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Earnings Call

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Call Participants

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Presentation

Operator

Welcome to CPI Card Group's Second Quarter 2024 Earnings Call. My name is Eric, and I will be your operator today. [Operator Instructions] Now I would like to turn the call over to Mike Salop, CPI's Head of Investor Relations. Please go ahead.

Michael A. Salop
Head of Investor Relations

Thanks, operator, and good afternoon, everyone. Welcome to the CPI Card Group Second Quarter 2024 Earnings Webcast and Conference Call. Today's date is August 5, 2024, and on the call today from CPI Card Group are John Lowe, President and Chief Executive Officer; and Jeff Hochstadt, Chief Financial Officer.

Before we begin, I'd like to remind everyone this call may contain forward-looking statements as they are defined under the Private Securities Litigation Reform Act of 1995. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements.

For a discussion of such risks and uncertainties, please see CPI Card Group's most recent filings with the SEC. All forward-looking statements made today reflect our current expectations only, and we undertake no obligation to update any statements to reflect the events that occur after this call. Also, during the course of today's call, the company will be discussing one or more non-GAAP financial measures, including, but not limited to, EBITDA, adjusted EBITDA, adjusted EBITDA margin, net leverage ratio and free cash flow. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are included in the press release and slide presentation we issued this afternoon.

Copies of today's press release as well as the presentation that accompanies this conference call are accessible on CPI's Investor Relations website, investor.cpicardgroup.com. In addition, CPI's Form 10-Q for the quarter ended June 30, 2024, will be available on CPI's Investor Relations website. On today's call, all growth rates are referred to comparisons with the prior year period, unless otherwise noted. I'd now like to turn the call over to President and Chief Executive Officer, John Lowe.

John D. Lowe
President, CEO & Director

Thanks, Mike, and good afternoon, everyone. On today's call, I will give a brief overview of the second quarter and our ongoing strategies. Jeff will go into more detail on the results and our financial outlook, and then we will open the call for questions.

Let's start on Slide 4. As I wrap up my second quarter as President and CEO, I am very pleased with the performance of our company and our teams. We returned to positive sales growth in the quarter as continued growth in our prepaid segment and our instant issuance and card personalization businesses was complemented by improved trends in secure card sales, leading to growth in both our business segments. Additionally, we made further progress on our diversification efforts in adjacencies and digital solutions. From a market perspective, while we believe channel card inventory is still being worked down, levels are improving, and we are winning business.

Secure Card sales were down only slightly in the quarter and posted sequential growth compared to the first quarter, which represented the second straight quarter of sequential increases. The issuance market also remained strong. with cards in circulation in the U.S. posting another healthy growth quarter based on the latest data from the card networks. Our prepaid business benefited from higher value packaging solutions while our instant issuance business was aided by continued market penetration of our Software-as-a-Service-based digital solution as we are now in more than 16,000 branches across the United States.

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Overall, we are confident in our business trends and continue to expect better growth rates in the second half of the year. From a profitability standpoint, gross margins improved slightly in the quarter, while adjusted EBITDA margins declined primarily due to increases in SG&A, which reflect increased investments in people and in the business to drive future growth.

For the second half of the year, we expect strong growth in sales and adjusted EBITDA compared to last year's second half. Based on our first half performance and expectations for the rest of the year, we have updated our full year outlook for 2024, increasing our expected sales growth from a slight increase to mid-single-digit growth, while maintaining our adjusted EBITDA outlook at slight growth compared to 2023 as we continue to invest for long-term growth. The improvement in our sales outlook is being driven by strong prepaid performance and improvement in debit and credit sales trends, but Jeff will give you more detail on our full financial outlook in a few minutes.

In addition to our business performance, we've continued to execute against our capital allocation priorities and further enhance our capital structure. In July, to further support our long-term growth, we refinanced our debt issuing $285 million of new senior secured notes and entering into a new $75 million asset-based revolving credit facility. The refinancing extends our debt maturities out to 2029 and removes market risk in replacing the previous notes, which would have matured in early 2026.

We chose to refinance this summer as the debt markets have been strong and investors have been very receptive to offerings, and we wanted to avoid any potential that the markets become less favorable as we go through the election cycle later this year. In addition, we have completed additional share repurchases, bringing our total since inception of the program to almost $9 million out of our $20 million authorization.

Before turning the call over to Jeff, let me briefly review our strategies on Slide 5. Our strategies continue to focus on growing and gaining share in our traditional businesses while enhancing growth by expanding into adjacent markets, including digital solutions over the long term. Our goal is to continue to gain share in our current markets by being the leader in customer service, quality and innovation. One example of following our strategy is to grow in our traditional businesses is our ongoing priority to listen to and meet the needs of our customers.

In our prepaid business, our customers are currently very focused on preventing fraud and providing more tamper evident and fraud-resistant solutions to their customers. Our prepaid team works closely with our customers to counter new mechanisms fraudsters are employing and to develop innovative packaging solutions that help our customers achieve their fraud reduction goals. These additional innovations not only create demand, but also require higher-value packaging solutions, benefiting our sales. This is just one example of how we gain share by focusing on our customers across our portfolio and providing leadership in customer service, quality and innovation.

In addition to driving growth in the existing core business, we are advancing our efforts to capitalize on new opportunities by entering adjacent markets, including offering more products and solutions to existing customers and expanding to new customer verticals. Examples include our entry into health care payment cards and our ongoing development of digital push provisioning services for mobile wallets. We are making progress across both of these long-term drivers, and we expect these adjacent opportunities to supplement core growth over the coming years.

Turning to Slide 6. We continue to expect our core markets to provide solid long-term growth. On this slide, you can see the latest U.S. cards in circulation trends from Visa and Mastercard. For the 3 years ending March 31, cards in circulation in the U.S. increased at a 10% CAGR. And Cards & Circulation were also up 10% compared to the prior year first quarter. The issuance trends remain healthy. We also expect U.S. debit and credit market growth to be aided by ongoing preferences for cards and the recurring nature of the industry as well as trends towards higher value eco-friendly and other contactless cards. To demonstrate the ongoing consumer adoption of contactless, Visa just reported in its recent earnings call, the tap to pay penetration has surpassed 50% of transactions in the U.S.

I would now like to turn the call over to Jeff to discuss our second quarter financial results and 2024 outlook in more detail. Jeff?

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Jeffrey A. Hochstadt
Chief Financial Officer

Thanks, John, and good afternoon, everyone. I will begin my overview on Slide 8. Overall, we are pleased with the second quarter results. As John mentioned, with sustained growth in our prepaid, instant issuance and card personalization businesses and card sales trends improved compared to recent quarters. Compared to the prior year second quarter, net sales increased 3% and net income decreased 8% and adjusted EBITDA decreased 6%. Gross margins increased slightly while net income and adjusted EBITDA were negatively impacted by increased SG&A, including investments and some ongoing costs related to the CEO transition. Year-to-date, our free cash flow is slightly less than prior year levels as expected, and our net leverage ratio at the end of the quarter was 3.3x.

Turning to the detailed second quarter results on Slide 9. The overall 3% sales increase reflected a 3% increase in our debit and credit segment and a 9% increase in our prepaid segment. Within debit and credit, Card@Once instant issuance solutions and other card personalization services both delivered good growth. The major trend change versus previous quarters, however, came from improvement in card sales, which only declined slightly in the quarter compared to prior year, an increase compared to the first quarter. The increase in prepaid sales reflects continued strong demand from existing customers for our fraud focused packaging solutions, as John mentioned earlier.

Gross profit in the quarter increased 4% from the prior year driven by the sales growth and a slight increase in margin from 35.5% to 35.7%. SG&A, including depreciation and amortization, increased $4.1 million from the prior year primarily due to increased compensation costs, including stock compensation from special grants issued in 2023 related to the CEO transition. We also had unfavorable comparisons with low prepaid operating expenses in the prior year. We had planned for SG&A to increase this year as we invest for the future, including in people after tightening spending significantly in 2023.

Our tax rate in the quarter was 27.7%, which compared to 38.9% in the second quarter of last year as last year's rate reflected limitations on deductibility of executive compensation due to the CEO retention award. Net income in the first quarter decreased 8% to $6 million, primarily due to the SG&A increase, partially offset by sales growth and the lower tax rate and adjusted EBITDA decreased 6% to $21.9 million. Adjusted EBITDA margin of 18.4% was down from 20.3% in the prior year due to the higher SG&A expenses.

Turning now to our first half results on Slide 10. For the first half of the year, sales decreased 2% with the debit and credit segment declining 6% and prepaid increasing 17%. Within debit and credit, declines in both contactless and contact card sales were partially offset by growth in eco-focused contactless cards as well as ongoing growth from instant issuance and other card personalization services. Gross profit for the first half was flat as an improvement in margin from 35.6% to 36.4% offset the impact of the 2% sales decline.

The gross margin improvement was driven by comparisons with some higher expenses in the first quarter of 2023 when we transitioned our prepaid production facility workforce from temporary to permanent. SG&A increased $9 million from the prior year period, primarily due to the same factors as the second quarter as well as the former CEO's retention award and other executive severance. The year-to-date tax rate of 28.2% was down slightly from last year's 28.6%.

Net income in the first half decreased 34% to $11.5 million and adjusted EBITDA decreased 7% to $44.9 million. Adjusted EBITDA margins of 19.5% was down from 20.5% in the prior year as the impact of lower sales and higher operating expenses was partially offset by improved gross margins. As mentioned, the net income decline also reflects the impact of the executive retention award accrual and other CEO transition-related costs, which are not included in adjusted EBITDA.

Turning now to our segments on Slide 11. I discussed the segment sales drivers earlier, so I will highlight segment profitability on this slide. Income from operations for the Debit and Credit segment increased 1% to $25.4 million in the second quarter, driven by the sales increase and decreased 13% in the first half due to the sales decline and increased compensation expenses. Prepaid Debit segment income from operations decreased 9% to $6.9 million in the second quarter, which was due to comparisons with lower operating

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expenses in the prior year quarter. On a year-to-date basis, prepaid income from operations increased 38%, driven by sales growth and gross margin improvement, including the impact of labor expenses related to the staffing transition in our prepaid production facility in the prior year first quarter.

Turning to the balance sheet, liquidity and cash flow on Slide 12. For the first half of the year, we generated $4.1 million of cash from operating activities and invested $2.7 million in capital expenditures, which resulted in free cash flow of $1.4 million. This compared to operating cash flow of $10.3 million and free cash flow of $3.7 million in the prior year first half. The lower generation in this year's period was driven by the net income decline and increased working capital usage, partially offset by lower capital spending. Working capital usage included payment of the $5 million retention award for our former CEO and the initial incentive for the new customer contract we announced last quarter. We expect capital spending to ramp in the second half of the year as we advance the buildout of our new secured card production facility in Indiana.

On the balance sheet, at quarter end, we had $7.5 million of cash, $4 million of borrowings on our ABL revolver, $268 million of senior secured notes outstanding and a net leverage ratio of 3.3x. Our capital structure and allocation priorities remain focused on maintaining ample liquidity, investing in the business, including possible strategic acquisitions, deleveraging the balance sheet and returning funds to stockholders.

As mentioned earlier, in July, we completed the refinancing of our debt, issuing $285 million of 10% coupon senior secured notes due in 2029 at par. Concurrently, we also entered into a new $75 million ABL revolving facility, replacing our existing facility. We used the proceeds from the debt offering to redeem our existing senior notes due in 2026 including payment of the call premium. We expect our net debt and net leverage ratio to move up slightly in the third quarter due to the cash outflow associated with the refinance, reflecting payment of the call premium and deal costs on the new offering.

This refinancing gives us stability in our capital structure and removes market risk on refinancing our notes, which would have matured in early 2026. We also continue to execute our share repurchase program. Through July, we have bought back approximately $9 million against our $20 million authorization since inception of the program in the fourth quarter of last year. We spent approximately $750,000 to repurchase 40,000 shares of our common stock in the open market in the second quarter. And in July, we completed the purchase of an additional 121,000 shares for $2.2 million from our majority shareholder pursuant to the second stock purchase agreement announced in March.

Under that agreement, we committed to repurchase shares from our majority shareholder at a ratio of 3:1 to the number of shares we repurchased in the open market from April to June at a price of 98% of the average open market repurchase price over that period. In the second quarter, we also completed the purchase of 244,000 shares for $4.4 million from our majority shareholder pursuant to the stock purchase agreement announced in December. That agreement called for us to purchase from our majority shareholder at a 3:1 ratio to the number of shares we repurchased in the open market from December through March also at a price of 98% of the open market price. At this time, we do not expect additional share repurchases for the remainder of the year.

Turning to our 2024 financial outlook on Slide 13. As John mentioned, we have updated our financial outlook for 2024, increasing our sales outlook to mid-single-digit growth from the previous expectation of slight growth. The increase is driven primarily by the strong performance of our prepaid business and the improved trends in debit and credit card sales and reflects both expected market recovery and anticipated share gains.

We are maintaining our adjusted EBITDA outlook at slight growth compared to 2023, which still implies good growth in the second half of the year as adjusted EBITDA was down 7% in the first half. We expect sales to grow faster than adjusted EBITDA in the second half, primarily due to investments for future growth and higher performance-based compensation compared to low levels in 2023.

Investments for future growth include investments in our digital business, the Indiana secured card production facility, technology and people. We have maintained our full year free cash flow outlook

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at approximately half the 2023 level and we continue to expect our year-end net leverage ratio to be between 3 and 3.5x. I will now pass the call back to John for some closing remarks on Slide 14. John?

John D. Lowe
President, CEO & Director

Thanks, Jeff. To summarize, we are pleased to return to sales growth in the second quarter as continued growth in prepaid and our debit and credit services businesses was complemented by improvement in secure card sales trends. We've increased our outlook for sales and affirmed our outlook for adjusted EBITDA for the full year and remain confident we will see accelerated growth in the second half as we continue to invest for the long-term growth of CPI.

We also further executed against our capital strategies by refinancing our senior notes in July. We continue to see healthy trends in U.S. card issuance and remain focused on executing our strategies to gain share by leading in customer service, quality and innovation and increasing our addressable market through expansion into adjacencies, including digital solutions over time.
Operator, we will now open the call up for questions.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Jaeson Schmidt with Lake Street Capital Markets.

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Congrats on the solid results. John, you mentioned the excess inventory is still an issue out there. Curious how you're thinking about when the issue is going to be fully behind you? Do you think that excess inventory is going to be fully worked down here in Q3?

Operator

Ladies and gentlemen, we seem to be experiencing some technical difficulties. Please remain online for one moment. and your conference will continue. Ladies and gentlemen, thank you for standing by. The conference will now resume. Jaeson Schmidt with Lake Street Capital Markets. Could you please repeat your question?

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

John, you noted that it's still creating some headwinds. Obviously, it doesn't seem like significant just given what you guys reported. But curious when you think that issue is going to be fully behind you. Do you think it will be over by the end of Q3?

John D. Lowe
President, CEO & Director

Jaeson, good to talk to you, and I apologize for the technical difficulties, little bit of challenges with our Polycom here in the room we're in. We feel like there's good momentum in the market. If you think about just card issuance trends, cards in circulation they are up 10% over the last few years, 10% quarter-over-quarter. That's actually an improvement from the last time Visa and Mastercard put information out. If you think about our internal card volumes, we saw sequential card volume growth Q2 to Q1. We also saw Q1 to Q4. And if you think about from a customer perspective, we've been talking to large customers down to the smallest of customers.

And what we are seeing is more normalization, I would say, in card inventory levels. No brainer, they're still higher than what they have been historically, but we're seeing us move closer to that normalization period. So we wouldn't say there's a bright line when things are over and perfectly back to normalcy, but we feel good about where we are, and it's part of the reason that we raised our guidance to mid-single digits growth for revenue and feel that the markets are healthy and the performance of the company is positive. So we're happy with things.

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Okay. That's really helpful. And then looking at the new markets or new verticals, such as sort of the health care payment cards, digital push provisioning, I know it's early, but when do you think these opportunities can be a meaningful contributor? Is it a 2025 story, 2026 or early beyond that?

John D. Lowe
President, CEO & Director

Yes. I mean, I think it's over years to come. If you think about adjacencies broadly, there's some health care, the gig economy, that we've been in for a while and have been growing those businesses. They're not meaningful enough to give true revenue numbers, but they're positive, and we have momentum,

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and we're gaining share in those areas. That said, if you look at the digital side of our business, it's a long-term play. If you think about our first digital solution, if you will, the way we think about it, our Card@Once Software-as-a-Service solution, we've been in that market 19 years. We're a leader from a Software-as-a-Service perspective, and we just exceeded 16,000 branches across the U.S. we're in.

So when you think about digital card issuance broadly, it's early days, but we feel like we're well positioned in the market. We've had a great reception from our customer base. But any dollars coming in, any growth right now is very small in relation to the broader business. But in years to come, we'll be ready to share a lot more and especially if you see those numbers on the digital side start to really materialize.

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Got you. And then just the last one for me, and I'll jump back in the queue, not so much looking at volume discounts, but just in general, what are you seeing from a pricing standpoint?

John D. Lowe
President, CEO & Director

Yes, pricing is an equilibrium. I mean I think the market is healthy. There's nothing existential impact in our market that would cause pricing to be out of equilibrium. I mean, I know that if you're looking in the very near term, today was kind of a choppy time for the equity markets, right? But if you just look broadly in our markets that we operate in, pricing is all based upon value proposition.

And as long as we continue to execute our strategy focusing on the customer quality, innovation, we continue to have a great value proposition of our products, whether that's contactless or eco-focused or prepaid fraud prevention solutions or even what we do in our instant issuance side as well as our Software-as-a-Service solution. So we feel pricing is competitive for what we provide, and we provide great value to our markets.

Operator

Your next question comes from the line of Andrew Scutt with ROTH Capital Partners.

Andrew Scutt
ROTH MKM Partners, LLC, Research Division

Congrats on the year-over-year growth. You guys kind of touched on this previously in the prepared remarks. But can you kind of talk about the increase in SG&A? You talked about increasing headcount for growth. It did -- it was a little bit -- growth there was a little bit stronger than the revenue growth. So kind of just if you could help kind of parse out the details there, that would be very helpful.

John D. Lowe
President, CEO & Director

Yes. Let me step back just for a second before I'll let Jeff jump in too. But if you think about broadly the business, right, and you go back to 2022 we are growing significantly, both on the top and on the bottom. We came into '23. '23 we encountered a challenging market. We tightened our belt significantly. And so now we come into 2024. And as we see healthy markets, we see the pendulum starting to swing from a card inventory perspective. We see performance across our broader business continue to uptick. We are investing in the business.

So we're bringing back a lot of those investments that maybe we dialed back in 2023 whether that's technology or digital solutions, or go-to-market strategies and people. So you do see some noise there. And you also see a lot of noise just through the CEO transition and everything around it year-over-year. So while it may seem odd that EBITDA is not growing as fast as our revenue, we're happy about the revenue growth, and we're investing in the business to make sure that our EBITDA growth and revenue growth are there longer term. But Jeff, would you?

Jeffrey A. Hochstadt

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Chief Financial Officer

Yes. No, I'll just add on to that. Good to hear your voice, Andrew. If you look at the $9 million, about $9 million increase in SG&A for the first half of the year. A little bit more than half of that is actually added back for adjusted EBITDA. And that is really mostly related to the CEO transition. And that includes some final payments to the -- or the final accruals for the former CEO for his retention plan. It also includes some equity that the company gave to some key employees around the company for performance and retention purposes. And then also some severance for some executives that left the company.

So that is really a little bit more than half of the $9 million relates to that CEO transition. The remaining part, a little less than half of it really relates to in 2022 one piece of it and in 2023, we had some operating profit favorability for an item in our prepaid business. And so we have a little bit of a growth of that in 2024. And in addition to that, as John mentioned, we are investing in the business in different areas. He mentioned that.

And so that really accounts for the $9 million. And when we think about going forward for the rest of the year, we're going to continue, as John said, we feel good about where we are in terms of investing in the business, especially after tightening our belt quite a bit in 2023. But also in the second half, what you'll see is in 2023, we did not meet our performance expectations and our performance compensation was not -- our performance-based compensation was not where it normally lies, it was below that. So when we get to 2024, where we're going to get to a more normal level of performance comp, you'll see a little bit of a growth of that in the second half as well. So hopefully, that, Andrew, that gives you some color.

Andrew Scutt
ROTH MKM Partners, LLC, Research Division

No. That was great color there. Second question for me. You guys kind of called it out in the slides and talked about on a previous question, Card@Once seemed like you guys had a strong quarter there now in 16,000 locations. Can you kind of talk about the appetite for that product and kind of the growth runway you see for Card@Once?

John D. Lowe
President, CEO & Director

Yes, Andrew, I mean, it's a great solution that we've built. We are when we say we're the leading provider, we're one of the only providers out there that's developed a Software-as-a-Service solution with instant issuance in branch across financial institutions in the U.S. And the reason that our solution is differentiated is because we are integrated within the Echo payment system, whether that's processors, cores, and the like and so it's a plug-and-play solution. So we can be up and running very quickly.

It's a way for us to win new customers with exciting new solution for their customers, which ultimately leads to generally speaking, wins on our personalization side and wins on our secure card side as well. So we don't believe the market is saturated by any means, we think there's ways to go to definitely grow. And it will continue to help us not only win with our core solutions, but also help us to win with the exact same customers from a digital solution perspective. So it's good solution for us, and we're excited to see it grow and excited to see what's to come.

Andrew Scutt
ROTH MKM Partners, LLC, Research Division

Awesome. And then last one for me, if I may. I think you guys mentioned made the decision to turn the prepaid workforce from temporary to permanent. Can you just kind of talk about what went through that decision there?

John D. Lowe
President, CEO & Director

Yes. I mean, I think in all of our businesses, you're always looking at the variation in seasonality versus who is doing the work. And so as an example, across most of our businesses, there has been less seasonality other than the prepaid business. But the prepaid business, if you go back 3, 4 years, there was

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significant seasonality in the business. So we did have a variable workforce that would help us to bridge the gap when we hit that kind of high point from a seasonality perspective.

Now we've been able to, what I would say is kind of even the flow of work across all 4 quarters, much more so than where we were 2 to 3 years ago. And because of that, we felt like it was the right time to move from a partially temporary workforce to full permitted workforce. And we have a lot of temporary workers who have been doing the same work for us year after year after year after year.

So to a certain extent, the conversion was easy. That actually occurred last year. And we feel like the efficiency gains that we've achieved through that and also great people that we have added to our team that performed really well that we're happy about. So as the prepaid business has normalized, we felt like it was the right decision. And looking back, we feel like we made a great decision.

Andrew Scutt
ROTH MKM Partners, LLC, Research Division

Great. Congrats again on the strong results.

Operator

Your next question comes from the line of Hal Goetsch with B. Riley Securities. Please go ahead.

Harold Lee Goetsch
B. Riley Securities, Inc., Research Division

I hope I didn't miss this, but I was -- have you given a figure from the total kind of onetime expenses for the CEO transition. Could you give us an aggregate number for the year?

Jeffrey A. Hochstadt
Chief Financial Officer

Yes. So I mean, the ones we've really disclosed are the retention package that was for a former CEO and that took place last -- the end of Q2 last year. It was about -- it was about $5 million in cash and about $4 million of equity and $9 million in total. And the cash was paid out in Q1 this year. So that was the retention package for the outgoing CEO.

John D. Lowe
President, CEO & Director

Yes, that was accrued throughout the middle of last year into the first quarter of this year. So for this year, the impact of that was $2 million in the first quarter.

Harold Lee Goetsch
B. Riley Securities, Inc., Research Division

Okay. So that's kind of behind you then. All right.

Jeffrey A. Hochstadt
Chief Financial Officer

Yes. Yes.

Harold Lee Goetsch
B. Riley Securities, Inc., Research Division

Excellent. Okay. And if I could ask a follow-up question it relates to Card@Once, that revenue source is embedded in your services revenue, is that right?

John D. Lowe
President, CEO & Director

That is correct, but it shares between products and services depending on whether it's the hardware that enables the solution or the actual technology.

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Harold Lee Goetsch
B. Riley Securities, Inc., Research Division

And I was just curious what the gross margins are maybe just at the service level for kind of recurring revenues? Is it more in line with the SaaS business in the upper 70s or 80s or can you give us any color on that because if that becomes a faster growing nice fast-growing part of your business or faster part of your mix, that's generally less gross profit margin. So just kind of curious if that is possible there?

Jeffrey A. Hochstadt
Chief Financial Officer

Yes, there are some benefits to the Card@Once, but we haven't given any specific color. But generally, as that business scales, it can help our margin profile. It's a high-margin business for us.

Operator

As there are no further questions in the queue, I would now like to turn the call back over to John Lowe for closing remarks.

John D. Lowe
President, CEO & Director

Thanks, operator. As always, I want to acknowledge and thank all of our CPI employees for everything they do for our company and our customers as they execute on our vision, values and strategies every single day and continue to drive our business forward. Thank you all for joining our call this afternoon. We hope you have a great day.

Operator
Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.

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