Stagwell Inc. (Q2 2025 Earnings)
July 31, 2025

Corporate Speakers:

- Ben Allanson; Stagwell Inc.; Investor Relations
- Mark Penn; Stagwell Inc.; Chairman and Chief Executive Officer
- Frank Lanuto; Stagwell Inc.; EVP of Finance
- Ryan Greene; Stagwell Inc.; Chief Financial Officer

PRESENTATION

Ben Allanson^ Good morning, from Stagwell's offices in Washington, D.C. Welcome to Stagwell Inc.'s Second Quarter 2025 Earnings Webcast. My name is Ben Allanson, and I lead the Investor Relations function here at Stagwell. With me today are Mark Penn, Stagwell's Chairman and Chief Executive Officer, Ryan Greene, the Chief Financial Officer, and Frank Lanuto, EVP of Finance. Mark will provide a business update before Ryan and Frank share a financial review. After the prepared remarks, we will open the floor for Q&A. You are welcome to submit questions through the chat function.

Before we begin, I'd like to remind you that the following remarks include forward-looking statements and non-GAAP financial data. Forward-looking statements about the company including those related to earnings guidance, are subject to uncertainties and risk factors addressed in our earnings release, slide presentation and the company's SEC filings. Please refer to our website, stagwellglobal.com/investors for an investor presentation and additional resources. This morning's press release and slide deck provide definitions, explanations and reconciliations of non-GAAP financial data.

And with that, I'd like to turn the call over to our Chairman and CEO, Mark Penn.

Mark Penn^ Thank you, Ben. Thank you for everyone joining us for our earnings call this morning. I'm pleased to report another set of strong results for the quarter, fully in line with our expectations. As we look forward, we expect to achieve our full year guidance on all metrics as growth accelerates, margins expand, leverage declines and cash flows continue to strengthen. Our net revenue grew an industry-leading 8% and ex advocacy grew by 10%.

On top of this growth, we achieved a swing of $122 million of operating cash flow improvement, continued to expand our top client relationships and scooped up significant new business. We expect growth to accelerate in the second half of the year as the economic outlook is positive, large new clients are coming online and client churn typically drops off after the first half of the year. While digital transformation of other companies is lagging, ours is booming. While most of the others are struggling with new business, our pipeline is robust and growing. While others are cutting thousands of workers, we are picking up key talent from holdcos including 10 major new executives for our media businesses with vast big client experience.

Today I'm pleased to announce the hiring of Slavi Samardzija, who is joining us this fall from Omnicom's Annalect to work on our forward-looking data strategy. He joins a team of executives hired from companies including IBM, Accenture and Microsoft. We'll have more news on this soon.

This is an incredible time of opportunity for Stagwell. In an industry of behemoths having trouble with their scale, we are just the right size to adapt to the coming revolution of AI. We're investing about $20 million a quarter of OpEx and adapting to new technologies and building state-of-the-art offerings. Discipline by discipline, we're adopting AI, applying it to tasks that can be streamlined or reimagined.

In media, we're developing agents that deploy targeted media and will streamline our operations and costs. In communications, we have bots that assemble influencer campaigns, write press releases and pitch stories. In research, we're already deploying dashboards that read and analyze survey data for our clients on the basis of simple prompts and questions. In our creative companies, we're using AI to dream up and produce unique, standout ads with incredible new special effects.

We are building and deploying in partnership with Adobe, the Stagwell content supply chain management system and wrapping up all our tools and software into the machine, a central nervous system designed to connect data, people, teams and software tools across the Stagwell network. The machine addresses a clear client need, a single unified platform for accessing all our services. We're already beginning to roll out these systems and expect them to have fully deployed by early 2026. They will dramatically increase efficiency, adopt new ways of working and likely reduce cost by about 15%. Nothing shows that our tech-first approach is resonating more than growth among our top 25 customers.

Our top 25 in the second quarter generated over $175 million in net revenue. That same cohort a year ago generated $140 million, an increase of 26% year-on-year. Our top 25 customers now average approximately $28 million in annual net revenue. Our top 100 clients grew similarly in size. Historically, from 1980 to 2005, a company like ours would be judged solely by its total growth with organic growth relevant only in the later stages of scale and maturity when such scale accelerates organic opportunities.

Because of high quarterly variations, I suggested that analysts should look at our mix of organic growth annually, and we adopted total growth as our primary guidance metric. I still believe that. But in the interest of transparency, we will continue to report all metrics each quarter. While we achieved our overall 10% ex advocacy growth this quarter, 20% of it or 2% was from purely organic growth. But as we saw last year, we have a cycle of lower organic growth in H1 as that's when clients churn and higher organic growth in H2 when media and other clients tend to increase their spend.

With new assignments from GM, Visa, Adobe and Target, we expect a similar pattern this year in which organic growth will again grow to high single and near double digits in H2. We're about three points ahead of last year in organic growth. And given that trend,

we expect to hit the overall growth numbers and for most of it to be organic when the year is over and the dust has settled.

Importantly, our digital transformation capability grew 12% ex advocacy with organic growth ex advocacy of 7% in the quarter. This is a sharp contrast to the lagging performance seen in the larger digital transformation industry. Clients are beginning to incorporate AI in their consumer experiences and the Code and Theory Network is becoming a supplier of choice, having been named Digital Innovation Agency of the Year by campaign. Our major tech clients grew 11% this quarter and five of our top six clients are mega tech companies.

People seem to tie our fortunes to tunes to tariffs and other old economy measures. We are a tech company's tech company and most affected by the ups and downs of that industry. Further evidence of AI being good for our business is reflected in that the Marketing Cloud grew 38% ex advocacy. In 2Q, in particular, the Harris Quest suite of research projects grew organically 100%.

As we look across our agencies, many are performing strongly. The second quarter saw a leading creative agencies, 72andSunny, grew net revenues 19% year-over-year. Research firm NRG grew 13%, media buying business Assembly grew 7% and digital transformation agency Kettle grew 41%. Net new business was a standout once again we delivered $117 million in the quarter, the fifth consecutive period, eclipsing the $100 million mark and bringing our trailing 12-month figure to $451 million.

Wins with Samsung, New Balance, ServiceNow and Volkswagen highlight the momentum as we continue to take share from legacy players. This quarter also saw our first wins in the newly formed government contracts division, which is beginning to come online with multiple pitches in the final stages. Allison+Partners signed a 3-year agreement with Covered California to help the state health insurance marketplace maximize the number of Californians enrolled in health insurance.

We also delivered $93 million in adjusted EBITDA in the quarter, representing a 16% margin, flat versus prior year. But excluding advocacy, our adjusted EBITDA increased more than 23% year-over-year to $80 million. Adjusting for our cloud investment of $18 million this quarter, our second quarter margin would have been about 18.5%, representing a 300-basis-point improvement from a year ago.

And our adjusted EPS also increased by more than 20% year-over-year to $0.17. The quarter also included the marketing effort, all the travel expenses of Sport Beach, our annual Cannes Lions Festival experience that brings together brands and world-class athletes. This continues to be so successful that it's becoming a business of its own as we create these experiences at different venues. Athletes like Serena Williams, Billie Jean King, Sir Mo Farah, Jordan Chiles and Alex Rodriguez participated.

Our focus on cash management is paying off. Through a combination of implementation of technology for greater cash visibility, greater oversight of our brands and successful

renegotiation of payment terms with vendors, we've seen our cash flow from operations improve by $122 million year-to-date, setting us to achieve fully our goal of 45% free cash flow conversion at the end of the year.

We're able to achieve a net leverage of 3.18x, a significant improvement over the same point last year when leverage stood at 3.48 and putting us on course to finish the year with net leverage in the 2s. This quarter, we invested in our stock, repurchasing almost 10 million shares at very attractive multiples.

We also completed the acquisition of previously announced ADK GLOBAL in the second quarter, giving us offices in 10 new Asia Pacific markets, aligning with our strategy of increasing global scale. And we took steps to strengthen our shopper and retail marketing by acquiring JetFuel. M&A remains a key growth driver for Stagwell moving forward, but we do expect to slow down our outside acquisitions through the rest of the year.

Our focus is on integrating the raft of companies acquired over the last 18 months and scaling important technology initiatives to drive growth and efficiency. AI will most likely have the most direct impact on the production of mass content, which is a relatively small part of our business as we tend to design premium content and develop the overall creative strategies. However to reduce outside expenditures and stay current in production, we formally launched Unreasonable Studios, our award-winning in-house production and content creative company. It unites capabilities for multiple agencies into a centralized content production service.

The team is already partnering with brands like Google, Starbucks, HOKA, Louis Vuitton, and Marriott to deliver everything from generative tech-driven content at scale to Netflix-quality original documentaries. We're continuing to work in partnership with Palantir to develop state-of-the-art data targeting as we develop the Stagwell ID Graph, and we are testing it with clients now.

All of these new tools and systems will significantly upgrade our media offerings to be fully competitive against the majors when it comes to digital marketing, which in the world of AI is driven not by scale, but by effective technology, and that's exactly what we're developing. This quarter, we also announced the rebranding of the Stagwell Marketing Cloud to simply the Marketing Cloud. This new branding encourages use by other agencies and facilitates potential spin-off at the right time. You can check out the breadth of the new products, all available on a single platform by logging on to www.themarketingcloud.com.

In sum, we are well-positioned for a successful second half, building on a strong half as first -- as new business continues to build, client size keeps increasing, digital transformation continues to grow, AI is being deployed and the company improves in terms of cash, leverage, margin and costs. As a result, we are reaffirming our guidance today.

With that, I would like to hand it over to Frank Lanuto, EVP of Finance and Ryan Greene, our new CFO, to walk through some of our financial results in more detail.

Frank Lanuto^ Thank you, Mark. It has been a privilege to serve as CFO for Stagwell and its predecessor for the last six years. I look forward to supporting Ryan moving forward as he takes over the reins. I have full confidence that he will build on our achievements and take Stagwell's finance function to new levels. Headlined by a significant improvement in cash flow from operations, Stagwell delivered solid second quarter financial results, which has positioned us well to achieve our full year guidance.

For the quarter, we reported net revenue of $598 million, an increase of 8% over the prior year. Excluding advocacy, total net revenue grew 10%. In the quarter, digital transformation net revenue grew 6% to $109 million. Excluding advocacy, net revenue grew 12%. The continued resurgence in digital transformation was fueled by a 20% increase in revenue from technology clients, led by expansions at major tech companies and a 36% increase in revenue from healthcare clients. The Marketing Cloud posted $66 million in net revenue in the quarter, an increase of 28% year-over-year.

Excluding advocacy, net revenue grew 38%. We saw continued strong performance from our Harris Quest brand, which grew more than 180% in the second quarter including 100% organic growth after recent product enhancements. Creativity and Communications delivered $264 million in net revenue in the quarter, an increase of 8% over the prior period. Excluding advocacy, net revenue also grew 8%. The results were driven by strong performance with auto clients, which almost doubled year-over-year and by a 67% increase with retail clients as recent wins with Starbucks and General Motors begin to drive growth.

Consumer insights and strategy continued its resurgence, posting $51 million in net revenue, an increase of 6% as compared to last year. The growth was led by a 12% year-over-year increase in revenue from technology clients and by a strong growth in the financial sector, which more than doubled year-over-year.

Finally, Performance Media and Data returned to growth during the quarter, reporting $108 million in net revenue, an increase of 1% over the prior period. Moving to operating expenses. We continue to make progress against our goal of margin improvement through effective cost management. Personnel costs, excluding incentives, our largest expense, came in at 62.6% in the second quarter. Excluding advocacy, the ratio was 63.2%, 110 basis points lower than last year. Both metrics represent the lowest Q2 ratios since 2023.

Ryan will speak to our progress on the $80 million to $100 million in tech-driven cost savings we announced at the Investor Day but we are ahead of schedule and confident that a portion of these savings will flow through to adjusted EBITDA in the second half.

Summarizing our operating results, we delivered $93 million of adjusted EBITDA in the second quarter with a margin of 15.5% on net revenue, flat year-over-year. Excluding

advocacy, our margin improved by approximately 160 basis points over the prior year to 14.3%. Excluding our cloud investment of $18 million this quarter, our second quarter adjusted EBITDA margin would have been approximately 18.5%, representing a 300 basis point improvement.

Now moving to the balance sheet. We continue to focus on capital allocation to maintain a strong financial position. Our deferred acquisition consideration balance stands at $92 million as of the end of the second quarter, $10 million lower than at the end of 2024. By the end of the year, DAC balances will reduce by nearly half with the remaining balance spread over the next 4 to 5 years.

During the quarter, we acquired approximately 9.6 million of our shares at an average price of $4.95 per share for approximately $48 million. Our buyback authorization as of the end of the second quarter has $160 million in remaining availability. For the six months ended June 30, cash flows from operations improved by $122 million year-over-year, driven by a number of improvements in working capital management, which Ryan will discuss in greater detail. As a result, we ended the quarter with $181 million in cash and drawings under our revolver of $377 million, resulting in a net leverage ratio of 3.18x, significantly better than the same point last year.

We expect leverage at year-end will be in the 2s. And finally, we are reiterating full year 2025 guidance today as follows: Total net revenue growth is expected to be approximately 8%. Adjusted EBITDA is expected to be between $410 million to $460 million. We expect to deliver in excess of 45% free cash flow conversion and adjusted earnings per share is expected to be between $0.75 per share and $0.88 per share.

I will now turn the call over to Ryan to discuss our progress on both cost savings and cash flow.

Ryan Greene^ Thank you, Mark and Frank. I'm excited to take on the role of Chief Financial Officer, and I look forward to working with both of you. Today I'll update you on two key initiatives: our strong improvement in cash flows and our progress towards our $80 million to $100 million cost savings target by the end of 2026. Since the merger, Frank and I are focused on creating an integrated finance and operations function, resulting in $65 million in cost synergies to date. Turning to cash flow. The treasury team has delivered strong results. We achieved our first-ever second quarter positive cash flow from operations, contributing to $122 million year-over-year improvement in the first half. This is the new normal for Stagwell and supports our full year guidance of 45% free cash flow conversion from adjusted EBITDA.

On cost savings, we're off to a fast start towards the $80 million to $100 million target. Our 2025 goal is to take $60 million to $70 million of actions driven by real estate, back-office consolidation and tech efficiencies through the Stagwell content supply chain. Year-to-date, we have already executed $20 million in annualized savings with $7 million flowing through to adjusted EBITDA. These are just a few of the bold proactive

steps we have taken to drive operational improvement in the business, and we're just getting started. That concludes our prepared remarks.

I'll now turn the call over to Ben to open the Q&A.

QUESTIONS AND ANSWERS

Ben Allanson^ Thank you, Ryan. (Operator Instructions) Mark, let's start with a question and sort of come from a number of different people just talking about the acceleration in the back half of the year. First half of the year, some nice growth, but the second half implies a little bit of acceleration. Can you talk a little bit about what gives us confidence in that acceleration in the back half?

Mark Penn^ Well I think you look at the strong growth in the first half, -- you look at the fact that organic growth is running three points ahead of last year when you look at H1. When you look kind of at the pattern, I think gets used to client churn is in the first half. Client advancement really happens in the second half because so much of the business revolves around the holiday seasons and the fall. And I think that's been the clear pattern. You look at last year, very -- really precisely the same kind of pattern. We're off to a much stronger first half year. As you can see, we're beating all metrics, and that's what's giving us very good confidence that we're going to meet all our metrics.

Ben Allanson^ Great. Other area where we've got a lot of questions this quarter is around improvement in cash flows. So maybe this one for you, Ryan. Could you maybe go into some further detail just on what has driven this improvement? And maybe talk a little bit about the sustainability of that improvement moving forward.

Ryan Greene^ Yes. Sure. Thanks for the question, and I'm happy to go into some further detail. Cash has been a primary focus for us, and we've really dug into all areas of working capital. Last year, we principally finished the deployment of our back-office tech stack. That's provided real-time visibility into cash flows across all of our businesses. But more importantly, allowed our team to take action where we noticed certain exceptions and allowed us to identify key terms in terms of days to bill, past due AR and other areas within working capital management.

We've also built out our back office center, which has allowed us to proactively chase processing invoices, tracking collections and getting cash in the door and even renegotiating some key vendor terms. This really isn't a one-quarter phenomenon. This is really the result of a holistic approach to improve cash. So we're confident that this is going to be sustainable going forward. We're going to bring the same rigor to other areas of our business with an immediate focus being on our cost structures and really improving our margin going forward.

Ben Allanson^ AI. Lots of questions about AI this quarter. So I'm going to sort of break them up a little bit. First one from Cameron McVeigh over at Morgan Stanley. He goes,

curious how you would frame the opportunity around marketing for AI-native companies? And what's the value add of Stagwell within that particular process?

Mark Penn^ Well I think first, if you look at the Code and Theory Network, and I think we're really well positioned. I'll go back to -- look, I can't disclose the exact level of our tech assignments. But behind the scenes, five of our six clients are tech companies, and a lot of that is helping to design and engineer AI experiences. What's really happened with AI is the whole front end of how companies will interact with people and how consumers use AI is going to generate a tremendous amount of work, and we believe that the Code and Theory Network is incredibly well-positioned to pick up on that work.

Then I look internally to how AI will change what we do. And I think people always look at just efficiencies, not fully realizing that technology takes the best work to even higher standards. So that means that the ads of tomorrow are going to be incredibly more sophisticated, personalized and provide graphic images that would have been completely unattainable without AI.

So I think it up-levels our business. And at the same time as I noted in the script, creates a number of both internal efficiencies and new features and services that we can offer to clients that didn't exist before.

Ben Allanson^ I think coming off of that question about the machine, obviously launching pretty soon. We're obviously in testing with at least one customer and some opportunities in the near future. Question from Laura Martin, first of all. You mentioned that the machine and tools like that could reduce cost by about 15%. Could you maybe give a little bit more detail about where you envision some of those cost savings coming from?

Mark Penn^ Sure. Look, when you look at the marketing stack, there's entry, there's mid-level and then there's kind of higher-level performance. I think the machine does simplify a lot of tasks that are done by a lot of mid-level people. I think you're going to see some condensation of the labor stack and marketing efficiency. And I've been through this before, particularly in research, where things went from interviewers and coders to then analysts and people who can run computer systems. I think we're seeing how it changes production. We're seeing how it simplifies media. We're seeing how it's additive to the kind of research that can be done. So I'm expecting that the machine rolls in.

Now we'll have a central platform for the processes that involve technology and clients the same way that as you saw, we rolled in the systems for cash. We roll in the systems for cash in a wow, cash becomes incredibly more efficient. I think you're going to see the same thing. As we roll in the machine, as we connect it to our other technologies here, as we integrate it with Adobe as well you're going to see the same kind of improved efficiency in what can be delivered.

Ben Allanson^ Good stuff. Before we get into talking about some of the capabilities, a question about net new business from Barton Crockett over at Rosenblatt. He noted that

net new win volume doubled in 1Q. It was a little bit slower in terms of growth in 2Q, but there was a little bit of volatility in the trend. How do you feel about the trajectory of net new business heading into the second half of the year?

Mark Penn^ Well I think as I mentioned, we look at kind of our net available pipeline and our net available pipeline keeps growing rather than shrinking. We don't even put the new government stream into that pipeline. So we feel good about it. We think the $130 million in Q1 was really exceptional. We think kind of the once hitting over 100 here is a very solid benchmark for where new business really is landing. And remember, the pitch season itself is really heaviest in the fall. It kind of begins to slow down a little bit here, then heavies up in the fall as people hire their vendors and put out their contracts to kick off the beginning of next year.

Ben Allanson^ Maybe playing off that government point, obviously a nice first win within the government space. From Jason Kreyer over at Craig-Hallum, could you maybe frame the opportunity in government and what that can mean for Stagwell in the coming years?

Mark Penn^ Sure. I think if you went back three years, Stagwell was not at the scale and organizational strength that it could qualify for major government contracts. I think if you look at today I think we're -- in the U.S. alone, we're the number two listed U.S. marketing company. So as you know there's a little bit of a tendency now in the government to hire U.S.-based firms. And our scale now has qualified us for opportunities. My experience when I was at WPP was about 10% or 15% of our business should be really government contracts. And many of them are quite large in the hundreds of millions of dollars of media and services.

So I think it is a very considerable opportunity. We started on this really last year. We're beginning to see the first benefits trickle in. We're in the finals of three or four others. Definitely, several years from now I think you should see that this is a major component of our business from growing from 0 because we have scaled up and can handle the complex accounting and other systems necessary to execute successful government contracts.

Ben Allanson^ (Operator Instructions) Pivoting to media. You talked a little bit about it in your script. And a question from Steven Cahall and team over at Wells Fargo. A little bit of lagging maybe in our media business in the first half of the year. Can you maybe go into a little bit more detail about some of the steps that have been taken to kind of strengthen that?

Then the second part of the question was, it's currently a little bit subscale relative to some of the other players. Do you consider it a core part of the offering? It doesn't make sense to continue operating at its current scale? Or is there a need to ramp? How would you think about that?

Mark Penn^ I think we're putting a lot of emphasis on addressing those key points. I think right now we're buying $5 billion or $6 billion of media. I wouldn't call -- and about 75% or 80% of that is online media. We are performance-oriented in nature. I think the strength of our operation is that if you're a performance-oriented marketer, we probably have the most extensive and best built-out performance marketing advertising system and it works globally. We're addressing the technology spine of that even further, not just with the machine, but with the content management system and with the Stagwell ID Graph.

So you put those -- this kind of push towards technology, our position is that it's not scale, but technological efficiency that really is going to make the best-in-class when it comes to media. So our plan here is to kind of step up to the next level. We have already some global clients spending $300 million or $400 million. There's a big market opportunity for us. We are not shying away from it. We expect these technology tools to be completed by the end of the year and to be able to announce a major upgrade of what we can deliver to the marketplace in this area.

Ben Allanson^ We're going to wrap it up with just a couple of questions on M&A and our M&A approach, if that's okay. First one is just talking about our global expansion, if that makes sense. And a question from an investor going, how do you think about realizing some of the cost synergies as part of that global expansion and as part of the overall M&A strategy? Is it back-office consolidation? How do you think about that?

Mark Penn^ Well I don't know if Ryan or Frank, you want to -- I think that the global expansion is less about cost efficiency, and it's more about revenue synergies. We need to really drive bigger contracts, regional and global assignments. That's why last year, my primary focus was on completing our Asia network, which now immediately has drawn bids for pan-Asia work and also qualified us for other global assignments. And in the Mid East, where I saw tremendous growth, and we now have 500 or 600 people, and we didn't really have an operation there before.

Those two functions expand the streams by which new business can come in. So we're getting bids now on contracts that simply we would never have been considered for, both in Asia and in the Middle East. In terms of cost efficiencies, it may tear your hair out with a lot of new jurisdictions.

Ryan Greene^ Yes. That is very accurate. I would say there is a benefit that comes with our scaled costs that we have put in place and what we negotiated. But I think one of the biggest benefits really is we've established hubs. When they join our hubs, it provides an opportunity to work together with us. So they're not going it alone and bringing not only our offering more complete, but bringing more opportunities to them so that we can better service our clients.

Ben Allanson^ A couple of more questions here. I think two related ones. Just one asking about the potential for potential dispositions in the back half of the year. We've talked about them in the past. But is there sort of any opportunity for that? Then a couple

of questions related, one from Barton and one from Laura. Talking about the possible spin-off of the Marketing Cloud, something you mentioned in the past. How would you think about the time being right for that, if that was going to happen? What might be some of the barriers that would need to be met or whatever it might be before that happened?

Mark Penn^ Sure. Look, I think in terms of the Marketing Cloud, -- we're a ways off from that. I think you're beginning to see like clearly, Harris Quest brand is a hit. The first thing, I think a prerequisite in technology is to have some hits, and I think that's beginning to develop. In that, I think that you got to get really pretty much double -- somewhere at least double or more of the revenue before you consider alternatives. We want to make sure that the Marketing Cloud gets its full value. If that full value is part of being incorporated in Stagwell great. If it's a tracking stock or if it's a spin-off, we will consider those options when we get there. Right now as I said before, we're finishing development on a lot of the products, bringing it together, beginning to get it to market, trying to identify if we're hitting consumer need.

In terms of what was the first one on?

Ben Allanson^ Just about potential disposition.

Mark Penn^ I don't see anything slated for the rest of this year. There are one or two that we're looking at for next year.

Ben Allanson^ One final question from Laura Martin. This is just turning back to the government work side of things. how much does government work add to your backlog? And you think are government margins a little bit lower. Could you maybe discuss some of the pros and cons of government work versus commercial new business at a time when gen AI is demanding resources across nearly all incumbent companies in the U.S. economy?

Mark Penn^ Well first of all, I think in government, they're looking for a few new vendors. I think they're a little tired of some of the old vendors, and we provide kind of a great new opportunity. Look, I think those contracts often are multiyear in nature, and they provide actually an element of stability. Some of these contracts are 3 and 5-year contracts, even the one that we won outside of California is a 3-year contract, and that actually provides more stability and definiteness. And I think the margins, I think at the end of the day come out about the same because there's a lot more paperwork to comply with. But at the same time they typically are of a larger size than typical corporate assignments.

So I think it will fit in nicely. We're at the right scale now to be really tough competitors. When appropriate, we'll bring in or work with partners in order to win the business. And I think we're not going to be shy or shy away from doing that.

Ben Allanson^ Thank you, Mark. Thank you, Ryan. Thank you, Frank. That brings an end to the Q&A section of the call. Thank you, as always, for joining us today. We look forward to welcoming you later this year for our third quarter.

Mark Penn^ Thank you.