

Company Participants

Masha Kahn - Investor Relations
Mike Massaro - CEO & Director
Rob Orgel - President & COO
Cosmin Pitigoi - CFO

Conference Call Participants

Darrin Peller - Wolfe Research
John Davis - Raymond James
Pat Ennis - UBS
Nate Svensson - Deutsche Bank
Andrew Bauch - Wells Fargo
James Faucette - Morgan Stanley
Andrew Schmidt - Citi
Cris Kennedy - William Blair

Operator

Good day, and welcome to the Flywire Third Quarter of 2024 Earnings Conference Call. All participants will be in a listen-only through the duration of the call. [Operator Instructions] After today's presentation, there will be opportunity to ask questions. [Operator Instructions] Also, please be aware that today's call is being recorded.

I would now like to turn the call over to Masha Kahn, 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 third quarter 2024 earnings press release, supplemental presentation and when filed Form 10-Q can be found at 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.

Unless otherwise stated, all references on this call to revenue, cost of revenue, gross profit and gross margins, sales and marketing expense, technology and development expense and general administrative expense are on a non-GAAP basis. 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 to everyone that is joining us today. Before we go into details about the quarter, I want to provide some context on what we have accomplished as a public company and how we are looking towards the future. Since our IPO in 2021, we have doubled the business in terms of revenue and surpassed the revenue, gross profit and adjusted EBITDA margin objectives we had set at the time of our IPO. We plan to double the revenue yet again over the next several years while improving profitability and the cash flow generation of the company.

We expect to accomplish this through a combination of business improvements we have already made and the investments we are making. We now have 4,000-plus loyal clients in 50 countries across numerous verticals and subverticals with great revenue diversification. And we have more than 1,300 FlyMates focused on execution and building high-performance teams.

We have powerful sales and customer success engines in each industry we serve, and we have a robust global payment infrastructure that was able to support the nearly 2x total payment volume spike in Q3 compared to the average volume process during the first 2 quarters of this year. Our combination of next-gen payments platform, proprietary global payment network and vertical-specific software create a powerful value proposition, further strengthened by our efficient go-to-market engine and existing client relationships. I am very proud of our teams, product capabilities and our ability to prioritize investments to further optimize our cost structure and deliver more value to our clients, their payers and to our shareholders.

Our core business is operating well because we are focusing on the things we can control. We are deepening our relationships and seeing revenue growth at existing clients. We are reducing the small amount of client churn we have. We are expanding our value proposition, and we are managing both gross margins and our operating costs to further deliver to the bottom line. We are landing more clients in every vertical around the world. Education continues to prosper well. We see strong growth in travel and B2B, and our health care business returned to modest revenue growth during the quarter as well.

As well as we're doing, we continue to face a well-understood macro dynamic in our education business, specifically related to limits on foreign students imposed by the Canadian government with potential future actions by the Australian government. These have put pressure on our revenue growth rate over the last number of quarters despite very strong execution by our team. Even in the face of these headwinds, Flywire continues to grow at scale helping our clients digitize large and complex payments all over the world. With that context, I am pleased to share our Q3 2024 results with all of you, demonstrating continued strong performance across our business.

Revenue less ancillary services was \$151.4 million, an increase of 29.6%

year-over-year. Adjusted gross profit for the quarter was \$101.9 million, an increase of 27.2% year-over-year. Adjusted EBITDA was \$42.2 million for the quarter, increasing by \$14.7 million year-over-year, and adjusted EBITDA margin expanded by nearly 429 basis points year-over-year with strong free cash flow conversion.

As a result of our strong growth, combined with meaningful operating leverage, Flywire has been and expects to continue to be a Rule of 40 company. We are proud that we have built a durable business where we have been able to drive solid revenue growth, gain market share, expand our total addressable market and deliver innovative solutions to the industries we serve. As we look ahead, our goal is to continue to balance strong top line growth with margin expansion and deliver strong cash flows and GAAP net income profitability.

With that, I will now share some progress we made in Q3 against our 3-pronged strategy of optimizing our go-to-market capabilities, expanding our Flywire advantage in strengthening our FlyMate community. First, on our go-to-market capabilities. We believe we have a data-driven and disciplined approach to how we optimize revenue growth and efficiency across sales, marketing and customer success. We prioritize high ROI marketing activities, ensuring our investments directly support revenue growth across our verticals. All of this rigor helps drive strong revenue growth, logo retention, pipeline development and new client signings, and at the same time a reduction in average deal cycle time.

This approach strengthens our confidence in scaling strategic investments across sales and marketing within diverse verticals and regions. By testing and optimizing initiatives in one market and expanding proven successes into another while adapting only for the essential local operating requirements, we have a proven playbook that helps us optimize our impact and ensure efficient growth across geographies.

Last quarter, we held our inaugural client conference in the United States, modeled on the success of our conference in the UK. We brought together more than 100 colleges and universities, reinforcing the significant ROI our full suite solution is delivering to institutions who use it to manage billing, one-time payments, payment plans and past due collections. This event further highlighted the growth potential within our existing clients who are already using our cross-border solution and are increasingly focused on the value we can deliver from our full suite domestic offering. The focused efforts of our teams to integrate and cross-sell our offerings are yielding substantial results in the U.S. market, which Rob will detail shortly.

In addition to our go-to-market investments, we've also made great progress expanding our Flywire advantage. We remain focused on delivering product and payment innovation to power the vertical ecosystems in which we operate. In Q3, we enabled \$11 billion in total payment volume across multiple payment types, including local bank transfers, credit and debit cards and alternative payment methods. The majority of our payment volume is not card-related and is completed over our global payment network, a significant differentiator for Flywire.

Ultimately, we want to allow payers to use any and all payment options available to them in any country, allow them to transparently choose the one that they want and provide it to them with great value informed by cost, speed, reliability and trust. We want this transaction to complete over our global network, in the most efficient and effective way possible and do so at healthy margins for Flywire. Here are just some of the ways we strengthened our global payment network and payment acceptance capabilities this quarter in the APAC region specifically.

We went live with our second banking partner in Vietnam, Vietnam International Bank, VIB, which augments our existing bank transfer offering and expands our presence in Vietnam, our fifth largest payer market by FX money moved. The integration provides a fully digital payment experience for payers, and our API integration with VIB increases payment processing and delivery speeds. Crossing over to Singapore, we further enhanced our payment capabilities and are working with a leading university client to roll out dynamic QR codes in instant local currency bank transfers through PayNow. These types of local banking partnerships alongside our enhancements to payment acceptance capabilities further strengthens our global banking network and solidifies our competitive moat for processing large complex payments, both internationally and domestically.

And finally, we continue to focus on strengthening and growing our FlyMate community. Our culture is underpinned by our commitment to building high-performance teams. We believe a cornerstone of our success is equipping our FlyMates with the right tools, training and other resources necessary to build their careers of a lifetime here at Flywire.

Lastly, our thoughts go out to our FlyMates based in Valencia, Spain as they deal with the impacts of the historic flooding that took place just about a week ago. While we have had minimal business impact from the effects of the natural disaster, we continue to work directly with our FlyMates in the region to identify emerging needs and provide support to the local community as they recover. I continue to be inspired each day by the efforts of FlyMates all over the world that dedicate their time and resources to serving others in supporting their local communities.

In closing, I am pleased with the results we delivered in the third quarter. Performing well in spite of the headwinds from Canada underscores the resilience of our business, the ingenuity of our people and execution of our unique strategy across industries and geographies.

I would now like to turn the call over to Rob Orgel to review some operational highlights from the quarter. Rob?

Rob Orgel

Thanks, Mike. It was another strong quarter of growth and adjusted EBITDA performance for the company. We have added more than 200 clients across all 4 core verticals with new clients in the travel vertical modestly outnumbering those added in

education. Healthcare returned to growth for Q3 compared to last year's Q3, and we continue to focus on go-to-market scale and efficiency in Q3 and saw year-over-year improvements in both pipeline creation and average deal length across the business.

This quarter's results were driven by the continued execution of our 5 strategic growth pillars, which include growth with existing clients, new client wins, expansion to new industries, geographies and products; and finally, growth from our strategic value-enhancing acquisitions.

Let me show how these pillars worked across our verticals. I'll start with education, our largest vertical. As most of you know, Q3 has typically been our seasonally largest quarter tied to it being the peak tuition period in the U.S., UK and several other major student education markets. This Q3 included strength across multiple geographies, products and education subsectors and also showed resilience in the face of several notable pressures tied to visa and immigration policy shifts. Most notably, the UK was a major growth market and the strength in the UK came from a broad range of source countries.

Our U.S. and UK growth, combined with growth in many emerging destination markets, all reflect the increasing diversity of our client base, increased resilience to changes in student country preferences and the impact of our agent and overall growth strategy. To go even further into the underlying strength of the business in our UK Higher Education segment, revenue growth accelerated this quarter on a year-over-year basis. Note that approximately one third of the UK education revenue added year-over-year was driven by new customers and roughly the other two third coming from existing clients, showing our ability to drive revenue with existing and new clients.

A few examples here would include recent go-lives with clients such as University of Manchester and deeper ERP integrations that help drive share gains with existing clients such as City, University of London. Our product has been shown to deliver strong ROI to universities and is highly differentiated in the market, helping sustain a strong win rate and higher share gains.

In our U.S. Education segment, nearly 1,000 institutions in the U.S. rely on Flywire to streamline the cross-border tuition payment experience for their international students. Flywire full suite solution, including our domestic tuition payment platform addresses some of the most challenging issues in domestic payments such as managing dynamic payment plans and past due collections, which are important components of our full suite solution.

This quarter, we went live with one of the largest private accredited art and design schools in the nation. We initially signed with this institution back in 2014 for our cross-border payments processing solution and went live with our full suite student financial services solution during this quarter to help automate back-office reconciliation efforts that previously required a lot of manual efforts by staff. Overall, we continue to see a long runway of existing cross-border only clients to add to our domestic payment offerings.

With that, I'll pivot towards our Canadian and Australian education market segments. Canada remains a very challenging international student market for both Canadian higher education institutions and for Flywire. Recent developments don't suggest a prompt recovery in international student growth in Canada. Canada and India continue to have tense political dialogue and Canada is continuing down the path of restrictive immigration policies.

It is hard to predict how many of the available seats within the caps will actually get filled by international students and in which periods. So we are taking a long view on Canada and continue to work hard to serve existing clients, expand our client footprint by winning more Canadian institutions and expand our product footprint in that market. In the absence of better news that builds demonstrated momentum with student volumes, we are preparing for 2025 revenue in Canada to be relatively flat with 2024.

There are headlines about caps and immigration policy emerging from Australia as well. Australia education is a smaller market for us compared to Canadian education. Overall, Australian education is a high single-digit percentage of our revenue, which includes our legacy higher education cross-border revenue and revenue related to our acquisitions of StudyLink and Cohort Go. Yet we are seeing early moderation in the revenue growth rate, and we are watching Australian developments closely. We will provide guidance for our expectations for 2025 next quarter.

Now moving on to Travel. We have the travel vertical expertise, client support know-how and integrations into commonly used travel-specific ERP systems of record that allow us to win against or replace both local and regional payment processors as well as some of our larger vertical agnostic competitors in the space. During the quarter, several of the new clients signed came from Flywire replacing direct competitors in the travel vertical.

For example, we signed Ansova Travel, a luxury travel provider based in Ho Chi Minh City, Vietnam that creates customized journeys through Vietnam, Cambodia, Laos and Thailand. Ansova chose to replace their prior payments provider with Flywire due to our travel vertical expertise and dedicated client support team. Since going live during the quarter, the client has exceeded our expectations around platform utilization, and we look forward to continuing to support their growth.

We are also seeing momentum moving upmarket in terms of signing larger projected ARR clients. For example, this quarter, we signed Karma Group of luxury accommodations provider with over 40 properties across Asia and Europe that was attracted by Flywire's efficient flows, strong ERP integrations, cross-border network and split payment functionality. Flywire is starting to get brand recognition and referrals in this luxury accommodation subvertical. Overall, we remain excited about the opportunities in the travel vertical. We are still in the early innings of our growth journey.

In healthcare, I'll highlight the return to modest year-over-year revenue growth this quarter, thanks to both new clients and deepening partner relationships. We expanded our relationship with our client, Banner Health to manage payments across the health

system's extensive footprint of over 30 sites. To help Banner provide an improved patient experience and a consolidated billing experience among other operational benefits, we work together on a new integrated solution called Banner One that brings some of their affiliated partner practices onto the Flywire platform. This allows Banner patients to view and pay more of their bills associated with their care in one place, which previously required separate log-ins. Prior to this new initiative, Banner has already seen a 38% reduction in bad debt expense as a percentage of net revenue since going live with Flywire solution.

Finally, moving to our B2B vertical. This quarter, we saw organic revenue growth well above the corporate average on a year-over-year basis, albeit off of a smaller base compared to our other verticals. Our strategy involves a focus on subverticals, believing that this focus and subject matter expertise that comes with it can help us expand and win faster in the subverticals. We continue to have great traction within the insurance subvertical of B2B from a combination of in-person events, digital acquisition and direct sales outreach. For example, this quarter, we brought on new clients, including Redbridge, an insurance, reinsurance and consulting services provider focused on Latin America and the Caribbean.

Through a single integration, Redbridge utilizes Flywire to offer dozens of local payment options to their members and agents while significantly reducing manual work throughout the billing and collections process. This collaboration strengthens Flywire's insurance market positioning while paving the way for expanded use cases with Redbridge across their insurance business segments. We also saw integration progress following last quarter's acquisition of Invoiced. We have introduced a fully integrated software and payment solution to clients and prospects, and we are able to sell software, payments or the integrated software and payment solution. We have our first client live and transacting on the joint solution, and we have built an active pipeline of more than 50 businesses that we expect to start to close in the coming months.

I will now turn the call over to Cosmin to provide an update on our financial performance this quarter.

Cosmin Pitigoi

Thank you, Rob, and good afternoon, everyone. First, I'd like to thank our clients, partners and employees for helping us deliver another strong quarter. Today, I'll provide an overview of our results for the third quarter and then discuss our outlook for Q4 and the fiscal year. We beat the high end of our revenue range and our adjusted EBITDA guidance and are raising our full year revenue and adjusted EBITDA margin expectations despite the external macro headwind. At the midpoint, we are a Rule of 40 company, as defined as revenue less ancillary services growth plus adjusted EBITDA margin.

Turning to our performance this quarter, starting with revenue. Revenue less ancillary services was \$151.4 million in Q3, representing a 29.6% year-over-year growth rate despite a high single-digit percentage point headwind related to our Canadian higher

education business. Q3 revenue came in above expectations, beating our midpoint, driven primarily by 2 factors. First, the education vertical was stronger compared to our expectations during the peak tuition season, in particular, from a strong UK performance. As noted before, while we try to anticipate the timing of Q3 versus Q4 in tuition payments, there are small shifts in seasonality every year, with this year seeing a stronger-than-expected Q3 timing.

Second, FX rates created a tailwind of approximately \$2.5 million during the quarter as the U.S. dollar continued to weaken versus the 6/30 spot rates. We continue to see strong volume growth with total payment volumes during the quarter reaching \$11 billion, nearly double the average TPV of the prior 2 quarters and growing 24% year-over-year, driven by a strong education peak season reflecting the strength and scale of our platform and operational capabilities. From a monetization standpoint, our spreads have remained relatively consistent and in line with the last several reporting quarters.

Looking at the 2 components of our revenue, transaction revenue is primarily based on fees as a percent of transaction value, while platform and other revenues consist largely of fees earned from software subscription and usage-based fees. Starting with transaction revenue. We saw a 28.9% year-over-year increase driven by a 32% increase in transaction-related payment volume, primarily in our international education subvertical as well as our travel vertical.

Platform and other revenues increased to 34.8% year-over-year, primarily driven by the platform fees that do not carry payment volumes, specifically revenue associated with the contribution from StudyLink of \$1.8 million and Invoiced acquisition of \$0.9 million. Platform-related payment volumes of \$2.2 billion were up 1% year-over-year as some of our platform revenues include software revenues that do not have associated TPV volumes.

Adjusted gross profit increased to \$101.9 million during the quarter, up 27.2% year-over-year. Adjusted gross profit margin was 67.3% for Q3 2024, which is a decline of about 130 basis points compared to Q3 2023. Business mix continues to put downward pressure with travel and B2B growing faster with the more prevalent use of credit cards, partially offset by stronger trends across our main education corridors and continued payment costs optimization. Note that FX shifts that occurred during settlement of transactions, such as the negative impact this quarter, are largely offset by FX hedges, which are booked in OpEx, resulting in a mitigated impact on adjusted EBITDA. Adjusted EBITDA was \$2.2 million above the midpoint of our guide and grew to \$42.2 million for the quarter compared to \$27.5 million in Q3 2023. Adjusted EBITDA margin was up 429 bps year-over-year.

Let me unpack how we balance driving top-line growth with long-term productivity and incremental margins by optimizing all of our operations and support functions. We're looking at OpEx, both as a percent of revenue less ancillary services and percent of adjusted gross profit, both in the quarter but also of the trailing 12 months to account for seasonality. And setting long-term best-in-class productivity targets across our key

metrics. First, starting with sales and marketing spend of \$27 million in Q3 represented 17.8% of revenue and 26.5% of gross profit, improving by 160 bps and 184 bps year-over-year, respectively. We continue to invest in our go-to-market capabilities, especially across travel and B2B verticals, whilst at the same time streamlining our go-to-market functions to improve our LTV to CAC metrics.

Second, G&A spend of \$21.3 million in Q3 represented 14.1% of revenue and 20.9% of gross profit, improving by 323 bps and 432 bps year-over-year, respectively. As we invest in our data capabilities, we expect to continue to optimize and drive productivity across our customer funnel and automation in our operational and functional areas. Finally, our technology and development spend of \$11.9 million in Q3 represented 7.9% of revenue and 11.7% of gross profit, respectively, improving by 70 bps and 81 bps year-over-year as we continue to gain scale in our platform and engineering productivity.

To close out the income statement in Q3, GAAP net income was \$38.9 million, improving year-over-year by approximately \$28.3 million. Q3 includes an income tax benefit of approximately \$8.3 million based on full year tax estimates and a mid-single-digit million FX gains on intercompany balances, which we don't expect to recur in Q4. Our balance sheet remains strong. We ended the quarter with \$721.5 million of cash, cash equivalents and investments with no outstanding debt.

Turning to capital allocation. We continue generating strong cash flows in the third quarter and repurchased 1.3 million shares for roughly \$23 million, inclusive of commissions under our share repurchase program. We also utilized \$45 million net of cash acquired for the acquisition of Invoiced. Our capital allocation priorities remain the same. We'll continue investing organically, seeking strategic acquisitions and execute our buyback opportunistically to take advantage of short-term dislocations in our equity value as we focus on executing and building long-term value for our shareholders.

Moving on to guidance. For full year 2024, we're flowing through the Q3 beat and holding Q4 in line with prior midpoint of guidance across revenue and adjusted EBITDA. On an FX-neutral basis across the second half, we're approximately in line with our prior revenue guidance midpoint. For full year 2024, we expect revenue to be in the range of \$479 million to \$485 million based on spot foreign exchange rates as of September 30, 2024. This represents a year-over-year growth rate of approximately 26% at the midpoint. For 2024, we're raising the low end of our full year adjusted EBITDA outlook in the range of \$76 million to \$80 million.

At the midpoint, our full year 2024 guidance, we expect to generate approximately 520 basis points of adjusted EBITDA margin improvement on a year-over-year basis. This improvement reflects OpEx efficiencies and cost discipline across the teams, allowing us to look ahead towards sustained GAAP net income profitability as we exit into next year and beyond.

Shifting to Q4 2024. Revenue and adjusted EBITDA remain approximately in line with our prior midpoints of guidance. Revenue is expected to be in the range of \$118 million

to \$124 million. A few puts and takes as guidance context for Q4. This includes a benefit of approximately \$2 million, mostly from the Invoiced acquisition and very low single-digit million dollars FX tailwind year-over-year. And as noted, we did see a stronger Q3 seasonality versus expectations across second half 2024. We expect Q4 adjusted EBITDA to be in the range of \$15 million to \$19 million, implying about a 600 bps margin increase at the midpoint on a year-over-year basis.

In closing, we are agile and disciplined in terms of managing our costs. We remain optimistic about our product differentiation, the diversity of our business model, profitable growth opportunities across all our verticals and our ability to deliver significant shareholder value. As Mike said, our ambition remains to double the size of our revenue over the next several years, continuing to be a Rule of 40 company with strong cash flow generation while pivoting to sustaining GAAP net income profitability.

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

Question-and-Answer Session

Operator

We will now begin the question-and-answer session. [Operator Instructions] And our first question today will come from Darrin Peller with Wolfe Research. Please go ahead with your question.

Darrin Peller

Hey, guys, thank you. Maybe just start off with, first of all, the customer adds continue to trend well. And so maybe if you could help us understand the 200-plus adds, breaking it down by some category verticals you're seeing traction, whether it's travel or education still. And obviously, just reminding us what's driving those new adds? And then maybe just a little more color on the subsegment strength. Again, obviously, the nuances on the government impacts from Australia and Canada, but putting that aside, I mean, how the growth is really trending in the education side would be helpful. Thank you.

Rob Orgel

Yeah. Darrin, I can jump in and start with that. So let me start with your point on the customers and then talk a little bit more broadly about the verticals. So as you called out, once again, another quarter with over 200 net new additions. For each of the past couple of calls, I've outlined whether it was EDU or travel that came out on the top as the numbers have been relatively close for a sequence of quarters. This time, travel came out slightly above EDU, but if you look in both of them, we saw the kind of diversity that we like across the client wins.

So focusing first on the travel, they were across our subsegments and nicely distributed. If you look in EDU, they were distributed across our subsegments, but also very broadly distributed geographically, right, wins in the Americas, wins in Europe and wins across the Asia Pacific region. Healthcare, it's always a much smaller number of deals, but

positive deals there. And we did call out in my comments that the B2B wins were actually up notably over Q3 in the prior year.

So overall, the other question you often ask is around ARR. Average ARR per deal was down just a bit, but still feeling good about where we are on our progress for the year. If you add up progress over the last couple of quarters plus these results for Q3. So if you look at that, that was the customer count and a little bit of analysis there.

If you want to talk about the verticals, again, felt good about our vertical progress. So education growing right in line with the company average. If you look at B2B growing meaningfully above the company average on an organic basis and even more if you take into account the contribution from Invoiced. If you look in the travel business, again, continuing to grow very nicely and happy to call out healthcare as having a return to growth, albeit modest growth, we're happy to see that result.

Darrin Peller

That's encouraging to hear, especially on the healthcare side. I appreciate that. And just thinking about the opportunities and what you see in the market from a regulatory landscape standpoint, I mean, anything you can help us with understanding in terms of incremental risks or you think we have a pretty good handle on where things are now from what we saw the last couple of quarters already. Just anything new, I guess, on your side?

Rob Orgel

Yeah. I mean I'll sort of hit the high points of some of my comments. Look, the 2 countries that this is a conversation about are predominantly Canada and Australia. In Canada, what we've seen is that there's both a political stress associated with the large corridor there, which is the India to Canada corridor as well as the Canadian government continuing to basically hold the tone of a relatively firm policy there that would limit students. So the high point of what I called out there or the key point, I should say, is that the effect of all that has been meaningful demand destruction in terms of the number of students that are applying and therefore, having the chance to go against that cap.

If you look what it means for us, we continue to execute very well in Canada in terms of new client acquisition, in terms of land and expand, like all of our usual things continue to work. And so you can think of that relatively flat as being the product of continuing to expand with and land new clients. But in an environment where you sort of think of that same-store sales as having the potential to still be negatively impacted by this demand destruction when we compare what we anticipate for next year versus the current year.

In Australia, just to cover that, look, it's a very different thing, right? Canada, frankly, it's down to sort of high single-digit percentage of revenue. So it's not the size business. I would remind you that when we talked about this a year ago. But if you look at Australia, it's a mid- to high single-digit percentage of our revenue. But the climate there is not nearly as challenging as what I just described for Canada. So we've overall assumed

that there'll be a moderation of the growth rate there. So it was well above the corporate average this year. We assume that it will go to at or below the corporate average next year but continue overall to be a growth market for us.

Mike Massaro

And Darrin, this is Mike. I'll just jump in, and I'll cover the U.S. As I know there's a lot of questions probably coming out around just the U.S. administrative change. I think there have been positive comments, time to continue to watch what policy could evolve. But there's been positive comments around supporting legal immigration, potentially even green card ownership for international students, which would be a positive. The U.S. is the #1 market. And as you look at places like Canada and Australia potentially being restrictive, I think the U.S. has an opportunity to grow. And obviously, we're going to watch that market closely as well just in the global numbers of international students.

Darrin Peller

Very helpful. Thank you.

Operator

And our next question will come from John Davis with Raymond James. Please go ahead.

John Davis

Good afternoon, guys. Cosmin and Mike, I just wanted to put together 2 of your comments in the release and in the prepared remarks, Cosmin, you talked about continuing to be a Rule of 40 company. And then Mike, I think you said you expect to double the business over the next several years. But given margin guidance this year is about 16% and what your mid-term targets are, we can think about margins probably being in the 20-ish percent range next year. So I think doubling the business over the next, call it, 3 years would imply kind of mid-20s growth. But just any comments on how we should think about the growth algorithm of the business from here, understanding you've got some headwinds from Australia heading into '25?

Mike Massaro

Yeah. I'll start, and Cosmin will probably jump in and talk a little bit about just how people should think about the framework. Obviously, we think we put up some pretty good numbers so far for this year. I mean, near 26% growth. That's with a \$30 million headwind that was unexpected. Obviously, really strong record of expanding margins continued year-on-year for us. And so I think anybody can kind of add what that headwind is into our number and see where our growth rate would have been. It would have been also even better than we're doing here, but we're doing that with a pretty significant headwind.

We mentioned in some of the comments, and Rob mentioned just in his last answer,

there's no snapback we're expecting coming from Canada. It's likely to improve over time. So obviously, we're not guiding '25 yet, but I think people should consider us a Rule of 40 company with increasing EBITDA margin expansion, as you said, within our prior range. And I'll let Cosmin maybe unpack a little more of the framework.

Cosmin Pitigoi

Yeah. Thanks, JD. So the way to think about -- as we look at next year, first, as I said, look, long term, Rule of 40 and continuing to drive strong revenue growth, I think as you look at this year, in particular, I think it's a good starting point. And think of -- let me start with revenue, then I'll double-click into margins a little bit, like you said, right? So revenue is at 26% at the point in Q4, very similar to full year. And as I've said in my remarks, about roughly 2 points of that is from inorganic growth and call it another low sort of single-digit is from FX. Obviously, in Q4, that's a little bit more. You've seen FX moving around quite a bit. I still plan to start guiding with FX neutral next year. But net-net, when you look at the combination of that sort of on an FX-neutral organic basis, we're in the low 20s there plus.

But again, really strong growth for the year. Then as you look at next in terms of margin, margin this year, just to clarify, adjusted EBITDA margin is 16%. And we've said historically that we're going to grow 300 to 600 bps. As you look into next year, we feel comfortable as usual, kind of starting at the low end of that and ensuring that we continue investing, as I've said, in many different areas for us. So overall, feel good about that Rule of 40. Obviously, we're well in that even this year with an 8-point headwind. And so as we exit the quarter, look, we're not giving 2025 guidance right now. But we're going to get through sort of the December peak season, and we'll see how it kind of plays out as we do our usual planning cycle. But feel really, really good about kind of where we are as a business. And despite all of these pressures, the team is executing at a sort of admirable pace. So very excited about the future.

John Davis

Okay. Great. And then just as a quick follow-up. Mike, a little bit on capital allocation. Obviously, you have \$600 million, \$700 million of cash on the balance sheet. Maybe talk a little bit about the M&A pipeline and how you guys think about M&A versus buyback kind of given where the stock is trading?

Mike Massaro

Yeah, sure. And even following up to your other question. Obviously, M&A is an accelerant to what we just talked about as well as you look forward, not something we're including in that -- in those numbers. So I think if you look at just capital allocation, I mean, we put \$70 million into investment in Q3, right, between Invoiced plus the buyback program. And again, we feel like we're in a unique position to be able to invest in our business still significantly, continue to evaluate and potentially execute M&A and then be aggressive with our buyback.

And so again, the M&A pillars still hold true for us. How do we accelerate existing

industry solutions we're in? How do we find additional solutions that we think can help drive NRR, further an existing client relationship and upsells and potentially where to expand into new industries or geographies.

The challenging part is you've got to find a company that doesn't take you off your technology vision, doesn't take you off your growth and your profitability trajectory, that culturally fits and that actually has some level of logic in the way it wants to be valued. And you have to be able to execute all that when it comes to M&A. So we think we're in a great spot for it having pulled off the Invoiced acquisition, which continues to grow well in Q3, having done \$23 plus million of buyback, and we're in a good position to be able to continue to do all 3 of those things.

John Davis

Thanks.

Operator

And our next question will come from Tim Chiodo with UBS. Please go ahead.

PatEnnis

This is Pat Ennis on for Tim. Thanks for taking the question. I heard your prepared remarks on the strength from the U.K. education vertical, which is definitely encouraging. Wanted to revisit the WPM acquisition briefly. Could you maybe just update us on where you are in terms of implementations there with the roughly 170 university and college clients they had? I believe the last we heard was around 55 clients as of Q2 2023? And then just as a follow-up, is most of the opportunity now there that remains on the domestic education payment side outside of growing with existing customers?

Rob Orgel

Yeah. This is Rob. I'll start and others may chime in. So I think it's important to understand sort of what WPM did and what WPM didn't do, right? So WPM was helpful for us in terms of its ability to help us establish relationships with more institutions. But the business itself was essentially a relatively flat revenue business. All of the growth has come from implementing Flywire capabilities inside a set of institutions there. And as we described all along, that was an evolutionary path where we expected we would start with the ability to do cross-border. We would move from there to being able to increasingly do domestic and it's gone exactly as we would have expected in that regard with the opportunity for us to keep going, right?

So we've increasingly picked up domestic. We are implementing what we call sort of our one-door strategy of trying to move more and more of the payment volume for each of these schools and continuing to bring new software capabilities from Flywire into the market. And so that is the sort of dynamic that has generated the positive results in the UK. So we're certainly increasing our footprint. My comment was that of the growth in

this past quarter that two third of it came from growing with existing clients, one third from new clients, and we believe we've got lots of new clients to go and lots of growth to continue to achieve within the installed base.

Operator

And our next question will come from Nate Svensson with Deutsche Bank. Please go ahead.

Nate Svensson

Hi, guys. Thanks for taking the question. Cosmin, you talked a lot recently about focusing on things like free cash flow and profitability. And I guess in your prepared remarks, you mentioned sort of sustained GAAP net income goal. So I know it's early days, but maybe you could give us some thoughts on how you're thinking about disclosures or guidance across these metrics as we head into '25.

And then kind of following up on JD's question earlier. If I think back to the 2022 Investor Day where you laid out your mid-term growth target, I don't know if you've given any consideration to maybe providing an update to the street on when you see normalized growth, particularly given all the moving pieces in the business in Canada and Australia, et cetera, just to help us draw a line in the sand with regards to the future growth profile from here.

Cosmin Pitigoi

Okay. Let me start with your first 2 questions on free cash flow and profitability, and now I'll pass it maybe back to Mike on the last part. So starting with the free cash flow profitability, as you can see, still a strong performance in Q3 and even for this year, obviously, after a strong Q3, we feel like we're on track to get to that net GAAP -- net income GAAP profitability as we go into next year. And the way to think about that is you've heard us talk about we're not just obviously still growing revenue at a solid pace, growing gross profit, but underneath that, we're looking, as you can see at each and every line item on our OpEx and managing that as we've always done sort of with great discipline and applying even more rigor as we look at the metrics there.

As you look at adjusted EBITDA all the way down to free cash flow and net income, we also are looking at stock-based comp, for example, which is kind of the other big line item between those 2. And that's again another metric where as we pass the 4-year anniversary of our IPO, and again, looking at that as a percent of revenue, we've been already sort of -- we're in the range kind of, of our peers kind of in the middle, maybe even better, depending on how you look at it as far as stock-based comp as a percent of revenue. And as we look ahead, certainly, as we pass the IPO sort of anniversary next year, we expect that percent to start to moderate and start to come down.

So again, we're managing all those components well to -- so then which gives us that confidence around the GAAP net income profitability going forward. So -- and to wrap up on your question around disclosures, again, you'll see us started a bit this quarter,

but you'll see us much more provide those kind of breakdowns of what those are and the forecast behind those, including tying back to free cash flow and GAAP net income. So -- but feel good kind of where the year is exiting there and as we look ahead.

Mike Massaro

Yeah, just on the FY '25 and looking forward, obviously, not guiding for next year yet. But you should obviously be looking at this year. And there's no snapback we're expecting for a place like Canada, to kind of come back, right? So that in itself takes you off that 30% number as we've been clear about all year. And I think as we look forward, you can expect that to kind of improve over time from obviously the big reduction down in a market like Canada. And again, we think we're building a pretty great company here with strong Rule of 40 growth and profitability, and that's what we expect for the future.

Nate Svensson

That's great color, guys. For my follow-up, maybe we can talk about the education business from a higher picture perspective. Obviously, so much time spent discussing Canada and Australia, and obviously, a ton of focus on the U.S. and UK given the size of those markets. But I think Rob in his prepared remarks, talked about the strength in emerging destinations. So maybe you could take a step back and talk about some of the areas whether you're currently in or areas for international expansion in the future that you're excited about that maybe could help accelerate growth rates as we think about Flywire's profile in the education business over the medium to long term, whether that's Europe, LatAm, anywhere else you're excited about?

Rob Orgel

Yeah. Happy to take that. So in fact, really welcome the question because we talk so much about these couple of countries. But in fact, the education is a very global opportunity, and we are a very globally capable company with the ability to grow in many places. So we don't talk about the individual countries of Europe so much because individually, they sort of don't rank as high on the table. But collectively, that's a major market and an opportunity where we play very well.

If you look in Latin America, we've called out in prior comments, in particular, our interest in Mexico. We believe that's a substantial market and believe we are building and delivering the right capabilities to continue to grow there. And across APAC, whether it's Japan, I guess we talked a bit about Australia, but a number of the other markets there are all meaningful opportunities for us to continue. And again, it's the cross-border capabilities, it's the domestic capabilities in some of our emerging products as well.

Nate Svensson

Thank you. Appreciate it.

Operator

And our next question will come from Andrew Bauch with Wells Fargo. Please go ahead.

Andrew Bauch

Thanks for taking question. You mentioned that third quarter benefited from more of the education volumes falling into the quarter versus fourth quarter of last year. And I know some of that was timing around the weekend, could we get a sense of the size of that impact on what was in versus out versus the previous 4Q guide? And then my follow-up will be on the student financial software. I think the deck really lays it out on how you have this holistic approach. And could you kind of compare and contrast the monetization opportunity for institutions that are adopting student financial software versus those that aren't.

Mike Massaro

Yeah. So this is Mike. I'll jump in. So you can think of the low single-digit millions. It's kind of that \$1 million or so kind of around that area that is on that kind of crossover line. Remember, Q3 to Q4, you just have bill due dates that are out on that period of time, right? So that \$1 million to \$2 million is kind of this line that can cross into Q3 and Q4, just when based on the bill due dates are out, whether people are paying early or paying later for those bills. That's the same dynamic that exists for Q4 into Q1, right?

And so as you go back and think of Cosmin's comments around the second half, it's really important to understand when we talk about that second half, you don't always know exactly how that's going to fall into Q3 or Q4. And that same dynamic exists for Q4, Q1, right? And so our best assumption based on how we see those due dates coming out at our clients, but we don't control when people pay and we don't control the bill due date for those quarters.

Rob Orgel

And I can jump in and talk a little bit about sort of the student SFS software. So the reason why we get excited about that opportunity is it is a revenue multiplier for most of the schools where we get deployed. Someone who deploys that full SFS suite is going to sign up with us and the combination of revenue streams for us is sort of license -- SaaS-style license revenue plus payment plan revenue associated with the payment plans that students choose to set up plus there's a volume of card activity associated with those that choose to pay with cards. So all those are revenue streams for us, all of those at healthy margins, and that's why we are so eager to continue our land and expand where we get more clients to sign up for that full SFS suite.

I'd remind you that we're relatively lowly penetrated in our installed base. So at sort of single-digit percentage penetrated in that installed base, there's a lot of opportunity to grow and felt really good about the momentum and the activity, I guess, even the vibe at our Fly Fusion event where we did our first full customer event here in the U.S., bringing together a whole range of clients where they could hear more about our capabilities and really get that picture of everything we could do for them.

Andrew Bauch

Thanks for the opportunity. Thanks guys.

Operator

And our next question will come from James Faucette with Morgan Stanley. Please go ahead.

James Faucette

Thanks very much. And sorry if you've already addressed some of this. I'm jumping around. But I wanted to ask in terms of your NRR and retention is that's obviously a massive component of growth, even though a lot of times that doesn't get the attention versus some of the other drivers. Can you just talk about like what the -- how we should think about the composition of that revenue retention metric right now? And then how we should be anticipating that should evolve over 2025 and beyond long term. I think that's one of the things that we get a lot of questions from investors on is the durability of that growth?

Rob Orgel

Yeah. Let me jump in there and Mike may jump in at the end here. So let me take sort of the second part first, James, which was just to talk about sort of where we are on NRR and then I'll come back to sort of the components of it and the durability of those dynamics. So I think this -- on these calls, you all have been quite accustomed to us talking about NRR and the range in which NRR is falling and -- or is landing. And what we are happy to say is like if you take out Canada and all the effects of Canada that we've talked about already on the call, NRR for all the rest of the business continues to perform sort of inside that historical range. So just a bit over the 120% that we've called out on many previous calls.

And so if you take into account Canada, which when we share future NRR and do some of our usual reporting, you'll see that will take an effect on the overall corporate NRR. It would have to given the effects taking place in Canada, and that will bring it down. But the drivers of NRR remain as strong as ever. So if you didn't have sort of this particular effect associated with Canada, you point to the drivers of NRR and we'd say, first, there's everything we do sort of around adoption and utilization and best practices within existing clients, that continues to be one of the primary elements of it. The activity that's driven by our agent investment and network and all of those dimensions continue to perform very well for us, and we believe will continue going forward.

Second dimension was everything we do around sort of product expansion as part of our land and expand. I just talked about the domestic, we do that across all our verticals. Hospitals do things like Banner One, schools do the things like the Art Institute that I referenced earlier in the comment. So that product expansion has always been, and we expect will continue to be the second key driver of NRR.

And the third piece is expanding with the profile of our customers. So it is frequently the case across each of our verticals that you win some portion of their business before you get the chance to win all of it. So imagine B2B giving us one or a few subsidiaries or corridors before they give us even more of their opportunity, similar concept across the other verticals. And we believe that is very much the continuing dynamic for Flywire as well. So all the underlying strengths and dynamics of our NRR are there, and we expect they'll persist healthily going forward.

James Faucette

That's great. And then just wanted to -- just on the point around agents. I mean, that's something that we're hearing that a lot of schools themselves are increasing direct engagement with, et cetera. How does that impact, if at all, your using of that channel to try to drive growth if -- is that something that makes sense to collaborate with the schools and their increased engagement with agents? Or is it just better left to be run in parallel?

Mike Massaro

James, it's Mike. There's a great opportunity for us. I mean if you think of what Rob had talked about around the StudyLink asset as well as what we've done with agents and payment processing, it's a huge opportunity when it comes to how we're engaging our clients. As we said back in the StudyLink acquisition timeframe, we don't think its limits are in Australia, and there's other geographies in which that product will help schools better connect to the agent community and help drive more student awareness to their university. And we think that's going to be a growing need in the market. And so we're excited to have those assets and already doing it now.

Operator

We have time for one more question, and that will come from Andrew Schmidt with Citigroup. Please go ahead.

Andrew Schmidt

Hey, guys. Thanks for taking my questions. Good to see the stability and growth here. Maybe I could just go back to SFS. It was really good to see the stat broken out here. If you could just talk about whether you're seeing a higher attach rate on new wins in education that would be great. And then going back to the base is obviously a big opportunity. Maybe talk about just how the sales motion there has evolved and if there's opportunity to just accelerate the growth and the penetration there. Thanks so much.

Rob Orgel

Yeah, this is Rob. As I mentioned in one of my comments, we are seeing some acceleration in the pace of those wins and we're also doing things to try to further that acceleration, right? So we have made changes in our go-to-market team. We feel very good about some of the talent that we have brought in, including sales leadership for

that U.S. EDU opportunity. Of course, we feel good about our leadership in other markets as well. And the second thing there is efforts like the Fly Fusion event are meaningful in terms of getting people to understand the opportunity.

I think there are, for many, an understanding of what we do, but this was a chance to really present those capabilities way more clearly to an audience that can influence the pace of wins. So we feel we're doing a lot in that go-to-market set of motions to increase the pace there and continue to believe that we absolutely have the best platform and technology out there. And so our job and our intention is to go out and make sure people get that, and sign on with Flywire.

Andrew Schmidt

Got it. And then maybe just going back to Australia. I appreciate the comments on expecting moderation in growth. But just a finer point on that, does that assume that caps go into place in Australia? Or does it assume the status quo? And then obviously, a big offset something you guys have leveraged over time is increasing penetration. It still seems like there's a lot of opportunity down there to continue to drive that. So maybe just the -- what the assumptions are behind the moderating growth and then ability to improve the penetration on the other side. Any details around those items would be great. Thank you so much.

Rob Orgel

Yeah. Good points, both of them. So as things stand currently in Australia, the proposal has not been formally approved. We are working under the assumption that they will move forward with the regulations as proposed and/or that sort of that -- there will be some implication or impact of the way those regulations are being put forward. So that's sort of the underlying assumption there. But you're right, the other thing about Australia is it's a big opportunity for us to continue to grow.

So there's our traditional cross-border business, there's the ability to present StudyLink, and we also have the capabilities that we acquired via Cohort Go. All of those are opportunities to continue to look for places where we can grow the business. StudyLink is a great platform, very popular in Australia and with continuing growth opportunities there and on sort of core Flywire, lots of schools still to sign up.

Andrew Schmidt

That's super helpful. Thank you so much.

Operator

And we actually do have a little bit more time to take another question, and that will come from Cris Kennedy with William Blair. Please go ahead.

Cris Kennedy

Great. Thanks for squeezing me in here. Can you just talk a little bit more about the healthcare vertical, some growth, and just talk about what you guys have done to improve the growth there? Thank you.

Rob Orgel

I think this one comes to me as well. It's Rob speaking. We were really pleased to be able to see the healthcare business return to growth. The thing that was great about it was that we continued to please clients, serve them well, drive ROI and get the opportunity to grow with clients. Banner One that we talked about on the call being a perfect example, but there are others that are bringing us more of their facilities and more opportunities to keep growing with them.

Second piece was adding new clients, also successful in that. Now we don't want to kind of call this too, too much in the sense that we're also indicating, hey, this is a business that, as we continue to improve, will be a growth business, but a moderate growth relative to the overall Flywire business, but we feel really good about some of the motions that we have in market and feel good about our team and are, again, grateful to see the second half growth.

Cris Kennedy

Great. Thanks for taking question.

Operator

And that concludes our question-and-answer session in addition to today's call. We want to thank you for attending today's presentation, and you may now disconnect your lines.