CBIZ, Inc. (Q1 2020 Earnings)
May 06, 2020

Corporate Speakers:

- Lori Novickis; CBIZ, Inc.; IR
- Jerry Grisko; CBIZ, Inc.; President & CEO
- Ware Grove; CBIZ, Inc.; CFO

Participants:

- Andrew Nicholas; William Blair & Company, LLC; Analyst
- Brendan Popson; CJS Securities, Inc.; Analyst
- Marc Riddick; Sidoti & Company, LLC; Analyst

PRESENTATION

Operator^ Good day. Welcome to the CBIZ First Quarter 2020 Results Conference Call.

(Operator Instructions)

Please note this event is being recorded.

I would 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 First Quarter 2020 Results Conference Call.

In connection with this call, today's press release has been posted on the Investor Relations page of our website, www.cbiz.com.

This call is being webcast. A link to the live webcast as well as the replay 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. A reconciliation of these measures can be found in the financial tables of today's press release. Finally, remember that management may also make forward-looking statements. Such statements are based on current information and management's expectations as of this date and do not guarantee future performance.

Forward-looking statements involve certain risks, uncertainties and assumptions that can be difficult to predict. Actual results can and sometimes do differ materially. A more detailed description of such risks and uncertainties can be found in the company's filings with the Securities and Exchange Commission.

Joining us for today's call are Jerry Grisko, President and CEO; and Ware Grove, Chief Financial Officer.

I will now turn the call over to Jerry for his opening remarks. Jerry?

Jerry Grisko^ Thank you, Lori. Good morning, everyone.

Given all that's happened with the COVID-19 pandemic since our last earnings release, I would like to begin today's call with a reminder of the key attributes of our business, which should provide helpful context around how we performed in the first quarter, how we continue to navigate in the current environment and what we expect to see for our business in the months to come.

CBIZ is a leading provider of accounting, insurance and other professional business services to a wide range of clients, including small and middle-market businesses. We are not highly concentrated in any particular geography or industry, which helps to insulate us when economic conditions or other events occur that have a disproportionate impact on certain regions or industries.

Approximately 65% of our total revenues are generated by our Financial Services group. Among the businesses within that group are our tax and accounting business, our private equity advisory business and our government health care consulting business. In a typical year, we see strong contribution from this group in the first quarter since our accounting and tax work related to normal filing and payment deadlines is compressed.

In addition to the revenue generated by our more recurring services, approximately 27% of the revenue generated within this group comes from more project-oriented services that are less recurring, such as tax consulting and certain other advisory services. Our government health care consulting business typically enters into longer-term contracts, so we view that business as more recurring.

Turning to our Benefits and Insurance group. We generate approximately 31% of our total revenue from this group. Among the businesses within this group are our employee benefits business, our payroll business, our property and casualty business and our retirement plan services business.

The majority of revenue generated within this group is typically spread more evenly throughout the year. A smaller portion of revenue is project-oriented through our more transactional businesses like our executive search business. By their nature, these project-oriented businesses can be harder to predict in terms of timing and certainty throughout the year.

Many of the services that we provide within both the Financial Services group and the Benefits and Insurance group are considered essential services that our clients need regardless of economic conditions. For example, essential services include the completion of tax returns, payroll processing, property and casualty insurance, employee health insurance and a host of others. Revenue from these essential services typically represent approximately 70% of our total revenues in most years, which creates a more reliable and predictable revenue stream.

As a professional services company, approximately 60% of our expenses are in the form of wages. Within each practice group, a significant portion of the wages for our highest wage earners are variable. This structure is designed to reward our team members for high individual performance and for growth in more favorable years, and to mitigate the impact on earnings in less-favorable economic times.

One of our key market differentiators is that we provide a much broader range of product services and solutions than many of our competitors who are most often monolined. Our breadth of services is particularly valuable to our clients when the issues or opportunities they are facing are complex and touch multiple aspects of their business.

The stimulus packages enacted to help business in response to the pandemic is a perfect example of this kind of situation, where businesses need broad-based solutions that address multiple areas of their organizations. Given our unique ability to coordinate multiple services, we've been hard at work helping our clients and prospects understand how to avail themselves to the opportunities presented by these various programs.

With that by way of background, we kicked off 2020 with a great deal of momentum coming off of a very strong 2019. We were pleased with the performance of the business through mid-March. We were also pleased with the results that we experienced in a number of the businesses where we've made substantial investments over the years, including the investments that we've made in producers in our employee benefits business, and investments in our new service platform for our larger, more complex payroll clients.

For the first quarter of 2020, we reported total revenue growth of 2.8%, same unit revenue growth of 0.9% and earnings per diluted share of $0.66 versus $0.67 reported for the same period a year ago. We believe that those results would have been even stronger, but we began to see the impact of COVID-19 and the resulting government stay-at-home orders in the second half of March.

Our results in the second half of March were impacted by a number of factors, including inefficiencies experienced as many of our team members migrated from office-based work environment to working from home. In addition, normally, our tax and accounting team is working at full capacity throughout March to meet government deadlines for compliance work. In late March and early April, the IRS extended both tax filing and payment deadlines.

Once those deadlines were extended, our clients slowed the delivery to us of the information that we need from them to complete our work. The result is that we filed significantly fewer tax returns in the first quarter than expected. This is work that we will still complete, but it will be shifted into the second and third quarters rather than being completed in the first quarter as expected.

It's important to note that our advisory services business was off to a strong start in the first quarter. However, because the nature of the work is often tied to a transaction or more discretionary investment by our clients, the demand for these services started to decrease in mid-March. We expect to see a more significant impact on this business line for the remainder of the year as our clients put planned investments on hold to preserve cash and potentially reassess.

Limitations on travel may also have an impact on our advisory engagements as this work often requires on-site component with our clients. At the same time, our clients are adapting to these limitations just like we are, and we've made steady progress in using virtual solutions in place of on-site work.

Our government health care consulting business was also off to a strong start to the year, with several projects that were delayed in 2019 getting back on track in early 2020. Fortunately, we've not experienced any material contracts with this business being put on hold, but we do expect some delays in the timing of revenue. Those delays will impact the pacing of revenue in 2020 and may shift some work from this year into next.

Now turning to our Benefits and Insurance business, which experienced a good first quarter with strong sales and improved client retention. Those results were impacted by lower revenue in our Retirement Plan Services business tied to the financial markets and the cancellation of policies in our property and casualty insurance business. These cancellations were specifically related to the hospitality and recreation industries.

Given the record unemployment numbers, we also expect that we will begin to see some negative impact on our payroll business as companies reduce the number of workers on their payroll, either temporarily or permanently.

We were pleased to have closed 3 acquisitions within our Benefits and Insurance group during the first quarter. These 3 transactions includes Pension Dynamics, a retirement plan services advisory firm located in the San Francisco Bay Area; Alliance Insurance Services, a Washington, D.C.-based property and casualty agency; and Sunshine Systems, a payroll implementation provider located in Newburyport, Massachusetts.

Now I would like to turn to our response to COVID-19, which began in late February. With our core values as our guide, our top priority was and continues to be the safety and well-being of our team members and our clients. At the outset, we took proactive steps to safeguard our team members and our clients, including limiting access to our offices, suspending business travel and shifting our teams to working remotely to minimize disruption to clients and to maintain continuity in our operations.

I am particularly proud of how our team quickly leveraged technology and new tools to make this a smoother process for both ourselves and our clients. We are also proud of the fact that with over 100 offices nationwide, we remained open and operational throughout the outset of the pandemic.

We are fortunate to have come into this situation in a very strong financial position, having come off a solid performance in 2019 and with a strong balance sheet, low levels of debt, ready access to capital and a supportive lending group. That strength has allowed us to be measured but proactive in our response, while at the same time ramping up our efforts to support our clients in navigating this challenging and evolving business climate. We continue to be proactive in taking steps to protect our business as the situation unfolds.

In late March, we drew down on our credit facility. While we had and continue to have sufficient cash flow and access to capital to support the ongoing needs of the business, we elected to draw down the facility out of abundance of precaution to ensure that the funds would be available to support the ongoing needs of the business if and when needed.

In addition, we also took a number of cost-containment measures, including the following: hiring freeze for all but business-critical positions, we limited all but the most mission-critical discretionary spending, we paused strategic initiatives and our national marketing campaign, we deferred some compensation actions and we took advantage of the CARES Act provision that enables us to defer our employer payroll taxes.

These measures have put us on firm financial footing to date, but given the uncertainty around how long our current environment is likely to last, the pace of recovery and the impact on our clients, we continue to closely monitor our key operating metrics and have identified additional measures, if warranted, based on future changes to our revenue outlook for the remainder of this year and into 2021. Despite some of the challenges caused by the current environment, we continue to see a substantial number of opportunities based on our unique ability to help our clients and prospects navigate these uncharted waters.

Since the onset of the pandemic, we've remained focused on how we can support our clients through the most challenging business climate many of us have ever experienced. As I mentioned, a portion of our clients are small and middle-market businesses, and many were hit hard by the impact of the stay-at-home and related efforts to flatten the curve. We immediately began to shift resources and engage our subject matter experts to help our clients respond, plan and take advantage of the opportunities as the federal relief packages began to be released.

A great example of this work is the COVID-19 Resource Center we established on our website that brings together thought leadership, new content and tools from across CBIZ to assist our clients on a wide variety of challenges, concerns and questions. We have developed 18 webinars based on our new content to date, all of which are available on demand through our Resource Center. These webinars bring our clients and prospects the most up-to-date information and guidance available, and typically attract more than 1,000 attendees. Following each webinar, we have a team of people who reach out to participants to follow up on any questions or needs they may have.

As a result of this and other outreach efforts, we are working with our clients and prospects on a significant number of new engagements and proposals. We recognize that this is a time when our clients need us the most and our continued outreach and support has been well received.

While the characteristics of the business provide us with comfort that much of the revenue that we receive from the essential services that we provide will be realized this year, there remains a great deal of uncertainty around the duration and severity the pandemic on the economy as a whole and on the demand for some of the services that we provide. Given that uncertainty, we are withdrawing our 2020 guidance, which was provided on February 20, 2020.

So with that, I will turn it over to Ware Grove, our Chief Financial Officer, for a few comments on our financials, and then we'll be back to talk more about our plans for returning to a new normal and our approach to mergers and acquisitions in our current environment. Ware?

Ware Grove^ Thank you, Jerry, and good morning, everyone. As I normally do, I want to take a few minutes to run through the highlights of the numbers we released this morning. More importantly, I want to shed some light on the uncertainty in the business environment and the actions we are taking.

Total revenue for the first quarter was $277.5 million, an increase of 2.8% over first quarter a year ago, with same unit revenue up 0.9%. Impacted by some of the events related to the COVID-19 health crisis in the first quarter, the margin on income from continuing operations before tax was 18.1% compared with 19.0% for the first quarter a year ago. With an effective tax rate of 26.7%, net income was $36.8 million this year or $0.66 per share compared with $0.67 a share in the first quarter a year ago. Adjusted EBITDA was $57 million or 20.6% of revenue in the first quarter.

Total revenue within our Financial Services group increased by 2%, with same unit revenue up by 1.2% in the first quarter. With the migration to working from home that occurred in mid-March, there were inefficiencies during what is normally a very highly productive and busy tax time for tax compliance work.

Our workforce is equipped for and is accustomed to working remotely. However, at the same time, many of our clients were also adjusting to working remotely, focused on their own immediate issues in response to the onset of the pandemic and the overall sharing of information that commonly occurs during this time, did experience some delays. As a result, our productivity suffered and this impacted first quarter revenue.

Turning to the Benefits and Insurance business. Total revenue grew by 4.4% in the first quarter, with same unit revenue declining by 0.6%. We are very pleased to see the continuing improvements in the new business generated as a result of our investment in new producers. And we have seen stronger client retention as well. There was a decline in revenue in our Retirement Advisory business related to the general decline in market asset valuations at the end of the first quarter. Also, the level of nonrecurring actuarial project work in the first quarter this year did not match the level of a year ago.

With the loss of productivity in the second half of March, combined with the other items we have commented on, we estimate the first quarter revenue was impacted within a range of approximately $4 million to $5 million. The majority of which is related to tax compliance work that will get recaptured later this year.

In addition, while the CARES Act and the economic relief measures enacted are helpful, the extended stay-at-home orders and the associated economic disruption have created financial distress throughout the economy. As Jerry commented, we have a large and diverse set of clients with no particular concentration, but you should be aware that we increased our bad debt reserve by $2 million in the first quarter to recognize the increased payment risk in receivables.

Net debt expense for the first quarter of this year was 82 basis points of total revenue compared with 39 basis points in the first quarter a year ago. We made 3 acquisitions in the first quarter that will have an annualized revenue contribution of approximately $6.1 million. Acquisition-related spending in the first quarter was approximately $12.4 million. For the balance of 2020, earn-out payments for acquisitions previously closed are estimated at approximately $10.6 million; and for 2021, approximately $11 million; for 2022, approximately $7.7 million; and for 2023, $700,000; and for 2024, approximately $200,000.

During the first quarter, we repurchased approximately 1.2 million shares of our common stock at a cost of approximately $29.5 million. As COVID-19-related issues became disruptive to the business environment, in mid-March, we suspended further share repurchases. With the share repurchase activity to date, we expect our full year fully diluted share count at approximately 55.5 million shares.

Now let me turn to how we are dealing with the current environment. In normal conditions, CBIZ generates strong cash flow from operations. As we enter the second quarter, we are managing our liquidity very carefully. We want to navigate through this period and emerge with financial capacity and the wherewithal to take advantage of acquisition and other investment opportunities that lie ahead. To preserve cash, we are taking advantage of the CARES Act provision that enables companies to defer the payment of employer payroll taxes.

In addition, we are watching customer collections on receivables very carefully as clients take actions to preserve their own liquidity. Days sales outstanding on receivables was 94 days at the end of the first quarter this year compared with 97 days a year ago. I want to remind you that days sales outstanding typically increase in the first half of the year as we build receivables, and they normally liquidate into cash later in the year.

Our strong balance sheet has given us great flexibility to deploy capital for strategic investments. In late March, as we observed the dysfunction in the capital markets that was occurring at that time, we made a decision to draw down $210 million on our credit facility. Our liquidity is strong and this decision was made strictly as a precautionary measure to preserve our financial flexibility in the event further disruptions were encountered.

At the end of March, our cash position was $216.9 million. Net of the cash position, our debt outstanding was $166.1 million, which results in a net debt leverage as measured against our trailing 12-month EBITDA of 1.4x.

As Jerry outlined, we have taken a number of actions to manage expenditures and cash flows. In fact, with the actions taken to date, our cash position has improved by approximately $18 million from $216.9 million at the end of March to $234.5 million at the end of April. This is during a time when our normal seasonal pattern is to use cash.

This is very positive confirmation that our initial efforts are on track. But it remains very unclear what the ultimate impact may be. Like many others, we are actively modeling different scenarios and we have prepared contingency plans.

As a result of the high degree of uncertainty, as Jerry mentioned, we have withdrawn our guidance for the year. When business conditions are ready, we want to be well positioned to deploy capital for strategic investments and acquisitions, including the potential for further share repurchases.

Depending upon how the economy rebounds, longer term, we are navigating through this period of uncertainty in order to emerge in strong condition and be ready to achieve the same revenue growth, operating leverage and cash flow attributes that we have recorded over many years with CBIZ.

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

Jerry Grisko^ Thank you, Ware. As you would expect, we have a comprehensive plan in place to bring our team members back into our offices and client sites in a measured and responsible manner. With offices across the country, we are closely tracking the state and local plans in each region and what is required to safely reopen our offices for team members, clients and visitors.

As stay-at-home and related efforts begin to expire or ease, we will be bringing our team back in 3 phases. In order to do this, we have numerous safety measures in place, including plans to maintain social distancing within our workplace, continued use of virtual meeting tools and enhanced protocols to protect our team members' health. As part of this process, we also plan to resume client-related travel and work at client sites in the near future.

While I'm confident that the actions we are taking now will ensure that we have a safe and healthy workplace, we have also learned a great deal over the past 2 months. Our team did a remarkable job in shifting to remote work arrangements and embracing new technology. This experience has illustrated what is possible with more people working remotely and how we can best support them in the future.

Overall, we will be taking these lessons learned to help accelerate our thinking on everything from future real estate needs, to recruiting for talent. I believe that what we've learned through the crisis will continue to shape our strategy through the recovery and beyond.

Finally, with regard to M&A, in addition to the 3 transactions that we closed in the first quarter, our M&A efforts were active right up until the onset of the pandemic. We began 2020 with a robust pipeline of potential acquisitions, including a number of larger deals, and were making steady progress when the effects of the pandemic hit in mid-March.

At that point, like most other firms, we made the decision to put a hold on closing any further transactions in the short term. We made that decision not only to conserve cash, but equally because we always strive to provide the teams that join us with the best possible onboarding experience, and we believe that that would be nearly impossible to create in the current environment.

Waiting to close pending transactions will allow us to be much more thoughtful about the integration experience for the sellers and to devote the time, resources and attention necessary to ensure a successful transition.

We are also continuing to actively engage in conversations with prospective acquisition candidates and believe that new opportunities will emerge in the coming months as professional services firms better appreciate the advantages of being part of a large, well-capitalized and diverse organization like CBIZ that is better able to weather the storm and provide resources and solutions to clients that smaller organizations may not have the breadth or depth to provide.

With that, I will now turn it back over for Q&A.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions)

The first question will come from Andrew Nicholas with William Blair.

Andrew Nicholas^ Hi good morning. I hope each of you is safe and healthy. Just recognizing the current environment is unique in a variety of ways, but still wanting to use the last recession as a reference point, can you maybe talk through how the business mix today compares to '08, '09, and maybe how you think those differences or the major differences are likely to reflect themselves in your financial performance this time around?

Jerry Grisko^ So Andrew, it's Jerry. Thanks for the question. We've looked a lot at that environment. And the positives are that if you look back at our performance during that period of time, we actually performed quite well, certainly relative to many other businesses in the environment. And I think it's the key attributes of the business that allowed us to do that.

First, the fact that we provide, in large part, essential services to our clients, and our clients need those services kind of regardless of the business climate. Second, it's times of challenge and complexity that our clients most turn to us, and we saw that then and we see that now as we've developed our COVID Resource Center and really work hand in glove and side-by-side with our clients to help them navigate in this very complex environment. So that not only creates opportunities for us to generate revenue as a result of those consulting engagements, but it also helps with retention and it certainly helps to build goodwill.

So we came out of that environment, again, relatively strong compared to others. We're confident that the attributes that led to that are equally applicable today. On top of that, since that time, 12 years, we've made substantial investments in our processes, in our systems, in our infrastructure, and I believe that we're a much stronger organization today than we were even back then. And so all of those things should help us to emerge from this environment strong as well.

Andrew Nicholas^ Great. Do you expect any competitive dislocation to come out of the current environment? And if so, where would you expect that to be concentrated within your various businesses? And then any color on how you expect CBIZ to capitalize, would be helpful.

Jerry Grisko^ Yes, it's interesting. Here is what we're hearing -- and it's early, right? It's early and time will tell, right? But we're hearing that, certainly, many of the smaller competitors that we face off against are significantly capital-constrained in this environment. They did not have strong balance sheets. They did not have access to capital. They had embedded retirement obligations that were unfunded. There's a number of factors that I think are placing significant strain on many of the competitors, and I'm referring specifically in the accounting industry right now, and we've seen that.

Many of them have had substantial reductions in staffing. Some of them have really kind of closed their doors through this period of time to try to conserve cash. All of that should allow us to increase market share. We were proud of the fact that not only didn't we close our doors, but we very proactively engaged with our clients throughout this period of time. We've engaged with a substantial number of prospects throughout this period of time. And we would expect that as a result of our approach, our resources, our size, our scale, that we should gain market share in this environment.

Andrew Nicholas^ Great. And then if you wouldn't mind, I'll squeeze one more in before getting back in the queue. Just on the expense base, I think you mentioned 60% of that expense base is in the form of wages. Could you provide a little bit more color on what within that compensation line is variable? And the extent to which you expect to be able to flex that up and down depending on kind of the top line environment?

Jerry Grisko^ Yes. I don't have the exact percentage, Andrew, but let me just tell you a little bit by category what we're talking about. And I mentioned that a high percentage of our highest wage earners have a significant variable component. So on the Benefits and Insurance side, many of our high wage earners are commission-driven. They get paid a higher commission based on new revenue that comes in the door, and then they get paid a lower level of commission on retained business. But that commission structure is variable. And in years where there's high levels of production, obviously, they earn more as they should. In years where it's a little bit more challenged, our compensation in those areas is less.

Turning to our Financial Services group. We have approximately 300 of our top wage earners, our managing directors fall in that category. There is approximately 30% of the compensation for that group that's somewhat variable. Part of it is tied to the performance of the individual office and that office making plan, and then part of it is tied to their individual goals. But again, much of that is variable based on revenue production, hours billed, client realization, all the key metrics within that group. So again, while I don't have an exact percentage as to what that calculates to, it is a substantial percentage for both categories of high wage earners within our organization.

Operator^ The next question comes from Chris Moore with CJS Securities.

Brendan Popson^ This is Brendan on for Chris. I wanted to ask with -- and I know this is going to be tough to answer with any kind of precision. But with what you can see now, what is your view on 2020 revenue? And then -- and even more importantly, is that a -- when we're thinking about 2021, do you view that 2020 as a new base for looking at growth levels beyond 2020? Or do you think that there's reason to believe there could be some kind of catch-up for some of the revenue that shows up in '21? Or what's your -- at least as we sit today, what's your view on that?

Jerry Grisko^ Yes. Let me just say that we withdrew guidance. We're not yet in a position to be able to give guidance for the remainder of 2020 as a result of all the factors that everybody else is struggling with as well, that being the duration of the existing environment, the impact of the environment on CBIZ and our clients. And when eventually we do start to come out of this, the pace of that recovery. So for all of those reasons, we don't yet have enough visibility into 2020 in order to be able to give guidance on the number.

With that said, here is the comforting facts, right? Like I said on the call, to the extent that we had some of the revenue that we otherwise would have expected to occur in the first quarter, certainly as it relates to the extension of tax or the preparation of tax returns, we expect that, that revenue will be realized in 2020. There are other components of our revenue stream, and I'm thinking particularly our government health care consulting business, where those are long-term contracts, that work needs to be done. We believe that that business will remain strong throughout the year.

What happened was the federal government gave relief to the states and then providing some of the critical information that we need in order to do our work. That work, again, will get done. The question is, does some of that push into 2021? Time will tell. But again, we're confident that the work is not going away. The work will get done. And we believe a good deal of it will get done in 2020, we just don't have visibility into the full scope of that work and when it will be realized.

Brendan Popson^ Okay. And then kind of a similar line of thought, but looking at your margins. So you target pretax margin improvement of 20 to 50 basis points a year. Obviously, FY '20 is going to be tough for that and will fall shy -- probably fall shy of that level. But again, is there a reason to think that that's -- whatever level you fall to, that's the base and you'll look to improve 20 to 50 basis points beyond that? Or will there -- is there also potential for some kind of margin catch-up beyond 2020?

Ware Grove^ Yes, Brendan, this is Ware Grove. Yes, that's another difficult one to answer. Jerry said it well. Some of this revenue will get caught up and will be spread later in this year. Some of it may get pushed into next year. One thing to keep in mind, as you look at the margin in the first quarter, we commented that we increased our bad debt allowance by $2 million. That's about an 80 basis points impact on first quarter margins. We thought that was a prudent move in light of the economic stress throughout the economy at this point in time. And don't know how it's all going to turn out yet, but that did have a big impact on first quarter margins. That will not hopefully be a recurring item. So that's a recoverable item once that charge is done and enough and behind us.

The other things are really difficult to answer. It depends on revenue growth, our cost structure, we do have levers we're pulling to mitigate the impact on margin, but we can't completely mitigate all impact. And as we restore it, it just depends on how quickly the costs and the revenue can come back. It would be our intent over a longer period of time, and I'm not talking specifically in '21 versus '20, to continue to feel the business has the capability with operating leverage built into it to improve margins by 20 to 50 basis points a year over time. The same attributes we feel that we've demonstrated and have a good track record of in the past, we feel those same attributes are still there in the business once we get through this.

Operator^ (Operator Instructions)

The next question comes from Marc Riddick with Sidoti & Company.

Marc Riddick^ Hopefully, everybody is safe and well, and certainly wishing you all the best. I wanted to touch a little bit on some of the commentary in the press release. Just wondering if you could spend some time discussing some of the comments around increased demand, particularly around some of the government initiatives kind of maybe if you could sort of talk about kind of how that has materialized, and if there's been a precedent that you've seen before that would drive something like that. And then I guess, included in that somewhat is that, -- could you talk a little bit about where that demand is coming from, from existing customers, new customers, maybe what that mix might look like?

Jerry Grisko^ Yes. Thanks, Marc. Again, I think I've said it before, I said it on the script here, in a situation environment where there's complexity and challenges in the environment, our clients turn to us for help in helping them to navigate through this. We've seen that in this situation. Someone referenced 2008 and '09, we saw it back then as well. We saw it -- when you asked, have we seen it before, we saw it with some of the health care issues a ways back. We've seen it with tax reform. So anytime that there is changes or complexity in the environment, our clients and the market in general is far more receptive to the types of things that we have, the tools that we have and the services we have and the ways that we can help them.

I think what's unique about this one and what really shines a light on our really unique market differentiator is the types of solutions that are available to our clients to help them navigate in this environment are not monoline. And so if you look at the types of relief efforts that have been put in place through the stimulus packages, I think when we went through it, there were 12 different disciplines that were touched upon, anywhere from applying for the loans that were available to understanding the tax impact to payroll implications to insurance implications. I will share with you that there is no organization that has the breadth of services and the geographic reach and the scope that CBIZ has in order to help our clients and others in the market.

So as a result of that, and when you say how many clients have we helped, we've held thousands of clients with the PPP loans and similar financial packages. We've had, I think, over 12,000 or 13,000 participants so far in our webinar series. We've reached out to those participants one-on-one to follow-up on their participation, ask if they've had questions. We've had considerable number of opportunities that have come out of those situations. We are starting just now to see some pretty significant revenue opportunities coming from that outreach. So while it's not in the numbers, obviously, that you saw, we're highly encouraged by the feedback that we're getting from the resources that we've made available and encouraged by the revenue opportunities that we're seeing coming out of it.

And again, while apples-to-apples, there's no direct comparison that I can think of in the past, I can also not think of anything that is more better suited for the types of services we have, the breadth and the attributes that we have in order to bring value to our clients in this environment. One other question you said, how many were clients, how many were prospects? I think it was typically around 2/3, 1/3. Participants on the webinars were about 2/3 being clients, about 1/3 of them being other prospects and people from the outside. So a considerable number of opportunities for us to expand market share.

Marc Riddick^ Okay. That's great. I did want to touch also on just sort of the tax filing cadence. Because since last year in itself was not a normal year due to the delayed IRS guidelines, and I think at some point during the year, you had made mention if -- and tell me if I'm misremembering this, but I guess the filing extensions were up 10% year-over-year last year or something along those lines. And I was wondering if you had like a similar view or a number, or kind of maybe what you're seeing to compare to last year.

Jerry Grisko^ Yes, Marc, that's a great question. So let me give you a little bit of color around that. In the busy season, the typical January 1 through April 15, we typically file x number of tax returns. About 1/3 of those get filed – they're pass-through type entities -- get filed by March 15. We obviously -- this had not really hit us at that point, and so all of those returns were filed. About 2/3 of the returns that would typically get filed during -- between January 1 and April 15, about 2/3 of them really get filed on or around March -- I'm sorry, April 15. Of those, very few of them were filed this year.

So last year, we had a number of extensions, as you alluded, that kind of came out of tax reform and complexities around that. But we still received -- we still were able to get a great deal, a great number of those returns filed by April 15. This year, very few of them were filed. And it makes sense. Because what happened was not only were the deadlines extended, but the payment deadlines were extended as well. So if it had just been that the returns were extended, nonetheless, what has to happen is the work is done on the returns and then people pay estimated taxes.

When they deferred not only the requirement that you file the return but also the payment, basically, our clients put their pens down and they said, we'll get to you, but this is not our highest priority right now. They're working through liquidity and other issues trying to take advantage of some of the stimulus programs. So that work will get done this year, but it will be pushed out into the second and third quarter. So we saw a substantial amount of them pushed off that will be realized in the second and third quarters.

Operator^ (Operator Instructions)

Ladies and gentlemen, this concludes our question-and-answer session.

I would like to turn the conference back over for closing comments.

Jerry Grisko^ Okay. Chad, thank you very much.

With all the uncertainty around the duration and impact of COVID-19 and the pace of recovery, I want to remind you that CBIZ came into this situation in a very strong financial position, and we have a number of key attributes that should allow us to continue to remain strong in the current business climate.

These include the fact that many of our services are essential to our clients, are highly valued and represent a very low-cost to them on a relative basis. We have a high percentage of our revenue that's recurring. We have a high retention rate among our clients. We have a variable cost structure with built-in leverage. We're not capital intensive. We generate significant amounts of free cash flow. And we have low net debt outstanding.

In addition, our clients turn to us in times of uncertainty and complexity, and there are few professional service organizations as well positioned as CBIZ to provide the solutions to the challenges that many businesses now face. We believe that our size, our geographic reach and our breadth of services will allow us the opportunity to gain market share in this environment and to resume and accelerate growth when the business climate resumes.

I'd like to thank our analysts and investors for joining us on today's call and for your continued support. And finally, I'd like to close by thanking our team members who may be listening to today's call for your inspirational can-do attitude throughout this environment, for your dedication to our clients and for your support that you've shown to each other and to our communities.

Thank you. Stay healthy.

Operator^ And thank you, sir. The conference has now concluded.

Thank you for attending today's presentation. You may now disconnect.