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Ceridian HCM Holding, Inc. (CDAY)

Q1 2020 Earnings Call

CORPORATE PARTICIPANTS

Jeremy Johnson

Vice President-Finance & Investor Relations, Ceridian HCM Holding, Inc.

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

OTHER PARTICIPANTS

Daniel Jester

Analyst, Citigroup Global Markets, Inc.

Mark Steven Marcon

Analyst, Robert W. Baird & Co., Inc.

Raimo Lenschow

Analyst, Barclays Capital, Inc.

Robert Simmons

Analyst, RBC Capital Markets LLC

Samad Samana

Analyst, Jefferies LLC

Joshua Reilly

Analyst, Needham & Co. LLC

Bryan C. Bergin

Analyst, Cowen & Co. LLC

Matthew J. Coss

Analyst, JPMorgan Securities LLC

Stephanie Price

Analyst, CIBC World Markets, Inc.

Keith Bachman

Analyst, BMO Capital Markets Corp.

MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Ceridian First Quarter 2020 Earnings Conference Call. As a reminder, this call is being recorded.

I would now like to turn the conference over to your host, Jeremy Johnson, Vice President of Finance and Investor Relations at Ceridian. Thank you, sir. Please begin.

Jeremy Johnson

Vice President-Finance & Investor Relations, Ceridian HCM Holding, Inc.

Thank you, and good evening. On the call today, we have Ceridian's CEO, David Ossip; and CFO, Arthur Gitajn.

Today, we are going to modify the format of our call from what we have previously done. As you likely saw, we posted a stockholder letter along with our press release and 10-Q. The stockholder letter has all of the key highlights we would have previously provided in our prepared remarks on our quarterly earnings call. We will not read the stockholder letter on this call. Instead, after some brief remarks from David, we plan to move directly to Q&A.

Before we begin, however, allow me to provide a disclaimer regarding forward-looking statements. This call may include forward-looking statements about our current and future outlook, guidance, plans, expectations and intentions, results, levels of activities, performance, goals or achievements, or any other future events or

developments. These statements are based on management's reasonable assumptions and beliefs in light of information currently available to us. Listeners are cautioned not to place undue reliance on such statements.

Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those set forth in such statements. We refer you to our previous filings with the SEC for information regarding the significant assumptions underlying forward-looking statements and certain risks and other factors that could affect our future performance and ability to deliver on these statements. We undertake no obligation to update or to revise any forward-looking statements made on this call except as may be required by law.

The first quarter stockholder letter, earnings release and quarterly report on Form 10-Q have been furnished or filed with the SEC and will be available on the SEC's EDGAR database in the US and the SEDAR database in Canada, as well as on the Ceridian Investor Relations website at investors.ceridian.com.

And with that, I'll turn over the call over to David.

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

Thanks, Jeremy. Good evening, everyone, and thank you for joining our earnings call. I hope everyone is staying healthy and safe during this time of uncertainty. Before we go to Q&A, I wanted to spend a few minutes on some important points from our stockholder letter. First, we had a strong quarter. Dayforce revenue excluding float and on a constant currency basis grew by 31.9% as compared to 25.3% in the same period last year. Cloud recurring services gross margin increased by 2.5% to 72.6% and then Cloud professional services and other gross margin improved by 10.8% to negative 3.4%. Adjusted EBITDA margin increased by 40 basis points year-over-year to 24.8%.

Second, Dayforce continues to see strong demand. We have moved to virtual summits and more digital marketing activities and pipeline has grown. Based on what we've seen, our virtual marketing efforts have expanded our ability to reach potential customers.

Third, we are continuing to sell Dayforce in this economic environment. In our stockholder letter, we've highlighted a number of wins during the first quarter as well as the momentum we continued to see in April. In the first four months of 2020, we had sales across the globe including in North America, UK, Australia, Germany and Mauritius North America, UK, Australia, Germany, and Mauritius.

Fourth, the demand for the Dayforce Wallet is meeting our expectations. We launched dayforcewallet.com and along comes there a time when we believe workers need it most. We have a broad spectrum of customers across industries that they think Dayforce Wallet supports their work during these unprecedented times. On April 9, we activated our first customer, Danone. We will provide updates on the Dayforce Wallet usage in the future quarters and we continue to expect there are more than 100 organizations live by the end of the year.

Finally, we announced an agreement to acquire Excelity, Building on our recent investments in Australia and New Zealand, we believe that this acquisition, which is expected to close in the second quarter, will position Ceridian as a leading HCM provider in the Asia Pacific region. Excelity works with more than 300 clients, produces more than 1.2 million pay slips and operates its native payroll platform in 13 countries, including India, China, Singapore, Hong Kong, Japan, Indonesia, South Korea, Malaysia, the Philippines, Taiwan, Thailand, Australia and New Zealand.

This acquisition provides us an opportunity to land and expand in the Asia Pacific region, accelerate in market presence and pave the way to extend the Dayforce native payroll platform to the Asia Pacific region. In addition to the Excelity acquisition, we began development of major payroll engines for Germany, Mexico and Mauritius, which are expected to be completed in the next 18 months.

I would now like to hand it back to the operator to open the call for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question comes from the line of Daniel Jester with Citi.

Daniel Jester

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks. Good afternoon, everyone. Hope everyone is safe and healthy. Thanks for taking my question. So on Dayforce specifically, can you just comment a little bit more about sort of the pipeline building efforts? I know in your shareholder letter, you talked a little bit about what you're seeing in April, but maybe can you dive in a little bit more and talk about what your customers are talking about and how that pipeline building is going?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

So, Daniel, thanks for the question. Look, in Q1, we saw obviously very strong Dayforce revenue growth as mentioned. Dayforce recurring grew by 30.4% on constant currency ex-float basis. The Dayforce total revenue grew by 31.9% ex-float and on a constant currency basis. In the first quarter, we continued to see sales towards the end of March and as mentioned and as outlined in the stockholder letter, we will continue to see sales come in the month of April. We're seeing sales really across the industry, obviously, a little bit more impacted in the hospitality and the retail area, but other than that, it appears that there is still strong demand for human capital management solutions.

Daniel Jester

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thank you. And then, on the acquisition that you announced today, those are a lot of countries. Beyond sort of the few countries that you talked about building native payroll for, how do you see this transition happening? You've got both the acquisition you made last year and this new acquisition. Can you just frame how we should be thinking about how this could – the moving pieces over the next year or two for all these different countries you're moving into? Thank you.

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

Sure. So, Daniel, we've spoken a lot about this in the past. Our goal is to be in more than 20 countries with native payroll engines within the next few years. And so, this acquisition obviously is very consistent with that. Excelity positions us as the leading provider in the APJ region almost immediately. It is also consistent what we've spoken about from an M&A strategy, which is effectively to seek out players in particular regions to acquire effectively around the two to three times multiple revenue and over a period of time, leverage their knowhow and their market presence to accelerate the launch of native Dayforce into those particular regions. So, on a several year basis, you will see the expansion of Dayforce into those regions, obviously, with the full HCM capacity.

Operator: The next question comes from the line of Mark Marcon with Robert Baird.

Mark Steven Marcon

Analyst, Robert W. Baird & Co., Inc.

Q

Good afternoon and congratulations. Hope everyone is safe. Thanks for taking my questions. With regards to – it's obviously early in April, but can you talk a little bit about what you're seeing in your client base, the existing client base, just in terms of the number of employees that they're laying off or furloughing and how, from a temporary perspective, we should think about the impact of that both in terms of like is there a difference between a furlough versus a layoff and how we should think about base subscriptions fees versus a direct PEPM relationship?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

Thanks a lot, Mark. So, I'm going to break it up into Dayforce and into Powerpay separately. Just as a reminder, Powerpay accounts for a little bit less than 10% of total revenue. On the Dayforce side, we get paid for both active and inactive employees. Furloughed employees count as inactive employees. And so, we still do receive the recurring revenue on furlough employees.

In the stockholder letter, we provided quite a lot of detail. We explained that up to April 15, the employees on Dayforce system had increased 17% year-over-year, but it was 5% less than the amount that we had expected at the beginning of the year.

When I look at the employee count and we monitor these obviously on a daily basis, it appears that on the Dayforce side and on the Powerpay side, it looks like the layoff or the furloughing of employees has already flattened out and we've seen a little bit of increases over the last week on both of the actual products. So, on the Dayforce side, we're impacted only when employees gets terminated not when they get furloughed.

On the Powerpay side, slightly different, we get paid on a per paycheck basis. About 40% of the Powerpay revenue is recurring. The other 60% is really monthly fee that is not dependent on head count. Up until April 15th, we've seen a 13% decline in terms of head count. So we're more impacted on Powerpay, but again, Powerpay accounts for just less than 10% of the revenue.

Mark Steven Marcon

Analyst, Robert W. Baird & Co., Inc.

Q

Great. Thank you. And with regards to just the Wallet, it sounds like that's going really well. Can you elaborate a little bit more in terms of the latest thoughts in terms of how the business model's going to work from a revenue recognition perspective? And what the take up is going to be like within the clients and what you've seen internally with your own workforce?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

So, again, very early days given that we just took live the first customer demand on April 9. We spent effectively the first quarter getting ready for launch and that's not only the product, but all the marketing assets and implementation assets as well. We have a backlog of clients that are all waiting now to go live with Wallet. We waited really until the 1st of April because of some quarter end processes we wanted to get through. And then

there was a slight delay in getting the app published on the Google App Store and on the Apple App Store. The application can now be downloaded in the US on both of those.

The reaction from our own employees who've been using the system is very, very positive. It's a very clean experience in terms of activating the Wallet, very similar to the Dayforce app when you download the Dayforce Wallet. It's almost like if you have Facebook and you load Instagram. It shares the same type of authentication method and such. So, it's really very easy to use. We do personalization actual plastic which comes and looks really, really sharp. And then we also have the touchless capability through either the phone or if you have an Apple Watch and such. The reaction for this is very, very positive.

Operator: The next question comes from the line of Raimo Lenschow with Barclays.

Raimo Lenschow

Analyst, Barclays Capital, Inc.

Q

Hey, thanks for taking my question. And I hope you guys staying safe. Can you just – the one thing that was a focus for you guys in recent quarters was to kind of highlight the strength you have with continuous payroll around integration of like time and attendance and payroll and there you had some very interesting wins in the UK for example, coffee chains, et cetera. Just like the [indiscernible] (00:14:31) hourly workers. And so, now, that was one of the [ph] streams that gave up (00:14:34). Like what's your footprint there in terms of the pipeline of the current customers? Does that kind of create a bigger impact for you compared to other HR players or is it just like a growth opportunity and the customer that you guys have is much more broad-based? Maybe just give us some color around that because that would help us a lot.

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

I'm sorry, Raimo, are you asking what percentage of employees we have in a certain industry or what exactly are you asking?

Raimo Lenschow

Analyst, Barclays Capital, Inc.

Q

Yes. As far as you look – yeah, what were your installed base and if you look at the pipeline like was that kind of because you talked a lot about it, but it doesn't mean that they all have to be in that space, just give a little bit more color there?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

I'm still not following, so what exactly is the question.

Raimo Lenschow

Analyst, Barclays Capital, Inc.

Q

Yeah, the breakdown of the customer base as far as you can give it to us in the installed base but also in the pipeline?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

So, the pipeline obviously has shifted. So, it's not going to be reflective of historical sales. We obviously are spending much more effort now in developing pipeline in what we term surge industries. And we're still seeing growth in many of those industries. When it comes to the actual historical, Jeremy, can correct me, but I believe probably about 14%, is that correct Jeremy, of the employee base would be in kind of, I'd call it, retail hospitality that would be impacted by COVID. We do have a larger footprint in retail, but those would be in groceries and such, some fastfood that haven't really been impacted. Even across the retail group, we haven't seen that sort of a layoff. We've seen furloughed employees, and as you know, we do get paid for those furloughed employees.

Raimo Lenschow*Analyst, Barclays Capital, Inc.*

Q

Okay. That's really helpful. Okay. That's really helpful. And then, maybe a follow-up like on float. If you think about it like obviously [indiscernible] (00:16:51) came down, could you remind us of how your investments on the float side is structured at the moment? And how that might change with the current kind of rate environment?

David D. Ossip*Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.*

A

Sure. Well, the way we do the float is we effectively break it up between a core portfolio and a liquidity portfolio. In a liquidity portfolio, we basically keep the money in overnight. And in the core portfolio, we obviously use the laddering strategy to be clear, an average life of about two-and-a-half to three years. Just the impact of the change in the Fed rate as you know has gone down by about 150 basis points, about 25 basis points. On a full year basis, that's an \$18 million headwind for us. We aren't obviously, we can't do much changes between how we do the investments as the trust funds are AAA rated and that's the point system that we have to use investment side. So that effectively determines what percentage your government and what types of corps were allowed to invest in.

Operator: The next question comes from the line of Alex Zukin with RBC.

Robert Simmons*Analyst, RBC Capital Markets LLC*

Q

Hi, this is Robert Simmons on for Alex. Thanks for taking the questions. Can you give us some color around how your bookings trended from mid-March through now, either compares to planned or on a year-over-year basis?

David D. Ossip*Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.*

A

So, hey Robert. We actually don't provide details actually to quarterly sales or to pipeline sales. Obviously there has been some impact, but as I mentioned, we continue to see momentum.

Robert Simmons*Analyst, RBC Capital Markets LLC*

Q

Got it. And then can you talk about what you're seeing in the competitor's landscape, are you seeing anything unusual to carve out from competitors, you being more aggressive on price or considering how they do the market, anything like that?

David D. Ossip*Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.*

A

We haven't seen any changes.

Robert Simmons

Analyst, RBC Capital Markets LLC

Great. Thank you.

Q

Operator: The next question comes from the line of Samad Samana with Jefferies.

Samad Samana

Analyst, Jefferies LLC

Hi. Good afternoon and thanks for taking my questions. I hope everybody is doing well. David, maybe first question, just in the shareholder letter, I saw the comment about rolling in more minimums into the contracts. Could you maybe remind us what the current minimum threshold is on average for the customer base and how that currently works? And then, I have one follow-up.

Q

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

Sure. One, in our current contract, it isn't a minimum. We charge on the number of active and inactive employees typically on the 15th of the month and we charge one month in advance. So we are making some changes to contracting going forward to provide a minimum, which is obviously a percentage of the employees at the time of contracting.

A

Samad Samana

Analyst, Jefferies LLC

Great. Very helpful. And then, maybe just on the Bureau business, I know there were plans to maybe accelerate some of the – at the end of life-ing, obviously payroll departments are dealing with a lot of challenges right now. I'm curious if you're seeing customers accelerate the shift off of Bureau and maybe increasingly going to Dayforce or what are your plans on the Bureau side and how is that benefiting or impacting Dayforce?

Q

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

Again, the strategy on Bureau hasn't changed. As you know, we aggressively are now trying to end of life the Bureau products with the exception of the tax. Tax is probably about a \$50 million business of the remaining Bureau. Every quarter, we move around about \$5 million from Bureau to Dayforce and then, it's probably an equal amount that just goes away as we don't really have a home for it in a Dayforce type of world. There hasn't been any change to the pace of approaching customers or the pace of us end of life-ing. But as we mentioned prior, by the end of the year, we already expect the aggregate business to be, and Jeremy can kind of provide update, by probably under \$100 million.

A

Samad Samana

Analyst, Jefferies LLC

That's helpful.

Q

Jeremy Johnson

Vice President-Finance & Investor Relations, Ceridian HCM Holding, Inc.

Yeah. That's exactly right. And \$5.8 million worth of Bureau impact this month, which is right in line with that kind of \$5 million to \$6 million we've been talking about every quarter.

A

Samad Samana

Analyst, Jefferies LLC

Q

Okay. Great. Thanks. And we appreciate the 2Q guidance and how resilient the business is. Have a great day.

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

Thanks very much. I appreciate it.

Operator: The next question comes from the line of Scott Berg with Needham.

Joshua Reilly

Analyst, Needham & Co. LLC

Q

Guys, this is Josh on for Scott. Thanks for taking my questions. Do you anticipate any impact to your partner strategy upmarket from COVID-19 given that was just getting launched for new business in 2021 or do these relationships remain on track?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

If anything, there's an opportunity to lean in and strengthen these types of relationships. So, in one way, it allows us to basically, in professional services, rely much more on taxing through the use of a larger hire size as opposed to hiring directly professional services people.

Joshua Reilly

Analyst, Needham & Co. LLC

Q

Okay. Great. And then, just a follow-up. Do you expect any delayed impact of business trends in Canada, given that they implemented social distancing after the United States, which has implications for their curve of infection rate?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

I honestly don't see much of a difference between the US and Canada. I'm not sure who actually did social distancing first. I can't remember it. As an organization, we probably did it a few weeks ahead of both the US and Canada. What I'd point out again is that our business is largely non-touch. From a sales perspective, from a marketing perspective, implementation, customer support, all of that, even in times of non-COVID, is usually done on a non-touch basis. So, it doesn't really make much of a difference.

As I mentioned beforehand, we monitored the employee head count at all of our customers. And when I look at both Canada and the US, we've seen a slight increase in employees and customers over the last week. So nothing really to get overly excited about, but there seems to be evidence that the impact of COVID has kind of bottomed out.

Joshua Reilly

Analyst, Needham & Co. LLC

Q

Great. Thanks, guys.

Operator: The next question comes from the line of Bryan Bergin with Cowen.

Bryan C. Bergin

Analyst, Cowen & Co. LLC

Q

Good afternoon and thank you. Hope you're all going well. I wanted to ask on implementations. Can you give us a sense of the mix of customers that might be delaying implementations here? And then, any difference in the behavior of clients that have already started implementations as far as pauses or whether most are still moving forward?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

Look, it's a mix. If I look at the impact of implementations in Q1, remember COVID, [ph] it rarely (24:12) during the period that we typically would take live all of the customers from Q1. The overall impact of COVID in Q1 was probably about \$1 million to \$2 million in terms of the amount of recurring revenue that would have activated in that particular quarter.

So, there was some impact, but it definitely wasn't a material amount. We did also see some of the kick-offs of new projects get pushed a little bit. I'm telling you we're confident that they'll get restarted relatively soon if they haven't been restarted already. In terms of the impact from the industry obviously, it's probably in line with what you would expect if it was a specialty retail, retailer, it probably was more impacted than, say, if it was an extended care living facility.

Bryan C. Bergin

Analyst, Cowen & Co. LLC

Q

Okay. And then as far as the demand environment, can you comment on just buying behavior you might be seeing between for Dayforce between major markets and enterprise customers and any modules or functionalities within the existing base that are seeing increasing uptake as a result of this?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

Yeah. But let me just another step, and I actually mentioned before, 88% of Dayforce employees are customers above 500 employees. So the vast majority of Dayforce accounts really will be in major markets or in enterprise. I haven't really seen a material difference between behaviors between major markets and enterprise. Now that maybe because we have moved upmarket quite significantly over the last year and you see that in some of the numbers we spoke about in the stockholder letter, for instance, the incremental revenue per Dayforce account increased 63% to \$213,196 from \$130,998 a year before, so most of our – obviously a relative portion of our customers will be towards the upper-end of major markets in the enterprise side.

Bryan C. Bergin

Analyst, Cowen & Co. LLC

Q

Okay. Anything on the functionality difference?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

No not really at all as far as I can see.

Bryan C. Bergin

Analyst, Cowen & Co. LLC

Okay. Thank you. Be well.

Q

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

Thank you.

A

Operator: The next question comes from the line of Mark Murphy with JPMorgan.

Matthew J. Coss

Analyst, JPMorgan Securities LLC

Hey. This is Matt Coss on behalf of Mark Murphy thanks for taking my question. David, you said that furloughing of employees seems to have stabilized and some of these have come back. What is your sense for how many furloughed employees might eventually come back or excuse me terminated employees might eventually return to full-time position based on conversations with your customers?

Q

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

Look, hey Mark, and nice to hear from you. I don't have the answer to that. In terms of furloughed employees, again, we get paid for furloughed employees. What I can say is when I look at furloughed employees versus active employees at our customer base, the percentage of furloughed employees seems to be going down. So, there seems to be a movement in our customer base in activating inactive employee. In terms of employees that they have let go, I don't know what – if they will come back to the levels they had previously but I think we'll probably get a bit more clarity over the next six months or so.

A

Matthew J. Coss

Analyst, JPMorgan Securities LLC

Okay. Thank you. And you also mentioned that the sales cycle had extended in some cases. And are those cases mostly in the heavily impacted industry? And if the sale cycles are extending, are they sort of – are some of these just off the table or are they just going to come later, what is your sense for how many will ultimately return to you?

Q

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

Sure. And so, there's a few question in there. First, we've seen very few projects get canceled. The pattern seems to be that there's a push into later quarters. In terms of industry, I don't know if that was the primary reason for pushes. I believe that in the end of March, it was that effectively everyone getting ready to work from home and some organizations like us has the maturity and has policy to make it very easy, others didn't. And so the same people that would have made decisions on systems like ours were quite busy in helping their employees get productive and get up to speed on working from home. At the moment, I think there's kind of a return to work effort that's going on in a lot of the clients and that also created a little bit of distraction. I think we're actually seeing positive that we'll go back to usual sales cycle, and I'm very encouraged by the kind of the volume and the momentum of sales that we saw even in the first month of this quarter.

A

Matthew J. Coss

Analyst, JPMorgan Securities LLC

Thank you, David.



Operator: The next question comes from the line of Stephanie Price with CIBC.

Stephanie Price

Analyst, CIBC World Markets, Inc.

Good afternoon. I was just wondering whether customers have been requesting any new functionality or solution sets in the current environment and whether you're seeing any interest in add-on sales as customer needs change.



David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

Hey, Stephanie. Nice speaking to you and great question. So we were quite proactive in this. Very early on in COVID, we made some enhancements to the Dayforce product. The first was we added a COVID tracker, which effectively allows employees to register which offices they've been to. And then if there is a suspected case of COVID or a positive case of COVID, our system can generate the list of people who may have come into contact with the person and we also enhanced the messaging engine to make it easy to do broadcast via SMS and personal e-mail so that people can get notified in a very efficient manner.



The second thing we did is that we loaded into learning management system a lot of information around COVID. So how do you work from home? How do you manage employees at home? How do you stay safe? How do you wash your hands and other pieces of really important information? And we added that to all Dayforce instances whether people had the learning management system or not. And we also launched or we activated a public version of Dayforce learning and that's available for any organization to use. They can just simply go on, register, load their employees and such and that provides all the COVID pieces.

In the near term, you'll see us launch a lot of kind of features and communications about return to work as well as helping companies prepare to get people back into the offices and such.

In terms of add-on sales, as you know, add-on sales has always been 20% of what we sell. Obviously, there is a strong demand for learning management. There's obviously – the other pieces of the applications do apply quite nicely in this environment.

Stephanie Price

Analyst, CIBC World Markets, Inc.

Great. And then, just one more for me on the M&A outlook. So, congrats on the Excelity acquisition. Just wondering if you've seen – what are you seeing in the M&A market right now, if you've seen any impact of evaluations or the number of prospects that are out there?



David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

We're quite laser focused when we try to do these things. We have started to work on Excelity in 2019. And, yeah, it kind of obviously did have some impact to timing. But I can't say that I've actually seen any real change in M&A activity in the marketplace.



Stephanie Price

Analyst, CIBC World Markets, Inc.



Great. Thank you very much.

Operator: The next question comes from the line of Brad Zelnick with Credit Suisse.



Hi, there. Good afternoon. This is [indiscernible] (33:05) on for Brad Zelnick. Thanks for taking my question. I hope everyone is staying safe. Just wanted to dive a bit more into the go-to-market strategy and sort of a two-part question within this. I'm just glad that you seem like you managed to adapt to the virtual go-to-market motion with the seminars and summit, but there's always a lot of steps to obtain the top funnel between website traffic and qualified leads and final implementation. It's new to everyone involved here. I guess, can you point out where the bottlenecks are if there are any major ones to call out and how receptive customers are to this approach? And on that, does this change any longer-term views on traditional go-to-market, given the new resources and ROI or effectiveness that you may be seeing here? Thank you.

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.



Yeah. Look, as you can probably gather from the stockholder letter or even from today's talk, we've been chosen to lean in into the current environment to strengthen our organization. And in terms of market chain, we moved very quickly to more of a digital marketing focus and we started off with our first virtual summit, which effectively held about two, three times the attendance that we typically would see on physical. And the reactions we got from it were very positive.

And from that, we obviously extended that. We did one in Australia. We did one in the UK. We did another one in North America last week. I believe we have one coming up in the UK and Ireland in a couple weeks. And we seem to have been able to sort of come up with a format that's very engaging, involves customer speakers. We did a thorough demonstration of the actual product. We answered questions live. We still do now virtual one-on-one with prospective customers and such. And I think they're going very nicely.

The second part about the digital marketing is that because we really are expert when it comes to payroll and tax and as you know, the various government programs in the US and Canada, there has been a lot of complexity that the customers have had to – have understood. And we've done a lot of very informative webinars, leveraging outside speakers and our own experts. And I think that has improved the brand of Ceridian, in other words, reinforcing how important it is to be expert and be able to do the compliance calculations correctly and have the internal compliance teams that really can help customers adjust as they need to to remain compliant and to help their employees.

Lastly, I think that the Dayforce Wallet launch comes really at a great time. We're now living in a world where people really would like to do touchless transactions. They really do need to be able to get their earned wages as quickly as possible and having a mechanism that allows organizations to really get money into the hands of their employees when they need them is obviously a great feature.

Operator: [Operator Instructions] The next question comes from the line of Keith Bachman with BMO.

Keith Bachman

Analyst, BMO Capital Markets Corp.

Q

Hi. Thank you. I had two questions the first is when you mention the competitive landscape, I wanted to ask about pricing in really in two dimensions. Are you seeing any changes in price discovery when there's new work to be done and/or – new bids out there, I mean, and/or are you seeing any customers coming back and asking for price relief particularly in the most affected industries? So are you seeing any broad framers or any kind of changes in pricing?

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

A

So I don't think we've seen any changes in pricing and as we've mentioned, we're making some changes to future contracts in terms of adding minimums to the actual contracts on a go forward basis. In reality, the fact that we get paid for furloughed employees really has provided us with a lot of insulation from COVID. So, we are quite fortunate in that regard. In terms of the customers in impacted industries, we've been quite proactive. We look at our customers as very long-term partnerships and we want to be able to support them in any way that we obviously can. So, in certain industries, we did do a reach out to help them more from a financing perspective during this particular period. But we may not [indiscernible] (38:02) on a rate reduction basis.

Keith Bachman

Analyst, BMO Capital Markets Corp.

Q

Okay. So, maybe you can [indiscernible] (38:06) help. Okay. The second is on Wallet. You did previously comment that you had a backlog build in the very short period of time. I was just wondering if you could revisit on what you think the metrics might be for the maturing of Wallet, when we might see some revenues. You previously talked about next fiscal year you were going to see kind of the first Wallet revenues, but could you just revisit on when investors might see some of the potential of Wallet and could there indeed be some revenues as we get towards the end of this fiscal year? Thank you.

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

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So, we're doing the rollout of the first customers now. And as most of our customers obviously are getting activated in second half of the year, I think that will be a fair statement, I don't think they will see a material impact from revenue in 2020. As we get more experienced with the product, as we mentioned inside the stockholder letter, we will share that with everyone, so people can start to model and we'll start to talk more about the business as we have whole information about it.

Operator: Ladies and gentlemen, there are no further questions at this time. This concludes today's conference call. You may now disconnect. Thank you.

David D. Ossip

Chairman & Chief Executive Officer, Ceridian HCM Holding, Inc.

Thanks. Thank you everyone.

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