Asana Investor Relations
Q2 Fiscal Year 2021 Earnings Conference Call
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Catherine Buan, Head of Investor Relations

Good afternoon and thank you for joining us on today's conference call to discuss the financial results for Asana's second quarter and fiscal year 2021. With me on today's call are Dustin Moskovitz, Asana's Co-Founder and CEO; Tim Wan, the Company's Chief Financial Officer; and Chris Farinacci, the Company's Chief Operating Officer and Head of Business.

Today's call will include forward-looking statements pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to statements regarding our financial outlook, market position and growth opportunities. Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Forward-looking statements represent our management's beliefs and assumptions only as of the date made. Information on factors that could affect the Company's financial results is included in its filings with the SEC from time-to-time, including the section titled Risk Factors in the Company's registration statement on Form S-1.

In addition, during today's call we will discuss non-GAAP financial measures. These non-GAAP financial measures are in addition to and not a substitute for or superior to measures of financial performance prepared in accordance with GAAP. Reconciliation between GAAP and non-GAAP financial measures and a discussion of the limitations of using non-GAAP measures versus their closest GAAP equivalents is available in our earnings release.

And with that I'd like to turn the call over to Dustin.

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Dustin Moskovitz, Co-Founder and CEO

Thanks Catherine. Good afternoon and welcome to our first earnings call.

During today's call, Chris, Tim and I will provide details on our Q2 results as well as guidance for Q3 and the full year. We will also spend time covering our business and market opportunity as many of you may be new to the Asana story. But first, I'll kick us off with a few of the highlights of our financial results.

Highlights

We had a very strong quarter. Q2 revenue was $52 million, up 57% year-over-year. We have incredible momentum in our business, with the number of customers spending $5,000 or more on an annualized basis up 65% year-over year. We now have over 82,000 paying customers and over 1.3 million paid users.

I couldn't be more proud of the team, and would like to acknowledge all of the Asana employees not only for their performance in the first half of the year, but also for their resiliency. It has been inspiring to see Asana's teams stepping up for each other, for their communities, and for our customers.

Asana Background

For those of you who are new to the story, let me tell you a little bit more about Asana. Everything we do here is grounded in a focus on our mission, which is to enable the world's teams to work together effortlessly. We believe that the biggest thing slowing teams down today is that they now spend more time coordinating work than actually doing it. While in the last few decades powerful communication tools have enabled huge increases in *collaboration* inside teams, the gains in *productivity* have been modest. All this collaboration generates a firehose of information, but people lack clarity about what's most important and where they should focus their attention.

Asana was designed to solve this problem for teams, and we are pioneers in work management, an entirely new category of software designed to help organizations

clearly answer the question: **who is doing what by when?**

We're solving the problem of team *coordination* and creating a living system of clarity for work by bringing teams' structured and unstructured work data together to create a complete map of the work happening in an organization.

Business and Market Opportunity
Before I dive deeper into our platform, I'd like to highlight a few defining elements of our business and market opportunity.

First, there are strong secular tailwinds. According to a June 2019 IDC report, the markets for collaborative applications and project and portfolio management, in aggregate, are expected to grow from $23 billion in 2020 to $32 billion in 2023. And industry analysts estimate there are 1.25 billion global information workers. In addition to the massive greenfield opportunity, we believe we are less than 3% penetrated among addressable employees in our existing paid customer base.

Second, we have a highly efficient hybrid go-to-market model.   We've made our platform incredibly easy to adopt. We've built a model based on both self-service and a direct sales motion. Chris is going to go into more detail on this. The self-service model allows us to reach a broad user base and drive adoption in many small teams within an organization, with zero or limited sales presence. Moreover, we pay close attention to our free-to-paid conversion rate, which has increased from 3.6% at the end of FY18 to 4.7% at the end of Q2. On top of that, the direct sales model has enabled us to land bigger and expand faster and more effectively, especially in the Mid-Market and Enterprise. You can see this impact especially in the number of customers spending more than $50,000 annualized, which has increased 160% year over year.

A third key driver of growth is that Asana can be adapted to thousands of use cases in organizations of all sizes. We typically land in a single department, but once teams discover the power of the Asana platform, teams extend their usage to new

use cases and new departments, which can lead to rapid expansion within an organization.   Asana can also be used for *organization-wide* processes such as new employee onboarding, goal setting, and meeting agendas.

Finally, we have the most flexible platform, built on <u>our proprietary data model, which we call the Work Graph</u>.   The Work Graph data model enables our core differentiator: a complete, fully connected, accurate, and up-to-date *map* of the work in your organization. The work graph represents all of the units of work -- like tasks, ideas, goals, agenda items --, the information about that work -- like relevant conversations, files, and status information --, and how it all fits together, including importantly who's responsible for each piece.

By keeping all that data in the Work Graph, customers get a single source of truth about project progress. It's a living plan of record and accountability that emerges in real time that expresses a team's past state, present status, and future plan.

<u>The Asana Work Graph</u>

The Asana Work Graph is a key differentiator for us because it enables many different views and workflows to be built around the same underlying units of work. That allows us to tailor the perfect experience for every constituent on a team and empowers teams to collaborate cross-functionally rather than working in silos. The most important coordination use cases are always cross-functional in nature - for example putting together our investor day a couple weeks ago involved people from our marketing, legal, and finance teams all working together around a shared plan.

In contrast to the Work Graph, others use a container model, where units of work exist only within one context, like a single kanban board. That works ok for small projects but doesn't scale to run an entire department or organization.

I'd like to conclude by sharing a bit more about our multi-year product vision as we re-imagine the future of work. In July we hosted an event called the Future of Asana, viewed by over 23,000 people to date from organizations around the world.

Our north star for that vision is what we call the Pyramid of Clarity: we know companies work best when everyone in the organization has clarity on the company's mission, it's objectives, the projects and strategic initiatives needed to achieve those objectives, and who's responsible for each individual task.

At the event we launched Goals, the first ever link between an organization's mission, and the work that powers that mission. Goals is OKRs done right, and with this launch, we completed the Pyramid of Clarity. Now everyone in an organization can have clarity on what the team is trying to accomplish and how their own work ladders up the higher-level goals.

In addition to launching Goals at the event, we also talked about the future. Our vision is to become the navigation system for customers, providing turn by turn directions to find the very best path to help customers reach their goals. We want every team member to achieve focus and flow and have perfect clarity about how their work contributes to the organization's mission.

We have a clear vision for our roadmap, and we're excited to build and deliver it for our customers.

Now let me turn it over to Chris to talk about Q2 from an operational perspective and share more detail on how our customers are using Asana.

Chris Farinacci, COO and Head of Business

Thanks Dustin. First of all I'd like to thank our customers, for their support, partnership, and the strong community we have built together over the years.

I'm going to focus my remarks on three main areas: first our Q2 business performance, second our go-to-market, and third our growth drivers.

Business Performance

Starting with our Q2 business performance -- We executed very well in the quarter, with topline revenue growth of 57% year-over-year. We were very pleased with the progress of some of our key business metrics - including total paying customers, and the # of customers crossing our $5,000 and $50,000 annual spend threshold and their respective dollar-based net retention rates.

Importantly, across Q2 we saw notable improvements across many of the metrics we use to run the business, in the face of the pandemic. In short, we believe the pandemic has provided some short-term headwinds and long-term tailwinds to our business.

Like most other software companies, Asana was not immune to the economic repercussions of Covid-19. We initially saw elevated churn rates in customer segments that were particularly affected by the pandemic, including travel and hospitality and small businesses.

However, in the latter half of Q2 we were encouraged to see customer activity in most of our segments returning towards normal pre-COVID levels.

The pandemic and resulting need for teams to quickly adopt to remote work accelerated awareness and interest in our category and trends in parts of our business. For example, we experienced record top of funnel traffic, as well as free and paid sign-ups, as teams looked for solutions to stay organized in their new work-from-home realities. In our direct sales business, we saw increased engagement from IT buyers and centralized purchasers in organizations as they looked to

standardize on solutions to bring clarity and alignment to their teams and their organizations.

Our direct sales team adapted quickly to the new selling environment, enabling us to land and expand more effectively across regions, particularly in the mid-market and enterprise. In Q2, we saw the number of customers spending more than $50,000 with us annually increase 160% year-on-year and closed our largest customer expansion deal ever.

 I'll highlight just a few of our notable expansion deals:

- **Okta** Okta, the leading independent provider of identity for the enterprise, adopted Asana in their marketing and sales teams for over a dozen use cases over the last year and a half. In Q2, we expanded usage more broadly across the company. Okta chose Asana because the company felt that Asana had the vision to scale with their rapid growth, and their employees loved to use it –- which has improved collaboration and productivity, even while everyone works from home.

- **Coupa** Coupa, a leading spend management platform, kicked off 2020 deploying Asana's Enterprise solution across their shared services department in an effort to better organize and manage internal IT projects. In Q2, building on the success of that deployment, additional teams began to work together and manage their sprints in Asana. The Enterprise solution has helped Coupa's employees drive towards the company's second core value of 'focus on results' in a collaborative and dynamic environment.

- **Xero** Xero, one of New Zealand's largest and fastest growing tech companies, has been using Asana since 2015. Helping them scale with their rapid growth, we started to gain more traction within the company in 2019, when they moved to our Enterprise tier. Xero is now looking to leverage more from their work management platform with Asana to improve collaboration between their teams, who are spread across five continents.

Go-to-Market

Our multitude of new logo wins and customer expansion deals are illustrative of our successful business model and go-to-market approach. We reach, grow and support our customers via an intentionally hybrid self-serve and direct sales business model. This is a bottoms-up "seed, land and expand" experience across the customer journey.

The seed part of our model corresponds to our self-serve engine, where we see high volumes of small free and paid teams adopt virally across companies of all sizes.

Our land and expand motion then correspond to our direct sales business. Land typically involves establishing a champion and deploying in a critical workflow in an initial function or team. From there we tend to engage with IT and other decision makers to expand more broadly.

This approach creates a viral cycle within and across companies and each of these motions build on each other. For example, small teams adopting via our self-serve engine drive our lead scoring which identifies which teams and accounts represent the best land and expand opportunities for our direct sales motions.

The usage of Asana can grow quickly and virally in an organization, enabling our direct sales team to help organizations expand broadly or deploy company wide.

Growth Opportunities

As we look ahead, we're very excited about the market opportunities in front of us to drive future growth. Let me talk about a few of our strategies for driving growth in a little more detail.

First, we are focused on acquiring new customers - through word of mouth, marketing activities, and our self-service product. This is a fast-growing emerging category, with the vast majority of global information workers without work management tools and suffering from lack of clarity. We also have more than 3.5

million free activated accounts since inception to focus on converting to our paid product. For new teams, Asana is fundamentally a broad, horizontal product - we see customer use cases within and across virtually all functions and departments, and often including collaboration externally with suppliers, partners and customers. Our customers tend to leverage our broad horizontal integrations with complementary tools from partners like Slack, Google, Microsoft, Dropbox, Zoom and Box. In Q2, Asana launched a new integration between Asana and Microsoft Teams to help teams stay better organized and connected.

Second, we see a large expansion opportunity in our existing base of over 82,000 paying customers, where we estimate we are <3% penetrated in addressable employees today. To address this significant whitespace opportunity, we are nearly doubling our direct sales team year-on-year and promoting our department-specific solutions. This currently includes Asana for Marketing and Creatives, Asana for Sales and Account Management, and Asana for Operations. In these areas we manage key cross-functional workflows and integrate deeply with core departmental solutions such as Adobe, Salesforce, Tableau and Jira. Evidence of our growing expansion business traction includes customers spending more than $50,000 with us annually growing 160% year-on-year.

Third, we see a large incremental opportunity to support company-wide use cases. Starting with our recent launch of integrated goals and OKR management, as we power the Work Graph within companies, Asana is uniquely suited to empower company-wide clarity and engagement use cases.

And then finally, we've been recognized for our differentiated product vision and customer experience, and we will continue to expand our offering and invest in product innovation and our go-to-market teams to support these growth opportunities.

Now I'll turn it over to Tim to go through our financial results.

Tim:

Thanks Chris - and thank you to everyone for joining our call today.

First, I want to thank all the Asanas for their commitment to our customers, each other and our mission during these unprecedented times. We're incredibly proud of the team's ability to deliver in this environment.

As Dustin said, we had a strong quarter in Q2. While there were some short-term headwinds in the quarter due to the pandemic, our overall performance remained strong and our confidence in the long-term opportunity is greater than ever.

Q2 Results

Revenue in the quarter was $52.0 million, up 57% year-over-year. This is a reflection of the value we provide to our customers and our focus on their experience on the Asana platform. We deliver consumer grade, Enterprise software that is easy to adopt and can scale across organizations.

Let me spend a moment sharing some additional Q2 metrics:

- We saw strong growth in our number of customers spending $5,000 or more with us on an annualized basis, which grew 65% year-over-year.

- And we saw even stronger growth in our larger customers. The number of customers spending $50,000 or more with us on an annualized basis grew 160% year-over-year.

- Subscriptions of $5,000 and over on an annualized basis represented 58% of our revenues in Q2, compared to 47% of our revenue in the year ago quarter, and are up 92% year-over-year. Please note this represents ALL customers $5,000 and over, including customers over $50,000.

We added over 5,000 net new paying customers in the quarter, and now have over 82,000 paying customers with over 1.3 million paid users globally.

Business Model

Before I talk more about the quarter, let me discuss our business model. A majority of our paying customers initially adopt our platform through self-service and free trials. Teams and Individuals can try Asana using our free offer, which has limited functionalities or a trial on one of our paid subscription plans.

Our pricing strategy helps enable customer expansion. We offer 4 levels of service: Basic, Premium, Business, and Enterprise. Basic is our free plan and while each subsequent plan has more robust set of functionalities and stronger administrative controls. Paying customers typically pay on a monthly or annual basis.

Our highest priced plans are Business and Enterprise and have been gaining significant traction, demonstrating the value we continue to deliver to our customers.

Asana is a simple and easy product for teams to adopt to track their work. Once they have started, teams often increase the number of users or begin to use Asana for new workflows and new use cases. Our dollar-based net retention rate reflects this ease of adoption and the stickiness of the product.

- In Q2, our overall dollar-based net retention rate was over 115%.
  - With the onset of the pandemic, the overall dollar-based net retention rate was negatively impacted primarily by smaller teams and economically impacted sectors. We expect our overall dollar-based net retention rate to be representative of the macroeconomic impact for a few more quarters because the dollar-based net retention rate is a trailing 4 quarter average calculation, and thus a lagging indicator.
- For customers spending $5,000 or more with us on an annualized basis, it was over 125%.
- And for customers spending $50,000 or more with us on an annualized basis,

it was over 140%.

And as we continue to expand, we will focus on investing in growth that will result in leverage long term.

Q2 Expenses and Balance Sheet

Before turning to expense items and profitability, I would like to point out that I will be discussing non-GAAP results in the balance of my remarks.

- **Gross Margins** came in at 86.6%, up slightly year over year. We expect full year non-GAAP gross margins of around 86%.
- **R&D** was $23.3 million, or 45% of revenue, and up 52% year-over-year, as we focus on enhancing our software architecture and adding new features and functionality to our platform.
- **Sales and Marketing** was $37.3 million, or 72% of revenue, up 90% year-over-year, illustrating our confidence in the growing opportunity and our investment in both top of funnel and sales assisted expansion.
- **G&A** was $11.6 million, or 22% of revenue, up 57% year-over-year, growing to scale our infrastructure for public company readiness.
- As a result, **Total Non-GAAP Operating loss** was $27.2 million. Operating Margin came in at negative 52%.
- **Non-GAAP Net Loss** was $26.3 million versus $13.7 million in the year ago quarter.
- **Non-GAAP Loss per share** was ($0.34) versus loss per share of ($0.20) the previous year.
- **Total Cash and Marketable Securities balances** were approximately $456 million, headlining our strong balance sheet.
- **Free Cash Flow** is defined as net cash from operating activities less cash used for property and equipment and capitalized software costs, excluding non-recurring items such as the Direct Listing fees and expenses, and the build out of our San Francisco office. In Q2 free cash flow was ($21.9 million) versus ($6.5 million) in the year ago quarter.

- Our total **Q2 deferred revenue** was $75 million, up 61% year-over-year and up 7% sequentially.   As you will see on our balance sheet, $73.8 million of deferred revenue was in current liabilities, while $1.2 million, which represents long term deferred, was included in Other Liabilities. Please note, we consider revenue growth to be the best indicator for the health of our business, and while we do recognize that investors look at other metrics such as RPO, deferred revenue, and calculated billings, we do not consider these metrics to be good leading indicators at this stage of the business. With our bottoms up model, we engage new users with a low-friction entry point package. That includes simple per user pricing and monthly contracts. So, by design, a material portion of our revenue base is on monthly contracts, which are not reflected in our deferred revenue.

As we look toward next quarter and the remainder of the year I would like to reinforce the following:

- First, clarity and alignment are more important than ever for teams to collaborate effectively
- Second, while the pandemic will continue to have an unpredictable short-term impact to our business, we are ultimately a beneficiary of the secular tailwinds
- Third, our top of funnel activity remains strong as a result of the remote work movement
- And finally, we are well capitalized, enabling us to invest further into the opportunity and fortify our leadership position
- So, let's turn to our outlook....

<u>Outlook</u>

For the third quarter of fiscal year 2021, we expect the following:

- Revenue of $53.5 million to $54.5 million representing 40% to 43% year-over-year growth
- We expect Non-GAAP Loss from operations of $42.0 million to $40.0 million
- And Non-GAAP Net Loss per share of $0.38 to $0.36 assuming basic and

diluted weighted average shares outstanding of approximately 112 million

For the full fiscal year 2021, Asana expects the following:

- Revenue of $210.0 million to $213.0 million, representing 47% to 49% year-over-year growth
- We expect Non-GAAP operating loss of $140.0 million to $136.0 million
- And Non-GAAP net loss per share of $1.33 to $1.30 assuming basic and diluted weighted average shares outstanding of approximately 105 million

As we look out to fiscal year 22, even with all the uncertainty in today's environment, we believe we are well positioned to grow revenue in the 30% percent plus range.

In summary:

- We are focused on growth and the enormous market opportunity for work management.
- Remote work is accelerating the need for teams to stay aligned with clarity and accountability.
- We'll invest in our Work Graph architecture and our product that customers love.
- And lastly, we will continue to invest in growth and scale to translate our strong unit economics into long term leverage and sustainable growth.

I would like to turn the call back over to Catherine for Questions and Answers. Catherine?

Catherine:

Thanks Tim, given the unique nature of a Direct Listing, we're not able to have a traditional Q&A session on ***this*** call, but I will tee up some questions that may be top of mind for many of the folks who are on this call today. Also, I'll remind everybody on this call that a copy of these prepared remarks will be posted on the IR website at the end of this call. Ok, let me start with the first question.

Question #1:

Tim, what <u>metrics</u> do you plan to disclose on a quarterly basis and which metrics do you plan to guide to as a public company?

Answer #1:

Sure, on our earnings call we plan to disclose

- Total # of Paid Customers,
- # of customers with annual spend of $5,000 and over
- # of customers with annual spend of $50,000 and over
- And we will also disclose our overall dollar-based net retention rate and our dollar-based net retention rate for customers over $5,000 in annualized spend.

With respect to guidance, we currently plan to guide to

- GAAP revenue,
- non-GAAP operating income or loss, and
- non-GAAP EPS, and thus the underlying share count estimate

Question #2:

Ok, another question: You added over 2,000 net paying customers in Q1, and more than 5,000 in Q2, this is more than doubling the net adds from quarter to quarter. Is there normally that much variability from quarter to quarter? And what's the right way to think about incremental customer additions each quarter?

Answer #2:

We will not be guiding customer counts, but to answer your question directly, this year's Q1 to Q2 sequential add rate was exceptional and I wouldn't model the same sequential growth for the next quarter. I think it's important to share some additional context on Q1 and Q2 so investors can understand some of the underlying dynamics on the net customer adds from quarter to quarter. There are many things that can impact the sequential growth rate from time to time. For example, this quarter had the benefit of the introduction of a small team pricing. So from time to time there will be various factors that impact the sequential growth rate.

Question #3:

That makes sense. Ok, you mentioned the growth rate for next year, Fiscal Year 22, of at least 30% year-over-year. Will you continue to give guidance that far out on the horizon?

Answer #3:

Great question. It is not standard practice for us to provide color on expected growth rates for the following year on our Q2 earnings call. We do plan to provide formal Fiscal Year 22 guidance on our Q4 and year end FY21 earnings call. However, given the unique nature of the Direct Listing, we felt it was important to share with the investment community that we believe we can sustain at least 30% revenue growth in FY22 given our momentum and the large and underpenetrated market.

Question #4:

Ok, the next question. Can you help investors think through some of the elements that drive the model such as paid customer growth, revenue growth per customer, and paid user growth?

Answer #4:

Sure. We are taking a balanced approach to growth, by acquiring new customers, seat expansion with existing customers and continuing to offer more value in our

higher priced tiers. In terms of rank ordering which component is growing fastest, in aggregate, certainly so far this year "average revenue per customer" has had the highest growth, followed by our growth in the number of total paying users, and last, our total paying customers growth rate.

Question #5:

That's helpful, ok. The next question, can you share color on the makeup of your customer base between Premium, Business, and Enterprise?

Answer #5:

We're not going to share the customer count or paying user data across the tiers, but we did share detail in our SEC filings on the combined revenue contribution of both Enterprise and Business. So just to level set, we introduced Enterprise subscriptions at the end of 2016, and we introduced Business subscriptions in November 2018. These subscriptions have grown to represent 46% of our revenue during the six months ended July 31, 2020, up from 24% during the six months ended July 31, 2019.

With this data, you can derive some revenue growth rates of Enterprise plus Business, versus the growth rate of Premium.

Question #6:

Thank you, ok, next question. You mentioned that deferred revenue, <u>calculated billings, and RPO bookings</u> are not good leading indicators for your business? Can you explain in more detail why?

Answer #6:

Sure. The reason why is this: approximately a third of our revenue is billed monthly and thus does not hit deferred revenue. Therefore, a calculated billings metric is not a good metric for us at this stage of the business.

Total RPO from subscription contracts at the end of Q2 was $85.4 million, and we expect to recognize substantially all of the remaining performance obligations as

revenue over the next 24 months following the last day of Q2 which was July 31.

Question #7:

Ok excellent, next question. Your operating income guidance assumes a huge quarter-over-quarter step up in operating expenses. Can you walk us through OpEx and share more detail on what you are spending money on?

Answer #7:

Yes. As I mentioned, we're investing in growth and believe we have a large opportunity ahead. The primary increase is headcount related and programmatic marketing, along with some increases related to being a public company.

Question #8:

That's helpful, ok. Can you help us, next question, can you help us with all the reconciling items between GAAP and non-GAAP, both for Q3 and the fiscal year?

Answer #8:

Sure, it's a long answer so let me walk you through the detail.

Alright, we define non-GAAP loss from operations as loss from operations plus stock-based compensation expense and non-recurring costs, such as Direct Listing expenses.

- For **stock-based compensation**, while it's difficult to estimate SBC, we expect it to increase as a percentage of revenue, from approximately 10% in Q2, into the low to mid-teens as a percentage of revenue going forward.
- For **Direct Listing expenses**, we expect $16.5 million for Q3 and approximately $19 million total for FY21.

We define non-GAAP Net Loss as net loss plus stock-based compensation expense, amortization of discount and non-cash contractual interest expense related to our senior mandatory convertible promissory note, and non-recurring costs such as our Direct Listing expenses.

- We expect the amortization of discount and non-cash contractual interest expense related to our **senior mandatory convertible promissory note** in total to be $11 million for Q3 and $37 million for FY21.

We define free cash flow as net cash used in operating activities less cash used for purchases of property and equipment and capitalized internal-use software costs, plus non-recurring expenditures such as capital expenditures from the purchases of property and equipment associated with the build-out of our corporate office in San Francisco, and Direct Listing expenses.

We are not providing guidance on free cash flow, but we do expect our free cash flow margin to be better than our non-GAAP operating margin, consistent with the historical data we shared in both the S1 and the long-term model targets we outlined at investor day.

As a one-time disclosure, we will share some detail on our expectations for the **reconciling items to our free cash flow** definition in order to help you with your model.

So for Q3, we expect the following:

- **Capital Expenditures** of approximately $22 million, of which $20.5 is related to our San Francisco office buildout, with $1.5 million representing our normal course of business capex.
- We expect **capitalized internal use software** of $200,000.
- And we expect **Direct Listings expenses** to be $16.5 million.

For Fiscal Year 21, we expect the following:

- **Capital Expenditures** of approximately $58 million for the year, of which $54 million is related to our San Francisco office buildout, with $4 million representing normal course of business capex.
- We expect **capitalized internal use software** of $1.6 million.
- And we expect **Direct Listings expenses** to be $20 million.

Catherine - Concluding Remarks

Ok, that's it for Q&A today. This is just another reminder that these prepared remarks will be posted on our IR website shortly. Also, as a reminder, we expect to list our Class A common stock and begin trading on the New York Stock Exchange on Wednesday, September 30th, 2020. Thank you to everyone who joined the call today, and we look forward to speaking to you again soon.