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Q1 2021 Deluxe Corp Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Deluxe First Quarter 2021 Earnings Conference Call. (Operator Instructions) And today's call is being recorded. We will begin with opening remarks and introductions.

At this time, I would like to turn the conference over to your host, Vice President of Investor Relations, Tom Morabito. Please go ahead.

Tom Morabito

Thank you, operator. Welcome to the Deluxe First Quarter 2021 Earnings Call. Joining me on today's call is Barry McCarthy, our President and Chief Executive Officer; and Keith Bush, our Chief Financial Officer. At the end of today's prepared remarks, we will take questions.

Before we begin and as seen on the slide, I'd like to remind everyone that comments made today regarding management's intentions, projections, financial estimates or expectations about the company's future strategy or performance are forward-looking in nature as defined in the Private Securities Litigation Reform Act of 1995. These comments are subject to risks and uncertainties, including risks related to COVID, risks at the acquisition of First American Payment Systems and/or any other future acquisitions will not be consummated and that any such acquisitions do not produce the anticipated results or synergies. Any of these risks and uncertainties could cause our actual results to differ materially from our projections. Additional information about factors that may cause our actual results to differ from projections is contained in our Form 10-K for the year ended December 31, 2020, and in other company SEC filings.

On the call today, we will discuss non-GAAP financial measures, including adjusted EBITDA and free cash flow. In our press release and our filings with the SEC, you will find additional disclosures regarding the non-GAAP measures, including reconciliations of these measures to the most comparable measures under U.S. GAAP.

Now I'll turn it over to Barry.

Barry C. McCarthy *Deluxe Corporation - President, CEO & Director*

Thanks, Tom, and good morning, everyone. We're off to a very solid start to 2021, as we expected, signaling our accelerating recovery from the pandemic. Our year-over-year rate of revenue decline in the first quarter improved meaningfully on a sequential basis, and we posted substantial improvements in adjusted EBITDA margin and adjusted EPS compared to the first quarter of 2020. Importantly, we told you we would deliver on this a year ago, and we delivered as promised. Once again, saying what we're going to do and then doing what we say.

Our payments segment led the way for Deluxe, showing solid performance and continuing to deliver for our customers. We have also seen improvements in our data-driven marketing, part of our Cloud Solutions business, which reinforces our optimism about around the rest of the year. We generated (inaudible) despite continued COVID-related pressures and the impact of severe weather conditions in many parts of the U.S. in February.

There are some highlights from the quarter. Revenue was \$441 million with a rate of decline on a year-over-year basis of 9%, a meaningful sequential improvement over the fourth quarter decline of nearly 13%. Adjusted EBITDA margin improved nearly 340 basis points year-over-year to 20.5%. Adjusted EPS improved nearly 17%. Free cash flow improved 47% year-over-year to \$18 million.

We've improved liquidity in each of the last 4 quarters, and our net debt is now at the lowest level in nearly 3 years, which is a testament to the team's financial acumen and our responsible and prudent fiscal stewardship through the crisis.

In terms of sales, the first quarter was the strongest we've ever had in terms of annual contract value, or ACV. We closed more than 1,600 deals, including the single largest win in Deluxe history with financial services leader, PNC, as well as the significant deal with TD Bank. We closed 20 deals with ACV over \$1 million each. And the top 6 deals had a combined ACV of over \$50 million.

Since we started our One Deluxe sales approach over 6 quarters ago and including a recent win which was signed in April, we have closed 9 of the 13 largest deals of the last decade and 2 of the largest in company's history. Of course, we still must implement all of these wins, but our continued sales success adds to our already strong confidence in our future.

Across the company, we remained laser focused on our One Deluxe go-to-market strategy, accelerating our historic transformation through 2020 and into 2021 in the midst of a global pandemic. Our success and our now proven strategy put us in the position to announce the largest acquisition in the company's 106-year history, First American Payment Systems, which is expected to close later in this current quarter.

By acquiring First American, we're confirming our strategy to transform into a payments and trusted business technology company. The transaction will expand our payments business by adding merchant services to our product offering and will double the size of the Payments segment to approximately \$600 million with 20% plus adjusted EBITDA margins and strong growth rates. Importantly, after the transaction closes, Payments will now rival our check business on a revenue basis.

As you will recall and as I've communicated on several occasions, we have 5 prerequisites to reengaging on M&A.. Our Q4 earnings call and again at the First American payment transaction call on April 22, I confirmed we had met all 5. As a reminder, those prerequisites were: first, a scalable, modern technology platform; second, a sales organization capable of selling the entire portfolio; third, a product function capable of adding features and new solutions; fourth, a world-class team; and fifth, to strengthen our balance sheet. We refer to all of these actions as One Deluxe, another example of saying what we will do and doing what we say. Having fulfilled these prerequisites, we're ready to expand our business through a major strategic, logical and responsible acquisition. First American will be a great fit.

With that, let me now turn to sales. We continue to make significant progress in becoming a sales-driven revenue growth company as we now signed the 2 largest deals in company's history in less than 6 months with PNC and Truist as we continue to unify our go-to-market sales approach to drive growth. We continue with new business at an accelerated rate, and we're successfully cross-selling our products and services.

Let's talk about the PNC deal for a moment. Here, we further expanded our existing relationship with a new multiyear partnership with the eighth largest commercial bank in the U.S., leveraging services from our core Deluxe data-driven marketing solution, complemented by promotional and multiple other Deluxe products, including our proprietary artificial data tools, strategic sourcing framework and delivery optimization algorithm, we will help PNC find and bring on new customers with improved speed to market, better value, increased efficiency and continuous innovation.

This is an important example of the power of expanding an existing relationship to include other existing Deluxe services. The company's old operating silos would never have even identified the opportunity, much less combined multiple existing products to create a compelling solution for PNC. This is more evident, proving our One Deluxe strategy really works.

Some of our key wins for the quarter include: in Payments, we have extended our relationship with BBVA with a significant number of Deluxe mobile capture solution licenses to support its end consumer and small business customers. In Cloud, aside from PNC, which will also benefit our Promotional Solutions segment, key wins include another top 50 financial institution, where we will deliver full end-to-end campaign management services for its branch transformation initiatives. We also signed the top mortgage originator in the U.S., where we will offer prescreen and mail services to support their customer acquisition and recapture programs.

In Promotional Solutions and beyond the PNC transaction, Deluxe has expanded its relationship with LPL Financial. LPL will use the Deluxe brand center platform to efficiently rebrand newly acquired strategic broker-dealers with all pertinent marketing and operational materials while supporting regulatory compliance.

In checks, we successfully extended and expanded our contractual check relationships across several top-tier financial institutions. In addition, we recently closed on a significant deal with TD Bank, the seventh largest bank in North America. Our recently enhanced check products and importantly, the strength of our balance sheet, enable us to continue to win market share and protect our outstanding cash flow. Of course, it will take time to onboard these wins, but our One Deluxe strategy is clearly working, and we're on pace to significantly exceed last year's record sales performance.

Moving on to some segment highlights. Payments had a solid quarter, growing beyond the major wins in Q1 last year, and the impact of the (inaudible), we continue to work on our implementation backlog and expect acceleration as COVID-related implementation customer delays fade away over the coming months.

Our treasury management business led the way this quarter. As a reminder, services here include automation and intelligence, lockbox processing, remote. Our digital payments business, which includes the Deluxe payment exchange and medical payment exchange, while relatively small, more than doubled year over year, and we remain very optimistic about this business. This success highlights our ability to add new features and build new products successfully.

During the quarter, we are pleased to have conducted a soft launch of our HR management solution. Small- and medium-sized businesses and integrated HR and payroll platform with a modern user experience, another example of our new product building capability. We also expanded the Deluxe Payment Exchange network, which builds upon our digital payment products to now also include digital payments directly into lockboxes. Our (inaudible) has been implemented for medical claims payments, and will be expanded from there. We are very optimistic on the potential growth prospects for both of these new offerings.

In Cloud Solutions, we've made important progress on adding a number of new clients. As we discussed before, our 2021 cloud revenue performance will be impacted by the exits and divestitures we made in 2020. Excluding these impacts, the cloud rate of decline was about 10% or just over half of the reported rate, and sequentially before the business grew 5%. All of this provides us confidence in the trajectory of this business. Keith will discuss this in more detail.

We are particularly optimistic about our data-driven marketing prospects as the economy recovers. As expected, we can see that lift off beginning in our first quarter. We have good visibility now into the rest of the year as we partner with our financial institution customers, planning multiple large-scale marketing campaigns, adding to our confidence for 2021 and beyond.

Our website services also showed resiliency when compared to the fourth quarter of 2020, driven by stronger client retention as favorable exchange rates. We did see encouraging signs for recovery in our corporation services as we previously announced.

Turning now to our Promotional Solutions segment. The business was affected by continued COVID-related lockdowns, particularly in the Northeast and West Coast, along with severe winter weather in February. Despite these impacts, the rate of decline improved for the fourth quarter of 2020 and we are very optimistic about this segment's prospects as the recovery unfolds. Importantly, adjusted EBITDA margin improved over 600 basis points year over year, which Keith will also touch on in a moment.

Our business essentials line where we deliver custom forms and other products that businesses consume in their routine operations performed well during the quarter and is a leading indicator of the nation's overall economic rebound. We expect to see a recovery in branded merchandise as events and in-person activities return as COVID wanes.

Finally, our highly profitable cash generating checks business continue to be impacted by secular trends combined with the dual impact of the pandemic and severe weather. Importantly, we expect the accelerated COVID recovery, plus our market share gains to significantly reduce the rate of decline over the course of the year. Early evidence of this recovery can be seen in the sequential improvement and revenue decline rates between Q4 2020 and Q1 2021.

Our strategy in checks remains focused on capturing new share, while holding margin percentage flat and making smart investments, giving a strong cash flow to invest in payments and cloud. And the strategy is working, helping us win some of the largest deals in the company's history, expand into Canada and land multiple significant competitive takeaways.

In summary, our recovery is accelerating and our margin percentage is expanding. We improved liquidity for the fourth consecutive quarter, and now net debt is at the lowest level in almost 3 years. All 4 businesses are experiencing positive momentum to start the year. Our transformation into a sales-driven payments and trusted business technology company is yielding results and will accelerate with the addition of First American. Our One Deluxe strategy is clearly working, and our execution is strong. This really is a new Deluxe, a payments and trusted business technology company.

Now, we'll turn over to Keith, who will provide you more details on our financial performance.

Keith Bush

Thank you, Barry, and good morning, everyone. As Barry mentioned, we are pleased with our first quarter results. While we felt the continuing effects of COVID as well as the impact from severe weather conditions in February, we delivered improvements in sequential quarterly trends. This performance was in line with our guidance and highlights the accelerating recovery we expected as we move through the rest of the year.

Let's go through the enterprise level highlights for the quarter before moving on to the segments. We posted total revenue of \$441.3 million. While this is a decline of 9.3% as compared to the same period last year, importantly, it was a 360 basis point improvement in the rate of decline experienced in the prior quarter. We reported GAAP net income of \$24.3 million in the quarter. Year-over-year comparability is not meaningful given the asset impairment charges taken during the first quarter of 2020 related to the anticipated effects of COVID. Our measures of adjusted earnings and adjusted EBITDA exclude these noncash charges, along with restructuring, integration and other costs. These adjustments are detailed in the reconciliations provided in our release.

Adjusted EBITDA grew 8.6% to \$90.5 million and adjusted EBITDA margin improved nearly 340 basis points year-over-year to 20.5%. These improvements were largely driven by reductions in SG&A, and we have aligned expenses to our post-COVID operating model and continue progress against internal value realization initiatives.

Now turning to our segment details. Consistent with our expectations shared on the fourth quarter call, Payments grew Q1 revenue 3.2% year-over-year to \$79.5 million. Payments also grew nearly 2% sequentially from the fourth quarter. The quarterly performance was led by our treasury management business, which grew 4% year-over-year. Adjusted EBITDA increased 1.7% in the quarter and adjusted EBITDA margin was 23%, down 40 basis points as product mix impacted gross profit rates versus the prior year. We continue to expect double-digit revenue growth for the full year as we continue to work on implementing the backlog of new clients we signed in 2020 and in Q1 of 2021. We continue to invest to drive growth and bring on all of our wins. And as such, we are assuming adjusted EBITDA margins will remain in the low 20% range through the year.

Of course, the payments numbers will change significantly with the exciting addition of First American Payment Systems later in the year. I will provide details on that in a moment.

Cloud Solutions revenue results point to the recovery, but the business is performing better than the reported results imply. Business exits and divestitures taken in 2020 (inaudible) the reported results. To provide you with better clarity, in addition to providing our GAAP results, we will also share cloud revenue performance, excluding these business exits and divestitures.

On a GAAP basis, revenue declined 18.2% year-over-year to \$62.2 million in the quarter, but increased 5% sequentially from Q4. 8% of the year-over-year decline was due to the impact of exits and divestitures and revenue benefited from additions in the data-driven marketing business. As expected, Q1 data-driven marketing solutions revenue recovered sequentially versus Q4 as the pandemic-related financial industry slowdown and marketing spend recovery began.

Beyond the record-setting PNC deal, we've also signed several new data marketing clients during the quarter that will benefit us in future periods. Web and hosted solutions remained stable compared to Q4, driven by stronger client retention and favorable exchange rates. Year-over-year, we saw declines in this business due to the macro environment and our decision to exit certain nonstrategic product lines last year. In Q1, cloud's adjusted EBITDA margin improved over 800 basis points versus prior year, driven by expense alignment to post-COVID operating model targets and improved mix related to our prior year business exits. We expect cloud margins to remain healthy in the low to mid-20% range.

Promotional Solutions first quarter 2021 revenue was \$124.5 million. While down 12.8% year-over-year, the sequential rate of decline improved 380 basis points from the fourth quarter of 2020. Adjusted EBITDA margin for the quarter was 14.2%, up 640 basis points due to year-over-year reductions in SG&A expenses. We are anticipating improved adjusted EBITDA margins throughout 2021 in the low to mid-teens as a result of value realization initiatives and cost actions taken in 2020, including meaningful improvements in our distributor relationships.

Checks first quarter revenue declined 8.1% from last year to \$175.1 million due to anticipated secular trends compounded by the impact of the pandemic. The rate of decline did improve 180 basis points sequentially from Q4 despite severe weather impacts, clearly signaling to COVID recovery. First quarter adjusted EBITDA margin levels continue to be strong at 47.7%. Based on high renewal rates and new businesses won in 2020 and in the first quarter of 2021, we anticipate secular check declines to return to mid-single-digit rates or better, consistent with the recoveries from previous economic slowdowns.

Now turning to our balance sheet and cash flow. We ended the quarter with strong liquidity of \$427.7 million, including \$125.4 million of cash. During the quarter, the amount drawn under the credit facility was unchanged from the year-end and remained at \$840 million. Resulting net debt decreased for the fourth consecutive quarter, ending the quarter at \$714.6 million, the lowest level in nearly 3 years. We think this result in the middle of an unprecedented pandemic highlights the financial acumen and discipline of this management team.

Free cash flow, defined as cash provided by operating activities plus capital expenditures, was \$17.9 million for the first quarter of 2021, an increase of \$5.7 million or 46.7% improvement compared to last year. The increase was primarily due to improved working capital efficiency.

Our Board approved a regular quarterly dividend of \$0.30 per share on all outstanding shares. The dividend will be payable on June 7, 2021, to all shareholders of record on May 24, 2021. We did not repurchase common stock in the first quarter. As a reminder, our capital allocation priorities are to first responsibly invest in growth while paying our dividend; and second, to pay down debt. We will evaluate future repurchases on an opportunistic basis.

Now turning to guidance. As I mentioned on the fourth quarter of 2020 call, we are well positioned for a recovery to further accelerate in the second quarter, enabling us to exit the year of sales-driven mid-single-digit revenue growth company without the benefit of acquisitions. I will remind you this achievement will be historic as the company has not reported sales-driven growth in the mid-single digits in more than a decade. This really is a new Deluxe.

As a result and on a stand-alone basis, without the impact of First American, we are reiterating our guidance for full year 2021 revenue growth of 0% to 2% and full year 2021 adjusted EBITDA margin of 20% to 21%. We continue to expect capital expenditures to be approximately \$90 million as we continue with important transformation work, innovation investments and building future scale across our product categories. We also continue to expect a tax rate of approximately 25%.

We provided high-level financials on First American in our press release on April 22, and we'll provide more insight into First American financials during the second quarter after the transaction closes. We will update our full year guidance, including First American during our second quarter 2021 earnings call in early August.

Just to summarize, I'm pleased with the first quarter results and believe that the company is in a position of strength as we continue the strong momentum we've been demonstrating, and we look forward to delivering on our 2021 expectations.

Now back to Barry.

Barry C. McCarthy *Deluxe Corporation - President, CEO & Director*

Thanks, Keith. Our first quarter results clearly demonstrate our continued momentum and the power of our One Deluxe strategy. The logical and responsible acquisition of First American is entirely consistent with our long-standing strategy and will serve to accelerate our growth, transforming Deluxe into a payments and trusted business technology company.

We sat in the past 2.5 years preparing Deluxe to reenter the M&A market by improving our technology, reorganizing our sales structure and strategy, expanding our product set, building out our management team and strengthening our balance sheet.

As I said before, I'm incredibly proud that our team delivered these prerequisites on an expedited time line in the midst of an unprecedented pandemic. We say what we're going to do, and we do what we say, consistently. We really are a new Deluxe.

Operator, we're now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Charles Strauzer from CJS.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

Just if we could start off by the Q2 commentary in the release. Maybe you could expand a little bit more on the guidance there in terms of tightening up a little bit more of the thought process there. You talked about continued improvement in revenues with solid margins. That certainly gives us kind of a wide girth to kind of work with. Maybe you could provide some more insight there.

Barry C. McCarthy *Deluxe Corporation - President, CEO & Director*

Yes. The second quarter, Charlie, we think, from -- on a revenue basis, we start seeing positive growth here as we lap the initial major impact from COVID. And I think that becomes the launch pad for the rest of the year. The thing you should know, as you plan for Q2, is we also took really meaningful temporary expense reductions in Q2 to get us across that crisis period and some of that comes back. So we think we'll have a nice Q2 as well, showing the recovery is strong and our business is recovering well.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

Got it. So definitely should be impacting margins, I would think a little bit here with the returns on that conversation. Is that correct?

Barry C. McCarthy *Deluxe Corporation - President, CEO & Director*

Yes. Charlie, say that again. I didn't hear you well.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

Just saying that the -- obviously, with some of those expenses coming back in this quarter that weren't there last year to -- is that going to impact your EBITDA margins significantly or just modestly?

Barry C. McCarthy *Deluxe Corporation - President, CEO & Director*

We're confirming the margin for the full year, Charlie, in the 20% to 21% range. We think -- we feel confident about our ability to do that. But it does put some pressure on our ability to expand.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

Excellent. And looking more kind of bigger picture, what are you seeing in terms of kind of small business creation trends versus, obviously, last year, there was a lot of small businesses that were impacted severely. Are you seeing a pickup in small business creation?

Barry C. McCarthy *Deluxe Corporation - President, CEO & Director*

We had a release about this in Q4, and we continue to see positive momentum. We see 2 things that we think are really encouraging. We do see small businesses continuing or accelerating reorder of core products. We mentioned that in our promotional products business. The business we have there, which is business essentials is a pretty good leading indicator of what's happening in the marketplace because those are forms that people and businesses use in the normal operation of their business. And we've seen a very healthy rebound there. We've also seen good growth in our incorporation services that new businesses use, our web-based and our cloud-based incorporation services help businesses incorporate.

And so our optimism that we shared in Q4 continues into Q1 that we think small business formation continues and that we're especially pleased to see small business to start recovering as well. And we've got evidence that suggests that was strong and we expect it to continue.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

That sounds encouraging. And just lastly, you sound like you had some nice wins in cloud. And I think it sounds like the trends are improving there. Maybe a little bit more color there in terms of what you're hearing from your bank customers on that side of the business.

Barry C. McCarthy *Deluxe Corporation - President, CEO & Director*

Yes. And so -- Charlie, we're really proud that we have closed 2 of the company's largest deals in its 100-year history, and we closed both of those in the last 6 months in the middle of pandemic. And we think it really says an awful lot about the strength of our company, the strength of our strategy, the strength of our balance sheet because we have major institutions now in Truist and PNC that are creating long-term relationships with us. We already had some relationships with them, but expanding that relationship very meaningfully.

The PNC deal, in particular, is just really exciting to us, and we talked about it in our prepared remarks. So the old company really operated in a series of silos and there was no connection between those silos. And so the opportunity of what we're able to close with PNC would never even have been on anyone's radar because people were only solely thinking about the 1 product they were there to talk to the customer about. And we fundamentally changed the go-to-market strategy instead to go to the customer, understand what their needs are and then put together all of our solutions in a way that can help them solve their problem. It's a really different approach. It's really about partnership, understanding the customers' needs and to help them to solve problems rather than simply walking in and trying to paddle 1 product at a time.

And so in the cloud business, we had a relationship with PNC. We were able to expand that. And what that means is not only did we expand what we're doing for them on the data side, but we were able to bring in our promotional products and our marketing solution and delivery products to add to the suite. So we can be closer to an end-to-end provider of solutions to help P&C not only find their next customer, but bring that customer in and turn them into a revenue-generating customer. That's a really big deal.

Forget the size of the deal, the biggest in our company's history, but aside from the fact of a scale, it really demonstrates, I think, so clearly of the value of our One Deluxe strategy, bring the best of our customer -- best of our products to our customers. And so that's going to be helpful in cloud, which is what you're asking about. But I want to be clear, it's also going to be helpful in our promotional solutions. It actually probably had a bigger impact on our promotional solutions than just in cloud.

The other point I want to make with you, Charlie, is that not only does it show whether it can happen a PNC, but it makes the logic of our acquisition of First American so clear. We are proven now over and over again that we can take an additional product and sell it to existing customers.

So in First American, we've acquired a fantastic, robust, scaled platform, and we can now sell that to our existing customers. And we have now shown we know how to do that over and over again, and that gives us a lot of optimism for us to be able to build and grow that business even faster and better than ever before.

Operator

Your next question comes from Chris McGinnis of Sidoti & Company.

Christopher Paul McGinnis Sidoti & Company, LLC - Special Situations Equity Analyst

Nice execution. I apologize. I've missed much of your commentary so far. But just wanted to ask around, you had -- you referenced this in the amount of large deals you won really over the last, say, 16, 18 months. What's the outlook for new wins look like given kind of One Deluxe strategy and how kind of produce these large deals. Just -- can you just talk about the outlook and the opportunity that you still have to go out and gain more deals? Maybe not as big as PNC, but...

Barry C. McCarthy Deluxe Corporation - President, CEO & Director

Yes. I mean, Chris, we're really optimistic about our future not only because we were able to close so many large deals. And in my prepared remarks, I talked about the [scale of our] deals that we sold 1,600 deals and a number of them large, \$50 million ACV, just on the top handful of them. So what makes us especially encouraged is that we are continuing to build our pipeline. So you might have assumed that if we sold these things, the pipeline would shrink. But actually, the pipeline is growing. And that's important because it indicates, obviously, that there's so much more market demand that we have not been able to address previously.

And so we're at a place today where we can. And we're just -- I can feel that we're still really scaling our sales organization and our reach and very encouraged not only we've closed what we've closed, but that we have a big fat pipeline that's robust and expanding at the same time.

Christopher Paul McGinnis Sidoti & Company, LLC - Special Situations Equity Analyst

And I know one of the issues around Q1 was just the ability to get into the customer's office. Can you just talk about how -- it seems like economies are starting to open up. How has that changed? Indicated by your guidance, obviously, you still feel good about increased kind of revenue growth rates throughout the year. But just kind of where are you at with that? And how is that progressing?

Barry C. McCarthy Deluxe Corporation - President, CEO & Director

Yes. And so it's a great question, Chris. And we are excited about that because as people -- more and more people get vaccinated and more and more of our customers and businesses in general are going back to the office, it just opens up the opportunity for us to complete implementations and help us board that revenue.

Now it's not going to be a cakewalk, right, because everyone's not thrown the doors open back to everything business as usual. But as the year unfolds over the coming months, we really believe that we'll be able to get in and start implementing all of these wins, which translate, obviously, to revenue for us. And that's why, again, today, we reiterated that we think the full year will be 0% to 2%. You saw what we did in Q1, that our margin will stay healthy at 20% to 21%. But perhaps most importantly is that we're going to exit the year for the first time in more than a decade as a mid-single-digit revenue growth company. And that's all possible because we've been selling like crazy, and we think we'll be in the customer's office and facilities, getting the stuff implemented.

Christopher Paul McGinnis Sidoti & Company, LLC - Special Situations Equity Analyst

Okay. Just given -- I guess, maybe more industrial based, there's a real strong comeback in the economy. Are you starting to see that on your small business side, maybe in certain pockets as the economy starts to open up a bit more? Just greater conversation, maybe that would probably relate more to checks in the sense of more business kind of -- business-to-business payments. But can you just talk about what you're seeing in the underlying strength from your small business clients?

Barry C. McCarthy Deluxe Corporation - President, CEO & Director

Absolutely. So we are seeing marked improvement in what we would consider sort of leading indicators here, which are our forms business, which are consumed in the normal operation of our business. So the forms business is (inaudible) that means that businesses are operating more, and they're just consuming because those are consumables. Similarly, we're seeing it in our business formations, in our incorporation services, our cloud-based and corporation services, and we continue to see strength and rebound now in our checks business, which also are obviously consumable and the prime market there, our business is making business-to-business payments.

So that combination with a lot of optimism, and we think we can see the beginnings of the rebound also. Again, that's giving us confidence in the full year guidance.

Christopher Paul McGinnis *Sidoti & Company, LLC - Special Situations Equity Analyst*

Good luck in Q2 and the closing of First American.

Barry C. McCarthy *Deluxe Corporation - President, CEO & Director*

Thanks.

Operator

I would now like to turn the call back to Tom Morabito for closing remarks.

Tom Morabito

Thanks, Stacy. Before we conclude, I'd like to mention the following conferences that management will be participating in. The Needham Virtual Technology and Media Conference on May 19 and the Baird Global Consumer Technology & Services Conference on June 8.

Thank you again for joining us today. Please stay healthy and safe, and we look forward to speaking with you in August as we share our second quarter 2021 results.

Operator

This does conclude today's conference call. Thank you for your participation. You may now disconnect.

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