

Company Participants

Masha Kahn - IR
Mike Massaro - CEO
Rob Orgel - President and COO
Cosmin Pitigoi - CFO

Conference Call Participants

John Davis - Raymond James
Timothy Chiodo - UBS
Tien-Tsin Huang - JPMorgan
Dan Perlin - RBC Capital
Tyler DuPont - Bank of America
Cris Kennedy - William Blair
Charles Nabhan - Stephens

Operator

Greetings and welcome to the Flywire Corporation First Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Masha Kahn, Vice President, Investor Relations. Thank you. You may begin.

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 first quarter 2025 earnings press release, supplemental presentation, and when filed, Form 10-Q, can be found at ir.flywire.com.

During the call, we will be discussing certain forward-looking information. Actual results could differ materially from those contemplated by the forward-looking statements.

We'll also be discussing certain non-GAAP financial measures. Please refer to our press release and SEC filings for more information on the risks regarding these forward-looking statements that could cause actual results to differ materially, and the required disclosures and reconciliations related to non-GAAP financial measures. This call is being webcast live and will be available for replay on our website.

I would now like to turn the call over to Mike Massaro.

Mike Massaro

Thank you, Masha and thank you to everyone who is joining us here today. We know there's a lot on everyone's mind, particularly regarding the broader economic landscape and various other external factors.

While we acknowledge the challenging macro environment, I have never felt more proud of our performance or more confident in the future of Flywire. Let me take a few moments to tell you why.

First, at Flywire, we remain laser-focused on what we can control, driving innovation, delivering exceptional value to our clients, and executing on our strategic initiatives. We are not just weathering headwinds, we are using them to become stronger and fuel our future growth.

We continue to see huge demand for Flywire solutions as evident by our signing of 200 new clients this past quarter. Our pipeline is strong, our solutions drive results, our team is focused.

Second, we have built a resilient business, one that has proven its ability to adapt and thrive in challenging times. These shifting and uncertain macroeconomic conditions are creating unique opportunities and our FlyMates are capitalizing on them.

As our clients and prospects increasingly focus on ROI enhancing initiatives and vendor consolidation, Flywire stands out by delivering a suite of products, clear cost savings and operational efficiencies.

Our clients consistently express their appreciation for our solutions, and we are proud to maintain a very low churn rate, reflecting the strong partnerships we have built. This resilience is rooted in our core strength, our software-driven payments platform that sets us apart and enables us to deliver significant value, efficiency, and superior experience.

Third, Flywire's unique position in the market is driven by our powerful combination of specialized vertical-specific software, our proprietary global payment network and comprehensive payment platform.

Thanks to this combination, we can go to market in our core industries with a robust product suite that offers clients a single source solution to manage all their payments, pricing and support while providing their customers a superior payment experience.

We have powerful software integrations that seamlessly fit into our clients' back-end system, making us fast to implement and deepening our moat. And because we control our network, we provide our clients with daily settlement, reconciled to the penny for both international and domestic payments.

Flywire's unique approach enables us to power the vertical ecosystems that we serve and helps us stand out from standard payment processors and horizontal competitors.

And finally, we believe in the long-term success of our core verticals, and we believe there will be continued demand for our solutions. Take international education, for example. The desire for international education is driven by more than academics.

It is about gaining global perspective, experiencing new cultures and pursuing opportunities often unavailable at home. Top talent seeks environments where their skills are valued and rewarded and international students are key drivers of innovation, economic growth, and future leadership.

We believe that long-term trends like global skill shortages and aging populations, especially in developed countries, will continue to fuel demand for global education for years to come.

International students also generate significant economic value for local communities and sustain the institutions that educate them. In short, the global competition for talent and the enduring appeal of international education remains powerful forces shaping the future.

Now, moving on to something we announced last quarter, our operational and portfolio review. As part of this review, the organization is streamlining its structure, removing management layers across various areas.

This involves consolidating reporting lines within payments and product, data and analytics, IT systems, and strategy and business operations functions, while also optimizing investments in capital allocation across products, geographies, and verticals to drive greater efficiency and impact.

Under the direction of our newly appointed Chief Payments Officer, Flywire is accelerating its payment strategy and technical alignment across all verticals, driving significant product innovation. This change centralizes strategy, business development, operations, monetization and product management for all payment-related aspects under one team.

We are actively utilizing data analytics and fostering initiatives to build new acceptance rails, increased localization, expand domestic payment capabilities and leverage AI to streamline onboarding support in KYC processes.

From these efforts, we are already seeing results with the launch of our enhanced recurring payment capabilities introduced in the first quarter and improved cost and speed of payments in the United States.

We are also happy to announce yet another partnership in India to support flows to further expand loan acceptance solutions in this key payer market. We believe our global payment network and payment capabilities are truly differentiated and this is an important step to take a competitive advantage in the verticals we serve.

As part of the operational and portfolio review, we are tackling several areas to ensure continued OpEx discipline, and efficient capital allocation. We are investing in procurement and vendor management functions in reviewing our global footprint to optimize costs.

Our team continues to refine pricing strategies across our portfolio to maintain competitiveness and profitability, reflecting the unique value proposition of our integrated global payment network, shared platform, and a growing suite of software products.

We are optimizing performance across our teams, reprioritizing the utilization of resources for key projects, increasing productivity with new technologies, aligning our investments to value creation, and diligently measuring results to ensure accountability and continuous improvement.

And we are further aligning hiring and compensation to drive a high-performance culture, minimizing duplicate roles, enhancing geographic alignment. These efforts ensure that our platform is supported by a highly motivated, skilled, and efficient team of FlyMates.

Additionally, we are progressing with a digital transformation initiative to create a more focused approach to data, analytics, and system transformation. We are investing in our data architecture, leveraging structured data across our unique verticals, which will enable us to generate real-time insights, predictive capabilities and generating unique and innovative AI use cases for our teams and our clients.

Using data and AI to drive more efficient processes and insights and to maximize long-term value, we are also investing in the foundational work to truly set up for speed, accuracy and enterprise-wide AI deployment.

At the same time, we are optimizing our systems and tools, consolidating our vendor footprint and automating processes. For example, we accelerated the process to onboard new clients, driving significant improvement in the client experience, while reducing internal manual processes.

These initiatives collectively demonstrate Flywire's commitment to driving productivity, optimizing investments and streamlining operations. This digital transformation will further enhance our platform's capabilities and provide deeper insights for our teams and our clients.

To close, I want to highlight some of the powerful fundamentals that position Flywire for long-term growth and success. We are building something truly differentiated, combining vertical tailored software and modern payments, helping to digitize global payment flows. Our solutions are not simply bolted on. We are deeply integrated with our clients' core business processes, enabling them to operate more efficiently at scale.

This is at the heart of how we solve complex problems for our clients, whether it is managing receivables, streamlining their back office, or delivering seamless payment experiences across borders.

We are also innovating quickly. Our strong land and expand motion is proving that when clients experience the value of one Flywire product, they often grow with us, adopting additional solutions like student financial services software or our payables product. That organic expansion is accelerating recurring revenue and deepening our long-term client relationships.

In education, we continue to gain traction in new markets and with top institutions globally. In B2B and travel, our recent acquisitions like Invoiced and Sertifi are unlocking new capabilities in creating powerful cross-sell opportunities.

Rob will speak more about the momentum we're seeing in areas like SFS and StudyLink globally. Our business is growing. We are profitable, and we continue to win new clients and deliver significant value to them.

Flywire's success is driven by deep industry knowledge and the passion of our team in the face of a tough macroeconomic climate and geopolitical uncertainty, our team has shown grit agility and unwavering focus.

And it's you, our FlyMates, the product managers, the engineers, operational and corporate teams and many customer-facing champions who are making it happen. You are the ones delivering real value, solving hard problems, helping to win client trust all over the world. Thank you for your continued hard work and dedication.

Now, I would like to turn the call over to Rob Orgel, our President and COO, to discuss vertical and operational performance. Rob?

Rob Orgel

Good evening. I'll share operational and client highlights today, focusing on how our strategy drives performance across key verticals and markets. Let me jump right in with education first.

I know a top-of-mind question is the macro trend for international education and what's happening around the world, in particular, how important destination markets are managing policies that relate to international student numbers. Our strong results in Q1 occurred in a climate with meaningful Visa and macroeconomic pressures.

Our continuing view is that the underlying value and underlying demand for international education remains strong. But that the rapidly changing landscape means it's a very dynamic international education market.

As I'll outline, Flywire is leveraging our global footprint to capture the movements between destination countries leveraging our full solution platform to support clients and grow revenue and deepening our agent and banking network to capture an increasing share of international students.

In terms of how our global footprint helps us, an emerging trend is that international education is expanding beyond traditional markets with Germany, France, Japan, and Singapore experiencing significant growth.

Flywire is capitalizing on this shift by making strategic investments in local payment capabilities and focusing sales efforts to capture the expansive client opportunities in these and similar countries.

While the traditional big 4 markets of the U.S., U.K., Canada, and Australia are approximately 40% of global international students, there are still another almost 40% going to Flywire's next 20 addressable markets, and we can continue to expand in those markets and potentially add more.

A few examples include our new domestic contract in Mexico with International House Mexico, growing success in France, including deeper integrations with Collège de Paris and American University in Paris, and the addition of two new education clients in Singapore, East Asia Institute of Management, and Singapore University of Technology and Design. These demonstrate the importance of being local and offering compelling value on both domestic and cross-border payments.

In terms of how our platform helps us, we continue to push to do more for our clients, pushing to handle more and more of their payment volume, and we are handling broader aspects of the student experience.

For example, we continue to make progress expanding StudyLink globally with our recent win at the University of Niagara Falls in Canada, following last quarter's Birkbeck expansion in the U.K. In times when absolute student numbers are uncertain, these significant expansions of software capability enable us to capture more opportunities in the market.

Now, focusing on the U.K. Our U.K. Education segment is experiencing remarkable momentum driven in part by the successful launch of our student financial software last year. We have four new SFS clients signed and committed to roll out in Q2.

These U.K. universities will leverage SFS to manage a comprehensive range of student fees, including applications, deposits, tuition, accommodation and payment plans, streamlining the entire student financial journey.

Our recent flagship U.K. Education Conference generated significant interest from new clients, and we're excited about our pipeline for SFS in the U.K. market. A key recent win was securing the University of Greenwich in a competitive RFP.

Our success was driven by our unique software capabilities that seamlessly integrate domestic, cross-border and collections management into a single user-friendly system. This win positions us to capture all the main payments throughout the student's academic lifecycle.

Beyond new client acquisitions, we're expanding our footprint with prestigious institutions like Oxford and Cambridge by adding new colleges and successfully upselling our payables and refunds capabilities to our existing U.K. clients.

With the addition of SFS, StudyLink and payables to our product suite, we've solidified our market presence in the U.K., and our sales and customer teams continue to capitalize on this strong momentum.

Moving on to the U.S. While the U.S. education sector presents some forecasting complexities in part due to recent news regarding visa revocations and restorations as well as questions on overall long-term immigration policy, we are proactively monitoring the situation and quickly adjusting our strategies accordingly. Importantly, our focus extends beyond just international students.

We are deeply invested in software integrations and solving complex pain points for all students regardless of their origin, whether it's domestic payment processing, tuition management or collections, our solutions are designed to enhance the overall student experience.

This means that even with potential Visa fluctuations, we are confident in our ability to thrive by delivering critical value to our education clients. We are generating strong results with our U.S. strategy to capture additional payment flows, accelerate SFS adoption and displaced legacy incumbents.

In Q1, U.S. Education had its most successful quarter in terms of signed ARR from full suite SFS deals, securing five new deals in the first quarter along with several additional deals for our collections management and third-party invoicing solutions.

We'll be working hard to get these clients live and generating revenue within the year. The domestic SFS offering also presents a significant land-and-expand opportunity with only an estimated 10% attach rate among our existing U.S. cross-border education clients.

Moving to Australia and Canada. Both Australia and Canada have just had elections. And while this may help bring some clarity to policy, there are some continuing market uncertainty around potential policy shifts. While the sector waits for more policy clarity, we are focused on our clients and their students.

As an example, the University of Niagara Falls adoption StudyLink in Canada was a notable product expansion for both StudyLink and for us in Canada. We're also working with our clients to strategically utilize our agent network to attract students for more diverse geographic regions given the reduced volumes from India to Canada we've previously discussed.

In Australia, we have seen the market be more resilient to this point in the year than we previously anticipated. But we are also fresh off an election that occurred just days ago. We believe we outperformed the overall market as measured by incoming international student volumes based on the same factors I mentioned above.

More wins, more product adoption and more agent-assisted payment volume. Adding new wins like Charles Sturt University and Federation University helped our performance alongside our portfolio that has a favorable weighting towards top-tier institutions.

While Australia continues to exhibit strong demand, universities are rapidly filling available seats in the first half of the year. Their second half enrollment rates may be adjusted downward to reflect their observing of the Visa caps, which we have already assumed in our full year

guidance. You can see there's a lot of very positive client and product activity from our education team globally.

Now, let me shift gears to our travel vertical. We are replicating the success of our education vertical expansion in the travel sector, where we continue to see strong momentum in both customer acquisition and revenue growth.

Our differentiated approach featuring advanced integration capabilities, competitive pricing and solutions tailored to the needs of travel businesses positions us as a true partner to our clients.

In Q1 2025, Notable new clients include Haman Group in Norway, a leading inbound tour operator in Scandinavia, which selected Flywire for our seamless booking system integration multicurrency payment capabilities and diverse payment options.

Ozen Reserve in the Maldives also joined our client base, driven by strong referrals and our cost-effective solutions further establishing Flywire in the luxury travel market. We also saw promising early traction with luxury and boutique accommodation providers onboarding 21 new clients in Q1.

Sertifi acquisition is transformative, unlocking opportunities with luxury and boutique hotels and monetizing payments tied to critical workflows. We also anticipate substantial growth through significantly enhancing Sertifi's payment upselling efforts, leveraging Flywire's extensive payment infrastructure and network, which has the potential to unlock billions in incremental volume.

This strategic acquisition provides us with both breadth of geographic reach and depth of product offerings, positioning us to build a highly scalable and substantial business within the travel sector.

In Q1 2025, Sertifi achieved notable milestones, including a large U.S.-based hotel management company that operates a broad portfolio of branded properties across the country.

The client expanded its use of Sertifi Pay to include credit card and ACH processing at 65 properties aiming to lower fees and expedite payments. Furthermore, we are actively developing plans to leverage Flywire's global go-to-market expertise to accelerate Sertifi's international expansion.

Integration efforts between Flywire and Sertifi are progressing well, with both teams energized by the cross-selling opportunities and the better together value proposition. While the broader travel sector is sensitive to macroeconomic conditions, we are currently not observing significant macro-driven headwinds impacting our business. With strong marketing and sales efficiency and travel and great customer retention, we continue to invest in growing our client base and serving our clients.

Combining our existing travel business with Sertifi, we now have an over \$100 million travel business in Flywire based on the last 12-month run rate. It's a platform that serves across multiple segments, multiple geographies, and increasingly diverse use cases with our clients.

We provided more details in this quarter's earnings supplement, and we encourage you to look those over to see how we continue to grow a sizable business with attractive unit economics.

Moving on to our B2B vertical. In our B2B vertical, we're seeing payment volume monetization as well as cross-selling opportunities and increased client adoption, thanks to our invoice to cash and embedded payments solution. This joint software and payments value proposition led to a significant win with Sojern, a leading marketing technology company for hospitality.

Sojern aims to benefit from Flywire's invoice software ability to reduce time to pay and customer churn due to nonpayment, along with automated payment reconciliation for bank transfers, a key value proposition for them.

Flywire's B2B solution addresses pain points like a lack of customer portals, payment reconciliation issues and customer churn. Key wins with companies like 9Round Kickboxing, Insurance for Students, and [indiscernible] Life highlight Flywire's ability to streamline invoicing, automate cash application, reduce FX fees, and offer local payment options. These solutions integrate with systems of record, manage chargebacks, and enable local payments without our clients requiring a local entity.

Wrapping up with health care, we believe Flywire's health care business is preparing to enter a period of strong growth. Validated by a key deal closure and robust integrations with major EHR systems. We won this deal due to our unique ability to offer a comprehensive solution.

While many companies compete in specific areas like financing, engagement or payments, Flywire is the only provider that integrates all of these functionalities into a single seamless offering. This success has significantly expanded the 2025 pipeline, driven new wins and increased demo requests due to our comprehensive offering and the recent major client win.

In conclusion, I am pleased with the resiliency of our teams and alignment on strategy. I am confident we are building a stronger business for the long-term.

Now, let me turn the call over to Cosmin, who will take us through the numbers in more detail.

Cosmin Pitigoi

Good afternoon everyone. Today, I'll walk you through our Q1 2025 financial performance and then discuss our outlook for the rest of the year.

Turning to our performance this quarter. Let's start with revenue. Revenue less ancillary services was \$128.7 million in Q1, representing a 16.8% year-over-year growth rate or 18.6% on an FX-neutral basis.

Excluding Sertifi, revenue was \$124 million in Q1, representing a 12.6% year-over-year or 14.4% on an FX-neutral basis. This was above the high end of our guidance, primarily driven by outperformance in Flywire, travel and Australian education businesses.

Sertifi contributed \$4.7 million since acquisition in late February which was approximately \$1 million above the midpoint of our \$3 million to \$4 million range. Canada higher education revenue results continue to be impacted by macro headwinds, shaving 3 points of growth this quarter.

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

Starting with transaction revenue, we saw a 14% year-over-year increase, approximately 2 percentage points of which were attributable to Sertifi. This was driven by a 28% increase in transaction-related payment volume, 1 percentage point of which was attributable to Sertifi, primarily in our education vertical as well as travel. Our domestic education business in the U.K. is growing strongly, including the launch of SFS products.

Similarly, the U.S. education business is seeing strong growth in domestic payment volumes. And while the monetization rate is lower compared to cross-border, our cross-border spreads remain relatively stable, and we see domestic payments as a substantial market opportunity globally.

Platform and other revenues increased 35% year-over-year, primarily driven by platform fees that do not carry payment volumes, specifically revenue associated with the contribution from Sertifi of approximately \$3 million and invoiced of approximately \$1.5 million and improvements in our health care business.

Adjusted gross profit increased to \$82.5 million during the quarter, up 14.6% year-over-year. Adjusted gross margin was 64% in Q1 2025, which represents a decrease of about 110 basis points compared to Q1 2024.

Excluding Sertifi, adjusted gross profit grew 10% to \$79 million, with margins down by approximately 150 bps due to mix effects from higher growth of the travel vertical and some FX on settlement losses.

Adjusted EBITDA was above the midpoint of our guide and grew to \$21.6 million for the quarter. Excluding Sertifi, adjusted EBITDA margin was up nearly 480 basis points year-over-year. This split adjusted EBITDA at \$20.6 million, up 56% compared to the \$13.2 million in Q1 2024. The strength in adjusted EBITDA margin was driven by gross profit growth and disciplined expense management.

We aim to continue achieving meaningful operating leverage as non-GAAP OpEx grow significantly slower than gross profit. Excluding Sertifi, non-GAAP OpEx was slightly down year-over-year in Q1.

Our non-GAAP G&A costs as a percent of revenue decreased by 443 basis points in the first quarter and by approximately 8% in dollar terms as we continue to streamline and automate manual processes.

We continue to also take a very disciplined approach to stock-based compensation based on employee performance and including the recent restructuring. Including Sertifi, we expect stock-based compensation to be in the range of 12% to 13% of revenue for full year 2025, which is lower compared to 2024.

To close out the income statement, in Q1, we had a GAAP net loss of \$4.2 million, representing a year-over-year improvement of approximately \$2 million. Restructuring costs of \$7.3 million and \$2.5 million in acquisition-related expenses weighed on net income this quarter. but we still expect slightly positive GAAP net income results on a full year basis, excluding Sertifi.

Turning to capital allocation. In the first quarter of 2025, we repurchased 3.6 million Flywire shares under our previously announced stock repurchase program for approximately \$49 million with \$57 million remaining in the current buyback program. Flywire has consistently high free cash flow conversion and a strong balance sheet, which enables us to continue to return capital to shareholders.

Moving on to guidance. While current visibility remains limited due to the evolving global landscape, we are confident in our strong product portfolio, client retention and established product market fit.

We are proactively investing in automation and product development to further enhance our offerings with a focus on scale and productivity across all areas to drive strong gross profit growth, expand margins, and strong cash flows and we will continue to lean in to emerge stronger from market downturns.

The news flow around U.S. education market, specifically around international students in China-U.S. tensions may weigh on demand. We will be data dependent as we approach our peak Q3 season including engaging with both universities and agent networks, watching cross-border trends and observing external data, such as the U.S. visa trends in the crucial summer months that lead up to our peak Q3 quarter.

Our current expectation is that U.S. revenue growth will be in the low single-digits and expect F1 visas to be down slightly more than last year. This compares to last year U.S. education revenue up 13% and visas down approximately 10%.

To frame the potential scenarios in U.S. education, it is important to keep in mind a few dimensions. First, only a portion of the students in the U.S. are first-year students. And while students from China and India are the largest corridors, these two source countries account for less than half of our cross-border revenues. In addition, U.S. tuition payments are generally split across the second half of the current year and early 2026, depending on tuition timing.

Before discussing guidance, please note that while we split out Sertifi in Q1 guidance, given the acquisition timing, going forward, we will plan to combine, and report adjusted EBITDA for total company only. However, we will plan to continue to provide revenue separately for Sertifi this year.

Now, on to full year revenue guidance. Following a strong Q1 start with better-than-expected trends in Australia education, health care and travel sectors, balanced by cautious growth assumptions in our U.S. education business, we are maintaining our full year 2025 revenue guidance for FX-neutral revenue less ancillary services growth in the range of 10% to 14% excluding Sertifi.

With Sertifi, we are guiding to 17% to 23% FX-neutral revenue growth. As you see in the supplement, this now assumes a U.S. Education revenue growth of low single-digits, Australia and Canada education assumed to be down in the high 20% year-over-year, and health care growing in the high single-digits, with the rest of the business growing above the midpoint of the guide on average.

On travel, we are not flowing through the recent outperformance of our travel business for the remainder of the year as we believe it is prudent given the potential softer macro.

Similarly, Sertifi revenues are expected to remain in the range of \$35 million to \$40 million, even as we have exceeded the Q1 estimate. On FX with the weaker U.S. rates, we now expect the FX impact on full year revenue to be around a negative 1%.

Moving on to full year EBITDA guidance. We are not changing our prior guidance and maintaining our plans to drive operational efficiencies across the year, starting with the restructuring announced last quarter.

Our core Flywire margin expansion guidance remains unchanged and adjusted for the addition of Sertifi, our full year guidance implies 100 to 300 bps of margin expansion. However, as we highlighted last quarter, we've reduced OpEx growth after the last few years of high investment cycles, and we plan to reinvest a portion of our cost savings from the restructuring efforts back into the business and selectively continue hiring to the second half of the year.

However, all this will be data dependent as we balance hiring and additional OpEx levers from the operational review giving us confidence in managing our margin commitments even in a more difficult macro scenario.

Shifting to Q2 guidance. As communicated last quarter, following a higher growth in Q1, we expect some tougher lapping in Q2 and Q3 this year. As a result, we expect FX-neutral revenue growth, excluding Sertifi to be in the 7% to 11% range year-over-year.

Including Sertifi revenue of \$10 million to \$12 million in Q2, we expect FX-neutral revenue growth to be in the 17% to 23% range year-over-year. Note that we are estimating no FX headwind in Q2 based on spot rates as of March 31st, 2025.

Adjusted EBITDA margins are expected to continue to expand year-over-year, albeit at a slower pace compared to Q1, and we anticipate a 150 to 350 bps margin improvement in Q2.

In closing, we're focused on strategic investments in data and AI to improve operational efficiency and pursuing geographic expansion in travel and education where returns are attractive.

While our guidance doesn't account for a global recession, we are prepared to adjust investments and hiring to maintain financial flexibility and continue driving strong cash flows.

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

Question-and-Answer Session

Operator

Thank you. We will now conduct a question-and-answer session. [Operator Instructions]

John, your line is live.

John Davis

Sorry, again, was mute there. Cosmin, just wanted to start with the FX-neutral guide, ex-Sertifi for the second quarter at 9%. I think the full year guide would imply at the midpoint you're going to accelerate back to call it, 12% in the second half.

So, I just really want to understand the drivers there. I know the comps get easy but obviously very uncertain kind of macro backdrop. So, I want to understand the slowdown in 2Q and then the reacceleration in the back half.

Cosmin Pitigoi

Yes. Thanks J.D. So, let me walk you quickly through the sort of the shape of the year. So, as you saw from Q1 into Q2 and Q3, it is lapping. The way to think about Q2 also, there's that sort of Easter holiday effect. As you think about sort of starting with Q2 and Q3 building back up to Q4 there's a few things.

The most notable one we've talked about, which is Canada. So you heard me in my prepared remarks that, that's about a 3-point impact in the first quarter. That sort of carries and actually gets a little bit more into Q2 just given the timing of Canadian payments.

And then in the second half because of that first-year payment dynamic we talked about, that's expected to come back. So, that's roughly 3 points there that would build towards that second half and Q4 acceleration.

The other two or three points that build towards the sort of the Q4 acceleration are One, obviously, there's an easier lap as you think about Q4, where we had a significant lowering of the growth rate going from Q3 into Q4.

And then we talked about the head count -- sorry, the health care sort of large client that is ramping in the second half. But we also have a number of other clients. You heard Rob talk about a number of SFS clients, and we're, again, excited about the B2B business is doing really well. So, there's a number of clients ramping also into the second half. So, really, all those give us comfort around the overall 12% midpoint excluding Sertifi.

John Davis

Okay, that's helpful. And then, Mike, maybe a bigger picture. If we just take a step back, obviously, there's been a lot of conversation around demand of international students to go abroad for school.

I'm curious if that's had any impact on conversations with the schools themselves. Are they less in a hurry? Is there less willingness for them to have a conversation to sign up new customers? Just curious how the sales cycle has been impacted by what's going on the demand side.

Mike Massaro

Yes. J.D., on the two sides, I mean, obviously, we put up great client acquisition numbers, as Rob highlighted, we're not seeing any kick-out in demand. I mean remember; we've been around for well over a decade. We've seen multiple macroeconomic climates.

Our clients look to our software and our solution is helping them digitize, helping them perform better, do more with less. And so, we don't see any -- if anything, its people looking at opportunities to re-platform or use technology better I think that's a general trend in tech.

And when it comes to the actual student demand side of it too, I think people need to remember, international students, their families is often been a lifelong plan to study abroad, sometimes they're continuing a legacy, sometimes they're multigenerational ambition of the family to have someone kind of seek that next level of higher education. So, these students, these families, they have multiple choices, they can go to various geographies. But I think the U.S. is still the number one market for international students.

We've not seen any data that we think that's going to change and a lot goes into that family and that student's decision to choose a country in the market. So, we think in any scenario, international students are going to be resilient, and they're going to pursue kind of a better life and improvement.

And we think our clients keep looking for ways to just improve and automate what are legacy outdated tech systems that they have in a lot of their software stack, and we're here to help them do that.

John Davis

Okay, appreciate the color. Thanks guys.

Operator

Next question comes from Timothy Chiodo with UBS. Please proceed.

Timothy Chiodo

Great. Thank you for taking the question. I want to talk a little bit about the U.K. mix. So, you made some comments around the momentum in the U.K. At least in on our estimates, I believe the U.K. business is just shy in terms of its mix of revenue relative to the U.S. So, it's a pretty important market.

If you could talk just broadly around kind of a rough range around the type of growth you're seeing in the U.K. The reason for this is we can kind of get a sense of the growth contribution. So, if it's roughly 20% of revenue growing roughly X, Y percent-ish, we can kind of get a sense of what the revenue growth contribution is? Thanks.

Cosmin Pitigoi

Yes. Thanks Tim. Maybe I'll start and I'll pass it over to Rob, if there's any follow-up. But just in terms of overall U.K. is now actually our largest market. We don't necessarily break it out.

It is in the EMEA numbers in the 10-Q, but it is -- and it is now our largest market in education. And so, we've obviously seen very strong growth. You've heard us talk about it last year. You saw EMEA, that part of the business is growing almost to 60%.

Now, obviously, that's a very large business. So, there's sort of a natural law of large numbers in that as you continue growing at that scale. But we're excited about -- of course, a lot of products that have been driving that growth in the past.

And now we've got new products, as you heard from Rob, the domestic component of it is growing, and we're excited about it. And obviously, the clients are interested in it, the same with the U.S. But hopefully, that gives you a little bit of a framing.

Rob Orgel

And it's Rob. I'll just add on quickly that the product suite we're bringing to the U.K. is really quite distinctive and unique. You heard me comment on the four SFS clients already. That's a product that we only recently introduced in the U.K. market, and I was at our U.K. conference earlier in the quarter -- in Q1 and believe we have a very bright future in terms of SFS.

It's not the only product that we're bringing to the U.K., right? We brought StudyLink to the U.K. and shared our first win on that platform as well as payables, third-party invoicing and other capabilities that we have there. So, a lot of seeds of growth being planted for the future.

Timothy Chiodo

Excellent. Thank you, both.

Operator

The next question comes from Tien-Tsin Huang with JPMorgan. Please proceed.

Tien-Tsin Huang

Thanks so much. Good result and outcome here. I'm just curious, just thinking about the sources of upside this quarter. It sounds like it was Australia, of course, travel, but is there a way to maybe to rank in your minds what came in little bit ahead of plan?

And where do you have a little bit more conviction on growth versus the last time, we got on the call together. I heard where the visibility is tough. I'm curious where you have maybe a little bit more conviction on the upside? Thanks.

Cosmin Pitigoi

Yes, it's Cosmin. So, I think for us, it's been -- travel has been consistent and now with Sertifi, we saw that across both Sertifi and our existing travel business. And so of course, with all the questions around the macro, we've seen very strong growth in both the sides. I would say travel is the number one driver. And again, very excited about that vertical overall. Australia was the other component a little bit less, but sort of less negative than we expected.

And as you saw from Rob's comments, we had the elections, and we're going to have to watch the performance there. But it was encouraging at least that the year didn't start as low as we thought. And that's all we sort of reduced a little bit on the Australia impact that we thought we would see as you saw from down 30% to down in the high 20s.

For travel, however, we felt it was prudent not to flow through that upside until we watch the macro a bit more, but certainly, very excited about the trends there to start out the year.

Mike Massaro

Yes. The only thing I'd add, and this is Mike, is obviously U.S. higher ed and we continue to layer in just more software there. And I think that's something that when you look at us consistently just taking business from incumbents in that space, we think that's something that we're excited about. Happy with the team's performance in Q1 and really excited to see what they can do in the future.

Tien-Tsin Huang

Great. Happy to see it. Just really quickly, I know it's probably not in the minds of everyone, it's just health care is doing a little bit better in terms of your outlook there as well. Does it feel like

you're sort of turning the corner and getting to a good place because it does feel like it's very insulated from everything that everyone was worried about?

Rob Orgel

Yes, Tien-Tsin, it's Rob here. So, just as you said, we are excited about what's happening in that business. The thing I tried to call out in my comment was we do have a unique set of capabilities, right? Being able to do the three things I called out together is, in fact, unique and it's getting the attention of many players in the market.

So, if you look not just at the win that we've called out, there's other good things going on in the business in terms of indications from clients that they're interested in more of our capabilities as well as growth in pipeline, growth in demos, growth in all the activity inside that business. So, we do feel we've turned the corner in an interesting way.

Tien-Tsin Huang

Thank you.

Operator

The next question comes from Dan Perlin with RBC Capital. Please proceed.

Dan Perlin

Thanks. Mike, you made a comment about education, shifting to some maybe non-traditional markets. I think you said you got the big four, it's 40% of global education, but you have like 20 other markets that represent another 40%.

So, my question is how much of those, let's say, 20 markets today is Flywire addressable and then if that's not the case, is there something that you can bring to bear in that market, let's say, in the next six to nine months?

Rob Orgel

Hey Dan, it's Rob here. That was actually my comment.

Dan Perlin

I'm sorry.

Rob Orgel

Yes, no worries. So, when we -- when I sort of presented that detail, that's talking about the next 20 markets that we do address, right? And so there's sort of two vectors of growth ahead of us. So, within those 20 markets in which we have existing clients and volumes, we have an opportunity to go penetrate those markets further, we also -- if we do see those markets

continue to grow in popularity, we have the opportunity to capture sort of more share in those markets as their popularity increases.

So, that's within that sort of next 40% that I addressed. There are still, obviously, markets in that remaining, call it, 20% that are opportunities for us to go and enable for growth. That's not what we're calling out today.

And my point was to focus on the next 20%, which are the majority markets and the bigger markets that we can make progress in. But now that those are good opportunities for us to go land more clients and capture more payments.

Dan Perlin

Got it. That's great. thanks for the clarity. Just a quick follow-up on the travel customer growth. In one of the slides, I mean, you put up some interesting dynamics there and you also put the revenue growth kind of contributions over kind of a year-on-year perspective.

I guess the question is when we think about like the implementation backlog, how big is that today? And kind of what time frame would you be thinking about getting that converted? Thank you.

Rob Orgel

Hi Rob again here. So, one of the beautiful things about the travel business is, they tend to deploy far faster. So, that's true both on the Flywire side as well as on the Sertifi side as compared to some of the conversations we have in the other verticals where the enterprise nature means it takes a little longer.

These go very, very quickly. And we've talked about sort of an average duration that's measured in a small number of weeks or even less and not sort of these longer periods. So, the conversion is quick.

Dan Perlin

Great. Thank you.

Operator

The next question comes from Jason Kupferberg with Bank of America. Please proceed.

Tyler DuPont

Good afternoon. This is Tyler DuPont on for Jason. Thanks for taking our questions. I wanted to start by asking about the competitive positioning within education and whether there have been any changes to the landscape due to the current geopolitical environment?

It was encouraging to hear your SFS solution is beginning to gain more traction among higher ed institutions. But sort of given where we are today, it will be great to hear your thoughts. For example, are you seeing competitors competing more aggressively on price to win? Or is it more steady as it goes, just in a more muted demand environment? Just any clarity around competitive dynamics, given the market that we're in right now?

Mike Massaro

Yes, I would say we've always kind of competed off of product performance/results in our people. And I don't think that's really changed in education. If anything, we're -- we still have a global footprint of clients. The competitive landscape that we have in the United States with the incumbents is very different than what we see around the world, right? We are not seeing those similar players in the other 40-plus markets.

When we think about the software assets we have, to take to these other markets, as Rob highlighted on the call, we can actually introduce products from Australia into the U.K., the U.S. products into Canada and the U.K. and really help grow the revenue and so we've always had a great reputation of solving problems in higher ed.

And I think what we're just seeing is multiple product suite offerings and getting lots of client references. And I think that's a flywheel that will benefit us. I said earlier that we've taken business from incumbents. We continue to do it. We compete very well. Our team is very competitive in nature and wants to win, and that's what we do.

Tyler DuPont

Great. That's super helpful. And then just any update regarding the operational and business portfolio review you mentioned? I know you mentioned it a bit in the prepared remarks, but just sort of if you can clarify how far along in the process we are?

How we should be thinking about margin implications? I see F 2025 margin expansion guide is now 200 bps at the midpoint. I think it was 300 bps as of last quarter. Is any of that due to the review? What sort of investments are you making there that's driving that? Just any clarity around the review and margin implications?

Mike Massaro

Yes. Sure. This is Mike. I'll start and I'm sure Cosmin will jump in too. I had a whole bunch of areas in my prepared remarks that I called out. I mean we're looking at -- everything is on the table.

And I think management and the Board is everything from how do we structure ourselves, the restructuring we announced prior, and that is everything from how we organize departments how we're using dollars to reinvest in certain areas like automation, I called out things like procurement as being something that had never really been fully consolidated and been an aggressive area where we sought large cost savings opportunities.

There's more we can do there. When you look at a vertical, we're looking at every single product within that vertical and understanding how it's priced and making sure it's priced properly for the value that's being delivered in that product. And so looking at all areas of operating costs and everything to just run the best business we can and control what we can control. And Cosmin, anything to add?

Cosmin Pitigoi

Yes. So, from a sort of cost perspective, obviously, Q1, you saw overall OpEx as a percent of revenue was down significantly. G&A was down, in particular, I called that out. And that was really even before we got started with kind of the restructuring and some of the operational reviews.

So, I feel good that the rest of the year, we have those levers and we can continue to drive operating leverage, not just on the non-GAAP costs, but also, as you heard me start talking about stock-based comp, too.

And so we're looking at it together, and that's with -- when I look at margins for the year, as we sort of plan for any scenarios, we feel quite good that we have enough levers and capabilities to ensure that we can meet those commitments on the margin side and drive that free cash flow that we talked about.

Tyler DuPont

Great. Thanks Cosmin, thanks Mike.

Operator

The next question comes from Cris Kennedy with William Blair. Please proceed.

Cris Kennedy

Good afternoon. Thanks for taking the questions. The disclosures comparing the education versus the travel vertical are interesting. Is there any way to think about the NRR opportunity between the two verticals?

Cosmin Pitigoi

Yes. Hey Cris, this is Cosmin. Maybe I'll start. Yes. Look, it's going to be a little bit different than what we've looked at before. Obviously, the travel business has -- although it has a very similar characteristic of land and expand, which drives that vertical, you also have a different market growth dynamic.

But the way we think about it is in the same disclosure if you want to sort of understand a bit of the components of growth, the slide that has this year's growth for travel -- sort of last year, sorry, growth for travel, you can see that a lot of the growth comes from new signs and from

client ramp and a little bit less from volume growth from the market itself and continuing to see again, we have upsell and cross-sell. And as we build out the capabilities and the synergies with Sertifi, that bucket then can grow even more.

So, I'd point you to that chart to give you a sense, we don't disclose NRR just for travel, but it is a healthy number. But that chart gives you a sense for at least the growth algorithm, the way to think about the travel business going forward, which again, it will be an important one for us since it will be almost a quarter of our business into next year.

Mike Massaro

Yes. And Cris, I'll just add anecdotally. The thing to realize is we have a track record of adding software products, right? And so if you look at not only the Sertifi acquisition, heavily software-based revenue stream, but also our clients tell us all the time what additional problems we can help them solve and so that's part of the product in engineering and tech investment we're making, right, is to identify those other things similar to what we've done in education, layer in additional products, solve more value, drive additional growth and we have a lot of really interesting things that clients want us to after, some of which we already are starting to go after and seeing good results, but we think the future is really bright about layering in more software products to help drive value.

Cris Kennedy

Got it. Very helpful. And then just, I guess, a follow-up to that. When you think about NRR for the company, I mean, historically, it's been over 120%. And it's 114% last year, going to come down a little bit. But when you think about the long term, can you kind of talk about where you think this business should be at?

Cosmin Pitigoi

Yes. Look, obviously, as you saw even last year, Canada alone put 10 points of pressure on NRR. We have Australia and others. So the market itself is swimming upriver, if you will. Obviously, we're getting stronger and still moving quite fast despite all of that, we're growing quite well.

But I think the way to think about the long-term growth, even if you were to take Canada and Australia, which were down high 20s percent, those two markets alone this year put almost 4 points of pressure on the growth rate so -- versus if you would assume just them being flat.

So, you've heard us talk before about we don't need the headwinds to turn into tailwinds even in a more normalized environment for a couple of these markets, we will be growing obviously much faster than we are.

And so -- and again, with health care kind of recovering, the travel business becoming a bigger portion and growing faster, obviously, there's a lot of hope in that. And as we look into the second half into the future, obviously, that's where we're hoping to be.

Obviously, we have to watch the macro environment, that's been the biggest pressure on that NRR number, which, again, if you look at it excluding some of these headwinds, it would be in that same region. But again, we're dealing with those headwinds right now.

So, many other levers, as we've talked about that help us get there and increasingly even more if you've talked several new products, the domestic opportunities and so forth, which, again, would build into that NRR algorithm.

Cris Kennedy

Understood. Thanks for taking my questions.

Operator

The next question comes from Charles Nabhan with Stephens. Please proceed.

Charles Nabhan

Hi, good afternoon and thank you for taking my question. Just had a modeling question about EBITDA for the back half of the year. And I understand that things are very fluid and subject to change.

But if my math is correct, it's coming out to about 40 bps of expansion in the second half of the year. I'm just curious how we should think about that from a cadence standpoint in the third and the fourth quarter as it stands today, how you're thinking about the timing of investments or any other puts and takes there?

Cosmin Pitigoi

Yes. So, the way I would think about it is, obviously, a bit more expansion in the first half, partially is just the timing of the restructuring and some of the costs we talked about, unlock some of the mix component that I think you've noticed, obviously, you're bringing Sertifi in and investing behind that.

So, that part also comes in later in the year. And we're -- to some extent, again, I would think of it as us reallocating some of the savings into areas that Mike talked about, sort of think of the data, analytics and other areas that help us grow scale.

So, that's why you're seeing sort of a little bit lower expansion in the second half. However, again, all of that is sort of data dependent. We're watching the macro, and we have levers to enable us to ensure that we can meet those commitments.

And lastly, I'll say, historically, obviously, that's one area where we've been able to manage last year. As you recall, we had almost a \$30 million headwind that we have to work against and ended up exceeding on the margin side. So, we do have levers, but also we will look to invest in

the areas where we see future potential, especially in times like this where our customers need us most.

Charles Nabhan

Got it. As a follow-up, I wanted to ask about the gross profit per customer slide, Slide 18, particularly for travel. The expansion potential is pretty remarkable there, but if I'm looking at that chart, there's a bit of a dip from year one to year two, and then there's a pretty significant ramp up from three to four.

I was hoping you could kind of walk us through how business -- how that expands over the course of a travel customer relationship. This seems to be a little different from what we're used to within the education vertical.

Cosmin Pitigoi

Yes, I can start. It's Cosmin. Yes, so the year one for us because people ask about the travel and macro, we started the travel business in the middle of COVID. So, sort of the first year there and the dynamics there are mostly sort of the pre and during COVID years, and that's why I would say that's what you're seeing that sort of dip and then the pickup in the future.

So, hopefully, that helps. It's a little bit of a -- sort of a one-off, I would say, hopefully, because obviously that was an extreme case. But otherwise, we feel pretty good about the overall profitability of those customers and growing positive gross profit dollars, especially now with the addition of Sertifi with software, as you saw, 70% of the business, that definitely improves the overall gross margin profile for the travel business.

Charles Nabhan

Got it. I appreciate that clarification. Thank you.

Operator

At this time, I would like to turn the floor back to management for closing comments.

Mike Massaro

Thanks, everybody, for the time today and I appreciate you joining the call.

Operator

Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a great day.