Mastech Digital, Inc.
Q1 2020 Earnings
April 29, 2020

Operator
Greetings. Welcome to Mastech Digital Inc. First Quarter 2020 Earnings Call. At this time, all participants are in a listen only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. Please note this conference is being recorded. It is now my pleasure to introduce your host, Jennifer Ford Lacey, manager of legal affairs for Mastech Digital Inc. Thank you, Ms. Ford Lacey. You may begin.

Jennifer Ford Lacey
Thank you, operator, and welcome to Mastech Digital's first quarter 2020 conference call. If you have not yet received a copy of our earnings announcement, it can be obtained from our website at www.mastechdigital.com. With me on the call today are Vivek Gupta, Mastech Digital's Chief Executive Officer, and Jack Cronin, our Chief Financial Officer.

I would like to remind everyone that statements made during this call that are not historical facts are forward looking statements. These forward looking statements include our financial, growth, and liquidity projections, as well as statements about our plans, strategies, intentions, and beliefs concerning our business, cash flows, cost, and the markets in which we operate.

Without limiting the foregoing, the words believes, anticipates, plans, expects, and similar expressions are intended to identify certain forward looking statements. These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward looking statements, including those listed in the company's 2019 annual report on form 10-K filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

Additionally, management has elected to provide certain non-GAAP financial measures to supplement our financial results presented on a GAAP basis. Specifically, we will provide non-GAAP net income and non-GAAP diluted earnings per share data, which we believe will provide greater transparency with respect to key metrics used by management in operating our business. Reconciliations of these non-GAAP financial measures to their comparable GAAP measures are included in our earnings announcement, which can be obtained from our website at www.mastechdigital.com. As a reminder, we will not be providing guidance during this call, nor will we provide guidance in any subsequent one-on-one meetings or calls. I will now turn the call over to Jack for a review of our first quarter 2020 results.

Jack Cronin
Thanks, Jen, and good morning, everyone. Let me begin by acknowledging our current environment.

Obviously, the COVID-19 pandemic is having a profound impact on the global economy and on people's lives. Companies are being faced with unprecedented challenges, and Mastech Digital is no exception. While our business and financial results will be adversely impacted by the economic and other conditions arising from COVID-19, the extent of this impact will largely depend on the duration of shelter-in-place and other government mandates, as well as the pace of the expected economic recovery.

We are fortunate to enter this difficult period in a strong liquidity and cash position, and this, combined with our business model, leads us to believe that we won't experience some of the severe liquidity challenges that many other companies are facing as this pandemic plays out.

With that backdrop, let me now turn to our first quarter 2020 financial results.
Revenue for Q1 2020 totalled $50.4 million and represented a 12% increase compared to $45.2 million in the first quarter of 2019.

Our Data and Analytics Services segment contributed $7.4 million of revenue during Q1 2020, which exceeded last year's Q1 revenue results by 28%. Activity levels in this segment held up well given the state of the global economy, and we did secure significant multi-year, multi-million dollar order with a blue-chip customer in the financial services industry in March. Though our pipeline of opportunities is strong, we are seeing some clients pushing projects out into the second half of the year.

Year-over-year revenue growth from our IT Staffing Services segment was 9% in the first quarter of 2020. However, we are seeing lower demands for our staffing services, particularly with clients in hard hit industries such as travel, energy, and manufacturing.

Gross profit for the first quarter of 2020 totalled $12.7 million compared to $10.8 million in the same period last year. Our gross margins for Q1 2020 were 25.2% of revenues compared to 24% in the first quarter of 2019. This is our second consecutive quarter of breaking the 25% gross margin barrier.

Our Data and Analytics Services segment had gross margins of 47.1% in Q1 2020, an increase of 160 basis points from the year earlier. And our IT Staffing Services Segment had first quarter 2020 gross margins of 21.5%, an increase of 70 basis points from the 2019 first quarter. Higher margins from new assignments in those segments were largely responsible for this improvement.

SG&A expenses were $10.2 million in the first quarter of 2020 compared to $9 million in the first quarter of 2019. This $1.2 million increase in SG&A expenses represented investments of $900,000 in our Data and Analytics Services segment, principally in the areas of global, sales, and delivery and $300,000 in our IT Staffing Services segment, largely due to higher staff related expenses.

As we entered 2020, we had planned to continue investing in both of our business segments. However, given the current environment, we will delay much of these planned expenditures until we start to see a meaningful recovery in economic conditions.

GAAP net income for the first quarter of 2020 was $1.9 million, or $.16 per diluted share, compared to $1 million, or $0.09 per diluted share, in the first quarter of 2019.

Non-GAAP net income for Q1 2020 was $2.7 million, or $0.23 per diluted share, compared to $1.6 million, or $0.15 per diluted share, in the corresponding quarter of 2019.

First quarter SG&A expense items not included in non-GAAP financial measures net of tax benefits were the Amortization of Acquired Intangible Assets and Stock based Compensation and are detailed in our first quarter earnings release, which is available on our website.

Addressing our financial position, at March 31, 2020, we had $19.6 million of outstanding debt, net of cash balances on hand, and borrowing availability of over $15 million under our existing revolving credit line. During the quarter, we reduced debt by $3.4 million, lowering our debt to equity ratio to .45 compared to 1.1 a year ago.

I'll now turn the call over to Vivek for his comments.

Vivek Gupta
Good morning, everyone. Thank you, Jack, for the detailed financial review of our operating results for the first quarter of 2020.

Let me begin by saying that Mastech Digital is navigating today's challenges from a position of relative strength, following record performances in so many critical areas in 2019. The entire organization is working incredibly hard to service our customers during these difficult times. We were quick to mobilize our workforce to a remote, work-from-home model to mitigate the health risks to our employees and to continue to provide uninterrupted service to our customers. Our ability to do so was made possible by our solid technology platforms across our global environment, which we have been investing in quiet heavily over the last several years.

Ironically, while the world has been going through this unprecedented crisis, we have delivered one our best quarterly results on many parameters in the first quarter of 2020, including revenue growth in both business segments. Having said that, we did see some adverse impact of COVID-19 during the month of March and continue to see both our businesses being impacted thus far in the second quarter. However, with visibility being substantially limited on the one hand and with the continued existence of new opportunities on the other, I'm unable able to quantify for you the exact impact on our Q2 financial results. But what I can tell you is that we are very confident that, A, the fundamentals of the company remain strong. B, the high demand for our services will return as the global economy recovers. And C, we are well positioned to withstand these economic headwinds until it does.

Meanwhile, during this crisis, we are prudently adjusting our cost structure in ways that will allow us to maintain our top- notch talent that we have artfully secured over the years. With proven track records in both of our businesses, we are mindful of avoiding any short-term decisions that may hinder our ability for a speedy and prosperous recovery.

Lastly, I'm happy to tell you that both morale and confidence levels are high across our entire organization, despite today's daunting environment. Without getting too granular, many of the austerity measures that we have undertaken have been received well by the organization with understanding and even appreciation. Major crises tend to bring people together, as can be seen across the world today. At Mastech Digital, I see a similar resolve in our dedicated associates to successfully get through this crisis and an eagerness to get back to building a bond upon our accomplishments and successes of 2019.

I will now open the session for your questions.

Operator
Thank you. At this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we pull for questions. Our first question is from Josh Vogel from Sidoti & Company. Please proceed with your question.

Josh Vogel
Thank you, Good morning Vivek and Jack. I hope you and your families are doing well. Really nice results for Q1 despite the onset of the pandemic. I do have a bunch of questions for you. I guess, the first one - just looking at the tax rate in Q1, it was 17%. It's much lower than the 26%, 27% rate you reported over the prior couple quarters. Can you tell us why? And, is this the new tax rate we should expect going forward?

Vivek Gupta
Hi, Josh. Thank you for your questions. I'm going to ask Jack to answer that.

Jack Cronin
Hi, Josh, Yes, the tax rate was down in Q1 of 2020, it was actually down to about 17% and our normal tax rate is generally around the 26% level. So, for Q1, we did get some benefit, because we had a lot of stock exercises, which generated in "accounting lingo" excess tax benefits. And that occurs when the gains from the exercises of stock options exceed the fair value of the options is determined at the grant date, which is the 123R expense.

So, the difference between the two, actually creates higher deductions for a company when they do their tax return. So, those additional tax deductions for booked as reductions in our tax provision. You should still expect the 26% going forward. But there's always an opportunity for this situation to resurface, and it's just part of the elements that impact our provision.

Josh Vogel
Okay. That's helpful. Thank you. Shifting—looking at the interest expenses, it obviously dropped pretty significantly compared to the prior year. And, I know you've been paying down debt at good clip—were there any changes to your effective interest rate? What was it and has that dropped with the Feds moves in Q1?

Vivek Gupta
Jack?

Jack Cronin
Yes, give me a second here. Our effective interest rate on our term loan today is little over 4%, and our effective interest rate on our revolver is a little over 3%. So, if you would blend those percentages—I think our average interest rate today is around 3.5%. And in 2019—first quarter of 2019, our effective interest rate was 5.5%. So, yes it has been dropping, and it's been dropping due to a combination of the Fed cuts. And then also, the impact of a diminishing term loan balance, which carries the higher interest rate. So, that's definitely helping our overall interest, but probably the bigger factor is our debt repayments, which have been really good over the last 12 months.

Josh Vogel
Okay. Great. On the liquidity position, I know you mentioned that you had more than $15 million available to on the existing revolver. I was just wondering if you had access to any other potential vehicles. And also are you potentially partaking any of the government programs?

Vivek Gupta
Jack, will you take this one, too?

Jack Cronin
Yes. The $15 million of availability, we believe that is more than enough to get us through this situation and return to normal times. We do have a $10 million accordion feature in our PNC credit facility that we can draw on but we don't expect that we're going to need to draw on that. But it is nice to have in case, the unexpected occurs. That's one thing. As far as the, you're talking about the tax or the stimulus tax, right?

Josh Vogel
Yes.

Jack Cronin
Yes, the one provision that we did take advantage of was a provision that allows you to defer the employer portion of FICA taxes. And again, this is only a deferral. It's not going to directly impact our P&L. It's not going to lower our SG&A expenses but indirectly it's going to have a pretty nice effect on interest expense, because we are going to have a nice cash savings through the deferral. And the payments on the deferral, which we expect to accumulate to about $5 million by the end of the year, they don't have to be paid back. They don't have to be paid back until the end of 2021 and the other half at the end of 2022. So, it's a nice benefit. But that's the only provision that we took advantage of.

Josh Vogel
Okay. Great, that's helpful. So, shifting gears, you mentioned that you were putting some planned investments on hold, adjusting the cost structure. Can you remind me how much you intended to spend on these investments before COVID-19, versus today's plan? And also, was this mostly all personnel? I know, Vivek, you had a comment on invested in the technology. So, is this a blend of personnel and technology? And then, I guess are you concerned that, if you do put some of these investments on hold, are you concerned that this will impact your speed of recovery when the economic conditions improve?

Vivek Gupta
Good questions, Josh. I don't think I have the exact numbers as to how much we were planning to invest, and out of that, how much we have done already. But I can say it's a pretty significant amount that was yet to be invested. But coming to the larger point, obviously when we've taken these austerity measures, we've been guided by four main principles. We should minimize the essential expenditure, which has to be done anyway, but minimize it to the extent that it's possible. Then eliminate or defer discretionary spend and all investments for future growth, plus—but more importantly, protect all our A and B players. We don't want to cut ourselves deep—it hinders our ability to scale quickly, because we think that, when things start recovering—the economy starts recovering, demand will come back fairly quickly, and we should be ready and able to scale at that point in time. So, we have not—deliberately not taken any action that compromises that. So, does that answer your question, Josh?

Josh Vogel
Yes, definitely. Thank you. And just one more, and I'll hop back in the queue. I guess if we look at I'm sorry. One second. Sorry about that. The work from home gets a little crazy. So, if we look at the APAC region as a model for recovery, and maybe the three month or so lag that we're seeing in the U.S., I know you're not giving guidance, but any sort of directional commentary? If we could think about the revenue cadence and what it could look like within both data and analytics and IT staffing over the balance of the year, if assuming that we get back to a new normal in say, June or July, I was just curious about any comments you had on that. Thank you.

Vivek Gupta
Let me try and answer it slightly differently as to, you know, what has been the impact so far in both the businesses. On the data and analytics side, the demand is still there. The pipeline is still looking robust, and that includes, Asia PAC, Europe, and North America. The one thing that's happening is that decisions are getting deferred or delayed into the later part of the year. So, the scaling up that we were hoping or planning for to happen quite rapidly beginning the—maybe in the very first half of the year itself is going to get delayed.

On the other side, the IT staffing business, demand has definitely come down. And, some of the clients who are in those heavy hit industries they've actually come up with early ends. Customers who are in industries, as Jack mentioned, like transportation, energy, and manufacturing. So, that's how it’s happened so far. But again, like I said a little while ago, that we expect that, when things ease up, when you know, things start settling down, economies, start recovering, we feel that the staffing demand will come back very quickly. And then we are hoping that the data and analytics will start getting pulled up a little closer rather than further out into the year. Does that make sense?

Josh Vogel
Alright. Yes, definitely. And thank you again. I’ll hop back in the queue.

Operator
Thank you. And our next question is from Howard Rosencrans from VA. Please proceed with your question.

Howard Rosencrans
Hi, guys. I hope you and your families are all safe and healthy and as are all your employees and theirs. I wanted to ask you about—just follow-up on the last question. I'm not sure I fully understood your answer, and you have had that $20 million-plus order. Would you provide a little more color on the prior answer in the context of the two separate businesses? The IT business—I believe you're saying that you're seeing pushouts and earlier terminations, and I'm not sure exactly on the clarity of the data analytics piece. Really to get a little more color on that large, large order that you got in, I believe it was December. Thank you.

Vivek Gupta
Okay. Hi, Howard, nice to hear your voice. Thank you for the question. As you know, Howard, we have two businesses—business segments, the data analytics and the IT staffing services business. The data analytics business is the one that secured $23 million of business in December. And these were three multimillion-dollar, multiyear contracts. Happy to say those contracts are going strong, and we are delivering upon them month after month. In fact, in this quarter, in the month of March, we added a fourth one, which is also of similar size and quality, multiyear, multimillion dollar. And that's also going to keep—we've started executing upon that.

So, the point I was trying to make on data analytics is not that any of those have been affected. I'm saying that the business—we were hoping to scale the business beyond where it is right now to higher levels. That part of scaling is getting delayed, because the pipeline is still there, except that the customers' decisions are getting pushed out into a little further into the future. So, what we were hoping to achieve in the first half of the year, probably is going to happen in the second half ,and what we were hoping to achieve in the second half of 2020, it will probably happen in early 2021. So, that's as far as the data and analytics segment is concerned.

The IT staffing business, we have about 1,100 plus of our associates billing for clients on different parts of North America, primarily U.S., and that's the piece where I was saying that we have seen the demand for that the staffing has reduced somewhat. And some of the folks that were billing in that 1,100 plus, we saw some early terminations from the customer side, and we are talking about a few percentage points out of the 1,100, where some customers who have been badly affected like airlines, cruise industry, and so on and so forth. So, that's the distinction I was trying to make between the two businesses. Does that answer your question, Howard?

Howard Rosencrans
It's certainly very helpful, and I appreciate the color. So, in terms of the data analytics, that business remains steady, and you can basically deliver of backlog for the next few years? And you had also—and you also picked up another contract in March, so that you could also deliver over the next few years. Am I understanding that correctly?

Vivek Gupta
Yes, as I mentioned that there is limited visibility, and things are changing by the week by the hour, right now. But as of today, we are comfortable that these multiyear deals that we have signed will continue, and we'll be able to execute upon them over the next few years.

Howard Rosencrans
Does the customers have the ability to stop or I—would either be canceled with a fairly limited penalty? Or would you expect that sort of activity to follow-on that? Or can they only defer without any meaningful cancellation fees?

Vivek Gupta
Well, Howard, the cancel—the contracts are worded in a way that both sides have the option of giving notice to each other and stopping the contract or putting it on hold, if need be, but the conversations that we are having with the customers, we are not seeing any indication of that happening at this point in time.

Howard Rosencrans
Okay. Very good. Thank you, both, and wishing, continued safety and health. Thanks so much.

Vivek Gupta
Thanks, Howard.

Operator
And our next question is from Lisa Thomas [sp] from Zacks Research. Please proceed with your question.

Lisa Thompson
Good morning. The first question I have is, could you just decode this cryptic adjusting cost structure to allow us to retain top-notch talent? Does that mean you just—you give people raises? Like what does that mean?

Vivek Gupta
Well, Lisa, there is actually a bunch of things that we have done. We've tried to not impact the top-notch talent. As I said, that's been one of the principles when we've been coming up with our austerity plan. We want to protect all our A and B players. So, among the things that we have done, we put a hiring freeze. We've delayed joining dates of people who were already in the hiring in process. We've actually delayed compensation increases, which are typically done around this time, springtime, effective 1st of April. We put all our marketing initiatives on hold or minimized it, including participation in a lot of conferences, some of our internal events.

Travel has got reduced dramatically. We've also eliminated a bunch of bottom C players and which anyway is an annual feature, which we do around springtime after we complete our annual appraisals. We are looking at better utilization of paid time off. And we have been negotiating—or renegotiating with our suppliers and partners in the spirit of collaboration, but because of the current situation, they reduced need and especially when people are working from home.

And of course, we've also benefited sort of unintended consequence of the global working from home. We've saved some on infrastructure and operational costs, because people are not going to work in office locations. So, there is a whole long list of things that we've looked at, and we continue to look at to see that we do this to bring—keep our SG&A under control and not—so as not to impact the key players that we have and not lose them. Does that answer your question, Lisa?

Lisa Thompson
Yes. That's much clearer. Thank you, does that mean that one should expect SG&A to be down sequentially for June and the rest of the year?

Vivek Gupta
Well, definitely, the SG&A should be down in Q2. Again, to what extent, it's work in progress. And, it's depending on how things pick up in the future quarters, if business starts picking up, the SG&A will pick up, as well. But if, unfortunately, the economies remain where they are and they don't pick up in a hurry, then we will keep our SG&A down.

Lisa Thompson
Okay. And do you have the exact number of how many billable consultants you had for the quarter?

Vivek Gupta
I don't have the exact number as of March 31, but it was upwards of 1,100.

John Cronin
It was exactly 1,100.

Vivek Gupta
The billable on IT staffing side, and then, of course, we have billable people on the data analytics side, and that would be closer to 175 or so. So, you can add the two, that's roughly 1,300 people were billing in the last quarter.

Lisa Thompson
Okay. So, based on what's happened so far, since we're at the end of April, how much has that number come down due to cancellations? I mean, are we talking hundreds or tens of people vaguely, because it sounds kind of scary when you don't quantify it.

Vivek Gupta
Yes. So, I can give you a sense. I think we had —and Jack, if you have the exact number, you can mention, but in the region of 50 to 60 in Q1. We lost that many people billing. So, as of earlier we're talking about, you know, a few percentages on 1,100. We're not talking about 10s and 20s of the 1,100.

Lisa Thomas
Okay. So, I guess that means then revenues and staffing will be down sequentially. Does that also apply to data analytics or because of your new contracts, could that number be up sequentially?

Vivek Gupta
I don't think we are ready—we have that feel for—at this point in time, whether the number will remain the same or go down for data analytics. But on the IT staffing side, sequentially, yes, it will be a little down.

Lisa Thompson
Okay. Alright, great. This is much clearer as to what's going on. Thank you so much. Oh, wait, one more question. As far as recruiting and things, has anything changed in like the Visa situation for you.

Vivek Gupta
Actually, at this point in time, the situation has not changed for us. I mean, of course, the whole recruiting process has changed because of people working from home but I think as we don't bring people over from overseas for billing purposes, we hired locally within the U.S. So, as of now it hasn't changed.

Lisa Thompson
Okay. Great. Thank you so much. That's all my questions.

Operator
And once again as a reminder, if you have a question, you may press star one on your telephone keypad. Our next question is from Josh Vogel from Sidoti & Company. Please proceed with your question.

Josh Vogel
Just following up on that last question. Can you give any thoughts or comments around the recent legislation that's going to limit immigration into the U.S. and what impact that could potentially have on your base of the H1B Visa holders?

Vivek Gupta
Josh, right now, what we understand is, the immigration has been put on hold, which is bringing fresh people from overseas into this country. But the current legislation as of today does not impact the people who are already here. Now, things can change. Something can come out in the next week, two weeks. We don't know. But that's where we are at this point in time.

Josh Vogel
Okay. And just last one. Given everything going on, we've seen kind of like a reset in some market valuations. And I was just curious about your appetite to make deals and what the pipeline looks like.

Vivek Gupta
So, if you're talking about make deals as in M&A.

Josh Vogel
Yes, sorry. Yes.

Vivek Gupta
Then, right now, we are—obviously, this is not the time to do that. We are still open-minded. We are, you know, looking at what are the options out there. But, I don't think we will be aggressively pursuing it until we are out of this current economic crisis.

Josh Vogel
Okay. I'm sorry. If I could just sneak in one last one. When you talked about the clients within, the hard-hit industries like transportation, energy, and manufacturing, could you quantify what percent of revenue comes from those sectors? And then maybe what percent would you say comes from, you know, the essential businesses where maybe you'd see less of an impact?

Vivek Gupta
Actually, we've been fortunate. The total amount of business that comes from the transportation—travel and transportation segment is actually very small. It's probably 2% or 3% only. Manufacturing is a little bit more, energy and then retail is one which I hadn't mentioned, one more. So, we actually don't have any major concentration in any one or two industry segments, although financial services and, health care are probably the more [unintelligible]. But we are fairly well spread out. What's happened is, while some of these industries have been hit very badly, a couple of them have actually even seen an uptick. But of course, net-net, when you balance everything out, it's more negative than positive. So, yes, we don't have any serious industry concentration, which kind of, you know, exaggerates the risk for us.

John Cronin
Hey, Josh. In our annual report, we do break down our industry verticals. So, under our description of businesses, you will find our top five industry verticals. So, that might help you.

Josh Vogel
Okay. Great. Well, thanks, again, for taking all my questions. And stay safe out there, guys.

Vivek Gupta
Thank you, Josh, and appreciate your questions.

Operator
And our next question is from Howard Rosencrans from VA. Please proceed with your question.

Howard Rosencrans
Hi, again. I just wanted to follow-up a little more on the Visa situation and the ability to get employees, etc. I apologize if this is a sort of historical question. I felt like I had a deeper understanding of this. The—your employees, you're hiring within the United States, but they are already employees that have come, I believe, predominantly from India, and they have achieved their status where you—and/or in some cases, you're working with them to garner that status for the—the employer has to sign on to give them that status as HB1. Is that—I'm just trying to get clarity on that so I can better understand. Thank you.

Vivek Gupta
Howard, it's like this. We hire potential employees from within the U.S., and almost half or so of that are U.S. citizens and Green Card holders who have been here. Many could be of Indian origin, and a lot of them are not. And then we have another pool, which is the pool of H1B candidates, and they are people who have come on H1B. They've been working—they've come on other company's H1Bs, and they are now looking for better opportunities, and we help them find those opportunities. And there, we have to do what is called a transfer—an H1B transfer to the new jobs that we are able to find. And that's the piece that we work on. So, when we were talking about a little earlier about immigration being put on hold, it's for—at the moment, it's fresh people coming in from India and other countries into this country on H1Bs. But for us, that does not immediately impact us, because we are looking at—or hiring people from within the pool, which is already here in the U.S. Does that answer your question? Or am I missing some key point?

Howard Rosencrans
No, no, no. I think that does. So, it's sort of if you needed people further out it would impact your hiring capability. It doesn't impact your ability now, particularly since there's a lot lower demand for employees—for consultants or for employees. I think that's fair to say, right?

Vivek Gupta
Yes. Actually, that's true. The demand was far more than supply when we were looking at things in January, February timeframe. Today, because the demand has come down, the supply is more. So, in some ways, it makes it easier for our recruiters to find the right talent for those positions, which are still open, and customers are looking for them.

Howard Rosencrans
And could you give us some color as to the first few weeks of April as to what you're seeing, if you're comparing it on a year-to-year, basis first, last year? Or how deep are the cuts down? If you look—you commented that you were down, I don't know, about 50 or 60 people, year-end to the end of Q1. I believe that was the time frame you quoted, I would assume that you had a pickup during the quarter, because you had—because your revenues in both segments increased. So, I would assume that you actually went from let's say 11—there's probably a 10% cut in March from peak to quarter end and just trying to understand. Is that fair to say? And, what has been the additional cut in the first few weeks of April? Thank you.

Vivek Gupta
Okay. So, April is not over yet, so we don't have the final numbers of what it looks like. But, in some ways, the trend has been continuing. What happened in March has happened in April, as well. But, coming back to your comment about the headcount, what happened in the first quarter. We did lose some people, but in some ways, it got compensated by new starts that we got were for better bill rates and in some places even better gross margins. And also, the entire cut did not happen on the very first day of the quarter. It happened over a period of the quarter. So, it did not fully impact the revenues for that. But that reduction is definitely going to have a carryover impact into the second quarter that we are in. So, I can't give you a precise number for April, but the reductions have been sort of continuing in the way it started in March.

Howard Rosencrans
Okay. Do you know what your peak employee count this year was? Your peak consultant with the,—you comment, the 1,100 of the regular IT guys at the end of the quarter. Do you know what your—do you know what your peak was and approximately when it occurred?

Vivek Gupta
I'll have to look at my records. But as I said, it is above 1,100, whether it was 1,125 or 1,104 or 1,140, I wouldn't know immediately, but we can get that information.

Howard Rosencrans
Okay. You guys are very gracious, and I thank you, and I think in light of what's transpiring, it sounds like you're doing very well. So, hats off to you in that regard. It certainly seems like you're—like you have a lot of talented people, and you're picking up share. So, congrats on the way you're getting through. Thank you.

Vivek Gupta
Thanks, Howard. Appreciate it.

Operator
And we have reached the end of the question-and-answer session, and I will now turn the call back over to Vivek Gupta for closing remarks.

Vivek Gupta
Thank you, operator. If there are no further questions, I would like to thank you for joining our call today, and we look forward to sharing our second quarter 2020 results with you in late July. Until then, please stay safe. Thank you.

Operator
And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.