

## **Company Participants**

Masha Kahn - Investor Relations  
Mike Massaro - Chief Executive Officer and Director  
Rob Orgel - President and Chief Operating Officer  
Cosmin Pitigoi - Chief Financial Officer

## **Conference Call Participants**

Cris Kennedy - William Blair  
Andrew Schmidt - Citi  
Tien Huang - JPMorgan  
Kenneth Suchoski - Autonomous  
Timothy Chiodo - UBS  
Will Nance - Goldman Sachs  
Darrin Peller - Wolfe Research  
Nate Svensson - Deutsche Bank  
Andrew Bauch - Wells Fargo

## **Operator**

Ladies and gentlemen, greetings. And welcome to the Flywire Corporation's Fourth Quarter and Full Year 2024 Earnings Conference Call. At this time, all participants will be in a listen-only mode. [Operator Instructions] As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Masha Kahn, Vice President, Investor Relations. Please go ahead.

## **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 fourth quarter 2024 earnings press release, supplemental presentation and when filed Form 10-Q can be found at [ir.flywire.com](http://ir.flywire.com). During the call, we'll discuss 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.

## **Mike Massaro**

Thank you, Masha, and thank you, everyone, for joining us today. We have a lot to cover today. Here's a quick summary of what we will be discussing. I will start the call by covering key performance milestones from FY 2024 with some detail on the headwinds we are facing in our

Education business. I will speak about our announced acquisition of Sertifi and our drive towards further efficiency and focus, including our announced restructuring. Rob Orgel, our President and COO, will review trends in each of our verticals, performance in our key markets and our top priorities for 2025. And finally, Cosmin will wrap up with a more detailed look at Q4 2024 and full year 2024 financials, our capital allocation strategy and our outlook for the year ahead.

Now let me summarize some of the most important milestones from 2024. We grew our revenue less ancillary services by 24% in 2024 and increased adjusted EBITDA margins by 540 basis points, despite significant macro revenue headwinds we faced mainly from student visa policy changes in Canada. We signed over 180 new clients in Q4, finishing with over 800 new clients in the year, surpassing our 2023 new client adds. Flywire now serves approximately 4,500 clients globally. Our travel vertical became our second largest vertical in terms of revenue with particularly strong growth in EMEA and APAC regions with exciting growth in our destination management company, tour operator, accommodations and ocean experience segments.

In Global Education, we strengthened our core markets with standout performance in the UK, driven by both new client wins and strong net revenue retention. We grew our full suite student financial services software footprint and we expanded our international agent recruitment network, further connecting our ecosystem of clients, agents and payers. We made significant strides in our global payment network, optimizing for vertical growth through new acceptance rails and expanded market coverage.

In key payer markets like India and China, we enhanced our capabilities, particularly in digitizing Indian student loan disbursements and deepening relationships with India's three largest banks. Finally, we continued our strategic M&A success with the acquisition of Invoiced in our B2B segment, our fastest growing vertical. While 2024 presented some headwinds, particularly in our education business with double digit declines in student visa issuance in our big four geographic markets, Flywire was well positioned to navigate these challenges. We actively supported our education clients through this period of adjustment, leveraging our unique assets to maximize opportunities and strengthen our strategic position. We recognize the cyclical nature of these trends, noting historic rebounds in international education following disruptive periods, such as the COVID-19 pandemic.

As we anticipate continued visa policy restrictions in 2025, we are taking steps across all aspects of our business to identify and execute against opportunities that are within our control to offset macro and regulatory headwinds that we do not control. Within our existing education business, this means we are strategically investing in new products, payment network capabilities and targeted go-to-market expansion, prioritizing return on investment and revenue diversification. We are confident that demographic trends and the global competition for talent will ultimately fuel a resurgence in international student mobility. We are already seeing growth in some markets and expect this trend to continue as the international student ecosystem adapts. Rob will provide more details momentarily about some of the high impact initiatives to capitalize on this future and solidify Flywire's leadership position in the education sector.

In the travel vertical, we are very excited about the acquisition of Sertifi that we announced today. Sertifi helps over 20,000 hotel locations globally, automate key workflows around events in group booking sales and has hospitality specific integrations that give Flywire immediate access to new subsegments of the global travel industry. We believe we have the opportunity to monetize the several billion dollars of payment volume that the Sertifi platform has enabled annually. Together with Sertifi, Flywire can become a market leader with a strong presence across many of the world's leading hotel brands, a great position in the United States and an opportunity to build on their early international success with our global go-to-market teams and capabilities.

In the long term, Sertifi's expertise and property management system integrations provide a foundation for deeper penetration with large hotel brands, opening doors for us to address complex challenges like outbound payments using our strategic payables capability. This acquisition is being funded with a mix of cash and debt, preserving liquidity for corporate purposes and potential share buybacks. For those who followed us over the years, you would be familiar with our capital allocation strategy, our data driven approach, rapidly testing and iterating and investing in high traction areas has been key to our success. When we see traction, like we did in our B2B and travel verticals, we invest to further accelerate growth. In that spirit and to continue to streamline our business portfolio and extract more synergies between our verticals, we are also undertaking an operational and portfolio review. A comprehensive business portfolio review will focus on Flywire's core strengths, such as complex large value payment processing, our global payment network and verticalized software. This review will encompass geographies, products, verticals, cost structure and explore various options. Cosmin will elaborate further on these initiatives, but it's important to understand that these actions represent a comprehensive approach. We have several tools at our disposal to drive value and we are actively utilizing all of them that we believe will drive positive results. These include disciplined investment in the business, highly complementary acquisitions, cost reductions, operational review, portfolio review and capital return. The operational review aims to identify efficiencies and synergies across all our business areas.

This includes a review of vendor and other costs in addition to the employee restructuring announced today. By combining and optimizing systems and processes, we can continue to manage operating expenses and reallocate some of the savings to further fund investment in our product, data, automation and AI initiatives. In closing, I would like to express my sincere gratitude to the departing FlyMates impacted by these changes. While a difficult decision, we believe this restructure will help ensure that Flywire operates as efficiently and effectively as possible, setting us up for future success. On behalf of the whole company, thank you for your hard work, dedication and contributions to our Flywire journey. We wish all of you the best in your future endeavors and are committed to supporting you during the transition. Now, I'll turn it over to Rob Orgel to discuss operational performance.

## **Rob Orgel**

Thank you, Mike. I'll now take you through Q4 performance details and address how we're adapting our strategies for full year 2025. Starting with our education vertical. Our EMEA and

UK education business saw exceptional performance with over 50% year-over-year revenue growth. Our UK team led the way with consistently high win rates, effective upselling and deep integrations with existing institutions. A key Q4 win was securing one of the largest Scottish universities with a unified cross border and domestic payment solution. We also expanded our presence with universities like Oxford, adding three colleges for cross border payments and upselling our payables product. Despite a drop in the new UK student visa volume in 2024, we grew very well, reinforcing our UK market leadership, thanks to our strategy of upsells and successful new client wins.

There were also notable headwinds we faced in Q4 in three of our core education markets. Starting with Canada, the Canadian government made an unexpected Q4 visa policy change eliminating a visa fast track option called the Student Direct Stream. That accelerated visa program required applicants to prepay full year tuition. The reduced overall student volume combined with reduced full year payments in Q4 led to a \$3 million revenue shortfall in the quarter. There are still significant opportunities in new client expansion in Canada and our team is adding new clients and working hard to serve existing clients positioning us well for when the Canadian market stabilizes and returns to growth.

In Australia, the government's new policies started to impact student volumes in Q4. And while the impact was more modest than Canada this past year, we see that impact continuing this year. We have multiple avenues for adding new clients and expanding with existing clients, and we're working closely within the ecosystem to navigate the evolving landscape. Finally, in terms of headwinds, our U.S. market saw slower growth in Q4 due to shifting visa trends. We continue to win clients and execute on our SFS platform strategy, providing solutions to help institutions manage financial challenges.

We're confident in our ability to adapt to these market dynamics, continue to differentiate from competitors and continue to deliver value to our education clients. While some markets face cyclical challenges, there are also brighter signs. The global demand for international education remains strong and dynamic. The UK success in attracting international students with a GBP 40 billion annual economic impact according to the British Higher Education Policy Institute demonstrates the sector's potential. As some countries tighten their policies, others are actively welcoming international students, creating new opportunities in regions like Ireland, Germany, Scandinavia, South Korea and New Zealand.

We believe that when one market imposes limitations, over time others will step in to meet the demand and seize the opportunity. We remain committed to supporting our education clients and attracting international students and streamlining tuition payments through product innovation, global expansion and a strengthened global agent recruitment network. Our recruitment agents have grown significantly since the StudyLink acquisition, providing invaluable guidance on study destinations, visas and program selection. We've recently expanded StudyLink's reach into the UK with Birkbeck University of London adopting the agent platform for application management. Additionally, for our cross border offering, we've signed two partnerships in South Korea, continue to add new customers in New Zealand and Malaysia, and have seen great traction in Belgium, Finland, Ireland and across Continental Europe.

Finally, our product innovations are unlocking new payment flows for us. We partnered with State Bank of India to convert educational loans into FX tuition payments, while our third party invoicing solution enables large institutions to manage complex international payments from corporate sponsors covering student tuition. Additionally, we're aiming for greater SFS adoption in the U.S. Market. With a sharpened U.S. sales strategy implemented in 2024, we believe we will be well positioned for greater impact as we exit 2025.

Moving on to travel, our travel vertical grew organically more than 50% in 2024, becoming our second largest, making up 13% of total revenue, up from 7% two years ago. Our global expertise, specialized travel specific workflow integrations, competitive pricing and global footprint allow us to win against local and regional payment processors. This past year, new client signings increased over 15% and projected deal value grew over 40%, driven by rapid sales team scaling and fast implementation timelines. We entered Indonesia and Chile and are well positioned for continued expansion within core travel segments. We're also excited about the potential of newer markets like ocean experiences and luxury accommodations as evidenced by recent globally distributed client wins such as Shadows of Africa, Niseko Village, Secret Adriatic and the new Maldives luxury resort. Our commitment to innovation continues to drive transformative change in the travel industry. With increasing adoption of our strategic payables solution, Flywire clients can now seamlessly manage both guest receivables and commission payments within a single platform. This powerful combination is streamlining operations for our clients and reinforcing Flywire's leadership in travel software and payments.

Looking ahead, we believe the acquisition of Sertifi will be transformative for our travel vertical. The strength of the Sertifi brand, a leader in its space, will be a core asset as we move forward together. This combination unlocks significant opportunities for Flywire. Sertifi gains access to our luxury and boutique hotel clients, while we gain the ability to offer our payment services to their impressive roster of locations, monetizing the payments tied to the certified managed workflows.

Furthermore, we can leverage this connection to introduce our core accounts receivable services to Sertifi's portfolio of luxury and boutique hotels, expanding our reach in this segment. Sertifi has a track record of digitizing hotels' entire workflow of events and group booking sales, which Flywire plans to scale internationally by leveraging the strength of Flywire's global go-to-market and partnership expertise around the world.

Now moving on to healthcare. We've secured a landmark eight figure relationship with a major hospital system and the healthcare vertical. This substantial agreement not only demonstrates the market's receptiveness to our comprehensive offering, but also reinforces our confidence that healthcare vertical will return to growth once this net new client is live with our products, most likely starting in Q3. Furthermore, this success underscores our ability to seamlessly complement existing systems like Epic, solidifying our position as a key partner for our patient payment experience software suite, payments processing and integrated financing. We capped off a successful quarter in B2B with what we expect to be among our largest client opportunities yet, partnering with Cvent, a leading SaaS provider for global meetings, events and the hospitality space. As their payments partner, Flywire empowers Cvent to offer diverse local

payment options to their clients, reducing manual work through the billing and collections process. Our dedicated sales team, expertise in global card programs and surcharging strategies and seamless Oracle EBS integration were key to securing this significant win. We're excited to continue building the relationship with Cvent's global business.

Looking ahead, our 2025 priorities for Flywire are threefold. Driving productivity, product innovation and continuing to build a high performance culture. In terms of driving productivity, we are focused on optimizing our go-to-market strategy to build a world class globally scalable engine. Our strong track record, industry leading LTV to CAC and proven ability to quickly scale up new geographies such as South Africa and Japan demonstrate our progress. This year, we're leveraging data and AI to deepen payer insights and develop features like our AI powered international payer process, which automates translations and document verification for increased efficiency.

In terms of product innovation, we will enhance our core competency, which is developing innovative vertical specific software for complex payments. Our solutions automate manual processes, ensure compliance and optimize payment flows. The success of our payables product with over 40 new travel and education clients in 2024 highlights our strengths, deep integrations, seamless beneficiary management and comprehensive payment tracking. We see new applications launching for education in 2025 that are directly responsive to client requests to us to extend our payable services. On strengthening our high performance culture, we'll be attracting and promoting top talent, driving client focus and empowering teams to solve client problems. We're fostering a shareholder mindset and focusing on high impact initiatives to maximize returns. With that, I will now turn the call over to Cosmin to provide an update on our financial performance this quarter.

### **Cosmin Pitigoi**

Good afternoon, everyone. Today, I will walk you through our Q4 financial performance and then discuss our outlook for 2025. Starting with our performance this quarter, while revenue was behind expectations, primarily due to macro factors across FX and Canada, adjusted EBITDA performance was strong, which is approximately in line with the midpoint of our guidance, expanding nearly 700 basis points, thanks to stronger gross margins and disciplined control of OpEx.

First, let's start with revenue. Revenue less ancillary services was \$112.8 million in Q4, representing a 17.4% year-over-year growth rate. This was lower than our guidance midpoint by approximately \$8 million primarily driven by Canada and FX. Canadian higher education alone was down over 50% year-over-year, resulting in a nine percentage points headwind to growth this quarter. As Rob mentioned, new policy changes added to the previous restrictions caused our revenue in Canada to fall short of our expectations by \$3 million, FX created a \$3.3 million headwind to reported revenue numbers compared to prior guidance, driven by the stronger U.S. Dollar versus rates on September 30th, 2024, assumed in guidance. Smaller variances in some other parts of the business drove the remaining approximately \$2 million of revenue shortfall from the midpoint of guidance.

Looking at the two components of our revenue, transaction revenues based on fees as a percent of transaction value, while platform and other revenues consist of software like fees. Starting with transaction revenue, we saw a 16.6% year-over-year increase driven by a 32.8% increase in transaction related payment volume, primarily in our EMEA and UK education vertical as well as in travel. Note that our monetization spreads were stable, but saw transaction related payment volume grow faster than overall transaction revenue. This was driven by a mix shift from stronger domestic volumes in EMEA along with growth in new products such as 529 Plan, which have lower monetization rates, but higher than average gross margins.

Platform and other revenues increased 21.9% year-over-year, primarily driven by platform fees that do not carry payment volumes, specifically revenue contribution of approximately \$3 million from Study Link and Invoiced and growth of our healthcare business. Platform related payment volumes were up 2%, reflective of higher usage of our software solutions. Adjusted gross profit increased to \$75.6 million during the quarter, up 19.1% year-over-year. Adjusted gross margin was 67% for Q4 2024, which represents an increase of about 90 basis points compared to Q4 2023. As we look at the puts and takes driving gross margin year-over-year changes, business mix continues to put downward pressure with travel and B2B growing faster with the more prevalent use of credit cards.

This pressure was more than offset by continued payment cost optimization and a positive impact from FX shifts that occurred during settlement of transactions. These FX shifts are largely offset by FX hedges, which are booked in OpEx, resulting in a mitigated impact on adjusted EBITDA. Adjusted EBITDA was relatively in line with the midpoint of our guidance and grew to \$16.7 million for the quarter compared to \$7.7 million in Q4 2023. Adjusted EBITDA margin in Q4 was up nearly 700 bps year-over-year. The strength in adjusted EBITDA margin was driven by gross profit growth and disciplined expense management throughout the year. While we are focused on growth and the significant opportunities ahead of us, we also have continued managing our business to adjusted EBITDA, GAAP net income and free cash flow targets. Focusing on what is in our control, we're launching an operational review to help ensure we are efficient and effective with a focus on driving productivity and optimizing investments across all areas. We have already saved millions of dollars in expenses by automating various areas such as our customer support and document verification functions and functional support processes. The restructuring we announced today is affecting approximately 10% of our workforce.

While this is a difficult decision, we believe it is a necessary step to optimize our resource investments around our most promising growth opportunities, while remaining disciplined on expenses. We estimate that we will incur between \$7 million to \$9 million in charges related to the restructuring plan, primarily in severance payments and other related costs. Our goal is to continue to see meaningful leverage and increased productivity across every function going forward. For example, we think there is more opportunity to consolidate vendor costs, eliminate duplicate systems and software spend and extract further economies of scale through our G&A line. Our non-GAAP G&A costs as a percentage of revenue declined by 262 bps in 2024 and were at 18.4% for the full year.

To close out the income statement, in Q4, our GAAP net income reflected a loss of \$15.9 million primarily due to a one-time non-cash foreign exchange loss of \$14 million on intercompany loans. These loans fluctuate with FX rates and impacted our net income year-over-year comparison by approximately \$17.2 million this quarter. Importantly, even after including the full year impact of \$12 million in FX losses, Flywire remained net income profitable on a GAAP basis for the full year.

Turning to capital allocation. Since announcing the buyback program in August, we've repurchased 2.3 million shares for approximately \$44 million including commissions through the end of 2024, leaving approximately \$100 million in the current buyback program as of the end of 2024. The \$330 million upfront cash consideration for the acquisition of Sertifi was funded through a combination of cash on hand, including liquid investment assets and a portion from our existing credit facility. We expect to have approximately \$60 million drawn from the credit line shortly after close as we initially draw down \$125 million and then plan to repay approximately half of this borrowing this quarter and expect to repay the remainder before the end of the year. We continue to have meaningful liquidity to allow us to pursue our capital allocation priorities.

Finally, as Mike mentioned, a portfolio review is underway to explore various options and opportunities through a comprehensive review of our most critical geographies, products, verticals and potential adjacencies as we look to maximize shareholder value and increase prioritization and focus across our teams.

Moving on to guidance. As Mike and Rob mentioned earlier, the news regarding international student visas for select key markets deteriorated since we spoke last quarter. As a management team, we have a plan to offset some of these headwinds with product upsells, new clients and geographic diversification, but with negative volume growth in some key markets, our normal NRR growth algorithm is looking challenged this year. Given the announcement of the acquisition of Sertifi today, we are separating our guidance between our existing business and the contribution of Sertifi. With that in mind, we're guiding to 10% to 14% FX neutral growth for full year 2025, excluding Sertifi. We expect approximately three points of headwind from FX throughout the year.

Going forward, we plan to guide on an FX neutral basis given that FX fluctuations create significant volatility in our reported financial results. We believe FX neutral growth better reflects the operating performance of our business by comparing the current period FX neutral results with the prior period's results using prior period weighted average foreign currency exchange rates. As you all know, almost 70% of our revenue comes from non U.S. Dollar currencies, primarily the British pound, the euro, the Canadian dollar and the Australian dollar.

Sertifi is currently expected to have approximately \$35 million to \$40 million revenue benefit in 2025. Historically, Sertifi has had strong revenue growth and looking ahead, we expect future revenue growth for our combined travel business to be well above our average. Moving on to EBITDA guidance. We're holding to our plans to seek operational efficiencies and target 200 bps to 400 bps adjusted EBITDA margin expansion this year, excluding Sertifi. As for Sertifi

impact, we expect that EBITDA dollars impact of the acquisition will be positive, but EBITDA margin of the acquired business will be lower than our overall company adjusted EBITDA margin.

From a profitability standpoint, we still expect to be GAAP net income profitable in 2025, including the preliminary impact of the restructuring charge and lower interest income post Sertifi acquisition. Some context around this guidance on both revenue less ancillary services and adjusted EBITDA margin. On revenue, excluding Sertifi, in Canada and Australia, which together represent about 15% of our revenue in 2024, we anticipate some near term adjustments related to recent policy changes. In Canada, we expect the shift away from upfront tuition prepayments to impact revenue in 2025. Similarly to Canada, in Australia, the new visa rules are starting to affect demand. We therefore expect revenue in both of these markets to be down over 30% year-over-year. We are actively monitoring the evolving policy landscape in the U.S. and its potential to impact student volumes. And while we are excited about our product strategy and team execution, we're modeling the U.S. Cautiously. The healthcare business is expected to trend in line with 2024 in the earlier part of 2025.

But as Rob noted, is projected to start growing later in the year as we ramp up the new large client. And we expect to continue seeing strong growth in EMEA Education, Travel and B2B. On margins, excluding Sertifi, the restructuring announced today will result in a one-time charge of \$7 million to \$9 million in 2025. While this restructuring will result in savings in 2025 across most areas, as Rob mentioned, we plan to invest in product and high priority initiatives, offsetting some of these investments with cuts in vendor spend, people costs and productivity gains. We expect OpEx to be slightly lower on a year-over-year basis, excluding the impact of Sertifi.

Shifting to Q1 guidance, excluding Sertifi, we expect FX neutral revenue growth to be in the range of 11% to 14% year-over-year. Note that at current spot rates, we're estimating an FX headwind of approximately 250 bps in Q1. Adjusted EBITDA margins are expected to continue to expand year-over-year, and we anticipate 300 to 600 bps margin expansion year-over-year in Q1, excluding the impact of Sertifi. For Q1, Sertifi is expected to add approximately \$3 million to \$4 million of revenue and flat to slightly positive EBITDA as we invest behind the integration plans.

In closing, we're doing what is in our control, prioritizing areas of investments, helping our education clients weather the financial storm and innovating around new products and features across our verticals, while taking a deeper look at our cost structure and processes. As Mike mentioned, we're investing in data and AI and seek to generate millions in incremental OpEx cost savings in our customer experience, data verification and onboarding processes. I'll turn it now back over to the operator for questions. Operator?

## **Question-and-Answer Session**

### **Operator**

[Operator Instructions]

The first question comes from the line of Cris Kennedy from William Blair.

**Cris Kennedy**

Yes, good afternoon. Thanks for taking the question. Can you talk a little bit about the NRR? I mean historically it's been over 120%, it was 114%, you expect another downtick in 2025. Just talk about the levers there.

**Cosmin Pitigoi**

Yes. Hey, Chris, thanks for the question. So, this is Cosmin. Just starting out, as you saw this 2024, we're at 114% with about 10 points of pressure from Canada. As we look ahead, obviously, now with both Canada and Australia, but just more broadly seeing visa trends down across kind of the four big markets, we expect at least NRR to be below that 114% going forward, again, primarily because of that visa dynamic, and specifically in Canada and Australia.

**Operator**

The next question comes from the line of Andrew Schmidt from Citi.

**Andrew Schmidt**

Hey guys, thanks for taking my questions this evening. Maybe just start off in the portfolio review, maybe just why now obviously policy related impacts you're seeing show up in the financials, but maybe you could touch on perhaps other reasons for the timing. And then we think about just the review in general, you mentioned verticals. So is there opportunity to streamline to focus on a fewer number of verticals or is there a different way of thinking about that. Any help there would be helpful. Thank you so much.

**Mike Massaro**

Andrew, it's Mike. Thanks for the question. Listen, obviously, as we said in the prepared remarks, some things have changed. Obviously, seeing policy restrictions continue into 2025, had us look at taking a series of steps across the business, which we outlined as part of that operational and strategic review. We're obviously trying to control what we can control, and some of the regulatory and macro headwinds we're facing, we can't control. So we look inward. That means we're looking at where we can invest in the business. We're looking at products, geographies, verticals, cost structure, and we'll explore kind of all options. We're going to obviously keep everyone updated in due course, but when you have times like this, you focus on what you can control, cause us to look internally and we think we're making the right decisions to do that now.

**Andrew Schmidt**

Got it. Thank you for that, Mike. And then maybe if I could ask about Canada. I think the previous assumption was for flat in 2025 and obviously there's the SDS impact. Could you

maybe just strip out what's SDS versus what's perhaps underlying visa impact, if that's possible? And then just to be clear, correct me if I'm wrong, SDS could be timing, meaning that once you kind of flow through this, the revenues normalized based on the timing of the payments, meaning less accelerated, more typical payment schedule. Any help there would be great. Thank you so much.

### **Rob Orgel**

Yes, this is Rob and I can jump in here. So the fundamental challenge in Canada is that they've had this significant demand destruction, right. So, there's really two things going on. There's the fees of caps and the published limits. There's the change in the policy, which may affect the full first year payments. But the other thing going on is that they're not achieving the level of enrollments that equate to their caps, and that's because of the demand destruction that's happened there. So if you look at sort of what this means for Flywire, we have the effect of the total number of students. You might think of that as being sort of the top of funnel for what we can view as our opportunity to capture payments, and that's what's been fundamentally affected. And then we offset that with the success of our team and our execution in Canada.

So Canada remains a promising market for us where there's a lot of opportunity to grow with new accounts, to expand with existing accounts, to upsell our solutions. It's just hard to turn that into a positive when the top part of that demand destruction is of the magnitude that it is right now. As you alluded to, over time, when Canada stabilizes or normalizes, it'll become a growth opportunity for us and we do ourselves as working hard to plant seeds there now for where that future growth will be. But like things have to stabilize and normalize first.

### **Operator**

The next question comes from the line of Tien-tsin Huang from JPMorgan.

### **Tien Huang**

Hey, thanks so much. Just a follow-up on Andrew's question on the portfolio review. Mike, are you trying to solve for efficiency or is it a look at the overall sort of coverage that you have? Is there opportunity for enhancing growth? Just trying to think about how you're prioritizing more, what you're solving for lately?

### **Mike Massaro**

Yes. I think for us we look at as you build a company, you make certain assumptions as to what the trends are that you're in, what you're coming up to in the next year. And I think for us, obviously 2024, we think the business performed quite well considering headwinds. But as we look to 2025, we want to make sure we're optimized in the right areas. We've got the right FlyMates organized in the right way, focused on the right things. We also want to look at, are we making sure we're putting the investment dollars in the right things, right.

The targeted go-to-market investments and whether that's certain geographies, whether that's certain industries, certain product lines, how we're investing in the network and is there areas to optimize how we're investing in that network, how we're organized as a company to make sure we have the right focus and skill sets in the right areas. And I think this gives us a chance to do all those things. And again, it's one of those instances where if you can't control some of the outside pressures, you can definitely look internally and say how are we best controlling the decisions we can make to help the company come out stronger. And today's restructuring was that kind of first step in the process.

### **Tien Huang**

No, I think it's a good exercise to go through. Thanks for sharing that. Just my quick follow-up, the 30% assumption for Australia and Canada, anything else you can share in terms of how you arrived or landed at the 30% and how conservative or aggressive that might be? Thank you.

### **Cosmin Pitigoi**

Yes, I can start. Thanks, Tien-Tsin. I think it's a separate Canada a little bit versus Australia, different dynamics. On Canada, we're already seeing that negative trend, and we know the SPS program certainly impacts that. So I would say that we assume 30% related to that. Some of that is obviously as you heard first year payments, so it could be a bit more weighted towards the front end of the year given the timing of that. But overall, we are seeing Canada already down in that range. However, in Australia, slightly different story. There, we've seen visas being a negative, some of the early demand pressures from this being down. And again, the team is doing a great job executing.

But right now, we're not quite at that level in terms of negative trends, but we're seeing the early results. And again, we want to make sure that we're assuming we're taking a prudent approach here and a balanced approach to how we look at Australia going forward given those early dynamics on the demand side, which we know are sometimes difficult to predict. So that's sort of the difference between two markets.

### **Operator**

The next question comes from the line of Ken Suchoski from Autonomous.

### **Kenneth Suchoski**

Hey, good afternoon. Thanks for taking the question. I was wondering if you could talk about what you're seeing in the education markets outside of Canada and Australia. I think I heard some commentary around softening of visa trends across the big four. So is there any softness, I guess, outside of Canada and Australia?

And then I guess maybe related to that, the slower revenue growth in 2025 that's embedded in the outlook, is the entire slowdown within the education vertical, are you also embedding some slower growth in the non-education businesses as well? Thank you.

## **Rob Orgel**

Yes, Ken, let me start and then Cosmin may choose to jump in. I'll start with the end of your comment there and just talk about all the businesses like just to make sure we stated very clearly. We continue to have a bunch of great growth franchises, right. If you look in the business and what's going on in our travel business, it's had an excellent '24. Even without the addition of Sertifi, you'd expect an excellent 2025. Adding Sertifi to it obviously, of course, will give us even more opportunity as we grow that business. B2B continuing to perform well, expect to continue that as a very high growth business for us. Bringing it back to healthcare, we talked a little bit about the improved growth for the rest of the year and now digging into the first part of your question, talking about education.

We really need to distinguish different geographies and continue to understand that there are plenty of places where the education business is performing very well. Had an excellent 2024 and continue to expect excellent 2025 for our UK and EMEA business. Our APAC business is growing. We've got good opportunities in LATAM. The real challenge is this Canada and Australia piece where we've outlined with a fair bit of detail, the significance of the impact that has on the overall franchise, right. It's those two markets, even though only about 15% of revenue, if they perform in that line, do hurt the overall growth rate of education. U.S., we've modeled more cautiously because there is some visa data that came in right around at the end of the year that shows some slowing there, but we continue to grow really in all these geographies, including the U.S. in multiple aspects of our strategy, right. More cross border, more domestic and new products as well.

## **Kenneth Suchoski**

Great. And then I guess maybe just a question on the gross profit margins. I think those came in really strong. I think you called out an impact around FX settlement. So I was wondering if you could just size that in the quarter. Sorry, if I missed that. And then I guess for the outlook on 2025, just any thoughts on how gross profit margins should trend throughout the year? Thank you.

## **Cosmin Pitigoi**

Yes. Thanks for the question. Yes. So the FX impact, I would say if it, I'm not directly sizing it. If it wasn't for that impact, which as you know, it is related to transactions and we hedge that on the OpEx side. So, I'd say if it wasn't for that impact, you would be in the range of what we normally talk about is our gross margin being sort of down because of just normal pressure of mix of 100 bps to 200 bps. So you can think of that FX impact in the quarter as being the thing that drove that up primarily. In addition, of course, we our team on the payment side continues to find ways to optimize costs, but I think the big swing factor was that FX. And so in general, as we look ahead, I would say, still in that 100 to 200 bps decline over time, primarily driven by the mix of the faster growing verticals.

## **Operator**

The next question comes from the line of Timothy Chiodo from UBS.

**Timothy Chiodo**

Great. Thank you for taking the question. I wanted to ask a little bit about how you would characterize the broader global student population, meaning are the students simply staying more at home and going to more domestic institutions? Are they going to markets outside of your core for education markets? And is this more of a temporary pause in your view? And as soon as some of the visa issues clear up, there's more clarity that we should see some sort of a return in the next 12 to 18 months? Thanks.

**Rob Orgel**

Hi, Tim. Thank you for that question. Actually, I should have mentioned that prior. So, we are seeing some of the dynamic that you just described, right. We see it both in our data. We see it in the conversations we have with our agent partners around the world who are directing a great many students. And they continue to call out certain markets that will continue to benefit from what are some of the restrictive policies in other places. The UK is called out as one of those. I think the U.S. is still considered a very desirable destination as well. But the other dynamics are people, starting to identify other countries that are going to increase their student volumes, right. So you see the continental European markets, many of them are opening as corridors to populations where they may have some sort of historical ties over time.

And the second dynamic you see is that particularly for students originating in the APAC region, they are continuing to travel internationally, but perhaps staying closer to home than in some prior year. So we do see opportunity and we do see, some of the trend where as long as they move and take advantage of these opportunities somewhere, it's still an opportunity for Flywire given we do have a good footprint in many of those other markets as well.

**Mike Massaro**

And Tim, the only thing I'd add, this is Mike, is we are still seeing strong demand, right. So this is if you think of the kind of top of the funnel, it's student interest, student demand, and then it's actually visa issuance, right. And so that combination, we're not seeing a softening in the true demand. Obviously, a market like Canada, that has such strong caps, you'll actually see that impact demand. But when you look at other markets, there's still very strong demand. The question is where does the visa issuance numbers come out.

**Timothy Chiodo**

Great. Thank you. And as you've said in the past, and I apologize if I missed it tonight, but did you mention any kind of a recapture assumption that's worked into the guide for some of those students moving to other markets where you do have some degree of presence?

**Rob Orgel**

Yes, thanks. No, I would say for now, we're obviously going to watch the environment and we're not assuming any recapture in our numbers.

### **Operator**

The next question comes from the line of Will Nance from Goldman Sachs.

### **Will Nance**

Hey, appreciate you taking the question. I was wondering if you could expand a little bit on the comments around the U.S. and seeing some softening visa numbers. Just curious if there's any specific policies that are driving that or if there's anything that we should be watching externally to measure if there is a potential change in the market dynamics kind of happening in real time? And then I have a follow-up. Thanks.

### **Cosmin Pitigoi**

Yes. I'll start and maybe I'll pass it over to Rob. So just in terms of the numbers, if you look at U.S. visa numbers issuance, F-1 visa in particular, we're seeing that number down almost sort of 20% or so in the U.S. Sorry, 10% or so in the U.S. in particular, higher than that across the four markets, but in particular in the U.S. It's almost 10%. So that is the pressure we're seeing. We're seeing it exiting the year. And so that's sort of what we look as we look ahead, obviously, that's part of how we thought about taking the U.S. more cautiously. But I'll let Rob comment on the market overall.

### **Rob Orgel**

So as I made the comment before, there's this sort of top of funnel notion, which is what's the number of students as reflected in the visa data. And then there's everything we're doing in the market to continue to be successful. So, we continue to add new clients. The team is performing very well. We believe we are differentiating ourselves against competitors very effectively and continuing to serve our clients well and establish the right to expand our opportunity inside a great many of our clients. So, we've got the dynamic of what's the overall visa count and then we've got the offset of all of the effective work that our team is doing and the new clients that we're adding.

### **Will Nance**

Got it. Appreciate that. And then I guess just one for Mike on the review, totally understand the focus on efficiency. You kind of mentioned several times looking internally and making sure that everything is being done the most efficient way possible. You also mentioned something around are we in the right verticals. And so I'm just could you maybe talk about the strategic aspect? How broad is the aperture of a strategic review of the company? And would that include an outright sale of the company if that opportunity presented itself? Thank you.

### **Mike Massaro**

Yes. Hey, Will. I'll just double down on the comments I made. I mean, we're looking at all aspects of the business. We love all four verticals that we're in. At the same time, we're going to look at geographies, products, and the verticals and make sure we're organized properly and we're optimized as efficiently as we can. I've made comments prior about rumors that are out there. We continue to run a business that we think is quite -- has a quite unique set of strategic assets. It continues to grow well. It continues to become more profitable. We have an amazing team. We're going to keep doing that, and we'll take what comes our way, but we're focused on executing and delivering shareholder value.

## **Operator**

The next question comes from the line of Darren Peller from Wolfe Research.

## **Darrin Peller**

Hey guys. Is it possible just given the noise in the outlook and the numbers around the different geographies, maybe just give us a little bit more granular expectation per segment growth rates for the year? Just really more specific numbers would be helpful in terms of what your specific percentage growth should be in education versus healthcare versus travel and B2B et cetera?

And then maybe just kind of diving into that a little bit. I mean in the education side, we understand that you're expecting Canada and Australia to be down 30% on a year-over-year basis. So, what does that mean for the remainder, not just like what is the underlying growth of the business from your perspective, I guess, outside of that?

## **Cosmin Pitigoi**

Yes. Thanks Darrin. Maybe I'll start. So let me unpack a little bit, because I think I did cover some of this in my prepared remarks. But think of sort of the guidance midpoint, think of sort of three different buckets of growth. First, Canada and Australia obviously down 30% kind of went through that. Those are the sort of the negatives, I would say. Then we've talked a bit about the healthcare business. We're starting to see growth there, but the earlier part of the year, is going to be more like last year. So again, that's sort of, I would say, below the company average is a way to think about the vertical. And then, look, U.S. is, it's an area where, again, we're being cautious given what we talked about the visa trends. And so that, again, is also sort of below the company average as far as growth, but it's obviously positive growth, just below the company average. So those are kind of, I guess, the low end.

The high end, there's pretty much everything else is growing above the company average. So you can imagine not just EMEA, UK, but others are growing well above with then travel and B2B being are sort of very strong growth verticals in particular as you saw from even last year, but we expect to continue those two to be growing above. And another way to think about the Australia and Canada piece, by the way, is obviously, if you look at the, just the math of 30% decline or 15%, it's roughly without those two, there'll be another six points of growth on top of what we guided if those two are just flat. But obviously, that's a big number to overcome in the short term. So but hopefully that helps to unpack it a little bit.

**Darrin Peller**

That's helpful, Cosmin. Guys, just one more follow-up. When you think of the pushback that universities in these markets must be giving to their own governments, I mean, I just, do you have any insight or maybe for Mike or Rob, I mean, any thoughts on what are the kind of catalysts that we should keep an eye out for from a regulatory standpoint that could impact visa decisions? Is there anything on the horizon in Canada, Australia or any other markets we should keep in mind?

**Mike Massaro**

Yes. Hey, Darrin, it's Mike. I would just say, we're seeing, I think people really realize the impact that Canada has had on their demand for international education, right. It was a huge area of their economy and their choice of actions, I think, has definitely caused pretty significant damage to that brand. And so I think we're already seeing universities organized differently, we're seeing them advocate differently. At the end of the day, however, it comes down to policy, it comes down to the decisions of governments to either issue the certain types of visas, they need to have students come in or not. And so I think that's where a bit of the uncertainty comes in that Cosmin talked about, and what we've taken into account into our guide. So we're seeing people take real views of what happened in Canada. They don't want to have that happen to their country, and have demand destruction from student visas.

And we're really optimistic that there's some potential for the U.S. to really benefit here. But at the same time, it's not clear from current policy that what to expect with these approvals come later this year. So, I think that's the bit of uncertainty. So, people are taking action, they're organizing a bit differently. They're passionate about the impact that these international students have on our economy. I think you can even look at the U.S. and just there's a desire to have talented individuals in our country. And I think a lot of countries around the world want that. At the same time, you're going to see the policies follow suit to make that happen so.

**Operator**

The next question comes from the line of Nate Svensson from Deutsche Bank.

**Nate Svensson**

Hi, guys. I just wanted to follow-up on the U.S. and that top of funnel comment you made, Rob, and you also made the comments on the demand destruction in Canada. So just wanted to tie those two together with what's going on in the U.S. I mean, it seems pretty clearly correlated that the change in administration and the tone on immigration there is having an impact on U.S. visa. So just wondering how you're thinking about that internally and what visibility you have that things could eventually get better? Because I think from my perspective, if it is a policy issue that's destroying demand, it seems like the earliest that could change or get better would be January of 2029. So, just wondering how you're thinking about that internally and how we should think about it as well?

## **Rob Orgel**

Yes. A couple thoughts there. I mean, I think the thing to start with is that the U.S. is absolutely a destination of choice for students around the world. And so, we know that from sort of history and we know it from sort of current feedback that we get via our agent network that the U.S. is a destination of choice. So I think in an environment where we continue to see students, try to guide themselves away from other markets, the U.S. has this chance, as Mike just said, to be the preferred destination that they choose. And so we're, we believe that international student volume can be there.

Now our strategy is broader than that, right, So again, if you go back to my prior comment, there's the absolute number of students that come to America, that's one factor, but there are also all of the things that we're doing to try to capture more opportunity for ourselves, right. And so that's the domestic strategy, winning more SFS accounts, that's land and expand in our existing accounts. We haven't talked about on this call about some of the other products that we have for the U.S. market like the third party invoicing that I mentioned in my comments. And so the overall opportunity for us in the U.S. is fueled by our agent network, our domestic strategy, our other products, as well as this question of whether or not the U.S. can capture even more of the international student flows based on how the rest of the year unfolds.

## **Nate Svensson**

Thanks Rob. And then for my follow-up, I want to circle back to the very first question in Q&A that Cris asked on NRR. So obviously, when you think about sort of like a long term growth profile of the company, if we go back to 2022 Analyst Day, a big part of that guide that you had laid out was underpinned by your very strong NRR north of 120% historically. Totally understand the dynamics in 2024 and 2025, but I guess it would be helpful to help level set expectations for what the right normalized NRR for the business is going forward if and when we move past these macro headwinds. I just think it's going to be important to help investors underwrite what the long term growth potential of the company is, particularly given the issues in the top four, et cetera? Thanks.

## **Cosmin Pitigoi**

Yes, thanks. And so yes, I think the way to think about it even for 2024 as you saw had it not been for Canada, we would be well in our range of 120% plus. As we look ahead, if you just take the Canada and Australia pressure, right, excluding that, we would certainly be in our range. And in a normalized environment, we would certainly be much faster growing and that's what we're -- that's what we keep sort of coming back to that point that in a normalized growth environment. We're still a strong growth company. We're excited about those opportunities and our clients are strong client base that is very high retention that drives a lot of that NRR number. And so again, in a normalized environment, we have all levers to continue growing at a fast pace. Just again, this year is in particular is impacted by these visa trends, which we believe are temporary.

## **Operator**

The next question comes from the line of Andrew Bauch from Wells Fargo.

## **Andrew Bauch**

Hey, thanks for taking the question. I guess I just wanted to not to belabor the point, but looking at the U.S. education market in 2024, the growth being below companywide average at, I believe, 13% here. Was that in line with what you were previously anticipating for 2024? And if it's not, I guess, what were the variables that kind of led you to that growth rate that was below the overall average?

## **Cosmin Pitigoi**

Yes. So the way to think about it, what we saw and we talked about the visa trends in particular in the U.S. being down 10% last year as we exited the year, that pressure we're seeing that starting out the year. So we wanted to obviously be cautious around that as we look ahead. So, I'd say that's one of the things we want to take into account. Again, we feel good about the business itself and the value prop and our ability to compete, but the visa pressure that now continue as we exit the year, I wanted to be thoughtful as we incorporate some of that into our outlook.

## **Andrew Bauch**

Got it. And then my follow-up, go ahead.

## **Rob Orgel**

Just going to say, look, multiple products competing successfully, domestic strategy where we're continuing to sign on SFS clients, win the chance to move all the money on behalf of the schools. These are all parts of the strategy that we really refined and honed in on, in 2024. Pipeline is big, winning the deals and expecting a strong Q1 in ARR signings for the education business. There's a lot of good momentum things happening here that are again part of this offset of what maybe some of the visa stuff.

## **Andrew Bauch**

And my follow-up was around capital allocation and really the rationale around the recent deal. Is there any way that you can provide us a path to when this could start to be accretive? And then how you're kind of assessing capital allocation in light of where the stock is and where you want to put dollars to work?

## **Mike Massaro**

Sure. Thanks. I'll start off and I'm sure Cosmin will jump in. I mean, you haven't talked a lot about the deal, but continue to be really excited about it. I mean, it's a business we've known for

years. It's a classic example of fitting right into our strategy of software and payments. This is increasing our total addressable market opportunity in the travel sector. They solve through software complex workflows for hotels and it's already started to monetize payments. So, we think our two synergies that will be seen over a series of years are further and faster monetization of payments.

So think of their software sitting next to payment volume that we think we can monetize quicker and faster. And the second is really international expansion, which again our global distribution, especially with our travel team, we think will go quite well with the team that hasn't really taken the product globally yet. And so those are the two real drivers for us and I'll let Cosmin comment just a bit about how it plays into capital allocation and IRR.

### **Cosmin Pitigoi**

Yes. So the way we look at the business, right, it's a high growth revenue on the revenue side with gross margins that are higher basically in line with our total company average, but higher than sort of what you would expect obviously even the travel vertical to be. So we're excited about that with starting out with positive EBITDA and we're investing against this business. So that's why you're seeing us being thoughtful about how much we're going to bake into that EBITDA. But over the long term, we feel good about the IRR of the deal and as it compares to our cost of capital overall. So good, excited about this deal in the long term accretive for sure.