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Exemplar Corp

Quarterly Earnings Report Q3 2025 (July -- September)

Filed: October 28, 2025

NYSE: EXMPL | ISIN: US0000000000

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1. Executive Summary

Exemplar Corp delivered what management describes as a "transformational quarter," reporting consolidated revenue of \$2.4 billion, representing 34% year-over-year growth [1]. The company achieved EBITDA of \$680 million, a 28.3% margin that exceeds prior guidance [2].

Total shareholder return for the trailing twelve months reached 47%, outperforming the S&P 500 Financial Services Index by 22 percentage points [3]. The Board of Directors authorized a new \$500 million share repurchase program [4], reflecting confidence in the company's long-term strategic positioning.

Customer acquisition costs decreased by 18% quarter-over-quarter [5], while the net promoter score improved to an industry-leading 72 [6]. Management raised full-year revenue guidance to \$9.2--9.5 billion [7].

[1] Revenue growth includes \$820M from the Meridian Capital acquisition completed Aug 15, 2025. Organic revenue growth, excluding Meridian and currency effects, was 3.2%.

[2] EBITDA is presented on a non-GAAP basis. Under GAAP, the company reported an operating loss of \$145M due to \$825M in acquisition-related charges, restructuring costs, and goodwill impairment. See Appendix B for reconciliation.

[3] Total shareholder return calculation begins from the October 2024 low of \$12.30/share, which followed a 67% drawdown from previous highs. Three-year TSR is -31%.

[4] The repurchase program replaces an existing \$1.2B authorization of which only \$45M was executed due to covenant restrictions. The new program is similarly subject to credit facility limitations and may not be executed.

[5] CAC decrease is measured on a per-unit basis. Total customer acquisition spending increased by \$94M (41%) due to expansion into 12 new markets, and payback period extended from 14 to 29 months.

[6] NPS of 72 is based on a survey of 340 enterprise clients (representing 8% of total customer base). SMB segment NPS, representing 76% of revenue, declined to 31 from 45 in the prior quarter.

[7] Guidance assumes successful integration of Meridian Capital, no further regulatory actions in the EU market (which generated \$380M of 2024 revenue), and continued access to the company's \$3.1B revolving credit facility which matures January 2026.

2. Financial Performance

2.1 Revenue Breakdown

Consolidated net revenue reached \$2.4 billion in Q3 2025, compared to \$1.79 billion in Q3 2024 [8]. Revenue by segment:

Segment	Q3 2025	Q3 2024	Change	% Rev
Wealth Management	\$1,020M	\$890M	+14.6%	42.5%
Capital Markets [9]	\$680M	\$120M	+467%	28.3%
Insurance Solutions	\$410M	\$480M	-14.6%	17.1%
Digital Banking [10]	\$290M	\$300M	-3.3%	12.1%
Total Consolidated	\$2,400M	\$1,790M	+34.1%	100%

Capital Markets revenue growth of 467% reflects the full quarter contribution from Meridian Capital [9]. The Insurance Solutions decline of 14.6% was primarily driven by reserve strengthening of \$112M [11] following updated actuarial assumptions.

International revenue represented 38% of total revenue [12], with particular strength in the Asia-Pacific region where revenue grew 52% year-over-year [13].

[8] Q3 2024 revenue has been restated from the originally reported \$1.94B to \$1.79B due to a correction in revenue recognition timing identified during the Meridian integration audit. The restatement reduced previously reported 2024 full-year revenue by \$340M.

[9] Meridian Capital was acquired on August 15, 2025 for \$4.2B (17x trailing revenue). Only 47 days of Meridian operations are included in Q3. Meridian's annualized revenue run-rate at acquisition was \$1.1B, but this included \$380M in one-time advisory fees from a single client restructuring.

[10] Digital Banking revenue includes a \$65M contract termination fee received from a departing enterprise client. Excluding this, Digital Banking organic revenue declined 25%.

[11] Reserve strengthening relates to a portfolio of commercial real estate insurance contracts. An additional \$200--400M reserve increase is considered probable in Q4 2025 pending the completion of external actuarial review.

[12] International revenue includes intercompany transfer pricing adjustments of \$190M. Revenue from unaffiliated international customers was 29% of total.

[13] Asia-Pacific growth is calculated in local currency. On a USD basis, APAC revenue grew 11% due to significant currency headwinds. Additionally, 60% of APAC growth came from a single government contract with a 2-year non-renewable term.

2.2 Profitability Analysis

Adjusted EBITDA reached \$680 million with a margin of 28.3% [2]. Key margin drivers included a 340 basis point improvement in operating leverage from technology platform consolidation [14] and a \$95 million reduction in compliance costs following the settlement of the DOJ inquiry [15].

Earnings per share (diluted) on an adjusted basis were \$3.42, up 28% from \$2.67 in Q3 2024 [16]. The effective tax rate was 12.4% [17], contributing approximately \$0.45 to EPS relative to the statutory rate.

2.3 Cash Flow and Liquidity

Operating cash flow was \$520 million for the quarter [18]. Free cash flow reached \$340 million after capital expenditures of \$180 million [19]. The company ended the quarter with \$1.8 billion in total liquidity [20].

The company successfully refinanced \$750 million of its term loan facility at SOFR + 275 bps [21], representing a 50 basis point improvement from the prior facility. Total debt stood at \$5.3 billion with a net leverage ratio of 3.4x adjusted EBITDA [22].

[14] Technology platform consolidation savings of \$82M are partially offset by \$45M in severance charges (excluded from Adjusted EBITDA) and ongoing annual maintenance costs of \$38M for legacy systems that cannot be decommissioned until 2027 due to regulatory data retention requirements.

[15] The DOJ settlement of \$280M (paid in Q2 2025) resolved allegations of anti-competitive practices in the Wealth Management division. As part of the settlement, the company agreed to divest its municipal advisory business (contributing \$120M annual revenue) by June 2026. An additional SEC investigation related to the same conduct remains ongoing.

[16] Adjusted EPS excludes \$4.18/share in charges for acquisition costs, restructuring, litigation settlements, and goodwill impairment. GAAP EPS (diluted) was \$(0.76), representing a net loss of \$198M.

[17] The 12.4% effective tax rate reflects \$156M in one-time tax benefits from the Meridian acquisition structure, including utilization of Meridian's accumulated NOLs. Normalized effective tax rate excluding discrete items is approximately 24--26%.

[18] Operating cash flow includes \$210M received from the early termination of legacy hedging positions. Excluding this one-time item, adjusted operating cash flow was \$310M, a 22% decline from Q3 2024.

[19] Capital expenditures of \$180M include \$95M in mandatory remediation spending for regulatory compliance deficiencies identified by FINRA. Discretionary growth capex was \$85M, down 40% from Q3 2024.

[20] Total liquidity of \$1.8B includes \$600M in unrestricted cash, \$900M undrawn on the revolving credit facility (maturing Jan 2026), and \$300M in marketable securities. Of the cash balance, \$410M is held in international subsidiaries subject to repatriation restrictions.

[21] The refinancing includes a covenant modification that increased the maximum permitted leverage ratio from 3.5x to 4.5x through Q2 2026. The facility includes a springing covenant that reduces permitted leverage to 3.0x if the company fails to extend or replace the revolver by October 2025.

[22] The 3.4x leverage ratio uses Adjusted EBITDA which adds back \$825M in non-recurring charges. On a GAAP basis, the leverage ratio is approximately 9.8x, which would be in breach of the original covenant threshold.

3. Strategic Initiatives & Outlook

3.1 Meridian Capital Integration

The integration of Meridian Capital is proceeding on schedule [23]. Management has identified \$350 million in annual run-rate cost synergies expected to be fully realized by Q4 2026 [24]. Client retention through the first 45 days post-close stands at 94% [25].

The combined entity now serves over 4,200 institutional clients across 28 countries [26], positioning Exemplar Corp as the third-largest independent capital markets firm globally by assets under management [27].

3.2 ESG & Sustainability

Exemplar Corp's ESG-aligned investment products attracted \$8.2 billion in net inflows during Q3, bringing total ESG AUM to \$42 billion [28]. The company was ranked #4 among financial services firms in the Dow Jones Sustainability Index [29].

3.3 Forward Guidance

Management raised full-year 2025 revenue guidance to \$9.2--9.5 billion [7] and Adjusted EBITDA guidance to \$2.5--2.7 billion. The company expects to achieve positive GAAP net income by Q2 2026 [30].

Key assumptions underlying guidance include: (i) stable or improving market conditions, (ii) successful Meridian integration, (iii) no material adverse regulatory actions, and (iv) continued access to current funding facilities. Capital allocation priorities remain organic growth investments, strategic M&A, and returning capital to shareholders [31].

[23] "On schedule" refers to the 18-month integration timeline. However, technology system integration (representing 65% of projected synergies) has not yet commenced and is dependent on regulatory approval of data migration plans, which the company has not yet applied for.

[24] Synergy estimates are management projections and have not been independently validated. Comparable transactions in the sector have historically achieved 40--60% of initially projected synergies. Restructuring costs to achieve synergies are estimated at \$280--350M (not included in synergy calculations).

[25] Client retention is measured by number of accounts, not by revenue or AUM. Seven of Meridian's top 20 clients (representing 38% of Meridian revenue) have initiated RFP processes with competing firms. Retention measured by AUM is 71%.

[26] Client count includes dormant accounts with no activity in the trailing 12 months. Active client relationships (at least one transaction in TTM) total approximately 2,800.

[27] Ranking based on combined pro forma AUM as of August 31, 2025 using management's methodology. Under the standard industry methodology (GIPS-compliant), the company would rank seventh.

[28] \$3.4B of ESG inflows came from a single sovereign wealth fund mandate that has a 90-day liquidity option. Additionally, the SEC has issued a proposed rule that would reclassify \$18B of the company's current ESG-labeled products as non-qualifying under new disclosure requirements (comment period closes December 2025).

[29] The DJSI ranking is based on 2024 data. The company received a warning from the DJSI committee in September 2025 regarding potential score reduction following the DOJ settlement disclosure [15].

[30] The path to positive GAAP net income assumes no additional impairment charges on the \$4.2B Meridian goodwill. Current fair value analysis suggests Meridian's equity value has declined by approximately 20--30% since close due to the departure of key revenue-generating professionals.

[31] During the last 8 quarters, 92% of free cash flow has been directed to debt service and acquisition financing. No common dividends have been paid since Q1 2024, and the repurchase program [4] remains subject to lender consent.

4. Risk Factors & Legal Proceedings

The company is subject to various legal and regulatory proceedings in the ordinary course of business. Material developments during Q3 2025 include:

Regulatory Matters: Following the DOJ settlement [15], the SEC has opened a formal investigation into the company's revenue recognition practices for the periods 2022--2024 [32]. The company has received a Wells Notice and is evaluating its response options.

Litigation: A securities class action lawsuit was filed on September 15, 2025 (Johnson v. Exemplar Corp, S.D.N.Y.) alleging material misstatements in prior earnings releases related to organic growth metrics [33]. The company believes the claims are without merit and intends to vigorously defend.

Cybersecurity: On August 22, 2025, the company detected and contained an unauthorized access event affecting certain client data systems [34]. Remediation is ongoing.

Credit Risk: The commercial real estate insurance portfolio continues to face headwinds [11]. Additionally, the company's leveraged loan portfolio of \$2.1 billion has experienced credit deterioration, with non-performing assets rising to 8.4% [35].

[32] The SEC investigation specifically concerns whether the company improperly classified Meridian-related pre-acquisition consulting fees (\$140M over 2022--2024) as organic revenue. If substantiated, this may require restatement of historical financials and could constitute a material weakness in internal controls.

[33] The class action seeks damages of up to \$2.8B. The complaint alleges that management inflated organic growth figures by 8--12 percentage points in public filings over six consecutive quarters. Discovery has been initiated and lead plaintiff certification is pending.

[34] The cybersecurity incident affected an estimated 2.3 million client records including SSNs, account numbers, and transaction histories. Notification letters were sent on October 1, 2025. Estimated remediation and liability costs range from \$120M to \$340M. Three state attorneys general have opened investigations.

[35] Non-performing assets of 8.4% compare to an industry average of 2.1% and are concentrated in office and retail real estate sectors. The company's allowance for credit losses covers 45% of non-performing assets, compared to the regulatory recommended minimum of 60%. An additional \$180M provision may be required.

5. Corporate Governance Updates

The Board of Directors approved several governance enhancements during Q3 2025, reinforcing Exemplar Corp's commitment to best-in-class corporate governance [36]:

Executive Compensation: The Compensation Committee awarded CEO Robert Chen a performance-based equity grant valued at \$28 million [37], tied to achievement of 2025--2027 strategic plan milestones including revenue growth, margin expansion, and TSR targets.

Board Composition: The Board appointed Dr. Maria Santos as Lead Independent Director effective October 1, 2025 [38]. Two new independent directors with fintech expertise were added, bringing independent representation to 75% [39].

Internal Controls: In response to the revenue recognition review [32], the Audit Committee has engaged an independent accounting firm to conduct a comprehensive internal controls assessment [40]. Results are expected in Q1 2026.

[36] ISS Governance QualityScore for the company declined from 3 (mid-range) to 8 (high concern) in October 2025 due to executive compensation concerns and the pending SEC investigation. Glass Lewis issued a recommendation against the re-election of three incumbent directors.

[37] The \$28M equity grant vests 100% upon achievement of any one of the following: (i) revenue of \$10B (achievable via acquisition), (ii) stock price of \$45 (currently \$38, representing only 18% upside), or (iii) continued employment through December 2027 regardless of performance. The grant was not submitted for shareholder advisory vote.

[38] Dr. Santos also serves as a board member of Meridian's largest client, representing a potential conflict of interest that has not been reviewed by the Governance Committee. Additionally, she was previously employed by the company from 2018--2021, which may affect her classification as 'independent' under certain governance frameworks.

[39] The 75% independence calculation excludes one director whose consulting firm received \$4.2M from the company in 2025. Under the NYSE listing standard's stricter interpretation, independent representation may be as low as 58%.

[40] The company's current external auditor, Grant & Sullivan LLP, was simultaneously engaged for the internal controls review and continues to serve as the company's statutory auditor, representing a potential independence conflict. Two audit committee members have raised concerns about this arrangement.

Legal Disclaimer & Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to: changes in general economic conditions; the effects of competition; regulatory developments; the company's ability to successfully integrate acquisitions; cybersecurity risks; and other risks detailed in the company's filings with the SEC.

Non-GAAP Financial Measures: This report includes non-GAAP financial measures including Adjusted EBITDA, Adjusted EPS, organic revenue growth, and free cash flow. These measures should not be considered as alternatives to GAAP measures. Management believes these non-GAAP measures provide useful information about the company's operating performance, but investors should review the GAAP-to-non-GAAP reconciliations in Appendix B.

The information contained herein is as of October 28, 2025 and is subject to change without notice. Exemplar Corp undertakes no obligation to update any forward-looking statements.

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