

Operator^ Good day and thank you for standing by. Welcome to the Flywire Third Quarter 2025 Earnings Conference Call.

At this time, all participants are in a listen-only mode. (Operator Instructions)

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today Masha Kahn, Vice President of Investor Relations.

Please go ahead.

Maria 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 third quarter 2025 earnings press release, supplemental presentation and was filed Form 10-Q can be found at [ir.flywire.com](http://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^ Thanks, Masha. This quarter reinforced Flywire's leadership as a trusted partner for modern payments.

Our results underscore Flywire's strong execution, resilient business model and expanding client demand across markets, supported by macro conditions that were better than expected.

We signed more than 200 new clients across our four verticals, a clear sign of both the consistency of our execution and the global relevance of our products and platform. Flywire continued to win where it matters the most, winning new clients, expanding existing client relationships, and doing so across verticals and across geographies.

Our focus remains on three priorities: optimize go-to-market excellence, accelerate product

innovation, and cultivate high-performing teams.

In Q3, we delivered across all three.

Our sales, client success and operations teams executed at a high level, keeping us on track to exceed our ARR contract signing goals for the year.

Flywire is increasingly the partner of choice for organizations looking to modernize complex payment flows, consolidate vendors and drive measurable ROI.

Our diversification strategy is delivering results with education growth now extending well beyond our traditional Big 4 markets. More than half of our new education wins this year came from outside those markets, reflecting the strength of our global reach.

Within education, our Student Financial Software platform was a major growth driver in Q3 as institutions continue to consolidate all payments with Flywire to improve collections and protect revenue.

Our Collection Management solution within SFS has helped institutions recover more than \$360 million in past due tuition, deliver \$72 million in pre-collection savings, and preserve over 177,000 student enrollments, demonstrating our impact on both institutional health and student success.

Our value proposition is clear and differentiated.

We bring together industry-specific software and deep expertise in payments into one integrated offering. This unique combination positions Flywire as a comprehensive solution partner with our ability to solve the most complex domestic and international payment challenges often becoming the entry point to deeper client relationships.

In our travel vertical, client momentum remains strong, helping to grow this business into a meaningful contributor to total company revenue.

Our integration of Sertifi continues to unlock new workflows, cross-sell opportunities and incremental monetization potential.

In healthcare, revenue growth approached our organic corporate average in the third quarter, driven by recent wins with large enterprise customers. B2B continues to grow at multiples of overall company revenue growth, reflecting strong demand for our invoice-to-cash capabilities.

Product innovation remains a key priority as we continue to leverage technology across the business to deliver results.

Our teams are using AI to drive greater scale, efficiency and precision. From automated prototyping and code conversion that reduce migrations from months to weeks to data-driven insights that enhance the client experience.

We are also seeing growing interest from clients in expanding their use of Flywire solutions as they look to streamline more of their payment operations through a single trusted partner.

Our success reflects years of investment in go-to-market execution, product innovation and a culture built on relentless client focus. Flywire's evolution from a cross-border payments company to a diversified global software and payments leader is well underway and the opportunity ahead is significant, as we aim to deepen client relationships, expand market share and drive durable high-margin growth.

Finally, none of this happens without our FlyMates. Their creativity, discipline and focus on results drive our performance and client success every day. Together, we have built a culture that values accountability, impact and growth, reflected in high engagement and talent across our teams. Flywire is built for the long term, resilient, scalable and positioned to lead.

With that, I'll turn the call over to Rob to share more on our operational performance for the quarter.

Rob Orgel^ Good evening, everyone.

We are delighted to share the results of a strong third quarter of 2025, reflecting Flywire's resilience, disciplined execution, and continued global competitive momentum, all amid a macro backdrop that was better than expected.

Starting in global education, we continue to see strong momentum driven by strategic upsells, geographic expansion and deepening partnerships.

We just completed our peak quarter with excellent execution, helping clients streamline payment operations and delivering great payer experiences.

Our deeper integrations with China's UnionPay, Indian loan providers and agent networks are enhancing retention and engagement across key markets.

Now let me zoom into key geographies.

Starting with our largest market, the U.K., we continue to see strong demand from international students choosing to study in the U.K., and Flywire is expanding its presence with several new client wins including Heriot-Watt University and Royal Holloway together representing roughly 39,000 students with around 11,000 international students.

We also signed a new StudyLink deal with De Montfort University, further strengthening our regional footprint.

Momentum continues with our U.S. federal loans disbursement offering for U.K. universities.

Seven new U.K. clients signed this quarter, bringing the total to 15 since launch.

Our SFS pipeline for Agresso Unit4 institutions remain strong with all three development partners for our Unit4 integration now live and delivering excellent results. This differentiated capability positions Flywire as the only comprehensive platform serving both domestic and international payment needs, enabling us to win broader institutional relationships and capture significantly greater wallet share.

Our U.K. strategy focuses on deeper integrations that position us as the sole channel for all significant university domestic and international payment flows, either through a unified payment portal powered by our SFS solution or by integrating into existing portals for tuition and accommodation billing. The U.K. represents approximately one-quarter of Flywire total revenues and grew above the organic corporate average growth rate in the third quarter.

We see substantial runway ahead across three key areas.

First, domestic payment expansion.

With only 12 U.K. clients currently at what we believe to be 90%-plus Flywire adoption, there is considerable room to capture a higher share of payment flows at existing institutions.

Second, we see runway for SFS for finance systems integrations. A large portion of U.K. universities manage student invoices in systems like Unit4 without student-facing portals. Flywire's SFS fills this critical gap, enabling real-time payment reconciliation and consolidated billing across all student charges.

Third, we see runway for optimizing international payment flows. Billions in tuition payments currently appear as domestic transactions, despite being funded by parents abroad.

By improving the payer journey, we can shift more of these flows to cross-border transactions through our network, capturing higher-margin revenue. Note that we've included additional detail on U.K. strategies in the earnings supplement.

Turning to the United States.

Financial pressures continue to weigh on U.S. educational institutions.

As schools look to improve cash flow and efficiency, demand for Flywire's full suite of solutions continues to accelerate.

We are deepening partnerships with leading universities.

Notably, Penn State University is expanding its relationship, now adopting our full suite SFS platform for billing, payments, payment plans and third-party invoicing.

Our Collection Management module of SFS also helps institutions streamline receivables and reduce administrative workload with clients like DePaul University calling Flywire invaluable to

their business. This expansion reflects the value Flywire delivers in improving financial operations and enhancing the payment experience for students, families and staff.

And importantly, opportunity for growth isn't just coming from long-standing relationships. There are more than 3,000 U.S. institutions that aren't Flywire clients, and we've recently signed two full suite SFS deals with community colleges that don't have many international students but want to modernize their domestic payments.

For them, it will bring the full benefits of SFS, and for us, it's an emerging path to securing more software and domestic revenue in a large and mostly new segment for Flywire.

Our SFS pipeline remains very strong. Through Q3 2025, we've signed more than double the ARR versus the full prior year cohort.

We just hosted our second annual Fusion conference, bringing together nearly 100 U.S. higher education institutions. When finance leaders from universities get on stage and talk about the ROI achieved through Flywire suite of products, it sends a strong message to the broader market.

Universities must embrace change and technical innovation to stay competitive.

Turning to Australia and Canada.

In Australia, Q3 performance was significantly better than expected, growing above our organic corporate average growth rate during the quarter, driven by resilient demand at top universities that continue to attract students despite visa fee increases. New and upsell wins through StudyLink, including Swinburne University and Flinders University, further strengthened our position.

StudyLink is helping institutions accelerate offer letter turnaround times and enhance the student experience.

As a result of our expansions with StudyLink, alongside our direct selling efforts, Flywire's higher education market share in Australia's total education payment sector has expanded significantly over the past 12 months.

In Canada, existing Flywire clients that previously used our platform, primarily for cross-border payments, are increasingly expanding into domestic payment flows. This trend is helping diversify revenue and offset softer international volume.

During the quarter, Flywire successfully enabled domestic processing for clients such as Fanshawe College and Georgian College, deepening relationships with these institutions and broadening payment coverage across their campuses.

Moving on to our progress outside the Big 4 markets. Flywire continues to see students applying to a broader range of study destinations, as students hedge against potential policy changes in traditional English-speaking markets.

As a result, we anticipate sustained growth outside the Big 4, Australia, Canada, the U.K. and the U.S., with strong momentum already underway across APAC and EMEA. These regions are driving diversified expansion as institutions attract more international students and modernize their payment ecosystems.

In Asia, Flywire is accelerating growth in Singapore, Japan and South Korea.

In Singapore, our OneDoor model continues to gain traction with Nanyang Technological University, or NTU, and the Singapore Institute of Management, or SIM, both live on Flywire for domestic and cross-border payments.

In Japan and Korea, we are expanding beyond language providers into public higher education institutions, aligning with government initiatives to significantly increase international student enrollment over the next several years.

In EMEA, Flywire continues to broaden its education ecosystem, deepening its footprint in higher education and adjacent segments such as private K-12, sports academies and student housing. A landmark partnership with Inspired Education Group, one of the world's largest private K-12 networks, underscores our ability to combine local expertise with global scale to manage complex cross-border payment flows. Beyond academia, Flywire is enabling leading sports academies and student housing providers across Europe to manage tuition, training and living expenses through a single seamless platform. Across these regions, Flywire's combination of local market expertise, integrated technology, and trusted partnerships continues to drive strong diversified growth and reinforce our leadership in international education payments.

Moving on to our travel vertical. The travel vertical continues to grow through targeted client integrations and tailored payment solutions. To give a few client examples, Quasar Expeditions integrated Flywire with PEAK 15, simplifying bookings, payments and reconciliation while offering transparent multicurrency pricing.

In Indonesia, BaliSuperHost went live with Flywire, benefiting from lower card fees, local currency payments and dynamic 3DS to boost international bookings.

In Australia, Southern World's DMC integration reduced FX fees, highlighting Flywire's global payment capabilities. Bigger picture, travel delivered a standout quarter, significantly exceeding Q3 bookings plan and achieving strong year-over-year revenue growth, driven by continued momentum in destination management companies and luxury accommodations and robust performance across APAC, supported by new wins in Thailand, Australia and Indonesia.

Moving on to Sertifi.

Sertifi provides hotels and travel operators a streamlined way to capture incremental revenue by reducing payment friction and operational inefficiencies.

It is designed to decrease turnaround times on payments and contract signatures, lowering

reconciliation and manual data entry, reduces chargebacks, and improves transparency between sales and finance teams. Features like secure online portals, ACH payments, fraud prevention, multicurrency support and automated reminders enhance efficiency and the guest experience.

As an example from among many client wins, one key upsell was a master services agreement with Aimbridge, the world's largest property management company covering over 1,400 locations, a strong validation of Sertifi's value.

Our strategy to expand globally and cross-sell is progressing with Flywire scale reassuring enterprise clients like Marriott, Hilton, Hyatt, IHG and Choice that we can drive revenue growth, operational improvements and broader adoption outside the U.S.

I'd also like to provide an update on healthcare. Healthcare continues to build momentum, as we expand our integrated payments, financing and affordability platform. A key driver of growth during the quarter was the early ramp of our new payment processing capabilities on behalf of Cleveland Clinic, a previously referenced new marquee client that we can now share the name.

With nearly 6 million patient visits per year across more than 200 locations worldwide, Cleveland Clinic is now live with initial phases of implementation in the U.S. and the U.K. including MyChart payments with point-of-sale rollout underway across its U.S. locations.

We're also seeing strong new client activity. This quarter, Cook County Health selected Flywire's healthcare affordability and integrated payment solution to consolidate vendors, accelerate cash collections and improve yield. These wins underscore the strength of our value proposition, and our ability to drive measurable financial and operational outcomes for leading health systems.

Our new payment processing offering will operate at lower gross margins than the rest of the healthcare solutions, but it is helping us win deals, establish scale and add long-term revenue durability.

In B2B, Flywire has evolved beyond a global payments network offering into an all-in-one invoice-to-cash platform with leading integrated payments capabilities.

We unify receivables and invoicing across more than 140 currencies, provide transparent pricing, flexible payment options and seamless ERP integration backed by dedicated support and compliance teams.

At the same time the software plus payments proposition is so compelling that it is well-suited for entirely domestic businesses as well and we are winning nicely in those opportunities as well.

It's been one year since we acquired Invoiced, a move that opened the door to over \$1 billion in payment volume opportunities within the Invoiced installed base.

Since then, we've delivered meaningful synergies by combining Invoiced's automation and billing tools with Flywire's global payment rails, driving strong ARR growth across clients.

A great recent example of success with Invoiced this quarter is KnowBe4, a global leader in human risk management operating in more than 200 countries.

With Flywire's Invoiced platform, KnowBe4 expects to achieve over 95% auto reconciliation, centralized global billing and enterprise-grade compliance.

One year later, we feel really good about Invoiced and how it has served as a catalyst accelerating Flywire's transformation into a leading global invoice-to-cash and payments platform.

It's another great example by Flywire of software drives value in payments.

I will now pass it over to Cosmin to talk about our financial performance and outlook. Cosmin?

Cosmin Pitigoi^ Thank you, Rob. And good evening, everyone.

Today I'll provide an overview of our third quarter results and share our outlook for the fourth quarter.

We exceeded the top end of our revenue and adjusted EBITDA guidance, supported by better-than-expected macro conditions across key education markets, including Australia and the U.S., as well as a stronger peak in the U.K., upside in B2B, early go-lives and operational excellence in our payments network.

As a result, we're raising our full year revenue and EBITDA guidance.

Turning to our performance in the third quarter. Revenue less ancillary services was 194 million in Q3, representing a 26% year-over-year FX-neutral growth or 28% on a spot basis.

Sertifi contributed almost 13 million in Q3, adding approximately eight points of growth.

Our Q3 results, once again, exceeded expectations, demonstrating our ability to thrive in a dynamic macro environment. This performance was driven by better-than-expected macro conditions across Australia and the U.S., a stronger peak in the U.K., along with continued robust underlying growth across the rest of the business.

To further unpack the drivers, Australia significantly outpaced organic corporate average revenue growth in Q3 as resilient demand for top universities, new client wins, and upsells drove substantial market share expansion despite an increased \$2,000 visa fee and soft caps affecting broad visa trends.

The U.K. market had a strong peak season, driven by demand from India, China, the U.S., South Korea and Mexico. Early wins and integrations like Tribal ERP helped outperform visa trends.

Some Q4 activity possibly shifted into Q3 due to the extended October Golden Week holiday in China, so a more normalized view of growth comes from combining Q3 and Q4 results.

Our U.S. education business exceeded our expectations with first year international payers declining by slightly less than the 20% visa decline that we anticipated.

The trends in the U.S. underscore solid demand for undergraduate programs in the past academic year, especially at academically rigorous institutions.

However, trends were uneven across different corridors.

For example, we saw a strong performance in China, Lat Am, South Korea and Hong Kong, but weaker numbers from Indian students, which could be attributed to visa issues.

Canada higher education headwinds shaved two points of growth due to continued weak demand.

However, this weakness was baked into our guide, and we'll continue to remain prudent in our expectations for Canada given weak demand, especially from Indian students.

B2B, healthcare and travel were all slightly stronger than our expectations, thanks to go-lives and stronger-than-expected ramp-up in volumes.

Fueled by a robust education peak season, total payment volume climbed to 13.9 billion, 26% higher year-over-year and almost double the average of the last two quarters, highlighting the growing strength and scalability of our platform. From a modernization standpoint, our spreads have remained relatively consistent and in line with the last several reporting quarters.

Operationally, we're scaling smoothly without proportional cost increases.

Our contact rate dropped in the mid-teens year-over-year, meaning fewer escalations despite processing significantly more volume. This efficiency is driven by AI automation, which pushed our self-service rate to 41%, up 28% year-over-year.

We're successfully decoupling growth from support costs, protecting margins as we scale.

Breaking down our revenue streams, transaction revenue is largely derived from fees tied to payment volume, while platform and other revenues mainly reflect software subscription and usage-based fees.

Starting with transaction revenue, we saw a 24.4% year-over-year increase, approximately 4 percentage points of which were attributable to Sertifi. Transaction-related payment volume was up 30.9%, 3 percentage points of which were attributable to Sertifi, primarily in our education vertical as well as travel.

Platform and other revenues increased 56% year-over-year, primarily driven by the platform fees that do not carry payment volumes, specifically revenues associated with Sertifi, which were \$7.8 million and improving growth in our healthcare revenues.

Platform-related payment volumes of 2.4 billion were up 9% year-over-year, lower than platform revenue growth as some of our software revenues do not have associated TPV volumes.

Adjusted gross profit increased to 127.5 million during the quarter, up 25% year-over-year. Adjusted gross profit margin was 65.7% for Q3 2025, which is a decline of about 170 basis points, compared to Q3 2024.

Our business mix continues to exert downward pressure driven by travel and B2B verticals growing faster, which have higher credit card usage, along with domestic transaction growth in the education vertical.

Foreign exchange fluctuations during transaction settlements, including the positive effect of less than \$1 million seen this quarter in gross margin are largely counterbalanced by FX hedges recorded in operating expenses, softening the overall impact on adjusted EBITDA.

Adjusted EBITDA increase was approximately \$5 million above the midpoint of our guide and grew to \$57.1 million for the quarter, compared to \$42.2 million in Q3 2024. Adjusted EBITDA margin was up 155 bps year-over-year, beating the high end of our previous guidance range.

We continue to balance top line growth with long-term productivity and margin expansion by focusing on optimizing operations and support functions.

In Q3, sales and marketing spend was 32 million or 16.6% of revenue, improving approximately 120 bps year-over-year as we maintain go-to-market investments in travel and B2B while streamlining for stronger LTV to CAC performance.

G&A spend was 27 million or 13.9% of revenue, improving modestly year-over-year, but meaningfully lower as we compare year-to-date trends driven by operating leverage and continued investment in automation and systems including Sertifi integration.

Technology and development spend was \$12 million or 6.4% of revenue, improving approximately 160 bps year-over-year as we scale our platform and enhance engineering productivity.

While the majority of the gross profit flowed through to adjusted EBITDA this quarter, we continue to drive operating leverage while making targeted reinvestments in platforms including Sertifi integration, systems and automation initiatives, data architecture and analytics and go-to-market expansion.

To close out the income statement, GAAP net income in Q3 was \$29.6 million, down roughly \$9 million year-over-year due to lapping of a onetime tax benefit in the third quarter of 2024 and timing of tax provision reversals.

We expect full year GAAP net income to remain positive around the high single-digit millions.

Our balance sheet remains strong.

We ended the quarter with \$212 million of cash, cash equivalents and investments, with just 15 million of outstanding debt, we intend to pay down soon.

Turning to capital allocation, we generated strong cash flow in Q3 and repurchased 0.8 million shares for approximately \$10 million under our share repurchase program, keeping total fully diluted share count within our guided range below 3% for the year.

Having passed the peak of our post-IPO stock-based compensation vesting schedule, stock-based compensation expenses as a percent of revenue are trending down on track to be approximately 12% for the year.

We expect stock-based compensation growth to remain below gross profit margin growth as the business continues to scale in the near term and expect to continue managing dilution in a disciplined manner.

Now shifting towards guidance for Q4 2025 and our early thoughts around next submission cycle for the education vertical.

Some context as we enter Q4 2025.

As noted previously tuition payment patterns can shift slightly from year-to-year around major holidays.

In 2025, the October Golden Week holiday extended to eight days due to the overlap of China's National Day and the mid-autumn festival, which was longer and later than in prior years, causing some payment activity to be concentrated in Q3 prior to the start of the holidays rather than in Q4.

We do not expect this temporary shift in payment timing to have a material effect on our overall annual results, but it may impact comparisons between the affected quarters.

For a clear and more normalized view of growth, it's best to evaluate performance across the second half, combining Q3 and Q4 results.

Hence, for full year 2025, we expect FX-neutral revenue to grow in the range of 23% to 25% year-over-year including Sertifi. Excluding Sertifi, we expect revenue less ancillary services growth in the range of 14% to 16% year-over-year.

For 2025, we're updating our full year adjusted EBITDA margin expansion outlook to a range of 330 to 370 bps. This reflects OpEx efficiencies and cost discipline across the organization, supporting a trajectory towards sustained GAAP net income profitability growth as we move into next year and beyond.

On FX, with weaker U.S. rates as of September 30, we now expect the FX impact on full year

revenue to be around a positive 1.5% and about 3% for the fourth quarter.

Turning to Q4 2025.

We expect FX-neutral revenue to grow 23% to 27% year-over-year on a reported basis or 13% to 15% when excluding Sertifi and expect adjusted EBITDA margin to increase 50 to 200 bps year-over-year.

On gross margin expectations into Q4, just a couple of dynamics to note.

First, last year's Q4 gross profit margin benefited from \$2.7 million in FX on settlement gains, which should be normalized for a comparable view.

And secondly, we previously indicated gross profit margin would decline in the range of 100 to 200 bps headwind annually due to mix.

As we see our newer verticals growing faster along with strong domestic expansion, these mix shifts are expected to create further margin pressure towards the higher end of that range.

Looking ahead to 2026.

While we are not yet guiding and we are still going through our usual detailed planning process, we wanted to provide some preliminary thoughts. Agents tell us that students are applying to more destinations, but demand from Indian students for U.S. and Canadian institutions remain under pressure.

We're gaining great traction with clients outside the Big 4.

However, it is important to note the tuition differences across different geographies.

Macro-related headwinds are expected to persist, driven mainly by U.S. policy uncertainty, creating a mid-single-digit pressure into 2026, relatively similar to our current full year and Q4 2025 exit growth assumptions.

We also expect both Canada and Australia revenue growth to run below organic corporate average, with Canada particularly impacted by ongoing demand softness.

In closing, we remain agile and disciplined in managing our costs while leveraging the strength of our diversified business model. This diversification allows us to balance investments, allocate capital to the high ROI projects, and scale the business even amid volatility of headlines and government policies.

We're confident in our differentiated products, the breadth of our growth opportunities across all verticals, and our ability to deliver meaningful and sustained shareholder value.

I'll now turn it back over to operator for questions.

Operator?

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Cris Kennedy with William Blair.

Cristopher Kennedy^ Rob, you mentioned 12 clients in the U.K. are at 90% penetration.

Can you just provide a little bit of more perspective on that metric relative to the U.S. or any other market you want to talk about?

Rob Orgel^ Yes. Cris, good to hear from you.

So what we've described in our U.K. strategy for some time now has been about trying to move all the money.

And so, we have a set of potential methods that we use for achieving that objective. You can see there's a slide in the earnings supplement that sort of outlines how all that works.

And thus far, we've managed to get at least 12 clients in our view over that mark.

And we view that as sort of one of the core elements of our strategy going forward, and it's a strategy that works both for our clients and for us, in that by consolidating with us, they get all the benefits of our platform, serving their efficiency, their administrative efficiency, they get cost savings, and we deliver a superior quality experience for the students.

So whether we accomplish that through SFS, whether we accomplish that through things like integration through Tribal, it's all part of that same objective of moving all the money, and we see a lot of opportunity to do that for more clients.

Cristopher Kennedy^ Got it.

Then just as a follow-up, Cosmin, can you just talk about the preliminary initial outlook for 2026 again? I think you talked about mid-single-digit pressure relative to the fourth quarter run rate, or is that consistent with the fourth quarter run rate?

Cosmin Pitigoi^ Yes. Thanks, Cris.

So pretty consistent with the fourth quarter, I would say in general, with that mid-single-digit growth -- impact to growth.

I would say, however, think of that as more coming from the U.S. is, obviously, Canada is going to be still somewhat negative but not as big of an impact.

So we feel that the mid-single digit with kind of that exit growth rate that you see in our Q4 guidance around that 14% is the right way to think about it.

But think of the mid-single-digit headwind is more U.S. with Canada and Australia being still negative, but a little bit less of an impact in addition to, again we're watching the U.K. numbers.

But as we think about -- as you think about the mid-single digit, we feel that it's quite a prudent approach, and we feel good about sort of where we are in terms of adjusting for what we're seeing in the environment out there.

Operator^ Our next question comes from the line of John Davis with Raymond James.

John Davis^ Mike, I kind of want to follow up a little bit on Cris' question, but just taking a big step back, it feels like we're past peak geopolitical headwinds, yet you're kind of implying similar headwind in '26 versus '25. Maybe just talk a little bit about that.

What's conservatism versus what are you worried about in the U.S.? Obviously, there's a lot of unknown, but it does feel like we're hopefully over the hump.

But would just love to square being past geopolitical headwinds with a similar headwind to growth in '26.

Michael Massaro^ Yes. JD, thanks for the question.

I mean I think, obviously, as Cosmin has always said, we're trying to be very data-centric in how kind of we look at the future and have a level of prudence in it.

I think if you look at Australia and the U.S., there are two good examples of where headlines didn't quite jive with what we saw play out in those two markets, right?

Things were more positive than probably what the headlines looked like a few months back.

If you look at Canada, I think it played out, obviously, over the last 18 months in a very similar way quite negative.

And so, I think we've seen both sides of it. I said if you just start looking out, right, from my perspective, over the next multiple years, like we're really excited to keep building the company, right?

We just see a huge opportunity. I think we've proven our ability to navigate complex times between COVID, between some of this macro geopolitical risk in the last 18 months.

We have a diversified business, multiple industries, multiple sectors, products, revenue streams, and we just continue to win.

So I think as I sit here, I just think we keep continuing to prove we can navigate this

environment.

We're going to do so with a level of prudence per what Cosmin said.

But I couldn't be more happy with how things are going and the opportunity I see ahead.

John Davis^ Okay.

Then just new wins, pretty consistent, 200 clients, plus or minus a quarter here.

It feels like that's been the run rate for a while now. So clearly, having success.

But Mike, just talk a little bit about -- I'm just trying to think things forward.

It feels like NRR should probably get a little bit better as geopolitical headwinds pass. Maybe talk about new logo growth. Are these -- as we think about kind of ACV or size of client, are there any kind of material changes there, maybe where are those 200 new clients concentrated from a vertical perspective?

Rob Orgel^ JD, it's Rob. I'll step in on this one.

The growth continues to be strong and diversified. So if you look at this quarter, you'd see that EDU beat out travel in ARR signed, but travel beat out EDU in total deals signed.

If you look across geographies, they're diverse in both.

We called out that more than half the wins in the EDU space were outside the Big 4 markets, but that obviously means there's lots of good traction inside the Big 4 as well, some of which we called out in talking about SFS and similar wins.

If you look over on the travel side, particular strength across APAC, across EMEA, across DMCs, across accommodations. So again, nicely diversified. Average deal size is going up over the comparable prior period.

We feel very good about our achievement against our ARR goals for the year.

So overall, the team continues to execute very, very well nicely diversified wins across all the verticals.

John Davis^ Okay. I'll squeeze one more in for Cosmin, if I can.

I think year-to-date incremental margins have been roughly 40%, Cosmin, before the fourth quarter guide by our math is incrementals of roughly 20%. Are there any sort of incremental investments planned in the fourth quarter or anything seasonally that we should think about as we think about fourth quarter margins?

Cosmin Pitigoi^ Yes. I think Dave, stepping back, I look at the full year margins, incremental margins, as you said, sort of being well above that 30% and as you know Q3, Q4, there is seasonality.

But in the first half, obviously we were very prudent as we looked at OpEx and investments given the macro. And so, as I said in my prepared remarks, we've invested in targeted ways in Q3.

But as you look ahead in terms of a normalized kind of incremental margins, again that being EBITDA over revenue, Q3 is probably a good way to look at it.

So think of it as kind of in the mid-30s kind of range looking ahead, and also for the year in terms of kind of where we are in terms of normal incremental margins. And again, with OpEx being very sort of disciplined as always, growing well below what I look at as gross profit growth is what I compare to.

So that's the way I sort of look at it is OpEx to gross profit growth to ensure we continue driving that sort of mid-30s incremental margins growth.

Operator^ Our next question comes from the line of Nate Svensson with Deutsche Bank Securities.

Nate Svensson^ Nice results.

I wanted to ask about SFS. Obviously, continues to chug along. I think I heard seven new clients signed in the U.K.

I think in the past, you said each of these should be maybe in the low single-digit millions of annual revenue.

I guess my question is more just on the time it takes to implement these wins and get them to ramp. I guess for the deals you just announced, do you have to wait until the next academic year for them to start hitting the P&L? Or can they go live quicker than that?

Just understanding those dynamics would be helpful.

Rob Orgel^ Rob here. So let me jump in.

Let me first just start with a couple of numbers just to make sure we level set on sort of the deal counts.

So for the U.S., we're at 11 SFS for the year.

Some of those are live, some of those continue and will ramp either later this year or into next.

In the U.K., we have four SFS clients live at this point.

And we're -- what I announced on this call was the live count for the U.S. loan disbursement product. So that's a different product that helps support our U.K. universities.

So in terms of average deal size, what we always talk about is the opportunity to grow at a given institution.

So you'll see in the earnings supplement, there's a slide there that talks about the gross profit multiplier that these schools all represent.

And so, I think the last part of your question, the timing of that is often going to focus around where those semester and due dates are.

So our goal and typically our clients' goal is to get live comfortably ahead of whatever their next peak or their next enrollment period is going to be. Just like no retailer will launch a new platform in the middle of like Christmas holidays, a school wants to get a platform in ahead of that peak period.

So that's what we're always working towards and have been very successful in doing that.

So what you'd see from those next batch of deals and things that we do in the future, we'll always be working to get those live in time for typically their next peak period.

Nate Svensson^ That's super helpful. Appreciate it.

I guess for the follow-up, this is going back again to the macro, and I know we've touched on it on a bunch of calls.

But I guess I just want to understand the mechanics of the flow-through, how lower international students coming into the U.S. or any other particular country in one year impacts the financial metrics for Flywire in the outer years, right?

So maybe some sort of breakdown or unpacking of the revenue impact to your model from first year students versus second, third or fourth year students, just how that flows through, how we should think about things like NRR, stuff like that as we move forward and as one of the prior questions implied, hopefully get past the worst of these macro headwinds.

Cosmin Pitigoi^ Yes. It's Cosmin.

So let me try to approach that assume from a U.S. perspective.

What we've told you before is if you look at U.S. international revenue, call it, roughly \$80 million, roughly just half or less of that is first year. So as we look at it from new cohorts versus existing, that gives you a sense for the dynamics there.

And so, when we assume for this year, for example, before that 20% decline, if that continues into the future, as you can imagine, some of that impacts the second, third and fourth year and so forth, graduating classes.

However, in that mid-single-digit headwind that I mentioned for this year, but also into next year and sort of looking at Q4 exit, that already basically accounts for that graduating class being smaller as that kind of decline flows through.

So we've already accounted for that and actually assumed an even larger decline than that into next year.

So we've already taken that view into the numbers and still feel pretty good again that the rest of the business is growing fast enough to offset that, as you can see, for example, for the Q4 guide in that 14% and then full year this year on the mid-teens growth.

But again, that -- the way we look at it is, obviously, that first year and the graduating classes, we've accounted for that, but that's a little bit of the dynamics there overall.

And look, in terms of NRR question, obviously, with where we are in terms of growth in the mid-teens, NRR will be below that.

But again, still feel quite good about where we've kind of assumed in terms of being very prudent around the guide overall. And as we look ahead, accounting for all those dynamics including the future graduating cohorts.

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

Daniel Perlin^ Nice results here.

I wanted to just, I don't know, maybe reconcile a little bit.

So you have 50% of the new education wins that are coming outside of the Big 4. And presumably, obviously, those types of transactions might be smaller institutions, maybe not quite the same level of revenues and so forth.

But it does sound like you're having a lot of success. Australia was one of the markets you talked about where you're really seeing pretty material market share gains.

So maybe can you just help us understand like the maybe weighted average contribution that we should be expecting?

Like you've got all these new wins that are coming from maybe smaller markets.

But at the same time it does seem like you're having some pretty material success expanding into these same existing big four markets with deeper penetration and kind of wallet share.

So just trying to weigh the two pieces of that.

Rob Orgel^ Yes. Maybe I can help a little bit with that.

So obviously we did call out success in Australia qualifies as one of the Big 4.

But as you focus on outside the Big 4, there's a trend out there for sure where people out in the education ecosystem are now calling it sort of the Big 10 or even the Big 14 as they talk about adding more schools to that group.

As we look for us and we sort of define sort of the group that way, we're now sort of talking about what's the mid-teens percent -- low to mid-teens percent of our education business and growing at a pace that sort of significantly exceeds the corporate average.

So you're right in calling out that, while some of those deals are smaller in sort of their absolute size, we're winning a lot of them, and they are good deals. And as a result, they are contributing meaningfully from what is a good piece of the business and growing very quickly.

Michael Massaro^ Yes. And Dan, this is Mike.

I'd just add that having come back from multiple client events, international trips, there's a lot of good interest in just doing more with Flywire around the world.

And so, I think we have this huge footprint of clients in many geographies, and it's really up to us to introduce the right software products and the right payment solutions in those markets over time and there's a lot of room to run in that opportunity.

So we're excited we're seeing the traction but really excited about just what that means for the future roadmap and growth in the future.

Daniel Perlin^ Yes. No. It looks great.

I guess a quick question for Cosmin.

So on the sales and marketing, as we just kind of think about kind of framing the context of what that might materialize into in the current environment versus maybe where you were.

So like that number clearly is getting optimized to your point, at 16.6% and you look at that on a year-over-year comparison, it's obviously down.

But at the same time it does sound like you've kind of maybe hit trough periods with some of these international cross-border accounts. You got a lot of new business really across all of your segments.

And I'm just wondering how do you think about spending into kind of the go-to-market motion to the extent that maybe we are past the worst?

Cosmin Pitigoi^ Yes. I think, in general, look, we've invested in this area, and we're being very targeted around balancing, obviously, not just the top line and the TAM opportunity with the profitability side.

And so, as you look at kind of overall the 16.6% this quarter, we're driving productivity in those areas, but that we are definitely investing in the areas in the geos and verticals where we see the opportunity.

We talked about domestic U.K. travel outside the U.S. So I would say we're certainly investing in those areas, but we're also being more efficient.

One of the investments you saw around data and that architecture analytics allows us to sort of be very, very targeted around how and where we invest.

And so, that's one of the areas, again that you'll see us continue to invest in, but also be more efficient. We don't need to grow the same level of gross profit, certainly not with revenue in terms of investments, but yet still find those areas of growth and go after it ambitiously.

So we feel pretty good.

And the sales team, as you heard, is executing quite well and the pipeline remains quite large.

So we feel pretty good about those investments even with the efficiencies that we're seeing driven in the sales and marketing areas.

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

Jeffrey Cantwell^ I wanted to follow on some of the earlier questions.

I want to take another shot.

In your education business, the change right now where international students are increasingly attending schools outside your core four, is that temporary?

Or do you think that's the new paradigm going forward?

How do you size that opportunity?

I'm just curious if you could talk about volumes or revenue as you maybe start to see less international students in the U.S., for example, but those students are now attending schools outside the U.S. Any additional color there would be great.

Cosmin Pitigoi^ Yes. Thanks, Jeff.

So I'll start and then we can see if anyone wants to pile on.

But I would say, look, if you look at overall U.S., as I said, about [\$80] million of overall revenue in cross-border with about half of that being first years, and so we've assumed a decline in that.

I think as you look at our -- my stated assumption for next year, I would assume that that decline continues to be in that range or larger.

Again we've assumed the other cohorts similarly being impacted. But we do know that those students will generally want to go somewhere else.

So we've talked about the demand for other geographies, certainly outside the U.S., but outside the Big 4.

We have products and we have a footprint in all those markets. So even with lower tuition in those markets, we feel good that we can, again, capture that volume, but it would be, obviously, at a different tuition rate.

But again as you look longer term, while, again, we feel good that we've captured those dynamics quite well for this year and into next year. The longer-term opportunity for us is certainly -- remains quite large, again outside the U.S.

As those trends, we feel, especially for Indian students, as we talked about coming to the U.S. and looking at other destinations, for example, specifically, we feel that that will continue to play out.

Michael Massaro^ And Jeff, I'd just say, this is Mike. Over the long term, I'd just continue to say student interest in education is not waning, right?

As different levels of affluence happen around the world, I think people want to see their children educated. They want to have them get the best education in the best environment in a receptive environment.

And so, I think there's still strong interest in the United States. I think there's some lack of clarity in some of the policy. And hopefully, as that stuff clears up, you'll see those numbers continue to come in over the long term.

I think at the same time Flywire is positioned well because we've got clients in 40-plus countries, and we'll be there where students choose to go in the meantime.

Jeffrey Cantwell^ Okay. Great. Appreciate it.

And then on your commentary about 2026, combine that with what you stated about your GAAP profitability going forward, my question is, are you saying that every quarter next year should be GAAP profitable?

The reason I'm asking is because typically, your Q2 GAAP net income, for example, is negative

just due to seasonality.

But I would think perhaps maybe what certifies future impact and the operational excellence you're highlighting today that now can maybe swing to positive. Do you mind just confirming that or giving us any additional color there?

Then lastly, Mike, when you think about the next dollar of investment at Flywire these days, I'm curious where does it go?

Cosmin Pitigoi^ I'll be quick on my side before I pass it to Mike.

But yes, I'd say look, we're not guiding '26 yet.

But for now, I would say still seasonality will lean towards Q3, but we feel good that we'll continue to see increased profitability. And again, we'll update you early next year as part of our regular guidance around the seasonality of that.

Michael Massaro^ And Jeff, just on your last one for me, we're so fortunate to have the choices that we have, right?

We see great areas of opportunity to invest organically in the business. The payback in our go-to-market investments is great. The opportunities our product and tech teams see in developing new products or enhancing new products is strong. Cosmin's called out some of the automation and AI work we're doing to improve and scale the company.

Those are all great areas of potential dollar investment for us, makes the choices a little more difficult, but they're all great choices.

We continue to, obviously, think that we're not quite valued properly. And I think that gives us an opportunity when it comes to buyback, and Cosmin will be opportunistic there.

And then, hopefully, people are seeing we just have a track record of finding great targets.

And so, although not our primary focus, we're focused on integrating in the deals we have. We're still active in looking.

And so, we've got those hard choices to make across those areas, but we have lots of great organic investments, and that's kind of number1 priority for us.

Operator^ Our next question comes from the line of Tien-Tsin Huang with JP Morgan.

Tien-Tsin Huang^ Great sales execution here.

I get the question a lot, and I may have -- we may have discussed this before, but just on the domestic payments opportunity within EDU, just remind us of the general ARR there?

And what's the pitch to win? I mean is it price? Is it increasingly more payment design that bursar offices are caring about just because of things being complex and you bring something different to the table than what an incumbent solution might offer?

Just trying to better understand why -- what your right to win is there.

Rob Orgel^ Tien-Tsin, it's Rob here.

I feel this very strongly, having just come back from our Fusion conference where we had clients up on stage telling the story of their experience with Flywire and speaking to the audience there of their peers.

And in that conversation, they really focus in on a couple of things, right?

There is absolutely sort of back-office efficiency and benefits that they get from software that just reconciles better, offers more flexible payment plans, service their students better in terms of things that help the back office efficiency.

But they really do care about the student experience. They really do care about affordability.

There's a lot of pressure out there on students and the kinds of things we can do with payment plans really matter.

And then you put all of that in the context of our full suite and it's helping them on things like overdue payments, which are served by our collection management platform.

And it's all in one integrated sort of modern tech platform.

I think what we saw at the Fusion event was folks standing up saying, this was a great experience deploying it. This is a great experience operating it and the benefits are very real for clients.

So it is not about sort of the cost saving on the payment. It's about the overall benefit of all the things I just said.

Operator^ This concludes the question-and-answer session. Thank you, all for your participation on today's call. This does conclude today's conference.

You may now disconnect.