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Clearwater Analytics Holdings, Inc. (CWAN)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the CWAN Third Quarter 2025 Financial Results Conference Call. At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question-and-answer session.

And now, I would like to welcome Kamil Mielczarek, Head of Investor Relations, to begin the conference. You may proceed.

Kamil Mielczarek

Head-Investor Relations, Clearwater Analytics Holdings, Inc.

Thank you and welcome everyone to CWAN's third quarter 2025 financial results conference call. Joining me on the call today are Sandeep Sahai, Chief Executive Officer; and Jim Cox, Chief Financial Officer. After the remarks, we will open the call to a question-and-answer session.

I would like to remind all participants that during this conference call, any forward-looking statements are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Expressions of future goals, intentions and expectations, including in relation to business outlook, future financial and product performance, expectations for the acquisitions of Enfusion, Beacon and Bistro and their expected benefits and similar items, including without limitation expressions using the terminology may, well, can, expect and believe, and expressions which reflect something other than historical facts are intended to identify forward-looking statements.

Forward-looking statements involve a number of risks and uncertainties, including those discussed in the Risk Factors section of our filings with the SEC. Actual results may differ materially from any forward-looking statements. The company undertakes no obligation to revise or update any forward-looking statements in order to reflect events that may arise after this conference call, except as required by law. For more information, please refer to the cautionary statement included in our earnings press release. Lastly, all metrics discussed on this call are presented on a non-GAAP or adjusted basis unless otherwise noted. A reconciliation to GAAP results can be found in the earnings press release that we have posted to our Investor Relations website.

And with that, I'll turn the call over to our Chief Executive Officer, Sandeep Sahai.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Thank you, Kamil. I am pleased to report that Q3 was a very strong quarter for CWAN. The near unanimous attestation of our strategy from clients, partners, analysts and employees is very inspiring, and we look forward to continuing to build the investment management platform of the future.

We delivered revenues of \$205.1 million, a 77% year-on-year growth, and ARR reached \$807.5 million, also up 77% year-over-year, demonstrating the durability and predictability of our business model. I don't use the word stunning very often, but it is hard to use another word for an adjusted quarterly EBITDA of \$70.7 million, up sequentially from \$58.3 million in Q2. This was exceptional for several reasons. Number one, adjusted EBITDA (sic) [adjusted EBITDA margin] (00:03:25) for Q3 was 34.5% versus 32.1% in the second quarter. It is helpful to remember that the lower-margin Enfusion business was a part of C1 for only a portion of Q2. And therefore the expectation was that the overall margin would decline in Q3. Instead, it improved by 240 basis points. Number two, gross revenue retention or GRR for the combined company was 98%, an excellent metrics that can be attributed to the exceptional work done by the operations teams.

Number three, our gross margin performance tells an even more compelling story. We achieved 78.5% gross margins for the integrated business, hitting our targets meaningfully sooner than the two-year timeline we set with investors. In another significant achievement, gross margin for the steady-state clients of the core business of Clearwater reached 82% in Q3. The use of GenAI is continuing to accelerate and is outpacing our own assessment of the margin improvement it can drive. We are working on several levers that allow us to continue identifying use cases for GenAI and improving overall margin of the business.

Number four, another data point that was very impressive, compared to the standalone Q3 margin in 2024, the integrated business delivered an additional 140 basis points of EBITDA in Q3 of this year. Think about that, we integrated two businesses with meaningfully lower profitability profiles and still expanded our margins very meaningfully. It's all about the team, relentless execution and the power of the platform.

I want to now spend some time discussing the incredible opportunity we have to grow our business into an industry powerhouse. There are several vectors of growth worth noting. Number one, our TAM has grown to roughly \$23 billion and is balanced across geographies and markets. And this is not a passive opportunity. There is real need driving a yearning for next generation technology. The move to alternative assets, globalization of portfolios, increased need for risk and performance, increasing complexity related to regulatory and compliance needs, all result in the need for technology like ours.

Number two, our platform gives us a very deep technological moat. Our ability to build and deliver an open, modular, extensible front-to-back platform is, we believe, largely uncontested. And finally, number three, a highly

favorable competitive landscape leaves us with multiple avenues for growth. This TAM and our competitive position should provide an extended runway for us to continue growing.

Let me talk about our current achievements. Number one, while it is becoming harder to identify the revenue associated with each individual business, core Clearwater grew close to 21% year-to-date over last year. That resilience is what we expect. Number two, we expect Enfusion to grow 12% for the year and are very energized by the continued booking execution in Q2 and Q3. Number three, Beacon continues to perform very well. That was our number one priority, ensuring that the core platforms and businesses continue to grow. It's reassuring to see the progress we have made in the last two quarters.

Growth in Q3 booking was very evenly spread across insurance, asset management, asset owners and hedge funds. For the first time, on a year-to-date basis, asset management accounted for the highest booking, matching the opportunity size as defined by available TAM for each market. In new client acquisition, we signed a global multi-billion hedge fund with a record three month sales cycle, while also creating expansion opportunities across asset classes. Our wins in the hedge fund market during the quarter went very balanced between launches and conversions and geographies, North America, Europe and Asia.

Insurance continues to do very well, powered by our strength in alternatives. LPx, MLx, Risk and Prism, all had a strong quarter, reflecting the growing breadth of our solution. We are establishing ourselves as the partner of choice for the asset owner sector. We welcomed a leading global AI platform to CWAN and our relationship with another global AI leader continues to flourish.

In the government market, Texas Treasury Safekeeping Trust chose us to account for \$30 billion in state assets, winning against multiple providers. Our differentiated ability to address complex alternative assets with LPx and fund accounting was the key differentiator. Internationally, our expanding global capabilities continue to drive growth. A global asset manager selected our Premium Close and Income Analytics solutions, while expanding with us into the UK operations, leveraging our UK GAAP and Solvency II expertise. The Latin American Reserve Fund, a regional financial institution supporting central banks through credit facilities and international reserve management chose CWAN. Finally, I could not be more excited about our risk, valuation and performance capabilities. In just the last week, we signed two seven-digit deals with leading financial institutions. Cross-selling has begun in earnest. And we entered Q4 with the best pipeline we have had in our history. We expect cross-selling to power growth in Q4 and in 2026 and beyond. Overall, our growth plans for each platform remains the same and we approach 2026 with renewed confidence.

Specifically the growth plans are for core Clearwater, number one, insurance, continue to win new logos and accelerate wins in Europe and Asia on the strength of our recent wins there. Beyond new logos, providing a more comprehensive solution with a back-to-base motion is a key driver and we expect to provide solutions for alternative assets, comprehensive risk and valuation capabilities, and a front/middle office-backed solution.

Number two, combining the capabilities of the Enfusion and Clearwater platforms, we are seeing very high traction with asset managers, and we continue to invest and grow in that segment. We expect this platform to continue to mature and become the platform of choice for the industry. Helping global asset managers provide a comprehensive reporting solution to the clients is another avenue of continued growth.

Number three, asset owners continue to be a very important growth sector. Corporates, trusts, foundations, state and local governments, REITs, pensions and regional banks are all significant opportunities for our platform. Number four, executing against opportunities across geographies, markets and products will allow us to continue our current growth trajectory. Those were the vectors of growth for core Clearwater.

Now let's talk about growth of the Enfusion platform. Number one, we have a dedicated product and engineering focus and we want to ensure pride and delight across the entire spectrum of clients. Number two, there is significant TAM available and we expect the core business to accelerate. With the addition of Beacon and Wilshire, we now have an outstanding solution for various sub-segments, including global macro hedge funds and funds that focus on risk-aware investing.

Number three, we have begun work on the commercial model and we expect that to have impact in 2026. And number four, finally, we are building a strong back-to-base motion that includes providing risk, client reporting via Prism, and expanded reconciliation using our internal tool [indiscernible] (00:14:40). Each platform's growth is very important. But the driving force behind the combination of these businesses was our ability to build and deliver an integrated, open, modular and extensible front-to-back platform, one that has the capacity to disrupt our industry and dramatically alter the efficiency and operations of our clients. With that aim in sight, we have started to make progress on: number one, a single security master; number two, a single comprehensive data platform that incorporates all asset classes; number three, a single interaction layer that allows clients to talk to the data; and number four, a single interchange layer that allows effective internal and external connectivity. This is incredibly exciting and we expect to bring these to market in H2 2026 and early 2027.

Now let's talk about generative AI. We believe that generative AI represents the most important technological advancement of our lifetime. We embraced the technology only in 2023, used it to drive very meaningful gross margin improvements and have brought this technology to our clients. We've built out a team of GenAI experts who are actively automating internal and client processes. We have partnered with global leaders like AWS to build our own agentic platform. In fact, AWS recognized us as an early adopter of Amazon Bedrock AgentCore, which was made generally available last month. Unlike experimental AI tools or co-pilots layered on legacy systems, C1 GenAI is fully-integrated and deployed into production on a front-to-back platform. Our platform hosts over 800 AI agents created by internal teams and clients and is available to act across more than 10 trillion in institutional assets. We are, we believe, uniquely positioned to lead our industry in bringing the full potential of GenAI to our clients. And it is fair to ask, why are we so uniquely positioned? Generative AI leadership rest on three foundational pillars, which are very difficult for our competitors to replicate without many years of investment.

First is the modern architecture of our platform. We have a single instance multitenant architecture with all the data flows into a single logical data store. All our clients are on this single platform. A decades long history of ingesting data, aggregating it, and reconciling it are all recorded on the platform. This makes it relatively easy for GenAI agents to learn. And the engines are only as powerful as the [ph] liberty to none (00:18:23). Without this foundation, you cannot properly leverage generative AI. And our competitors will need to rebuild the entire tech stack to reach parity.

Second, the breadth of data on our platform is extensive. We connect to approximately 4,000 data sources. This ecosystem of complex data permissions, websites scraping, cleaning and unifying thousands of data sources and incorporating constantly changing accounting, tax and regulatory rules, this would be incredibly difficult to replicate without many years of investment. The analytics related to valuation, risk calculations, accounting values and performance are generated by our platform, providing valuable insights for the C1 GenAI agents to learn from. In addition to this, details about many alternative assets are not publicly available. But if any one of our clients wants us to track an account for it, we added to our security master.

What we already have is a production grade generative AI platform live in the market, transforming how our clients operate. While others are still talking about what GenAI may do, we already executing at a global scale.

Our clients are seeing 90% reductions in manual reconciliation. 80% faster regulatory reporting and 50% faster financial close cycles. We believe that it is not a 6-month or 12-month lead, but a multi-year competitive mode, positioning us to capture significant market share.

Before closing, let me review the strategic and financial merit of the acquisitions we did. Strategically, the expansion of our TAM, the ability to provide an open, modular and extensible platform has changed our position in the market and dramatically enhanced our ability to cross-sell and compete with all providers of legacy technology in our industry.

Financially, with an approximately 15% dilution and share count, the quarterly revenue has grown 77% year-on-year and EBITDA has grown 84%, partially from our organic growth, but the majority of it from these acquisitions. We have already improved the margin and profitability profile of these businesses to a level close to ours and expect to improve growth over the next year-and-a-half. We see this as incredibly accretive to our shareholders and very valuable to our clients.

We are very excited about the two recent board appointments of Dr. Mukesh Aghi and Bas NieuweWeme as well as several key leadership hires across multiple functions. We are very proud of the progress we have already made and the platform we are building for our clients.

With that, I'll hand the call to Jim to dive deeper into our financial details.

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

Thanks, Sandeep. Q3, 2025 marks a milestone for us as we delivered solid results with the first full quarter contributions from Enfusion, Beacon and Bistro acquisitions. We achieved revenue of \$205 million. That equates to year-over-year growth of 77% and exceeded the high-end of our guidance by over \$1 million. The hedge fund market was a key contributor to the revenue upside this quarter, reflecting the growing confidence clients have in the breadth and depth of our combined offering.

Annualized recurring revenue or ARR at the end of Q3 was a record \$807.5 million, again, up 77% year-over-year. While our combined net new ARR growth lapsed several large wins, we're excited about our trajectory as organic ARR improved to a multi-quarter high. On an organic basis, ARR accelerated to \$534.4 million, an increase of \$22 million from June 2025. Stepping back, I wanted to share that as we've gone through the process of integrating these businesses, I've become significantly more confident in our competitive positioning. The tide has turned and the internal goals that we laid out are coming to fruition. Clients were saying this in words when we started. Now they're voting with their wallets. Our work is not yet done, but we feel we're firmly on the right path forward.

Let me provide some more details about our growth, starting with revenue retention. The gross revenue retention rate was 98% at September 30, 2025 for yet another quarter, as clients increasingly recognize the strategic benefits of consolidating their investment management software around the CWAN suite of offerings. We have achieved 98% or better gross retention in 26 of the last 27 quarters. That is nearly seven years of consistent 98% gross retention. That is the definition of durability. Our net revenue retention rate was 108% in Q3, a slight decline from Q2's 110%, driven by a lower contribution from AUM growth and asset base upsells, as we left several large wins in September 2025.

We remain confident in the path to 115% net revenue retention, supported by the drivers we laid out at our Investor Day. Let me discuss the drivers of our NRR expansion and provide color on this quarter's performance.

We have four drivers of NRR growth that we manage and measure. The first key to achieving NRR of 115% is maintaining gross retention of 98% across the entire business. As we stated, we achieved 98% this quarter across the entirety of the business. The second element is price increases and commercial model alignment. At scale, we expect 4% to 5% contribution in the long run. And in the third quarter, we achieved just under 3% net increase across the entirety of the business.

As Sandeep mentioned in his remarks, we've begun the commercial model work for the new businesses and expect to see the impact of these changes in 2026. The third element is the cross-sell of incremental products. In the long run, we're aspiring to have up to 8% of our growth derived from the cross-sell of solutions across our clients. The impact of cross-sell in the current quarter was just under 3%. We have obviously the most opportunity here and we're excited to say that we are seeing good momentum in this area. In this quarter, we saw a 70% increase in bookings for our core cross-sell modules which include LPx, MLx, Prism and Risk. This growth doesn't yet factor in contributions from what I call our hero products, the accounting, portfolio management system, OEMS and Risk for which we're ramping up those cross-sell motions and seeing great opportunities for Q4.

The fourth element of NRR growth is upsell of existing products to existing client. Many clients choose our solutions because they know we will invest and we will enable them to grow their business and consequently we grow with them.

In the quarter, upsell was just under 3% on a consolidated basis compared to our longer-term target of 5%. These trends in upsell were evident when looking at NRR within our target markets. NRR in insurance was the strongest, followed by strong performance in asset owners and asset managers. Our current NRR in the hedge fund market weighed on the company's combined net expansion rate. But we're excited about the potential for improvement as we evolve the commercial model to align with the growth in that market and offer our Risk offerings to our hedge fund clients.

The final element to NRR expansion is other, which typically captures other movements in NRR that are not included in those four metrics. Historically, we've experienced a small uptick in growth from AUM expansion at our clients. In our September 2025 results this improved NRR by less than 1%, compared to nearly 3% in the June 2025 quarter. Although a small contribution from AUM and other and then lower contribution from upsell led to a sequential decline in net revenue retention. We saw significant improvements in the strategically important drivers, such as new product cross-sell, gross retention and uplift within our broader portfolio.

Now let's turn to profitability. Our Q3 gross margin reached 78.5%, flat year-over-year, and in line with the 2027 target, not Q3, 2025, 2027 targets we set at our Investor Day. This showcases the incredible progress the team has made in integrating the businesses and the benefits we are seeing from utilizing GenAI.

Adjusted EBITDA was \$70.7 million in the quarter, more than \$5 million above our guidance. [ph] EBITDA margin (00:29:59) expanded meaningfully to 34.5%. That is 140 basis points better than the Q3 2024 EBITDA margins. This EBITDA achievement reflects the efficiency being generated within the business, which is important to all investors because it provides additional strategic optionality for all of us. For example, this strong EBITDA enables us to both pay down \$40 million in debt in the quarter and repurchase more than 800,000 shares at C1 stock at the same time. This strong EBITDA evidences our confidence in rapidly deleveraging the business. If you annualize our Q3 EBITDA, our first full quarter as a consolidated basis, our net debt to annualized Q3 EBITDA leverage ratio is 2.7 times already comfortably below our targeted 3 times leverage.

Now turning to guidance for the fourth quarter of 2025, we expect total revenue to be \$216 million to \$217 million, representing a year-over-year growth rate of 71% to 72%. For the full year 2025, we expect total revenue to be

between \$730 million and \$731 million, representing year-over-year growth rates of approximately 62%. We expect fourth quarter EBITDA to be \$73 million representing an adjusted EBITDA margin of 34%. That results in expected EBITDA of \$247 million for the full year 2025. That is a full year margin of 34% for 2025, and that is 180 basis points better than the 2024 margins, even after including multiple businesses with significantly lower margins. I think we can all agree that any question about margins synergy can be put to bed and now we are squarely focused on growth of the combined C1, and we are very optimistic about our opportunities.

In summary, we are truly better positioned than ever to capture this massive growing total addressable market. Despite closing these acquisitions just one quarter ago, our gross revenue retention and margins are again near all-time highs. Meanwhile, our comprehensive product offering compiled through both our organic, build and inorganic investments puts us in the best position we have ever been to obtain market share. I don't know if it's because the demand environment has improved overall or the fact that we have so many different entry points with our clients and prospects. But what I do know is that our client conversations, our pipeline and the cross-selling we're seeing today is the richest I've seen. And this gives me incredible confidence and a clear path for accelerating growth.

With that I'll pass it back to Sandeep for closing remarks.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Thank you Jim. We have made incredible progress in integrating the businesses, and I'm very excited about the opportunity to build the leading platform of our industry. We believe that we are well on our way to doing that. Thank you. And we look forward to answering your questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the Q&A session. [Operator Instructions] The first question comes from the line of Dylan Becker with William Blair. You may proceed.

Dylan Becker

Analyst, William Blair & Co. LLC

Hey, guys. Appreciate the question here. Maybe it seemed like a key theme here, Sandeep and Jim, was around kind of the quality of the pipeline and enthusiasm going into the fourth quarter. I know we signed a large deal last quarter. It sounds like there were several others that were signed here and maybe others that are progressing throughout the balance of the year. But can you just kind of give us a general sense or update on, maybe, any particular segments of the market that you're seeing elevated strength that feels a little bit more broad-based, but kind of receptivity into that unified platform vision? And how maybe some of those early proof points that you guys are bringing to bear in the market are starting to resonate and drive conviction in that pipeline activity. Thanks.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Yeah. Thank you for the question, Dylan. I think booking across the quarter was very evenly spread. I think I have said in my remarks, but if you were to ask for which areas do we see the most growth in and what is the alternatives? So the core alternatives of LPx and MLx and Risk and Prism, we found that grew like 70% year-on-year in terms of bookings. So – and we continue to see a very expanded pipeline for that. So alternative continues

to be a driver across the board. The second thing we're most excited about is, Risk. When we went out and acquired Beacon, we were hopeful, but we also thought that these would have long sales cycles. And what we have been able to do is get seven figure deals much quicker than we thought.

So the – if you look at the pipeline and the opportunity for Risk, I think it is tremendously higher than we had expected. And the pipeline for alternatives continues to be really high. So, those are the two I won't call out. I think the expansion in insurance for Europe is another positive one, but – and I would be remiss if I didn't add the last one, which is hedge funds did really well in Q2 and backed that up by doing really well in Q3 and are forecasting a really good Q4 after the Q1 was not good. And Q1 booking for hedge funds was much lower than we thought, but Q2, Q3 and now Q4, we expect really good numbers. [ph] Jim, was there anything (00:36:46) to add?

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

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No. That's it. You're right, Dylan. It's across every vertical...

Dylan Becker

Analyst, William Blair & Co. LLC

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Perfect.

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

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...and across [ph] geos (00:36:57).

Dylan Becker

Analyst, William Blair & Co. LLC

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Okay. Great. And that's helpful. And maybe, Jim, for you, I think kind of the implied outperformance and maybe some of the revised Enfusion guide would suggest that the core business continues to grow pretty steadily at that 20% clip. And I know that's been kind of an internal barometer for you guys. Could you just help us kind of reconcile that versus the 17% for ARR growth in the quarter? Is there kind of any nuance to be aware of there? I know these are some large lumpy deals that are subjective to when they come online, but maybe reconcile what feels like a pretty healthy kind of sustained core business momentum here. Thank you.

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

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Yeah. I think we feel great about the revenue and in the quarter, I think also the acceleration of the organic ARR within the quarter on the Clearwater business was strong and nice to see. You combine that with what we talked about at the recent bookings in the pipeline and I think we feel very good about that. Sandeep did mention that the Enfusion business in Q1 was slower, but had great Q2 and Q3. It takes a while for that to flow in both through revenue and ARR in that side of the business. But I think if you look back at what we've put up in our September Investor Day and how those pieces fit together, it was a very – it was again, obviously a strong Q3 and Q4 looks very similar to that. So it looks very similar....

Dylan Becker

Analyst, William Blair & Co. LLC

Q

Very helpful. Thank you, both.

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

...the impression that we put up at that time.

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Operator: The next question comes from the line of Alexei Gogolev with JPMorgan. You may proceed.

Alexei Mihaylovich Gogolev

Analyst, JPMorgan Securities LLC

Thank you very much. And hi Sandeep, hi Jim. I wanted to double check and follow-up on the Dylan's questions just now. So how should we think about ARR growth of 17% for the core business, obviously it's coming off of high base, but looking into 2026, how does that dynamic compare to your comments about the strongest pipeline you're seeing?

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Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Yeah, this is Sandeep. Thank you for the question here. Look, I think that the business has trended towards doing larger deals. And that does create a little lumpiness in ARR and when it comes online. We do expect these to match [indiscernible] (00:39:52). I think if we look at the overall business, we said revenue grew 77% year-over-year, but ARR also grew 77% year-on-year. So that can be a little bit odd difference and that can come from a year on growth and the lumpiness. But over time, I'd like to say you would expect that if we continue to grow the whole business at a certain rate, then the ARR would match it. It just doesn't match quarter-to-quarter. And I think we obviously had two quarters of \$18 million each of ARR growth. I think Q3 had \$22 million. And so, you should expect to see some acceleration there in Q4 [indiscernible] (00:40:29).

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Alexei Mihaylovich Gogolev

Analyst, JPMorgan Securities LLC

And now that we're sort of already in November, is it possible to give an estimate of organic ARR for the full year?

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James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

I think we'll do that for – you're saying for 2026? I think we'll do that in the February call, Alexei.

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Alexei Mihaylovich Gogolev

Analyst, JPMorgan Securities LLC

Okay. Thank you.

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Operator: The next question is from the line of Michael Infante with Morgan Stanley. You may proceed.

Michael N. Infante

Analyst, Morgan Stanley & Co. LLC

Hey, guys. Thanks for taking my question. I just wanted to ask on Enfusion, obviously, early days in terms of the actual conversations with customers on that pricing and contract structure revision, but how are you sort of thinking about the timing and the magnitude of the potential uplift in 2026? I mean, obviously, on a run rate basis, we all know the four points. But I'm just curious, like how quickly you expect to sort of act on these revisions, and

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obviously, you have your own sort of history in terms of executing on this, but I'm curious how you would frame that for us.

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

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Yeah, I think we're underway in the program, and the target of that program is to roll out the new pricing model for all new clients starting January 1, 2026. So, all new clients you know at that point in time and we'll go through that, and then we will roll through the existing client base following that program.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

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Yeah. I would just add, Mike, that our intention isn't to raise prices. Our intention is to align value with the price a client pays. And this approach is very similar to what we did with Clearwater about 2.5 years back. So that's point number one. Point number two is when you've devised a new commercial model, you're simply trying to implement that with all the new clients. So that's step two. The step three, you'd go back and see where it is most misaligned and you start to go back and talk to those clients and change contractually what the pricing model is.

So I think like we said in our remarks, we expect that to take all of 2026 or by the end of 2026, we should be substantially done, just like I think in the last time we ran this program, we took a year to do it and we expect sort of a similar pace, but it is a nuance thing. I don't think it is everybody, you're going to follow the same process. You can't in a different platform, different facet managers, different – on large hedge funds. And so again, we want to do this with care. And that's the process that Jim and the whole team sort of kicked off in this quarter.

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

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And I think just the other thing to add, we're not talking about the NRR, we talked about it being roughly 3% in the September 2025 numbers and our goal of that being 4% to 5%. That isn't about increasing the percent. It's about broadening the applicable base of ARR that is subject to those periodic [indiscernible] (00:43:56).

Michael N. Infante

Analyst, Morgan Stanley & Co. LLC

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Make sense. And just as a quick follow-up. You've obviously signed several deals of late, delivering some pretty material EBITDA upside. But maybe just in terms of the tradeoff between that and sort of more aggressively allocating incremental implementation resources to sort of speed up some of the revenue go live. How are you thinking about that? Thanks, guys.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

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Yeah. Thank you. So we were literally talking about that is should we continue to make a harsher trade-off? But I do think, Mike, that the trade isn't between dollars, it is with the use of generative AI and accelerating onboarding using that. Eventually, we feel quite strongly that the benefits we have seen already in being able to use generative AI to onboard clients faster is what is going to deliver result in a more sustained way.

So more self-service, more agent-driven onboarding. I think that's sort of more of the future rather than should we go hire 20 more people to help onboard clients faster. So we do think it's about the tech. We will be focused on the tech. Could we spend some more money on marketing and things like that? Perhaps. And that is something which I think Jim and have to think about, for the rest of the quarter here as we look at 2026.

Operator: The next question comes from the line of Peter Heckmann with D.A. Davidson. You may proceed.

Pete J. Heckmann

Analyst, D. A. Davidson & Co.

Hey, good afternoon. Just wanted to follow-up, reasonably difficult comparisons with the prior year in terms of ARR growth, that – at the core Clearwater in this – in the third and fourth quarters last year. Just in terms of thinking about how it – the run rates for Enfusion, if we're looking for about 12% revenue growth this year over what they reported last year, you still feel like I know it's going to take some time, but you still think that could accelerate by maybe a couple of hundred basis points for 2026?

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

Yeah.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Yes, I would just say that, very little, very, very little of the thesis has changed. We believe that the Enfusion platform is robust. We feel it is scalable, we feel it is stable and so, we feel we can drive growth. Now, there are two ways we think about growth. One is, dedicated engineering and product teams focusing on just hedge funds. So separating that out, that has been done and we now have the leadership to drive that. Would that drive 12% or a little bit more? Yeah, we expect that. We also think, like Jim said, a commercial model to be put in place over 2026 and that can drive growth in revenue.

The third thing, which is perhaps the most exciting thing for the client base is to go take that risk to the hedge fund world, to take back managed services and client reporting. We think all the three products can be sold or solutions can be sold. We've had good early success with that in Q3, so we feel really good about it. So, we do believe that the core business can grow and perhaps accelerate from 12%. We feel the commercial model can help and we feel selling more products to our current client base in terms of risk managed services and client reporting, all can help contribute to growth.

Now what's the magnitude of all these three things put together? And I think we'll have probably a better view of that in the February timeframe when we guide for 2026. And I think we also said that this will take us about a year and a half, so we'd ask for reacceleration coming out fully, so to speak, in 2027 in the first half.

So, again, none of that has changed. But I do want to say that we are very pleasantly surprised and happy about the momentum of booking in Q2 and Q3. Does all of that show up in ARR? No, it does take some time for it to go from a contract and a booking and to ARR and revenue. But we are very happy with what we achieved in the last quarters.

Pete J. Heckmann

Analyst, D. A. Davidson & Co.

Okay. Okay. That's helpful. And then just on Bistro, I guess, do you feel like the functionality of Bistro is applicable to all of your current insurance carrier customers? And, I guess, when would you expect to secure contract with the first couple of customers on that solution?

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

A

Yeah. Thank you. Look, I think it is all about the alternatives. And I say that, [ph] it's a little – it's a little bit of slightly hyperbolic, but (00:49:14) I do think it's about alternatives and risk. Those two are huge. I think Bistro helps us provide sort of best-in-class visualization, reporting for alternatives. So I think it's strategically incredibly important. But we did have the work of getting it out from that environment to the Clearwater environment. And that has been largely completed. Then integrating it with the rest of the core platform, that's underway. So there's some work needed here. But is it the right thing to do, creating depth in our offerings in our alternative assets? Without question. Is it driving growth already? No, it's not. But it is out of that environment into the Clearwater environment. So I think we're going through the steps and we do expect to see traction of that in 2026.

Pete J. Heckmann

Analyst, D. A. Davidson & Co.

Q

All right. That's helpful. Thank you.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

A

Thank you.

Operator: The next question comes from the line of Max Persico with RBC. You may proceed.

Max Persico

Analyst, RBC Capital Markets LLC

Q

Awesome. Thanks for taking the question, guys. I've got two quick ones here. The first, on the international business, is there any way to quantify how that business performed in the quarter relative to the overall business? Any metrics you're willing to share there? And then, second, on the core Clearwater retention, I know last quarter we disclosed that it was stable at 114%. Could you comment maybe just directionally on how retention kind of trended in the quarter on the core business?

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

A

Yeah, let me do these two quickly. Number one, you can see in our investor deck, the split between ARR by geo and you'll see that it's consistent in Q3 as it was in Q2. As far as the core Clearwater, all those metrics we've given are across the entirety of the business. But obviously AUM and upsell are pieces that are mostly within the core Clearwater business. So that's the delta there. Do you want to go to the next one? [ph] I'm just trying to nab one at a time (00:51:39).

Max Persico

Analyst, RBC Capital Markets LLC

Q

Okay. Thanks for taking the question.

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

A

Thanks. Next question.

Operator: The next question comes from the line of Brian Schwartz with Oppenheimer. You may proceed.

Idan Gutkind

Analyst, Oppenheimer & Co., Inc.

Hi. This is Idan Gutkind sitting in for Brian Schwartz. Thank you for taking our question. And if I'm curious in terms of adoption of the combined company assets, is there particular end market or geography that sticks out where customers are adopting the combined assets first?

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Yeah, I think that the one we were pleasantly surprised with is asset management now becoming the largest – when you look at YTD, on a year-to-date basis, the largest booking industry, I mean, that has never happened. And as you know, we wanted that to happen for a long time, only because that is the largest TAM we've had. So that is one thing we feel strongly about. But I think the right way to think about it would be a lot more traction in risk-related offerings up and down the stack. So I think that is one big change. Alternatives is the other big one. So, in terms of what's already happening and where we already see traction, I would say asset management is meaningfully different. I would say risk is meaningfully different and alternatives are meaningfully different. I don't know, Jim, whether you'd add something to that?

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

[ph] That's fine. It's good. It's good. (00:53:07)

Idan Gutkind

Analyst, Oppenheimer & Co., Inc.

Thank you. And then, are you seeing any responses or changes to competitor behavior in the market, given the company transformation at Clearwater?

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Yeah. I think we get a lot more phone calls. But, look, I think that – I think competitively this puts us in a position to compete with absolutely anyone, up and down the stack, up and down the size. Is it all together yet already? No, it's not. There is work to be done to bring all these things together and to sort of get [ph] to (00:53:43) growth from it. But competitively do people or clients more importantly and analysts sort of appreciate that we have a chance to build something very special? I think that's evident to most people. I think we talked about generative AI quite a bit, and we feel very strongly that the fact that we have a single instance multi-tenant model with a single security master, our ability to deploy and use generative AI is just meaningfully different. So, look, we really like our competitive environment right now. I'm not sure that's the right thing to say, but we like it.

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

Yeah.

Idan Gutkind

Analyst, Oppenheimer & Co., Inc.

Thank you.

Operator: The next question comes from the line of Gabriela Borges with Goldman Sachs. You may proceed.

Maura Hager

Analyst, Goldman Sachs & Co. LLC

Hi. This is Maura on for Gabriella. Thanks for taking the question. I wanted to follow up on the 70% increase in bookings for the core cross-sell. I know that you've discussed in the past kind of a path to penetration for LPx specifically across all the Clearwater customers. Can you just level set us on where you are in the current penetration and adoption for modules and how you see the whitespace for more adoption?

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

Yes. I think we're making really strong progress. And over the next few years, we hope to have LPx across our entire insurance client base. I think we're a few years away from that, but making great progress on that. But right behind that, where we're quite nascent is that product we call MLx, but it's really mortgages, private credit, private debt. And that is, again, we're seeing great momentum in there as well, as well as within Prism and with some of our risk solutions. So I do see LPx kind of flowing through to the entirety of our insurance client base within the next few years, given the adoption that we're seeing there. The next thing will be, okay, what else can we do? What could we do for our asset owner segment or other folks around that?

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Yeah, if I can add one thing, when you just think of the overall market sort of level-setting at the highest level and you think of accounting as being of a certain size, what you will find is that risk is also of similar size. You'll find that alternative assets, which is what LPx and MLx and [ph] bank loans (00:56:13), all of them do, is sort of a similar size, and front to back, the middle/back-office, middle/front-office is also of a similar size. So the way to think about this contextually is, if you have a certain ARR in accounting, you should be able to generate a similar ARR in alternatives assets, a similar ARR in risk, and a similar ARR in front/middle-office. And that's what we always talked about this 1 to 4 bps. Now the reason we sound excited is, yeah, now we're seeing some numbers. We're seeing a 40% growth year on year, and we also see 2026 to have similar or even faster growth in booking in this segment. So we have talked about 1 to 4 bps for a period of time, but to see it come to fruition in terms of signed contracts is frankly what [indiscernible] (00:57:05) I guess you detect the excitement about that.

Maura Hager

Analyst, Goldman Sachs & Co. LLC

Great. Thanks. And on the VKB deal that you discussed last quarter, bringing together components of Clearwater Enfusion and Beacon, can you talk a bit about how that integration is trending and any takeaways as you compile the more unified platform that you intend to go to market in 2H 2026 and 2027?

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Yeah, these are the two perfect questions we found. Yes, [ph] we're already also (00:57:36) very laser focused on bringing this to bear in front of a client. Obviously, we feel strongly that we have done it. Other clients have already integrated these platforms, so our ability to integrate them should be high. But obviously it's unlikely that I think this is expected to go live until the middle of next year and is proceeding quite nicely, and we expect to deliver that in time with the functionality they expect. So, yeah, we have put it out there, saying we're going to go deliver it publicly and we expect to do that.

Maura Hager

Analyst, Goldman Sachs & Co. LLC

Thanks for the color.

Q

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Thank you.

A

Operator: Next question comes from the line of Yun Kim with Loop Capital Markets. You may proceed.

Yun Kim

Analyst, Loop Capital Markets LLC

Okay. Great. Thank you. Sandeep, a lot of moving parts here. But if you focus on the core Clearwater business, alternative asset was a key driver for you guys couple of years ago. I know that you mentioned alternative here and there in the call today, but if you can update us at least qualitatively how much of your new bookings is driven by alternative assets today versus a couple of years ago and how that has been trending?

Q

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Yeah, firstly, I would just say to you that alternative assets is a big [indiscernible] (00:59:00), so that's just point number one. We think – like I was saying, over time, we expect that alternative asset booking to be or ARR to be similar to the accounting ARR. I don't have a number straight up for alternative assets and how much it is driving, but I don't know whether I can say that, but we used to talk about 24%, 25% of our booking coming from alternatives. And we know it is, at this point, north of 35%. So it's, to give you a sense of context. We do expect that to continue to accelerate though. We do think more and more of our booking is going to come from alternatives and risk. And so, you should continue to expect that in 2026 and beyond.

A

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

The number we talked about was year-to-date 70% increase year-over-year. That includes more than just alternatives. But that's kind of – look, alternatives is a big piece of that, [ph] if that helps contextualizing for it (00:59:55).

A

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

And the 70% was Q-on-Q.

A

Yun Kim

Analyst, Loop Capital Markets LLC

Yes.

Q

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

Yeah, year-over-year growth in Q3.

A

Yun Kim

Analyst, Loop Capital Markets LLC

Q

Okay. Great. And then on the agentic AI front, looks like that there's a lot of progress there based on the separate press release today. If you can remind us what's the pricing model there? What's the go-to-market motion? Is that primarily focused on the existing customers, and if you can just share any insights from some early adopters? Thanks.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

A

Yeah, the best thing you can find is gross margin. Look at the gross margin and look at the movement. I think we had talked about 80% for a long time and we changed that to 82% gross margin. And we also said today in our remarks, I think, that the core Clearwater business, the steady-state clients are already at 82% versus an expectation to get there in three to four years. So, we feel very excited about our ability to drive efficiency in our company using generative AI, and that's one section.

The second area where it can have major impact is, enhanced client reporting, so we think about client interaction with the data, and what's going to happen and clients already using it as such is clients' ability to talk with their data. And that is an area which will show up, I think, in additional booking for products like Prism. So it's not like we are selling generative AI as, here's GenAI, give me this amount of money for it, that's not how we're doing it. We are taking products clients can use and pay us for that. And so therefore it is just next generation of client interaction which we are – which clients are doing.

The only other one I would point out is, because of the success we have had in our internal processes, we have taken this technology to clients and they are building processes which automates the internal things, and we talked about 90% improvement in manual reconciliation, things like that. And at our user conference I think in September, we had a client actually present it, what they've done with our technology and continue to sort of use our platform for. So I don't think we're charging separately for generative AI as in, hey, [ph] bring me this with (01:02:22) generative AI. It's more about the products we are building using generative AI, which we are charging clients for.

James S. Cox

Chief Financial Officer, Clearwater Analytics Holdings, Inc.

A

And so we've been tracking engagement and that – and engagement since the Connect conference has been just extremely impressive, the growth in engagement there.

Yun Kim

Analyst, Loop Capital Markets LLC

Q

Okay. Great. Thank you so much.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

A

Thank you, Kim.

Operator: Due to the interest of time, that was our last question. I would now like to pass the conference back for any closing remarks.

Sandeep Sahai

Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.

Yeah, just wanted to close by thank you all you for your continued interest in Clearwater. I think we had a very solid quarter. As a integrated company, this was the first quarter. And we look forward to the quarter four and 2026 with a lot of confidence. So thank you.

Operator: And that concludes today's call. Thank you for your participation and enjoy the rest of your day.

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