Q2 2022 CBIZ, Inc. Earnings Conference Call

July 28, 2022

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:

- Christopher Moore: CJS Securities, Inc.; Analyst
- Andrew Nicholas: William Blair & Company LLC; Analyst
- Marc Riddick: Sidoti & Company, LLC; Analyst

PRESENTATION

Operator: Good day, and welcome to the CBIZ Second Quarter 2022 Results Call. Please note that this event is being recorded.

I'd now like to turn the conference over to Lori Novickis, Director of Corporate Relations. Please go ahead.

Lori Novickis^ Good morning, everyone, and thank you for joining us for the CBIZ second quarter and first half 2022 results conference call. In connection with this call, today's press release and quarterly investor presentation have 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 can be found on our site. In addition, an archived replay and transcript will also be available after the call.

Before we begin, 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 the financial tables of today's press release and investor presentation.

Today's call may also include forward-looking 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 call and are not intended to give any assurance of 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, and CBIZ assumes no obligation to update these statements. A more detailed description of such factors can be found in our filings with the Securities and Exchange Commission.

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, Lori. Good morning, everyone, and thank you for joining us for today's call. We're pleased to share our second quarter results and to discuss our outlook for the remainder of the year.

As I discussed on our last call, we had strong momentum coming into this year based on our exceptional performance in 2021. And this momentum has continued through the first half of the year. I'm especially pleased to report that in the second quarter, we continue to experience strong organic revenue growth across all major service lines. Our results for the second quarter were aided by our recent acquisitions, including our acquisition of Marks Paneth, which we completed at the beginning of the year.

Within our Financial Services group, we wrapped up our traditional busy season during the second quarter and continue to experience strong demand for our essential tax and accounting services. The strength of this demand has allowed us to take an aggressive approach to pricing, which has bolstered our rate of growth.

Within our Advisory Services, we also continue to experience high demand, particularly within our private equity advisory practice as the M&A market remains active. Similar to our essential services, we've also been successful in driving improved pricing for these advisory services.

Turning to our government health care consulting business. The positive trend that we experienced during the first quarter has continued through the second quarter and was aided by a number of projects that were delayed during the past two years that are now back on track, in addition to the launch of several new projects.

As we've discussed in the past, sustained growth within our Financial Services group is dependent on our ability to attract and retain talent. While the labor market remains tight, we have experienced encouraging results from our efforts to attract talent by utilizing many of the same digital marketing techniques that we use to attract new clients. These strategies allow us to cultivate a full pipeline of potential candidates and tailor the information that we deliver to each individual throughout the recruitment process.

We've also expanded our team of internal recruiters to meet the growing needs of our business. While our turnover rates within this group are somewhat higher than in prior periods, they appear more favorable than many others in our industry, and we continue to take measures to create even more compelling culture and expanded career opportunities for our team members.

Now turning to our Benefits and Insurance group. We finished last year with historic organic revenue growth rates, driven primarily by our employee benefits and our property and casualty insurance service lines. That group has continued throughout the first half of this year and reflects the impact of strong sales and high retention rates generated last year, combined with new strong sales, high client retention and positive trend again this year.

Our investment in producers is also continuing to grow as our producer pool for these two businesses is 10% higher this year than last year. We are also experiencing growth within our retirement investment services business and our payroll business. Within payroll, strong demand for our upmarket platform that serves larger clients with more complex needs continues. And our new sales pipeline remains strong. Like other areas of our business, both retirement investment services and payroll have been aggressive on pricing, and we are seeing the impact of these fee increases in our results.

Finally, while they make up only a small segment of our Benefit and Insurance division results, we also experienced strong demand for our advisory and project-based businesses, such as our executive search and compensation consulting business. We often view these businesses as a bellwether for the economy and our pipeline of work for this business is extremely strong with no signs of slowing.

I will remind you that during our last earnings call, we affirmed our full year guidance that we had provided at the beginning of the year. Based on our strong performance in the first half of this year, we are pleased to be in a position to raise our full year revenue and adjusted EPS guidance, and Ware will walk through the details in his comments.

But before I turn it over to Ware, I want to take a moment to address the likely questions regarding the recent volatility in the market and the growing calls for concern of the pending recession. In speaking with the sampling of our clients, they generally remain confident in their ability to perform well through year-end. While there's an acknowledgment of the issues related to inflation, rising prices and labor shortages at the national and even global levels, our clients generally remain confident in their ability to successfully compete in their industries and to navigate within their local and regional markets.

For CBIZ, when we consider the potential impact of a recession on our business, we look to our experience during the 2008 and 2009 financial crisis and consider the substantial investments that we've made in the business since then. Looking back to that period, the impact on CBIZ came later into the downturn than for many other industries. Even with this lagging impact, we were able to use the various levers at our disposal to drive total growth in revenue and earnings per share despite the more challenging business climate.

Moreover, since that time, we've made considerable investments in our business and everything from people to systems, processes and tools, all focused on supporting sustainable growth and enabling more stability and resilience within our business regardless of the business climate. Even further, we've also continued to expand and diversify the services that we offer to our clients.

We are in a much different and better position to be able to support our clients in the face of uncertainty and to help them navigate both the challenges and opportunities a changing economic environment may present. Given that, I am confident that if we were to face a recession or any significant economic downturn, we would start from a place of strength and continue to perform strong, certainly relative to others.

One final note, I want to caution that we do expect more volatility in our financial results from quarter-to-quarter than we've historically experienced, due in part to the significant number of acquisitions that we've completed in the past 12 months. As a result, we would advise against comparing any given quarter this year to the same period in any prior years.

With this, I will turn over to Ware Grove, our Chief Financial Officer, to provide more specific details on our financial performance for the second quarter and the revision of our guidance for the remainder of the year. Ware?

Ware Grove: Thank you, Jerry, and good morning, everyone. Let me take a few minutes to talk about key highlights of the second quarter and year-to-date numbers we released this morning. The second quarter numbers reflect a very strong continuing momentum in our business.

Total revenue in the second quarter increased by $83.3 million, up 29.9% over second quarter a year ago. The second quarter same unit revenue was up $31.7 million or up by 11.4%, with acquisitions contributing $51.6 million or 18.5% to growth compared with last year. For the six months this year, total revenue grew by $174.3 million, up 30.1% compared with last year. Same unit revenue for the six months grew by $60.5 million or up by 10.5%, with acquisitions contributing $113.8 million or 19.6% to revenue growth for the six months this year compared with last year.

Within Financial Services, for the second quarter, total revenue grew by $72.7 million, up 39%. Same unit revenue for the second quarter was up 11.1% or up by $20.7 million with strong revenue growth spread evenly between our core advisory and government health care consulting lines of service. For the six months, total revenue within Financial Services grew by $157.3 million, up 40.3%. Same unit revenue for the six months was up 10.8%, again, spread evenly between core advisory and government health care consulting lines and service.

Acquisition activity in 2021 and through the first half of this year was focused primarily within our Financial Services businesses. The newly acquired businesses are contributing to this robust total revenue growth. As we lap the first year of the mid-'21 acquisitions, these acquisitions will continue to perform well, but the total growth in revenue attributed to '21 acquisition activity in the second half will naturally moderate.

Within Benefits and Insurance, same unit revenue in the second quarter grew by 11.6%. And for the six months, same unit revenue grew by 9.2%. Every line of service within Benefits and Insurance recorded same unit revenue growth for both second quarter and for the six months. The investments we have made in recent years to hire and increase the number of new business producers has continued to gain traction. We remain committed to further enhancing growth capabilities within the Benefits and Insurance group, and we will continue to make investments in hiring additional producers for the balance of the year and beyond.

Bear in mind, as you look at earnings per share for the second quarter and for the six months, a year ago in the second quarter of '21, we adjusted results to eliminate the impact of the $30.5 million settlement cost, plus we eliminated the $6.4 million gain on the sale of operations that was recorded in the second quarter last year. On an adjusted basis, in 2021, we reported $0.50 per share for the quarter, and we reported $1.43 per share for the six months.

This year, in 2022, we announced the acquisition of Marks Paneth effective January 1. We estimated annual revenue of approximately $138 million this year, and we also outlined anticipated first year non-recurring transaction and integration costs associated with the acquisition. We are extremely pleased to have the Marks Paneth team on board to see this, and the business is performing in line with initial estimates. Making adjustments to eliminate the impact of the nonrecurring costs in the first quarter, these costs represented approximately $0.08 per share. And for the second quarter, these costs are approximately $0.03 per share or $0.11 per share for the six months.

With these items in mind and with a view towards presenting meaningful comparable information, adjusted earnings per share for the second quarter this year is $0.63, up 26% compared with adjusted earnings per share in '21 of $0.50. For the six months, adjusted earnings per share this year is $1.81, up 26.6% compared with adjusted earnings per share of $1.43 last year.

Adjusted EBITDA, considering these same types of adjustments, was $148.6 million for the six months this year, up 27.9% over adjusted EBITDA of $116.2 million last year, and we expect a similar full year increase this year. Without going into detail today during this call, a table reconciling reported GAAP numbers to these adjusted earnings per share and EBITDA numbers that I'm referencing is included in the earnings release issued this morning, so you can see the detail of the items included.

During last year and into the first quarter this year, after seeing artificially low levels of expenses through the pandemic, we talked about the level of healthcare and benefits, T&E expense and marketing expenses that are normalizing to higher levels. While we are seeing increases this year versus '21, these expenses, most notably T&E expense, are expected to level out at over 100 basis points lower than pre-pandemic levels that we experienced in 2019. But for the first half of this year, these expenses represented a 106 basis point headwind to margin on income before tax compared with the lower levels experienced in the prior year.

As we continue to enhance revenue growth with intentional outreach efforts of clients and new business prospects, we planned and expected that these costs would present headwinds this year. Of course, in addition to these discretionary costs, other variable elements in our cost structure give us the ability to manage expenses and leverage our cost structure over time.

Comparing year-over-year adjusted results for the six months ended June, pretax income margin was down 30 basis points. The expense items I described represented 106 basis points headwind for the first half this year, so we are happy to be leveraging other costs aside from the intentional increase in T&E expense in the short list of items that I mentioned.

We will continue to say that over time, we expect to achieve a 20 to 50 basis point annual increase in pretax margin. As you look back, in recent years, we are very pleased that our performance has exceeded the higher end of that range.

For the full year of 2022 this year, we expect margin improvement near the lower end of that range, and our full year revised guidance contemplates margin improvement for the full year despite the headwinds in T&E expense and the other items I mentioned.

As always, details of the impact of accounting for gains and losses in our nonqualified deferred compensation plan are outlined in the release. Because we are comparing a period in 2021 with capital markets gains compared with this year with capital markets losses, there is a significant impact to the GAAP reported numbers as you look at both gross margin and operating income. As a reminder, pretax income margin is not impacted by this factor.

The business is performing very well this year with robust top line growth. Cash flow from operations continues to be solid. In our first quarter conference call, we commented on the pending amendment of our $400 million credit facility to extend the maturity by five years through 2027 and upsize the facility to $600 million. This was accomplished during the second quarter.

At June 30, the balance outstanding on the newly upsized $600 million unsecured facility was $266 million, with about $323 million of unused capacity. In the first half of this year, we have used approximately $81 million for acquisition purposes, including earnout payments on acquisitions that were closed in previous years.

Earlier this month, we announced the acquisition of Stinnett & Associates that was effective July 1. Since the end of 2019, we have closed 15 transactions and have deployed approximately $250 million of capital for acquisition purposes, including earn-out payments over that period of time. With the Stinnett transaction, combined with estimated earnout payments on previously closed transactions, for acquisition purposes, we expect to use $28.9 million over the remainder of 2022, approximately $50.1 million in 2023, $46.6 million in 2024 and approximately $27 million in 2025.

In addition to using funds for acquisitions, during the second quarter, we repurchased 735,000 shares of our common stock. And through June 30, we have repurchased 884,000 shares in the open market at a cost of approximately $36 million. Since June 30, we have continued to actively repurchase shares. Under a 10b program, we have repurchased an additional 198,000 shares, making the total shares repurchased through July 27 approximately 1.1 million shares.

To recap repurchase activity in recent years, since the end of 2019, we have repurchased a total of approximately 6.5 million shares, representing nearly 12% of shares outstanding compared to the end of 2019. Approximately $198 million of capital has been used towards this repurchase activity since the end of 2019.

The balance sheet at June 30th is strong with leverage of approximately 1.5x EBITDA. This provides plenty of capacity to continue with both strategic acquisitions and to continue with share repurchases. DSO at June 30 was 88 days compared with 84 days a year ago. Bad debt expense for the first six months was 17 basis points of revenue compared to five basis points a year ago. Depreciation and amortization for the second quarter was $8.3 million versus $6.6 million last year. Year-to-date is $16.5 million versus $12.9 million last year.

Capital spending for the second quarter was $2.8 million and is $3.6 million for the six months. For the full year of '22, we're expecting CapEx to be approximately $10 million. The effective tax rate for the first six months this year was 26.3% and that was up from 24% a year ago. For the full year this year, however, we continue to expect an effective tax rate close to 25%, although this can be either higher or lower due to a number of unpredictable factors.

Looking ahead, the second half of our year is seasonally more dependent upon project business and is typically subject to more uncertainty. However, we are in a very strong position to continue to report robust growth in revenue and in earnings for the following reasons. Demand for services continues to be strong.

The recurring and essential nature of many of our services provides a major stability through economic cycles. At this point, we are seeing continued signs of steady and strong employment within our clients as we look at employment-driven metrics in our benefits and in our payroll businesses.

As Jerry commented, the tools and systems we have put in place in recent years have enabled us to increase pricing and keep pace with underlying cost pressures, leverage costs and protect margins. The investments we made and are continuing to make in new business producers, particularly focused within our Benefits and Insurance group, have gained traction and we are seeing strong new business revenue growth, coupled with strong client retention that is driving revenue growth.

First half results are very strong, and we are comfortable in increasing full year 2022 expectations as follows. We expect total revenue to increase within a range of 23% to 25% over the $1.1 billion reported in 2021, up from previous guidance projecting growth between 19% to 21%. On an adjusted basis, we expect 2022 adjusted earnings per share to increase within a range of 25% to 27% over the adjusted earnings per share of $1.66 reported in 2021. This is up from previous guidance for growth in adjusted EPS of between 20% to 22%.

GAAP reported earnings per share is expected to increase within a range of 45% to 48% over $1.32 reported in 2021. The effective tax rate for the full year of 2022 is expected at approximately 25%, and of course, as I mentioned earlier, this can be impacted either up or down by a number of unpredictable factors.

In light of share repurchase activity to date, fully diluted weighted average share count is expected within the range of 52.5 million to 53 million shares for the full year 2022.

So with these comments, I will conclude, and I'll turn it back over to Jerry.

Jerome Grisko^ Thank you, Ware. Before we move to Q&A, I want to provide a brief update on our progress with the Marks Paneth acquisition and discuss our latest acquisition of Stinnett & Associates. M&A continues to be a top priority and a key component of our overall growth strategy. In January, we announced the acquisition of Marks Paneth, a leading accounting and tax firm headquartered in the New York metro area with additional offices throughout the East Coast.

When we plan to prepare for a financial services acquisition, we always consider timing. With Marks Paneth joining CBIZ at the beginning of the year, the pacing of our integration plan was designed to minimize disruption during the traditional busy season. While we were able to accelerate and complete some aspects of integration early, especially in those areas that impact our people like benefits and payroll, we needed to delay some steps until after the busy season.

With busy season now behind us, we are now moving quickly forward with our next phase of integration, which includes the move to our operating platforms and systems, additional training and development and the standardization of policies and procedures. So far, we remain very pleased with both the performance of Marks Paneth and our overall progress with integration.

Earlier this month, we announced our latest acquisition of Stinnett & Associates based in Tulsa, Oklahoma with additional offices in Oklahoma City, Dallas, Houston, San Antonio and Denver. Stinnett & Associates provide risk and advisory services, including cybersecurity and SOX compliance to businesses of all sizes across numerous industries. With this acquisition, we will add significant scale and talent to our existing risk and advisory services business.

Overall, our M&A pipeline continues to be very strong, and we have the financial capacity to remain aggressive in pursuing acquisitions. On that note, as Ware mentioned, I also want to point out that we recently expanded our credit facility to $600 million, up from $400 million. The amended agreement also extends the maturity date of five years and includes an accordion feature that allows for an additional $200 million of borrowing at a later date. This change allows us more flexibilities to support continued growth of the business and positions us to remain competitive as we pursue acquisitions.

With that said, we'll move to Q&A.

QUESTIONS AND ANSWERS

Operator: Our first question comes from Chris Moore with CJS Securities.

Christopher Moore: So, historically you've talked about 70% recurring revenue. With the Marks Paneth acquisition, is that moving closer to 75% or am I looking at their revenue in terms of recurring, not correctly?

Ware Grove: Yes. Chris, this is Ware. Yes, I think you're right. In terms of the core accounting business, a lot of that business is recurring with annual tax engagements and then related audit engagements and things like that. So, the second half of the year is more project-based. But I think, if we've said 70% as a rough estimate in the past, it's probably a bit higher than that going forward.

Christopher Moore: Got it. And maybe we can just dig into some of Jerry's opening comments a little bit in terms of the kind of the economic sensitivity of the project work or how recognizing the work is diversified in terms of focus and end markets. Maybe just talk a little bit further in terms of which areas are most sensitive.

Jerome Grisko: So, Chris, it's Jerry. Yes. So, a lot of the work that we do that is more project-oriented advisory services relate to acquisitions. And as we speak with our offices, speak with our various businesses, that market continues to be quite strong at this time.

So, as we look forward to the rest of the year, we are really sold out for those types of services for the foreseeable future. And the sentiment of the group is that, that will continue to remain strong through the rest of the year. We, of course, do a variety of other, provide a variety of other services that are consulting and advisory. But those also look very promising based on the visibility that we have at this time.

Christopher Moore: Got it. Maybe just switch over to the balance sheet. So, can you just remind us of the terms of the debt and kind of any impact you expect from rising interest rate environment?

Ware Grove: Yes. Chris, this is Ware. Yes, we borrow on a variable rate basis. It's now SOFR as opposed to LIBOR. So we've made that transition, but we expect little to no incremental impact because of that. But with respect to rising interest rates, yes, we are being and we will be impacted. I'll just remind you that we have nearly $100 million of underlying synthetic swaps, if you will, to synthetically fix rates at pretty attractive longer-term rates. So, a good portion of the variable is swapped into fixed.

And also, we have kind of a natural balance sheet hedge to the extent that we're investing the client funds in our payroll business. As interest rates rise on the income yield side there, it serves as a balance sheet hedge against the expense side. It's not perfectly hedged, so we will be impacted, but those are the dynamics.

Christopher Moore: Got it. And last one for me. Just maybe trying to compare free cash flow that was generated in '21 versus what you're expecting in '22. Obviously, the first half of the year, the working capital issues, et cetera, kind of how you look at '22 versus '21?

Ware Grove: Yes, Chris, we should be in a very similar position. Just remember, in '21, we had a couple of unusual items with respect to the settlement costs and things like that. And also, '21 was an extraordinarily good year for us. So, there was a higher level of variable compensation accrued last year, and that came out of cash flow this year from a timing perspective.

So those two things are going to factor in year-over-year. But other than that, with respect to working capital and the margin on the business, the underlying business, those are at least as strong, if not strengthening from where they were a year ago.

Having said all that, of course, we have the adjustments we talked about with respect to the integration costs and those things. So there's a lot of moving pieces and parts. But if your question really drives at the underlying health of the business, there's no reason for concern there.

Operator: Our next question comes from Andrew Nicholas with William Blair.

Andrew Nicholas: First one is just kind of on the M&A environment. You talked pretty constructively about the M&A pipeline, but just curious if the competitiveness of deals over the past several months has changed at all if pricing has continued to tick a bit higher given all the activity, particularly from private equity sponsors in this space. If you could just comment on that, Jerry, that would be great.

Jerome Grisko: Yes. Thanks, Andrew. You mentioned over the past couple of months. I wouldn't say that there's been a dramatic change over the past couple of months, but there has been a change over the past, say, 18 months within the Financial Services side in particular.

Prior to that time, private equity really wasn't active in the space since they've entered, we have seen some more aggressive pricing still well within the range of our models and rates that would allow us to provide very favorable returns on our investments. But yes, the pricing there has gone up somewhat, certainly over the past 18 months.

Interestingly, on the Benefits and Insurance side, rates have more stabilized. They've not come down, but we had seen them kind of steadily pick up over a number of years and most recently have really stabilized there. So not dramatic changes in the pricing structure, but some changes certainly on the Financial Services side.

Andrew Nicholas: Great. Switching over to B&IS for a second. It sounds like I think you mentioned payroll and employee benefits consulting as being bellwethers. Can you expand on that and just maybe speak to the cyclical exposure of the underlying subsegments in that business a bit more?

Ware Grove: Yes, Andrew, this is Ware. Great question. And we do look at those as kind of bellwethers on the macroeconomic environment because we can track the number of transactions processed and that's an indicator of the employment levels within our clients. And I can tell you those are stable to strong year-to-date through the first six months. And we're not seeing any signs of weakness or degradation in those numbers.

Andrew Nicholas: Great. And then, for my last question, I know it's a smaller part of the overall business, but -- and I understand just based on your last conversation or last answer that payroll does have some macro exposure. But are there other things going on in that business? Can you spend a little bit more time talking about potential share gains or increased cross-selling within that business? It seems like that's really starting to pick up gear a little bit after a few years of investment.

Ware Grove: Yes, couple of things, Andrew. First of all, as we've said in the past, there's really kind of two platforms in that business. The platform that we've had for many, many years really serves a mid-market client and a smaller client. That continues to be more stable for us, but not really where the growth is coming from. The growth within the kind of core payroll processing is coming from the new platform that we put in place probably 2.5, 3 years ago now, that is really kind of targeting a much larger client with much more sophisticated needs.

The reason strategically that that's important to us is because that's exactly the profile of the client that lends itself to cross-serving on our employee benefit side of the business. And we've had encouraging success not only in being able to serve that client with a core payroll platform that is much more robust than the legacy product that we've had in the past, but also with them being able to cross-serve our client, cross penetrate that client with employee benefits.

Early innings, and we want to make sure that we're, of course, doing an exceptional job just on the payroll side. But we are now turning our sights to going back to clients that have transitioned out of those platforms to then start having more active discussions around other services that we can provide for them, including employee benefits.

Operator: Our next question comes from Marc Riddick with Sidoti.

Marc Riddick: So, I wanted to go back to some of the prepared remarks that you had, so I wanted to focus on the commentary that you had around pricing. And I was wondering if you could sort of maybe give us a little bit more commentary there.

But certainly, the strength of the business seems to give you that opportunity, which you indicated, but I was wondering if you could maybe put a little more commentary behind that to maybe what are some of the things that are maybe different than what you may have done in the past and sort of how that benefit is sort of showing up already.

Jerome Grisko: Yes. Great question. So, certainly compared to the past, some time ago, I would say probably five years ago, we made substantial investments in our systems and our processes around pricing. What that allowed us to do is to have greater visibility, and let's just talk about the financial services side, the accounting side of the business for a moment.

Greater visibility into the profitability and the revenue that we are generating from each client by engagement, we had never had that before. And by the way, I think probably other than the big four, we haven't talked to any of the other firms that have that as well. So we've made those investments.

We have visibility into the pricing, the revenue and profitability by client, by engagement, that allowed us and also great reporting now our systems give us the reporting that allows us to go back to our offices, share that information with our offices, work with the client relationship manager to make sure that we're pricing those engagements at the right level and that receiving the right margin on those engagements. ever since we did that, we see steady increase in pricing and profitability by engagement. That continues to this day, and that's really largely what we're seeing in the results is driving a good part of the organic growth that we're experiencing in the practice.

We've now taken both systems in that reporting and brought it also to our advisory business. So it's now starting to be used within those businesses. And we're also starting just in the early stages, early innings to bring it into some of the other portions of our business on the benefits and insurance side. So, more to come, but early innings, great results and really kind of a game changer for us as far as driving organic growth.

Marc Riddick: That's really helpful. And then, I want to thank you also for a lot of the commentary and certainly there was a lot that was covered in your prepared remarks, and so I certainly really appreciate that because quite frankly that knocked out about 3/4 of my questions. But I do still have a couple of things to add. I wanted to see if you could sort of bring us up to speed on you made commentary on CapEx.

Could you give us an update as to, I know you've got your headquarters move. Is there anything we should be thinking about from a timing expense thoughts there? And then finally, going back to a topic that's near and dear to my heart, maybe what you're looking at for your advertising expectations for the year.

Jerome Grisko: I'm sorry, Marc, you broke up there a little bit at the end. The second part of that question is the one that's near and dear to your heart is, could you repeat that for us, please?

Marc Riddick: The advertising expectations for the year..

Jerome Grisko: Yes. Ware, take the first.

Ware Grove: Okay. Marc, this is Ware. On CapEx and for a business our size, it's pretty nominal at $10 million to $12 million a year. It's primarily driven by facilities where we upgrade tenant finishes and furniture and things like that periodically, and we do refresh every 8 to 10 years as we cycle through the various lease maturities. And that drives much of what you see on CapEx.

With respect to the headquarters, it's under construction. It's going well. We believe our tenant, and that's the general building. Our tenant improvement portion may kick in closer to fourth quarter this year, maybe a bit in late third quarter. But you'll see a portion of it, but it's not going to be a major portion of, and I would not change the $10 million estimate that I gave you for the full year incorporates that into that estimate.

Jerome Grisko: Yes, Marc, just a couple, a little color around that, and then I'll go to advertising. While it's our headquarters, and we're really excited about our new facility and our new home and what that means for us in kind of office of the future, it is one location of over 100 around the country. So, yes, we'll have some expense connected with the construction of that building, but it won't materially impact our overall balance sheet or overall financial results. And as Ware said, it's well within the normal CapEx spending that you would see within the business.

Your second question was around advertising. We're also excited there. We had our first flight in the first half of the year of national cable advertising campaigns. We're going to have a second flight in the fall here, and we will continue to even bolster that, I think, in the 2023 and going forward. As we continue to get larger, we need to continue to do more in that area, and we're having discussions on where those dollars should be spent and where they have the most impact, but we continue to build on our brand and you see that in our results.

Operator: Showing no further questions, I would like to turn the conference back over to Jerry Grisko for any closing remarks.

Jerome Grisko: Thank you. And as we wrap up today, I want to take this opportunity, as we always do, to thank our shareholders and analysts for your continued support, and also to take this opportunity to share our appreciation for our team.

As a team, we pride ourselves in providing exceptional client service to our clients and our commitment to be there for them as their most trusted adviser and an extension of your team. This is only possible as a result of the dedication of our entire team from those who directly serve our clients to those who work behind the scenes to support our shared commitment to our clients.

As I reflect on our performance for the first six months of the year, I'm so incredibly proud of how hard our team has worked every day to bring our mission and our values to life. For all of our team members listening today, thank you for your continued dedication and support.

And with that, we'll conclude our call. Thank you and enjoy the day.

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