CBIZ, Inc. 2Q20 Earnings
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CORPORATE SPEAKERS

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

PARTICIPANTS

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

PRESENTATION

Operator

Good morning, and welcome to the CBIZ Second 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 CBIZ, Inc. - Director of Corporate Relations

Good morning, everyone, and thank you for joining us for the CBIZ Second Quarter and First Half 2020 Results Conference Call. In connection with this call, today's press release has been posted on the Investor Relations page of our website, cbiz.com. This call is being webcast. A link to the live webcast as well as the replay and transcript can also be found on our website.

Before we begin our presentation, we would like to remind you that during the call, management may discuss certain non-GAAP financial measures. 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 Chief Executive Officer; and Ware Grove, Chief Financial Officer.

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

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director

Thank you, Lori, and good morning, everyone. Before I discuss our results for the quarter and year-to-date, I thought it would be helpful to review certain of the key attributes of our business that we discussed at the end of the first quarter, including that approximately 70% of our revenue is generated from essential services, including our tax services, insurance services, payroll services and a host of others that we provide to our clients regardless of economic conditions in the market. We generally retain approximately 90% of our clients from year-to-year. We have a broad geographic footprint. We serve a diverse client base in terms of size and industry. We enjoy strong and consistent cash flow. We have a substantial amount of variable expenses in our business, including a considerable amount of variable compensation based on the performance of the business.

We have a strong balance sheet with ready access to capital, and we entered into the current environment with very low amount debt and in a very strong financial position. And it's those attributes that make us confident that our business will continue to perform well in our current environment. And in fact, that's precisely what we experienced in the second quarter and year-to-date. For the second quarter of 2020, revenue increased by $1.4 million over the same period in 2019. Earnings per share increased by 30% from $0.30 per diluted share for the second quarter last year compared with $0.39 per diluted share for the same period this year. And our adjusted EBITDA for the second quarter was $35.9 million compared with $28.8 million for the second quarter of 2019, an increase of 24.7%. As we expected, our business performed best in those areas where we provide the essential services that our clients need regardless of the business climate.

Within our Financial Services segment, our core accounting service delivered strong performance throughout the second quarter, bolstered by the IRS extension of tax filing deadline from April 15 to July 15. We also received strong contributions from our risk and advisory practice and our litigation support practices within this group.

Within our Benefits and Insurance group, we were pleased to see strong contributions from our employee benefits business, our 401(k) advisory practice and the personal and commercial lines portions of our property and casualty business. In addition, we're encouraged by favorable market reaction to our new payroll platform that targets mid-size and larger clients with more sophisticated needs. And as we described in the past, our business always benefits in times of complexity and change, and the economic hardship faced by many of our clients following the onset of COVID-19, allowed us to showcase our breadth of services and depth of expertise. Our teams quickly mobilized to help our clients and prospects understand and access the wide range of stimulus and other relief packages available in this challenging business climate, including the Payroll Protection Plan and the Main Street lending program.

While our approach resonated with our current clients, it also allowed us to attract and serve new prospects in need of more sophisticated support to take advantage of the emerging relief programs. These efforts, combined with our ongoing digital outreach and thought leadership, have led to a more robust pipeline of prospects for new business. In addition, the support that we continue to provide to our clients, in many cases, is vital to their financial health and will deepen our ongoing relationships in ways that will improve client retention, and support ongoing growth. Also as we expected, we did experience some softness in certain business lines that provide more discretionary project-oriented services, those that require us to be at the client's site to perform our work and a small amount of business tied to those industries hardest hit by the pandemic, including hospitality and restaurant business.

With that said, it's worth noting that the amount of our revenue tied to clients in those specific industries represents less than 5% of our total revenues. We also experienced some softness in our payroll business, which was impacted by layoffs and risks among a number of small and midsized business clients, although we have seen an improvement in that area over the past several weeks.

Finally, our government health care consulting business continues to perform well, but did not provide the growth that we normally experience as a result of a slowdown in the delivery of the information from our clients that we need to do our work, and our ability to be on-site to perform certain work.

With that said, we are working with our clients to adopt virtual solutions that will lessen the need to be on site. And moreover, the work that we do in this area still needs to be performed so we would expect the work that was delayed in the second quarter will shift to the second half of the year and possibly flow into 2021. We've been asked at a number of occasions to compare the current economic climate to the financial crisis of 2008 and 2009. Although there are substantial differences in the 2 scenarios, it was the attributes of our business that I described earlier that allowed us to perform well during the financial crisis, and it's those same attributes that are allowing us to continue to perform well in our current environment. In addition, since that time, we've made substantial investments in our people, processes and technology. These investments have been meaningful in numerous aspects of our business, including the expansion of our producer team, implementation of a more sophisticated payroll platform, and improvements in our processes and systems with the goal of enabling more granular visibility into the profitability and pricing in our Financial Services businesses. These investments make us significantly stronger and more resilient today than we were in 2008.

As mentioned earlier, we came into the COVID-19 pandemic in a very solid financial position, coming off a strong performance in 2019. In addition, at the outset of the pandemic, we took a number of cost control measures to preserve cash and mature liquidity, including implementing our hiring freeze, placing limits on all discretionary spending and suspending our stock buyback program. The strength of our balance sheet and our cost control measures have allowed us to avoid the more severe actions taken by many of our competitors, including across-the-board compensation reductions, significant reductions in workforce and extensive furloughs. We believe that our team members are among the best in the industries and throughout this time, maintaining our workforce has been a key priority.

We know from watching the experience of other professional services firm, following the 2008 downturn, that those that significantly reduced their workforce found themselves in a challenging position when conditions started to improve. While that was not our experience in 2008, our own lessons and those from others continue to inform our approach to the pandemic. All that being said, we recognize that the pandemic may be with us for the foreseeable future. While we are pleased with our performance in weathering the storm to date, and we are presently more focused on growth opportunities than survival, we have identified a number of additional cost control levers that are available to us if we should need to use them in the future.

At this point, I'll turn it over to Ware Grove, our Chief Financial Officer, to provide more specific details on our financial performance for the second quarter and year-to-date.

Ware H. Grove CBIZ, Inc. - Senior VP & CFO

Well, thank you, Jerry, and good morning, everyone. I want to take a few minutes to run through the highlights of the numbers released this morning. Further, I also want to talk in more detail about some of the actions we continue to take as we respond to the changing business environment and the impact of the COVID-19 pandemic.

Total revenue for the second quarter was $236.9 million, an increase of 0.6% over second quarter a year ago, with same unit revenue declining by 1.4%. With the margin on income from continued operations before tax improving to 11.9% compared with 9.3% for the second quarter a year ago, earnings per share were $0.39 compared with $0.30 a share a year ago in the second quarter. Adjusted EBITDA was $35.9 million, or 15.1% of revenue in the second quarter this year, a 24% increase over $28.8 million a year ago.

For the 6 months ended June this year, total revenue grew by 1.8%. As a result of improved margin on income from continuing operations before tax at 15.2% compared with 14.5% a year ago, earnings per share were $1.05 compared with $0.97 for the 6 months a year ago. Adjusted EBITDA was $92.9 million or 18.1% of revenue, and this is up 7.4% over a year ago. Total revenue within our Financial Services business was down 0.2%, with same unit revenue down 1.0% in the second quarter this year. For the first 6 months, Financial Services revenue grew by 1%, with same unit revenue up by 0.2%.

Turning to the Benefits and Insurance Services. Total revenue grew by 2.5% in the second quarter, with same unit revenue decreasing by 2.2%. For the first 6 months, Benefits and Insurance revenue was up 3.5%, with same unit revenue declining by 1.4%. As Jerry commented, our core business attributes with essential and recurring services was relatively stable in the second quarter. Some service lines, such as valuation, private equity advisory, property and casualty program business and payroll are more vulnerable to the unstable economic environment, and we are taking targeted actions to more aggressively manage costs within those businesses. These 4 business units or service lines represent approximately 9% of second quarter revenue and approximately 11% of revenue for the 6 months. Excluding the impact of these units that were more severely impacted, the remaining core business growth was 4.1% for the quarter and 3.3% year-to-date, with the underlying same unit organic growth at 1.9% for the quarter and 1.1% year-to-date.

Second quarter and 6-month results benefited from the reduction in operating costs, largely focused on reductions in travel, variable compensation, marketing and other discretionary expenses. To help you better understand, within these categories, there is roughly $150 million of variable or discretionary expenses on an annual basis.

Now I do not want to lead you to believe it is possible to immediately reduce this level of expense dramatically over a very short term, but this is where we can have an impact to manage these expenses in order to mitigate revenue shortfalls and protect our margins in a targeted manner. Now let me add 2 comments to add more color as you look at margin and think about expenses.

First, most of you are familiar with this, but please remember to consider the accounting impact for gains or losses on assets held in the deferred compensation plan, assets that were nearly $108 million at June 30 this year. Eliminating the accounting for gains or losses, operating income was 12.9% of revenue in the second quarter compared with 10.1% a year ago. And for the 6 months, operating income was 15.7% of revenue compared with 14.9% a year ago. And for further information, general and administrative expense was at 4.1% this year versus 4.6% in the second quarter a year ago. And year-to-date, 4.3% versus the same number, 4.3% a year ago, excluding the accounting for the gains or losses.

The second item I want to talk about reflects lower CBIZ employee health care benefit costs in the first half of this year compared with prior year. Like many companies, we self-insure this program and we accrue costs in line with estimates that are developed every year. Normally, there is only minor volatility to this expense compared with estimates. But with the general deferral of routine procedures and medical care in connection with the COVID-19 outbreak, our CBIZ employee health care benefit costs were significantly lower in the first half this year by $3.2 million for the 6 months. This lower cost accounts for about 1/2 of the $0.09 EPS improvement we reported in the second quarter compared with a year ago, and about 1/2 of the year-to-date improvement of $0.08 per share.

It is unclear that this reduction in health care costs in the first half will persist over the balance of the year, and so we are projecting a more normal expense pattern for the remainder of the year. Bear this in mind as you evaluate our first half results and think about the balance of the year.

Now at the end of March, debt outstanding on the credit facility, net of cash, was $166.1 million. And at the end of June, debt outstanding net of cash, was $110.3 million, a $56 million improvement during the second quarter. As a precautionary measure at the end of March, we had fully drawn down all available capacity under our $400 million credit facility. With the stability we have experienced with improving liquidity during the second quarter, we have since repaid all excess borrowings.

At the end of June, we have approximately $270 million of undrawn capacity and leverage is at approximately onetime measured against trailing 12-month EBITDA. We are watching customer collections on receivables very carefully as clients take actions to preserve their own liquidity. Our client service team has done a nice job utilizing tools and weekly dashboards to focus on client communication and cash collections.

DSO was 87 days at June 30 this year, and that compares to 90 days at the end of the second quarter a year ago. Remember that DSOs typically increase in the first half of the year as we build receivables and that liquidate into cash later in the year.

Capital spending for the second quarter was approximately $2.7 million, and for the first half, capital spending was approximately $5.3 million. Full year, we expect total capital spending within a range of $10 million to $12 million. Bad debt expense for the 6 months was 63 basis points of total revenue compared with 30 basis points a year ago. This increase reflects the additional $2 million bad debt reserve we recorded in the first quarter. As reflected in the improvement in day sales outstanding, client payments are coming in as expected, and liquidity has improved, but we are continuing to carry this reserve as the level of uncertainty and risk remains.

As Jerry commented, our diverse industry exposure mitigates this risk. And the bad debt allowance we recorded is focused on those specific clients within food service, hospitality or travel-related businesses, and that represents less than 5% of our total client service revenue. In addition to the 3 acquisitions that we announced in the first quarter, we announced 1 additional acquisition effective on July 1, that will have an annualized revenue contribution of approximately $1.2 million.

For the first 6 months, acquisition-related spending was approximately $16 million. For the balance of this year, earn-out payments for acquisitions previously closed are estimated at approximately $7.9 million. And for next year 2021, approximately $9.6 million; for 2022, approximately $8.4 million; and for 2023, approximately $800,000 with approximately $200,000 scheduled in 2024.

During the second quarter, we suspended share repurchases as we prepared for the impact of the COVID-19 pandemic on our business. With the 1.2 million shares repurchased in the open market during the first quarter, we used approximately $29.5 million for this. And as a result, we expect our fully diluted share count of approximately 55.5 million shares for the full year. Our effective tax rate for the first half was 25.6%. And for the full year, we continue to expect an effective tax rate within a range of 24% to 25%.

As Jerry described, we took swift measures early in the second quarter to prudently manage costs and protect our liquidity. We generated good first half earnings and EBITDA. Cash flow is strong. Liquidity has been preserved, and we are very well positioned to take advantage of opportunities to invest in long-term growth.

With the continued risk and uncertainty in the economy, we are also ready with contingency plans to address different scenarios that could unfold, should the need arise. As we navigate through this period of uncertainty, we are accomplishing our goal to preserve our liquidity. And we want to have the financial capacity to take advantage of acquisition and other investment opportunities that lie ahead, including share repurchases. We are pleased with the stability and performance of our core businesses. And as I outlined earlier, as we addressed the other business service lines that were impacted to a greater degree, we are taking actions so that when the economy recovers, we will be very well positioned for further growth.

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

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director

Thank you, Ware. I'd like to touch on a couple of additional areas before we turn it over for Q&A, including a brief update on our response to COVID-19 and where we stand today.

Our priority continues to be the health and safety of our team members and our clients. At the outset of the pandemic, we shifted approximately 95% of our team to working from home starting in mid-March. We are pleased with how quickly our team adapted to this change, especially with the adoption of new technologies to support video conferencing and virtual collaboration. We're now in the process of reopening our offices nationwide and welcoming our team members back. Starting in May, we began a phased approach to reopening our offices, which included new safety guidelines and protocols. We are now actively enforcing social distancing and requiring the use of mask in all shared and common office spaces. Overall, we are being measured in our approach so we can continue to adapt and learn as we go.

Further, we are using everything we've learned so far through this experience to inform our planning for the future. This includes establishing the appropriate systems and guidelines to introduce more flexibility into where, when and how we work going forward.

Next, I want to briefly discuss our efforts around M&A. So far this year, we've completed 4 transactions, and we started 2020 with a full pipeline of potential opportunities, including several pending transactions we placed on hold at the onset of the pandemic. We elected to put these transactions on hold at the time to both conserve cash but also to ensure that we could support the complete integration of these businesses into CBIZ. We strive to create the best possible onboarding experience for our acquisitions. And we were concerned that we might not be able to achieve this given the constraints in the early days of the pandemic. We are now in the process of actively reengaging these transactions while renewing efforts around our pipeline. The actions we've discussed today ensure that we have the capital available to make strategic acquisitions and move quickly to be opportunistic in this changing environment.

We believe that there will be new opportunities in the near term, especially given our firm's recent experience with COVID-19. Given the unique attributes of our business and our demonstrated resilience, I believe we can offer potential targets a level of stability and opportunity that many others cannot. We can better articulate now the value of being part of a large, well-capitalized and resilient organization like CBIZ, that is able to emerge even stronger from a crisis of this nature.

Looking forward, the key takeaway from today's call is that our current environment has validated CBIZ's business strategy. What we've seen in this environment is that the right mix of core essential services and advisory and specialty services will give us the ability to perform well in the near term, regardless of the shape and pace of recovery, while maintaining our focus on long-term growth. While we anticipate that some of our services would perform better than others in this situation, and that's exactly what we experienced, we believe that our advisory, private equity and other specialty services will allow us to accelerate growth when conditions improve. Every action that we've taken since the onset of the pandemic has been not only to protect the business in the short term, but to position us for long-term growth and success as well.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from Andrew Nicholas of William Blair.

Andrew Owen Nicholas William Blair & Company L.L.C., Research Division - Analyst

I wanted to start with just an update on client retention. Is there any detail you can provide on that front, how it progressed over the course of the quarter? Any color on July trends? I'm just -- I guess I'm particularly interested to the extent to which pressure on the SMB market and your existing client base could impact the outlook for first half of next year?

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director

So Andrew, it's Jerry. As I said in my opening comments, we generally have about a 90% retention rate across all of our clients. And we're experiencing similar retention in this environment. There are a couple of small pockets of our clients that are being more impacted than others. We have a specific part of our Property and Casualty business that specializes in program business for the hospitality -- Airbnb and that type of an industry as well as action water sports and those types of things. That has been more impacted, although, again, when you take the aggregate amount of all of our clients in those spaces, it's less than 5% of our total revenue. And we also saw some impact on some of our smaller clients within our payroll business, which hit its kind of peak as far as attrition in April, although it's recovered significantly since then. So all told, what I would say is, I believe the 90% retention rate across the board is holding for us. And I think the really positive note is that like we experienced in 2008 and '09, we're also seeing in this environment that our clients are extraordinarily resilient, and we're seeing that in this environment.

Andrew Owen Nicholas William Blair & Company L.L.C., Research Division - Analyst
Great. That's helpful. And as my follow-up, and I apologize if I missed this, there's a lot of good detail in the prepared remarks. But could you quantify how much revenue in the government health care consulting business fell out of the second quarter? And what your current expectations are in terms of realizing that revenue over the next 2 or 3 quarters?

Ware H. Grove CBIZ, Inc. - Senior VP & CFO
Yes. Andrew. And I think the second part of your question is key because that revenue is not lost, it just gets pushed out. So what's happened is basically with the slowdown, cost reports and access to client information has slowed down into us. So our efficiencies have suffered a little bit as a result. For the first half, this business was relatively flat. And we typically say this grows in the mid to high-teen range. So we expect stronger...

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director
Mid- to high single digits.

Ware H. Grove CBIZ, Inc. - Senior VP & CFO
Yes, I'm sorry. I misspoke. Mid- to high single-digit range. So given that it was a flat first half for us, that's the deferral of revenue that will spill into the second half if things normalize and the conditions are more normal in the second half.

Andrew Owen Nicholas William Blair & Company L.L.C., Research Division - Analyst
And just as a follow-up, I mean, is your expectation now that third quarter will be more like traditional mid-single, high single-digit-type growth? Or is this kind of the type of thing that would build up again next quarter and really kind of all catch up in the fourth quarter and early next?

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director
Yes. It's a little hard to tell, Andrew, just given the pace of recovery and when we can get back on-site and the receptivity of our clients to allowing us to do more of this work virtually. But there is an expectation, as Ware said, that this work will get done, whether it's the third quarter, fourth quarter or kind of flowing into 2021, it is essential services. We haven't lost these contracts. And we will get this work done. Timing is a little bit more difficult to predict.

Operator
Our next question comes from Chris Moore of CJS Securities.

Christopher Paul Moore CJS Securities, Inc. - Senior Research Analyst
It was quite a good quarter. Maybe a bit of a loaded question, but what's the biggest uncertainty at this point from keeping you guys from reinstating guidance? Obviously, another big flare is one. But are there other areas where just visibility is just isn't there at this point in time?

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director
Yes, Chris, as you know, the second half of our year is more heavily reliant on project work. That work tends to be driven, in large part, by activities among our clients, acquisitions, capital expansion expenses and improvements. Those things tend to be based on the confidence level of our clients as to market conditions and their opportunities within those market conditions. And as we go out and speak with them, which we always do, what we're hearing from them, like others kind of throughout the country, is that while they always tend to be optimistic about their business and what the prospects are, they're less confident about what's going on today in the economy, and they really can't predict or are reluctant to predict when they might, again, begin to expand their businesses and make those types of investments. So all of that translates into that will impact one way or another, the amount of project work we do in the second half. And we just don't have a basis for trying to estimate what that might be.

Christopher Paul Moore CJS Securities, Inc. - Senior Research Analyst
Fair enough. Makes sense. Towards the end of your prepared remarks, Jerry, you were talking about the M&A opportunity. And I know you can't get too specific, but it sounds like things really were or are ramping there. You have a sense yet whether or not some of these targets are still available? And is that potentially should we look to be seeing more in the second half of this year?

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director
Well, as always, it's difficult to predict the timing of the closing. But let me answer your first question first, which is, are they still in the pipeline? The answer is yes. None of the transactions that we -- of any size that we were having discussions with prior to the onset of the pandemic, have dropped off that list. In fact, we've reengaged in all of those conversations. We're encouraged actually in a number of areas where, while the mix of their revenue may have shifted, their revenue has held up quite nicely in this environment, which gives us confidence with the stability of that business, in those, in particular, are our discussions that we are pursuing more actively in this environment. In addition, we believe, as we said in the first quarter notes, that there's going to be opportunities for us to have discussions with very highly regarded competitors, particularly on the accounting side, where in the past, we would speak with them and there was a real connection with CBIZ. They liked our story. We had ongoing dialogue, but they were doing so well that there was no need for them to really make a decision at that point. Many of them have now seen how advantageous it is to have the scale, the geographic diversity, the industry diversity, the breadth of services that we've all been able to bring or CBIZ has been able to bring to our clients and that message is resonating with them today in ways that it may not have resonated before. And so we're now initiating conversations with some of those really highly regarded prospects in the market that we're very, very encouraged by.

Operator
(Operator Instructions) And our next question comes from Marc Riddick of Sidoti & Company.

Marc Frye Riddick Sidoti & Company, LLC - Business and Consumer Services Analyst
I was wondering if you'd touch a little bit on -- and I know it's a very different circumstance. But as you recall, last year, we had the delayed filing activity. And I think if I remember properly, I think you had maybe mentioned that there was about a 10% -- I'm trying to remember if it was 10% that had chosen to -- 10% growth year-over-year of those who have chosen to file extensions. Did you -- I was wondering if you had anything similar, if you could sort of talk about maybe what the filing extension activity is this year versus last? And how it might be the same and how it might be different? And then I have a follow-up on that.

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director
Yes. Thanks, Marc. That's a good question. We do measure that, the number of extensions, the percentage of returns that are on extension and for different reasons, they are at about the same levels this year compared to last year. Last year, it was a result of tax reform. This year, it's the result of the CARES Act, but we're at about the same levels.

Marc Frye Riddick Sidoti & Company, LLC - Business and Consumer Services Analyst
Okay. Great. And then I was wondering -- shifting gears into some of the client needs and sort of how that's morphed and evolved during the course of the year. And the challenges that they face. I was wondering if you could talk a little bit about the pricing of those -- addressing those needs and sort of how you -- what -- how we should be thinking about what that pricing dynamic might look like and what it might look like going forward should further COVID-19-related small business needs evolve. I was wondering if you could spent a little bit of time talking about that.

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director
Yes. Let me take it in 2 pieces here. First of all, the immediate work that we did for our clients to help them assess the relief package's that were in the market and particularly the work that we helped them with in applying for the loans. That tended to be lower margin work for us. But it was important, nonetheless, because certainly, it helped to preserve the client. It certainly helped to strengthen the client relationship. It also helped us to get in front of prospects that weren't receiving that level of support from the competitors in the market, from their other service providers. And so it was important to us on a lot of fronts, albeit at a somewhat lower realization rate.

The second part, and again, more encouragingly is that our pipeline as a result of all of the work that we did, the spadework that we did during that period of time, the webinars, the thought leadership, the digital outreach, our pipeline, the top of the funnel for prospects is at an all-time high. Now historically, it takes a while to convert that pipeline into closings, and we're seeing that, right? We're working through that pipeline. But that work -- that is converting is at a higher rate than the initial work that we did and at the rates that we would expect to receive. So a little early to tell how this all shakes out. But important for us to do the work that we did in the early stages to help support our clients for all the reasons we indicated and very encouraging from both the size of the pipeline and the work that's coming out of that tends to be higher rate, higher margin.

Marc Frye Riddick Sidoti & Company, LLC - Business and Consumer Services Analyst
Okay. That's certainly helpful. And then in a way that kind of segues into what I kind of always ask about is, I was wondering if you could talk a little bit about your marketing plans and spend and maybe what you've seen there or if you have any thoughts there? The tricky part of these things as far as gaining new customers is it's sometimes hard to parse out what to give credit to. But certainly, you'd undergone the brand building efforts. And I was wondering if you could sort of update us on that and what that would look like going forward?

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director
Yes. So the discussion over the past several years has been around our national branding campaign. As we indicated in the first quarter, when COVID started, we put that on hold really to conserve as part of our focus on conserving cash as we've reported, as Ware reported. We feel very comfortable there. So if you took the political cycle out of here, which means that advertising during that period of time, third quarter and fourth quarter is going to be very costly. We would be considering at this point, reinitiating some of that because we have the ability to do it, and we think it's important to continue to do that on an ongoing basis. Although we have suspended our national branding campaign, I believe we've more than made up for that in all of the other things that we've done during this period of time that I've referenced earlier, which is the webinar programs which have been highly successful. We continue them to this day. The digital outreach we've had and other efforts that we've had to go into the market and really tell our story because of this unique environment has really, I think, gone a long way in helping to build our brand across the board.

Marc Frye Riddick Sidoti & Company, LLC - Business and Consumer Services Analyst
Okay. Great. And then the last one for me. I was wondering -- and thank you for giving the details around the -- how you see the acquisition pipeline developing in those conversations. Is there any particular regional mix that you're seeing any differently than maybe you might have looked at, at the beginning of the year as far as targeted areas or opportunities or anything that might be driven by different regions experiencing different financial characteristics?

Jerome P. Grisko CBIZ, Inc. - President, CEO & Director
No. The answer is we really -- our strategy holds. Our strategy is to look at very attractive geographic markets based on the demographics of that market. We're always interested in those and remain interested. We have not seen a particular -- we've not been in discussions with a particular target in a geography that has been disproportionately impacted based on this environment, if that's really the question. So as I responded earlier, in fact, a number of the more promising acquisition targets that we've been talking to have actually held up quite well in this environment. They're in different geographies, but they've actually held up quite well, so we're encouraged by that.

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 P. Grisko CBIZ, Inc. - President, CEO & Director
Okay. Thank you. In conclusion, I just wanted to thank our analysts and investors, as we always do, for joining us on the call today and for your continued support. And mostly, I'd like to thank our team members who may be listening in on today's call for their resilience throughout the last 20 weeks, from being flexible to alternative work arrangements to staying focused on supporting our clients and each other. This team continues to rise to the challenge in every respect. And for that, I couldn't be more grateful. Thank you, everyone. Stay healthy, and we look forward to talking to you at the end of the third quarter. Thank you.

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