 2022, there were 482,607 and 813,311 shares subject to repurchase, respectively, related to unvested stock options that had been early exercised. As of September 30, 2023 and December 31, 2022, the Company recorded a liability related to shares subject to repurchase of \$0.7 million and \$1.3 million, respectively, which is included within Accrued expenses and other liabilities in the accompanying Condensed Consolidated Balance Sheets. These amounts are reclassified to Common stock and Additional paid-in capital as the underlying shares vest.

A summary of the Company's stock option activity was as follows:

|                                     | Shares    | Weighted average<br>exercise price per<br>share | Weighted average<br>remaining contractual<br>life<br>(in years) |
|-------------------------------------|-----------|---|---|
| Outstanding at December 31, 2022    | 6,301,650 | \$ 1.67   | 5.20  |
| Options exercised                   | (199,898) | \$ 1.08   |   |
| Options cancelled/forfeited/expired | (110,097) | \$ 2.76   |   |
| Outstanding at September 30, 2023   | 5,991,655 | \$ 1.67   | 4.30  |
| Exercisable at September 30, 2023   | 5,893,175 | \$ 1.64   | 4.27  |

The total pretax intrinsic value of options exercised during the nine months ended September 30, 2023 and 2022 was \$ 1.2 million and \$10.3 million, respectively. The total pretax intrinsic value of options outstanding at September 30, 2023 and December 31, 2022 was \$13.2 million and \$46.0 million, respectively. The intrinsic value is the difference between the estimated fair market value of the Company's common stock at the date of exercise and the exercise price for in-the-money options.

As of September 30, 2023, there was \$4.9 million of unrecognized stock-based compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of 0.86 years. As of December 31, 2022, there was \$8.1 million of unrecognized stock-based compensation cost related to unvested stock options, which was expected to be recognized over a weighted average period of 1.21 years.

Cash received from option exercises and purchases of shares under the Stock Plans for the nine months ended September 30, 2023 and 2022 was \$0.2 million and \$0.7 million, respectively.

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

**Stock-Based Compensation**

The following table summarizes the stock-based compensation recognized for options granted under the 2009 Stock Plan, options and RSUs granted under the 2019 Stock Plan, RSUs granted under the 2021 Plan and matching and discretionary shares issued under the Matching Plan (in thousands):

|                          | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                  |
|--------------------------|----------------------------------|------------------|---------------------------------|------------------|
|                          | 2023                             | 2022             | 2023                            | 2022             |
| Matching Plan shares     | \$ 1,697                         | \$ 24            | \$ 3,018                        | \$ 41            |
| Stock options            | 842                              | 970              | 2,616                           | 2,969            |
| Restricted stock units   | 8,548                            | 12,370           | 27,197                          | 38,783           |
| Stock-based compensation | <u>\$ 11,087</u>                 | <u>\$ 13,364</u> | <u>\$ 32,831</u>                | <u>\$ 41,793</u> |

Stock-based compensation expense is allocated based on the cost center to which the award holder spent time during the reported periods. Stock-based compensation expense is included in the following components of expenses on the accompanying Condensed Consolidated Statements of Operations (in thousands):

|                                  | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                  |
|----------------------------------|----------------------------------|------------------|---------------------------------|------------------|
|                                  | 2023                             | 2022             | 2023                            | 2022             |
| Cost of revenue, net             | \$ 3,312                         | \$ 4,667         | \$ 10,218                       | \$ 14,278        |
| Research and development         | 2,901                            | 1,931            | 7,562                           | 6,230            |
| General and administrative       | 2,532                            | 4,624            | 7,552                           | 15,063           |
| Sales and marketing              | 1,522                            | 2,142            | 5,280                           | 6,222            |
| Stock-based compensation expense | <u>\$ 10,267</u>                 | <u>\$ 13,364</u> | <u>\$ 30,612</u>                | <u>\$ 41,793</u> |

Stock-based compensation capitalized as internally developed software costs was \$ 0.8 million and \$0.5 million for the three months ended September 30, 2023 and 2022, respectively. Stock-based compensation capitalized as internally developed software costs was \$ 2.2 million and \$1.1 million for the nine months ended September 30, 2023 and 2022, respectively.

## NOTE 6 - INCOME TAXES

For the three and nine months ended September 30, 2023, the Company prepared its interim tax provision by applying a year-to-date effective tax rate, which the Company believes results in the best estimate of the annual effective tax rate.

For the three months ended September 30, 2023 and 2022, the Company recorded a benefit from income taxes of \$ 0.3 million and a provision for income taxes of \$0.2 million, respectively, which resulted in effective tax rates of 1.6% and (1.9)%, respectively.

For the nine months ended September 30, 2023 and 2022, the Company recorded a provision for income taxes of \$ 1.9 million and \$3.9 million, respectively, which resulted in effective tax rates of (6.0)% and (19.5)%, respectively.

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

The principal reasons for the difference between the statutory rate and the effective rate for 2023 were primarily due to non-deductible stock-based compensation, the change in valuation allowance, and Section 162(m) of the Internal Revenue Code ("IRC") compensation limitations. The principal reasons for the difference between the statutory rate and the effective rate for 2022 were primarily due to non-deductible stock-based compensation, as well as the change in valuation allowance, Section 162(m) of the IRC compensation limitations and state taxes.

The Company follows the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a comprehensive model for the recognition, measurement, presentation and disclosure in financial statements of uncertain tax positions that have been taken or expected to be taken on a tax return. As of September 30, 2023 and December 31, 2022, the Company recorded an uncertain tax position liability of \$1.3 million and \$1.2 million, respectively, within Other liabilities on the Condensed Consolidated Balance Sheets. This liability includes an immaterial amount of interest and penalties as of September 30, 2023 and no interest and penalties as of December 31, 2022.

## NOTE 7 - NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except share and per share data):

|   | Three Months Ended September 30, |            | Nine Months Ended September 30, |             |
|---|----------------------------------|------------|---------------------------------|-------------|
|   | 2023                             | 2022       | 2023                            | 2022        |
| <b>Numerator</b>  |                                  |            |                                 |             |
| Net loss, basic and diluted   | \$ (17,003)                      | \$ (8,242) | \$ (34,252)                     | \$ (23,612) |
| <b>Denominator</b>  |                                  |            |                                 |             |
| Weighted average shares of common stock used to compute net loss per share, basic and diluted | 82,469,190                       | 80,941,664 | 82,085,508                      | 80,523,557  |
| Net loss per share, basic and diluted   | \$ (0.21)                        | \$ (0.10)  | \$ (0.42)                       | \$ (0.29)   |

The rights, including the liquidation and dividend rights, of the holders of Class A, LT10 and LT50 common stock are identical, except with respect to voting, conversion and transfer rights. Each share of Class A common stock is entitled to one vote per share, each share of LT10 common stock is entitled to 10 votes per share and each share of LT50 common stock is entitled to 50 votes per share. Each share of LT10 and LT50 common stock is convertible into one share of Class A common stock voluntarily at the option of the holder after the satisfaction of certain requirements, which includes a 10-month notice period for LT10 common stock and a 50-month notice period for LT50 common stock to convert to Class A common stock, or automatically upon certain events. The Class A common stock has no conversion rights. As the liquidation and dividend rights are identical for Class A, LT10 and LT50 common stock, the undistributed earnings are allocated on a proportional basis based on the number of weighted average shares within each class of common stock during the period and the resulting net loss per share attributable to common stockholders will be the same for the Class A, LT10 and LT50 common stock on an individual or combined basis.

**Expensify, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

The following potentially dilutive shares were not included in the calculation of diluted shares outstanding as the effect would have been anti-dilutive:

|                                | Three Months Ended September 30, |           | Nine Months Ended September 30, |           |
|--------------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                                | 2023                             | 2022      | 2023                            | 2022      |
| Weighted-average stock options | 4,166,033                        | 5,211,342 | 4,660,837                       | 5,941,182 |
| Matching shares                | 645                              | 10,310    | 13,099                          | 11,208    |
| Total                          | 4,166,678                        | 5,221,652 | 4,673,936                       | 5,952,390 |

## NOTE 8 - EQUITY

On May 10, 2022, the Executive Committee of the Board of Directors approved a share repurchase program with authorization to purchase up to \$ 50.0 million of shares of Class A common stock ("2022 Share Repurchase Program"). The Company may repurchase shares from time to time through open market purchases, in privately negotiated transactions or by other means, including the use of trading plans intended to qualify under Rule 10b5-1 of the Securities Exchange Act of 1934 ("Exchange Act"), in accordance with applicable securities laws and other restrictions. The actual timing, manner, price and total amount of future repurchases will depend on a variety of factors, including business, economic and market conditions, corporate and regulatory requirements, prevailing stock prices, restrictions under the terms of loan agreements and other considerations. The 2022 Share Repurchase Program does not obligate the Company to acquire any particular amount of Class A common stock, and the program may be suspended or terminated at any time by the Company at its discretion without prior notice.

During the nine months ended September 30, 2023, the Company repurchased 504,493 shares of Class A common stock under the 2022 Share Repurchase Program, at a total cost to the Company of \$3.0 million. The Company did not repurchase shares during the three months ended September 30, 2023.

## NOTE 9 - RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2023 and 2022, Expensify, Inc. contributed \$ 0.2 million and \$2.3 million, respectively, to its wholly-owned subsidiary, Expensify.org, a nonprofit benefit organization established by the Company. There was an immaterial amount of commitments from Expensify, Inc. that remained open for contribution as of September 30, 2023 and December 31, 2022.

There are no other significant related party transactions for the Company as of September 30, 2023, except as noted elsewhere in these condensed consolidated financial statements.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Annual Report"). This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part I, Item 1A. "Risk Factors" in our 2022 Annual Report and included elsewhere in this Quarterly Report on Form 10-Q. See "Special Note Regarding Forward-Looking Statements."*

### OVERVIEW

Expensify is a cloud-based expense management software platform that helps the smallest to the largest businesses simplify the way they manage money. Every day, people from all walks of life in organizations around the world use Expensify to scan and reimburse receipts from flights, hotels, coffee shops, office supplies and ride shares. Since our founding in 2008, we have added over 13 million members to our community and processed and automated 1.5 billion expense transactions on our platform as of September 30, 2023, freeing people to spend less time managing expenses and more time doing the things they love. For the quarter ended September 30, 2023, an average of 719,000 paid members across 47,800 companies and over 200 countries and territories used Expensify to make money easy.

## Components of Results of Operations

### Revenue

We generate revenue from subscription fees based on the usage of our cloud-based expense management software platform under arrangements paid monthly in arrears that are either (i) month-to-month and can be terminated by either party without penalty at any time or (ii) annual arrangements based on a minimum number of monthly members. Annual subscription customers who wish to terminate their contracts before the end of the term are required to pay the remaining obligation in full plus any fees or penalties set forth in the agreement. We charge our customers subscription fees for access to our platform based on the number of monthly active members and level of service. The contractual price is based on either negotiated fees or rates published on our website. We generate most of our revenue from customers who have a credit card or debit card on file with us that is automatically charged each month. Virtually all of our customers have a standard terms of service contract, with the few exceptions for customers on bespoke service contracts.

Our contracts with our customers include two performance obligations: access to the hosted software service, inclusive of all features available within the platform, and the related customer support. We account for the platform access and the support as a combined performance obligation because they have the same pattern of transfer over the same period and are therefore delivered concurrently. We satisfy our performance obligation over time each month as we provide platform access and support services to customers and as such recognize revenue over time. We recognize revenue net of applicable taxes imposed on the related transaction.

We offer a cashback rewards program to all customers based on volume of Expensify Card transactions and software as a service ("SaaS") subscription tier. Cashback rewards are earned on a monthly basis and are paid out the following month. We consider our cashback payments to customers as consideration payable to a customer, and the payments are recorded as contra revenue within Revenue on the Condensed Consolidated Statements of Operations. We also record a cashback rewards liability that represents the consideration payable to customers for earned cashback rewards. The cashback rewards fluctuate over time as customers meet eligibility requirements in conjunction with the applicable SaaS subscription tier of each customer and the timing of payments made to customers. Additional details pertaining to the Company's cashback program can be found in Part I, Item 1A. "Risk Factors" in our 2022 Annual Report. Subsequent to the date the 2022 Annual Report was filed with the SEC and effective as of March 2023, the Company removed a \$25,000 monthly threshold for companies to qualify for 1% cash back and now offers a minimum of 1% cash back for all purchases.

#### **Cost of Revenue, Net**

Cost of revenue, net primarily consists of expenses related to hosting our service, including the costs of data center capacity, credit card processing fees, third-party software license fees, outsourcing costs to support customer service and outsourcing costs to support and process our patented scanning technology SmartScan, net of consideration from a vendor. Additional costs include amortization expense on capitalized software development costs and personnel-related expenses, including stock-based compensation and employee costs attributable to supporting our customers and maintenance of our platform.

Consideration from a vendor is related to the Expensify Card. We use a third-party vendor to issue Expensify Cards and process the related transactions. When purchases are made with the Expensify Card, a fee is charged by the card network to the merchant (also known as "interchange"). The vendor is contractually entitled to the interchange through its relationships with the card network and card issuing bank. The vendor keeps a portion of the interchange for their services, and our agreement with the vendor results in us receiving the remainder of the interchange less the amount retained by the vendor (our remainder portion, "Expensify interchange amount"). The vendor also charges us fees ("vendor fees") for the services it provides to us. Due to the nature of the vendor agreement, we do not record the Expensify interchange amount as revenue. Instead, the net of the Expensify interchange amount and vendor fees are paid to us, and we record it as "Consideration from a vendor, net," a contra expense in Cost of revenue, net. The following summarizes these various amounts for the periods presented:

|                                  | Three Months Ended September 30, |          | Nine Months Ended September 30, |          |
|----------------------------------|----------------------------------|----------|---------------------------------|----------|
|                                  | 2023                             | 2022     | 2023                            | 2022     |
|                                  | (in thousands)                   |          |                                 |          |
| Expensify interchange amount     | \$ 3,090                         | \$ 1,877 | \$ 8,008                        | \$ 4,805 |
| Vendor fees                      | (281)                            | (169)    | (724)                           | (426)    |
| Consideration from a vendor, net | \$ 2,809                         | \$ 1,708 | \$ 7,284                        | \$ 4,379 |



## **OPERATING EXPENSES**

### ***Research and Development***

Research and development expenses consist primarily of personnel-related expenses, including stock-based compensation, and external contributor costs incurred related to the planning and preliminary project stage and post-implementation stage of new products or enhancing existing products or services. We capitalize certain software development costs that are attributable to developing or adding significant functionality to our internal-use software during the application development stage of the projects. All research and development expenses, excluding capitalized software development costs, are expensed as incurred.

We believe delivering new functionality is critical to attract new customers and expand our relationships with existing customers. We expect to continue to make investments in and expand our product and service offerings to enhance our customers' experience and satisfaction and to attract new customers. We expect research and development expenses will increase as we expand our research and development team to develop new products and product enhancements.

### ***General and Administrative***

General and administrative expenses primarily consist of personnel-related expenses, including stock-based compensation, for any employee time allocated to administrative functions, including finance and accounting, legal and human resources. In addition to personnel-related expenses, general and administrative expenses consist of rent, utilities, depreciation on property and equipment, amortization of operating right-of-use assets and external professional services, including accounting, audit, tax, finance, legal and compliance, human resources and information technology.

### ***Sales and Marketing***

Sales and marketing expenses primarily consist of personnel-related expenses, including stock-based compensation, advertising expenses, outsourcing costs for sales and product demos, branding and public relations expenses and referral fees for strategic partners and other benefits that we provide to our referral and affiliate partners. We expect sales and marketing expenses will increase as we expand our sales efforts to pursue our market opportunity.

### ***Interest and Other Expenses, Net***

Interest and other expenses, net, consist primarily of interest paid under our credit facilities with Canadian Imperial Bank of Commerce ("CIBC"). It also includes realized gains and losses on foreign currency transactions and foreign currency remeasurement. We expect interest and other expenses, net will decrease as we reduce our interest expense by paying down outstanding debt.

### ***Provision for Income Taxes***

Income taxes primarily consist of income taxes in the United States, United Kingdom, Australia, Netherlands and Canada, as well as states in the United States in which we do business.

## Results of Operations

The results of operations presented below should be reviewed in conjunction with the condensed consolidated financial statements and notes included elsewhere in this Quarterly Report on Form 10-Q.

The following table sets forth our results of operations for the periods presented:

|   | Three Months Ended September 30, |            | Nine Months Ended September 30, |             |
|---|----------------------------------|------------|---------------------------------|-------------|
|   | 2023                             | 2022       | 2023                            | 2022        |
| (in thousands, except percentages, share and per share data)                |                                  |            |                                 |             |
| Revenue   | \$ 36,494                        | \$ 42,493  | \$ 115,479                      | \$ 126,026  |
| Cost of revenue, net <sup>(1)</sup>   | 17,680                           | 16,554     | 50,380                          | 46,564      |
| Gross margin  | 18,814                           | 25,939     | 65,099                          | 79,462      |
| Operating expenses:   |                                  |            |                                 |             |
| Research and development <sup>(1)</sup>                                     | 6,607                            | 3,416      | 17,119                          | 10,701      |
| General and administrative <sup>(1)</sup>                                   | 14,245                           | 15,898     | 38,386                          | 45,335      |
| Sales and marketing <sup>(1)</sup>  | 12,860                           | 12,342     | 36,757                          | 37,958      |
| Total operating expenses  | 33,712                           | 31,656     | 92,262                          | 93,994      |
| Loss from operations  | (14,898)                         | (5,717)    | (27,163)                        | (14,532)    |
| Interest and other expenses, net  | (2,375)                          | (2,369)    | (5,158)                         | (5,226)     |
| Loss before income taxes  | (17,273)                         | (8,086)    | (32,321)                        | (19,758)    |
| Benefit from (provision for) income taxes                                   | 270                              | (156)      | (1,931)                         | (3,854)     |
| Net loss  | \$ (17,003)                      | \$ (8,242) | \$ (34,252)                     | \$ (23,612) |
| Net loss per share:   |                                  |            |                                 |             |
| Basic and diluted   | \$ (0.21)                        | \$ (0.10)  | \$ (0.42)                       | \$ (0.29)   |
| Weighted average shares of common stock used to compute net loss per share: |                                  |            |                                 |             |
| Basic and diluted   | 82,469,190                       | 80,941,664 | 82,085,508                      | 80,523,557  |
| Net loss margin   | (47)%                            | (19)%      | (30)%                           | (19)%       |

(1) Includes stock-based compensation expense as follows:

|                                  | Three Months Ended September 30, |           | Nine Months Ended September 30, |           |
|----------------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                                  | 2023                             | 2022      | 2023                            | 2022      |
| (in thousands)                   |                                  |           |                                 |           |
| Cost of revenue, net             | \$ 3,312                         | \$ 4,667  | \$ 10,218                       | \$ 14,278 |
| Research and development         | 2,901                            | 1,931     | 7,562                           | 6,230     |
| General and administrative       | 2,532                            | 4,624     | 7,552                           | 15,063    |
| Sales and marketing              | 1,522                            | 2,142     | 5,280                           | 6,222     |
| Stock-based compensation expense | \$ 10,267                        | \$ 13,364 | \$ 30,612                       | \$ 41,793 |

**COMPARISON OF THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**
**Revenue**

|                                    | Three Months Ended September 30, |           | Change     |       |
|------------------------------------|----------------------------------|-----------|------------|-------|
|                                    | 2023                             | 2022      | Amount     | %     |
| (in thousands, except percentages) |                                  |           |            |       |
| Revenue                            | \$ 36,494                        | \$ 42,493 | \$ (5,999) | (14)% |

Revenue decreased by \$6.0 million, or 14%, for the three months ended September 30, 2023 compared to the same period in 2022, primarily due to (i) a decrease in billable activity across our user base, including a decrease in pay-per-use billable activity which has a higher average fee per member than our annual members, and (ii) an increase in contra revenue related to cashback payments driven by the increased adoption and spend captured from members using the Expensify Card.

**Cost of Revenue, Net and Gross Margin**

|                                    | Three Months Ended September 30, |           | Change     |       |
|------------------------------------|----------------------------------|-----------|------------|-------|
|                                    | 2023                             | 2022      | Amount     | %     |
| (in thousands, except percentages) |                                  |           |            |       |
| Cost of revenue, net               | \$ 17,680                        | \$ 16,554 | \$ 1,126   | 7 %   |
| Gross margin                       | \$ 18,814                        | \$ 25,939 | \$ (7,125) | (27)% |
| Gross margin %                     | 52 %                             | 61 %      |            |       |

Cost of revenue, net increased by \$1.1 million, or 7%, for the three months ended September 30, 2023 compared to the same period in 2022. Cost of revenue, net increased primarily due to increased outsourcing activities related to maintaining our platform. These increases were partially offset by an increase in Consideration from a vendor, net, driven primarily by the increased adoption and spend captured from members using the Expensify Card, which reduced Cost of revenue, net by \$2.8 million and \$1.7 million for the three months ended September 30, 2023 and 2022, respectively.

Gross margin decreased to 52% for the three months ended September 30, 2023 compared to 61% in the same period in 2022 due to the factors described in the preceding paragraphs for Revenue and Cost of revenue, net.

**OPERATING EXPENSES**
**Research and Development**

|                                    | Three Months Ended September 30, |          | Change   |      |
|------------------------------------|----------------------------------|----------|----------|------|
|                                    | 2023                             | 2022     | Amount   | %    |
| (in thousands, except percentages) |                                  |          |          |      |
| Research and development           | \$ 6,607                         | \$ 3,416 | \$ 3,191 | 93 % |

Research and development expenses increased by \$3.2 million, or 93%, for the three months ended September 30, 2023 compared to the same period in 2022, primarily due to an increase in employee and external contributor time spent on project initiatives and new product features.

**General and Administrative**

|                                    | Three Months Ended September 30, |           | Change     |       |
|------------------------------------|----------------------------------|-----------|------------|-------|
|                                    | 2023                             | 2022      | Amount     | %     |
| (in thousands, except percentages) |                                  |           |            |       |
| General and administrative         | \$ 14,245                        | \$ 15,898 | \$ (1,653) | (10)% |

General and administrative expenses decreased by \$1.7 million, or 10%, for the three months ended September 30, 2023 compared to the same period in 2022, primarily due to a decrease in employee time allocated to administrative functions resulting from implementation activities incurred in 2022 for first year compliance with Section 404 of the Sarbanes-Oxley Act and other new public company requirements.

**Sales and Marketing**

|                                    | Three Months Ended September 30, |           | Change |     |
|------------------------------------|----------------------------------|-----------|--------|-----|
|                                    | 2023                             | 2022      | Amount | %   |
| (in thousands, except percentages) |                                  |           |        |     |
| Sales and marketing                | \$ 12,860                        | \$ 12,342 | \$ 518 | 4 % |

Sales and marketing expenses increased by \$0.5 million, or 4%, for the three months ended September 30, 2023 compared to the same period in 2022, primarily due to an increase in outsourcing activities related to sales and product demos. These increases were partially offset by a decrease in advertising spend.

**Interest and Other Expenses, Net**

|                                    | Three Months Ended September 30, |            | Change |     |
|------------------------------------|----------------------------------|------------|--------|-----|
|                                    | 2023                             | 2022       | Amount | %   |
| (in thousands, except percentages) |                                  |            |        |     |
| Interest and other expenses, net   | \$ (2,375)                       | \$ (2,369) | \$ (6) | — % |

Interest and other expenses, net increased nominally for the three months ended September 30, 2023 compared to the same period in 2022, primarily due to an increase in interest expense incurred under the 2021 Amended Term Loan (as defined below) due to increases in CIBC's reference rate partially offset by a reduction in foreign currency losses.

### Provision for Income Taxes

|   | Three Months Ended September 30, |          | Change |        |
|---|----------------------------------|----------|--------|--------|
|   | 2023                             | 2022     | Amount | %      |
| (in thousands, except percentages)        |                                  |          |        |        |
| Benefit from (provision for) income taxes | \$ 270                           | \$ (156) | \$ 426 | (273)% |

We recorded a benefit from income taxes of \$0.3 million during the three months ended September 30, 2023 compared to a provision for income taxes of \$0.2 million for the same period in 2022.

During the three months ended September 30, 2023 and 2022, our effective income tax rate was 1.6% and (1.9)%, respectively. The effective income tax rate differs from the statutory rate in 2023 primarily due to non-deductible stock-based compensation, the change in valuation allowance, and Section 162(m) of the Internal Revenue Code ("IRC") compensation limitations. The effective income tax rate differs from the statutory rate in 2022 primarily due to non-deductible stock-based compensation as well as the change in valuation allowance, Section 162(m) of the IRC compensation limitations and state taxes.

### COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2023 and 2022

|                                    | Nine Months Ended September 30, |            | Change      |      |
|------------------------------------|---------------------------------|------------|-------------|------|
|                                    | 2023                            | 2022       | Amount      | %    |
| (in thousands, except percentages) |                                 |            |             |      |
| Revenue                            | \$ 115,479                      | \$ 126,026 | \$ (10,547) | (8)% |

Revenue decreased by \$10.5 million, or 8%, for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to (i) a decrease in billable activity across our user base, including a decrease in pay-per-use billable activity which has a higher average fee per member than our annual members, and (ii) an increase in contra revenue related to cashback payments driven by the increased adoption and spend captured from members using the Expensify Card.

### Cost of Revenue, Net and Gross Margin

|                                    | Nine Months Ended September 30, |           | Change      |       |
|------------------------------------|---------------------------------|-----------|-------------|-------|
|                                    | 2023                            | 2022      | Amount      | %     |
| (in thousands, except percentages) |                                 |           |             |       |
| Cost of revenue, net               | \$ 50,380                       | \$ 46,564 | \$ 3,816    | 8 %   |
| Gross margin                       | \$ 65,099                       | \$ 79,462 | \$ (14,363) | (18)% |
| Gross margin %                     | 56 %                            | 63 %      |             |       |

Cost of revenue, net increased by \$3.8 million, or 8%, for the nine months ended September 30, 2023 compared to the same period in 2022. Cost of revenue, net increased primarily due to increased outsourcing activities related to maintaining our platform. These increases were partially offset by an increase in Consideration from a vendor, net, driven primarily by the increased adoption and spend captured from members using the Expensify Card, which reduced Cost of revenue, net by \$7.3 million and \$4.4 million for the nine months ended September 30, 2023 and 2022, respectively.

Gross margin decreased to 56% for the nine months ended September 30, 2023 compared to 63% in the same period in 2022 due to the factors described in the preceding paragraphs for Revenue and Cost of Revenue, net.

### Research and Development

|                                    | Nine Months Ended September 30, |           | Change   |      |
|------------------------------------|---------------------------------|-----------|----------|------|
|                                    | 2023                            | 2022      | Amount   | %    |
| (in thousands, except percentages) |                                 |           |          |      |
| Research and development           | \$ 17,119                       | \$ 10,701 | \$ 6,418 | 60 % |

Research and development expenses increased by \$6.4 million, or 60%, for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to an increase in employee and external contributor time spent on project initiatives and new product features.

### General and Administrative

|                                    | Nine Months Ended September 30, |           | Change     |       |
|------------------------------------|---------------------------------|-----------|------------|-------|
|                                    | 2023                            | 2022      | Amount     | %     |
| (in thousands, except percentages) |                                 |           |            |       |
| General and administrative         | \$ 38,386                       | \$ 45,335 | \$ (6,949) | (15)% |

General and administrative expenses decreased by \$6.9 million, or 15%, for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to a decrease in employee time allocated to administrative functions resulting from one-time planning and implementation activities incurred in 2022 for first year compliance with Section 404 of the Sarbanes-Oxley Act and other new public company requirements.

### Sales and Marketing

|                                    | Nine Months Ended September 30, |           | Change     |      |
|------------------------------------|---------------------------------|-----------|------------|------|
|                                    | 2023                            | 2022      | Amount     | %    |
| (in thousands, except percentages) |                                 |           |            |      |
| Sales and marketing                | \$ 36,757                       | \$ 37,958 | \$ (1,201) | (3)% |

Sales and marketing expenses decreased by \$1.2 million, or 3%, for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to a decrease in advertising spend partially offset by (i) an increase in outsourcing activities related to sales and product demos, and (ii) increased marketing event spend to gain further brand awareness.

### Interest and Other Expenses, Net

|                                    | Nine Months Ended September 30, |            | Change |      |
|------------------------------------|---------------------------------|------------|--------|------|
|                                    | 2023                            | 2022       | Amount | %    |
| (in thousands, except percentages) |                                 |            |        |      |
| Interest and other expenses, net   | \$ (5,158)                      | \$ (5,226) | \$ 68  | (1)% |

Interest and other expenses, net decreased by \$0.1 million, or 1%, for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to a reduction in foreign currency losses partially offset by an increase in interest expense incurred under the 2021 Amended Term Loan (as defined below) due to increases in CIBC's reference rate.

### Provision for Income Taxes

|                                    | Nine Months Ended September 30, |            | Change   |       |
|------------------------------------|---------------------------------|------------|----------|-------|
|                                    | 2023                            | 2022       | Amount   | %     |
| (in thousands, except percentages) |                                 |            |          |       |
| Provision for income taxes         | \$ (1,931)                      | \$ (3,854) | \$ 1,923 | (50)% |

We recorded a provision for income taxes of \$1.9 million during the nine months ended September 30, 2023 compared to a provision for income taxes of \$3.9 million for the same period in 2022.

During the nine months ended September 30, 2023 and 2022, our effective income tax rate was (6.0)% and (19.5)%, respectively. The effective income tax rate differs from the statutory rate in 2023 primarily due to non-deductible stock-based compensation, the change in valuation allowance, and Section 162(m) of the IRC compensation limitations. The effective income tax rate differs from the statutory rate in 2022 primarily due to non-deductible stock-based compensation, as well as the change in valuation allowance, Section 162(m) of the IRC compensation limitations and state taxes.

## Key Business Metrics and Non-GAAP Financial Measures

We supplement the reporting of our financial information determined under U.S. generally accepted accounting principles ("GAAP") with certain business metrics and non-GAAP financial measures which we regularly review to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Accordingly, we believe that these key business metrics and non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management team. These key business metrics and non-GAAP financial measures are presented for supplemental informational purposes only, should not be considered a substitute for our financial information presented in accordance with GAAP and may be different from similarly titled metrics or measures presented by other companies.

### KEY BUSINESS METRICS

#### *Paid Members*

We believe that our ability to increase the number of paid members on our platform will drive our success as a business. Our customers pay for subscriptions on behalf of employees and contractors who use the platform, whom we refer to as paid members. We define paid members as the average number of users (employees, contractors, volunteers, team members, etc.) who are billed on *Collect* or *Control* plans during any particular quarter. For small and medium businesses ("SMBs") or sole proprietors with only one employee, the business owner may also be the only paid member.

The following table sets forth the average number of paid members (in thousands):

| Three Months Ended | Paid members |
|--------------------|--------------|
| September 30, 2023 | 719          |
| September 30, 2022 | 761          |

## NON-GAAP FINANCIAL MEASURES

### *Limitations of Non-GAAP Financial Measures*

Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as substitutes for financial information presented under GAAP. There are a number of limitations related to the use of non-GAAP financial measures versus comparable financial measures determined under GAAP. For example, other companies in our industry may calculate these non-GAAP financial measures differently or may use other measures to evaluate their performance. All of these limitations could reduce the usefulness of these non-GAAP financial measures as analytical tools. Investors are encouraged to review the related GAAP financial measures and the reconciliations of these non-GAAP financial measures to their most directly comparable GAAP financial measures and to not rely on any single financial measure to evaluate our business.

### *Adjusted EBITDA and Adjusted EBITDA Margin*

We define adjusted EBITDA as net loss from operations excluding provision for income taxes, interest and other expenses, net, depreciation and amortization and stock-based compensation. We define adjusted EBITDA margin as adjusted EBITDA divided by total revenue for the same period. We are focused on profitable growth and we consider adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that are not indicative of the core operating performance of our business.

|                                    | Three Months Ended September 30, |          | Nine Months Ended September 30, |           |
|------------------------------------|----------------------------------|----------|---------------------------------|-----------|
|                                    | 2023                             | 2022     | 2023                            | 2022      |
| (in thousands, except percentages) |                                  |          |                                 |           |
| Adjusted EBITDA                    | \$ (3,549)                       | \$ 8,970 | \$ 7,320                        | \$ 31,333 |
| Adjusted EBITDA margin             | (10)%                            | 21 %     | 6 %                             | 25 %      |

### *Non-GAAP Net Income and Non-GAAP Net Income Margin*

We define non-GAAP net income as net loss from operations in accordance with GAAP excluding stock-based compensation. We define non-GAAP net income margin as non-GAAP net income divided by total revenue for the same period. We are focused on profitable growth and we consider non-GAAP net income to be an important measure because it helps illustrate underlying trends in our business that could otherwise be masked by the effect of stock-based compensation expense, which is not considered indicative of the core operating performance of our business.

|                                    | Three Months Ended September 30, |          | Nine Months Ended September 30, |           |
|------------------------------------|----------------------------------|----------|---------------------------------|-----------|
|                                    | 2023                             | 2022     | 2023                            | 2022      |
| (in thousands, except percentages) |                                  |          |                                 |           |
| Non-GAAP net (loss) income         | \$ (6,736)                       | \$ 5,122 | \$ (3,640)                      | \$ 18,181 |
| Non-GAAP net (loss) income margin  | (18)%                            | 12 %     | (3)%                            | 14 %      |



### Reconciliations of Non-GAAP Financial Measures

The following tables reconcile the most directly comparable GAAP financial measure to each of these non-GAAP financial measures.

#### Adjusted EBITDA and Adjusted EBITDA Margin

|   | Three Months Ended September 30, |            | Nine Months Ended September 30, |             |
|---|----------------------------------|------------|---------------------------------|-------------|
|   | 2023                             | 2022       | 2023                            | 2022        |
| (in thousands, except percentages)        |                                  |            |                                 |             |
| Net loss                                  | \$ (17,003)                      | \$ (8,242) | \$ (34,252)                     | \$ (23,612) |
| Net loss margin                           | (47)%                            | (19)%      | (30)%                           | (19)%       |
| Add:                                      |                                  |            |                                 |             |
| (Benefit from) provision for income taxes | (270)                            | 156        | 1,931                           | 3,854       |
| Interest and other expenses, net          | 2,375                            | 2,369      | 5,158                           | 5,226       |
| Depreciation and amortization             | 1,082                            | 1,323      | 3,871                           | 4,072       |
| Stock-based compensation expense          | 10,267                           | 13,364     | 30,612                          | 41,793      |
| Adjusted EBITDA                           | \$ (3,549)                       | \$ 8,970   | \$ 7,320                        | \$ 31,333   |
| Adjusted EBITDA margin                    | (10)%                            | 21 %       | 6 %                             | 25 %        |

#### Non-GAAP Net Income and Non-GAAP Net Income Margin

|                                    | Three Months Ended September 30, |            | Nine Months Ended September 30, |             |
|------------------------------------|----------------------------------|------------|---------------------------------|-------------|
|                                    | 2023                             | 2022       | 2023                            | 2022        |
| (in thousands, except percentages) |                                  |            |                                 |             |
| Net loss                           | \$ (17,003)                      | \$ (8,242) | \$ (34,252)                     | \$ (23,612) |
| Net loss margin                    | (47)%                            | (19)%      | (30)%                           | (19)%       |
| Add:                               |                                  |            |                                 |             |
| Stock-based compensation expense   | 10,267                           | 13,364     | 30,612                          | 41,793      |
| Non-GAAP net (loss) income         | \$ (6,736)                       | \$ 5,122   | \$ (3,640)                      | \$ 18,181   |
| Non-GAAP net (loss) income margin  | (18)%                            | 12 %       | (3)%                            | 14 %        |

## Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through our cash flow from operations, sales of our equity securities and borrowings under our credit facilities. In November 2021, upon completion of our IPO, we received aggregate net proceeds of approximately \$57.5 million after deducting underwriting discounts and commissions of approximately \$4.9 million and offering costs of approximately \$8.0 million. As of September 30, 2023, we had \$89.1 million in cash and cash equivalents and \$58.8 million in outstanding indebtedness.

Our future capital requirements will depend on many factors, including revenue growth and costs incurred to support growth in our business and our need to respond to business opportunities, challenges or unforeseen circumstances. We believe that our existing cash resources will be sufficient to finance our continued operations and growth strategy for the next 12 months and for the foreseeable future.

## CASH FLOWS

The following table summarizes our cash flows for the periods indicated:

|  | Nine Months Ended September 30, |           |
|--|---------------------------------|-----------|
|  | 2023                            | 2022      |
|  | (in thousands)                  |           |
| Net cash provided by operating activities                                | \$ 2,102                        | \$ 26,229 |
| Net cash used in investing activities                                    | (4,833)                         | (1,373)   |
| Net cash used in financing activities                                    | (10,371)                        | (2,102)   |
| Net (decrease) increase in cash and cash equivalents and restricted cash | \$ (13,102)                     | \$ 22,754 |

### CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities was \$2.1 million for the nine months ended September 30, 2023 compared to \$26.2 million for the same period in 2022. The decrease was primarily due to a reduction in funds held for customers due to the timing of expense reimbursement activity, a decrease in revenue, and increased outsourcing activities related to maintaining our platform along with design work for new project initiatives.

### CASH FLOWS FROM INVESTING ACTIVITIES

During the nine months ended September 30, 2023, net cash used in investing activities was \$4.8 million, primarily consisting of software development costs and the purchase of property and equipment.

Net cash used in investing activities increased for the nine months ended September 30, 2023 compared to the same period in 2022, primarily due to an increase in employee and external contributor software development costs.

### CASH FLOWS FROM FINANCING ACTIVITIES

During the nine months ended September 30, 2023, net cash used in financing activities was \$10.4 million, primarily consisting of principal payments on the term loan, the repurchase and retirement of common stock, and payments for employees taxes withheld from stock-based awards, which was partially offset by proceeds from common stock purchased under the Company's 2021 Stock Purchase and Matching Plan ("Matching Plan").

During the nine months ended September 30, 2022 net cash used in financing activities primarily consisted of payments for employees taxes withheld from stock-based awards, which were partially offset by proceeds from common stock purchased under the Matching Plan and proceeds from the issuance of common stock on exercises of stock options.

## CREDIT FACILITIES

### *Amortizing Term Mortgage*

In August 2019, the Company entered into an \$8.3 million amortizing term mortgage agreement with Canadian Imperial Bank of Commerce ("CIBC") for the Company's commercial building located in Portland, Oregon. The agreement requires principal and interest payments due each month over a five-year period. Interest accrues at a fixed rate of 5.00% per year until August 2024, at which point the remaining outstanding principal balance on the amortizing term mortgage is due in full. The borrowings are secured by the building. The outstanding balance of the amortizing term mortgage was \$7.7 million as of September 30, 2023.

### ***Loan and Security Agreement***

In September 2021, we amended and restated our loan and security agreement with CIBC ("2021 Amended Term Loan") to refinance the existing non-amortizing and amortizing term loans, establish a single term loan of up to \$75.0 million, consisting of a \$45.0 million initial term loan effective immediately with an option to enter into an additional \$30.0 million delayed term loan, and increase the monthly revolving line of credit to \$25.0 million. The option for the delayed term loan expired in March 2023. The term loan and revolving line of credit mature in September 2026 and September 2024, respectively. Approximately \$23.5 million of the loan proceeds were used to immediately repay the remaining balances under the amortizing and non-amortizing term loans at the time of the amendment, as well as commitment fees and other debt issuance costs associated with the amendment. The remaining proceeds from the initial term loan were utilized to fund our normal business operations.

Under the 2021 Amended Term Loan, the initial term loan of \$45.0 million is payable over a 60-month period with principal and accrued interest payments due each quarter thereafter, which commenced with the first payment due on September 30, 2021. Quarterly principal payments are fixed and escalate throughout the term. The amounts borrowed bear interest at the bank's reference rate plus 2.25% (10.75% as of September 30, 2023) and continue on a quarterly basis through the maturity of the term loan. The borrowings are secured by substantially all our assets.

The line of credit agreement, as amended with the 2021 Amended Term Loan, provides borrowings up to \$25.0 million. Borrowings under the line of credit bear interest at CIBC's reference rate plus 1.00% (9.50% as of September 30, 2023) and are secured by substantially all of our assets.

The outstanding balances of the term loan and revolving line of credit were \$36.1 million and \$15.0 million, respectively, as of September 30, 2023. See Note 4 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further information.

The outstanding balance of \$36.0 million, including \$0.1 million of accrued interest, on the term loan was repaid in full on October 12, 2023.

### ***Certain Covenants***

We are subject to customary covenants under the 2021 Amended Term Loan, which unless waived by CIBC, restrict our and our subsidiaries' ability to, among other things incur additional indebtedness, create or incur liens, permit a change of control or merge or consolidate with other companies, sell or transfer assets, pay dividends or make distributions, make acquisitions, investments or loans, or payments and prepayments of subordinated indebtedness, subject to certain exceptions. We must also maintain certain financial covenants: a total EBITDA net leverage ratio, as defined in the 2021 Amended Term Loan, tested each quarter, of not less than 5.00 to 1.00 from September 30, 2022 through and including June 30, 2023, and not less than 4.00 to 1.00 from September 30, 2023 through and including June 30, 2024, not less than 3.00 to 1.00 from September 30, 2024 and thereafter, and a fixed charge coverage ratio of not less than 1.10 to 1.00, tested on the last day of each calendar quarter.

If we fail to perform our obligations under these and other covenants, CIBC's credit commitments could be terminated and any outstanding borrowings, together with accrued interest, under the credit or loan agreements could be declared immediately due and payable.

As of September 30, 2023, the Company was not in compliance with all debt covenants, specifically the covenant restricting the amount of repurchases of common stock, which includes net share settlements of stock-based awards, the covenant related to the requirement to maintain all deposit, operating and collateral accounts with CIBC with certain exceptions during the period, and the minimum fixed charge coverage ratio covenant. A waiver was obtained from CIBC. The Company does not believe non-compliance with these covenants had any material impact on the Company or its operations. The Company expects to be in compliance with all debt covenants, or to have received waivers for any non-compliance, by the end of the fiscal quarter ending December 31, 2023.

## Contractual Obligations and Commitments

As of September 30, 2023, there have been no material changes in our contractual obligations and commitments as disclosed in our 2022 Annual Report.

## Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms whereby we agree to indemnify customers, issuing banks, card networks, vendors and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Changes in Stockholders' Equity, or Condensed Consolidated Statements of Cash Flows.

## Off-Balance Sheet Arrangements

During the periods presented, we did not have, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

## Critical Accounting Policies and Estimates

Our condensed consolidated financial statements included elsewhere herein have been prepared in accordance with GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting policies and estimates as compared to those described in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2022 Annual Report.

## Recent Accounting Pronouncements

See Note 1 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this Quarterly Report on Form 10-Q.

## Emerging Growth Company Status

Upon the completion of our IPO, we elected to be an emerging growth company ("EGC"), as defined in the Jumpstart Our Business Startups Act of 2012, which, among other things, allowed us to take advantage of reduced disclosure requirements and an extended transition period for the implementation of new or revised accounting pronouncements.

Effective December 31, 2022, based on the market value of our common stock held by non-affiliates as of June 30, 2022, we were deemed to be a large accelerated filer and no longer qualified as an EGC. As a result, we must now comply with all financial disclosure and governance requirements applicable to large accelerated filers. The effect of the loss of EGC status and the impact on the adoption of new accounting pronouncements is discussed further in Note 2 to our consolidated financial statements in our 2022 Annual Report.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our market risk from the disclosure included under Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our 2022 Annual Report.

## Item 4. Controls and Procedures

### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures, and is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based on such evaluation, our chief executive officer and chief financial officer have concluded that as of September 30, 2023, our disclosure controls and procedures were effective at a reasonable assurance level.

### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### LIMITATIONS OF EFFECTIVENESS OF CONTROLS AND PROCEDURES

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

## Part II - Other Information

### Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition. We have received, and may in the future continue to receive, claims from third parties asserting, among other things, infringement of their intellectual property rights. Defending such proceedings is costly and can impose a significant burden on management and employees. We may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

### Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I, Item 1A. "Risk Factors" of our 2022 Annual Report. You should carefully read and consider the risks and uncertainties, together with all of the other information included in the 2022 Annual Report and this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes, and other documents that we file with the SEC.

### Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

#### ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information regarding our purchases of shares of Class A common stock during the three months ended September 30, 2023.

|  | Total number of<br>shares purchased | Weighted-average<br>price paid per share | Total number of shares<br>purchased as part of<br>publicly announced<br>programs | Maximum number<br>(or approximate<br>dollar value) of<br>shares that may<br>yet be purchased<br>under the<br>program <sup>(1)</sup> |
|--|-------------------------------------|--|--|---|
| July 1 - 31, 2023                            | —                                   | \$ —                                     | —  | \$ 41,000,003   |
| August 1 - 31, 2023                          | —                                   | \$ —                                     | —  | \$ 41,000,003   |
| September 1 - 30, 2023                       | —                                   | \$ —                                     | —  | \$ 41,000,003   |
| <b>Three months ended September 30, 2023</b> | <b>—</b>                            | <b>\$ —</b>                              | <b>—</b>   | <b>\$ —</b>   |

(1) On May 12, 2022, we announced the approval of a share repurchase program with authorization to purchase up to \$50.0 million of our Class A common stock at management's discretion. The repurchase program does not have an expiration date, does not obligate us to repurchase any specific number of shares and may be modified, suspended or terminated at any time at our discretion. At September 30, 2023, we had approximately \$41.0 million remaining under the share repurchase authorization, not including amounts used for net share settlement of vested equity incentive awards.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

None.

### **Item 5. Other Information**

None.

## Item 6. Exhibits

| Exhibit No. | Name   | Incorporated by Reference |           |         |                   |
|-------------|--|---------------------------|-----------|---------|-------------------|
|             |  | Form                      | File No.  | Exhibit | Filing Date       |
| 3.1         | <a href="#">Amended and Restated Certificate of Incorporation of the Registrant.</a>   | 10-Q                      | 001-41043 | 3.1     | August 9, 2023    |
| 3.2         | <a href="#">Amended and Restated Bylaws of the Registrant.</a>   | 8-K                       | 001-41043 | 3.2     | November 15, 2021 |
| 31.1*       | <a href="#">Certification of the Principal Executive Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a> |                           |           |         |                   |
| 31.2*       | <a href="#">Certification of the Principal Financial Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a> |                           |           |         |                   |
| 32.1**      | <a href="#">Certification of the Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>  |                           |           |         |                   |
| 32.2**      | <a href="#">Certification of the Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>  |                           |           |         |                   |
| 101.INS*    | Inline XBRL Instance Document.   |                           |           |         |                   |
| 101.SCH*    | Inline XBRL Taxonomy Extension Schema Document.  |                           |           |         |                   |
| 101.CAL*    | Inline XBRL Taxonomy Extension Calculation Linkbase Document.  |                           |           |         |                   |
| 101.DEF*    | Inline XBRL Taxonomy Extension Definition Linkbase Document.   |                           |           |         |                   |
| 101.PRE*    | Inline XBRL Taxonomy Extension Presentation Linkable Document.   |                           |           |         |                   |
| 104*        | Cover Page Interactive Data File (embedded within the Inline XBRL document).   |                           |           |         |                   |

Filed herewith.

Furnished herewith. The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.



## Signatures

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

### EXPENSIFY, INC.

Date: November 8, 2023

By: /s/ David Barrett

David Barrett

President and Chief Executive Officer

*(Principal Executive Officer)*

Date: November 8, 2023

By: /s/ Ryan Schaffer

Ryan Schaffer

Chief Financial Officer

*(Principal Financial Officer)*

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**  
**PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT**  
**TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Barrett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Expensify, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David Barrett

David Barrett

Chief Executive Officer

(Principal Executive Officer)

Date: November 8, 2023

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**  
**PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT**  
**TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ryan Schaffer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Expensify, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Ryan Schaffer

Ryan Schaffer

Chief Financial Officer

(Principal Financial Officer)

Date: November 8, 2023

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Expensify, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David Barrett

David Barrett

Chief Executive Officer

*(Principal Executive Officer)*

Date: November 8, 2023

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Expensify, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ryan Schaffer

\_\_\_\_\_  
Ryan Schaffer

Chief Financial Officer

(Principal Financial Officer)

Date: November 8, 2023