**CBIZ, Inc. (Q2 2023 Earnings)**
**July 27, 2023**

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 L.L.C.; Analyst
- Christopher Moore; CJS Securities, Inc.; Senior Research Analyst
- Marc Riddick; Sidoti & Company, LLC; Business and Consumer Services Analyst

## PRESENTATION

Operator: Good day, and welcome to the CBIZ Second Quarter and First Half 2023 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 Second Quarter and First Half 2023 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 website. An archived replay and the 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 future 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 the 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. Sir?

Jerome Grisko: Thank you, Lori. Good morning and thank you for joining us for today's call. We are pleased to share our second quarter performance and to discuss our outlook for the remainder of the year. As I outlined on our last earnings call, we started 2023 with an exceptionally strong first quarter, which provided important momentum for the full year. Overall, our business performed as expected for the second quarter with the exception of 2 areas: first, within our Government Health Care consulting business, we experienced some unanticipated contract delays, including one significant project that is now expected to begin early next year. Within that business, we expect the other significant project delays to be short-lived and for work on many of those projects to commence later this year.

Second, our traditional accounting and tax business was impacted by changes to tax filing timelines in California. This work still needs to be completed and has been pushed into Q3 and Q4 of this year. The delay in work in those 2 businesses had a disproportionate impact on our earnings based on the cost of having trained, experienced professionals available for that work, who were largely underutilized through the first 6 months of the year. With those 2 exceptions, our business continued to perform well in the second quarter, and demand for our services remained strong.

Now turning to the performance of our 2 primary practice groups starting with our Financial Services division, where we experienced total revenue growth of 12.2% and organic revenue growth of 3.9% for the second quarter. As expected, demand for our core accounting and tax services remained strong. We were also pleased to see continued strong demand for our advisory services, where the work tends to be more discretionary, and project based.

As I mentioned, we experienced some contract delays in the second quarter within our Government Health Care consulting business. As a reminder, our clients for this business are primarily state governments and the states dictate the timeline for the services that we provide. We've been in the Government Health Care consulting space for over 2 decades and we've experienced similar contract delays from time to time in the past. This business has always been able to recover and has demonstrated steady growth over time. To that end, the new business pipeline remains strong, and we continue to see new opportunities for growth.

Within our Benefits and Insurance division, we experienced organic revenue growth of 4.5% for the second quarter with contribution to that growth coming from every major service line across the division. For our Employee Benefits business, we saw a strong production and increased service revenue with client retention well above 90%. Like Employee Benefits, our Property & Casualty Insurance service line continues to experience high client retention rates, coupled with strong trend to fuel growth.

Our Retirement and Investment Services business saw an increase in project work within our actuarial team, which contributed to our results for the second quarter. Our payroll business also had a good quarter with strong production, an increase in retention and new clients with our upmarket payroll platform and traction with fee increases among the factors driving growth. We plan to continue to add producers during the second half of the year, and recruitment efforts are underway now as we harvest our candidate pipeline.

Based on our performance for the first half of the year, I'm pleased to raise revenue guidance to improve 10% to 12% for the full year and to affirm adjusted fully diluted earnings per share guidance for the full year to improve 11% to 13% over 2022 results.

With this, I will turn it over to Ware Grove, our Chief Financial Officer, to provide additional information on our financial performance for the second quarter and for the first half of the year. Ware?

Ware Grove:  Thank you, Jerry, and good morning, everyone. Let me take a few minutes to talk about the key highlights of the second quarter and year-to-date numbers we released this morning. Total revenue in the second quarter increased by $36.6 million, up 10.1% over second quarter a year ago. Same-unit revenue was up $15.0 million, or up by 4.1%, with acquisitions contributing another $21.6 million or 6% to growth compared with last year.

After an extraordinarily strong first quarter, as Jerry commented, with 2 exceptions that I will detail in a moment, the core business performed well in the second quarter and in the first half of this year. We previously commented on higher interest rate expense headwinds this year and headwinds related to the increase in our tax rate compared with prior year. In the first half, reported increase in adjusted earnings per share was up 11% compared with last year. I think it is important to know that this rate of year-over-year growth in earnings includes a $0.04 per share impact of higher tax rates and includes a $0.09 per share impact from higher interest expense headwinds for the first half.

As Jerry commented, 2 items disproportionately impacted second quarter results. This creates optics that may naturally raise concerns. So let me jump in and provide some additional detail behind what happened and the actions we are taking. Many of you generally may be aware that the IRS granted a 6-month tax filing extension this year that applies broadly -- to broadly defined areas within the state of California due to flooding and severe weather conditions that occurred earlier in the year. Our core Financial Services annual revenue in California is about $120 million, and we expected that this delay in tax work could impact second quarter and first half results.

We estimate the first half impact at approximately $0.04 per share, with most of this impact occurring in the second quarter as we carried staff through this period without the revenue. This work will be done in the second half of this year. And of course, this impacts the normal seasonality of first half versus second half results that is typical within our core Financial Services Group.

The second item that impacted revenue and results in our Government Health Care consulting business, which is approximately $185 million in annual revenue. The impact was a result of delays in project work that primarily impacted second quarter results. With hundreds of active engagements underway at any time, this business has been a steady performer in achieving revenue and earnings growth over many years. From time to time, for reasons beyond our control, project work gets delayed. Sometimes this can be a result of delays in the regulated contract renewal RFP process from state agencies due to administrative delays where at times, our state agency staff is not ready with the information or the data necessary for us to perform the work as scheduled.

In the second quarter, we learned of a significant contract where the normal renewal cycle was expected to occur midyear. However, administrative delays are now pushing this renewal into 2024. This business typically sees a steady pipeline of new or renewing project work with a very high percentage of project proposals awarded to CBIZ.

This year is no exception. Our pipeline activity is healthy and has generated new project awards that are in line with expectations. Bringing these new engagements on board would normally serve to smooth out and mitigate the impact of any delays that we may occasionally encounter. But in this year, many new projects have been slow to launch. In a manner similar to that I described for the delayed tax work in California, the delayed and, therefore, lower revenue in second quarter caused a decline in earnings contribution from this business as we carried staff necessary to perform the work that was planned. This impacted first half results by approximately $0.06 per share and with approximately $0.04 per share attributed to the second quarter.

As with California tax work, this Government Health Care consulting work does not go away but will occur at a later date. Looking at the second half of the year, aside from the major contract that is now being pushed into 2024, the newly awarded contracts either have started or are scheduled to start in the third quarter. So, we are projecting relatively stronger results in the second half for this business. As we project second half revenue in this business, we're also taking immediate actions to align costs with projected revenue. As a result, for this business group, we expect to achieve growth in revenue and earnings for the full year. Over time, this business has grown annually at high single-digit rates. Driven by pent-up post-pandemic demand organically, revenue in this business grew approximately 13% last year. So, this year in 2023, the year-over-year comparison presents a challenge.

Okay, so with these comments, I provided a level of deeper information on these 2 second quarter items that we referenced, and I can shift comments back to CBIZ. For the 6 months this year, total revenue grew by $99.4 million, up 13.2% compared with last year. Same-unit revenue for the 6 months grew by $53.9 million, or up by 7.2% with acquisitions contributing $45.5 million or 6% to revenue growth for the 6 months this year compared with last year.

Within Financial Services, for the second quarter, total revenue grew by $31.6 million, up 12.2% and same-unit revenue for the second quarter was up 3.9% or up by $10 million, with revenue growth recorded within traditional core accounting as well as advisory services. For the 6 months, total revenue within Financial Services grew by $86 million, up 15.7%. Same-unit revenue for the 6 months was up 7.4% and with high single-digit revenue growth for core services and a similar high single-digit growth recorded in our national advisory services.

Within Benefits and Insurance, for the second quarter, same-unit revenue grew 4.5%. And for the 6 months, same-unit revenue grew by 6.4%. We continue to see strong client retention and strong new client production. The investments we have made in recent years to hire new business producers has gained traction as we are seeing increasing new business production. We remain committed to further enhancing growth within Benefits and Insurance and we continue to make investments in hiring additional producers.

As previously disclosed earlier this year, we acquired Somerset CPAs and Advisors in February of 2023 with estimated annual revenue of approximately $55 million. In 2023, we expect to record approximately $52 million of revenue from this acquisition. We are extremely pleased to have the Somerset team on board and at this early stage of the newly acquired business is performing well.

There are transaction costs and closing costs plus onetime integration-related expenses associated with this transaction. In a similar manner that reported from Marks Paneth acquisition-related costs last year, we are reporting an adjustment to eliminate these acquisition-related costs from GAAP reported results so that we can report adjusted results this year. You will find a reconciliation of these items as a schedule included in the earnings release.

With a view towards presenting meaningful comparable information and eliminating the impact of the items I already commented on, which are the 2 factors impacting second quarter results, so you have a better understanding, for the 6 months, adjusted earnings per share this year is $2.01, up 11% compared with adjusted earnings per share of $1.81 last year. Adjusted EBITDA, considering these same adjustments, was $167.8 million for the 6 months this year, up 12.9% over adjusted EBITDA of $148.6 million a year ago.

We have previously talked about the level of health care and benefits, travel and entertainment expenses and marketing expenses that are normalizing to higher levels. These expenses collectively are 140 basis points below pre-pandemic levels of 2019, but we continue to see year-over-year impacts as these expenses normalize. For the first 6 months of this year, these expenses represented a 60 basis point headwind to margin on income before tax compared with a year ago. We continue to project that these expenses will settle in lower than pre-pandemic levels, but for a period of time, the year-over-year comparison presents a headwind.

For the second quarter, we reported an increase in interest expense of $3.9 million and that impacted earnings per share by approximately $0.05 per share. And for the 6 months, we reported an increase in interest expense of $6.3 million, and that impacted earnings per share by approximately $0.09 per share, and this is a headwind to margin of approximately 65 basis points.

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 2022 with capital markets losses compared with capital markets gains this year, 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 accounting.

Turning to the cash flow items, on June 30th this year, the balance outstanding on the $600 million unsecured facility was $410.6 million, with about $178 million of unused capacity. The balance sheet on June 30 this year is strong with leverage of approximately 2x adjusted EBITDA. This provides plenty of capacity to continue strategic acquisitions and provides the flexibility to continue with the share repurchases.

In the first 6 months this year, in addition to the Somerset acquisition discussed above, we completed a total of 4 acquisitions, which includes 2 smaller tuck-in acquisitions. We used approximately $84.2 million for these acquisitions as well as earn-out payments on previously closed transactions. We expect to use $26.2 million over the remainder of this year and approximately $60.1 million next year in 2024, $35.6 million in 2025 and another $10.6 million in 2026 for these estimated earn-out payments.

Deploying capital for strategic acquisition purposes continues to be our highest priority. Since the end of 2019, we have closed 20 transactions, and we have deployed approximately $365 million of capital for acquisition purposes, including the earn-out payments over time. Through June 30th this year, we have repurchased approximately 975,000 shares of our common stock in the open market at a cost of approximately $48.5 million.

To recap, repurchase activity in recent years, since the end of 2019, we have repurchased approximately 9.1 million shares and that represents slightly more than 16% of the shares outstanding compared to the end of 2019. Approximately $325 million of capital has been used towards this open market repurchase activity over that period.

Days sales outstanding on June 30th this year was 89 days compared with 88 days the first 6 months a year ago. Bad debt expense for the first 6 months was 9 basis points of revenue this year compared to 17 basis points a year ago.

Depreciation and amortization expense for the second quarter was $9.2 million compared with $8.3 million last year. Year-to-date, depreciation and amortization is $17.8 million versus $16.5 million last year. For the full year, we expect depreciation and amortization at approximately $36 million compared with approximately $33 million last year.

Capital spending for the second quarter was $8.1 million and is $11.7 million for the 6 months. Greater spending is planned this year for tenant improvements related to our upcoming move to our new headquarters facilities. In any year, most of our capital spending is associated with leasehold improvements and furniture for office facilities. As a reminder, we are a major tenant in our new headquarters building with a long-term lease and a move to the new headquarters is planned later this year. We are not an owner of the building. For the full year this year, we're expecting capital spending to be approximately $15 million to $20 million.

The effective tax rate for the 6 months this year was 27.6%, up from 26.3% a year ago. The increase in the effective tax rate is primarily a result of expiration of certain grandfathered tax benefits that were associated with stock-based compensation as provided in the Tax Reform Act of 2017. The impact of the increased tax rate in the first half was approximately $0.04 per share. With a forecasted full year effective rate of 28%, we expect the full year impact at approximately $0.08 per share. The increased effective tax rate in '23 is a headwind that is unique to this year compared with 2022. In future years, we expect the effective tax rate to be relatively level at approximately 28%. And we project no further year-over-year headwinds beyond this year.

The recurring and essential nature of many of our services provide stability through economic cycles. At this point, as we look at employment-driven metrics within our Benefits and in our Payroll business, we are seeing continued signs of steady employment within our clients. Economic uncertainty continues, however, and if we were to experience more sustained pressure on revenue growth, we have a number of variable items in our cost structure and we can take measures to mitigate the impact. 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. We can leverage costs and protect margins. The investments we made 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, coupled with strong client retention and that is driving revenue growth.

Now before I turn it back over to Jerry, I want to provide you with our thoughts on full year guidance. Even with the impact of the 2 items we talked about, first half results are generally in line with initial expectations. With a reported 11% increase in first half adjusted earnings per share, the impact of increased interest expense was $0.09 per share, and the impact of higher tax rate was $0.04 per share. Absent these factors, you can do the math and you can see that operating results would generate a much higher growth rate in earnings. I think this tells you that our core business within both Financial Services and Benefits and Insurance are performing very well with strong first half results.

Looking at full year in the second half with the focused actions we are taking, we project a recovery of the 2 second quarter factors that we described earlier. We typically target a 20 to 50 basis points improvement in pretax margin each year. But in 2023, there are headwinds for all the reasons that I outlined. So to recap our full year guidance, we'll say the following: increasing our guidance on revenue growth, we expect total revenue to increase within a range of 10% to 12% for the year, up from 8% to 10% previously. On an adjusted basis, we expect 2023 adjusted earnings per share to increase within a range of 11% to 13% over the adjusted earnings per share of $2.13 and that was reported last year.

GAAP reported earnings per share is expected to increase within a range of 15% to 17% over the $2.01 reported in 2022. The effective tax rate for the full year of 2023 is expected at approximately 28%. Now this could be impacted either up or down by a number of unpredictable factors. And lastly, the fully diluted weighted average share count is expected within a range of 50.5 million to 51.0 million shares for the full year of 2023.

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

Jerome Grisko: Thank you, Ware. I'd like to provide a brief update on our M&A results for the second quarter and for the first half of the year. During the second quarter, we completed another strategic acquisition to be included within our Financial Services Advisory business and a small specialty tuck-in acquisition to be included within our accounting and tax business. Among them is Pivot Point Security, a cyber and information security firm based in New Jersey. We've been searching for an acquisition in this area for a long time.

We are pleased to have found a cybersecurity firm that will enhance our advisory service offerings and bring added expertise in this area to our CBIZ team. In addition to Pivot Point, during the second quarter, we added a small boutique CPA firm specializing in bespoke services and solutions for high net worth individuals, business owners and executives. The firm joins our growing team in the Denver market.

In addition to this activity during the second quarter, earlier this month, we acquired American Pension Advisors, a small firm based in Indianapolis that provides full-service retirement plan consulting to assist our clients in the design, implementation, and administration of all types of retirement plans. APA joins our Retirement and Investment Solutions line business within our Benefits and Insurance division. This acquisition also adds to our presence in the fast-growing Indianapolis market, where we acquired Somerset, a leading CPA & Advisory firm earlier this year. These recent acquisitions bring us to 3 acquisitions and 2 tuck-in acquisitions so far this year. Each of these acquisitions are strategic in its own right and enables us to continue to deliver on our goal of providing our clients with a breadth of services and depth of expertise that is unmatched in our industries. Our M&A pipeline remains healthy and active and we have the capacity to pursue other opportunities in the future.

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

## QUESTIONS AND ANSWERS

Operator: (Operator Instructions) Our first question comes from Andrew Nicholas with William Blair.

Andrew Nicholas: I appreciate all the color on the 2 delays in the quarter Ware - just one quick follow-up there. On the Government Health Care consulting side, it sounds like the majority of that is expected in the back half. But I think you did call out a bigger project that's leading into 2024. Is there any way to size the impact of that delay specifically?

Ware Grove: No, we haven't sized that. It's not insignificant. So, Andrew, that's why we commented that we need to align the cost structure with the expected second half revenue, and we're doing that immediately as we speak.

Andrew Nicholas: Understood. And then maybe a bigger picture question on the cyber opportunity. I know you guys have been talking about being interested in that space for some time. Can you just kind of refresh us on that opportunity how Pivot Point fits into that strategy? And whether or not this is kind of a one-and-done acquisition there or if there could be bigger chunkier deals that you'd like to do here because it seems like an area that's in quite a bit of demand?

Jerome Grisko: Andrew, this is Jerry. Yes. Precisely, as you indicated, this is a space where we've had high client demand. We have some capabilities in this area, but the demand has historically outstripped our capacity. We've looked for a long time for the right firm. There are a lot of firms out there that report to be expert in this space that didn't hit our quality standards.

So we are thrilled to be able to bring on Pivot Point. When you ask about future plans, we will continue to look for opportunities to expand in this space if and when we find other firms of the same quality. What they do? They will fit in with our -- within our advisory practice on the Financial Services side, work very closely with our -- specifically with our risk and advisory services. They assess vulnerability that consult around that vulnerability, and they make recommendations as to how to mitigate it. So, spot on with regard to what we're hearing from our clients and what their needs are.

Andrew Nicholas: Understood. And if you wouldn't mind me squeezing in one last one, which is kind of a consistent question each quarter, which is just kind of on the M&A front. It sounds like the pipeline is still active, and there's a decent amount of capacity. Any notable change in terms of the pricing in that end market as we continue to see quite a bit of activity from your competitors there?

Jerome Grisko: Yes, Andrew, we have not seen really any material change in the pricing, although what we're hearing in different industries is that pricing is softening a little because of the interest rates and just the impact on the financial buyers that being private equity. We've not really seen it to date in the assets that we're looking for or looking at, but we're keeping an eye on that. But, listen, for premium opportunities, premium firms, I don't think there's any pricing bargains out there. We don't look for those for bargains. We really look for quality firms. That are going to be great cultural fits. But on the encouraging note, at least pricing seems to have stabilized, at least for the time being.

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

Christopher Moore: So obviously, you talked quite a bit about the Government Health Care project revenue. Maybe just beyond that, how would you characterize the momentum within the project revenue outside of the Government Health Care space?

Jerome Grisko: Yes, Chris, this is Jerry. It remains very strong, and we're very encouraged by it. In a less certain economic environment, the portion of our business that tends to be a little bit more difficult to predict is around our project-based advisory services. What we've experienced through the first 6 months is demand for those services still remains very healthy. There is -- it's a little bit of a different mix, particularly on the private equity side, private equity advisory side. Fewer really large projects, but largely offset by a larger number of smaller projects. So, I remain very encouraged by what we're seeing there and remain optimistic about the second half of the year. Ware, do you want to...

Ware Grove: Yes, Chris, I can just add a couple of things. Clearly, the Government Health Care and to some degree, the deferrals and the tax return work in California impacted second quarter first half results. If you look at our same-unit revenue, which I think addresses your question, how is the rest of the business doing, while we reported in second quarter of 4.1% same-unit growth, adjusted to eliminate those items, it would be 6.2%. And for year-to-date, we reported 7.2% organic growth. And eliminating those items, it would have been 9%. To us and hopefully to you, that's a very strong indication that the balance of the business is very healthy.

Christopher Moore: Got it. Very helpful. Pricing certainly had been more dynamic in 2022. Can you talk maybe a little bit more about the pricing in the first 6 or 7 months of '23? Is it more normal, the 2% to 3% price increase earlier in the year and that's it? Or just help me understand how the pricing is working in these days.

Ware Grove: Yes. Great question, Chris. Just again, eliminating the impact of Government Health Care and Financial Services, where pricing is more dynamic, the first half organic growth was reported at 7.4%. It would have been 10.1% without Government Health Care consulting. Now that's about still 70%, 80% driven by pricing. So we're continuing to get pricing. And absent a couple of things we talked about, we're optimistic about margins despite the headwinds we're facing that are kind of unique to 2023.

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

Marc Riddick: So, I wanted to touch a little bit -- and I thank you for all the color and detail that you provided on everything. So, I did want to sort of go a little bit more big picture here. And I'm wondering if you could spend some time talking a little bit about some of the trends that you may be seeing from your customers, whether a particular industry vertical that might be a call out or particular green shoots that we might be seeing in the economy that have evolved during the course of the year.

Jerome Grisko:  Yes. Marc, consistent with the headlines that everybody is reading, the small-middle market businesses continue to actually perform quite well in this environment and continue to be quite optimistic about the rest of the year and kind of beyond that, I would predict. We survey -- as you know, we survey our offices and our practice groups quarterly in anticipation of this call, and that's really what we're hearing. There are a couple of notes, of course, of caution, rising interest rates, access to credit, et cetera. But not to the level of concern where they think it's going to have a material impact on their business.

Marc Riddick:  Okay. Great. And then I was wondering if we could touch a little bit about a comfort level around leverage. I guess, with the acquisitions, we're about -- with the slide deck looking at about 2x, can you sort of remind folks kind of your large-scale views as far as leverage levels and comfort levels and then what you might be thinking about going forward then?

Ware Grove:  Yes. Leverage is -- this is Ware. Thanks, Marc, for the question. Leverage is at about 2x adjusted EBITDA, and we have about $178 million of unused capacity against the $600 million facility. Just remember the seasonality of cash flow, we've spent $85 million in the first half on acquisitions, plus another $48 million in the first half on share buybacks.

Seasonally, we don't really generate a lot of positive cash flow in the first half. So the positive cash flow comes in the second half as the seasonal work done in the first half converts to cash. So, we think we've got plenty of capacity, and we remain very actively engaged in potential acquisitions, and we've got the flexibility to do share repurchases.

Marc Riddick:  Okay. Great. And then the last one for me. I was wondering if you could sort of give us a bit of an update as to your investment expectations around maybe head count or technology spend and the like, outside of the moving into the offices and the like. Can you just sort of give maybe an update as to what your plans are maybe for the remainder of the year on that type of investment?

Jerome Grisko:  Yes. I would say, Marc, nothing beyond what you've traditionally seen there. I mean we are always in the market looking for best-in-class talent, right? So, we continue to have an active recruiting effort always going on. With that said, in certain areas where the business is softer, obviously, we'll pull back on that hiring. As far as technology is concerned, we've made substantial investments in that area. We continue to make substantial investments. There's a lot of developments that are happening in our industries, and we feel like we're at the right level of spend, which is really consistent with what you've seen over the past couple of years. Ware?

Ware Grove:  Yes. I think the investments in people incrementally has been coming and will continue to come on the new business development front, both on the Financial Services, but particularly focused on Benefits and Insurance. So, we'll continue that. And to some degree, that presents a little bit of a margin headwind on top of the things we already talked about.

But I know you and others have seen the headlines of the risks and the other things announced with the Big 4. And our take on that and the information they've shared with us is that I believe they probably over-hired last year. We've stayed pretty carefully aligned and we're not really misaligned other than a few corrective actions we need to take, particularly focused on Government Health Care. So I think we're good to go, and we're not really misaligned on a talent and head count basis.

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

Jerome Grisko: Okay. Thank you. Before I go to my traditional closing remarks, I just want to -- because of the way this quarter played out, I just want to caution against predicting quarterly results for us really for 2 reasons. The nature of our business, and you saw it in the second quarter is that work can get accelerated as it was in the first quarter or it can get delayed as you saw in the second quarter. When it's delayed, of course, we have the labor costs that are there ready to do that work. And so the impact on earnings is exaggerated or exacerbated.

The second factor is that as we've been very successful, fortunately, in bringing out some terrific firms, but to the extent that there are 4 accounting firms that creates even more seasonality. So you'll see higher revenue, higher earnings in the first half of the year, but maybe a little bit less. And then even quarter-to-quarter in the third quarter or fourth quarter, that work is a little bit more difficult to predict. All of which is why we don't predict quarters. With all of that said, the business remains very strong. As Ware indicated, from an OGIR perspective, we would have had substantially higher OGIR, if you just exclude those 2 items and we are, in fact, based on our results through the first half, very pleased to be able to raise our revenue guidance for the rest of the year and to hold our EPS guidance.

Beyond that, so beyond 2023, still committed to our 8% to 10% top line growth and 16% to 20% kind of double that on the EPS growth. So very pleased with the business the way it performs and very pleased the way it has performed through the first 6 of the months.

With all of that, as we wrap up, I want to thank our shareholders and analysts as we always do for your understanding and your support of the business. And most importantly, I want to thank our team for the very solid first year -- or first half year results, for your focus on providing exceptional service to our clients and equally important for your support of our team and each other. Thank you very much, and we look forward to talking at the end of the third quarter.

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