

CBIZ (Q4 2024)
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Corporate Speakers:

- Lori Novickis; CBIZ; Director of Corporate Relations
- Jerry Grisko; CBIZ; President and Chief Executive Officer
- Ware Grove; CBIZ; Chief Financial Officer

Participants:

- Christopher Moore; CJS Securities; Analyst
- Andrew Nicholas; William Blair; Analyst
- Marc Riddick; Sidoti; Analyst

PRESENTATION

Operator: Good day and welcome to the CBIZ fourth quarter and Year End 2024 Results. (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. Thank you for joining us for today's conference call to discuss CBIZ's fourth quarter and full year 2024 results. As a reminder, this call is being webcast. And a link to the live webcast, along with today's press release and investor presentation, can all be found on the Investor Relations page of our website, cbiz.com. A replay and transcript will also be made 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 our expectations, estimates and projections as of 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, except as required by law. A more detailed description of such factors can be found in today's press release and in our filings with the Securities and Exchange Commission.

Joining us for today's call are Jerry Grisko, President and Chief Executive Officer, Ware Grove, Chief Financial Officer, and Chris Spurio, President of our Financial Services division.

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

Jerry Grisko: Thank you, Lori. 2024 was an exceptional year for CBIZ. Building on our strong momentum coming out of 2023, we are pleased to have achieved growth across nearly every major service line. We achieved these results in the face of some uncertainty through much of last year, resulting in our client base pausing discretionary projects pending more clarity on interest rates, inflation and the outcome of the national elections. That said, our results reflect ongoing strong demand for our services, our ability to continue to realize price increases and the ability to expand margins that comes from the significant size and scale of the business that CBIZ has now achieved.

On top of another strong year for legacy CBIZ, we completed a transformational transaction in November, the largest in our history, with the acquisition of Marcum. With Marcum, we solidified our position as the leading provider of professional services of our kind to middle-market businesses, offering a breadth of service and depth of expertise unmatched by our competitors.

It's a testament to both the strength of our business model and the dedication and commitment of our team that we're able to achieve our financial results while also completing this monumental deal. Later on in the call I'll provide an update of our early progress with the integration of Marcum, but first, I want to provide some additional detail on our results for the year.

Overall, we're pleased to report that our results for 2024 came in generally as expected when we consider the stand-alone performance of CBIZ, and we're within the revenue and EPS ranges we provided in our guidance for the year.

With the addition of Marcum for the last two months of the year, it does create an unusual optic with our results, which Ware will walk through in just a few minutes. This was expected given the timing of the closing and the seasonality of the Accounting & Tax business that makes up the bulk of Marcum's revenue. Let me begin with our Financial Services division for legacy CBIZ, which had another very impressive year with growth coming from every major service line including Accounting & Tax, advisory and our Government Health Care Consulting business. Growth for this division was driven by a combination of pricing, yield, increased realization within our advisory businesses and new projects within our Government Health Care Consulting group.

For our Accounting & Tax business, we saw growth across all major markets. For advisory, strong demand for our private equity-focused services, combined with increased production and valuation and increased billable hours in our forensic group, contributed to strong growth. Our Government Health Care Consulting group also benefited from a higher volume of new project work.

Now turning to our Benefits and Insurance division. We also saw strong growth across nearly every major service line including our Employee Benefits, Retirement &

Investment Services and payroll businesses. Growth was driven by a variety of factors including high client retention and strong production.

The only outlier with this division was with our Property & Casualty insurance group, where our results were impacted by the departure of a small group of producers in the Southeast region that we discussed in our second quarter earnings call.

Aside from this isolated incident, we saw growth in this business as well driven by impressive performance within commercial lines. Again, our results for the year reflect our team's exceptional focus in execution and delivering strong financial results, while at the same time completing the Marcum transaction. Despite the complexity and demands of this milestone, we never took our eye off the ball and remained disciplined in our overall operations, driving growth and executing on our strategic priorities.

Our achievements over last year speak volumes about the dedication and resilience of our team and their ability to balance their day-to-day performance with long-term value creation. Obviously in terms of M&A, the Marcum transaction was our most significant accomplishment for the year. At the same time, we completed two other strategic acquisitions and two tuck-in acquisitions.

During the first quarter of 2024, we acquired Erickson, Brown & Kloster, an accounting tax and financial advisory services provider located in Colorado Springs, Colorado. EBK complements our growing Denver practice and services clients across a broad set of industries. In March, we also acquired CompuData, Inc., a provider of technology services and solutions located in Philadelphia, Pennsylvania. CompuData enhances our technology-focused advisory service offerings including cloud hosting, ERP solutions, IT security and managed IT services.

As we look to 2025, we begin the year with a healthy pipeline of M&A opportunities. The Marcum transaction has enabled us to further refine our approach to integration. And based on our track record of successful acquisitions in a wide range of businesses, we continue to be recognized as an acquirer of choice within our industries.

With that, I'll turn it over to Ware to review our financial results in detail before we talk more about our progress on the Marcum acquisition. Ware?

Ware Grove: Yes. Thank you, Jerry. And good morning, everyone. With the Marcum transaction that closed November 1st, this impacts the consolidated fourth quarter and year-end results released this morning. There is a lot to unpack. Let me get started with some of the key highlights. I think the central issue to emphasize this morning is the full year outlook for the consolidated business in 2025. The health of the business is good.

Of highest importance, our full year outlook for 2025 is in line with the general guidance we provided when we first announced the transaction in mid-2024. But before we dig into expectations for '25, recognizing the optics of the short stub period in 2024 may present a challenge. Let me share a few brief comments on 2024 results.

When we provided an update to our guidance at the end of the third quarter last year, we commented that if the Marcum transaction closed in the fourth quarter, the impact for the short stub period would greatly amplify the seasonal nature of our fourth quarter results.

For this reason, we have typically closed financial services acquisitions early in the year rather than in the fourth quarter. Closing the transaction in November, however, was a decision we made to accelerate progress towards integrating the business to enable planning as we prepare for a strong full year 2025. There is a significant seasonal loss from the newly acquired Marcum operations for the months of November and December that is characteristic of the Accounting & Tax business. Plus, there are significant onetime transaction and integration costs.

The seasonal nature of the November and December operating results were the core tax and accounting business is not unique to Marcum. Without the benefit of nonseasonal business services such as Benefits and Insurance, Government Health Care Consulting or others within the CBIZ mix of services, we experienced a similar seasonality in our core CBIZ tax and accounting business.

Also consider that in the fourth quarter, with a heavy load of tax work being done in connection with the October 15th extended filing deadlines for corporate and personal tax returns, October is typically a very strong and profitable month. Without contributions from October activity, the fourth quarter seasonal operating loss reported for the newly acquired Marcum operations is greatly amplified. The additional amortization expense of \$8.9 million, plus the incremental interest expense of \$14.5 million, further increases the seasonal operating loss.

So that you can better understand the disproportionate impact from the acquisition for the short stub period, you can find an outline of those items in the supplemental non-GAAP schedule included in the release this morning. In the fourth quarter, total revenue was up 40.5%. There was \$108.9 million or a 33.2% increase in revenue attributed to the newly acquired Marcum operations with a 7.3% increase in revenue when you exclude the contributions from the newly acquired Marcum operations.

Same-unit revenue was up 6.4% in the fourth quarter. Same-unit revenue for Financial Services was up 7.2% in the fourth quarter. And within Benefits and Insurance, the same-unit revenue grew by 3.8% in the fourth quarter. For the full year, total revenue was up 14% with \$108.9 million or 6.8% increase attributed to the newly acquired Marcum operations. Excluding that portion of revenue attributed to Marcum, total revenue was up 7.1% with same-unit revenue up 4.8% for the full year.

Same-unit revenue for Financial Services was up 4.8% for the full year, and same-unit revenue for Benefits and Insurance was up 4.0%. Comparing the 7.1% increase to the previous full year revenue growth expectations that were within a range of 7% to 9% for CBIZ, which excluded the potential impact from Marcum, we can see that full year revenue growth was within that range.

The supplemental schedule included in the release reconciles the GAAP reported earnings information to a non-GAAP result that excludes the impact of the acquisition. This schedule reflects that when eliminating the operating results from Marcum, plus the transaction integration expenses and normalizing the tax rate and share count impact to exclude the impact of the acquisition, the result is a non-GAAP adjusted earnings per share of \$2.67 in 2024. This is a 10.8% increase over the \$2.41 adjusted earnings per share reported the prior year, and that is within the 10% to 12% growth range that we outlined at the end of the third quarter. The total consolidated depreciation and amortization reported at \$48.1 million for 2024, we can attribute approximately \$38 million to CBIZ if we exclude the incremental amount from Marcum.

In a similar manner, the interest expense attributed to CBIZ is approximately \$19.9 million if we eliminate the incremental amount arising from the Marcum acquisition. With this information, you can determine that eliminating the impact of the acquisition, adjusted EBITDA was up approximately 9% to 10% over the prior year. Adjusting for the incremental impact of the acquisition, we are pleased that CBIZ results were in line with expectations for the full year of 2024.

Looking ahead now to 2025. We expect total revenue within a range of \$2.9 billion to \$2.95 billion. Revenue growth in 2025 will largely be organic as we focus on integration activities. Because we have a short stub period of consolidated results in 2024, year-over-year comparisons will not be readily available throughout next year. With this range of revenue growth, we expect to achieve revenue growth in the mid-single-digit range.

In July of '24, when we announced the signing of this agreement, we outlined an expectation that 2025 combined results would be approximately 10% accretive to adjusted earnings per share compared with CBIZ expected performance without the acquisition. In line with this earlier projection, our expectation for 2025 calls for adjusted earnings per share within a range of \$3.60 to \$3.65 per share. In addition to adjusting to eliminate integration and other acquisition-related costs, going forward, the adjusted earnings per share will eliminate the noncash amortization expense associated with acquisition activity.

Noncash amortization for next year will include an incremental layer of \$52 million resulting from the Marcum acquisition, plus the prior level of acquisition-related amortization at \$23 million a year for a total consolidated amount of approximately \$75 million in 2025. Depreciation is expected at approximately \$22 million for 2025. Adjusted EBITDA for 2025 is expected at approximately \$455 million. Adjusted EBITDA will eliminate the same types of items described in arriving at adjusted earnings per share. An item we highlighted when we announced the signing of the transaction back in July last year was the favorable cash flow value of the goodwill deduction for tax purposes.

This item will not impact the reported effective tax rate for the income statement and related earnings per share, but it will serve to enhance cash flow by creating a substantial

noncash element to tax expense, and this will get reported through the statement of cash flows. We do not currently report a cash flow metric that captures this, but we will evaluate this as we go through 2025 with quarterly reporting on a fully consolidated basis. We estimate the cash flow benefit at approximately \$15 million for 2025 growing to approximately \$30 million a year as shares are fully issued through installments over the next 24 months. I understand that some who are on this call have considered this favorable cash flow item as a potential enhancement to EBITDA.

So I am outlining this item, and you can make the adjustment as you think appropriate. Total debt at year-end 2024 was \$1.42 billion with approximately \$550 million of unused capacity within the new \$2 billion financing facility. Going forward, the business is expected to continue with the same strong cash flow attributes we have exhibited in the past. If cash flow is fully utilized to reduce leverage, we expect that leverage will approach two to 2.25x EBITDA within 24 months and the unused capacity will increase substantially.

Included in this projection is the future payment of earn-out obligations of prior acquisitions that are projected at approximately \$58 million in 2025, \$28 million in 2026 and approximately \$8 million in 2027. Interest expense for the full year of 2025 is projected at approximately \$100 million. To reach this projected amount, we are projecting a flat rate environment with no change to current rates throughout the year. Of course, as future cash flow is utilized to reduce debt, the interest expense is expected to decline. Capital spending for 2024 was approximately \$13 million.

On a combined basis going forward, we expect capital spending within a range of \$20 million to \$25 million. With substantial unused capacity, we can allocate capital to repurchase shares. As the 6-month lockup associated with newly issued shares to Marcum expire, it is natural that some sales may occur as new shareholders pay taxes or raise liquidity for other purposes. As a reminder, the newly issued shares are being issued over a 36-month period. Depending on conditions at the time we intend to be active with share repurchases later in the year. Without projecting any potential share repurchases, we estimate the 2025 share count at approximately 64.5 million to 65 million fully diluted shares for the full year.

Our primary focus in 2025 is to quickly and successfully integrate operations, systems and processes with the newly acquired Marcum organization. As Jerry described, we have a pipeline of potential future strategic acquisition opportunities, and we may have opportunities for additional acquisitions later in 2025 or in early 2026. Beyond 2025, as has been our track record over time, we expect revenue growth to be driven by a combination of organic revenue initiatives supplemented by strategic acquisitions so that organic revenue growth can be equally matched with growth from strategic acquisitions.

With greater scale, the operating leverage in the business continues to allow opportunities to expand margins and grow earnings per share and EBITDA at a faster rate than revenue growth. Of course we are making investments in the business. But as we have in the past, we believe there is an opportunity to improve margin by the same 20 to 50 basis points

per year, perhaps more as scale presents greater operating leverage opportunities. We have mentioned approximately \$25 million of synergy opportunities over the next three years, perhaps more. Some small portion of this may be realized in 2025, but the majority will occur in 2026 and expect it to be more fully realized in the following years.

One thing to bear in mind as you project '25 results is with the increased concentration of core tax and accounting business services resulting from the Marcum transaction, this will impact the quarterly seasonality of the business. Using the full year expectation of \$3.60 to \$3.65 per share, as a general rule, compared with the historic trends with CBIZ, you may see the first half earnings about 10% stronger than prior seasonal patterns with the second half about 10% weaker.

So with this information, let me conclude and I'll sum up our outlook for 2025. Revenue is expected within a range of \$2.9 billion to \$2.95 billion. Revenue growth in '25 will primarily come from organic sources as we focus our efforts on integration activities throughout the year. The tax rate for 2025 is expected at approximately 29%. This rate is driven by the increased concentration of activity with higher state tax rate geographies, such as New York, Mid-Atlantic and New England.

Of course, this rate can change as a result of a number of unpredictable factors. The fully diluted weighted average share count is expected at approximately 64.5 million to 65 million shares for the full year. As I commented earlier, this projection does not assume any level of share repurchases in 2025. GAAP earnings per share is expected within a range of \$1.97 to \$2.02, and adjusted earnings per share for 2025 is expected within a range of \$3.60 to \$3.65 for the full year. Adjusted EBITDA for 2025 is expected at approximately \$455 million for the full year and of course, for those who want to consider the value of goodwill tax asset adjustment, you would add that amount.

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

Jerry Grisko: Thank you, Ware. Now turning to our acquisition of Marcum. I'd like to discuss some of the early progress we're making on integration. This acquisition creates tremendous opportunities for us, propelling us to the seventh largest accounting firm in the U.S., expanding our capabilities and service offerings, strengthening our market position and brand, and accelerating our long-term growth strategy.

Now at just four months into the integration process, work is underway to realize many of the benefits and opportunities we anticipated as a result of this transaction. We recently held a town hall meeting for our team members, where I outlined priorities for the year as integration, people, cultural alignment and growth. Today I want to provide an update of our progress in each of these areas starting with integration.

As we discussed on our last call, given the size and scope of this transaction, we established an Integration Management Office to guide our process and ensure that we are hitting the milestones within our overall timeframe. The IMO helps to support

multiple work streams led by leaders and teams from across the company, focused on identifying how we can truly bring the concept of Stronger Together to life.

Within each of the integration work streams, these groups are taking a best-of-both approach to craft a path forward that leverages the collective strength of both organizations. I'm pleased to report that we're making excellent progress with strong cooperation and collaboration across our teams and a shared commitment to achieving our milestones including the anticipated synergies. While we don't expect to fully realize many of these synergies until starting in 2026, our focus this year will be to identify the synergies and begin to execute on the plan.

At the same time, we remain laser-focused on our clients and continuing to deliver the exceptional services they rely on us for. We're now in busy season for our Accounting & Tax services business, and we're being very intentional about the pace of integration, while at the same time minimizing disruption to allow our professionals to focus on client work and deadlines during this important time of year. That said, there's still a great deal of work happening behind the scenes including alignment of key business functions and the standardizations of policies and processes.

We're also developing our timeline for integration of key systems, which will enable further integration of our day-to-day operations. In terms of people, much of the work since close is focused on organizational redesign, bringing our teams together and identifying our future leaders. For example, we've organized our Accounting & Tax business into six geographic regions and named the leader for each one: three coming from legacy CBIZ and three coming from legacy Marcum. Recently, we identified six industry leaders to shape our go-to-market strategy and align our service and solutions around key industries.

While both legacy CBIZ and legacy Marcum have strong industry expertise, legacy Marcum's industry teams were further developed, which is helping us to accelerate our progress in this area. Perhaps most importantly, we continue to experience a high rate of retention with our team, and we have people from both legacy organizations seeing new opportunities for advancement through integration. We often talk about the importance of cultural alignment as a critical factor in determining the overall success of an acquisition.

We continue to find that the cultural similarities between legacy CBIZ and legacy Marcum far outweigh any differences. Our Stronger Together approach means we are working hard to create a new unified culture grounded in our shared values and shared commitment to growth and innovation. Our focus right now is on communication engagement to stay connected with our teams. For example, we're using monthly town hall meetings, internal newsletters and in-person meetings to share information on key initiatives and create connections across our organization.

Finally, we continue to focus on growth whether through new incentives to encourage and power our teams or through the connecting clients to a wider array of services. We're

very pleased with some early wins in terms of introducing new services to our clients given our expanded breadth of services and depth of expertise.

We're also pleased with our retention rates of our clients and from the growing interest in our expanded array of services from both new and existing clients. So far, we've seen tremendous engagement and collaboration with our teams, embracing new opportunities, sharing ideas and exploring how to best work together to achieve the possibilities that now exist as a leading provider of professional services to middle-market businesses. The energy, openness and genuine excitement being exhibited by our team members is inspiring. We have great momentum and the feedback to date has been very positive.

Looking ahead, we couldn't be more excited for the opportunities we now have to bring even greater value to our team members, clients, and shareholders. We're committed to continuing to deliver on our strategic and financial objectives, and we look forward to the opportunities that lie ahead as we continue to integrate and grow as one team.

With that, we'll turn it over to Q&A.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) Our first question comes from Christopher Moore with CJS Securities.

Christopher Moore: I want to say thank you to Ware for all his hard work and help over these years. So thank you very much. I joined the call a little bit late, so I just want to make sure that I understand. The \$3.60 to \$3.65 adjusted EPS, does that include an add-back of the tax-adjusted intangible amortization?

Ware Grove: It does not. The amortization is simply the normal intangible amortization that's added back. It is all tax-affected, of course but the -- I'll call it the cash flow tax asset that we are referring to, I believe, is a separate issue.

Christopher Moore: Got it. I wasn't -- I'm glad to hear that. So it's apples-to-apples in terms of..

Ware Grove: Yes. Yes. We're not double-counting anything. It's a bit of a tougher conversation to weave your way through that. But the amortization expense that's attributed to the acquisition and the intangible assets that are amortized, that's added back. That's clearly noncash in the P&L.

Christopher Moore: Got it. Okay. Just in terms of the -- kind of the ability to get leverage down in that 2.1 to 2.3x in the next 24 months, I guess '25 versus '26 cash flow, is there -- you expect there to be a significant difference between those years? Or just a little incremental improvement in '26? Just any thoughts there?

Ware Grove: Yes. Good question, Chris. I think the cash flow-generating capability will accelerate. But initially, in 2025, we're going to have a layer of integration expenses and things like that, that while eliminated to arrive at adjusted earnings per share, they're going to still represent cash flow. Retention payments and things like that are considered to be part of those integration expenses.

Christopher Moore: Got it. In terms of Marcum itself, I mean you -- can you talk a little bit about the benefits of more about -- maybe, Jerry, the benefits of scale, things like leveraging investments in technology that make it more cost-effective to have the -- a big partner like Marcum in there?

Jerry Grisko: Yes. Of course Chris. Thank you. That's among the many benefits, right? So when we think about the combination, prior to the transaction, we were about \$1.6 billion in revenue. We're now pushing up about \$3 billion. At that scale, we can do more on the technology side. We can do more on the innovation and transformation side. We can do more to elevate our brand. We can do more to attract talent.

So there are countless benefits that come from that scale. You combine that with the fact that it's such a strong synergistic fit. Again we are bringing things to legacy Marcum like our advisory practice that was considerably more built out. They brought things to us, such as industry groups that were considerably more built out. But together, what we could now bring to our clients and gain greater share of wallet, bring greater value through our industry expertise, bring greater depth of services -- depth of expertise and breadth of services through our advisory, the combination is really powerful.

Christopher Moore: Got it. Very helpful. And maybe just -- obviously the Marcum seasonality is even stronger in Q4. Is there any opportunity in terms of kind of cross-selling the Financial Services at Marcum into -- on the B&I side?

Ware Grove: Yes. Chris, this is Ware. The seasonality is not dissimilar to the CBIZ core tax and accounting business. It looks amplified because with CBIZ, you have nonseasonal elements such as Government Health Care Consulting and Benefits and Insurance. Plus you also have in the fourth quarter -- remember, the October month is typically very strong. So when you just remove that and remove those nonseasonal elements, it looks like it's amplified. But it's not actually dissimilar if you were to look at CBIZ on a very similar apples-to-apples basis.

So that's one comment. But the cross-serving opportunities are terrific. And already, we're seeing a lot of excitement on the Benefits and Insurance side working with the new Marcum team. And they're engaging quickly to introduce new services to the Marcum clients. So we're excited about that opportunity.

Jerry Grisko: Chris, let me just bring you back to a comment that Ware made in his opening comments. You asked about the seasonality. Ware is absolutely correct. Their seasonality looks very similar to ours apples-to-apples. But now combined, and Ware made this comment in his opening remarks, we would expect, because of that seasonality

and because of the combined core accounting tax, we're going to see a stronger kind of first half of the year, maybe by as much as 10%; and then in the second half of the year, probably not quite as strong of a year, I mean on the bottom line, only because of that seasonality. So that will be important for modeling purposes.

Christopher Moore :Got it. Appreciate it guys and let me jump back in line.

Operator: The next question comes from Andrew Nicholas with William Blair. Please go ahead.

Andrew Nicholas: Congratulations, Ware, on an incredibly successful career. I wanted to first hone in on Marcum. It sounds like the expectation is that 2025 growth at Marcum is relatively muted. I guess can you confirm kind of what your expectation is for Marcum on an organic basis in '25? And maybe just speak to how '24 wrapped up for them as well. I know they had some headwinds in '24 as they pared down some of their audit and public company work. But any additional color on kind of the organic trajectory both last year and looking ahead would be great.

Jerry Grisko: Yes. Andrew, '24, it was hard for us to do an apples-to-apples comparison because they're non-GAAP, et cetera. But as best we could tell their performance in '24 kind of tracked ours with the exception of the SPAC and some of the other specialty things that we expected to be a little softer in '24 than they've historically been there. When we look forward into '25, we expect that their apples-to-apples practice, so their core accounting practice, should track very close to our core accounting practice.

We've planned for the same type of growth as you would typically see within our practice for their practice. So your comment that it looks a little muted is actually not correct. We would expect quite strong performance for them in '25 and performance that kind of mirrors our performance for the same practice.

Andrew Nicholas: Got it. Okay. Thank you. Then maybe just bigger picture, thinking about the combined organization. Can you talk a bit about kind of what areas or practices you're most excited about in '25? What would the growth rates, maybe not in terms of guidance, but just overall demand for audit, tax, business advisory and then -- and on the business advisory front, in particular, what you've seen to this point around decision-making postelection, SMB optimism, likelihood of some increased M&A activity. Just looking for a little bit more color at the practice level within Financial Services.

Jerry Grisko: Yes. Listen, Andrew, it's always early this time of the year, right? But you nailed it, right? As we look forward -- and by the way we talk about CBIZ from this point forward, it's the new CBIZ, the combined CBIZ. If we have to talk about something legacy, we'll qualify it in that way. But CBIZ looking forward into 2025, we would expect a stronger year on an organic basis than we saw even in '24. The difference being kind of the discretionary project-oriented work, that was a little tepid -- more tepid in '24 as a result of interest rates and some other things in the environment, not the least of which was the pending election.

Now that we're through that and our clients see more clarity around what that playing field is going to look like in '25, we're hearing a healthy level of optimism. There is obviously conversations around tariffs. There's interest -- there's conversations around interest rates. But I think labor pressures have eased, supply chain pressures have eased. There are some other things that I think have -- are giving them comfort.

I think there's a view that the -- generally, put tariffs aside, the administration will be supportive of a growth environment. So all of those things are combining to have us -- to provide us with a healthy level of optimism with regard to the more discretionary project-oriented services, advisory services and we look into -- as we look into '25 and therefore, overall kind of healthy organic growth rates.

Andrew Nicholas: Great. Then maybe one last one. Just on the Government Health Care Consulting business, quite a bit of an evolving set of regulatory instruction or demands out of Washington. I don't think it would impact that business, but just to clarify or confirm whether or not you expect there to be any pauses or uncertainty impacting that business based on the new administration? Thank you.

Jerry Grisko: Andrew, we don't -- we're not hearing it from that team, and we don't expect it. In fact, there is some -- and it's speculative right at this point, but there's some conversation that if, in fact, the federal workforce is reduced, they may need to rely more heavily on some external partners like us. So it could actually go the other way. It's early stage right now.

Andrew Nicholas: Great. Thank you.

Operator: And the next question comes from Marc Riddick with Sidoti. Please go ahead.

Marc Riddick: Ware, I just want to thank you again for all of your efforts and particularly coming to the finish line here. It certainly has kept you busy. So I do want to thank you particularly for that once again. I wanted to touch a little bit on maybe -- you made mention in your prepared remarks around client retention trends with Marcum. Maybe you could sort of delve a little bit into that, into maybe the type of feedback that you're getting from those clients and how that sort of plays into your opportunity set for cross-selling opportunities going forward there.

Jerry Grisko: Marc, it's Jerry. I'll take it in two pieces here. First of all, we're only four months in. We're very pleased with the level of retention among, obviously the legacy Marcum clients, also the legacy CBIZ clients. I think we've done a good job, our team has done a good job of capturing that excitement, communicating with those clients and explaining to them the opportunities, the even expanded opportunities for a broader array of services, deeper industry expertise, all the things we're talking about.

I think clients are excited to hear that. So we expected a little bit of attrition just as a result of some conflicts that we had. That number actually came in at or below our model

expectations. So we're really pleased with that. But beyond the kind of conflicted clients, we're really pleased with the retention. As far as cross-serving is concerned, I think I mentioned on the last call we closed the deal on November 1. The very next week, we were -- had just, coincidentally and fortuitously able to be in front of their former partner group.

We had, I think almost 600 or 700 people at that meeting. The level of excitement around the service capabilities, the additional products and solutions that we can bring to the client, the fact that we can now bring in what was less traditional around payroll and employee benefits, retirement plan, a whole host of additional services, and we're seeing some of those things even in this early stage start to kind of come through the pipeline. So I think a very high level of excitement around what we can now do for our combined clients, not only legacy Marcum, that we weren't able to do before. So very, very excited about that, encouraged by it.

Marc Riddick: Great. Then you touched on quite a few things as far as what's inherent in your growth expectations and in the guide. Can you talk a little bit about maybe the pricing environment, maybe how you see the combined CBIZ going forward vis-[^]-vis the historical CBIZ pricing efforts and what we might expect there and how that sort of plays into the guidance numbers as well?

Jerry Grisko: Yes. So Marc, pricing is obviously always supply and demand, right? And so as we kind of highlighted based on the other question, we think demand is going to be very high. It was high and really strong for our core services in 2024. We would think that, that would continue, which gives us pricing ability. As we look into '25 on our planning, we always say kind of mid-single-digit organic. We're in that range. We always say kind of in any given year, half volume, half pricing. We've been a little stronger in the price. I think we would expect to -- within those ranges, it could be two-thirds pricing, a third volume, but half-half, one-third, two-thirds, in those ranges. And we think that's really healthy for the business.

Marc Riddick: Okay. Great. Then I guess the last piece for me, at least for now I was sort of curious as to whether or not you've seen any particular standouts when it comes to client activity. When we're looking at a particular industry verticals, were there -- are there any particular call-outs that we should be thinking about that are maybe a little more active, a little less effective, what we're seeing initially as far as activity levels from client industry verticals, that might be helpful.

Jerry Grisko: Yes. When we look at -- again what we keep talking about is -- prior to the transaction, when we thought about accelerated future growth, our focus was going to be on industry groups, right? And as it turns out, as I mentioned, they were further developed in that area. We now have -- together, we now have 10 either industries or specialty practices with revenues over \$100 million. The power of what that brings to the organization, the ability to come and bring thought leadership into each of those 10 industry groups and specialty practices, the ability to bring deep subject-matter expertise, just kind of really accelerates our path and our growth opportunities there.

So I can't say any one client, although I have heard some really encouraging prospect news. But I think it's too early to kind of see how that all plays out. But just the power of what we now have by bringing these two organizations in that industry offering is, I think really exciting for us.

Mark Riddick: Great. Thank you very much and congratulations.

Jerry Grisko: Thanks Mark.

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

Jerry Grisko: Yes. Thank you. Thank you, everybody, for joining us. As we wrap up today I want to thank our shareholders and analysts, as we always do, for joining us on the call and for your continued support. This is an exciting time for CBIZ, and just we're excited to share the news with you. As others have done on this call today. I also want to take this opportunity to recognize my friend and colleague, Ware Grove, our Chief Financial Officer, who will be retiring next week -- next year -- next month. Could you give me another year, Ware?

Ware Grove: Yes. Yes.

Jerry Grisko: That's how last year started. Ware has been obviously a fixture on these calls for almost 25 years, and his outstanding leadership, strategic vision, dedication and support has been invaluable in allowing us to navigate really strong and tremendous growth during that time. We're obviously grateful for all that you've done for us, and we wish you well in your well-deserved retirement.

Ware Grove: Yes. Yes. Thank you. Thank you, everyone, for your kind comments. I think the business -- it's been a long journey and it's been a good journey. I know as investors, many of you have been along for a long time with us. So that's a great shared experience. But I think the business is in a great spot today. There's an exciting opportunity ahead.

It's time for me to step down, but the transition is going to be a good, smooth transition. Already, I've been working with Brad Lakhia quite a bit, and I'll be here for an extended period of time to ensure that we have a great, smooth transition. And I wish you well and I think the future is very bright for CBIZ.

Jerry Grisko: Thanks, Ware. Well you know we have you on speed dial, so I appreciate you hanging out with us for a while. In closing, I want to recognize our incredible team, many of whom are listening today. 2024 was obviously a historic year for CBIZ and one that positions us for even greater success in the years ahead. Our legacy business, combined with a transformational acquisition, marks the beginning of an exciting new

chapter for our company, one filled with even great opportunities for growth, innovation and impact than ever before.

I want to extend a very warm welcome to all of our members from our new CBIZ -- or I'm sorry, new Marcum family. I'm thrilled you're here and look forward to building an even stronger future together. None of what we've accomplished would be possible without the hard work, passion and commitment of our entire team. You are the driving force behind our success and I could not be more grateful. As I've said many times before, I've never been more excited and optimistic about our future and what we will accomplish together. Thank you. And enjoy your day.

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