CBIZ, Inc.(Q1 2021 Earnings)

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Corporate Speakers:

- Lori Novickis; CBIZ, Inc.; Director of Corporate Relations
- Jerome Grisko; CBIZ, Inc.; President, CEO & Director
- Ware Grove; CBIZ, Inc.; Senior VP & CFO

Participants:

- Andrew Nicholas; William Blair & Company LLC; Research Division, Analyst
- Marc Riddick; Sidoti & Company, LLC; Business and Consumer Services Analyst
- Christopher Moore; CJS Securities, Inc.; Senior Research Analyst

PRESENTATION

Operator^ Good morning. Welcome to CBIZ' First Quarter 2021 Results Conference Call. (Operator Instructions) Please note that this event is being recorded. I would now like to turn the conference over to Lori Novickis. Please go ahead.

Lori Novickis^ Good morning, everyone, and thank you for joining us for the CBIZ First Quarter 2021 Results Conference Call. In connection with this call, today's press release has been posted to the Investor Relations page of our website, cbiz.com. As a reminder, this call is being webcast and a link to the live webcast as well as an archived replay and transcript, can also be found on our website.

Before we begin our presentation, we would like to remind you that during the call, management may discuss certain non-GAAP financial measures. Reconciliations of these measures can be found in financial tables of today's press release and in the investor presentation on our website.

Today's conference call may also include forward-looking statements, including statements regarding our business, financial condition, results of operations, cash flows, strategies and prospects. Forward-looking statements represent only estimates on the date of this conference call and are not intended to give any assurance as to actual future results.

Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties. Many factors could cause future results to differ materially.

A more detailed description of such factors can be found in the filings with the Securities and Exchange Commission. Please note that CBIZ assumes no obligation to update forward-looking statements.

Joining us for today's call are Jerry Grisko, President and Chief Executive Officer, and Ware Grove, Chief Financial Officer. I will now turn the call over to Jerry for his opening remarks. Jerry?

Jerome Grisko^ Thank you, and good morning, everyone. With the release of our first quarter results this morning, we are pleased with our strong start to the year. We experienced growth in total revenue, same unit revenue, earnings per share and adjusted EBITDA for the first quarter of 2021.

These results provide important momentum for the remainder of the year. Our results demonstrate the fundamental attributes of our business model that I've emphasized throughout the past year. These characteristics continue to enable our positive performance during both favorable and less favorable business conditions.

These attributes include the proportion, representing approximately 70% of our revenue that comes from essential and recurring services, including our tax services, insurance services, payroll services and a host of others that our clients rely on us to provide regardless of business conditions.

Our high client retention rates, our broad geographic footprint, the diversity of our client base in terms of industry and size of business, our strong and consistent cash flow and the substantial amount of variable expenses in our business. We continue to capitalize on the stability that our business model affords.

Throughout the last year and into the first quarter of 2021, we have watched how these attributes provided us an opportunity for growth regardless of economic environment. In addition, we continue to be extremely vigilant in managing our overall expenses and discretionary spending.

Practices we focused on at the start of the pandemic and carried into the first quarter of this year. As recovery continues, and we return to some level of normalcy, these expenses will begin to return as well, albeit at somewhat reduced levels compared to 2019.

Now I will turn to the performance of our 2 primary practice groups. Within our Financial Services group, we continue to experience very strong demand for our core services, including many of the compliance-related services that are weighted more heavily towards the first quarter of each year.

This year, the IRS tax filing deadline was extended to May 15, so a portion of our tax compliance revenue work will extend beyond the traditional mid-April time frame. Within our Discretionary and Project-Based businesses, we continue to experience increasing demand for our litigation support business and are seeing returning interest in our private equity advisory services and our valuation services.

Further, we anticipated that some project-based and discretionary work that was put on hold or delayed last year would carry over into 2021, and we are seeing that now, especially for our services that touch M&A transactions. While it is still too early to tell if this trend will continue throughout the year, all signs are positive and we remain encouraged based on the general level of optimism we are hearing from our clients and the external signs of economic recovery.

Also, important to note, the passage of the most recent COVID relief bill and stimulus package, like those passed in 2020, present new considerations for businesses and translates to more opportunities for us to deepen our client relationships and offer support when our clients need it most.

We continue to be active in our outreach and engagement of our clients to help supporting accessing these new and expanded opportunities. Our government healthcare consulting business ended 2020 strong and started this year with tailwinds as delayed contracts resumed, and we find our clients have largely adjusted to working with us using virtual tools.

We are also seeing new projects move forward, including increasing interest in our services related to managed care, which means additional opportunities for this business.

Turning to our Benefits and Insurance group. We started the year strong and are seeing a continuation of the positive trends that we experienced in the second half of last year in our employee benefits business, the core of our property and casualty business, and the advisory services provided within our retirement plan services businesses. Client retention is also up for these same services so far in 2021.

From a consolidated viewpoint, we continue to experience some softness in the portion of our Payroll business that generally serves smaller businesses, including a number in the food services industry.

To put this in context, the total revenue from this segment of our payroll clients represents less than 4% of CBIZ' total revenues. One additional area I want to highlight is our investment in producers.

Our ability to track, retain and develop our producers is essential to accelerate organic growth, and I am pleased to report that our overall number of producers is up at the start of 2021, and we continue to make progress in this area. The new producers we brought on in recent years continue to outperform our projections. And as a result, we are continuing to add new producers and to expand this program to other areas of our business.

In summary, we are pleased to start 2021 in a position of financial strength with a strong balance sheet, low debt and ready access to capital. With that, I will turn it over to Ware for his comments.

Ware Grove^ Thank you, Jerry, and good morning, everyone. I want to take a few minutes to run through the highlights of the numbers we released this morning. With total revenue growing by 8.4% in the first quarter, revenue growth from acquired businesses accounted for 4.8% of that growth, with same unit growth up by 3.6%.

After facing uncertainty in 2020 coming into this year, we were unclear how the year-over-year comparison to 2020 would unfold in the first quarter. The core business has continued the steady performance that we saw through much of last year.

And as expected, the advisory and transaction-oriented business services that were more vulnerable to the conditions encountered last year have largely stabilized, and we are positioned to record growth this year.

Our Financial Services group recorded total revenue growth of 8.1%, with same unit revenue growth of 4.5%. With no industry concentration within our core services clients, the diverse set of clients we serve lend stability to this business.

The acquisitions we closed last year are performing extremely well, with the only soft comparison being the private equity focused advisory business where the first quarter this year compares with a strong first quarter a year ago.

We currently have a full pipeline of prospective work within this group and we expect to report growth for the full year. Continuing to work under remote conditions, our government healthcare consulting business had a strong first quarter. Turning to the benefits and insurance group, total revenue grew by 9.6%, with same unit revenue growth of 1.6% in the first quarter this year.

Some of the transactional-based businesses, such as payroll services, are soft in comparison with first quarter a year ago. But after reporting a same unit revenue decline of 3% for the full year last year, the 1.6% first quarter same unit revenue growth within benefits insurance this year is noteworthy.

As Jerry commented, our investment in additional producers that has occurred in recent years is resulting in stronger pipelines of new business. We are continuing to invest in bringing additional producers onboard to further enhance growth prospects. When coupled with strong client retention, we are well positioned for growth.

As Jerry discussed, we remain vigilant in managing our expenses, which include for example, lower levels of expense for travel and entertainment that given the constraints caused by the pandemic are directly tied to our remote work.

Also, as a reminder, in the first quarter a year ago, we recorded an additional $2 million of bad debt expense. And so with the improvement in client receivables we are seeing, bad debt expense was lower this year.

We are pleased to report 390 basis point margin expansion on pretax income, leading to a 39.4% increase in earnings per share, up to $0.92 per share this year compared with $0.66 in the first quarter a year ago.

As we progress through this year, we intend to resource some level of discretionary spending, and that may challenge the year-over-year comparisons in the second quarter and for the balance of the year. For example, our investment in our national marketing media campaign was paused throughout 2020, but this is now underway in the second quarter.

Also, last year, as we pointed out in our quarterly calls, benefits and healthcare costs were lower as many medical procedures were delayed or deferred. After experiencing lower trends in this cost in the second, third and fourth quarters of 2020, benefits and healthcare costs were again lower in the first quarter this year.

This expense is hard to predict in the near term, but we expect a more normal level of expense over the balance of this year. So bear in mind, this trend may create some volatility to margin as we progress through the balance of this year.

You will see a table attached to our earnings release that reconciles the impact of the accounting for gains and losses in our deferred compensation plan assets. This impacts our reported gross margin, which was 27.1% on an adjusted basis this year compared to 22.6% a year ago.

And operating margin on an adjusted basis was 22.4% compared with 18.2% a year ago. As a reminder, there is no impact to pretax income. Cash flow has continued to be strong, with days sales outstanding on receivables improving from 94 days a year ago to 91 days this year.

Seasonally, CBIZ typically uses cash in the first quarter each year as receivables build in connection with our busy season revenue. At March 31 this year, the balance outstanding on our $400 million unsecured credit facility was $162 million compared with $108 million outstanding at December 31, 2020.

This leaves approximately $230 million of unused capacity at March 31. So we have plenty of dry powder to address strategic acquisition opportunities as well as continue with share repurchases.

In the first quarter, we used approximately $32.7 million to repurchase approximately 1.1 million shares. Since the end of the quarter through April 27, we have purchased approximately 270,000 additional shares under a 10b program for a total of approximately 1.4 million shares repurchased this year to date.

As a result of this repurchase activity, we expect a fully diluted weighted average share count for 2021 within a range of 54 million to 54.5 million shares, which represents a slight reduction in our full year expectation compared with guidance earlier this year, and we will provide further updates as we progress through the year.

Of course, strategic acquisitions continue to be the top priority as we deploy capital. With over $200 million of unused capacity, we have the flexibility to be aggressive in pursuing potential acquisitions.

Last year, we closed 7 acquisitions, and we announced an 8th acquisition effective on January 1 this year. Collectively, these acquisitions are expected to contribute approximately $48 million of annualized revenue, and we will see these transactions contribute to revenue growth throughout this year.

In the first quarter, we used $3.7 million for acquisitions, including earn-out payments on acquisitions closed in previous years. Future earn-out payments are estimated at approximately $11.8 million for the balance of this year, $16.1 million next year in 2022, approximately $9.7 million in 2023, approximately $13.5 million in 2024, and $800,000 in 2025.

Jerry will comment further on the recently announced acquisition, which is effective on May 1. And to be clear, the numbers I just referenced do not include the impact of this new acquisition. Beyond the acquisition we announced today, we continue to have a full pipeline of potential acquisitions.

Capital spending in the first quarter was $1.1 million. Last year, capital spending for the full year was $11.7 million. And for 2021, we continue to estimate capital spending at approximately $12 million to $15 million for the full year.

Adjusted EBITDA grew by 28.5% to $73.3 million reported in the first quarter this year, up from $57 million a year ago. The margin expansion on adjusted EBITDA was 370 basis points to 24.3% of revenue this year compared with 20.6% a year ago. The effective tax rate in the first quarter was 24.1%, and we continue to project an effective tax rate for the full year of approximately 25%.

Of course, as a reminder, the effective tax rate can be impacted either up or down by a number of factors that can be unpredictable, and we are not speculating on the impact of potential legislative changes in the tax rate that may occur. So with these comments, I'll conclude, and I'll turn it back over to Jerry.

Jerome Grisko^ Thank you, Ware. I'd like to touch on a couple of additional areas before we turn it over for Q&A. First, in regards to M&A, we started 2021 with the strongest M&A pipeline we've had in many years.

Already this year, we've completed one acquisition within our core accounting and tax practice and another within our retirement plan services business. I mentioned the acquisition of Middle Market Advisory Group during our last call. M&A provides tax, compliance and consulting services to middle market companies and family groups in a number of attractive industries and is located in Denver, Colorado.

This acquisition complements our rapidly growing Denver based practice. I'm also pleased to announce the acquisition of Wright Retirement Services, a provider of third-party administrative services to retirement plan clients across the country.

Located in Valdosta, Georgia, Wright Retirement services has a longstanding relationship with CBIZ as a client, and we are excited by the opportunity to offer their clients a broader array of services.

As we commented in our earnings release, we are also pleased to announce our latest acquisition and welcome the new team to CBIZ. This week we signed definitive documents to acquire the non-attest assets and business of Bernston Porter, a Bellevue, Washington based accounting firm.

As you know, for a number of years we've talked about identifying partners and completing acquisitions in attractive and growing markets. The Pacific Northwest has been high on our list. To enter a market like this, we wanted to do it with a partner that brought the size, scope and client base that would serve as a platform and be a catalyst for growth in that region.

And as always, we prioritize cultural fit, alignment of values and strong leadership as essential for future success. Over the years, we've evaluated a number of opportunities in the greater Seattle Metropolitan market, and that process led us to Bernston Porter.

Founded in 1985 by Bob Bernston and Greg Porter, over time Bernston Porter grew to be one of the top 10 CPA firms in the Puget Sound region. Bernston Porter's team, under the leadership of President Mary Actor, brings with it an outstanding reputation for exceptional client service, a commitment to the growth and development of their team members, and service to the communities where they work and live, all qualities that align with CBIZ' core values and beliefs.

The effective date for this acquisition is May 1, but we wanted to do announce it today as all conditions to closing have been satisfied. I want to take this opportunity to welcome the Bernston Porter team to CBIZ.

M&A continues to be a key component of CBIZ' growth strategy and will be a top priority for us in 2021 and beyond, especially as we see increasing interest in CBIZ as a potential partner. Our performance over the last year on the backdrop of the pandemic demonstrates the value and stability of our business model.

We also continue to emphasize our unique position in the market, given the breadth and depth of our expertise and services and our strong and steady cash flow. Our access to capital allows us to continue to make investments in the business that many of our competitors simply cannot afford. We know that these messages resonate with firms in each of our various businesses, and we are eager to explore these opportunities.

I would now like to turn to our revised guidance. As a result of our strong performance in the first quarter and the acquisition of Bernston Porter effective on May 1, we are revising upward our previously announced guidance. Our revised guidance is to grow revenue between 8% to 10% and earnings per share within a range of 12% to 15% for the full year of 2021 compared to the full year of 2020.

While there is still uncertainty as we navigate this next phase of the pandemic, our guidance assumes that recovery will continue and that business conditions will remain the same or improve throughout the remainder of the year.

With this revision and guidance and the announcement of the acquisition, I want to point out that Bernston Porter is a traditional accounting firm that recognizes a disproportionate amount of its revenue in the first half of the year due to the timing of tax deadlines in the busy season. Given the seasonal nature of this business, the earnings impact of this acquisition will be more fully realized in 2022 and beyond. With this, I will turn it over to Q&A.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question is from Andrew Nicholas from William Blair.

Andrew Nicholas^ Thank you and good morning. I wanted to start with the question on M&A. And I mean it with respect to the broader market, not CBIZ specifically. Obviously, it was in, I think, record levels throughout the first quarter.

Is there any way for you to maybe help me or help us dimensionalize how much it positively impacted your growth in the period? And also, how you think about your exposure to that dynamic for the business as a whole?

Jerome Grisko^ So Andrew, this is Jerry. When you think about how it impacted our growth, that would be difficult to really tell and I'll tell you why. There's really 2 pieces of our business that really are highly dependent on, specifically highly dependent on acquisitions.

The first is the obvious one, the private equity advisory business that we have. That's now about a $50 million business. In that business, we provide quality of earnings, we provide FP&A, we provide a host of other services principally and primarily to private equity funds for their portfolio companies in assessing acquisition opportunities.

That $50 million is obviously highly tied to the general broader overall M&A activity market. But we also do an awful lot of work with our clients within our traditional accounting practice around helping them structure and consider capital, large capital investments of all sorts, certainly including M&A.

And that's a little bit more difficult for us to assess as to how the direct dollar impact. But I will tell you that a more robust economy, a more favorable business climate for M&A certainly helps us in our growth for the year.

Andrew Nicholas^ Great, thank you. That's helpful. And then I know you touched on it a little bit in your prepared remarks where, but gross margins at the segment level looked to beat records by a pretty sizable amount for each segment.

So I was kind of hoping you could spend some time walking through what's driving that improvement and maybe speak to the sustainability of that level of performance in future years, understanding that Q1 is seasonally high and that there are some costs that you'll layer back in as the pandemic kind of hopefully fades away. But any color there would be helpful.

Ware Grove^ Yes, Andrew, thanks. Yes, the gross margins and pretax margins were extraordinarily high in the first quarter, and they were aided by a couple of year-over-year comparisons, which quite frankly, won't be sustainable throughout the year. They were unique to comparing this year and the expense levels versus last year, which was largely pre- COVID expense levels.

So first of all was the bad debt expense, roughly a $2.2 million swing. That's a one-time first quarter comparison that won't be sustainable for the balance of the year. Also we had, on the benefits and insurance side, we typically get in the first quarter the carrier contingents and carrier bonuses that relate to the prior year of client retention and claims experience and things like that.

So that also was kind of a one-time nonrecurring favorable thing to the first quarter, and that was a $1.4 million item. And then when you just look at the other expense items like travel and entertainment, it continued to be very low this year as it was most of last year. But in the first quarter, remember, COVID really didn't start to impact our expense levels until about midway through March when to stay at home orders and those things started to impact the business.

So once again, you have kind of a favorable year-over-year comparison in the first quarter with respect to the expense levels. So the key takeaway would be that, yes, we're very pleased to see that big margin expansion for the first quarter.

But we're going to experience some choppiness this year as we signaled with the original guidance. We're going to see some choppiness this year with respect to the year-over-year comparisons just because -- and another example we talked about was the marketing media campaign.

We totally paused and pulled that out of the mix last year on a discretionary basis just to protect the business. This year, we think it's the right thing. It will enhance long-term opportunities. So in the second quarter, you're going to see the impact of that expense, whereas last year you wouldn't have seen it.

So I think it's fair to say that we will see margin expansion this year. We commonly say on a long-term basis, it's our goal to get 25, 20 to 50 basis points improvement each and every year. And I think that will occur this year, but it certainly won't be upwards into the 300-plus basis points just because of the things I talked about.

Andrew Nicholas^ Great. Thank you very much. And if you wouldn't mind me squeezing one more in on the government healthcare business, I think you noted in your prepared remarks some acceleration there.

But I'm just wondering -- well, I guess first, could you say what the specific growth was for that business in the quarter? But also, maybe just more qualitatively, how close is that business to returning to pre-pandemic type utilization levels? And if you have any thoughts on the recovery cadence for those levels to the extent that they haven't already come through? Thank you.

Ware Grove^ Andrew, this is Ware again. That business, and you may remember and maybe that's behind your question, we've often said it typically grows in the high single-digit range. But at some point, it gets big enough that the percentages get really tough, but the growth dollar-wise is still pretty impressive.

Last year, as we converted to remote conditions, the good news was we saw very little disruption in client work, but some of it was pushed out and delayed just because remote work is less efficient. And so some of that will come back into this year. And we did grow in the first quarter, kind of mid-single-digit range, not high single-digit range, and that's the expectation for the year.

Operator^ (Operator Instructions) Our next question is from Marc Riddick from Sidoti & Company.

Marc Riddick^ Wondering if you could talk a little bit about the opportunities for growth around hiring and maybe what you're seeing there and what those plans may be to sort of take advantage of future opportunities? And then I have a couple of follow-ups around that.

Jerome Grisko^ Yes, more specifically, Marc -- I'm going to answer it, I'm not sure I really fully understand the question, but what we're -- in our plan, in our guidance for this year is the staffing that we have today. So we think we have plenty of staffing to achieve the guidance that we set out as far as growth is concerned.

We are seeing, as you see generally in the economy, that there are some constraints on resources that are available. We believe that we have a compelling value proposition to our workforce, and we think that we'll win our share.

But there's no question that there is somewhat of a tightening of the labor market, certainly across the board, and that's also true in our industries.

With that said, there's other opportunities, other levers in addition to just headcount that we can pull to achieve the growth that we, again, that we have put into our guidance in things including pricing, things including the types of services that we provide to our clients, the programs that we put in place to help our clients navigate things like the additional stimulus packages that are in the works.

So we think we have a considerable number of levers that will help us get the growth that we've guided towards. Hiring is certainly one of them. And we talked a little bit about the producer program. We also believe that we have a real and very attractive model to recruit into on the producer side, and we're confident that we will continue to add to those numbers.

Marc Riddick^ Okay. Great. And then one of the things I wanted to circle back on, and during the course of the pandemic one of the things that you were very active with, was the outreach programs that you had for your customers as far as providing resources for information and sort of helping both your existing customers, but new potential customers sort of navigate as much as possible from an information standpoint, navigate the pandemic with information and webinars and the like.

And I was wondering if there was any thought or if you've had the opportunity to sort of look at how that can sort of work going forward and maybe how that has translated into new customer growth and what that part may have played in generating the numbers that you were able to deliver today?

Jerome Grisko^ Yes, Mark, thank you. We learned a lot last year, right? First of all, it was very affirming as to our business model, our approach, the value of the breadth and depth of services that we provide, the value of the depth of the expertise we provide.

And as I commented last year and I think at the end, early this year, that all came together in the way that we holistically packaged our products and services through webinars and through other client outreach programs to be able to serve them in ways that many of our competitors can't.

They just don't simply have the scope of services or the depth of expertise. And we've received terrific feedback from our clients and prospects through that engagement. And so to your question, that will continue into the future. We have programs that are continually being developed and hosted.

We invite, again, clients, we invite prospects, key decision-makers to participate in those programs. And as a result, we are very, very pleased with the kind of top of the funnel on our new clients and additional revenue pipeline. So those things have worked for us. We learned how to execute that on those things much better in 2020 through the pandemic, and those programs will continue into the future.

Marc Riddick^ Okay. Great. And then the last one for me, and I know this might be a little tricky, but I guess a couple of years ago we had the federal delay due to the -- following the company shutdown.

Last year, of course, was the initial pandemic and this year a 1-month delay in federal. Is there sort of a way to -- so we haven't had a normal season, I suppose, in several years, but is there a way to sort of think about quantifying maybe how much potential revenue may have shifted or maybe even if there's a way to sort of think about what that difference might have been, if not versus last year because last year, of course, was unusual as well. Maybe sort of compared to what it traditionally would have been under normal circumstances.

Jerome Grisko^ Yes, so Marc, great point, what we're learning is there is no typical year, okay? We are always going to face something there. A lot of times, I think the very positive message that hopefully you've received over those periods of times, is that business doesn't go away. It may be deferred.

There may be other reasons why the revenue might shift from one quarter to another or into the year. But generally, the revenue, once we have these contracts, we have long-standing relationships with these states. That work needs to be done. We're going to get that work done.

And it's really just a timing issue as between quarters and years. And that's often why it's very difficult and we caution against trying to model quarter-over-quarter results for us. Because those can be large swings in a business as sizable as M&S and with regard to how large those contracts are.

With that said, I think the best guidance that we can provide is the guidance that Ware alluded to in his remarks, which is we've traditionally grown that business at kind of mid to high single digits.

While it will be harder in the future to keep the percentage of growth at those levels as the business gets lower, I think you could look at certainly the dollar impact of that growth being fairly consistent over longer periods of time year-over-year.

Marc Riddick^ I really appreciate that, and I just want to sneak in one last one. I wanted to sort of touch on, and this is sort of more general, but I wanted to get a sense of what your feelings were as to -- you guys have always done acquisitions and executed really well on them.

And I was sort of curious as to maybe what those conversations are like? Or it seems as though you would be a more attractive destination, relatively speaking, in the eyes of potential partners, future partners following the challenges like we've seen.

So I was wondering if you got a sense that the conversations that you're having now, are they different than they were maybe 5, 6 years ago when it's sort of fresh and clear that you're an attractive destination and future partner?

Jerome Grisko^ Yes, Marc, they're not only different from 5 and 6 years ago, they're different from 18 months ago as a result of what we experienced over the past 20 -- in 2020 compared to many of our competitors. So let me kind of talk about both of those things.

First of all, I think what people come to appreciate and recognize is that when they look back over our performance over a long period of time, we've had sustained revenue growth, we've had sustained earning margin, and we have substantial scale.

And so those attributes allow us to continue to make investments in the business, investments in practices, investments in technology, investments in people, investments in the growth and development and products and solutions for our clients that simply smaller competitors, they just don't have the resources to make those investments. And they come to appreciate those things.

The difference really over the past 20 months or -- I'm sorry, really over the past year since 2020 is, prior to that time, and we've seen this at various points in our history, prior to that time, we're only interested in bringing on the most highly regarded service providers in our markets and in our industries.

And when we have those conversations with, whether it's on the accounting side or the benefits insurance side, oftentimes the response is, we know CBIZ, we like CBIZ, we really like what you're doing, we'd love to be part of it someday. But there's no compelling reason to do it today as opposed to tomorrow.

What changed in 2020 is that they faced pressures that they would not typically face in more favorable economic conditions. And things like being able to maintain your workforce, being able to continue to make investments in the business, being able to bring the types of programs that we're able to bring to our clients to help them in that very uncertain and unsettling time as we did in 2020.

And then the strength of our balance sheet, the strength of our cash flow, breadth and depth of expertise, all of those things, we're telling that story. We were telling that story, by the way, in 2019 as well.

But we're telling it in 2020 and 2021, and they're hearing it different, and they're leaning into that message more. And as a result, as I said at the outset of this call, we have had the fullest pipeline of M&A transactions that I've seen in many, many years, and that continues, and there's a great receptivity to the message.

Operator^ Our next question is from Chris Moore from CJS Securities.

Christopher Moore^ Just a few here. One follow-up on the gross margin. So obviously, where -- you did a good job going through where some of that excess margin is coming from. On the discretionary side, travel expense, does it impact the segments the same or differently?

Jerome Grisko^ Yes, probably the bad debt expense delta would be clearly more oriented towards the financial services side, where we've got kind of the traditional billing and trade receivables with our clients.

The carrier contingents would be impactful on the benefits and insurance side. And then I think on the travel and entertainment side, which I called out, it's probably proportionately equal to kind of the sales mix or the revenue mix between the two. Without getting too -- I just don't have the details, but I think that is safe.

Christopher Moore^ That's fine. That's helpful. Still, I want to make sure that I understand from a seasonality standpoint. Obviously, financial services, very seasonal. On the benefits and insurance piece, the margins you walked through where in terms of why Q1 gets impacted sometimes, etc.

I guess, more from a revenue standpoint, you did $87 million in revenue in the first quarter in benefits insurance, 1.6%, I think, same story you said, so some acquisitions in there. What I'm trying to understand is, is that $87 million moving forward? How does the Q1 revenue seasonality and benefits insurance, how significant is it?

Jerome Grisko^ Yes, great question. Most of the businesses that are embedded into the benefits and insurance aren't really seasonal. For instance, employee benefits it's kind of throughout the year. And the payroll business is throughout the year pretty equally. Retirement planning services, same thing.

On the property and casualty side, when we see renewals that happen typically annually, you typically recognize the revenue there. So that might be a little more front-end loaded, kind of a year-end cycle as opposed to a midyear cycle.

But I would say it's not highly seasonal because we have a fair share of clients that do a midyear renewal as opposed to a calendar yearend renewal. I think the one seasonal thing that we did talk about was that the carrier commissions that come through based on the prior year. And they typically come through in the first quarter.

Christopher Moore^ Got it. That's helpful. And the last one, just in terms of the 8% to 10% revenue guide, is that pretty evenly skewed between acquisitions and same store? Or is it more skewed towards to the acquisition side?

Jerome Grisko^ It's probably -- it's safe to say that with the acquisitions accounting for a larger portion in the first quarter, that will continue throughout most of the year. That -- it's probably 2/3, 1/3 split as opposed to the typical kind of 50-50 split that might be more true over time.

Ware Grove^ Chris, I do want to clarify though, we don't -- we only count in that number kind of acquisitions that have been closed. As you know, there are a -- there's a high [mortality] rate, it's hard to predict. So I don't want you to think that we have future acquisitions in that number.

Christopher Moore^ Understood. Understood. I got it. Okay. That's helpful. I will leave it there.

Jerome Grisko^ Yes. Just -- we did 8 acquisitions through January 1, plus just announced a new one. So it is more heavily weighted towards acquisitions this year.

Operator^ This concludes our question-and-answer session. I would like to turn the conference back over to Jerry Grisko for closing remarks.

Jerome Grisko^ Thank you. I want to close today by thanking our analysts and our investors, as we always do, for your continued confidence and support. I also want to take this opportunity to recognize our CBIZ team members. Our noteworthy performance in the first quarter is a direct result of your commitment and dedication.

I remain incredibly proud of what we've accomplished over the last year working together, and I'm even more excited for what we can achieve in the year ahead. Thank you and we look forward to talking to everybody after the end of the second quarter. Have a great day.

Operator^ The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.