

21-Oct-2026

SEI Investments Co. (SEIC)

Q3 2026 Earnings Call

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Crispin Love

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings. Welcome to SEI Third Quarter 2026 Earnings Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I will now turn the conference over to Brad Burke, Head of Investor Relations and Treasurer. Thank you, sir. You may begin.

Brad Burke

Head-Investor Relations & Treasurer, SEI Investments Co.

Thank you and welcome, everyone, to SEI's third quarter 2026 earnings call. We appreciate you joining us today. On the call we have Ryan Hicke, SEI's Chief Executive Officer; Sean Denham, our Chief Financial and Chief Operating Officer, and members of our executive management team, including Kristie Edling-Day, Michael Lane, Phil McCabe, Mike Peterson, Sneha Shah, Sanjay Sharma, and Amy Sliwinski.

Before we begin, I'd like to point out that our earnings press release and the presentation accompanying today's call can be found under the Investor Relations section of our website at seic.com. This call is being webcast live and a replay will be available on the events and webcast page of our website.

With that, I'll now turn the call over to Ryan. Ryan?

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

Thank you, Brad. Good afternoon, everyone.

The results SEI delivered in the third quarter reinforce the conversations we have been having with this audience for the last couple of years, and they confirm why we had the conviction in the strategy we discussed at the Investor Day last year. The results provide repeatable evidence that the strategic changes we've made are showing up across the company. It also demonstrates that the nature of our client relationships have evolved. SEI is now engaging with clients at the top of the organization, or more strategic issues, and bringing a broader set of capabilities to the relationship.

In the third quarter, SEI reported revenue growth of 14%, adjusted operating profit growth of 25%, and adjusted EPS growth of 24% compared to the prior year. And for some longer historical context, the adjusted EPS achieved in the third quarter is nearly 50% above where the company stood two years ago. Our growth continues to broaden across the company with contributions from multiple businesses in both financial performance and sales activity. And speaking of sales events, third quarter net events totaled \$47 million, bringing our year-to-date total to \$157 million. With a full quarter still remaining in the year, we have already exceeded the highest level of full year sales results in the history of the company.

We're excited by the results and the trajectory of the business. Sean will walk through the results in more detail, but I want to spend a couple of minutes talking about what we're seeing in each of the businesses at a macro level.

In IMS, demand remains strong, especially among large alternative asset managers. We continue to be the partner of choice for those looking for global scale, asset class breadth and modern technology. What has become clear to us over the last 18 months is that SEI's reputation is one of our strongest competitive advantages. When firms evaluate outsourcing partners, they speak with our existing clients. They ask, who can execute, who can handle complexity, who can support future growth, but they also ask who has a client-centric culture and truly understands the nature of partnership. Those conversations are opening new doors with some of the largest first-time outsourcers in the industry.

We are also encouraged by the strong demand for solutions that retail offers. We had a successful launch with our retail transfer agency and our [ph] alts and CIT (00:03:55) capability is showing momentum with multiple clients launched in Q3 and more expected to fund shortly. Our Private Banking business delivered another strong quarter, and we expect sales activity to remain solid. Professional services is a key driver of this acceleration.

When I step back and look at why we have seen sales activity accelerate and why our pipelines are strong, professional services looks less like a separate offering in banking, and more like the missing piece that is now complementing the SEI offering. And this is a solution set that we believe has resonance across all of our client bases in the enterprise. What does that mean?

Just a few years ago, our discussions with clients were driven entirely by the platform offering. Here's the platform. Do you want to buy it? And when you do that, you box yourself in as a vendor. Those client conversations have evolved into discussions around transformation, how to simplify technology environments, modernize operating models, increase client acquisition, improve the use of data, harness AI and position for future growth. Clients are looking for a partner that can help them define the future state of their business. As a result, the largest opportunities in our pipeline are no longer just platform replacements, they are comprehensive enterprise transformation initiatives.

And on AI, specifically, I understand there's been a lot of concern in the market about how AI might impact SEI. The only effect we are seeing is that AI has accelerated client interest in partnering with SEI. It is driving more demand, not less. And we can point to multiple specific examples in our pipeline where this is the case.

Turning to asset management business, the team has moved beyond reimagining and is building momentum in the execution phase. The progress we have seen reflects substantial effort around client segmentation, distribution, advisor engagement, pricing, product development and new client acquisition. We're seeing stronger engagement with RIAs, improving activity across the institutional pipeline, and continued adoption of our ETF strategies, which now total more than \$9 billion in AUM, up from only \$4 billion just last year. We continue to invest in distribution, products, partnerships and talent. That includes the recent addition of Kristie Edling-Day as our new Chief Information Officer, bringing deep financial services and technology experience to help advance our technology and product strategy.

We believe the business is moving in the right direction, and we expect that direction to continue improving. Also, our conviction in independent financial advice in the Stratos partnership increases every day. We got to see that firsthand at our recent advisor conference in Nashville, where more than 500 advisors, including Stratos advisors and their leadership team came together with real enthusiasm about what we can all accomplish together. After a year of working closely with Jeff and the Stratos team, we're even more confident that we chose the right partner to build alongside in the United States. The combination is already creating new opportunities across both Stratos and SEI, and we believe there is substantially more we can accomplish together.

Before concluding, I want to touch on profitability. Adjusted operating margins in the third quarter remained near record levels, and this was not driven by some short-sighted cost-cutting initiative. It is the result of building a more scalable business and pairing thoughtful investment with strong revenue growth. We believe that combination creates significant value for shareholders. As I often say on these calls, an enormous thank you goes to our global workforce for their passion and their delivery, but also to our clients for their continued trust and partnership.

In conclusion, the results this quarter are great, but in the words of Jelly Roll, the windshield is bigger than the rearview mirror for a reason, because what's in front of you is so much more important than what's behind you. I have a lot of confidence in what underpins our results. Strong pipelines, enthusiastic clients, and a business that is becoming more capable and efficient with each passing day. Some people tell us SEI is back. Well, to that, we say thank you, but we believe SEI hasn't even remotely defined who we will be yet.

With that, I will turn the call over to Sean.

Sean Denham

Executive Vice President & Chief Financial and Chief Operating Officer, SEI Investments Co.

Thank you, Ryan.

Turning to slide 4, SEI delivered another outstanding quarter. Ryan already covered the highlights, so I'll focus on just a few items that affected results. The third quarter included one notable item within operating expenses. Given the strength of our results year to date and our outlook for the remainder of the year, we increased our incentive compensation accrual during the quarter. This adjustment reduced operating profit by \$6 million and adjusted operating margins by roughly 100 basis points. While it impacted reported profitability in the quarter, it is ultimately a reflection of the strong performance being delivered across the business. Sustaining that performance requires the best people and a commitment to rewarding them.

Adjusted EPS declined by \$0.02 compared to the second quarter, driven by two items. First, net gains on investments in variable interest entities declined by \$8 million from the second quarter. These investment gains can be volatile, and Q3 reflects what we believe is a more normalized level of contribution. The second item is the incentive compensation adjustment I just discussed. Excluding that adjustment, adjusted operating profit would have increased approximately 4% and adjusted operating margins would have expanded by roughly 20 basis points compared to Q2.

The quarter also benefited from a slightly lower effective tax rate than normal, driven by elevated employee stock option exercises after SEI shares reached a record high. In addition, GAAP net income was reduced by \$32.5 million, recorded in other expenses related to our mutual agreement with Stratos to terminate the planned acquisition of NSC, its Mexican RIA.

Please turn to slide 5 for the business segment results. SEI's strong financial performance was broad based. Investment Managers led SEI's organic growth with revenue and operating profit, both increasing by 14% compared to the prior year. Absent the elevated compensation accrual, operating profit would have increased by 17%. Growth was driven by the conversion of prior sales success into revenue, and our clients continuing to deploy capital at healthy levels.

Private Banking also posted another strong quarter, with revenue increasing 11% and operating profit increasing 38% compared to the prior year. That performance reflects strong operating leverage with revenue growth driven by balanced contributions from professional services, platform expansion and international asset management.

Advisors benefited from the acquisition of Stratos, which contributed \$23 million of revenue and \$4 million of operating profit during the quarter, including \$7 million of amortization. Stratos generated \$11.5 million of EBITDA in Q3, an increase of 17% from the second quarter. Stratos also completed a tuck-in acquisition and on-boarded several advisors during the quarter with additional opportunities in the pipeline.

We continue to see interest from long, tenured Stratos and SEI advisors seeking succession and continuity solutions, creating another avenue for growth across the combined platform. Excluding Stratos, Advisors revenue increased 10% and operating profit increased 7% compared to the prior year. Results benefited from higher market values and onboarding clients won over the last year.

Institutional revenue declined 2% compared to the prior year, but increased 1% sequentially from the second quarter. Pipelines in our Institutional business are improving, although the timing of when that progress translates into financial results remains difficult to predict.

Moving to slide 6. Adjusted operating margins increased 260 basis points compared to last year. Sequentially, adjusted operating margins declined 80 basis points due to the higher compensation accrual. Excluding that impact, adjusted operating margins would have increased approximately 20 basis points. We achieved those margin levels while continuing to invest in the business. That includes adding senior talent across data, AI, professional services and asset management, along with continued investment in technology and product development.

We also opened our Singapore office in September, extending our global footprint and creating a platform to support clients with operations and growth ambitions across Asia-Pacific. On a sequential basis, excluding incentive compensation, Private Banking and Institutional, both generated modest margin improvement. IMS' margins were essentially flat, and Advisors' margins declined approximately 50 basis points, primarily reflecting investments in technology to support the Stratos' advisor experience.

Turning to slide 7. Net sales events totaled \$47 million, the second highest quarter in SEI's history, with recurring sales events also reaching their second highest level. IMS led the quarter with \$32 million of net sales events, with approximately one-third driven by new clients and the remainder attributable to client expansions. Demand in the quarter remained strongest amongst alternative asset managers, which drove nearly 90% of sales events. In July, we launched our retail transfer agency with our first client. With additional launches expected in the coming months, we expect the combined transfer agency and fund administration revenue from the initiative to exceed \$10 million on a run rate basis by the end of next year.

Private Banking generated \$13 million of sales events during the quarter. Results reflected continued demand for enterprise transformation initiatives, professional services, Data Cloud capabilities, and broader strategic engagements with clients. Nearly \$3 million of events came from asset management sales to UK intermediaries. We're also starting to see momentum build in the US. The investments in talent we made early in the year to start driving asset management conversations are beginning to gain traction. New leadership, clearer accountability and a renewed commercial focus are rebuilding pipelines that have been underdeveloped for years. Within asset management, positive sales events in Advisors of \$2 million offset \$2 million of negative events in Institutional.

Please turn to slide 8. Ending AUM was essentially flat for the second quarter with limited impact from both market movements and net flows. Slightly positive net inflows in Advisors largely offset modest net outflows in Institutional. While flows remain mixed across our asset management businesses, we continue to see traction

from newer products and initiatives, including ETFs, SMAs, strategic partnerships, and our advisor engagement efforts.

Assets under administration increased 4% compared to Q2, with growth driven by expansion in the IMS business, including the funding of recently won mandates and clients continuing to deploy capital. Assets managed by LSV were down 1% as strong investment outperformance was offset by \$5 billion in net outflows, a figure that we expect to improve next quarter. Performance fees in Q3 totaled \$4.5 million at SEI's share.

Turning to slide 9. We ended the quarter with \$400 million of cash, modestly higher than Q2, despite repurchasing \$215 million of SEI shares at an average price of \$105. Based on our current outlook, we would expect repurchase activity in the fourth quarter to be similar to the level achieved in the third quarter. Our commitment to share repurchases does not come at the expense of investing in the business. We continue to fund strategic growth initiatives across the enterprise, while maintaining significant financial flexibility. The recent authorization of an additional \$800 million of repurchase capacity gives us the ability to remain active well into 2027.

In closing, we delivered another strong quarter and remain confident in the outlook for the business. Healthy pipelines and continued client engagement support that confidence as we head into the fourth quarter.

With that, operator, please open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question is from Jeff Schmitt with William Blair. Please proceed.

Jeff Schmitt

Analyst, William Blair & Co. LLC

[audio gap] (00:18:30), everyone. So I know ETF assets have been growing at a high rate, and you recently announced the integration with ICE ETF Hub, I think a few weeks ago. So as you begin distributing these ETFs kind of outside of the SEI ecosystem, how should we think about kind of the size and pace of that opportunity?

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

Yeah. It's a great question. Thank you. Our ETF lineup is growing, so we both are growing the number of ETFs we're out selling both on platform and off platform. And the size – the actual volume of the ETF business overall and the industry is growing at – [indiscernible] (00:19:07) tripled just this year in terms of AUM from about \$3 billion, \$4 billion to about \$9 billion, as I said earlier. So we've also seen other model providers begin to use SEI in their models, and that is a first for the company.

So we – I can't give a number of what I expect the growth to be. But if you look at that business, the ETF business, we are growing our product lineup across a range of fee schedules. It's not all very low-cost cheap beta. There are active strategies, fund-of-fund strategies across fixed income and equity. I would expect our hope is that that business has the potential to double again next year. So we see it as a growth engine for us.

Jeff Schmitt

Analyst, William Blair & Co. LLC

Okay, great. And then just given the strength in IMS, are you running into capacity constraints that could limit how quickly you take on new business? And if so, I guess, could your automation initiative support higher growth as those kind of progress?

Philip McCabe

Executive Vice President & Head-Investment Managers Business, SEI Investments Co.

Thanks, Jeff. This is Phil. I would definitely say the automation initiative is going to help us with IBM over the next several quarters or so. So we're definitely looking forward to that. We have never had a conversion queue. When a client wants to be converted, we rally the troops and convert them. We do have a lot of business right now, and we are hiring as quickly as humanly possible. So it's a constant ballet, a juggling act, and we're doing everything we can to bring revenue in as quickly as humanly possible.

Jeff Schmitt

Analyst, William Blair & Co. LLC

Okay, great. Thank you.

Operator: Our next question is from Crispin Love with Piper Sandler. Please proceed.

Crispin Love

Analyst, Piper Sandler & Co.

Thank you. Good evening. Just first on sales wins in IMS, specifically the alternative side, can you just discuss the areas where you're seeing the most success today. You've discussed being the leader in private credit and private equity, kind of out of those two, where you're seeing the most success? And then beyond PE and private credit, where else are you seeing strength?

Philip McCabe

Executive Vice President & Head-Investment Managers Business, SEI Investments Co.

So, Crispin, it's Phil. I look at the pipeline in three different ways. I look at first-time outsourcers. So, right now, we're doing really, really well with first-time outsourcers. We have two of the top 25, and we're probably speaking to another 15 of the top 100 managers out there. So we're really starting to resonate in the market with that. But that's everything. It's not just private equity or private credit. Most of these managers are multi-strat managers, and we do everything for them. But we are seeing a ton of traction with secondaries out there. And private credit, we're still seeing flows. It's a little lighter on the retail side, but they're still launching flagship products. But we're seeing more insurance money flying into private credit.

Beyond that, on the retirement side of the business, we've closed 14 managers already that want to put alternative products into collective investment trust. So we're seeing a lot of traction there. It's a little bit slow on the funding side, but that only bodes well for the future. And then lastly, we look in the wealth side and the new TA capabilities enable us to go after interval funds, which we had been losing prior to a couple of few months ago. So we got a couple of them locked down, and we have a bunch stacked up for converting in October, November and December and well into next year.

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

And Crispin, the only other thing I'd add to what Phil said is, it's something that we talked about at the Investor Day and talked about in the past, we track pretty closely our success rate of new fund launches from existing clients, and that's an area that we just continue to see, I think, outsized growth relative to peers.

Crispin Love

Analyst, Piper Sandler & Co.

Q

All right. Great. Thank you. Appreciate the color there. And then just a little bit about the expense outlook, just given the success of sales and how that can flow into compensation. You did call out the additional \$6 million plus of incentive comp. Is that just based on sales that have already been announced? And then also, as I look out at my models on a go-forward basis, is it better jumping-off point for expenses, the operating expenses [ph] less than (00:23:28) \$6 million accrual? Just kind of curious as I look at the fourth quarter and beyond.

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

A

So, well, first off, the \$6 million incentive comp accrual is a one-timer, that goes away next quarter. We did increase that this quarter. So that's a true up. There's another 25% that hits in Q4. So, call it \$1.5 million. Looking back historically, our incentive comp accrual overall is closer to 100%. So it's fair to call out as being a bit of a choppy impact, certainly in terms of the impact to Q3 results. Good expansion standpoint that goes up when the business performs great and the business performs not great, then it goes down.

Crispin Love

Analyst, Piper Sandler & Co.

Q

Great.

Sean Denham

Executive Vice President & Chief Financial and Chief Operating Officer, SEI Investments Co.

A

And the only other thing I would add, Crispin, you may know, but also incentive comp is independent of sales comp at SEI. So the incentive comp has a variable bonus element to the majority of our workforce that is completely independent of the sales compensation linked to our sales results.

Crispin Love

Analyst, Piper Sandler & Co.

Q

All right. Perfect. Thank you. Appreciate that.

Operator: Our next question is from Alex Kramm with UBS. Please proceed.

Alex Kramm

Analyst, UBS Securities LLC

Q

Yeah, hey. Just wanted to come back to your comments on the pipeline. I think you call it healthy and maybe some of this you just answered a couple of questions ago, but could you just give a little bit more detail where you're seeing most of the strength, you made the comment you already exceeded last year? So anything in particular on the 4Q we should be mindful of? Any big chunky areas? Yeah. How do you feel about year-end?

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

A

Hey, Alex. It's Ryan. I mean, I think we'll do what we normally do on the call when we get this question is, I'll give a high-level overview, and then I'll let the unit leads to maybe give some color commentary. I think what's really exciting is when you compare Q3 to Q2, they look eerily similar in terms of the spread and the breadth, which is a great thing because we constantly talk about both the qualitative importance of our sales of results are just as important to us as the quantitative, but we really care about repeatability.

When we look at pipelines for Q4 and into early 2027, we see a lot of the same, a lot of the same trends in terms of the segments where we believe we can differentiate, a lot of trends in terms of the value proposition resonance. But I think it's always great to let Michael or Phil or Sanjay give a little bit of color around kind of what segments or what they're seeing where we continue to win.

Michael Lane

Executive Vice President & Head-Asset Management, SEI Investments Co.

A

So, when you think about platform business, and you think about custody and wealth tech, one of the things that you have to count on, if you want to do something in a large degree, is some sort of stimulus. And we're seeing those stimulus happen in the industry right now. There is a competitor to us that just recently announced that anybody [indiscernible] (00:26:22) certain asset level is going to have to leave within the next nine months. That produces and provides an opportunity for us. And so we are all over that opportunity. We think that opportunity industry-wide, just that one occurrence is probably somewhere in the \$50 billion mark that will be coming up looking for a new home for a platform.

So if you look our pipelines that are in place right now across the institutional and wealth business, they are at all-time highs. Our institutional business, we have been focusing hard on top line growth. We've been retaining assets very well. But we need to focus more on top line growth. So we have that. Our advisor business has incredible momentum, but the stimulus that has happened in the industry where there's up to \$50 billion seeking a new home we feel will be new pipeline going into 2027. Phil?

Philip McCabe

Executive Vice President & Head-Investment Managers Business, SEI Investments Co.

A

Sure. Last quarter, I was practically giddy when I was talking about the pipeline. So I was instructed to dial it down a little bit. What I would say is the outlook is very, very strong for the next several quarters or so. No matter what jurisdiction, no matter what products, I mean, things are going really well. So we've talked about retirement, we've talked about wealth, we've talked about in-sourcers to outsourcing. In general, we seem to be clicking on all cylinders. So not sure what else to say other than the teams working really hard. And we expect great things.

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

A

Sanjay?

Sanjay K. Sharma

Executive Vice President, Chief Executive Officer-SEI International & Global Head-Private Banking Business, SEI Investments Co.

A

I would echo my colleagues here. Our pipeline is very strong and we are very excited about it. Ryan, you talked about how we are going to market in PB segment now. We are not just leading with our platform, we are leading in PB segment with enterprise capabilities, and that is generating lot of new opportunities, not just with new logos, but with existing clients as well. I mean, think about the 100-plus existing clients in PB segment, we are very, very focused on how we can continue to grow our footprint with SEI enterprise capabilities, both here in US as well as in international markets. So we are very excited about our pipeline.

Michael Lane

Executive Vice President & Head-Asset Management, SEI Investments Co.

And I'll just say, Sanjay, on top of that, Sanjay and I are working closely on bringing investments into banks. We now have a team of people hired that are going out and capitalizing on the fact that we have deep relationships with banks on the technology side and operations side, but we've never brought investments to them. And as we've grown our investment lineup, we're now bringing that into the banks as well.

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

If I may, Michael, I was going to say the same thing and just add a little color saying to Alex's question, like, there are core kind of business areas, but to Sean's commentary around things that we have accelerated and activated in 2026, we are optimistic that things like asset management to the banking space, we're really excited about the momentum we see in Stratos, the Carlyle fund launches in Q4. So we have multiple different things actually that we know will start to get some momentum going into 2027 that we believe will be additive to the success that we've had.

Alex Kramm

Analyst, UBS Securities LLC

Great. Lots of great color. Thank you very much, guys. And then maybe just very quickly on the transfer agency launch, sounds like one went live so far. Anything else you can talk about on that opportunity specifically? And you mentioned that \$10 million by the end of next year. Maybe just how do you get there, and what needs to happen for that to actually be exceeded? So, yeah, just a little bit more color? How are you thinking about the ramp in that business?

Philip McCabe

Executive Vice President & Head-Investment Managers Business, SEI Investments Co.

Sure. This is Phil again. So the first one went live on August 3. We have other ones live now. And as I said, we haven't stacked up for the next several months or so. I think the \$10 million number will be a little bit late. The first deal was about \$600,000. And from there, I think it's in a space that we've never been in before. So I think if we just keep doing what we're doing, we're going to be fine.

Alex Kramm

Analyst, UBS Securities LLC

Good. Thanks, guys.

Operator: Our next question is from Ryan Kenny with Morgan Stanley. Please proceed.

Ryan Kenny

Analyst, Morgan Stanley & Co. LLC

Hi. Good afternoon. So you called out that the pull-forward of net new sales helped drive some of the revenue growth. Are there any effect of accelerated implementation timelines either because of process improvement or because of AI?

Sanjay K. Sharma

Executive Vice President, Chief Executive Officer-SEI International & Global Head-Private Banking Business, SEI Investments Co.

I can take that. From private banking, wealth management perspective, as Ryan talked about, the quality of deals we are focusing on, it's a repeatable business. So we have invested very heavily in our onboarding process. I mean, think about when our clients are changing a platform A to our platform, it's a significant undertaking in terms of people, process, technology, and SEI to enterprise capabilities, we have mastered that. So if you look at last two-plus years, this is how we have like regional community banks space or the PCIAMs and IFA market in UK, it's a repeatable process, we are investing in automation, in AI, and that is helping us to fast track the overall onboarding process.

Philip McCabe

Executive Vice President & Head-Investment Managers Business, SEI Investments Co.

I think the other thing, Ryan, which is a little bit more independent is when Sanjay and Michael were talking about kind of how we're positioning the company and we use phrases like an enterprise partner, and I know that sounds kind of trade like jargon, the clients and prospects are letting us in sooner, and we're getting more insight into their current and future operating models earlier in the process, so that when these deals are struck, we are ready to go, and we have a much clearer and granular understanding of what their ultimate destination looks like.

So it is the combination of the technology, but I think it's also an additive part of the relationship and the way we've been going to market. We're just a lot smarter when the go button is hit of what we need to do and that is paying off and you're seeing it. I think that's why we're installing things faster than we have historically.

Ryan Kenny

Analyst, Morgan Stanley & Co. LLC

That's great. And then you mentioned that the revenue mix is increasingly weighted towards the enterprise-wide sales activity and advisory and business transformation and other initiatives. Are those revenue streams more one-time in nature or is there a recurring nature to them that helps the revenue outlook be more resilient over time?

Sanjay K. Sharma

Executive Vice President, Chief Executive Officer-SEI International & Global Head-Private Banking Business, SEI Investments Co.

This is Sanjay, again. So if you look at the professional services market, when you look at all these banking clients or any of the segment clients, they are making a platform change decision maybe once in 20 years, 15 years, but then continuously they are keeping pace with the changes happening in the industry. Those could be driven by regulatory requirements, they could be technology driven, they could be industry driven. And so they're constantly looking for trusted partners who can help them with that change journey, and that's how we are establishing ourselves and differentiating ourselves with other providers that we could be that trusted partners for them to continue to keep pace with the change.

And that's where you could see the traction we are having, be it our Data Cloud solution or be it our professional services, even AI adoption. Sneha and I, we are working together – literally, we talk to each other every day about how we can help our clients to adopt AI because this is not easy, that how you implement AI-driven initiatives in your landscape that requires significant undertaking, reskilling your workforce, adopting new ways of compliance, resilience. And we are the ones – we are helping our clients with that journey.

Sneha Shah

Executive Vice President & Head-New Business Ventures SEI, SEI Investments Co.

Yeah. And maybe I'll add there. I think it's really important to understand what clients are going through because they're having to reinvent their operating model in the age of AI. And so they don't see us as just a provider for

that one part of their platform. They're actually saying, what are you building that we don't have to? And so we're actually getting business that is recurring business that has nothing to do with what we started the conversation with them couple of years back with. And we're also creating new services as a result of the client demand.

And so it's really interesting because we're seeing across the industry, people want pure partners that are trusted, that are deeper in their ecosystem because the amount of AI tools and the proliferation of that is not deriving value for them because the value comes from integrated platforms and context, and that's where we really provide a lot of value to our clients.

Ryan Kenny

Analyst, Morgan Stanley & Co. LLC

Excellent. Thank you.

Q

Operator: Our next question is from Patrick O'Shaughnessy with Raymond James. Please proceed.

Patrick Joseph O'Shaughnessy

Analyst, Raymond James & Associates, Inc.

Hey, good afternoon. How would you characterize the general health of the private credit space right now in light of some of the growing concerns about credit quality? And then what's the read-through in terms of your sales pipeline? Sounds like no impact yet, but are there maybe some cracks starting to emerge?

Q

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

Phil, you can go, I mean, Patrick, the answer to the second part, there are no cracks starting to emerge, but Phil can give you a clear color on that.

A

Philip McCabe

Executive Vice President & Head-Investment Managers Business, SEI Investments Co.

Yeah, I mean, on the private credit side, we track the flagship products, as I said before, that they're looking to launch and we're still seeing them getting launched on schedule. I do think retail flows are down in private credit, but that didn't impact us before because we've only been in that space for about the last several months. And on the institutional side, we're seeing insurance money flowing into private credit. But that is only a fraction of a fraction of what we do. And we don't see any cracks in any particular part of our pipeline at all, anywhere.

A

Patrick Joseph O'Shaughnessy

Analyst, Raymond James & Associates, Inc.

All right. That's helpful. Thank you. Then a question on Stratos. Can you kind of walk us through the US versus the international strategy of that business at this point?

Q

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

So, today, the Stratos footprint, Patrick, is predominantly US and they had one Latin American business that was part of their overall kind of ecosystem. That was the NSC business that we called out as the termination. But the rest of the business is all domestic.

A

Patrick Joseph O'Shaughnessy

Analyst, Raymond James & Associates, Inc.

Okay, helpful. Thank you.

Q

Operator: Our next question is from Alex Bond with KBW. Please proceed.

Alexander Bond

Analyst, Keefe, Bruyette & Woods, Inc.

Hey, good afternoon, everyone. Thanks for taking the questions. Wanted to follow up on some of the commentary around retail, alts and the interval fund side. Sounds like the near-term pipeline is strong there. And last quarter, you'd called out trying to target some of the larger existing funds in that area. So, curious, if you could share how those efforts maybe specifically with converting some of the larger existing funds in that area are progressing. Thanks.

Q

Philip McCabe

Executive Vice President & Head-Investment Managers Business, SEI Investments Co.

Yeah. This is Phil, again. I think we needed a little bit of a proof case with the first couple deals that we signed to get them in and done. And they seem to be going really well. But I think over time, we'll keep moving up the food chain to try to get larger and larger deals. So as we said before, that market's kind of bifurcated the top 15 or 20 managers have about 60% of that market. So we definitely want to move up. I just think we have to sort of crawl, walk, run. And right now, we're walking and we'll go from there.

A

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

And I think the only thing I'd add is, we don't ever give out client names, as Phil said, but I literally have the pipeline for our regs TA in front of me. And as Phil said, we're really optimistic not just in the ability to continue to win business, but the brands that we're winning the business from are the right sort of brands that will put us in a good spot and we'll continue to grow.

A

Alexander Bond

Analyst, Keefe, Bruyette & Woods, Inc.

Got it. Makes sense. That's helpful. And then also wondering maybe if you can expand on what you're seeing in the institutional business, you know that it's difficult to time up when some of those pipeline opportunities could turn into revenue events, which is understandable, makes sense. But maybe if you could speak to which areas you're seeing the most traction in as it relates to the pipeline there as of late and sort of near-term expectations there, that would be helpful as well. Thank you.

Q

Michael Lane

Executive Vice President & Head-Asset Management, SEI Investments Co.

Yeah. Absolutely. In the institutional pipeline, what we've been focusing on predominantly is endowment/foundation, health care. Those are the two primaries. Obviously, we're not focusing on new defined benefit plans. We're retaining the ones we have that haven't funded fully with a surplus that might annuitize at some point. And if you look at the losses we had in the third quarter, we had one plan loss that we did what we were supposed to do, got them to 100% funding ratio and then they annuitized. But the pipeline is truly growing in that endowment and foundations space and health care. And we are putting all of our resources behind a much more targeted approach to growing the top line than trying to spread a little too thin as we may have in the past.

A

Alexander Bond

Analyst, Keefe, Bruyette & Woods, Inc.

Great. Thanks, everyone.

Q

Operator: [Operator Instructions] Our next question is from Dan Welden with Wells Fargo. Please proceed.

Daniel Welden

Analyst, Wells Fargo Securities LLC

Hi. Good evening. I'm still recovering from your Jelly Roll quote.

Q

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

Thanks, Dan. It's our way. If you liked it, it was my idea. If you don't, it was Brad's.

A

Daniel Welden

Analyst, Wells Fargo Securities LLC

Where do we get it? You sound positive on the outlook for Private Banks, is expected to remain solid. Wondered if we could drill in a little bit in just two areas. One, the recurring revenue sales events, what's sort of driving that momentum? And then secondly, on AMD, you've got three quarters of positive flows there, very good trajectory versus spotty historically. Curious on your views on sustainability in that trend?

Q

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

Yeah. Dan, two great questions. I'll start and let Sanjay give color. So if you think about historically Private Banking, as you said, was basically a sell SWP-only value proposition. So when you look at the breadth of recurring revenue, SWP is still at the core of almost all of the sales agendas, but then the expansion, as Sanjay touched on earlier around professional services has really just been an amazing tailwind for the business and something that we see has great durability.

A

And then if you take your AMD comment, that is all international, and we made a shift about 18 months ago that we had a lot of resources in the UK that were split, focused on the institutional space, and only one resource focused on the intermediary space. And I have a lot of bias given that's kind of where I spent most of my career at SEI in the UK. So we shifted probably one of our best leaders in the UK to the AMD, intermediary space, gave him some resource to hire some talent, and it really has paid off not just with new names, but with reigniting relationships with existing clients. And that's why Sean and Michael and Sanjay, Dan, were calling out that we made a couple of key hires earlier this year because we really believe we have a similar opportunity in the US with our IMU platform and our OCIO capabilities in the banking space, especially as Michael talked about a different approach where maybe we are a component in somebody else's model.

So we are really excited about that opportunity. But at the core, we really love what we see in terms of the market for SWP, but when you add professional services and asset management, that's where we get excited about some differentiated top line growth for banking moving forward. But Sanjay, you want to provide more color, too, on kind of the margin when we have those additional solutions?

Sanjay K. Sharma

Executive Vice President, Chief Executive Officer-SEI International & Global Head-Private Banking Business, SEI Investments Co.

A

Yeah, certainly. Ryan, this anchors us back to what we talked about, about private banking market on Investor Day.

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

Right.

Sanjay K. Sharma

Executive Vice President, Chief Executive Officer-SEI International & Global Head-Private Banking Business, SEI Investments Co.

We said that apart from going to market with core platform, you'll also be expanding significantly in professional services and asset management. And what you're seeing now that, yes, international market is already showing those results, and we are expanding through those capabilities in domestic market as well.

One other thing which I would call out once again and I talked about it earlier, our earlier focus was winning new logos because we were just leading a platform. Think about any of our existing clients, once they buy the platform, and if we are not selling them anything else, there is no other opportunity for SEI to grow. We changed that paradigm completely, and now while we are changing new logos with our enterprise capabilities, we are also helping our clients to grow their business. And that is translating in a new recurring revenue stream for us.

I talked about Data Cloud and AI. So think about the industry will keep changing, it's on us that we continue to innovate new services for our clients and help them to keep pace with change. So that's why you could see a good combination of core platform, our enterprise, professional services, Data Cloud, asset management capabilities that will continue to help us to grow our business in the segment.

Daniel Welden

Analyst, Wells Fargo Securities LLC

That's great color. Thank you.

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

Thank you, Dan.

Operator: There are no further questions at this time. I would like to turn the conference back over to Ryan Hicke for closing comments.

Ryan P. Hicke

Chief Executive Officer & Director, SEI Investments Co.

Well, thank you, everyone. This was, again, a terrific quarter. We really appreciate the engagement. We appreciate the support. We're extremely excited about what is ahead of us. And we look forward to speaking with you again next quarter.

Operator: Thank you. This will conclude today's conference. You may disconnect at this time. And thank you for your participation.

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