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# Clearwater Analytics Holdings, Inc. (CWAN)

Q3 2024 Earnings Call

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

**Subi Sethi**

*Chief Client Officer, Clearwater Analytics Holdings, Inc.*

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

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## OTHER PARTICIPANTS

**Brian Schwartz**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by, and welcome to the Clearwater Analytics Third Quarter 2024 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 Joon Park, Head of Investor Relations, to begin the conference.

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**Joon Park**

*Head-Investor Relations, Clearwater Analytics Holdings, Inc.*

Thank you and welcome everyone to Clearwater Analytics third quarter 2024 financial results Conference Call. Joining me on the call today, as usual, are Sandeep Sahai, Chief Executive Officer; and Jim Cox, Chief Financial Officer. In addition, Subi Sethi, our Chief Client Officer will also join the call, introducing herself to investors. After their 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, and similar items, including without limitation expressions using the terminology may, will, 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 matters 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.

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

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## Sandeep Sahai

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

Thank you, Joon. I am pleased to report that Q3 2024 was a truly outstanding quarter for our company. We continue to make solid progress on the growth initiatives we've been working on, and it's very rewarding to deliver these financial results.

Revenue for the quarter was \$115.8 million, a 22.4% year-on-year increase. Our annualized recurring revenue ARR grew by 26.1% year-on-year to \$456.9 million. As I'm sure you'll agree, these are really strong growth numbers. Since the acquisition of the Wilshire asset is so new, we can measure its impact separately this quarter. So excluding the impact of the Wilshire ARR, ARR grew 24% year-over-year. The backbone of our growth story is our best-in-class gross revenue retention. For the last 22 out of the 23 quarters, our GRR has been 98% or higher. And for the last three quarters, we have recorded a 99% gross revenue retention. That is extraordinary.

Next is the upside from AUM growth. After a long and sustained period, where AUM expansion provided a gentle tailwind to ARR growth, it turned into a real headwind in 2022. You may recall the extensive work we did on the restructuring of our client contracts. We worked very hard to limit our downside, while ensuring that we shared in the upside with our clients. It is very rewarding to see that effort bear fruit in this quarter, and provide a gentle tailwind to our growth.

New logos have long been a driver of growth, and we continue to see a significant runway in each of the markets we serve. The North American insurance asset management and asset owner markets continue to be important levers for growth. Increasingly, though, we see the international markets as an emerging engine for growth, and I'm very encouraged to report that we see continued and sustained expansion in both booking and pipeline.

To support our growth in Europe and Asia, we have been very fortunate to add exceptional talent to our leadership ranks with four strategic hires. They include Adrien de La Grange as Head of Sales in France, Belgium and Luxembourg. Alessandro Pavone as Head of Sales in the U.K. and Ireland. Amina Troger as the new Head of Global Delivery for EMEA. And Jose Salas as Head of Partnerships and Alliances for EMEA. We also opened a new office in Hong Kong, further reinforcing our commitment to that region.

Selling within our current client base is the next big lever of growth. We have done several things to ensure sustained ARR expansion within those markets. Number one, maintained a very high level of client satisfaction, where our success is evidenced by our NPS, which is meaningfully higher than 60%. Number two, we set up dedicated sales and relationship teams that focus exclusively on those key clients. And number three, a majority

of our new product innovations are directed at these key relationships. As a result of this, we have seen our revenue from current clients continue to expand.

Overall, we feel really good about the disruptive part of our platform, the competitive position we have in our industry, and therefore our ability to grow. Talking about our platform. Let's also discuss our approach to leveraging Gen AI for both efficiency and growth. We believe that Clearwater is at the forefront of using Gen AI. As you all know, generative AI models are only as good as the data on which they are trained. Our single instance multi-tenant platform provides us with an outstanding and comprehensive investment management dataset, and that can help power our Gen AI work. Our technology teams are already integrating this critical technology to transform internal workflows, training them on the best-in-class reconciliation data we alone have access to. And providing our clients with the ability to interact conversationally with the data in real-time.

And finally, the next growth level I'd like to talk about is inorganic growth through strategic partnerships and M&A to complement our organic efforts. While our programs in these areas are still in the early days, we're already starting to see benefits. Our recent alliance with Snowflake exemplifies this effort. Insurance firms, asset managers and asset owners can now seamlessly access all the investment data together. Think equities, fixed income, real estate, private equity, loans and private debt, allowing them to capitalize on new opportunities to grow their business.

We could not have achieved these exceptional results without continued operational rigor and a strong commitment to continuous improvement. Our ability to invest in these growth initiatives, while simultaneously improving gross margins is driven in large part by the steady incremental margin expansion that our operations teams have delivered.

And to discuss our operations, I would like to introduce you to our Chief Client Officer, Subi Sethi. Subi leads our operations teams globally, and is responsible for onboarding and ongoing customer service. Not only does her team do a great job delivering on a daily basis, but they're also true partners for our clients' growth. With over 25 years of experience, leading operations teams, for both large and midsize organizations around the world, Subi has been instrumental in scaling our business and processes across the company. With Subi at the helm, we have deepened client relationships, improved service delivery, and enhanced our platform's capabilities.

With that, I'll hand the call to Subi to talk about operations and how her team contributes to this powerful engine that drives Clearwater forward.

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## Subi Sethi

*Chief Client Officer, Clearwater Analytics Holdings, Inc.*

Thank you, Sandeep. Hello, everyone. It's genuinely a pleasure to be here with you today. As we take a look back at our quarter three performance, I'm excited to share that Clearwater's business model continues to shine brightly as a beacon of operational excellence. Serving clients across five continents and more than 1,400 relationships demonstrate our commitment to delivering exceptional performance. Every day we dive into complexities of managing trillions of assets from fixed income to mortgage loans, private credits and derivatives. It is a challenging but rewarding space, where we leverage advanced technology to reconcile data in real-time, and provide insights that help our clients thrive. Hence, our goal was to create an operating model that works seamlessly day in and day out, using technology not just to perform but to outperform.

Before we dwell further, I would like to take a moment to welcome four leading organizations to Clearwater, reminding us of the trust our clients place in our comprehensive solutions.

First, the American Endowment Foundation recognized the power of our platform to consolidate intricate reporting across tens of thousands of donor-advised fund accounts, providing comprehensive insights to both the foundation and their end clients. Their decision to select Clearwater demonstrates a commitment to precision, efficiency and a transformative approach to data management, bringing their operations to a new level of excellence.

Second, the American Civil Liberties Union made a forward-looking decision in choosing Clearwater, to simplify its investment management processes. Incorporating Clearwater LPx and Clearwater for Pooled Funds, the ACLU is on a path to modernization, transitioning away from multiple legacy system to a singular expansive Clearwater solution. This strategic move signifies the ACLU's commitment to leveraging advanced technology to enhance fund stewardship, particularly for private fund management.

Third, the Alameda County Employees Retirement Association, or ACERA for short, selected Clearwater to achieve greater transparency into its financial data. ACERA's initiative to adopt our automated reconciliation platform reflects their focus on data integrity and a scalable future as they expand their alternatives portfolio, along with the understanding of the value proposition and efficiencies that Clearwater will deliver.

Last but not the least, Lux Nordic Wealth Management is an asset and wealth management firm in Luxembourg that switched from legacy tool to Clearwater to leverage our platform's advanced order management portfolio management reporting integrated client web portal and comprehensive asset class coverage. Clearwater perfectly aligns with Lux Nordic Wealth Management focus and goals of elevating its market position and enriching its distinctive offering.

I also want to celebrate some incredible milestones that reflect our operational philosophy. Employee (sic) [Employers] (14:05) Reassurance Corporation. We recently onboarded ERAC, a GE Aerospace company onto our platform. I want to express my heartfelt gratitude to both teams for their hard work and collaboration. It is this kind of partnership that we truly value, and I'm eager to see how they benefit from our best-in-class solution.

A large U.S. insurer – I'm thrilled to announce that a large U.S. insurer is now live on our investment accounting platform. This transition has transformed their operations, replacing cumbersome manual processes with streamlined workflows. They're already feeling the positive impact from enhanced analytics to lowered cost. A European global financial firm, in under six months, we welcomed another European global financial services leader to our platform to provide effective risk and compliance oversight for their wealth management business. This achievement empowers them to enhance client service and boost productivity, and I couldn't be prouder of our team for making it happen so swiftly.

Transitioning to our guiding principles. When I took on my role at Clearwater, four years ago, I knew we needed to sharpen our focus on the principles that drive us forward. I would like to discuss the very beginning of our organization, which has been instrumental in propelling us forward. First and foremost, our global capacity. It ensures that we deliver effectively for our clients, no matter the clients' location. To best illustrate this, let's discuss data ingestion and normalization. As you can imagine, data comes to us from thousands of sources, globally, at all hours of the day. By having centers in Noida, Edinburgh and Boise, we effectively run a 24-hour operation when one team's hands off to the other seamlessly, and the client gets reconciled portfolio within hours of us receiving the data. This would have been incredibly hard without these three centers. However, client servicing is usually local, and that allows customers to get responses to their questions locally in near real-time.

Let's discuss leadership. As the company has become global, it was very important to build a leadership team that increased client proximity and included industry veterans who could build trusted relationships. I'm happy to report that our leaders have deep industry expertise and experience in managing large client relationships.

Domain expertise is another area we have focused very heavily on. Our teams are dedicated to understanding and addressing each client's unique needs, a skill that's both art and science, given the complexities of asset classes we deal with. For example, a mortgage loan reconciler will know exactly how many commands it takes to provide an accurate figure in the portfolio and similarly for derivatives. We've established systematic ways to monitor and measure number of commands on Clearwater system with the ability to drill down and take action in real-time. Our tier delivery model aligns our delivery to the unique size and complexity of each client, demonstrating our commitment to bespoke services.

And last, but not the least, continuous improvement. This is where we truly excel and something which I'm very passionate about. For example, we used to resolve a client inquiry within six hours. And using a continuous improvement mindset, this has been cut down to 2 hours. Today with Gen AI, we are resolving queries in near real-time. This leap-forward means the client is just a click away from creating an account or understanding intricate calculations, like book yield, all while receiving relevant, timely insight with our quick platform. We have made tremendous advances in the integrated use of Gen AI across our platform, and I'm happy to report that an increasing number of our inquiry volume has been deflected using Gen AI. It has also made our team members incredibly effective and productive.

These five principles aren't just words to us. They are the heartbeat of our operations and shine through in our exceptional outcomes. Our operational best practices empower our client with daily transparency and simplified processes, translating into an impressive 99% gross revenue retention rate, something we are incredibly proud of. Timeliness and accuracies are cornerstones of our service, achieving auto reconciliation for over 90% of transactions. With up-to-the-minute data at their fingertips, our clients can make investment decisions with utmost confidence.

Now, changing gears. We not only deliver every day, but we also anticipate what's on the horizon. To give you a sense of our forward-looking mindset, consider how we are gearing up for 2025 regulatory changes from NAIC. With eight substantiating guidance changes, 27 reporting changes, and the introduction of 24 new data elements, these changes are massive. While others are just getting started, Clearwater was the first to market with these updates, showcasing a commitment to innovation and leadership in the industry, and demonstrating how our technology adapts and remains invaluable.

We adopted a tailored approach for approximately 600 insurance client, successfully automating bond classification and data gathering. Our work empowered insurers to swiftly identify and reclassify bonds, while offering customizable report that enhance transparency and efficiency. Our proactive approach rooted in deep industry expertise, cements our role as a trusted partner, continuously delivering tremendous value to both our clients and our shareholders.

Let me take you through a recent example of how our clients closely work with us to deliver on value. In quarter three, we launched a Commercial Paper Issuance Tool, making our first foray into the debt side of the corporate balance sheet. Historically, commercial paper has been issued and managed entirely manually relying on faxes, telephone calls and emails to execute. Our Commercial Paper Issuance Tool replaces these outdated manual methods with a suite of sophisticated modules that allow institutional investors to gain a real-time panoramic view of their CP Issuance program.

Last but not least, we believe what gets measured gets done. Every day, our operations teams track key metrics, including auto reconciliation rate, the number of data models and securities, the number of commands, the frequency of client inquiries and resolution rates, among many others. We share these insights with our clients every day, ensuring that, as informed as we are, our remarkable 60+ Net Promoter Score reflects our dedication to meeting and exceeding our clients' expectation.

I would also like to talk about the importance of community and exchange of knowledge, as demonstrated by our recent Clearwater Connect event. This occasion brought together nearly 600 operations and finance experts from around the world. Connecting face-to-face was a highlight for our team, and truly underscored our commitment to reshaping the industry together. We also celebrated our Excellence Award winners and launched our inaugural Women in Finance networking breakfast, creating a space for connection and empowerment in our community.

And now, some closing thoughts. As we continue to navigate a changing financial landscape, please note, Clearwater focus on operational excellence remains steadfast. We are here to support client growth and confidently tackle the challenges and opportunities ahead together.

Now I'll hand the call over to Jim to dive deeper into our financial results. Thank you for your time.

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## James S. Cox

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

Thanks, Subi. Welcome to the call. And thank you on behalf of all of our shareholders for your leadership in delivering these tremendous results. I'd like to quickly discuss our Q3 results, provide Q4 guidance and then spend the majority of my time sharing our perspective on the proposal we will be providing to shareholders to terminate our Tax Receivable Agreement, or what we called the TRA agreement.

Our third quarter results were outstanding, and continued to build upon the impressive momentum from the first half of 2024. Our key metrics were exceptional across the board in Q3 with multiple record highs. We comfortably outperformed our revenue and adjusted EBITDA guidance in Q3 with a beat of \$2.3 million over the midpoint of our revenue guidance, and an equivalent \$2.3 million beat over EBITDA guidance for the quarter. These results underscore the profitable economics driving Clearwater's strong performance and the efficacy of our growth initiatives.

The strong EBITDA in part generated record high free cash flow of \$48.1 million in Q3. This represents an increase of 55.6% from last year's Q3. In addition to the strong EBITDA, positive working capital changes in the quarter also helped free cash flow as our days sales outstanding decreased to 80 days from 89 days in Q3 of last year. We ended Q3 with \$336.7 million in cash, cash equivalents and investments, and total debt was \$46.6 million, thereby resulting in net cash holdings of approximately \$290 million. This strong cash generation puts us in prime position to make strategic investments or reward our shareholders.

We increased our net revenue retention rate to 114% this quarter. This is a monumental accomplishment and, frankly, surprised us. It represents a notable increase from the 110% in net revenue retention we recorded last quarter. This meaningful increase is a reflection of our continued progress in growing with our clients, as approximately nine points of the contribution to NRR 114% related to the onboarding of additional assets and cross-selling new products to existing clients.

Additionally, we believe the interest rate environment from the Fed rate cut in September led to an incremental increase in AUM on the platform of approximately 2% over the gentle tailwind we had observed in the June quarter.

Finally, we achieved solid GAAP net income of \$4.8 million in Q3 versus a GAAP net loss of \$2.3 million in Q3 2023. The GAAP net income was driven in part by lower year-over-year equity-based compensation expense. We heard from investors that the level of equity compensation and that achieving GAAP income was important. So it is rewarding to achieve profitability on both a GAAP basis as well as non-GAAP basis throughout the first nine months of 2024.

For the full year 2024, we have again raised our revenue guidance to \$445.5 million, representing an improved year-over-year growth rate of approximately 21%. This full year guidance incorporated both the outperformance in revenue in the third quarter and our view on Q4. For the fourth quarter 2024, we expect revenue to be at least \$120.2 million, representing a year-over-year growth rate of approximately 21%. This guidance does not assume any incremental market-based AUM expansion in the fourth quarter.

For the full year 2024, we have also raised adjusted EBITDA guidance to \$142.5 million, an increase of \$2.5 million from our prior guidance. This provides adjusted EBITDA margin of approximately 32% for the full year and a powerful 35% increase in EBITDA year-over-year. For the fourth quarter of 2024, we expect adjusted EBITDA to be \$38.5 million, representing an EBITDA margin of, again, approximately 32%.

Today, along with these stellar third quarter results, we are announcing that we have filed an 8-K and related proxy statement related to the Tax Receivable Agreement between the company and our pre-IPO shareholders. In the proxy statement, we are asking our unaffiliated stockholders to vote on a proposal to terminate the Tax Receivable Agreement by paying an aggregate of \$72.5 million to the TRA counterparties and certain pre-IPO members of management. We will only terminate the agreement if a majority of the company's unaffiliated stockholders, a group that excludes all parties to the TRA and all TRA bonus holders who we refer to as TRA participants as well as all named executive officers and those of our directors who are affiliated with the TRA participants vote to approve the termination. Said another way, we will not terminate the TRA unless a majority of the company's unaffiliated stockholders vote to approve the termination.

The proxy statement has additional details and will encourage you to review it. But I'd like to underscore why the Board and Management believe the termination of the TRA is in the best interest of all shareholders.

Let me start with some background. In connection with our IPO, the company entered into a TRA which provides for the payment by our public holding company to the TRA participants of 85% of the amount of any tax benefits that the company realizes or in some cases is deemed to realize as a result of certain tax attributes. One of those attributes is any increase in the tax basis of the net assets of CWAN Holdings, which is our less than wholly-owned subsidiary. That result from exchanges of CWAN Holding units that TRA participants make for shares of Class A common stock in our public holding company.

In 2022, we recorded TRA expense of \$11.6 million. In 2023, we recorded TRA expense of \$14.4 million. Through the first nine months of 2024, we have recorded \$11.5 million of TRA expense, and expect the full year TRA expense to be approximately \$17 million absent any settlement. We have not yet paid to the TRA participants, the TRA expense owed to them for 2023 or year-to-date in 2024. And as of September 30, 2024, we have liabilities of \$28.8 million recorded on our balance sheet related to the TRA liabilities incurred in the past.

While the amount and timing of future TRA payment obligations is inherently uncertain, and is dependent upon the amount and timing of future taxable income and our share price among other things. We estimate the potential sum of future TRA liability from past exchanges and hypothetical future exchanges as of September 30,



2024, to be \$614 million, of which \$417 million relates to historical exchanges and \$197 million is related to future exchanges at the company's share price, as if exchanged on September 30, 2024.

In contrast, if termination of the TRA is approved by a majority of the company's unaffiliated stockholders, the company will settle all TRA liabilities, the unpaid \$28.8 million on the books as of September 30, and all future estimated TRA obligations for a total of \$72.5 million.

We believe this transaction will have a number of benefits for the company. First, it will generate significant savings compared to the cumulative expenses we expect we will incur over the life of the TRA. Second, once terminated, the company will not have to utilize cash to fund ongoing TRA obligations. This will positively impact the company's future operating cash flow and potentially the company's valuation to the extent the company is valued based on cash flows. Finally, terminating the TRA will eliminate the need to record a large liability when or if the company were to release the valuation allowance we currently maintain on our deferred tax asset balances. By eliminating the potential to record the liability, we believe the company has greater ability to complete strategic transactions and provide shareholders greater certainty about the company's future financial performance. The payments made to TRA participants are not conditioned upon those TRA participants continuing to hold any ownership interest in CWAN Holdings or in the public company.

Given the company's current strong cash position and the fact that certain of the TRA participants remain significant, shareholders and hence are aligned with the interests of other shareholders, which may change in the future, we believe now is the right time to terminate the Tax Receivable Agreement. For example, at the beginning of 2023, there were over 177 million Class C and Class D shares outstanding of the company's common stock, which were held exclusively by TRA participants. That number reduced to approximately 115 million Class C and Class D shares outstanding at the end of 2023. And today, there are less than 75 million Class C and Class D shares outstanding. For these reasons, we believe it is a good and shareholder-friendly use of resources to execute this TRA termination at this time. We hope you agree, and we are all very happy that we are putting the ultimate decision whether to proceed or not to you, our shareholders.

With that, I'll turn it over to Sandeep to provide some closing thoughts.

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## Sandeep Sahai

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

Thank you, Jim. We are very pleased with the Q3 results and inspired to carry our business momentum forward. As we have noted, our key metrics were exceptional across the board with multiple record highs. We're excited about the continued strides we are making across the business and remain steadfast in our mission to deliver the world's leading investment management platform for the [audio gap] (36:37-36:49).

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**Operator:** Excuse me, everyone as we re-connect our speakers.

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## James S. Cox

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

Yes. Are we ready for questions?

A

## QUESTION AND ANSWER SECTION

**Operator:** Great. All right, everyone. We will now begin the question-and-answer session. [Operator Instructions] We will pause here briefly as questions are registered. Our first question comes from the line of Brian Schwartz with Oppenheimer. Your line is now open.

**Brian Schwartz**

*Analyst, Oppenheimer & Co., Inc.*

Q

Yes. Yes. Hi. Thanks for taking my questions and congratulations on these results. Sandeep, just trying to dive into the booking strength that you're showing here this quarter. Did you have any outsized megadeals or did any markets have an outsized impact? Or was the booking strength pretty broad-based across your core end markets?

**Sandeep Sahai**

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

A

Yes. Thank you, Brian. So, in getting ready for this call, I must admit, we looked for that. We looked for geography, and try to think of international grow faster, did the U.S. domestic business grow faster? Or did we get a lot of deals from current products or new products? And frankly, what we found was it was very, very broad-based. So there wasn't at all a situation where it was one deal or two deals. It was across industries. It was across geographies.

Now, new products continue to bring momentum to booking. I think we had said in quarter one, if I remember correctly, that a quarter of our booking was from these new product innovations. And that is almost exactly that number even now. So again, it was new logos, it was back-to-base sales, and nothing really stands out, which I would point to.

**Brian Schwartz**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thank you. And the follow-up question I have for Jim. The NRR result that you're reporting here is pretty close to your goal for 2026. So how should we think about that 115% ceiling? How hard is that ceiling? Or could that ceiling potentially be a soft ceiling, and there is potential that the back-to-the-base motion could perform even better than what we were previously thinking with that goal that you gave us. Thanks again for taking my question.

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Thanks, Brian. So I think that that's – I think we continue to believe that NRR 115% in 2026 is a very achievable goal. I think we're obviously buoyed by these results, in particular the fact that 9% of that kind of 14% was from new products and increased wallet share from clients on our platform. That was 3% higher than last quarter. But remember, a lot of these new products are mature – not mature. They're maturing. They're not fully maturing. So, to think about our ability to perform with respect to those consistently quarter after quarter after quarter, I think that we, you know, we'd like to see more consistency before we know there's a straight line.

I think that we all laugh as soon as we get close to achieving any of these metrics that we laid out last September, we start thinking, do we need to move to the next step? And I think we'll stay focused on delivering 115%

consistently, reliably, durably. That's what we're really focused on, is that durable, reliable growth and focus on achieving that next.

Next question, please.

**Operator:** Thank you for your questions, Brian. Our next question comes from the line of Andrew Schmidt with Citi. Your line is now open.

**Andrew G. Schmidt**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi Sandeep, Jim, Subi. Thanks so much for having me on the call here. I want to go back to NRR. Obviously a great result this quarter. And you mentioned onboarding of additional assets. It sounds like that was a nice surprise relative to expectations. If you could just talk about what drove those wallet share wins and to what extent that – you know, obviously still a lot of opportunity to gain wallet share. To what extent that momentum can continue. Thank you very much.

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Yes. So wallet share really comes in two ways traditionally. Number one is with our large asset management clients, as they grow, we grow with them. In fact that's one of our large value props when we think about selling to their business. How can you grow and expand your business? That's one area. Another area can be through M&A and those sorts of transactions, and those were helpful, as well as cross-selling the new products that we have, including LPx, MLx and those variety of products.

One other thing, just to give a little more color to folks. In Q2, we had said, hey, we see a gentle tailwind, a small tailwind in from AUM, which would be that activity that we actually aren't selling necessarily for, but we see growth in those clients. That can be difficult to isolate the market impact of that. But we were able to kind of do some work, and we feel very confident that in September, we saw a 2% increase in that relative to what we saw in the June period. So I think that also helped on the NRR 115%, just to be transparent with folks.

**Sandeep Sahai**

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

A

Yes, Andrew, I would just add that obviously we are spending a real amount of money on new product and innovation. And 40% of all that new product innovation goes into current clients. And so that is a back-to-sales motion, and that obviously helps the [ph] NRR cost (43:39). And like Jim said, these aren't mature, so we can't be reliable – they aren't reliable growth levers. But we absolutely expect that to happen in due course. And which is why we've always said that, quarter one 2026 is when you want to try and achieve 115% reliably.

**Andrew G. Schmidt**

*Analyst, Citigroup Global Markets, Inc.*

Q

Got it. Thank you so much for that. And then I know, gen AI that the quick modules were a big focus of Clearwater Connect. It sounds like there's a little more clarity on how you want to monetize those. It seems like that could be a big opportunity when we think about 2025 cross-sells versus 2024. Can you just talk about the opportunity there, and any additional details on how you're planning to monetize AI functionality would be helpful. Thanks so much.

**Sandeep Sahai**

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

A

Thank you, Andrew. And on that question, look, there are two parts to this. One is, does it make our platform and our operations much more efficient? On that, we have lots and lots of proof points. And I think Subi in her remarks was talking about deflection. So a client wants to ask a question and they have a gen AI, the tool on their platform, and they ask the [ph] question off (44:57) the tool. Sometimes they're happy with the answer, and sometimes they're not. But if they are happy with the answer, that question never comes to us. And therefore, we don't have to go out and invest people's time to respond to that question. So on the efficiency side, I think there are many use cases. And Subi and her team have done a great job of using it to drive gross margin.

The same thing happens in data and reconciliation that can Gen AI tool give us ideas about how to reconcile. And if that is correct, then we accept it and that saves a lot of time. On the other side, which is revenue growth, right? So that is the one we have talked about a little bit. And one of the big areas where we are trying to use this is insights, insights on our product. And I think in Clearwater Connect, we talked about that, and frankly was one of the most attended sessions because of the level of interest. At this time, we launched our product.

Jim, when did we launch this?

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

September. September 9.

**Sandeep Sahai**

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

A

So we launched it in September. And we have a little bit more than 10 clients who are paying customers. Now, this is only for the corporate market, Andrew. And we expect that to take that out to the insurance clients at a later point of time.

So we are excited about it. But if you asked me, Hey, is that giving you 5% of growth? No, it's not there at all. If you asked me, Hey, is it contributing meaningfully to gross margin? Yes, it already is. Now, both those levels are not like, Oh, this is the end of what Gen AI I can do. I think it's very, very early in terms of being able to drive revenue or frankly even improve margins. So we are big fans of it. We continue to make a real amount of investment in it. And – but we see benefit of that literally every quarter.

**Andrew G. Schmidt**

*Analyst, Citigroup Global Markets, Inc.*

Q

Got it. Thanks so much, Sandeep.

**Sandeep Sahai**

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

A

Thank you. Thank you, Andrew.

**Operator:** Thank you for your questions. Our next question comes from the line of Yun Kim with Loop Capital Markets. Your line is now open.

**Yun Kim***Analyst, Loop Capital Markets LLC*

Q

Great. Thank you. Congrats on another solid quarter. Jim, just going to continue the theme on the NRR here. Obviously you saw 9% uptick or contribution from the new products and asset types and whatnot. How much of that 9% was driven by new product versus simply new asset type and more asset volume, where I guess we're trying to figure out how sustainable this strong uptick is going forward. So if you can give us like at a high level at least what you're expecting around the NRR to trend in the near-term.

**James S. Cox***Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Yes. So I think the question of what's the trend. Obviously, NRR 114% was a very strong trend and sequentially strong. I think I mentioned there were a couple points from the AUM tailwind in September from that rate change. But I think that if we live in this range for the next quarter to two, I think that we're comfortable in this range give or take one or two points.

**Sandeep Sahai***Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.*

A

Yes. I think the only point I would add is that we've been historically never ever looked at the interest rate or the impact of that. We've always never either talked about it or discussed it or built it into our models. So I think we stay around this range over the next two, three quarters. I think that would feel good. But if the products continue to do more and more, that will make us feel more satisfied about the trend.

Having said all that, look [indiscernible] (48:58-48:59).

**Yun Kim***Analyst, Loop Capital Markets LLC*

Q

Okay, great. Thank you for that answer.

**James S. Cox***Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Yes, we should be happy about the 114%.

**Sandeep Sahai***Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.*

A

We are very happy with the 114%, I would say, yes.

**James S. Cox***Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Yes. Yes.

**Yun Kim***Analyst, Loop Capital Markets LLC*

Q

Yes, definitely. Thanks for that answer. Sandeep, if you could just talk about the mix between asset managers and insurance companies, is that mix skewing towards one or the other? And if it is, is that changing your go-to-market, and the overall go-to-market around the adoption around your newer products? Thanks.

**Sandeep Sahai**

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

A

Yes, so, you know, we were just looking at that data, and there really isn't within 1% of the earlier distribution. So no real change. I think the question was asked earlier about, this really high quality ARR growth, which industry did it come from, was there one or two deals which made the difference? And it's just been really broad-based. Frankly, even on geography, we try to see there's something on the geography side which contributed unnaturally to it and not true. So, you have that movement of within insurance and asset managers and asset owners, literally within a percent of what it was a year back.

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Yes, right. Thanks.

**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.

**Operator:** Thank you for your questions. Our next question comes from the line of Rishi Jaluria with RBC Capital Markets. Your line is now open.

**Rishi Jaluria**

*Analyst, RBC Capital Markets LLC*

Q

Oh, wonderful. Thanks, everyone, for taking my questions. Nice to see some pretty solid numbers across the board here. I want to maybe first start kind of better understanding. Jim, you called out the impact to AUM, AUA from the coming interest rate cut. If we think about maybe the potential for future interest rate cuts. I know historically it's obviously been a tailwind to overall ARR growth, AUM growth. Under the new pricing model, the subscription plus model, how should we be thinking about the sensitivity? And you don't have to give an exact number. But, [ph] conceptually, right, a 50 bps cut or 100 bps cut (51:02), what sort of tailwind would that have on ARR over kind of the duration of the contract? Maybe help us understand that sensitivity. And then I've got a quick follow-on.

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Well, I think I'd summarize – so, I can't give you the exact specifics. But just for those of us who haven't been as familiar with the story forever. When we first went public, we were 100% AUM and we went up and down. After 2022, we pivoted to what we call the base plus model, limiting our downside and also modifying to some extent the upside. So it's a little bit of a new model for us.

And then what I've always said in the past is it also depends on the – the interest rate change impact also depends very much on the duration and how our clients' portfolios are changing. And as a result of our insights tool, we're able to see that at least on the corporate side, throughout the summer, our clients moved from shorter duration into much longer duration. And so, you have to look at the long end of the yield curve.

I'll contrast that by saying back in 2022, under the old model, when there were roughly 500 basis points of change, where interest rates went up by that amount, that became a headwind of about 500 basis points. So we think directionally it's far less than that. But that was a very significant move where the entire rate curve pivoted. So, look, I think it's a tailwind. Obviously we're happy with interest rate cuts because it is a tailwind. It hasn't been that meaningful. We focus on the underlying growth drivers of winning new clients, doing more for our clients and driving that. And that drives a durable, reliable 20%-plus growth algorithm for us. But look, we're happy about it and it's a bit of a tailwind. And we think under our new contract structures, the positive impact of that is somewhat less than the – than what we saw back in 2022.

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**Sandeep Sahai**

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

A

And Rishi, we are not giving you a straight answer with numbers. Because let's say the interest rate goes down by 50 basis points. That doesn't translate into anything except that what does it do for bonds? Does it take the price up X percent? What does it do for bank loans? What does it do for derivatives? What are the – so you have to look at all the asset classes and see what the impact on the price of that security or asset class was. And then what are the distribution on our platform? And therefore effectively how much does AUM go up? But to the other part of your question, we would capture most of it. So when you think about the contract structure, if it went up, let's say, by 1%, we would capture most of it, right? But how much exactly the impact of a 50 basis point cut is on all of these asset class pricing? That's just hard to sort of lay out.

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**Rishi Jaluria**

*Analyst, RBC Capital Markets LLC*

Q

All right. No, understood. That's helpful framework to kind of think about.

And then, in your prepared remarks, you both talked about wanting to preserve flexibility for both partnerships and M&A. Obviously, M&A has been pretty successful, especially over the past couple years with JUMP and Wilshire and a few others. I want to ask a little bit about partnerships though. Really excited to see that Snowflake partnership in the past week, seems really exciting. Just kind of going forward, especially as you leverage more Gen AI and analytical capabilities, how do you think about your ability to work with other vendors and have partnerships similar to what you have with Snowflake and ultimately just add more value for your clients? Thank you.

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**Sandeep Sahai**

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

A

Yes. So I'll answer one part, and maybe Subi can talk about Snowflake more specifically. But look, we were – one of the big reasons of wanting to go to AWS was that, is once you have it on our platform, which very many people can use and access, then you can open up the platform. As you might know from before, we are very committed to an open architecture. We think close architectures do not drive the market. And we feel an open architecture where you can work with other technologies in the industry is the powerful way to think about it. And that applies to order management systems, portfolio management system, risk management systems.

And so a lot of our energy in 2025 will go into really establishing deep relationships who can help us grow. But we want to be part of that ecosystem. We don't want everything end-to-end necessarily to be on Clearwater. But if a client wanted that, they would have that option. So we would be able to provide JUMP, we would be able to provide Wilshire and our own risk technologies and obviously our accounting platform.

So Subi, could you just talk a little bit about Snowflake and what that does for clients?

**Subi Sethi**

*Chief Client Officer, Clearwater Analytics Holdings, Inc.*

A

Sure, Sandeep. As far as Snowflake partnership is concerned, Rishi, it enables our clients to kind of access Clearwater data through the entire Snowflake lake, which means that in case if our client is looking for a single pane of a reporting solution, a single pane of glass, they can run this – their data through that. And our partnership enables us to kind of the point which Sandeep was alluding to on the open architecture, and create a one common view about how their portfolio is looking like, what is their risk looking like, how is their performance looking like. So that has – that we believe will give us an uptick for our clients and solve different reporting solutions and different pane of glass for our clients which, I would – honestly speaking, our clients every day ask us for. That's the biggest pain point. Needless to say, Snowflake is also a great client for us, so that partnership works both ways. So, I'm very happy to say that.

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Well said, Subi.

**Sandeep Sahai**

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

A

Thank you, Rishi.

**Subi Sethi**

*Chief Client Officer, Clearwater Analytics Holdings, Inc.*

A

Thanks.

**Rishi Jaluria**

*Analyst, RBC Capital Markets LLC*

Q

All right. Wonderful. Thank you so much.

**Operator:** Thank you for your question. Our next question comes from the line of Michael Infante with Morgan Stanley. Your line is now open.

**Michael N. Infante**

*Analyst, Morgan Stanley & Co. LLC*

Q

Hey, guys. Thanks for taking my question. Apologies for beating a dead horse here on the interest rate dynamic. I just want to make sure I understand the 2-point benefit relative to the 50 basis point Fed funds, kind of like why, why conceptually was it so strong, like I would imagine a cohort of your insurance clients aren't able to pivot their books as aggressively towards the front end of the curve, whereas the insurance – the asset management and corporate clients are. So maybe just any high level views on why the AUM impact was so pronounced.

**Sandeep Sahai**

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

A

Yes. I think the thing you got to think about is don't index too much on the 50 basis points. Index on what did that do to the price of municipal bonds, what did that do to the price of corporate bonds, what did that do to bank loans? And so you got to think about the price of assets. And the asset pricing moves because of the interest rate,



but also sometimes the expectation of a change in the – of the interest rates. So all of that combines to give you a change in the price of the asset.

And if the asset price goes up by 2%, let's say, we would capture much of that as growth in ARR because our billing to them is based on obviously we limit the downside, but the upside is shared. So if it did go up by a certain percent, we would capture that. So, there's no – but there isn't a mathematical way to calculate one or the other. What it does is increases the price of assets, and that reflects in the AUM, and that reflects in the ARR.

I don't know, Michael, is that's clear or not? But we're happy to sort of obviously answer or try and provide more clarification.

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**Michael N. Infante**

*Analyst, Morgan Stanley & Co. LLC*

Q

No. That's helpful. And maybe just a quick follow-up on the implied 4Q revenue outlook, any sort of puts and takes just in terms of why the guide to those slightly slower growth rate in fourth quarter. It looks like the prior year comp is a little bit easier than what you've faced in 3Q. And obviously the overall demand environment and the new product strength is really starting to kick into high gear here. So just any high level commentary there would be helpful. Thanks.

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**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Yes. Michael, I think that that – this is Jim. If you look at our history of what we do and, we think it's very important for us to deliver on what we guide. And that's been our history. And I think we feel that way. In fact, I said at least, the revenue number for Q4, for the guide there. So I think we feel confident. But I think after such great results in Q3, I think we feel comfortable with where we sit in looking at Q4. And we'll talk about 2025 after we report Q4.

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**Sandeep Sahai**

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

A

I just want to add. I don't think...

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**Michael N. Infante**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thanks, Jim.

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**Sandeep Sahai**

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

A

...to interpret that as we see any [indiscernible] (60:33-60:35) weakness or...

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**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Yes.

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**Sandeep Sahai**

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

A

...we should see any softness or comfort. We just feel at this point it's a good guide.

**Michael N. Infante**  
*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you both.

**Sandeep Sahai**  
*Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.*

A

Thank you.

**Operator:** Thank you for your questions. Our next question comes from the line of Peter Heckman with D.A. Davidson. Your line is now open.

**Peter J. Heckmann**  
*Analyst, D.A. Davidson & Co.*

Q

Hey, good afternoon. Most of my questions have been answered. But I was wondering if you'd comment a little bit about the longer-term roadmap and the functionality that you're looking to either build or acquire as you increasingly target that 4 basis points in investment management technology spend.

**Sandeep Sahai**  
*Chief Executive Officer & Director, Clearwater Analytics Holdings, Inc.*

A

Yes. Thank you, Peter. So, look, this is [indiscernible] (61:23-61:24) because we're sitting here building out the planning for 2025. I just have to sort of firstly say that I don't think directionally very much is changing. Are you going to see us continue to make a real amount of investments and alternatives? Yes, we are. Are you going to see us continue to build out a JUMP offering to provide a high quality order management system and a portfolio management system? Yes, we will. Do you expect to see us continue to do more work in the risk and compliance space? Yes, we will. We obviously bought Wilshire for that. And are we going to continue to build that? Yes, we will.

So, I do think a lot of it is about being able to provide clients an end-to-end solution should they want it. But I think it's really important for us to be thinking about ourselves as an open architecture. Historically, companies which have tried to build close systems don't work. What succeeds over time is really what are open systems. So, again, opening up our platform to allow partnerships with multiple order management systems, multiple risk systems, multiple regulatory reporting systems, all while having one data plane and one security master is what we are building. So, are we building a little bit more for the international markets? Yes. That is more nascent than here. Are we building more for asset owners? Yes, we are. And so, but those are just tweaks, I think, based on what we think about the market.

But in the GTM, I think a little will change. We'll obviously invest more resources as we continue to grow. We'll invest some more money in R&D. Do we continue to expect to invest 60% of all R&D dollars on growth? Yes, we will. I'll be happy with the innovation. We are actually never happy, but we are quite satisfied with where we are. And we expect all these new innovations to mature more through all of 2025 and get us to a much more durable position by the beginning of 2026.

I don't know, Jim, would you want to add anything to that?

**James S. Cox**  
*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Perfect. Yes.

**Peter J. Heckmann**

*Analyst, D.A. Davidson & Co.*

Q

Okay. That's all I have for this evening. Have a great – great rest of the day.

**Sandeep Sahai**

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

A

Thank you, Pete.

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Thanks, Pete.

**Operator:** Thank you for your questions. Our next question comes from the line of Alexei Gogolev with JPMorgan. Your line is now open.

**Alexei Gogolev**

*Analyst, JPMorgan Bank International LLC (Moscow)*

Q

Thank you. Hi Sandeep, Jim, Subi. Also congrats with very strong results. Jim, I had the follow-up question on the guide. It sounds like you're suggesting that your 4Q guide maybe conservative. And it does imply on EBITDA margin that you're looking for lower EBITDA margin in 4Q versus 3Q. So I was wondering if there is anything that you anticipate in the fourth quarter, maybe some elevated expense? And in addition to that, are you still committed to deliver 200 bps of EBITDA margin expansion next year?

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Let me start with that last thing, Alexei. A 100% we are committed to delivering at least 200 basis points of margin expansion next year on wherever we end here in 2024.

Now, let's talk about Q4. Last quarter, we talked about investing a bit in the second half of this year to fortify our growth rate not only in 2024 and 2025, but to make the investments now, while already delivering on the 200 basis point improvement in 2024, exceeding that in 2024, and using some of that expansion and the efficiency that Subi and her team has driven to make incremental investments that are going to fortify that growth in the future.

Sandeep mentioned four names in his prepared remarks just on the international go-to-market side. We continue to see that we're adding more folks on the go-to-market side, including in Q3, we added Fleur, our Chief Marketing Officer and – but I would also say that we are looking for adding multiple people in the go-to-market and product side in that expertise. I think we're very happy with how we've built out the partnership program, and that's enabling us to do some of the things that Subi talked about. And so we're looking at Q4 as an opportunity to build to that.

I would say also, the revenue beat in Q3 flowed straight through to the EBITDA beat in Q3. And when you normalize for those, you'll see that that – the guide there was 32%. And so I think we feel – look, it's a privilege to have optionality to think about investing for the long term, and that's how we've approached the fourth quarter.

**Alexei Gogolev**

*Analyst, JPMorgan Bank International LLC (Moscow)*

Q

Great. And then second question, either to Sandeep or to Subi. This snowflake integration that you recently announced, could you elaborate a bit more on the potential financial impact? Do you think you could see any leverage on OpEx from this integration, perhaps maybe lower R&D expense?

**Sandeep Sahai**

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

A

Yes, this is Sandeep. Look, eventually, absolutely. I think right now we deliver files – why am I saying this.

Subi, do you want to just take this question?

**Subi Sethi**

*Chief Client Officer, Clearwater Analytics Holdings, Inc.*

A

I think – this is Subi. There are two places or probably directionally where we would have a – where we would see a positive impact. Number one being how – when the new data sources or new platforms or new technologies come in, how do you integrate this, so there was a little bit of a set-up effort which was required to be able for us to kind of make sure that the data flows, so that over a period of time we see going down and having a positive impact. The second being on the cycle times of onboarding. As we kind of onboard new assets, and as we onboard new books, and as we onboard the new data sources, I think that itself has a cycle time of its own and thereby impact revenue recognition. So I anticipate as we continue to strengthen this partnership and the volume goes there, you will see a nice uptick or in the implementations and onboarding cycle times and thereby revenue recognition, yes.

**Sandeep Sahai**

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

A

Alexei, I think I would just say that, look, I think we did it first and foremost for client delight, we want clients to be really happy about it. Secondarily, will this save us money? Yes.

I think what Jim said is true on both counts. I think he said that we are committed to doing 200 basis point improvement next year on EBITDA, but also we are committed to improving gross margin 50 basis points, and we're committed to doing that too. So, I feel it helps in gross margin. But really the reason for doing it was our clients are going to be meaningfully happier when they set up new assets and during onboarding.

**Alexei Gogolev**

*Analyst, JPMorgan Bank International LLC (Moscow)*

Q

All clear. Thank you.

**Sandeep Sahai**

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

A

Thank you.

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Thanks, Alexei.

**Sandeep Sahai**

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

A

Thanks, Alexei.

**Operator:** Thank you for your questions. Our next question comes from the line of Gabriela Borges with Goldman Sachs. Your line is now open.

**Gabriela Borges**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hey, good evening. Thanks for taking the question. Sandeep, and Jim, I wanted to ask you a little bit about your 2025 planning process. More specifically I'm thinking back to Investor Day and the targets you've put out there, and now, all the progress that you've highlighted in the prepared remarks, not just this quarter but over the [ph] last outlook was (69:39) I think the easy answer here on one of your priorities in 2025 is just more of the same. But I'm wondering if there's maybe one or two priorities that have incrementally surfaced to the top, given all the progress that you've made over the last year. Thank you.

**Sandeep Sahai**

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

A

Thank you, Gabriela. Look, I think that's a really good observation. I do feel very differently from the Investor Day about our operations. It works very well. And this is not me just seeing it. If we look at the gross margin for this year, it's a 110 basis points ahead versus we had thought 50 basis points ahead, which talked about EBITDA being 200 basis points ahead, and it's 290 basis points ahead. So I feel a lot more confident about our ability to continue to scale. And that, I think, gives us a bit of a license to be more ambitious about who Clearwater could be. And so what you – I think Jim also referenced that a little bit, and said, look, we have \$290 million of net cash, and that gives us optionality.

So I think what has changed in our thinking is in 2025 and beyond that, how do we pivot to take a more aggressive position, if you will, in the market? Why would we want to do that? One is our clients are really happy. So when you have an NPS like we do, and they have real pain, it sort of gets them to think about what else can Clearwater do. So I do think on the margin, you would see us be more aggressive on opportunities or partnership opportunities on M&A and, frankly, opportunities of using technology like Gen AI to continue to improve our performance even faster. So focus on growth, but with somewhat more aggression on what we might need tomorrow or day after.

**Gabriela Borges**

*Analyst, Goldman Sachs & Co. LLC*

Q

Thank you. That's all for me.

**Sandeep Sahai**

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

A

Thank you, Gabriela.

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Thanks.

**Operator:** Thank you for your questions. Our next question comes from the line of Dylan Becker with William Blair. Your line is now open.

**Dylan Becker**

*Analyst, William Blair & Co. LLC*

Q

Hey, Sandeep, Jim, Subi, appreciate the question here. I'll just ask one for the sake of time, but maybe Sandeep for you. Wondering if you could talk to the momentum you're seeing [ph] with upmarket insurers (72:01). I think you called out another large win in the quarter. There's obviously a substantial opportunity to drive adoption here. But maybe thinking about the nuances here and the progress you're making in that segment of the market as they maybe have a growing propensity to expend – to spend and expand. Excuse me.

**Sandeep Sahai**

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

A

Yes. So, look, I think we get excited when we take a large client, a large insurer who thinks about onboarding in the two, three, four year timeframe. And we can bring them live in a year or 12, 14, 15 months. And so that's exciting. And that's why we announced it, because you can take, really, a significant insurer and bring them onboard that quickly. And so that's why we pointed out. Look, I think there's continues to be real opportunity in that market. There is pain, as you all know. There is more pain from alternative assets as they continue to invest more and more in alternative assets. And that's why you always see us talk about we are building more and more there. But at the basic platform just works. The basic platform works. It does well. It scales well. So really, why are we spending all of this money on R&D? Well, this is the reason that I do think alternative assets continues to grow and our ability to service them well is important. And see, I think on the margin, I think, large insurers is a big target area for us. We continue to win there, and we hope to continue to win there over the next two, three, four years.

**Dylan Becker**

*Analyst, William Blair & Co. LLC*

Q

Great. Thanks, Sandeep. Congrats guys.

**Operator:** Thank you for your question. Our next question comes from one of Michael Turrin with Wells Fargo. Your line is now open.

**Michael Turrin**

*Analyst, Wells Fargo Securities LLC*

Q

Hey, great. Thanks for having me on. And I'll keep it to one as well, just given the time constraints. But you've gotten a number of questions just on the retention characteristics of the uptick. I wanted to just spend some time more specifically on the base plus business model, which the team did a remarkable job of executing on in a tougher environment previously. So maybe you can just help level-set for us scenarios that the base price model now enables. Is it still AUM base change on top of the more stable base? I think just given we're now seeing trendlines improve, want to go back to various scenarios there. Understand if the upside scenario is still as robust as it was in the prior model, and maybe just spend some time revisiting that to encapsulate some of the commentary throughout? Thanks.

**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

A

Yes, thanks, Michael. So I think it has been successful. We obviously implemented it in a time when we were worried about assets going down, and it stabilized the business during that period of time. We still capture the upside as far as AUM, so we have – that is what the plus is for. As assets grow, we have that basis.

I think that the other thing that we did that has turned out to be far more strategic is that we also defined what we sold at the time of sale to the client, and that has enabled us to really enter into this multi-product upsell program. If you go back five years or 10 years, we just built everything onto a platform and just added it and rolled forward. And so, I think when you see some of the upside, of course there's a tailwind from AUM, but there's also – you're also seeing the tailwind through the cross-sell of these new products.

And it helps everyone because, because we're commercializing these products discretely, we're able to understand the ROI and really invest in doing more for our clients. We've been able to turn things from what was a burden, collectively for all of us, into an opportunity for both of us, and both our clients and for Clearwater. And I'll just use one small example of this. NAIC, Subi described it all, where this was a significant change. And we've been able to enable our clients to kind of execute with very little burden on their behalf to this change, to this significant regulatory change for them. And guess what? They're very comfortable paying for that service and for us to solve that problem for them. So, that's kind of a small example of a real nice win-win.

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**Michael Turrin**

*Analyst, Wells Fargo Securities LLC*



It's great detail. Thank you.

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**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*



Thanks.

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**Operator:** Thank you for your question, Michael.

That concludes today's call. Thank you for your participation and enjoy the rest of your day.

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**James S. Cox**

*Chief Financial Officer, Clearwater Analytics Holdings, Inc.*

Do you want to say some last word? Go ahead. We're still on. Go ahead.

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**Sandeep Sahai**

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

Hello. Yes. I just wanted to thank the Clearwater team. And these results were extraordinary, but they are not generated by Jim or myself or just Subi. It is the team which does that. I also want to take a moment to thank the Board Special Committee, which did extraordinary work in bringing the TRA termination proposal to our shareholders for ratification and a vote. So thank you all, and thank you for your interest in Clearwater.

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