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Market Intelligence

Q2 Holdings, Inc. NYSE:QTWO

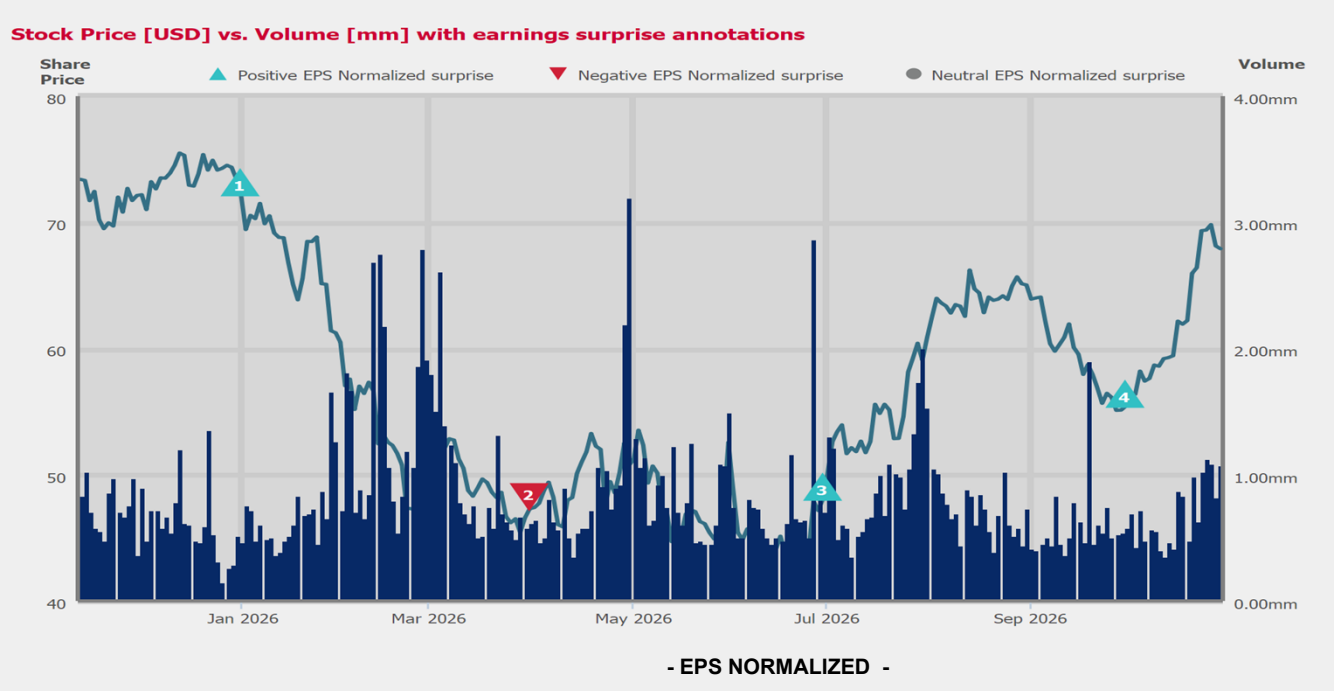
FQ3 2026 Earnings Call Transcripts

Wednesday, October 28, 2026 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.70	0.74	5.71	0.73	2.86	NA
Revenue (mm)	221.26	225.77	2.04	227.42	885.13	NA

Currency: USD
Consensus as of Oct-23-2026 12:06 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2025	0.61	0.68	1 11.48 %
FQ1 2026	0.69	0.63	2 (8.70 %)
FQ2 2026	0.67	0.70	3 4.48 %
FQ3 2026	0.70	0.74	4 5.71 %

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Table of Contents

Call Participants	.....	3
Presentation	.....	4
Question and Answer	.....	8

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Presentation

Operator

Good afternoon. My name is Kevin, and I will be your conference operator today. At this time, I would like to welcome everyone to the Q2 Holdings Third Quarter 2026 Financial Results Conference Call. [Operator Instructions] Thank you. I will now hand the conference over to Josh Yankovich, Investor Relations. Sir, please begin.

Josh Yankovich
Investor Contact

Thank you, operator. Good afternoon, everyone, and thank you for joining us today. With me on the call are Matt Flake, our CEO, and Jonathan Price, our CFO.

This call contains forward-looking statements that are subject to significant risks and uncertainties, including, among other things, statements with respect to our expectations for the future operating and financial performance of Q2 Holdings and for the financial services industry. Actual results may differ materially from those contemplated by these forward-looking statements, and we give no assurance that such expectations or any of our forward-looking statements will prove to be correct. Important factors that could cause actual results to differ materially from those reflected in the forward-looking statements are included in our periodic reports filed with the SEC, copies of which may be found on the Investor Relations section of our website, including our quarterly report on Form 10-Q for the third quarter of 2026 and the press release distributed this afternoon and filed in our Form 8-K with the SEC regarding the financial results we will discuss today.

Forward-looking statements that we make on this call are based on assumptions only as of the date discussed. Investors should not assume that these statements will remain operative at a later time, and we undertake no obligation to update any such forward-looking statements discussed in this call.

Also, unless otherwise stated, all financial measures discussed on this call other than revenue will be on a non-GAAP basis. A discussion of why we use non-GAAP financial measures and a reconciliation of the non-GAAP measures to the most comparable GAAP measures is included in our press release, which is available on the Investor Relations section of our website and in our Form 8-K filed today with the SEC. We have also published additional materials related to today's results on our Investor Relations website.

Let me now turn the call over to Matt.

Matthew P. Flake
President, CEO & Chairman of the Board

Thanks, Josh, and good afternoon, everyone. Thank you for joining us today.

Before I turn to the quarter, I want to share an exciting leadership announcement we made this afternoon. We have appointed Jonathan Price, our Chief Financial Officer, as Co-Chief Executive Officer. Jonathan will lead alongside me, and I will continue to serve as President and Chairman of the Board. Jonathan will also be joining our Board of Directors. He has been a driving force behind our strategy and performance for nearly a decade, and this structure reflects the Board's focus on long-term continuity as we continue to scale. Jonathan will continue to serve as our Chief Financial Officer while we conduct a search for his successor.

Now turning to our performance. I'll start by sharing our third quarter results and highlights from across the business. I'll then hand the call over to Jonathan to discuss our financial performance in more detail and provide our updated outlook.

We delivered another quarter of strong financial performance, generating revenue of $225.8 million, representing 12% year-over-year growth. We also generated adjusted EBITDA of $67.8 million, or 30% of revenue and free cash flow of $55 million. These results reflect our consistent execution against our profitable growth strategy, while we continue to invest in the products and customer experience that support our long-term opportunity.

On the sales front, we had a solid bookings quarter led by digital banking and highlighted by seven total Tier 1 and Enterprise wins complemented by meaningful activity in Tier 2. We signed both net new and expansion deals with contributions from digital banking, risk and fraud and relationship pricing. Credit unions were a notable part of our digital banking success, including 2 of our most significant wins from the quarter.

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The first was an approximately $3 billion credit union that selected our digital banking platform. This Tier 2 win was our largest deal of the quarter in terms of contracted recurring revenue and a good reminder that our opportunity to win meaningful business extends well beyond the Tier 1 and Enterprise segments.

The second was an approximately $10 billion credit union that selected Q2's commercial digital banking platform as it builds a commercial banking business within the credit union, serving everything from small businesses to large commercial clients. In a competitive evaluation, they chose Q2 because they wanted a true commercial platform, not an extension of a retail tool, and capabilities like treasury fulfillment, direct ERP integration and instant payments gave them confidence that we can enable their ambitions. Their in-house development team was also drawn to the openness of our platform, including our SDK and Innovation Studio.

Our wins this quarter underscore how important credit unions remain to our business, and we're committed to helping them compete and grow. Our digital banking experience across retail, small business and commercial delivered on a single platform with an expanding set of AI and developer tools allows us to support credit unions as their needs become more complex.

Our existing customer relationships also continue to create meaningful expansion opportunities across the portfolio. For example, a bank with more than $60 billion in assets that already uses our digital banking platform added multiple risk and fraud capabilities during the quarter. While much of that expansion was for our Centrix product line, it also included our AI-driven account takeover solution, User Activity Monitoring, which continued to see strong demand in the quarter. Whether customers are adding new capabilities or growing through acquisition, the breadth of our portfolio gives us more ways to support them over time. That's one of the reasons we continue to view our existing customer base as an important source of long-term growth.

Beyond our sales performance, we recently hosted our third annual Dev Days, bringing together hundreds of attendees from customers, partners and developers who build on the Q2 platform. As a reminder, our annual client conference, CONNECT, is where we showcase production-ready capabilities and customer success stories. Dev Days is where we work with our developer community to explore the next frontier of the platform. It's an important opportunity to understand our customers' challenges and help shape the next wave of innovation together, and AI was again at the center of this year's discussions.

Our AI work remains focused on 3 practical priorities: helping protect the institution, helping bankers operate more efficiently and helping customers and partners build faster. While we covered all 3 at Dev Days, our new product previews focused on expanded capabilities for Q2 Code and Q2 Assistant in 2 key areas. The first is helping customers and partners move from concept to execution faster within the Q2 platform. For many financial institutions, the challenge isn't a shortage of good ideas. It's having the resources to turn those ideas into something their account holders can use, and writing code is only one part of that process.

At Dev Days, we shared our vision for expanding Q2 Code beyond simple code generation and into all aspects of the software development life cycle from planning and testing to deployment. The goal is to reduce routine development and operational work while building in Q2's platform knowledge and best practices. The outcome is that small teams can spend more time building the experiences that differentiate their institutions and less time on the work required to get those experiences into production.

The second area we covered is evolving from simple information retrieval to helping complete work for FI employees. Today, resolving a customer service request can require an FI employee to move between systems, look up information and work through a series of manual steps. At Dev Days, we shared new capabilities we're building for Q2 Assistant that will help employees complete multistep customer service and back-office tasks. Our goal is to bring more of that work together with AI helping employees resolve issues more efficiently and spend more time serving their account holders.

These 2 examples demonstrate why we believe Q2 has such a central role in driving AI innovation for our customers. These tools are built on our architecture and data inside the workflows where both account holders and FI employees make banking happen. And while some of this work is still early, the customer outcomes we're pursuing are straightforward: faster development, less manual work and a better experience for bankers and the people they serve.

In addition to these new concepts, we continue to make progress with the AI offerings we've already introduced, including Q2 Code, Q2 Assistant and User Activity Monitoring. During the quarter, we continued to sign customers into our early adopter programs, and we remain on pace to begin making these offerings generally available over the next 90 days. For User Activity Monitoring, we signed nearly 20 financial institutions into our early adopter program, roughly twice what we expected. The feedback from Dev Days, combined with the engagement we're seeing from customers and partners in the early adopter phase of these three offerings, reinforces our confidence in the role Q2 can play as our customers navigate their AI journeys.

Our platform connects the data, systems and workflows our customers rely on every day. That gives us banking-specific context, an established way to deliver new capabilities and long-term customer relationships built on trust. Our developer and partner ecosystem

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extends that opportunity, helping customers benefit from innovation both within Q2 and across the broader market. That combination is why we continue to believe AI innovation in financial services will flow through Q2 and not around us.

Overall, we're pleased with our third quarter performance and the progress we're making across the business. We had another solid bookings performance. We continue to see strong demand for and engagement with our AI and developer solutions. And looking ahead, our pipeline remains strong through the remainder of the year and into 2027. Our results and outlook give us confidence in our ability to continue executing against our long-term financial framework. And as we execute against it, I couldn't ask for a better partner than Jonathan. He and I have built a tremendous partnership over the years, and I'm thrilled to now lead Q2 alongside him as Co-CEO.

With that, I'll hand the call over to Jonathan to walk through our financial performance in more detail and discuss our increased full year 2026 guidance.

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Thanks, Matt. I'm honored to step into the role of Co-CEO and share Matt's excitement in continuing to build a great company for our employees, customers and shareholders. I'm also pleased to take you through another strong quarter for the company, with third quarter results above the high end of our guidance on both revenue and adjusted EBITDA. We also delivered record results across gross margin and adjusted EBITDA, including our first quarter with adjusted EBITDA margin of 30%, and we continue to repurchase shares while operating debt-free.

Let me start by discussing our financial results in more detail, and I'll finish with our updated fourth quarter and full year 2026 guidance. Total revenue for the third quarter was $225.8 million, an increase of 12% year-over-year and 3% sequentially. Our revenue growth was driven by subscription-based revenues, which grew 14% year-over-year and 3% sequentially and ended the quarter at 83% of total revenue. The year-over-year and sequential revenue growth was primarily driven by a combination of new customer go-lives and expansion with existing customers. Total nonsubscription revenues grew approximately 3% year-over-year, with the increase largely attributable to the timing of professional services revenue. Consistent with prior expectations, we continue to expect pressure in our more discretionary services revenue.

Total annualized recurring revenue, or total ARR, grew to $989 million, up 11% year-over-year from $888 million at the end of the third quarter of 2025 and up 2% sequentially from $971 million at the end of the second quarter. Our subscription ARR grew to $846 million, up 13.5% from $745 million in the prior year period. Our year-over-year subscription ARR growth was largely driven by bookings from new customer wins as well as expansion with existing customers. Our total ARR growth remains below subscription ARR growth driven by the trends we previously discussed related to nonsubscription-based revenue.

Our ending backlog of $2.8 billion increased by $5 million sequentially and increased $248 million year-over-year from $2.5 billion, representing 10% growth. The year-over-year increase was driven by bookings success across new, expansion and renewal activity. Non-GAAP gross margin was 62.6% for the third quarter, up approximately 470 basis points from 57.9% in the prior year period and up approximately 30 basis points from 62.3% in the prior quarter. The year-over-year improvement continues to reflect the benefits of our cloud migration. The year-over-year and sequential improvement was also driven by the continued shift in our revenue mix towards higher-margin subscription revenue.

Total non-GAAP operating expenses for the third quarter were $81.7 million, or 36.2% of revenue compared to $76.1 million, or 37.7% of revenue in the third quarter of 2025 and $81.7 million, or 37.2% of revenue in the prior quarter. The year-over-year increase in operating expenses was driven primarily by higher research and development costs to support our continued product and AI investment. Sequentially, total operating expenses were essentially flat as lower sales and marketing costs following our annual client conference in the second quarter were offset by modestly higher research and development costs.

Total adjusted EBITDA was a record $67.8 million in the third quarter, up 39% from $48.8 million in the prior year period and up 8% from $62.8 million in the prior quarter. Adjusted EBITDA margin was 30%, expanding approximately 580 basis points from 24.2% in the prior year quarter and up approximately 140 basis points from 28.6% compared to the second quarter of 2026. The year-over-year and sequential improvement was driven primarily by strong revenue growth and gross margin expansion.

We ended the quarter with cash, cash equivalents and investments of $123 million, up from $106 million at the end of the prior quarter as free cash flow generation more than offset $39 million of share repurchases during the quarter. We generated cash flow from operations of $65 million in the quarter, up from $46 million in the prior year period and delivered $55 million of free cash flow, up 48% year-over-year and representing approximately 81% of adjusted EBITDA. We continue to expect free cash flow conversion of at least 90% for the full year. We remain debt-free following the retirement of our convertible notes in June. Combined with our

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continued strong free cash flow generation, we believe this gives us substantial balance sheet capacity and flexibility in how we allocate capital.

Turning to capital allocation. We repurchased approximately $39 million of our stock during the third quarter and had approximately $336 million remaining under our share repurchase authorization as of quarter-end. We remain focused on maintaining a healthy balance sheet and preserving flexibility to support organic investments, inorganic opportunities as they arise and a disciplined approach to share repurchases.

Let me finish by sharing our fourth quarter and updated full year 2026 guidance. We forecast fourth quarter revenue in the range of $226 million to $230 million, and we are raising our full year 2026 revenue to the range of $888 million to $892 million, representing year-over-year growth of approximately 12%. We continue to expect full year 2026 subscription revenue growth of approximately 14.5%, up from the at least 14% we expected in our initial full year 2026 guidance. We also expect nonsubscription revenue to decline slightly year-over-year for the fourth quarter and to be roughly flat for the full year.

We forecast fourth quarter adjusted EBITDA in the range of $62.4 million to $65.4 million, and we are raising full year 2026 adjusted EBITDA to the range of $253 million to $256 million, representing approximately 28.6% of revenue at the midpoint. This represents approximately 500 basis points of adjusted EBITDA margin expansion for the full year, roughly double the approximately 250 basis points implied by our initial full year 2026 guidance. Looking ahead to 2027, we are reiterating our full year subscription revenue growth outlook of 12.5% to 13% and adjusted EBITDA margin expansion of 150 to 200 basis points.

We measure our Rule of 40 performance as subscription revenue growth plus adjusted EBITDA margin. On a full year basis, we have expanded adjusted EBITDA margin by more than 20 percentage points since 2022, while consistently delivering strong subscription revenue growth. And we expect to finish 2026 at approximately a Rule of 43, well above 40%, with our 2027 outlook also implying that we will meet or exceed that level next year.

In summary, we delivered another strong quarter with record gross margin and adjusted EBITDA and both revenue and adjusted EBITDA finishing above the high end of our guidance. This performance, coupled with our outlook for the remainder of the year, has given us the confidence to raise our full year guidance on both revenue and adjusted EBITDA for 2026. We remain dedicated to delivering growth, profitability expansion and improved capital efficiency and believe that our results to date collectively illustrate our progress and potential as we continue to evolve our business and drive shareholder value.

With that, I'll turn the call back over to Matt for his closing remarks.

Matthew P. Flake
President, CEO & Chairman of the Board

Thanks, Jonathan. Before we open it up for questions, I'll close with a few final thoughts.

We delivered another strong quarter of financial results alongside solid bookings performance led by digital banking. Our credit union wins and continued expansion activity demonstrate the breadth of the opportunity we have with both new and existing customers. We're also continuing to advance our AI strategy in close partnership with our customers. The engagement at Dev Days and progress with our early adopters reinforce our belief that Q2's platform and ecosystem will become even more valuable as our customers put AI to work.

Looking ahead, I believe we're well positioned to capitalize on continued demand, support our customers as they grow organically and through M&A and finish the year strong. We remain focused on executing against our long-term framework and delivering durable growth and continued improvement in profitability.

Thank you to our employees, customers and partners for their continued commitment to Q2.
With that, I'll turn the call over to the operator for questions.

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Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Alex Sklar with Raymond James.

Alexander James Sklar
Raymond James & Associates, Inc., Research Division

Can you hear me?

Matthew P. Flake
President, CEO & Chairman of the Board

We got you.

Alexander James Sklar
Raymond James & Associates, Inc., Research Division

Okay. All right, Matt. Maybe first one for you. Just on the rise of the personal agents, particularly over the last couple of months, and I really appreciate Josh, Adam and Hima putting out that webinar this week. What's been the response from your FI clients and prospects in terms of demand for your various solutions? And are you seeing it unlock any new pockets of opportunity, particularly upmarket with Tier 1 and Enterprise customers where they may have previously elected to do more in-house?

Matthew P. Flake
President, CEO & Chairman of the Board

Yes. I think at Dev Days, we really were able to show off Q2 Code, and the ideas, the ability to build quickly, iterate and roll out new ideas and put them in production quickly was what was really impressive. And that video that Hima and Adam put out is really compelling when they talk about it.

But the thing that's been interesting is whether it's UAM or Assistant is when you begin working -- or Code, when you begin working with the customers, ideas start to flow, and human-in-the-loop ideas, they begin to figure out we can add this or we can keep this element of it. So the flexibility and the ability to get product into production quickly has been a gamechanger for us.

And as far as agents go, we're building our platform and solution for all customers to explore agents however they want to do it. And that flexibility, it's up to them. Some people are going to allow agents to transact or have certain limitations on it, but some have taken a position that they're not. So we're neutral on it. We're trying to stay as flexible as we can, so our customers have optionality. But the engagement continues to increase around AI every quarter.

Alexander James Sklar
Raymond James & Associates, Inc., Research Division

Okay. Great. And Jonathan, congratulations on the Co-CEO appointment. I'll ask you a CFO question maybe for the last quarter here. But really strong profitability. I think the incremental EBITDA margins were the highest in 3-ish years. So can you talk about how much of this was timing-related on planned spend and how that's flowing through the Q4 guide versus any structural efficiency gains you're realizing?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes. Thank you, Alex. Appreciate it. So yes, really, really pleased with the third quarter and year-to-date profitability performance.

There is a little bit -- we talked a lot about increasing the ramp of our investments as we head into 2027. And you see that when you look at the sequential for Q4 of this year when it comes to the EBITDA margin. A lot of that spend came online late in Q3 and then starting full in Q4. So you do see a little bit of outperformance in Q3 relative to Q4 in that regard.

But more broadly I think you're seeing the continued mix shift of the business towards subscription. You're seeing us stay disciplined and execute on a whole bunch of efficiencies in the organization, including with AI. And so I think we're really pleased to see the degree to which that flowed through in the third quarter.

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But as you get into Q4 and 2027, as we've talked about the last couple of calls, we are continuing to invest heavily in the product road map in the priority areas that we've talked about, whether it be commercial at large, Innovation Studio, our fraud-related products, AI, et cetera. And so we still stick by the guide for 2027 and beyond when it comes to the ramp of incremental profitability. And if we can do better than that, great, but we want to make sure that we're investing appropriately to drive this durable long-term growth profile that Matt talked about.

Operator

And your next question comes from the line of Terry Tillman with Truist. [Operator Instructions] Okay. We can move on to next question. Our next question comes from the line of Michael Infante with Morgan Stanley.

Michael Nicholas Infante
Morgan Stanley, Research Division

I wanted to ask on just AI-related unit economics. I'm curious what you're seeing underneath the hood in terms of the mix of customer inquiries that actually might require third-party inference versus those that can be resolved internally without going out to actually have to source the incremental compute. Like do you expect to monetize both at the same rate? And what are you actually seeing in terms of the flows between human-in-the-loop versus more agentic?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Michael, I want to make sure I understand your question. When we think about -- if you're talking about products that we're distributing to our clients and how we monetize those versus the underlying compute costs that are either inherent in those products or that we use to build our products, I just want to make sure I'm answering the right question.

Michael Nicholas Infante
Morgan Stanley, Research Division

Yes. I guess the question is just as you think about the gross margin dynamics associated with more like agentic-driven workflows versus those that require a little bit more human-in-the-loop intervention, like how are you seeing that evolve? And what are you seeing internally on both of those fronts?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes. I think as we are in the early adopter phase on these new products, and we look at the total cost structure of these new solutions along with the pricing models that we're testing, the early returns, at least in the EA phase, look good in terms of the margin opportunity. We're doing what we need to do to protect ourselves vis-a-vis caps on tokens and ensuring that usage doesn't put us upside down. But we're also having a base economic subscription fee along with upside that's driven by, in the case of, let's say, the fraud product, the number of businesses or consumers that we're protecting, or in the case of Q2 Assistant, the number of -- or the use cases that we are solving for. So we're getting in that regard, a gross margin outcome that we're pleased with in the EA phase, but we just haven't seen it yet at scale. And whether it's some of the stuff in the background on the infrastructure side or the compute, we're confident that this is going to look positive, but we just don't know enough yet to say it with certainty at scale in GA.

Michael Nicholas Infante
Morgan Stanley, Research Division

And then maybe just for my quick follow-up, just on the framework in terms of the 3Q subs net new ARR results in Q3 relative to the reiteration of the '27 framework. Like if I just assume typical seasonal step-up in subs net new ARR in the fourth quarter of, call it, $5 million to $7 million, or something along those lines, mid-to high 20s, I think that gets me closer to 12% growth at least on the ARR metric. Like can you just frame confidence levels in terms of the 12.5% to 13% level and how you're thinking about things like backlog conversion, either incremental acceleration on subs net new ARR or some of the incremental cross-sell initiatives that you guys have in place?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes. Thanks, Michael. Yes, we feel really good about the Q4 opportunity we have for the step-up that you talked about and potentially even more. Obviously, we've got to go execute the bookings in Q4 and the renewals, et cetera. But I think we're well set up to do that.

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And in terms of the degree of confidence we have in reiterating the 2027 guide, well, we can talk about it. It obviously depends somewhat on the Q4 execution. We feel really, really good about that 12.5% to 13%. And we've had that as our 2027 early look since the beginning of the year. And as we sit here in late October, we feel incrementally more confident in that 12.5% to 13% because you got to remember that the subs ARR execution that we had in the third quarter at 13.5% year-over-year growth as well as Q1 and Q2 of this year, which were both north of 14%, all helped contribute to the overall picture in 2027 subs growth. So feel really good about that.

Obviously, we talked about it coming into Q3 and Q4. The second half has some tougher comps relative to the back half of last year on both subs ARR and renewals, but very pleased that we were at a healthy number here in the third quarter, like you mentioned, of almost $21 million of subs ARR in Q3 and feel really good about the opportunity we have in Q4 that will only reaffirm that forward growth rate even more.

Operator

And your next question comes from the line of Ella Smith with J.P. Morgan.

Eleanor Osgoode Smith
JPMorgan Chase & Co, Research Division

Congratulations again, Jonathan. Maybe for Matt first. In April, you said that 30% to 35% of digital banking customers use your fraud products. I'm curious where that is today. And where do you think it can go longer term given that, that was growing above the company average?

Matthew P. Flake
President, CEO & Chairman of the Board

I think it's about the same when you take the new customers we've added as well. And I think that number could probably shoot to 60% to 70% over the next 2 to 3 years. That's taking a swag at it. But with UAM, and we continue to build more products as well around -- we're seeing the UAM product expand even beyond with rights access and other things that we're adding to it. So I think we will continue building products, but the adoption of the product should continue. And I feel like we should be able to get to 60%, 70% in the next couple of years.

Eleanor Osgoode Smith
JPMorgan Chase & Co, Research Division

And for Jonathan, you're debt-free with over $300 million of share repurchase capacity. What would catalyze you to pick up the pace of share repurchases? And would you ever consider using leverage to speed up the buybacks or stay funded from free cash flow?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes. It's a good question, Ella. We want to be flexible on making sure we're allocating capital for what we believe will be the best return for shareholders. So you can see in the third quarter, we did about $39 million of share repurchases, a little lighter in the second quarter, but obviously, there, we were timing up against the maturity wall of the converts. So we're just staying disciplined. But we're open to obviously deploying and using it, and we have the cash balance and the building of free cash flow to use.

We just want to stay nimble with regards to, obviously, the share price performance can dictate how much we buy and when, but also making sure that we are in a position to exercise other capital allocation levers like investing back in the business, which you're seeing some of that in the '27 and beyond EBITDA guide where the margins are expanding less than what we've put up over the last 4 years. So some of that's baked into that, but then also building the balance sheet for future potential M&A is always a potential use of proceeds. But obviously, a lot has to go right for us to go down that path. So I think what we're really valuing now is just flexibility. And in the meantime, we execute at a high level, and we can build the cash balance up, and then we have all the options at our disposal.

And as far as leverage, I think of that is something we've created capacity to do, but there would again have to be a compelling reason why we would need to lever up to do more because, again, between the cash we have and the cash we're generating, we think we could theoretically utilize that entire program over the next, call it, 12 to 24 months. It's just a question of timing that up with what makes sense from a valuation perspective and then the other options we have, as I mentioned.

Operator

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And your next question comes from Andrew Schmidt with KeyBanc.

Andrew Garth Schmidt
KeyBanc Capital Markets Inc., Research Division

Maybe just starting off, Jonathan, congrats on the new appointment. Maybe just for both of you, how are you going to split up the responsibilities? And obviously, Jonathan, look, you've been with the company for a long time. Obviously, this is well deserved. But I'm just curious, just any initial remarks as you stepped into the role. I imagine it's business as usual, but just curious if there's any particular focuses.

Matthew P. Flake
President, CEO & Chairman of the Board

Yes. Andrew, I appreciate it, and congratulations to Jonathan. We're Co-CEOs. We're going to manage the business collectively together. Obviously, I'm going to continue to foster culture, focus on customer relationships and drive strategic direction. But Jonathan and I will share in the roles, and the leadership team we have is really strong. And then even a couple of clicks below it, we've got a lot -- we've got a deep bench. I have a lot of confidence in the team.

The business is performing at a high level, and we'll continue to make decisions collectively, and the reporting structure will operate in a Co-CEO fashion. And so it will be interesting to see how it plays out, but Jonathan and I collectively agree on a lot of stuff. And I think anything we disagree on, we've always been able to resolve it. So it will just be a Co-CEO structure.

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

And Andrew, just to your second question, you said it. It is business as usual. Matt and I and the rest of the executive team, we've crafted our corporate strategy and our go-forward plans that are all multiyear in the making. And we sit here today executing on a plan that we crafted together and that we still have a ton of conviction in. So obviously, I'm humbled and honored to step into this role and excited to work with Matt in this new way. But it's heads down, it's business as usual, and we got to keep executing because I think we have an incredible opportunity in front of us, and this is an amazing business, but we've just got to keep capitalizing on the opportunity we have in front of us, as I mentioned. So it's just business as usual and excited for what's ahead.

Andrew Garth Schmidt
KeyBanc Capital Markets Inc., Research Division

Yes. I appreciate that. Great remarks. Maybe just shifting gears to fraud and cyber and echo the comments on the content with Hima and Adam, that was a great session. But one of the things we've uncovered in our research and you guys touched on is the notion of fraud, cyber, even AML coming together as a platform. This takes time, but it seems to be converging. Maybe just talk about just the longer-term vision in this category. Are you building a broader platform? And then I think you've talked about the right to win as being the -- having those user interactions and touchpoints as well. Maybe just talk about your right to win versus perhaps other specialist providers or infrastructure players in that market. I know it's a big market. It's hard to uncover, but any comments there in terms of the evolution of the platform would be helpful.

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes. I would just say we sit in a pretty special position with regards to the data we sit on top of and the ability to protect the digital session from multiple angles. And when we think about this future of what we're calling the fraud intelligence platform, there is a pretty comprehensive view that we have that with our data, with our signals and with our ability to continue building new products like UAM that we've talked about, we can have a differentiated ability to protect the financial institution, and that ultimately is what it comes down to. And so we're investing heavily in this space. We think it's a very significant pain point for our customers.

And when you think about everything it takes to protect the institution, it's not really -- it's not just about the software that we write and how we deploy it. It's also how we operationalize it and work with these financial institutions to solve a pretty big problem on their behalf and alongside them. So we're really investing heavily in this space. We're trying to continue to work, and we think of all the different ways we can do it, whether we're building new products. We have some great partners in this space. And it's just -- it's something we're very committed to and excited about.

And again, I think you're right that being the digital banking platform, we're in a privileged position when it comes to our relationship with these FIs, but the data we have to ultimately be able to help them solve this problem. I don't know if there's anything else...

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Operator

And your next question comes from Bill Carcache with Piper Sandler.

Bill Carcache
Piper Sandler & Co., Research Division

Can you hear me?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes, we got you, Bill.

Bill Carcache
Piper Sandler & Co., Research Division

Matt and Jonathan, thank you so much for your thoughts today. Let me extend my congratulations, Jonathan. The fundamental performance has been exceptional. But I wanted to take the opportunity to ask you if you could speak directly to the broad topic of AI-related terminal value concerns, which have been at the heart of the bull-bear debate in our discussions. As investors continue to debate whether increasingly capable AI models could erode the long-term value of digital banking platforms, I was hoping you could just discuss some of the dynamics the market may be overlooking beyond your regulatory expertise. How do variables like core integration, security, auditability, implementation, accountability for mission-critical workflows, those sorts of things, protect Q2's role with banks? And maybe just what gives you confidence that these capabilities will remain difficult to replicate even as AI advances?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes, Bill, you gave part of the answer there really well because I think you hit -- it goes way beyond just building the software, writing the code. And when you think about some of the elements you mentioned, we spent the last 20-plus years building all those things, and whether it's the security apparatus around the system, everything around the adapters and the integrations, there's so much operational investment that goes into this that goes way beyond code development, code writing. And so I think that is at the heart of the argument.

And when you look at the conversations we're having with customers starting a year-plus ago all the way up through we had our Client Advisory Board this week, it's pretty clear they are leaning on us when it comes to their future AI journeys. And I think one of the things that we saw even in the third quarter in our renewal data was even longer duration. So the customers are voting with their wallet that they want to partner with us and help them solve their AI and work with them on their AI journey.

So when we talk about the terminal value debate that's been going on for the last 12, 18 months, I think our customers and our prospects speak the loudest. But again, there's just -- it is hard to overstate how much goes on around this platform to operationalize it and serve our customers day-to-day that goes way beyond replicating a digital banking experience.

Bill Carcache
Piper Sandler & Co., Research Division

And then separately, I wanted to follow up on the success that you've had with your relationship-based pricing products, which came into focus last quarter. I wanted to ask if you could give an update there. And I believe banks have historically had a pretty siloed view of their customers across different products, whether it be CRE loans or C&I or different deposit products. Maybe could you just go a little bit deeper into the features of that relationship-based pricing tool? Does it give banks the ability to look at the customer across different loan and deposit products more holistically so they can make more informed decisions about whether to give that customer a bit more of a favorable rate on the profitability of the relationship? Any additional details you can give there would be helpful.

Matthew P. Flake
President, CEO & Chairman of the Board

Yes, Bill, the thing that's driving a lot of the activity for us is the complexity of the rate environment right now. And pricing a loan when it was at 0 was not that complicated. But when you have deposit rates up, loan rates up and you've got other factors you've got to build into it, it could be treasury pricing. There's a lot of things you have to factor in. And we sit on $2 trillion of loans, about $2

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trillion of deposits, and we can use that data to help the bank make a more informed pricing decision, which might be you price the loan a little tighter than you want to, but you get more on the deposits, or you charge more for the treasury.

So the backdrop is the complexity of the pricing environment, and that's why you're seeing the demand environment, because they need real data to make these decisions because it's more complex. And so I think you're going to see that continue into the future, especially the potential for rate hikes and the complexity around that. So that asset of ours, our relationship pricing tool, continues to be more and more valuable, and we continue to see more and more momentum behind it and interest and engagement.

Operator

And your next question comes from the line of Brett Huff with Stephens.

Brett Richard Huff
Stephens Inc., Research Division

Matt, Jonathan, and Josh, it's nice to be speaking with you again after a few years off. Congrats on a nice quarter. One question on fraud. You mentioned outcome-based pricing on some of the fraud products. And I'm wondering that's a trend that we're seeing across software. How are those conversations going? Is it something specific about fraud and the very, I guess, calculatable nature of that, that makes outcome-based pricing work there? Or is that something that customers seem open to more generally?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Well, I do think you're hitting on a point around on the fraud product that the value proposition there is very clear to the financial institution. It's clearly something they're watching closely and measuring our ability to help them reduce the degree of it.

I do want to correct something you said around outcome-based pricing. What we're really doing on the fraud side is we're pricing it in a way where we get paid essentially in addition to the base platform for incremental businesses and consumers that we're protecting. So you could call it, I guess, outcome-based pricing, but really, it's the customers that we're ultimately protecting against account takeover that can drive incremental value. It's not, for example, the dollars of fraud stopped from X to Y as an example. So we don't call it outcome-based pricing in that regard, but it is certainly their outcome that they desire is to protect the end consumer or the end business, and that is how we're pricing it at least for that product.

Brett Richard Huff
Stephens Inc., Research Division

And then a follow-up. On the renewal question, I think, Matt, you hit on this a little bit and I know that you've been feeling the love on maybe early renewals, better expansions. Have those conversations evolved any as probably banks are looking more and more for a longer-term partner to get embedded with for the fulsome digital and AI transformation? Is there anything materially different happening or positive or negative?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes. I guess I alluded to earlier, one thing I would say that whether you look in Q3 here of '26 or even earlier, it is worth noting that when you look at the economics of these renewals, so think about things like price increases, the amount of cross-sell that goes into a renewal, what we call annual increases or effectively our inflation index. And then maybe more important even than all of that when it comes to backlog math is duration of these contracts. All of those things are performing really, really well, and Q3 was the strongest on those dimensions so far this year and even stronger than the really strong renewal quarters we had in the back half of 2025.

So I think we're in a good position when it comes to the underlying health of the renewals. And like you said, we're working with our customers, trying to paint the journey of how we can help them on the AI front, on the fraud front, obviously, on the digital banking side, and we're trying to lock them in and grow those relationships. So it's going really well, and we're excited because there's a lot more opportunity ahead of us on that front as we move into '27.

Operator

And your next question comes from the line of Terry Tillman with Truist.

Luc Andre Radice
Truist Securities, Inc., Research Division

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Can you guys hear me?

Matthew P. Flake
President, CEO & Chairman of the Board

We can now, Terry.

Luc Andre Radice
Truist Securities, Inc., Research Division

Sorry, this is Luc Radice on for Terry. Apologies about the technical difficulties. But first off, congratulations, Jonathan, on the new role. And I guess, to start off, how is the cross-selling relationship between relationship pricing and digital banking? And do you still see it as a one-way street where relationship pricing is only being really sold into commercial customers? Or are you starting to see relationship pricing customers add commercial banking? And I guess, in your view, what needs to occur to upstart this cross-sell?

Matthew P. Flake
President, CEO & Chairman of the Board

Yes. I would say it's more selling relationship pricing into existing commercial customers. And you just have a bigger footprint with digital banking and a bigger relationship in the financial institutions that it runs in. But we're building -- remember, we have 9 of the 15 biggest banks in North America that use the relationship pricing tools. So some of those aren't necessarily a great fit for our digital banking. But some of them, we are expanding the relationships, having bigger conversations. Some of them have actually -- I think we've sold fraud into some of the relationship pricing customers, some stand-alone fraud products.

So the important thing is that we're engaging with our customers, finding out where their challenges and the opportunities are and what problems we can solve for them. I don't really have a time frame on when we would do more of that, but I think it's important to know that we're engaging with the customers and trying to figure out what solutions we can plug in and what problems we can solve for them.

Luc Andre Radice
Truist Securities, Inc., Research Division

And I guess as a quick follow-up, it was great to hear about the traction with UAM signing roughly 20 customers. Anything you could share on the revenue ramp and timing of these customers with UAM or maybe just the broader AI products? Or is that still too early?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

It's pretty early. Those customers, they're all live and in production now in the context of the early adopter phase. But the reason it's too early to talk too much about the revenue ramp and the trajectory there is we obviously are not in GA yet, and we need to see how pricing and scale and the timing of selling the deals in GA will shake out. And so part of early adopter is more favorable pricing and also experimentation on pricing. So until we're in GA as we get into the new year and in the case of UAM, it should be before then, late this year -- we just need to see that to be able to comment on the revenue opportunity. To be clear, that is not factored into the guidance, the early look of reiterating the '27 outlook. So if GA proves positive, and we see good traction, that could provide upside to that. But that's not -- there's just not enough there for us to comment on yet.

Operator

And your next question comes from Matt VanVliet with Cantor Fitzgerald.

Matthew David VanVliet
Cantor Fitzgerald & Co., Research Division

Congrats, Jonathan, very much deserved. First, on the success that you called out this quarter on the credit union side. Curious if you can just peel that back a little bit. Anything changing in the underlying trends in the credit union market? Or is this more of a factor of internal changes and investments made around covering that market? What, if anything, do you attribute some of that strength to?

Matthew P. Flake
President, CEO & Chairman of the Board

I think it's largely the $3 billion credit union that we highlighted. Credit unions are getting more and more into business banking, and they see the opportunity there a single platform provides them with the ability to take a member who's on the credit union system,

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who may be running a small business and offer them on-demand ACH, wire entitlement, whatever type of commercial functionality where they don't have to get a new login ID and they don't have to set up a new system and have 2 different logins to look at their information, and that's what our platform provides.

So our experience with cash management, we have advisory services where people can go out and help them and figure out and teach them how to sell the products, the whole suite that we have is what's really driving a lot of the engagement there. We've been in credit unions since 2008 or '09. And half of our 28 million users are credit union members, so 50% of the top 100 credit unions. We've always been a credit union provider. And so I think it's just -- it's starting to show up.

And I would say the sales team is doing a good job, and the marketing team is going to continue to drive that message to the credit unions about how our product can help expand from nonsecured consumer auto lending, home equity, where they get into a broader set of products to help them survive this tough economy for consumers.

Matthew David VanVliet
Cantor Fitzgerald & Co., Research Division

Very helpful. And then as you look at the Helix business, it would seem like a lot of the FIs or maybe some of just the nontraditional customers that you're reaching there are maybe struggling with the higher rate environment. But I guess how is the business of Helix progressing lately if you delineate between traditional banks launching maybe new product lines or new ways to attract customers versus those nontraditional and the overall health of that market?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes. there hasn't been a lot of change so far in the second half of '26. What I'd say is we did a good job in the -- 2019, 2018 through 2023 when -- or late '22 when rates started rising into '23 when the bank failures happened and before the BaaS space really changed fundamentally in adding a bunch of very, I would call, marquee and high-volume customers. And those folks have really oriented themselves around their programs and being profitable and active engagement with their customers as opposed to spending money to grow really fast. And so those customers for us -- we've done a good job renewing them, and they're healthy and they're growing, but they're not investing and growing like they were 3, 4 years ago.

And then when it comes to net new on the nontraditional side, the fintech side, for example, there since 2023, the backdrop has been pretty slow. And so as we've shifted more of the messaging and the value prop and the team towards traditional financial institutions and the opportunity there, that's where we're having some exciting conversations and intrigued about the opportunity, especially on the retail banking side with the Helix core and our digital banking platform, but it's still early, and we haven't seen enough traction there yet to be able to tell a story of meaningful progress to report on.

Operator

And your next question comes from Parker Lane of Stifel Nicolaus.

Jeffrey Parker Lane
Stifel, Nicolaus & Company, Incorporated, Research Division

Jonathan, when you look at the framework for 2027, the 12.5% to 13% growth, and look at the pipeline you have in place, do you expect any deviation from this year's growth drivers? Do you expect bigger contributions from risk and fraud and relationship pricing relative to core? And just to clarify, it doesn't sound like there's any meaningful AI contribution in there. Is that correct?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

The latter part is correct, yes. And the former, we do expect a little bit more continued mix shift and contribution and more rapid growth candidly from, for example, the fraud side of the business. But still feel really good about the pipeline on digital banking across retail and commercial and banks and credit unions. So very optimistic about Q4 into Q1 and Q2, about as far as we can see right now. And then also, Matt already talked about on the relationship pricing side, I feel like we got some good opportunities we've got to go execute on and sign before the end of the year, and the pipe into '27 also has some meaningful deals. So it's pretty broad-based, and we've got to go execute them.

Jeffrey Parker Lane
Stifel, Nicolaus & Company, Incorporated, Research Division

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And just to follow up on an earlier question about the price discovery around AI functionality. What are you learning from those conversations you're having with customers in the early access program? Is there going to be a single or consolidated pricing offering? Do you expect more bespoke pricing based on customer needs? What's the current ideation around that?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes, it's a great question. It's very topical. I think we're learning what you just said, is that it's not going to be uniform across products and even potentially across customer types. So it varies by product, but what we're seeing is, in all cases, some form of hybrid model is what seems to be resonating with the customers in terms of having some base platform fee that protects us and them against usage and, I'll say, overusage, but then some variable lever around value that, like I talked about on the fraud side, whether it's the number of businesses or consumers we're protecting, or in the case of Assistant, the number of use cases that we're using to drive value on. So it really is a hybrid model, and we're really looking forward to seeing how this scales in once it's generally available, because the feedback has been very positive.

And I think we've chosen 3 lanes for AI: protect the institution, create builders and drive efficiency for the bank and the back office where these are areas where they're willing -- the FIs are willing to start experimenting. We're seeing more and more adoption every quarter. And so we've mapped our product road map to those 3 lanes, and it seems to be resonating, and pricing has not been a major hurdle for us so far. So we feel optimistic that, that can show well as we get into '27 from a bookings perspective and then '28 and beyond when it comes to the real revenue opportunity.

Operator

And your next question comes from Joe Vruwink with Robert W. Baird.

Joseph D. Vruwink
Robert W. Baird & Co. Incorporated, Research Division

Can you hear me okay?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

We got you, Joe.

Joseph D. Vruwink
Robert W. Baird & Co. Incorporated, Research Division

Okay. Great. In the past, when you've tried defining your risk and fraud areas, I think that was quantified as a $4 billion TAM. I'm wondering if you think that's still the right number. One thing that stood out from Adam and Hima's talk this week was just talking about how the personal agents in the bank setting creates a lot more surface area that now needs to be tracked and monitored. It would seem like that expanded scope should translate into economics and what fraud intelligence can garner.

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes. It's a great point. The reality is we run this analysis annually, and coming into the year, we would admit that the $4 billion is maybe a little conservative. And certainly, as you listen to Adam and Hima on the podcast, it is clear that these use cases are evolving and the surface area is growing, and that's leading to more opportunity. It's hard to quantify the monetization of that yet and what that would incrementally add to the TAM, but we certainly feel like it is a very large TAM and one that we're just scratching the surface of the opportunity on.

Joseph D. Vruwink
Robert W. Baird & Co. Incorporated, Research Division

That's great. And congrats, by the way, Jonathan. Maybe just on the sequential development in RPO. I know you've been talking about how when you look at the renewals that transacted, really good development. Were the number of renewal events a bit lighter in the 3Q period? And does that maybe step up in 4Q, which is naturally going to be good for sequential RPO development? I think if I go back to like the fourth quarter of 2023, obviously, a great new bookings quarter, but were there also renewals happening then which are going to come back around now that you're at year-end?

Jonathan A. Price

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CFO and Executive VP of Strategy & Emerging Businesses

Yes. The '23 cohorts wouldn't be coming back around yet. You got to remember, most of these deals are 5-plus years in duration. And often, they're renewed early and can have incremental term on top of what's left. So that wouldn't be the cohort that's coming around yet.

But you're right that there is seasonally a step-up in Q4, and we certainly feel good about the step-up opportunity we have. And yes, Q3 is typically a lighter quarter, although Q3 of last year wasn't, and so that created a tougher comp for us. But I think most important, we don't manage the business on a quarterly backlog basis. And so what we look to every quarter and every year is the underlying fundamentals I talked about earlier, which is the health of those renewals: a, that we're not churning them; and b, that the economics and the duration are holding strong. And all of those are strong, if not stronger, than earlier in the year and late last year.

So for us, I feel good about Q4 when it comes to the number of opportunities and the dollars available. But obviously, we got to just execute on those and continue to see the fundamentals hold strong because that, I would argue, matters more in the long run than any one quarter and what's available to be renewed within a given quarter.

Operator

And your next question comes from the line of Cris Kennedy with William Blair.

Cristopher David Kennedy
William Blair & Company L.L.C., Research Division

Can you provide any update on Innovation Studio and talk about how AI can impact the opportunity with that asset?

Jonathan A. Price
CFO and Executive VP of Strategy & Emerging Businesses

Yes. Innovation Studio is having a phenomenal year through 9 months, whether you look at bookings, revenue, adoption. We're seeing really good uptake on, obviously, a broad range of products now that are over 200 and counting in terms of the number of partner products.

In terms of AI, I think you're seeing almost everyone in Innovation Studio think about whether it's new SKUs or upping the value proposition of existing SKUs leveraging the AI tools that are out there. I think that's becoming par for the course. And so I think that's a nice halo effect on our business because we can participate in all of that technology as we distribute it to our customers and the associated economics.

But yes, AI is touching everything, and we're grateful that our partners are leaning in and adding new partners that are maybe more AI-first and coming from a different angle than some of the incumbents. So really pleased with where we're at with Innovation Studio and looking forward to a strong fourth quarter and beyond.

Operator
There are no further questions at this time. This concludes today's call. Thank you for attending. You may now disconnect.

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