

Operator^ Hello, everyone. And welcome to the Flywire Second Quarter 2025 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded. Now it's my pleasure to turn the call over to the Vice President of Investor Relations, Masha Kahn. Please proceed.

Masha Kahn^ Thank you. And good afternoon. With us on today's call are Mike Massaro, Chief Executive Officer; Rob Orgel, President and Chief Operating Officer; and Cosmin Pitigoi, Chief Financial Officer. Our second quarter 2025 earnings press release, supplemental presentation and when filed Form 10-Q can be found at ir.flywire.com.

During the call we'll be discussing certain forward-looking information. Actual results could differ materially from those contemplated by these forward-looking statements. We'll also be discussing certain non-GAAP financial measures.

Please refer to our press release and SEC filings for more information on the risks regarding these forward-looking statements that could cause actual results to differ materially and the required disclosures and reconciliations related to non-GAAP financial measures.

This call is being webcast live and will be available for replay on our website. I would now like to turn the call over to Mike Massaro.

Michael Massaro^ Thank you, Masha. As we look across our end markets, education, travel, health care and B2B a clear theme emerges. Organizations are more focused than ever on efficiency, return on investment, and platform consolidation, and this is why our clients choose Flywire.

They come to us for deep industry understanding, tailored solutions with proven measurable outcomes that move their business forward. This client-centric approach and our relentless execution have delivered our strong Q2 2025 results and strategically positioned us for sustained growth in the quarters ahead.

Our strong performance is a testament to our core DNA of Flywire and our commitment to leaning in and seeing opportunities, not challenges.

It is what powered us through the travel shifts of 2020 and it's what's driving us now as we embrace the evolving education landscape while building on our powerful momentum across travel, B2B and health care.

This is a direct reflection of our leadership and FlyMates who are committed to creating value for our clients every single day. The structural trends across our business, such as invoice to cash automation, global education, health care patient affordability and luxury travel remain not only intact but resilient and growing.

As complexity increases so does the need for modern, flexible technology and a trusted adviser who can drive real results. That is what Flywire provides. We are executing from a position of strength, driving innovation and scale across our core verticals and doing this all at a global level.

We are not just navigating headwinds. We are turning them into opportunities by diversifying our revenue mix and expanding client relationships with high-value software contracts.

Our evolution to launch the student financial services offering as a broader Software-as-a-Service education platform is a prime example, providing greater revenue visibility and durability while helping our clients modernize and drive ROI.

Simultaneously we are embedding a performance mindset throughout our operations using data and AI to unlock productivity and scale. The results speak for themselves.

Our payment platform upgrades have delivered major cost savings and performance gains, now handling 3x the volume with 25% better efficiency. Machine learning-based algorithms now auto match over 90% of bank transfers. DocVerify automates document handling for complex global markets and our hybrid AI support model resolves 40% of payer inquiries automatically.

This is a business built for scalable, cost-efficient growth. On the product front, our teams are delivering. We have added 20% more features year-over-year with geo expansion and innovation in key areas like unique integrations with aggressive unit force platform in the U.K. education

market, improved account creation flows to increase repeat usage and drive cross-border transaction growth, an AI-powered document verification for cross-border transactions to improve completion rates. The results are clear.

Strong client wins and expansions, new vertical capabilities and continued double-digit organic growth. We remain focused on long-term high-margin growth across our global markets. We are still in the early innings of a multi-vertical transformation.

One that is grounded in innovation. Our goal is to capture all money flows using industry tailored software solutions that are powered by AI and guided by our high-performance values-driven culture.

We are relentless operators, builders and problem solvers who measure success by the value we create for our clients. That mindset has enabled us to scale globally, innovate quickly and consistently win against legacy incumbents.

I'm also incredibly excited about the momentum we're seeing with Sertifi. It's a perfect example of how we execute M&A at Flywire.

We identified great vertical software that complements our platform and unlocks meaningful payment monetization. Sertifi gives us a strong foothold in hospitality and events, a segment ripe for modernization. The early traction is exciting.

We're already driving value for clients and accelerating cross-sell efforts and building towards a global go-to-market opportunity. The synergy between Sertifi's workflow software and our global payment capabilities is exactly the kind of powerful combination that is core to the Flywire model. Flywire is a business built for the long term, resilient free cash flow generative and positioned for long-term growth.

Thank you to our FlyMates for your dedication, creativity and passion. And thank you to our clients, investors and partners who continue to believe in Flywire's vision and value. Rob will now go into more detail about our strong competitive momentum across each industry.

Rob Orgel^ Good afternoon, everyone. I'm excited to share some standout highlights from Q2, reflecting the strength of our education business and our continued global execution across all our verticals.

As Mike noted, momentum remains strong. Across all verticals, we signed nearly 200 new clients and that's not counting the added Sertifi properties or invoiced software accounts side.

In Global Education, we set a new record in quarterly projected ARR signed fueled by larger, more strategic deals and growing demand for our integrated end-to-end education solutions. Flywire is leveraging its global presence to capitalize on the international education trend.

We're expanding beyond the big four English-speaking markets where nearly 40% of international students now choose alternative destinations, and this trend could persist in this dynamic sector.

Revenue from outside the U.S., Canada, Australia and the U.K. are growing well above our company average. Flywire has a strong presence in markets like Singapore and Spain and is scaling rapidly in France, Japan, Mexico, Switzerland and Germany, driving growing geographic diversification.

Let me give you a few examples on how we continue to win new clients and further diversify in our education business.

In the EMEA region, we delivered major wins with institutions such as Universidad a Distancia de Madrid [Leon], Bocconi University, Italy's top ranked institution and globally ranked number three for MBAs.

Spain continues to gain traction as a top destination for international students and Flywire is well positioned with deep client relationships and recent wins.

In Mexico, we went live with Universidad UNIVA, serving 12,000 students across campuses and were selected exclusively by Universidad Autonoma de Guadalajara also known as UAG, to manage all digital payments for its 17,000 students.

In Asia, we expanded our relationship with the Singapore Institute of Management, adding domestic payment capabilities to our existing cross-border solution.

Across Singapore, Malaysia, South Korea and Japan, we doubled new client wins and nearly quadrupled signed ARR year-over-year, clear evidence of growing regional demand for our platform.

Institutions are increasingly consolidating vendors and seeking more value across the student life cycle, and Flywire is the partner they have turned to.

Our breadth of global and domestic payment capabilities combined with deep integrations into admissions, student information systems and agent networks is differentiated in the market.

We help institutions streamline operations accelerate tuition collections, manage risk and deliver a seamless student experience. Now let me go into more detail on our big four education markets. On U.S. Education, over the past few years, we built an enterprise sales motion that's now hitting its stride.

We believe we have the right leadership, product and go-to-market strategy in place and we've seen the results, stronger win rates, larger strategic deals and continued expansion into both two-year and four-year institutions.

In Q2 alone, we welcomed four more new student financial services clients who chose to consolidate all student payments with Flywire, bringing the total to nine signed year-to-date.

We are excited about significant cross-sell opportunities within our broad U.S. customer base, positioning Flywire to capture all of the university's tuition payments. Higher ed institutions hear how their peers using our SFS platform improved tuition collections and working capital cycles while also significantly reducing call center staffing and decreasing incoming calls by up to 90%.

In the face of the financial headwinds universities are experiencing high ROI projects are

prioritized, and that is when Flywire shines.

We're also signing clients we've long corded for cross-border payments with the most recent example being Princeton, which finally came on board in Q2 and is now live. We believe we've innovated faster than our competitors, and that's driving our continued wins.

Our software is evolving rapidly to match the modern student life cycle from recruitment through on-campus invoicing to post graduate debt management and institutions have responded.

Our collection management solution is highly effective, automating manual processes and consistently boosting payment plan utilization by over 50% when we replace previous providers. Changes to federal loan programs are resurfacing issues around affordability, creating a good selling environment for Flywire as we enable schools to offer flexible interest-free installment plans, making education more affordable for students.

Our collections management product acts as a foot in the door for us, offering self-service options, streamlining internal collections and simplifying external agency placement, all while facilitating conversion to full SFS clients. Moving on to U.K. Education. Flywire is demonstrating strong momentum in the U.K., driven by the strength of our student financial software and the expansion of our broader education platform.

Four SFS design partners successfully went live ahead of peak season, marking our first implementations in the U.K. market with real-time student invoices for their accounts, which are then linked to Flywire's payment capabilities.

We also introduced a new product for managing U.S. loans for students studying in the U.K. market. The solution automates complex workflows for inbound loan funds and outbound excess balance payments.

It's designed to help U.K. universities navigate the U.S. federal alone landscape, reduced regulatory burdens and help manage U.S. students. Flywire has already signed eight U.K. clients during the quarter with more contracts in the pipeline. This product and platform progress builds on the strong foundation we've established with U.K. institutions.

We continue to grow our client base with cross-border go-lives at the University of Edinburgh and the University of St. Andrews while also driving meaningful domestic upsells with clients like the University of Hertfordshire.

We're increasing the share of total payment volume flowing through Flywire and delivering better student and institutional outcomes as a result.

While the U.K. has seen active discussions around Visa and policy developments, the changes to date are far less dramatic than what we've seen in markets like Canada or Australia. These shifts have not materially altered our outlook or trajectory.

We remain focused on supporting both existing and new institutions as they modernize their financial systems and scale to meet rising student demand. Moving to Canada and Australia. Despite macro headwinds in Canada, we are focused on adding domestic volumes, deepening relationships and winning new clients.

A prime example is our strategic win with the Ontario University Application Center, a three-year exclusive cross-border and domestic partnership with a projected total ARR over \$1 million.

We are also expanding our footprint at existing institutions like Simon Fraser University, which is now adding domestic payments to its cross-border offering. Momentum in the K-12 segment continues as well further broadening our base and reinforcing the value of Flywire's platform across education segments in Canada.

In Australia, Edith Cowan University went live during the quarter, a significant RFP win that included the successful launch of both our cross-border and domestic payment offerings.

We also signed StudyLink with the University of Western Australia, a member of the prestigious group of eight, further reinforcing our traction with top-tier institutions.

In a very recent development, there were new announcements coming out of the Australian government this week that speak to a modest increase in student visas for 2026 over 2025 levels as well as a planning framework and policy directives for sustained growth going forward. The announcements were applauded by multiple representatives of the Australian education sector.

Overall, it was a very successful quarter for the education business. Moving on to travel. Flywire's expansion and market penetration in travel is driven by our competitive advantages, support for industry-specific workflows, lower costs and a simpler consolidated system.

Clients like Tanah Gajah, Ubud, a 5-star luxury wellness resort in Bali, and Borneo Eco tours, a tour operator in Indonesia choose Flywire for these benefits, along with strong support and our growing reputation, solidifying Flywire's position and potential for continued growth.

We're already seeing strong early traction with Sertifi, which is strategically aligned with our travel vertical.

We're activating cross-sell opportunities, expanding globally and unlocking new payment flows, all from a previously undermonetized base. Sertifi is growing organically and aligning well with our long-term strategy to scale software plus payments opportunities.

Sertifi Pay signature product integrates with hospitality systems like Amadeus Delphi offers tailored workflows, expands options to include cheaper ACH transfers and provides cost savings on credit card transactions.

We believe these features, combined with years of built-out software, workflows and integrations creates a strong technological barrier to entry and a compelling value proposition.

Sertifi's revenue grew above 35% year-over-year compared to Q2 2024 with payments revenue being the main driver. Key successes during the quarter include approximately 750 net new software location wins and product upgrades and 141 new payment sites signed doubling first half payment volume and sites from 2024.

And we landed a marquee deal with Caesars Resorts starting with digital authorizations, our

product to help prevent fraud and digitize payments processing for card-not-present transactions.

Our synergy execution is in the early innings, but we see very encouraging signs. A Flywire partner referred our first joint deal to Sertifi Pay and nearly 12% of Sertifi's new sales during the quarter were international, validating Sertifi's product market fit beyond the U.S.

Our go-to-market teams are now able to offer travel customers a broader product menu, addressing more pain points across more markets, and we're just beginning to execute on these synergies. Moving to B2B.

We continue to move fast in expanding our B2B vertical. The first half of this year has been notable for a few accomplishments, all of which paved the way for growth the rest of this year and into the future.

First, we successfully migrated most of our invoiced clients from previous payment processors and onto Flywire's own platform, enabling us to monetize volumes that were previously unmonetized or lightly monetized. This enhances client payment capabilities and reporting, boosting Flywire's B2B revenue and gross profit, aligning with the goal to move all the money.

Second, we continue to validate our ability to sell Flywire's B2B solution based on our invoice software as an easier and faster to deploy invoice-to-cash platform with embedded payments.

We continue to excel at integrating with different ERP systems and getting clients live in a fraction of the time it would take to do custom-built solutions. Take the Butcher Shoppe, a Canadian specialty meat distributor as an example. Before Flywire, managing accounts receivable was a manual time-consuming task that took the team up to two days.

With Flywire's automated solution, they streamlined invoicing, payments and collections cutting AR management time down to just a few hours. The result, a more efficient process, a better customer payment experience and a clear example of how Flywire modernizes even the most traditional B2B operations. And for health care, we're seeing real momentum take hold.

During the quarter, we signed Endeavor Health to provide our advanced payment services across

their nine hospitals and 300-plus care locations in the Chicago area. This includes our suite of integrations with Epic, one of the most widely used electronic health record systems in the U.S. to support all patient payments.

We also successfully went live with the first phase of one of the largest and most respected hospital systems in the country, our previously announced 8-figure client marking a major milestone for our go-to-market execution and implementation teams.

Our software is helping large U.S. health systems improve post insurance payment collections, a traditionally underserved and difficult part of the revenue cycle. With Flywire, providers gain a more efficient, compliant and patient-friendly way to manage out-of-pocket balances.

Our differentiated approach, vertical-specific product and momentum with leading institutions position us well to capture share in a health care market that's hungry for better solutions. And now let me pass this over to Cosmin, who will take us through financial performance and outlook.

Cosmin Pitigoi^ Good afternoon, everyone. Let me take you through our Q2 2025 financial performance and update you on the outlook for the rest of the year.

Our disciplined execution and cost control contributed to a strong first half performance, supported by a differentiated value prop resonating with our customers, a diversified portfolio and targeted investments, all while showing resilience in the face of a dynamic macro environment. Revenue less ancillary services was \$127.5 million in Q2. Representing a 25% FX-neutral growth rate or 27.7% on a spot basis, which was above the high end of our guidance.

Sertifi contributed \$12 million in Q2, adding approximately 12 points of growth. The FX neutral revenue outperformance was primarily driven by Flywire travel business along with lower-than-expected macro impact and the pull-forward impact in our Australia education business.

Canada higher education revenue results continued to be impacted by macro headwinds, shaving five points of year-over-year growth during the quarter, driven by both continued demand weakness and SDS program impact.

Looking at the two components of our revenue. Transaction revenue is based on fees as a percent of transaction value, while platform and other revenue consists of software-like fees.

Starting with transaction revenue, we saw an 18% year-over-year increase approximately 6 percentage points of which were attributable to Sertifi. This is driven by a 28% increase in transaction-related payment volume, 8 percentage points of which were attributable to Sertifi primarily in our education vertical as well as travel. And while the modernization rate overall is coming down.

This is a reflection of our strategy to capture all payments including an increasingly higher share of domestic volumes in the U.S. and U.K. markets. Platform and other revenues increased 84% year-over-year. Primarily driven by platform fees that do not carry payment volumes, specifically revenues associated with the contribution from Sertifi of approximately \$7.7 million and improvements in our health care business. Adjusted gross profit increased to \$78 million during the quarter, up 23% year-over-year.

Adjusted gross margin was 61.1% for Q2 2025 compared to 63.5% in Q2 2024 as business mix from faster-growing verticals such as travel and B2B continues to put downward pressure.

Additionally, FX losses on settlement weighed on gross margins this quarter, partially offset by FX hedges booked in operating expenses resulting in a more mitigated impact on adjusted EBITDA. Adjusted EBITDA reached almost \$17 million for the quarter, resulting in a 13% margin and an expansion of 723 basis points year-over-year, which was well above our midpoint guidance.

This performance was primarily driven by lower personnel costs, and disciplined operational expenditure. We also remain disciplined in our investment and Sertifi integration plans as we drive towards our exciting synergies in the travel business.

We aim to continue achieving meaningful operating leverage by growing non-GAAP OpEx significantly lower than gross profit. Excluding Sertifi, non-GAAP OpEx was slightly down year-over-year in Q2.

Our non-GAAP general and administrative costs as a percent of revenue decreased by 560 basis points in the second quarter and by approximately 5% versus prior year in dollar terms. As we continue to streamline and automate manual processes.

Our significant investments in data infrastructure, systems, AI and automation are already yielding meaningful efficiencies enable us to auto resolve over 40% of customer increase and automate more and more KYC and document verification processes.

We're identifying millions in potential savings through our new procurement process and continue to scale through key strategic initiatives. These include automating digital marketing and travel driving growth through customer referrals in travel and education and investing in tools that support efficient upsells.

AI remains central to our efforts, boosting engineering output and automating customer service and other support functions. Together, these initiatives enhance productivity, scale and support long-term growth. This year, we're approaching the peak of our post-IPO stock-based compensation vesting schedule.

As a result, stock-based comp expenses as a percent of revenue are elevated, but on track to be in the 12% to 13% range for the year. And if you look at Q2, stock-based comp did not grow year-over-year in dollar terms.

Looking ahead, as revenue grows, we expect stock-based comp as a percent of revenues to trend down over time aligned with disciplined overall people cost focus and ongoing shift towards the performance-driven culture along with the natural tapering of our IPO-related grants.

To close out the income statement, in Q2, we had a GAAP net loss of \$12 million, representing a year-over-year improvement of approximately \$1.6 million. Q2 includes a higher income tax provision of approximately \$7 million based on full year tax estimates, which amplified our loss in the quarter driven by seasonality of our business.

The year-to-date tax provision of \$6 million, therefore, represents more than expected full year total tax provision and should normalize through the rest of the year. We expect slightly positive GAAP net income result on a full year basis.

We are also improving our balance sheet FX hedging strategies designed to mitigate impact of FX and improved consistency of our GAAP net income and cash flows. Turning to capital allocation. In the second quarter of 2025, we repurchased approximately \$5 million of Flywire shares.

We have also amended our revolving credit facility, expanding it from \$125 million to \$300 million with improved terms and strong partnership from our banking partners. This enhances our liquidity to support organic investments, strategic acquisitions and share repurchases.

Additionally, our Board of Directors approved a \$150 million increase to our share repurchase program to maintain flexibility, manage dilution and capitalize on market dislocations and opportunities arise. Flywire's strong balance sheet and consistent free cash flow conversion positions us well to continue returning capital to shareholders over time. Moving to guidance.

As we look ahead to the peak Q3 season, we continue to closely monitor cross-border trends, particularly in the U.S. education market. Recent insights from our university partners and agent networks indicate a modest decline in visa approval rates compared to last year, along with more widespread processing delays, most notably across key APAC markets like China, while early Q3 results have not yet reflected a significant impact, the bulk of the quarter remains and these dynamics may evolve further.

These delays may affect student's ability to arrive in time for the fall semester leading some, particularly from high-volume markets, such as China and India to defer enrollment or consider alternative destinations.

However our diversified cross-border portfolio and strong global sales execution continued to position us well to capture tuition flows across regions.

We remain confident in the long-term value of international education and our strategy to build flexibility across markets and seasons is helping us to navigate shifting conditions effectively.

Now on to full year revenue guidance. Following a strong Q2 with better-than-expected trends in

Australia education and travel sectors, balanced by cautious growth assumptions in our U.S. education business, we are maintaining our full year 2025 revenue guidance for FX-neutral revenue less ancillary services growth in the range of 10% to 14%, excluding Sertifi. With Sertifi, we are guiding for 17% to 23% FX neutral revenue growth.

As you see in the supplement, this now assumes U.S. education revenues approximately flat, Australia and Canada Education revenue is down approximately 20% year-over-year and health care growing in the high single digits, with the rest of the business growing above the midpoint of the guide on average.

Based on the data we are seeing, demand in Australia likely pulled forward towards the March intake and ahead of the July Visa fee increases. We continue to expect soft caps and higher visa fees to weigh on Australian revenues in the second half of 2025.

In Canada, we continue to see a weak demand environment despite some encouraging steps to repair relationships between Canada and India. Putting it all together, we continue seeing a dynamic environment for international students and we estimate a mid- to high single-digit headwind to organic revenue growth this year, resulting from visa declines in our big four markets, primarily Canada, U.S. and Australia, less impactful in the U.K.

In travel, the luxury segment remains strong, though broader travel market conditions are more mixed. As a result, we're holding our guide for Sertifi revenue in the range of \$35 million to \$40 million for the year. On FX, with weaker U.S. rates, we now expect the FX impact on full year revenue to be around a positive 2%.

We are raising our margin expansion guidance by 75 bps to 200 to 350 bps range due to better cost control through the beginning of the year and inherent operating leverage in our business model.

We are maintaining our plans to drive operational efficiencies across the year. Acknowledging uncertainty around the peak Q3, we remain data dependent to continue managing our margin commitments whilst making strategic investments necessary to scale the business and deliver on certified deal synergies in the long term.

Shifting to Q3 guidance. Given the inherent variability in timing between Q3 and Q4, especially around education flows, we tend to look at the second half as a whole. This helps account for regional shifts. For instance, this year, we could see some U.S. student activity push into Q4.

That's part of why our guidance ranges remain wide to allow us for this natural timing variability. As communicated last quarter, we expect some tougher lapping in Q3 this year, along with slight pull forward into Q2, as noted earlier.

As a result, we expect FX-neutral revenue growth excluding Sertifi to be in the 7% to 13% range year-over-year including Sertifi revenue of \$9 million to \$12 million in Q3, we expect FX-neutral revenue growth to be in the 13% to 21% range year-over-year. Note that we are estimating three points of FX tailwind in Q3 based on spot rates as of June 30, 2025.

Adjusted EBITDA margins are expected to continue to expand year-over-year, albeit at a slower pace compared to the first half and we anticipate a 50 to 150 bps margin improvement in Q3. As we look ahead, we remain grounded in our long-term vision and confident in our ability to adapt.

Our expanding presence across sectors like travel, health care and B2B reinforces the strength of our business model. We are not immune to shift in the education market, but our diversified growth, strong balance sheet and disciplined approach, give us the flexibility to invest strategically.

With a clear strategy, strong execution and a team that thrives in dynamic environments, we're focused on building durable value over time. I'll now turn it back over to the operator for questions. Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) One moment for our first question, and it comes from the line of John Davis with Raymond James.

John Davis^ I just want to dig in a little bit on the full year guide. Obviously strong 2Q results, up 500 basis point upside. If I'm hearing you right, the Australia upside in 1Q, potentially offset by some U.S. weakness in the back half.

But anything else at play there? Or is that simply it and maybe some conservatism in the 4Q numbers? Just anything else that we're missing there as we think about the full year and the shape of it.

Cosmin Pitigoi^ Yes. Yes. Thanks for the question. Yes. You're right. Australia, offset by U.S. is probably the main component. I'd say, in terms of the pull forward, just to quantify that. For Q2, it was less than about one point out of the 370 basis points of upside versus the midpoint.

But that's one of the sort of effects of it. So other than that, we remain obviously prudent, transparent and data-driven as we look at the guide. So again, same sort of principles that before. And as you mentioned, yes, travel continues to be a strong growth driver for us. But again, we're watching the environment and being prudent as we look ahead to the rest of the travel season.

John Davis^ Okay. But I think just to clarify, any sort of kind of changes in timing Australia, U.S., that's what accounts for kind of the stronger 2Q, a little bit lower back half, but just to be clear, the other verticals, whether it's B2B, health care or travel, your assumptions for the full year haven't materially changed. Is that fair?

Cosmin Pitigoi^ That's correct. Yes.

John Davis^ Okay. And then just on margins, really nice job on margins year-to-date. But incremental margins are implied to think the mid- to high 20s in the back half versus low 40s in the first half.

I know U.S. weakness can play a little bit there. But anything else on timing of expenses, conservatism? Just anything else on margins kind of in the back half relative to first half.

Cosmin Pitigoi^ Yes. You're right. So the way we think about it for the year, you're sort of in the mid-30s as far as incremental margins. And so yes, a bit more in the first half. Again, some of

that, there is a little bit of timing.

Obviously we had our restructuring in Q1, but continuing to invest against our top priority. So for the most part, we're looking to obviously be very disciplined. Generally going into the Q3 quarter being our biggest quarter, we want to be disciplined around our OpEx and hiring.

So but for the most part, that is mostly just timing and continuing to be very disciplined around our OpEx overall.

Operator^ Our next question comes from Cris Kennedy with William Blair.

Cristopher Kennedy^ Your business has evolved a lot. Is there any way to think about kind of the growth profile of Flywire, you think three to five years out from here?

Michael Massaro^ Yes. Chris, Mike Massaro. I would say you're writing calling out just how the business has evolved. What gets us excited here is how diversified it's become, right? But you look at just the way in which -- we have global markets that we're opening up.

You look at our travel business, which is now our second largest business, well north of \$100 million in revenue.

So we get excited to see those different areas. The growth algorithm hasn't really changed, right? So you're always looking at NRR, you're adding on top of NRR, you're adding that kind of full year effect and then you're adding net new client signs, which again continue to come in strong. And so we continue to be on the mission of growing this business, and our next milestone is kind of doubling the business.

And it's that growth algorithm. And hopefully, people are seeing that we continue to prove our ability to grow this business and make sure it shows great unit economics at scale. And so that's what has us excited.

And those are just organic things that we can do with the business. I think we've also proven our ability to identify inorganic opportunities to further accelerate. So we're quite excited about the future and hopefully, people hear it from us.

Cristopher Kennedy^ Great. And it was great to see 12% of new sales activity at Sertifi came from outside of the U.S. Can you just talk a little bit more about that? Is that specific regions, specific types of customers any more detail would be great.

Rob Orgel^ Yes. It's Rob. I'll jump in on this one. Obviously we're very excited about Sertifi overall. We're excited about the value proposition and how it sort of represents a perfect match for us of software drives value and payments.

And on that international expansion, I think we covered a bit on prior calls that Sertifi's primary investments were around the U.S. Their primary investments are around English language markets.

They continue to focus primarily on English language markets, but with us, we'll have the chance to not only accelerate that international growth, but expand the product platform and capabilities to take this even bigger. So all of that is part of our multiyear plan for Sertifi, and we're very excited about it.

Operator^ Our next question comes from the line of Dan Perlin with RBC Capital Markets.

Daniel Perlin^ I wanted to ask a question. You mentioned around global education and this being a quarter of kind of new record ARR signed. And one of the things that you mentioned was just kind of the regional demand on solutions.

So I'm wondering if you could just maybe expand a bit about how you're thinking about the educational structure changing for your business? Obviously the big four markets are what they are, but it does seem like your ability to continue to expand in these regional markets is starting to play very prominently.

And I know you talked about Spain in Mexico and other markets in Asia, but anything else

structurally about maybe the go-to-market strategy there would be super helpful.

Rob Orgel^ Yes. Dan, it's Rob. I'll jump in here again. So you're quite right. The international education market is a dynamic one.

Students are responding to what they're seeing in all kinds of markets. And one of the outcomes of all that is an interest in and an expanding list of markets and that all represents an opportunity for us.

We have, for many years now been a notably international company. We've signed clients in the education space across a whole range of countries really all around the world. And what we're seeing is a great reception by those clients to our offering.

Like our value proposition makes sense. for clients all around the world that envision this expanding population of international students coming their way.

We see it across the Nordics, across Europe. We've been particularly strong in APAC. We've invested in Latin America, and we're seeing traction there with really quite exciting deals that we're adding here.

So our value prop resonates very well around the world. Our team is equipped to sell and deliver around the world. We're a very multilingual crew around this company, and it's all going very well.

Daniel Perlin^ That's great. That's great. Just quickly, I wanted to kink of circle back on the second half EBITDA margin expansion. And just based -- I mean I might have some wrong here, but based on kind of the implicit high end of the range even still for the full year, it looks like potentially fourth quarter could have margin contraction. for you guys.

And so I'm just wondering like what the investment buckets might be that would drive that? Or is that just, like you said, you're waiting for the third quarter, some very big quarter for you guys to kind of work its way through to determine whether or not you're going to place those investments or not.

Cosmin Pitigoi^ Yes. So the midpoint, I think if the implied midpoint should be roughly flat. Obviously we raised the entire guide by 75 bps also, so we did flow through some of that. We are going into our biggest quarter. And so obviously we're -- we've over delivered already through the first half of the year as we have in the past too.

And so we want to make sure that we're giving ourselves enough room to navigate the macro, but we feel good about the ranges and exiting the year into next year. Again, this year, we would be nearly 300 bps expansion again after last year, significant expansion.

So as I said in my remarks, overall, we're going to grow OpEx at a lower rate than gross profit. So I expect margins to continue growing into the future.

Daniel Perlin^ Appreciate it.

Operator^ Our next question is from Michael Infante with Morgan Stanley.

Michael Infante^ First, just on the U.K. business. And a little bit of a two-part question here. Anything you can provide just on recent trends in net new specifically in the U.K.? And as a follow-up to that, maybe where you are just in terms of driving wallet share gains in the U.K. specifically with things like SFS and StudyLink and how much runway you think is left?

Rob Orgel^ Yes. This is Rob. I'll jump in on that one. Obviously we're super excited about our performance in the U.K. over recent periods, but we're also very bullish on the ability to keep growing in the U.K.

Our strategy, I think you all have heard from us before, is to get more deeply integrated with the clients with the objective of moving all the money. That's the heart of our product strategy.

It's a big reason why we invested in the SFS platform and capabilities for the U.K. So we've really just gotten started in the U.K. with SFS type capabilities or the kinds of deep integrations that let us move all the money with the partners there.

So when we deploy SFS. We see that as an opportunity to substantially increase the revenue. It's up to two to 3x depending on sort of the nature of the client. And so that's an opportunity for us that's at the very, very beginning of penetrating that market.

But also know that for the U.K., we have the broadest product offering we've ever taken to that market, right? We have added payables offering -- we just announced today on the call the U.S. loans offering.

We have StudyLink, where we started to have some success in the market with StudyLink. And of course, there are additional cross-border clients to win as well. So overall, we view there's a lot of opportunity and a multiyear growth path ahead for us in the U.K.

Michael Infante^ Maybe just another follow-up on the stable coin line in the press release. Just anything you can share on the profile of students that you think will be most applicable for leveraging stable coin based payments.

I assume those are corridors that you have some level of capital controls or high inflation. And then again, just as a follow-up, like anything -- any sense of sort of education TPV share of those types of students.

Michael Massaro^ Yes. Michael, it's Mike Massaro here. Obviously the statement of the partnership and that's with BB&K, if people haven't found that online yet. Things are clearly changing rapidly kind of in this space. I'm excited. Our payment team is very excited about this partnership.

We're, of course, going to roll it out. You kind of hit on it, looking at markets in which we think you have high currency fluctuation or areas of opportunity where we can provide an additional way in which a payer could pay and we are excited to see the outcome of it.

So expect us to kind of get something up and running here, I'd say, in the next six or so months, and I would say there's also some possibility around money movement. I think we run a pretty efficient set of operations on our side at our size and scale from cross-border money movement.

But I think there's always opportunities. There's some pretty interesting technology happening in the space. Hopefully, what people take from this is we've always said software drives value and payments. And when we look at an innovation like this, we look at something that allows us to kind of control the ways in which people pay and provide additional ways in which we can collect funds on behalf of our clients. And so this is just another good example of that.

Our team is on the front end of this kind of innovation, and we're excited to get moving with this new partnership.

Operator^ Our next question comes from [Nate Svensson] with Deutsche Bank Securities.

Unidentified Participant^ I did want to ask on the U.S. education growth outlook. I guess specifically around that spread between your new expectation for F1 visa issuances to be around 20% on the year and then flattish revenue growth.

So I know last year, F1 Visa issuances were down low double digits, and you had about a 20-point spread between those F1 Visa issuances and revenue growth last year, looks like that is going to maintain in 2025.

I guess I get qualitatively that you are gaining market share, you're growing domestic, you have SFS. But I'm hoping for a little more detail on like if you can maybe rank order or size the revenue drivers of the international through an opportunity like especially in light it looks like F1 Visa data is getting worse as we're progressing through the year.

So just trying to reason out how we get to flat revenue growth in U.S. education if trends in F1 Visa issuances worsen from here?

Cosmin Pitigoi^ Yes. Thanks, Nate. It's Cosmin. And so overall, as I said, yes, U.S. revenue roughly flat. And within that, you have to assume -- remember, we said about 75% of the U.S. business is international. The other 25% is domestic. And domestic is as you know growing much faster.

On the international side, right now the F1 Visa assumption of around 20% would result in, obviously a second half that is slightly negative as we exit. However, the offset to your question around the domestic side, at the moment, we believe it's going to offset that.

So a lot of momentum, as you've seen in the SFS based on the deals that we've signed and as we look ahead and the demand for the product, is offsetting that softness on the international side. And we've talked through, obviously the push from the clients is to consolidate vendors and the value prop is resonating and so we feel that's helping us overall.

But look, at the end of the day, obviously I mean we're trying to be prudent as we go through the U.S. cycle so far in July and quarter-to-date. U.S. has been sort of in the range of our expectations, but we're sort of not quite a third of the way through and so we certainly have more ahead of us than U.K. in September.

But so far, we've seen it kind of in line with what we've done. But again, we -- just keep in mind, too, that once you gain one of those SFS domestic clients, that also helps the international side. So there is a multiplier effect as we grow that share overall.

So we're excited about the domestic business for multiple reasons there, not just obviously the -- right now that it's able to kind of offset some of that international softness.

Unidentified Participant^ That makes sense. I appreciate the answer. I guess maybe a bigger picture question on U.S. education. Obviously have been a ton of headlines on the pressure for around federal funding focus on international students, there's a new headline every day on schools capitulating to certain demands.

I'm just wondering how you think about all -- everything that's going on with regards to your go-to-market in the U.S., like what are your client conversations like in this uncertain environment? And does it like actually help you in your go-to-market efforts to highlight the benefits of Flywire solution.

I know you mentioned like a record quarter for quarterly ARR. So I guess the question is, how does Flywire step in and help education clients in such an uncertain environment.

Michael Massaro^ Yes, Nate, this is Mike. What I would say is our clients focus on what we can do to help them navigate this. And I think what is so obvious, just happened to be at a major university and talk to our major champion there. And like they're navigating this similar time. And what they care about is figuring out how to continue to execute, how to continue to automate, how to solve problems, how to deploy solutions, get strong ROIs.

Like that's what they're talking to us about. Like they see the headlines. Everyone in this industry has obviously gotten accustomed to seeing all types of headlines hit every single day.

But at the end of the day, our clients are focused on delivering great experiences to students, to parents, increasing affordability, solving problems, making the day-to-day work at that university more efficient. That's what our customers talk to us about every single day.

And I think that's what our team gets excited about is solving real problems for customers getting outside of headlines and actually delivering great results for our clients. And so to your point, that gives us a lot of encouragement, right? That's what we're hearing from clients. We're seeing it at a global scale. And we're going to keep doing that and keep executing.

Operator^ Our next question comes from the line of Jeff Cantwell with Seaport Research. Jeff?

Jeffrey Cantwell

In education, I want to take your temperature overall in the business by asking a couple of questions. I think it's fair to say that looking at this coming out.

So there's a lot of puts and takes here in terms of what's going on in education. The question I have is, overall, as you look at the business, are you moving past the worst? It seems to me like -- it sounds like there's maybe a modest optimism here.

I wanted to check on that, I was hoping you can use your thoughts on your education business globally, what you're thinking to hear about the outlook.

Cosmin Pitigoi^ Yes. So I can start with the financials overall. So as you look at the year, at the shape, obviously Q3 implied here is the lowest quarter for the year. So then with Q4, basically at 12%, accelerating from the 10% midpoint in Q4. So certainly, as you know we had a big Q3 last year, so lapping that is sort of driving some of this.

But Q3 would be the lowest for the year, and we're exiting at a stronger rate. And of course, as you heard me mention, overall, we estimate about a mid- to high single-digit pressure for the year on our results.

So to some extent, it depends what the assumptions are going forward from that. Some of that is Canada. Some of it is U.S. But to the extent that, that kind of could dissipate in the future.

Obviously that would drive the results further, but that's something that, of course, we're going to have to be watching. But overall, we're growing at a pretty healthy rate. And so we don't really need tailwinds to drive kind of faster growth.

We just -- obviously the headwinds are putting pressure on it. So that from a financial perspective, the low for the year is Q3 and exiting at a stronger rate, which obviously gives us confidence looking ahead.

Jeffrey Cantwell

Got it. Okay. Second, can you talk a little about your expansion plans in markets like Singapore, Spain, France, Japan, Germany, et cetera.

Questions I have are first -- how easy is it to expand in those markets for you guys? Second, how much should we expect to see in terms of incremental volume and revenue contribution from those for you guys over the next, call it, 12 months, two years?

I get the theory that it makes sense to diversify given what's going on in the cohort you talk more about what's realistic for you guys to execute on in those markets looking ahead.

Rob Orgel^ Yes. So I'll try to tackle that one, Jeff. First of all, we're very capable and very effective at selling into those markets. Like everywhere you just named, we have clients, we have a product that meets the needs of institutions in those countries.

We invest to do a particularly good job for clients in countries like Singapore, there's a special payment capability that we can support, same for how Korean institutions work just to pick two sample markets.

But we are sort of very effective in those markets. Our value proposition is strong. As I mentioned, our teams are local and multilingual and they are capable of presenting themselves at the top institutions in those countries and delivering our solution.

So we've seen -- I think you heard my comment in my prepared remarks that revenue in those markets is growing at a rate well above the corporate average. We see a lot of opportunity in those markets to keep selling, and we are making sure that our teams are well equipped to do that.

Jeffrey Cantwell

Got it. Got it. Okay. And just circling back again to the U.S. In terms of your commentary about your domestic land and expand opportunities, just given what you're talking about a, can you talk about how incremental do you think that is going forward.

Recently, what I'd like to try to understand, if you could explain this is how much the land and expand strategy can add to your monetization rate or your volumes or really both, frankly.

Rob Orgel^ Yes. So this is Rob. I can talk a little bit about sort of the effectiveness of getting that expansion, right? The key thing is that it increases both the revenue and the gross profit very meaningfully, right? When we take on the expansion of doing just cross-border to doing domestic, we're picking up revenue streams associated with payment plans.

We're picking up revenue streams associated with card payments. We'll have typically a SaaS software license fee.

So there's multiple revenue streams that we're adding there. And all of that is sort of what drives the result for us. And so we, at this point, are still early in the market like attach rate for our SFS is still sort of in the neighborhood of 10%. So there's a lot of opportunity to take that good gross profit expansion opportunity to a lot more places.

Operator^ One moment for our next question. It comes from Tien-Tsin Huang with JPMorgan.

Tien-Tsin Huang^ Good results here and good commentary. I wanted to -- just on the record ARR here. Just want to dig in on that. Are you shifting resources dynamically to focus on demand as you see. And I'm just curious, things like the non-big four countries, travel sounds like it's been great hospitals or health care is inflecting. Just trying to understand where the ARRs is coming from that's changed?

Rob Orgel^ The ARR -- I mean obviously there was one notable call out where we called out the health care client, the sizable health care client that we signed in. But overall, if you look at the ARR for the quarter, it was travel led with the most deals, education with the second most deals, and it looked a lot like the profile of previous periods.

I would say, Tien-tsin, we are always responding to sort of where we see more opportunity and whether there's a chance to put more sort of go-to-market resource in a place, but we're not really moving it around very quickly.

We've had a plan. We're executing against the plan. And while we'll always tune it a little bit, that doesn't mean very much a dramatic change.

Tien-Tsin Huang^ Okay. And then would you -- how would you characterize pipeline and sales cycles any change or shift in client decision-making that kind of thing?

Rob Orgel^ Yes. pipeline expanding very nicely, really strong on the pipeline side. I was very impressed with the teams across the verticals result. And in terms of sales cycles, no notable

changes, we continue to plug away in all the verticals.

Operator^ And we have time for one more question, and it comes from the line of Timothy Chiodo with UBS.

Timothy Chiodo^ One of the operational review items you highlighted was the alignment out of the hiring and compensation strategies.

I was hoping you could just put a little bit more detail around the comp changes and what they -- really, if you could do kind of a before and after just high-level kind of what was the approach before? And how is that changing? And if possible, if you could even drill down a little bit more for the sales team specifically.

Michael Massaro^ Yes. Sure. Happy to. This is Mike, Tim. We've always been kind of a pay-for-performance kind of culture, but there's always ways to improve that. So I give you a couple of simple examples.

If you look at the more senior you get in our organization, the more tied you are into equity, right? And so just making sure that's going through the organization and that folks in the Directors or VPs or C-level executives are heavily incented through equity compensation.

It's always been the case, but you can imagine we're just going more there. It also helps us kind of close cash gaps in certain parts of the world, right, as you get in trying to hire the great global talent we have. We want to make sure that we understand the dynamics between cash and equity compensation.

It varies by country. There's different tax dynamics. You've got to get that right to make sure you're providing the incentive you think you're going to provide people, and that does vary and is complex by country. And so there's always a refinement to that. And then I would say on the variable compensation to get to kind of the sales side, we want our go-to-market teams to be heavily incented on hitting those numbers and exceeding those numbers and driving great outcomes.

And so when we see opportunities to provide additional incentives to drive that up. You can imagine that's exactly what we're doing, right? We don't want to see people get comfortable that they may be 110% or 120% ahead of quota.

We want them to reach for 150% or 170% of their quota number. And we want to see great opportunity for our FlyMates when they accomplish those goals. So it's similar to what we've done, but we're always looking to refine it.

We're always looking to make it better. We're always looking to make sure that FlyMates are incented to reach as high as they can reach and that executives are aligned with shareholders.

Operator^ Thank you. And this concludes our Q&A session and conference for today