CBIZ (Q1 2023 Earnings)

April 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:

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

PRESENTATION

Operator: Hello, and welcome to the CBIZ Q1 2023 Earnings 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 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 also be found on our site. An archived replay and transcript will also be made available following 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.

Jerome Grisko: Thank you, Lori. Good morning and thank you for joining us for today's call. We are pleased to share our first quarter performance for 2023 and to discuss our outlook for the remainder of the year.

As I outlined during our last earnings call, we started 2023 following the second year of record performance for our business. From nearly every measurable perspective, our results last year were exceptional and provided strong momentum going into this year. I'm proud to share that our growth has continued with another strong quarter to start this year.

To highlight our results for the first quarter, our total revenue increased 16.1% and our adjusted EPS is up 23.7% compared to the same period a year ago. That growth is a result of outstanding performance from both of our major divisions. Our Financial Services division experienced total revenue growth of 18.8% and organic revenue growth of 10.5% in the first quarter. As you are aware, the first quarter is the traditional busy season for our accounting and tax businesses, and demand for those services remained robust.

Our revenue growth in the first quarter reflects our ability to continue to capture price increases, an increase in the volume of work and the contribution of our most recent acquisition, Somerset CPA and Advisers, which joined us effective February 1.

We also benefited from demand for a number of services that we provide to assist our clients with emerging opportunities, such as the employee retention tax credit, as well as continued strong demand across nearly all of our major project-oriented advisory services, including our risk and advisory services, our valuation services, our services focused on the private equity industry and our forensic accounting services.

We also experienced growth over the last year within our government health care consulting business. As we discussed on prior calls, long-term multiyear projects make up a sizable component of this business, so timing on the start of those contracts and any pause in that work can impact revenue growth in a particular period. And in fact, we did see some delays in project timing through the first quarter, but we expect those delays to be short-lived and for those projects to get back on track later this year.

Over the past couple of years, the accounting industry has experienced labor constraints, which somewhat reduced the rate of growth that would have occurred had more capacity been available to meet the high demand for those services. We are pleased to see that the talent appears to be more readily available in recent months, and we're happy that the investments that we've made in our recruitment team over the past several years have put us in a position to attract top talent to our team.

Now turning to our Benefits and Insurance division, where we were also off to a very strong start to the year, with total revenue growth of 8.2% compared to the prior period. The growth within this division came from all four of our major service lines, largely fueled by strong sales production and favorable client retention rates.

We also benefited from rising premiums within our employee benefits and our property and casualty insurance service lines, increased pricing for our payroll services and increased project work within the actuarial group embedded within our Retirement and Investment Services business.

Now before I turn it over to Ware, I'd like to make a few comments on our full year guidance that we provided in February. To remind you, in February, we guided full year revenue growth within a range of 8% to 10% and adjusted EPS growth within a range of 11% to 13% over the full year results delivered in 2022. Based on our exceptionally strong performance in the first quarter this year, we currently anticipate that our full year results will come in at the high end of that range.

So with this, I'll turn it over to Ware Grove, our Chief Financial Officer, to provide additional information on our financial performance for the first quarter and more details on our full year guidance. Ware?

Ware Grove: Thank you, Jerry, and good morning, everyone. Let me take a few minutes to talk about key highlights of the first quarter numbers we released this morning. The strong momentum we saw through our business in 2022 has continued through the first quarter of this year.

Total revenue in the first quarter increased by 16.1% over the first quarter a year ago. Same-unit revenue was up by 10% with acquisitions contributing another 6.1% to growth compared with last year. Within Financial Services, for the first quarter total revenue grew by 18.8%, and same unit revenue for the first quarter was up by 10.5%, with strong revenue growth throughout traditional core accounting, advisory services and government health care consulting services.

Within Benefits and Insurance, same unit revenue for the first quarter was up by 8.5%. 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 continued to gain traction as we see increasing new business production. 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.

Effective February 1, we acquired Somerset CPAs and Advisers that is based in Indianapolis. With estimated annual revenue of approximately $55 million in 2023, we expect to record approximately $52 million of revenue from this acquisition. There are transaction closing costs plus onetime integration-related expenses associated with this transaction.

In a similar matter that reporting from Marks Paneth acquisition-related costs last year, we will report an adjustment to eliminate these acquisition-related costs from GAAP reported results to report adjusted results this year. You will find a reconciliation of these items as a schedule included in the earnings release. We are extremely pleased to have the Somerset team on board, and the business is performing in line with our expectations.

With a view towards presenting meaningful comparable information, eliminating the impact of these items, adjusted earnings per share for the first quarter this year was $1.46, up 23.7%, compared with adjusted earnings per share last year of $1.18. Adjusted EBITDA, considering these same adjustments, was $113.3 million for the three months this year, up 22% over adjusted EBITDA of $92.9 million last year.

After seeing artificially low levels of expenses through the pandemic, 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. We continue to see year-over-year impacts.

And for the first three months of this year, these expenses represented a 60 basis point headwind to margin on income before tax compared with last year. 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.

Interest expense also presents a headwind this year as rates have increased from a year ago. In the first quarter, increased borrowing levels, coupled with higher rates, caused interest expense to increase as a percent of revenue by approximately 50 basis points. And for the full year, this could represent a headwind of approximately 75 basis points to margin. For the quarter, we reported an increase in interest expense of $2.4 million, and that impacted earnings per share by approximately $0.035 per share.

Despite these headwinds, we are leveraging costs. Eliminating the impact of the onetime acquisition and transaction integration costs for the first quarter, we can report a 100 basis points increase in adjusted pretax income margin. We will continue to say that over time, we expect to achieve a 20 to 50 basis point annual increase in pretax income margin. And in recent years, our performance has exceeded the higher end of that range. For the full year '23, we expect the margin on pretax revenue will fall within this range of 20 to 50 basis points of annual improvement.

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 '22 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. In '22, we amended our unsecured credit facility to increase the availability from $400 million to $600 million and extended the maturity by five years.

On March 31 this year, the balance outstanding on the newly upsized $600 million unsecured facility was $403.7 million, with about $190 million of unused capacity. The balance sheet at March 31 this year is strong, with leverage of approximately 1.9x adjusted EBITDA. This provides plenty of capacity to continue strategic acquisitions and provides the flexibility to continue with share repurchases.

In the first quarter of this year with the Somerset transaction, combined with earn-out payments on previously closed transactions, we used approximately $67.7 million for acquisition purposes. We expect to use $27.4 million over the remainder of this year and approximately $56.4 million in 2024, approximately $33.4 million in 2025 and then approximately $6.7 million in 2026 for these estimated earnout payments.

Deploying capital for strategic acquisition purposes continues to be our highest priority. Since the end of 2019, we have closed 17 transactions and we have deployed approximately $348 million of capital for acquisition purposes, including the earnout payments over time.

Through March 31 this year, we have repurchased approximately 428,000 shares of our common stock in the open market, at a cost of approximately $20.8 million. Since March 31, under our 10B program, we have repurchased an additional 210,000 shares, making the total shares repurchased through April 26 this year, approximately 640,000 shares.

To recap repurchase activity in recent years since the end of 2019, we have repurchased approximately 8.7 million shares, and that represents slightly more than 15% of the shares outstanding compared to the end of 2019. Approximately $308 million of capital has been used towards this open market repurchase activity over that period.

Days sales outstanding on March 31 this year was 94 days, and that was the same as it was the first quarter a year ago. Bad debt expense for the first three months this year was 10 basis points of revenue compared to 14 basis points a year ago. Depreciation and amortization expense for the first quarter this year was $8.6 million compared with $8.2 million last year. For the full year, we expect depreciation and amortization at approximately $36 million this year compared with approximately $33 million last year.

Capital spending for the first quarter was $3.6 million. Greater spending is planned later this year for tenant improvements related to our anticipated third quarter move to our new headquarter facilities. Most of our capital spending is associated with leasehold improvements and furniture for office facilities.

For the full year this year, we're expecting capital spending to be approximately $15 million to $20 million. As a reminder, we are a major tenant in our new headquarters building with a long-term lease. We are not an owner of the building.

The effective tax rate for the three months this year was 26.5%, up from 24.9% a year ago. The increase in the effective tax rate was primarily a result of expiration of certain grandfathered tax benefits that were associated with stock-based compensation expense as provided in the Tax Reform Act of 2017.

Plus, there is an increase in nondeductible expenses in '23 as compared to last year. The impact of the increased tax rate in the first quarter was approximately $0.03 a share. And with a full 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, and that's unique to this year compared with 2022.

In future years, we expect the effective tax rate to be relatively level at approximately 28%. So there'll be no further year-over-year headwind beyond this year. The recurring and essential nature of many of our services provides stability through economic cycles. At this point, as we look at employment-driven metrics and our benefits and in our payroll businesses, we are seeing continued signs of steady and strong employment within our clients.

But as we look ahead and consider the potential for economic slowdown, if we experience 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, 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, 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. Our first quarter results came in very strong. And at this early stage of the year, we are very comfortable guiding at the high end of the full year ranges we set in February for both revenue growth and for growth in adjusted earnings per share.

The results from the Somerset acquisition that was acquired in February contributed to the first quarter results in a very meaningful manner. It is common to see a seasonally strong first quarter from our core financial services operations and the initial results from the newly acquired Somerset operation were particularly strong.

In the second quarter, after a busy tax season, we plan to address system and other integration issues with Somerset. We will also work to gain greater visibility on full year forecasted expectations, and we will revisit annual guidance at the end of the second quarter. The increased tax rate this year, which is unique to 2023 when compared with the prior year, presents estimated headwinds equal to approximately $0.08 per share for the full year.

We also commented on the headwinds presented by increased interest rates in '23 versus prior year. And in the first quarter, increased interest expense impacted earnings per share by approximately $0.035, and we expect increased rates may have a similar quarterly impact on full year this year as we compare to the prior year.

Now despite these headwinds that are unique to '23, the underlying operating results for the first quarter are extremely strong. Revenue growth was stronger than expected in the first quarter. But with the second half more dependent upon project-oriented business, at this early stage of the year, it is too early to update our annual guidance.

So to recap our full year guidance, we'll say the following: we expect total revenue to increase at the higher end of the range of 8% to 10% growth for the year; on an adjusted basis, we expect '23 adjusted earnings per share to increase at the higher end of the growth range of 11% to 13% over the adjusted earnings per share of $2.13 that was reported in 2022. Now GAAP reported earnings per share is expected to increase at the higher end of the range of 15% to 17% growth over the $2.01 reported for 2022. The effective tax rate for the full year of '23 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 million shares for the full year '23, and you should note that this share count is now slightly lower than our initial estimate. So with these comments, I'll conclude, and I'll turn it back over to Jerry.

Jerome Grisko: Thank you, Ware. As I generally do, I'd like to take a few minutes to provide an update on our M&A results for the first quarter. Since the start of the year, we've completed two acquisitions. The first was a small litigation support firm located in Irvine, California. That firm was already working closely with our litigation support team on the West Coast and will bring expertise and talent to our growing practice in that market.

Also, as Ware referred, effective February 1, we are pleased to announce the acquisition of the non-attest assets of Somerset, an accounting, tax and advisory firm headquartered in Indianapolis, and with additional offices in Fort Wayne and Michigan City, Indiana and Nashville, Tennessee.

Somerset is what we would consider a platform acquisition, as it allows us to enter a growing and attractive geographic market with a firm that provides us with significant scale and a terrific team of professionals at the outset, along with immediate opportunities to offer additional services to their clients and our clients. Combined, these two acquisitions added approximately 245 professionals and $58 million in annualized revenue to CBIZ.

In addition to those two most recent acquisitions, our M&A pipeline remains healthy, and we continue to be proactive in evaluating new opportunities. With that said, we will move it over to Q&A.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) Today's first question comes from Christopher Moore with CJS Securities.

Christopher Moore: Congratulations on another great quarter. A couple of questions. So one of the areas we've discussed frequently, you just touched on it a little bit earlier, was how CBIZ will do in the next big turn down. Organic growth was down roughly 6% in 2009, the last big one, partially offset by your ability to flex costs in that situation.

So, I guess the question is, how would you compare the revenue base today versus 2009, both from a recurring revenue as a percentage of revenue standpoint, as well as in terms of the sustainability of the project work? Is the mix of the project work much different currently? Is that more or less vulnerable to a slowing economy?

Jerome Grisko: Yes, Chris, this is Jerry. It's a great question and one that we get from time to time, as you know. I would start with this: We're a different company today than we were during that period of time. We've made substantial investments in the business.

When we look back over that period of time, not only is the mix of recurring versus nonrecurring different today, about 75% of our work tends to be within the recurring category. It was higher back than. We've also looked back and said at that time when we declined, as you said, even at its lowest period, it was only off 6% compared to many others.

But within that 6% was a significant impact from our Benefits and Insurance group. What was causing that was really we did not have enough producers at that time to overcome the natural attrition rate in that business. Over that period of time, we've made substantial improvements and substantial investments in that area. And you're seeing that in the rate of organic revenue growth that we're getting kind of across the line within our Benefits and Insurance division.

So I think we're a very different company today than we were back then. I think our mix is different, of recurring versus nonrecurring. And I think we've made investments that would provide us with substantially stronger outcomes in a similar environment today.

Ware Grove: Chris, this is Ware. The only thing I would add is, I think it's important and instructive to look back to 2009, 2010. And as Jerry comments, we're a much different company with different tools to manage the business at this point in time.

But it's also instructive, I think, to look at the year 2000, the pandemic year, that was kind of a recession-like environment. Our same-unit revenue was flat that year. So to Jerry's comment that the Benefits and Insurance group as we've invested, it's gained more traction.

So the positives there kind of outweighed the project-oriented vulnerabilities that we saw at 2000. So don't know what lies ahead, but I think those 2 data points are important to consider.

Christopher Moore: Perfect. That's very helpful. One of the things you talked about in your prepared remarks was the labor challenges slowed the accounting industry organic growth a little bit. Have you seen any estimates in terms of what that number was? Is that -- are we talking 100 or 200 basis points, or just not sure if there was any statistics out there.

Jerome Grisko: Yes. I didn't hear it quantified. I'll give -- maybe Ware has a different response here. But we didn't see it quantified, but we went -- as we always do and spoke with our offices, the overriding response that we were getting over the past couple of years is that we had more work kind of in the pipeline than we could always respond to just based on the number of heads that we had to do that work.

We see that easing. You've seen some announcements from the big four recently where they've produced their workforce. We've heard of those things in other areas. So while it is -- and it has been is and will always be, I think, a competitive work environment. We see some of those challenges that made it uber-competitive over the past couple of years starting to ease.

Operator: (Operator Instructions) The next question comes from Andrew Nicholas with William Blair.

Andrew Nicholas: I'll start with an M&A question. It seems like the pipeline is still good. I'm not sure if you have any update on market pricing. But maybe most importantly from my perspective, how should we think about capacity?

And I don't necessarily mean that in terms of financial capacity, but more operational capacity. Is it fair to assume that you'd be concentrating primarily on tuck-ins through the rest of this year as you integrate Somerset? Or is it possible that you would do a chunkier deal with the financial capacity that I think you have later in 2023?

Jerome Grisko: Yes, Andrew, this is Jerry. Let me start here. My comments in no way reflect any prediction of what actually will get closed throughout the remainder of the year. But what I would say is we certainly have capacity to be able to absorb another firm of the size of Somerset through the rest of the year.

If that one would present itself, we also, of course, would have capacity to do more of the ordinary course types of transactions as well. So we don't find ourselves particularly resource constrained at this point. But it all depends on timing and it depends on the individual kind of circumstances around a particular deal. But I don't see that we're really resource constrained at this time.

Andrew Nicholas: That's helpful. And then on the project-based revenue in the period, specifically in Financial Services, I guess I was surprised how strong demand was or at least the commentary around how strong demand was in the quarter.

I think you noted strong demand in PE services as well despite what I thought would be declining deal activity as a potential headwind. So could you just unpack some of that growth or the strength in project-based revenue in the period? And maybe any other tidbits you could provide on kind of how that's progressing in April and how you think it will move through the rest of this year.

Ware Grove: Yes. Andrew, this is Ware. Just to give you a little more color, we've described the advisory piece of the business as approximately a $200 million collection of business services. And within there, we include our risk and advisory service. That's internal audit, SOX, co-sourcing, outsourcing. That was very, very strong.

The valuation team has good demand, and a lot of that business tends to be recurring as does the RAS business. We also have the PE consulting business. that's divided into two pieces. One is due diligence, transaction services. That remains very, very strong. No prediction on the balance of the year, but that's very strong.

We saw a bit of a softness in the West Coast-based business that provides staff augmentation and advisory services to the venture capital business. So we've got eyes on that, but the strength outweighs the hits and the misses. So net, we saw some good strength and good growth in that advisory transaction business services.

Andrew Nicholas: Great. That's also very helpful. And then maybe if I could squeeze one more in. I think in the past, you've talked about the strength and competitive positioning of your real estate practices across various regions and offices.

I think Marks Paneth also had a sizable real estate practice within it that you're excited to cross-sell into. Given some of the headlines and concerns about the impact of vacancy rates and higher interest rates on the commercial real estate market more specifically, I was hoping you could flesh out your exposure there? And if there's any risk that you see to the health of that end market, whether it be this year or in the coming years?

Jerome Grisko: So Andrew, this is Jerry. Prior to every call or at the end of every quarter, we go office to office and ask those types of questions of the people who are client facing. And I think we were actually expecting to see a higher level of caution from our real estate group.

But we're not hearing that. Now I'm not speaking, it may be an existence in a particular market or a particular type of real estate that they're holding, but we did not hear that in our -- in the responses that we are receiving from our clients. They are -- of course, interest rates impact that side of the business.

In some instances, what we heard is that provides opportunities those with larger portfolios and more scale compared to those that may not have access to funding the way that the larger organizations do. So right now, I think it's a wait and see, but we're not hearing it. We certainly didn't feel it in the first quarter, and we're not really hearing it across the board with our construction and real estate clients.

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

Marc Riddick: So I think you touched a little bit on the technology clients there, but I was wondering if you could talk -- if there are other sort of industry vertical stand out amongst your clients, maybe what you're seeing and some things that maybe we might not be thinking about on an industry vertical basis or a regional basis for that matter?

Jerome Grisko: Yes. Thanks, Mark. Let me start here. As we've stated in the past, one of the, I think, the very attractive attributes of our business is we are not overly concentrated in any particular geography or any particular industry. And I think that helps us in kind of all business environments.

With all of that said, you mentioned IT. With the exception of the business that Ware referenced, which is really kind of a very Silicon Valley focused prep for IPO, technical accounting business, which did see a little bit of softness, certainly, over the past three, six months. We are not seeing across the board or in any particular material way, any one of our geographies or client concentration groups, again, that are material to our overall results being impacted by the current environment.

Marc Riddick: Okay. And then I was wondering if you could talk a little bit about maybe whether it's something you're seeing now where maybe you anticipate going forward, as far as the pace of client behaviors when it comes to the macro having an impact on outsourcing decisions or engaging on additional service offerings and the like, as well as maybe sort of a competitive dynamic maybe that you're seeing relative to local competitors.

Jerome Grisko: I'm trying to anticipate a little bit around your question. But what I would say is that -- look, I think we are always trying to keep our finger on the pulse of the needs of the market. And what we're anticipating today is that there's some more uncertainty in the future business climate than we've seen over the past couple of years.

And we are very proactive in reaching out to our clients on a digital outreach through thought leadership, through seminars, through webinars, on the types of topics that are of greatest interest to them. So how to prepare in the event that there is a recession, those are things around cash flow analysis, access to capital in the market and other services that we provide.

And we have a pretty regular cadence of those types of programs. And we see significant interest in those programs by our clients and by prospective clients. So when you ask the question around how we compare relative to our competitors, another key attribute of our business is not only the depth of expertise that we have, certainly relative to some of our smaller more regional competitors, but the breadth of services that we have, which I think is unique to us compared to the entire market.

And so that breadth of expertise -- I'm sorry, yes, the depth of expertise and breadth of services positions us well to be able to serve our clients in a unique way, certainly in a more challenging business environment.

Marc Riddick: Great. And then the last thing for me is, I was sort of curious as to if we should be thinking about any particular timing of investment spending, whether it be on additional technology, additional heads that are not related to acquisitions, or anything along those lines that we should be thinking about from a timing perspective or anything potentially lumpy that we might be seeing in the following quarters.

Ware Grove: Yes. Mark, this is Ware. I don't think there's any lumpiness ahead. The one thing that I wanted to draw your attention to is the capital spending. And as we occupy our new headquarters, there may be a lump of capital spending.

But in aggregate for the year, we're forecasting a $15 million to $20 million spending level. And typically in a normal year, it's $10 million to $12 million. So it's not a big item. We don't see anything on the technology or hiring side. We're constantly looking for good people. And we have a good recruiting team out there that's improving our capacity. It's a good position to be in.

We commented earlier on the fact that a bit capacity constrained last year, but that tended to ease in the second half of the year, and we're seeing a similar circumstance right now. So I think we're in good shape with -- I don't see any issue there with some lumpiness on investment ahead.

Marc Riddick: Great. And then can I sneak in one more? I guess, because I used to ask this often, but I'll throw it in there now. Thoughts on marketing spending or what we might see throughout the year and those kind of plans.

Ware Grove: Yes, Mark, great question. And for anybody on the call, you may have noticed we're running a wave of TV ad campaigns right now. So you'll see the CBIZ ads on CNBC. If you watch PGA and other sporting events, you'll see them there. We have gone dark for a while on that, so we're restoring that in a good way.

And with respect to other items on the marketing side, we're more effectively using webinars and other virtual tools, along with digital marketing, lead campaigns and things like that. So we're really using technology in, I think, a very efficient manner. So our marketing spend is not a significant part of the expense structure.

Operator: Ladies and gentlemen, this concludes our question-and-answer session. I would now like to turn the call back to President and CEO, Jerry Grisko for any closing remarks.

Jerome Grisko: Thank you. I want to thank our shareholders and analysts for joining us today and as always, for your continued support. I also want to thank our CBIZ team for a fantastic start to the year and for all of your efforts to build on the momentum that we had coming off of our record performance last year in 2022. Thank you, everybody, and enjoy the rest of your day.

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