Dayforce
Fourth Quarter and Full Year 2024 Earnings Conference Call
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Presenters
David Niederman, VP of Investor Relations
David Ossip, Chair and CEO
Jeremy Johnson, Executive VP and CFO
Steve Holdridge, President and COO
Joe Korngiebel, Executive VP and Chief Strategy, Product, and Technology Officer

Q&A Participants
Siti Panigrahi – Mizuho Securities
Mark Murphy – JPMorgan Chase
Raimo Lenschow – Barclays
Mark Marcon – Robert W. Baird
Samad Samana – Jefferies
Scott Berg – Needham & Company
Steve Enders – Citi
Kevin Mcveigh - UBS
Alex Zukin – Wolfe Research
Brad Reback – Stifel

Operator
Greetings and welcome to Dayforce's Fourth Quarter and Full Year 2024 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 requires operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, David Niederman, VP of Investor Relations. Thank you. You may begin.

David Niederman
Thank you for joining and welcome to the Dayforce fourth quarter 2024 earnings call. I'm David Niederman, Vice President, Investor Relations. As a reminder, all participants are in a listen-only mode, and a question-and-answer session will follow our opening remarks. Joining me on the call today are CEO, David Ossip, and CFO Jeremy Johnson. We also have Chief Strategy, Product, and Technology Officer, Joe Korngiebel, and our President and COO, Steve Holdridge, available for Q&A.

Before I hand the call over to David, I want to remind everyone that our commentary may include forward-looking statements. These statements are subject to risks and uncertainties that could cause Dayforce's results to differ materially from historical experience or present expectations. A description of some of these risks and uncertainties can be found in the reports we file with the Securities and Exchange Commission, such as the cautionary statements in our filings. Additionally, over the course of this call, we'll reference non-GAAP measures to describe our performance. Please review our earnings press release and filings with the SEC for our rationale behind the use of non-GAAP measures and for a full reconciliation of these GAAP to non-GAAP metrics. These documents, in addition to a replay of this call, and also a transcript, will be available on our Dayforce investor relations website. And with that, I'd like to turn the call over to David.

David Ossip
Thanks, David, and thank you all for joining us. I'll begin with some high-level commentary on our results and outlook before handing the call over to Jeremy, who will provide more detail on our financials and guidance. We had a strong year with Q4 sales exceeding expectations and coming in above plan. Sales cycles returned to historical level, and January proved to be a strong start to 2025. Looking ahead, we expect sales growth to outpace revenue growth throughout the year. Our pipeline coverage gives us confidence, starting the year with approximately four times coverage of pipeline compared to our sales target.

We had excellent performance in 2024. Total revenue was 1.76 billion, growing 17% on a constant currency basis. Dayforce recurring revenue excluding float grew 21% on a constant currency basis. Adjusted EBITDA margin was 28.5%, expanding 140 basis points, and free cash flow was 172 million, or 9.7% of revenue, expanding 280 basis points. As guided during our Investor Day, we expect total revenue growth in 2025 of 14% to 15% excluding float and on a constant currency basis. Our guidance reflects our decision to focus on higher margin areas of our business, while phasing out legacy segment. Dayforce recurring revenue excluding float is expected to grow 15% to 17% on a constant currency basis during 2025. In terms of our mid-term operating model, we are confident in our ability to exceed the 20% free cash flow margin.

Last year, we expanded free cash flow margins by 280 basis points to 9.7%. In 2025, we anticipate this increasing by another 230 basis points to 12% and for this upward trend to continue over the mid-term. On an adjusted EBITDA basis, we are raising our Investor Day guidance by 100 basis points, increasing adjusted EBITDA margin guidance to 32% from 31%. Beyond 2025 over the mid-term, we expect adjusted EBITDA to expand by 100 to 150 basis points per year. In the coming years, we anticipate that the total revenue growth will remain close to 15%, while profitability improvements, both free cash flow and adjusted EBITDA, will continue to outpace revenue growth.

From a sales perspective, our CRO Sam [sp] has executed exceptionally well. In the last quarter, we secured several key new business wins including a 60,000 employee grocery chain, an 18,000 employee space exploration company, and a 66,000 employee member-owned retail cooperative, as well as success in expanding deals including a 60,000 employee global manufacturer and distributor of paints and coatings and a global air service provider with 48,000 employees across 35 countries.

Many of these deals closed within weeks of customers attending our Dayforce Discover event, a testament to the impact of the event and its role in accelerating Q4 sales. On the product side, we continue to lead in innovation and delivery. Our product roadmap is built around compliance, IT simplification, data, and experience. On the compliance front, we delivered more than 900 compliance updates and were once again recognized by Gartner as a compliance leader for firms with more than 1,000 employees and for firms with more than 2,500 employees. Key compliance enhancements included a new workforce insight experience, machine learning driven labor forecasting, and direct-to-bank capabilities for Dayforce Wallet.

Speaking of Wallet, it had a tremendous 2024, with revenue increasing from 12 million to over 30 million. We expect Wallet to continue gaining momentum in 2025. Our IT simplification efforts align with our 12 to 1 strategy, which consolidates multiple HR systems into a single Dayforce platform. This approach reduces integrations, manual workarounds, and operational complexity, while improving efficiency and decision making. Our leadership in this area was reinforced by our recognition as a leader for the fifth consecutive year in Gartner's Magic Quadrant for Cloud HCM Solutions for enterprises with more than 1,000 employees.

Strengthening our 12 to 1 value proposition, we launched a new talent acquisition experience and re-platformed eloomi into Dayforce, creating a best-in-class learning experience with strong analytics, content creation tools, and a content store featuring over 90,000 training modules. We expect learning management and content to drive significant client base sales in 2025. On the data and experience side, we are already seeing strong adoption of our Dayforce Integration Studio and Co-Pilot products, both of which we demonstrated at Discover.

Since launching in November, we have sold more than 60 Co-Pilot units. Co-Pilot integrates with our experience hub, allowing CHROs and their teams to create engaging and immersive experience for frontline workers, managers, and executives. Content within the hub is indexed using AI, enabling users to ask questions and receive contextual responses with relevant reference links. Additionally, Co-Pilot facilitates workflow automation such as requesting time off. Innovation in this area will continue in 2025 with planned releases of AI agents and other new capabilities. At the core of Dayforce is our commitment to product innovation. This is what differentiates us in the market and drives our strong win rate, high customer retention, significant add-on sales, and industry recognition.

Turning to customers and go live. Q4 was impressive. We saw 146 net new customers go live, including a global aviation service provider with over 55,000 employees across 36 countries, a 23,000 employee American entertainment company rolling out Full Suite Talent, a 10,500 employee UK contract catering and support service provider. We now have 6,876 live customers and 7.6 million live active users on Dayforce, both up approximately 10% year-over-year. Additionally, Dayforce recurring revenue per customer increased by 11%, and our gross retention rate improved from an already strong 97.1% to 98%.

From a profitability standpoint, our improvement in adjusted EBITDA and free cash flow was largely driven by improvements in recurring gross margin. Adjusted Cloud recurring gross margins were 79.8%, expanding 150 basis points, resulting from efficiency gains in our support and managed services organizations, greater automation, AI driven optimizations, and a higher proportion of add-on sales. In 2025, we will continue optimizing our cost basis by improving sales productivity, streamlining our organizational structure, and leveraging lower cost jurisdictions, automation, and AI.

Professional services and other revenue, historically a negative margin business, is expected to break even in 2025. This milestone reflects the investments we have made in automation and partnerships with system integrators. Before handing the call over to Jeremy, I want to emphasize four key themes. First, our strength lies in our ability to innovate and deliver exceptional products. Second, we saw robust sales performance in Q4 and are confident this momentum will continue into Q1 and throughout 2025. Third, we have made meaningful improvements across all profitability metrics, and we expect these trends to continue in the coming years. Finally, we are positioning Dayforce for sustained revenue growth at levels similar to 2025, while driving towards a 20% plus free cash flow margin. I'll now pass the call to Jeremy to discuss our financial results in more detail. Jeremy, over to you.

Jeremy Johnson
Thanks, David. We are pleased with the fourth quarter results. Top line revenue growth remains strong, while we scaled the business and continued to expand cash flow margins. In the fourth quarter, total revenue was 465.2 million, up 16.4% on a GAAP basis and 17% on a constant currency basis. Excluding float, total revenue increased 17% on a GAAP basis and 17.6% on a constant currency basis, and Dayforce recurring revenue excluding float was 307.6 million, up 20% on a GAAP basis and 20.4% on a constant currency basis underpinned by strong go lives.

Powerpay recurring revenue excluding float was 23.1 million flat on a GAAP basis but up 2.6% on a constant currency basis. And professional services and other revenue was 71.5 million, up 18% on a GAAP basis and 18.8% on a constant currency basis. Gross profit was 218.6 million, up 28.7%. Operating profit was 28.5 million. Cloud recurring gross margin was 80% expanding 300 basis points, and, on a non-GAAP basis, adjusted Cloud recurring gross margin was 80.4%, expanding 230 basis points, and adjusted EBITDA was 129.2 million, up 30.2% or a 27.8% margin, expanding 300 basis points.

Turning to our full year results. Total revenue was 1.76 billion, up 16.3% on a GAAP basis and 16.7% on a constant currency basis. Excluding float, total revenue increased 16% on a GAAP basis and 16.3% on a constant currency basis. Dayforce recurring revenue excluding float was 1.16 billion, up 20.4% on a GAAP basis and 20.7% on a constant currency basis. Powerpay recurring revenue excluding float was 83.7 million, up 2.2% on a GAAP basis and 3.8% on a constant currency basis, and professional services and other revenue was 242.7 million, up

12.2% on a GAAP basis and 12.5% on a constant currency basis. Gross profit was 812 million, up 25.6%.

Operating profit was 104.1 million, including 84 million of amortization expense related to the retired Ceridian trade name. Cloud recurring gross margin was 78.9%, expanding 190 basis points. And on a non-GAAP basis, adjusted Cloud recurring gross margin was 79.8%, expanding 150 basis points. Adjusted EBITDA was 501.5 million, up 22.3% or a 28.5% margin, expanding 140 basis points and reflecting our continued improvement in gross profit margins and scale and adjusted G&A.

From a cash flow perspective, full year operating cash flow was 281.1 million, up 28.1%, and free cash flow was 171.5 million, up 63.2%. Free cash flow as a percent of revenue was 9.7%, expanding 280 basis points. We had a solid year from a financial perspective with strong revenue growth, expanding profitability, and increasing cash flow metrics. If I look back at our original 2024 guidance issued in February 2024, we met or surpassed these targets with healthy performance throughout the year.

If you recall, our initial guidance for 2024 was for total revenue to grow between 13% and 14% constant currency, and we grew 16.7%. Dayforce recurring revenue ex float to grow between 20% and 21% constant currency, and we grew 20.7%. And adjusted EBITDA margin between 27.9% and 28.6%, and our margin was 28.5%. We also introduced free cash flow guidance for the first time this year, saying that we expected free cash flow margin between 9.5% and 10% of revenue with conversion from adjusted EBITDA to operating cash to be in the mid to upper 50% range, while CapEx remained relatively flat year-over-year. And we ended at 9.7% of revenue, with 56% conversion from adjusted EBITDA to operating cash flow.

We're pleased with our overall performance and financial results this year. During the fourth quarter, Dayforce recurring revenue, excluding float, grew at 20% on a GAAP basis or 20.4% constant currency. Included in these results was a $2 million FX headwind versus our guidance rates. And while we -- while go lives were solid, employee volumes, tax filing fees, and print fees missed our expectations, and we had impacts from customer contract amendments.

The contract amendments were isolated to a few customers and represented changes to terms that caused the reallocation of contract consideration, increasing PS and other revenue and reducing recurring revenue. Specifically, the impact from employee volumes was approximately 1 million, the contract amendments were approximately 1 million, and the tax filing fees and print fees were each about $500,000. Excluding these items, our Dayforce recurring revenue growth would have been in the middle of our guidance range. We have not changed our previously issued revenue guidance for 2025, which I'll dive into more next.

A few other callouts about 2024 before I move on to our guidance. During 2024, eloomi revenue added approximately 190 basis points of growth to our Dayforce recurring revenue ex float and 110 basis points of growth to our total revenue. During 2024, we executed $36 million of our $500 million share repurchase plan and are pleased that we have the profitability and flexibility to return capital to our shareholders and manage dilution from share-based compensation while maintaining investment in the business.

Now turning to guidance. For the full year, we expect total revenue, excluding float, to grow at a constant currency rate of 14% to 15%. At current FX spot rates, we estimate this to be 1.745 billion to 1.76 billion, or 11.9% to 12.8% growth on a GAAP basis. Dayforce recurring revenue, excluding float, to grow between 15% and 17% constant currency. At current FX spot rates, we estimate this to be 1.315 to 1.340 billion, or about 13.4% to 15.5% on a GAAP basis.

Float revenue of 180 million representing an effective yield of 3.6% and balanced growth in the mid to low single-digits. Adjusted EBITDA margin of 32% of revenue, free cash flow margin of 12% of revenue, and, in 2025, we now expect PS and other revenue to grow slightly faster than Dayforce recurring revenue excluding float during 2025 as we continue to implement projects from the strong demand we saw in 2024 and as we continue to work on some larger projects including the government of Canada.

For the first quarter, we expect total revenue, excluding float, to grow 15% to 17% on a constant currency basis. At current FX spot rates, we estimate this to be 421 million to 427 million, or growth of approximately 13.5% to 15%. Float revenue of 53 million representing an effective yield of 3.7% and balanced growth of mid-single-digits and adjusted EBITDA margin of 31% to 32% of revenue. With regard to FX rates in 2025, we expect our revenue to be approximately 70% US dollar based, 21% Canadian dollar based, 4% to 5% Australian dollar based, and 3% to 4% British pound based, with the rest spread across multiple currencies. With the US dollar strengthening against each of these currencies and with the proportion of our UK and Australia based revenue increasing, we will begin providing FX rates assumed in guidance for each of these currencies compared to the dollar.

For our current guidance, the US dollar to the Canadian foreign exchange rate used is 1.44, the US dollar to British pound foreign exchange rate is 0.81, and the US dollar to Australian dollar foreign exchange rate is 1.61. Specifically, current foreign exchange rates are driving about 200 basis points of headwind to our full year 2025 revenue growth ranges.

A few other things to call out before we close out the call. On share repurchases, we still anticipate continuing to purchase shares in 2025 with the goal of minimizing dilution to our shares outstanding from stock-based compensation. Our current estimate is that we plan to repurchase more than 1 million shares during 2025, effectively doubling our 2024 purchases. Later today, we are launching a repricing deal for our existing $650 million Term Loan B with the goal of reducing the interest rate from our current levels of SOFR plus 250 to something lower. And with regard to our $575 million convertible debt, which matures in March of 2026, we're currently planning to retire this at maturity in 2026 with cash and liquidity on hand. Now with that, we can begin the Q&A portion of our call.

Operator
Thank you. Ladies and gentlemen, the floor is now open for questions. If you would like to ask a question, please press star one on your telephone keypad at this time. A confirmation tone will indicate that 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 the handset. We do ask that you please limit yourself to one question and one follow up. Again, that's star one to register a question at this time. Today's first question is coming from Siti Panigrahi of Mizuho Securities. Please go ahead.

Siti Panigrahi
Hi. Good morning and thanks for taking my question. Jeremy, for Q4, Dayforce recurring explored, could you elaborate the points that impacted the miss? And is it something a surprise? And also, is it onetime or should we expect that in this year too?

David Ossip
Hey, Siti. Nice to speak with you. Let me start before I hand it over to Jeremy. I'd like to make four points that I think are quite key. First of all, Q4 sales and January sales were both up considerably. On a year-over-year basis, both were record, growing at over two times the revenue growth of the company. So, we're quite optimistic on sales performance and sales momentum. As you know, generally, when we have a very strong Q4, we see a bit of a headwind going into Q1, and we do not expect that this year. Sales is strong. Second, we're holding the revenue guidance for the company. That's the guidance that we gave at the Investor Day, and at the same time, we're increasing the EBITDA guide for the company by 100 basis points. We're seeing meaningful profit strengthening across all aspects, so adjusted EBITDA, gross margin, and -- as well as free cash flow. In fact, if you look at it on an adjusted EBITDA basis, you can see that, on an ex float basis, we're expecting adjusted EBITDA to go up by 560 basis points inside the year. And finally, we are positioning Dayforce for sustained growth around the current levels, moving towards a 20% free cash flow basis. In regards to Dayforce recurring in Q4, there were three aspects that Jeremy can go into detail on those. All of them, I would say, are onetime items that do not impact the future of the company. Some of them have to do with amendments to contracts. There was some FX inside there, as well. And as people, obviously, are moving to more digitization, there has been some impact on the printing and the shipping types of fees. Jeremy, do you want to give some details to that?

Jeremy Johnson
Definitely. Yeah. So, David mentioned the FX, which we can put aside and talk constant currency, and ultimately there's three drivers to the slightly lower numbers. The -- roughly all equal weighted. First, I'd say it's lower employee volumes than expected. Second, it's print fees and tax filing fees, and third, these contract amendments that shifted revenue into professional services and other and away from recurring. All of them are small on a dollar basis. On employee volumes, as you probably know, we historically see some seasonal spike in Q4 employee volumes around the holidays, and that seasonality was slightly muted this year compared to the past. On the print -- tax filing fees, that's revenue that's invoiced as used. And

therefore, it's a little bit more difficult to forecast. We saw some lower consumption this quarter, meaning, for example, less printing than historical levels. And on the contract amendments, it's honestly a typical customer motion that we see frequently as customers grow with us and grow their HCM needs with us. It's a type of flexibility and partially what drives our strong gross retention of 98%. We're constantly working with our customers to ensure they're satisfied. And with large customers when they add services or products, we're required to reallocate that contract consideration between PS and other and recurring. This quarter, we saw some more services added, which is a good thing for the business and the tailwinds in PS and other and the headwind in recurring revenue.

Siti Panigrahi
Yeah. Thanks for that color. And, David, that's impressive. And I think your fourth point on the key themes driving sustainable revenue growth at this level '25, that's definitely impressive when you compare to your peers who are more in the low-double-digit. But help us understand what are the factors assumed in that level of confidence to drive this level of growth?

David Ossip
We are seeing a strong sales momentum. Again, if I look towards December, it was a record month, and then we saw the strength continue into January. And as you know, I typically give a bit of a color as to how the current quarter is going. The other number I'll point to, if you look at the Cloud ARR growth in 2024, it was up 17.9%. And remember, our business is very predictable. If I look at Dayforce recurring across the 2024, we were within 30 basis points of the guide that we gave at the start of the very year, which I think is quite remarkable for a business of this scale.

Siti Panigrahi
Thank you.

Operator
Thank you. The next question is coming from Mark Murphy of JPMorgan Chase. Please go ahead.

Mark Murphy
Thank you so much. Congratulations on the strong sales performance at year-end. That's great to hear. Jeremy, I have two quick questions. First of all, Jeremy, regarding the employee volumes that you said came in slightly below expectations, you mentioned the Q4 holiday spike was muted. Do you attribute that to the timing of the holidays where both Christmas and New Year were falling midweek on Wednesday? In other words, a temporary blip, or do you see some other type of effect that might linger a bit into Q1?

Jeremy Johnson
No, I didn't see at that level of detail anything that I would point to that said would linger into Q1. As I said, historically, we do see that Q4 seasonal spike around the holidays. I think that

slightly muted. But then also, we did have some extreme weather events in the Southeast this year during Q4. And, look, it's a tough thing for us to forecast and to guide. And historically, we've been pretty accurate. And I think we still were very accurate. It just was slightly below our expectations, unfortunately.

Mark Murphy
Okay. Understood. And then, David, thinking back to the fall, you had mentioned some willingness to consider more transformative M&A. And since then, we've seen paychecks announcing its intent to acquire Paycor. Is it safe to assume that Ceridian would have seen too much overlap with Paycor or isn't as interested in going down market. And therefore, perhaps you didn't spend much time considering it. And could you shed any light on just whether that acquisition might affect the landscape or open up any opportunities for you as they try to merge the two organizations?

David Ossip
We don't compete against paychecks, and we don't compete against Paycor. It is down market from us. I would expect in the down market side, there should be consolidation because I don't think there's much differentiation in product. Mark, what differentiates Dayforce is our ability to innovate and deliver product. And you see that across the gains that we're having in terms of competitive wins in market, the strength of the Q4, and the January sales of it. So, to answer your question, no, I don't think there'll be any impact to Dayforce.

Mark Murphy
Thank you.

Operator
Thank you. The next question is coming from Raimo Lenschow of Barclays. Please go ahead.

Raimo Lenschow
Hey. Thank you, and congrats from me, as well, on a great sales quarter. And how do you think about the sales kind of feeding into revenue next year? Obviously like strong quarter. If I look at the guidance for Dayforce, that was slightly below consensus, maybe might have missed a little bit by us, but like the contracts that you signed, were they kind of contract with longer go lives et cetera? Is that kind of an impact we should consider? Thank you.

David Ossip
Hey, Raimo. We had strong performance across segments. So, we saw large enterprise, which for us is above 12,000 employees perform well. We saw the major market have considerable strength, as well. And we even saw our emerging business, which goes up to about 1,000 employees, also do very, very nicely. The Australian APJ also performed very well. So, there wasn't really a concentration in any one segment. Given our scale, we typically have, I would say, well over 1,000 ongoing customer implementations. And as you know, when we plan out or model out our revenue, we look at it from an individual go-live milestone of each of those

specific projects. By the way, the go-live number, as well, in the quarter was very, very strong. The number was, I think, what was it, Jeremy? 140 something?

Jeremy Johnson
Yeah. We added 146 net new customers during the quarter.

David Ossip
Which I thought was actually very great. So, we go in really with a strong Dayforce recurring. I mentioned a bit earlier the annual recurring revenue of Cloud went up by 17.9%. So, it just flows throughout the system.

Raimo Lenschow
Okay. Perfect. And then, Jeremy, one for you. I saw the EBITDA raise, so well done on that one. But you didn't raise the cash flow number, which is kind of where a lot of investors will focus on. Can you talk a little bit about the puts and takes getting EBITDA higher but not the cash flow? Talk to that maybe a little bit. Thank you.

Jeremy Johnson
Yeah. It's a great call out, Raimo. We're raising the adjusted EBITDA guidance by 100 basis points from our previous guide of 31 to 32. That represents 350 basis points of expansion. But if you actually exclude the float headwind, it's 560 basis points of expansion year-over-year. We're doing that through cost control and efficiency. If you think about last year, we invested heavily in sales and marketing, and we're reaping the benefits of the productivity from those investments in 2025. We're leaning into greater automation. We're leaning into AI-driven optimizations across the organization, and we're optimizing our cost base by streamlining our organizational structure and leveraging lower cost jurisdictions. This is our first year that we're kind of really providing a full free cash flow guidance at the beginning of the year here. And I have optimism in this number, but I wanted to just kind of hold it at where we're at for now.

Raimo Lenschow
Okay. Perfect. Thank you.

Operator
Thank you. The next question is coming from Mark Marcon of Baird. Please go ahead.

Mark Marcon
Hey. Good morning, and thanks for taking my questions. David, at the very beginning, you mentioned that January was very strong. You also mentioned that sales cycles were going back to historic levels. I assume you mean that they aren't lengthening. And how unusual is it to have a really strong January? Typically, a lot of sales come in towards the end of the quarter. So, wondering what that bodes and how much of that was basically an after effect of the really successful meetings that you had in Vegas?

David Ossip
That's actually quite good insight over there, Mark. We saw an acceleration of sales following our Discover event. There just are numerous examples of where we had organizations come to the actual event, and within, I would say, four to eight weeks following the event, we were able to complete the actual contracts. I think the way that the organization showed and the product showed at Discover this year was just spectacular. So, we're very pleased with it. Generally, if we have a very strong Q4, you typically would go into Q1 with a bit of a headwind because it's tough to reach people in January following the December kind of craziness that you normally have. So, to see strong sales performance in January following an exceptional December, it is something that I did want to call out. It gives us a lot of confidence on the sales momentum on it.

Mark Marcon
With regards to just the sales cycles being shortened, do you think that's specific to you, or is that just a general tonal change that's occurred now that we have some clarity with regards to interest rates as well as the election?

David Ossip
I do think there is an impact of the new administration. I think there is generally a heightened sense of optimism across businesses. But again, I'm not an economist. What I can talk about is what we're seeing in our business. And in our business, we are seeing buyers making purchasing decisions quicker than they did last year.

Mark Marcon
Great. And then can you talk a little bit just on the line of elections. We're not the only country that's having elections. Obviously, Canada is going to schedule some elections coming up. Is there any impact with regards to the Canadian contract that's coming through either from the elections or from any sort of change with regards to procurement processes in Canada? And do you have any early thoughts just with regards to -- given that you've got operations in Canada as well as the US and joint headquarters, how do you think about any sort of potential tariff impact?

Steve Holdridge
Hey, Mark. This is Steve Holdridge. Let me take the first part of that, and then David may want to talk about the broader Canada environment. In terms of the government of Canada, no. The short answer is we don't expect any impact. We're continuing to work towards our deadlines with the most recent order in contract targeting April 2025. We're on track to achieve those milestones. We don't see -- we don't expect anything from the announced changes at the Prime Minister level. We continue to have support. I mean, frankly, we've been at this for four years, and leaders at all levels of government want to make sure people are paid properly and the payroll choice does not get politicized. So, we continue to be confident in the business as usual.

David Ossip

Regarding the impact of potential tariffs between the US and Canada, it's difficult to project that. I suppose the biggest impact would be on the FX rate between the US and between Canada. About 21% of our revenue is in Canada. So, we do have a -- there would be a revenue impact in terms of US dollars reporting. We are hedged probably about 70% on the cost side against that. So, from an adjusted EBITDA percentage, I don't think there would be any impact.

Mark Marcon
Great. And then just one last one. Number of really nice wins here. Can you talk a little bit about who you ended up capturing these folks from?

David Ossip
Yes. As I mentioned last time and for those of you who attended Discover, we typically nowadays compete mostly against the ERPs. And we seem to be taking away shares from the competitor that we would have competed against most historically. I would say that, if I look at Q4, the majority of the wins will take away from them always competing against one of the ERPs.

Mark Marcon
Congratulations on a terrific sales quarter. Thank you.

Operator
Thank you. The next question is coming from Samad Samana of Jefferies. Please go ahead.

Samad Samana
Hey. Good morning. Thanks for taking my questions. I appreciate it as always. Maybe first, just on the first quarter, Jeremy, I didn't see a 1Q Dayforce recurring ex float guide. I may have just missed it. I apologize if I did. But is this a change in guidance philosophy? Should we only expect an annual outlook going forward? And I guess any comments on the cadence of Dayforce recurring ex float growth as we think about the year?

Jeremy Johnson
Hey, Samad. Good to speak with you. Yeah, look, we're giving Dayforce recurring revenue ex float guidance for the full year along with the addition of that free cash flow guidance for the full year. As we've grown larger over the years and also established a very strong focus on free cash flow generation, it made sense internally to focus on total top line adjusted EBITDA and free cash flow margin and dollars. And it's really how we're running the business internally and how we measure our own success. So, we felt it appropriate to reflect this in our communications with investors. We'll obviously still report on those numbers and the like. But ultimately, we think this is how we're managing the business and makes a lot of sense to go forward here.

Samad Samana

Understood. It makes a lot of sense. And then, David, you gave some commentary on the mid-term growth expectations beyond 2025, and obviously this is coming off of the heels of the Analyst Day where you gave specific long-term targets. I guess maybe just as we think about how Dayforce recurring ex float is expected for '25, any comments maybe on what you're thinking there for the mid-term targets or what you've assumed? I just wanted to make sure I have clarity on what we should expect to remain at these levels going forward and how the view on Dayforce recurring is.

David Ossip
Yeah. As I mentioned in the call, we expect them to hold -- if I look at the total revenue ex float basis, I would expect we should be able to sustain about a 15% growth rate into the mid-term as we move towards that 20% plus free cash flow. On Dayforce recurring, remember that the business today is almost all Cloud. If I look at the total other recurring business, you really are looking at about $43 million somewhere around there for the full year. So, kind of -- as we kind of end of life those types of platforms and do the migration to Dayforce you'll see that line decline by about 40% year-over-year in constant currency. And we believe it's time to simplify how we report to the actual market, and the goal over here would be to have the total revenue growing around that 15% at the same time that we get above 20% on a free cash flow basis. We're quite confident that we can do that, and that allows us really to keep that focus on driving profitability as we reach this level of scale.

Samad Samana
Great. And then maybe just one last one for me. I know the sales organization is doing well. Clearly, you gave us some comments around sales activity, both in the fourth quarter and the first month of the year. How should we think about how the coverage, that 4 to 1 that you mentioned, how does that compare to this time -- entering 2024, so this time last year? And should we think about that holding fairly constant at current levels?

David Ossip
We try and model the business at about a four times sales coverage level. It ties to the investments that we actually put in marketing pipeline development, early sales types of activities, the summits and et cetera. If your number is too high, your sales cost would go up. And again, as we're trying to improve the actual profitability, one of the fact -- one of the constraining factor is the sales and marketing expense. If you look at the actual numbers, you can see that, from a sales and marketing productivity level, we're driving more efficiencies or higher sales productivity. If you look at the guide for the year, we're guiding to around 16% versus about 17% last year. And that really drives the size of your pipeline and the expected conversion. The sales productivity numbers that we're seeing now, I would say, are very close to best-in-class for enterprise software. So, we're very happy from the productivity of the actual sales force.

Samad Samana
Great. Thank you, everybody.

Operator
Thank you. The next question is coming from Scott Berg of Needham & Company. Please go ahead.

Scott Berg
Hi, everyone. Congrats from me on the strong sales quarter, as well. I guess two things. David, wanted to start with your newly announced Dayforce AI Agent strategy that you talked about at the conference. Just wanted to see how customers responded to that. I know it's early, probably just enabling the sales force and everything with that effectively. But agents are kind of the craze in our software space this year. I just wanted to see how you guys might be benefiting from that.

David Ossip
Scott, we've -- as I think mentioned in my call script, we saw about 60 unit sales of our Co-Pilot after we announced it at Discover. So, basically in November, December. So, we're seeing a nice uptake of our AI products in market, and I do believe it does differentiate us relative to others because we're not talking about future capability, we're talking about already generally available functionality that's inside the actual product. It's becoming front and central in the way that we actually position the product. In terms of agents, we've had some agents in market for that time typically around the initiation of workflows like time away from work and the others. So, I think you'll see that continue. Joe, I'm not sure if you're on the call, but if you'd like to add a bit more color about some of the enhancements we're doing around the agents.

Joe Korngiebel
Yeah. Thank you for the question, and I appreciate the insight. For us, really the next wave of how we can help customers realize value with Dayforce is with the promise of AI, but we're realizing that promise. Like David said, the 60 new sales just came in a month and a half. And customers are seeing that value and the differentiation of delivered AI innovation. The agents that we deliver in the year ahead will go across our entire suite from HR through our talent modules, even down to analytics, where reports -- a report writer will automatically build you the reports you need in an instant just saving your company time and energy. So, look for more innovation as we move ahead. It's a big, big differentiator for us as we hit 2025 at speed.

Scott Berg
Understood. Helpful. And then, David, on your commentary around partner -- excuse me, your strong sales pipeline is going into this year. You've been pushing on the partner ecosystem over the last maybe 12 to 24 months, and it’s benefitting the company. How positively do your partners kind of impacting your view on the improved sales environment? And then, as we think about your PS margins going forward, I know, obviously, some of that's getting pushed to partners, that breakeven viewpoint, is that like for the full year in terms of your guidance, or do you just break over that -- kind of get to that breakeven line at one point one quarter during the year? Thanks.

David Ossip

Yes. Scott, first of all, thanks for noticing that. Yes, the improvement in the professional services and other, which we expect to be about breakeven this year, is largely the result of the investments we've made with the system integrators and the success that we're seeing in them actually priming the implementation. So, we're very excited about that. It's the metric that we look at internally to determine if we are seeing success across the SI channels. Obviously, with that, you would expect that to be partially behind what we're seeing in terms of pipeline development, conversion of actual sales as they help influence the actual deals. So, it's going quite nicely.

Operator

Thank you. We'll move on to the next question. The next question is coming from Steve Enders of Citi. Please go ahead.

Steve Enders

Okay. Great. Thanks for taking the questions this morning. I guess maybe just to start, I wanted to talk about some of the assumptions that maybe you're making for '25 from a high macro level in terms of like employment cadence and maybe some rate cut assumptions and kind of what's being accounted for in there. And I guess, secondarily, if there's maybe any incremental conservatism being accounted for based on some of those factors you called out that impacted the 4Q Dayforce performance.

Jeremy Johnson

Yeah. Thanks, Steve. It's good to speak with you. Yeah, we can go into a couple of assumptions. I think specifically on the rate cuts, we assume bank consensus to kind of inform our forecast there. So, Canada just cut rates by 25 basis points at the end of January, and US held flat. So, with those cuts kind of built in, you would expect -- or we would expect about one rate cut in the US in the middle of the year at about 25 basis points. And we'd also expect Canada rate cuts are -- to continue at about 25 basis points each meeting until October. So about five more cuts this year. With all of that, we think we'll kind of net out to a yield of about 3.6% on average balances growing in the low to mid-single-digits this year on the float side of things. As far as the other assumptions on employment levels, we'd expect that to kind of be in the very low-single-digits from a growth rate perspective and certainly are using what we learned in Q4 to inform our forecast and guidance in 2025.

Steve Enders

Okay. Perfect. I appreciate the commentary there. And then I just want to ask on the Pro Services performance and that outpacing the growth for the Dayforce recurring growth this year. Can you just maybe help us think through some of the factors impacting that? Like is that a reflection of some of the managed services capabilities and -- that were highlighted at the Analyst Day that kind of point through more? Yeah, just kind of like what factors should we be thinking about in there and kind of what continues moving forward?

Jeremy Johnson
Yeah, I think first and foremost is we had a really strong sales Q4 to cap off a really strong sales year in 2024. And we haven't -- I think with that, you see strong sales comes with implementation and services work. And that's kind of the tip of the spear there if you will. We've also got some of the larger projects that we're working through and large customers that we'll continue to work for. And then if you think about the productivity, I think, it's really a few primary drivers. It's, as David mentioned, the systems integrated relationships that we matured. We're doing also a greater proportion of value-added services alongside those systems integrators. And we're driving efficiency into our implementation process. We talked about this at the November Investor Day, but a few years ago, we began building out these SI relationships, and we're really pleased with how these have come together and how we're driving that efficiency across that implementation process.

Steve Enders
Okay. Great. Thanks for taking the questions.

Operator
Thank you. The next question is coming from Kevin McVeigh of UBS. Please go ahead.

Kevin McVeigh
Great. Thank you. Hey, I think you talked about the Wallet facing like 30 million in Q4, up from 12 in '23. Is that adoption or increased usage and any way to think about what that can contribute in '25?

David Ossip
Yeah. In 2024, we released AFT and IFT capabilities to the Wallet, and we saw quite good adoption of those types of movements of money. In 2025, we just launched direct-to-bank. So, what direct-to-bank is, if you do an on-demand pay, the employee can now select to pass that money to one of their existing debit cards attached to an existing checking or savings account. And we're seeing that actually take off quite nicely, as well. We also, obviously, as you would expect, continue to see increased adoption in terms of more organizations and more employees use the actual Wallet, as well. So, we would expect the momentum on the Wallet to continue this year.

Kevin McVeigh
Great. And then, at this point, are the SIs driving any sales volume to beat, or is that still something that probably starts in '25?

David Ossip
Yes, we are. As I think I answered -- I think it was Scott who asked the question. We're seeing nice traction with the system integrators. Obviously strengthened year-over-year. And you can see that reflected in the professional services and other margins, which, as we move the

implementations more to the SIs, the professional services and other margin now moves towards breakeven.

Jeremy Johnson
But we're also seeing increased amplification of the brand and increased pipeline with not only the SIs, but with our community advisory partners and our technology partners.

Kevin McVeigh
Great. Thank you.

Operator
Thank you. The next question is coming from Alex Zukin of Wolf Research. Please go ahead.

Alex Zukin
Hey, guys. Thanks for taking the question. Maybe just the Canadian government deal. Can you guys remind us how that's going to play into the fiscal '25 guide given kind of the slightly longer ramp time? And, Jeremy, maybe just -- I know we're not guiding to Dayforce recurring, but maybe help just from a modeling standpoint, how we should think about that flowing through the year maybe relative to last year.

Jeremy Johnson
Yeah. Alex, good to speak with you. Look, on the Canadian government deal, I think, as Steve kind of spoke to a little bit, is we're continuing to work towards those deadlines that we talked about in the most recent timelines, which is targeting April 2025. We're on track to achieve those milestones, and that's more on the kind of recurring side of things. On the professional services, we have been seeing work, and we've been doing work, and we continue to do work with the government of Canada. On the recurring side of things, I think, you'll see kind of a continuous cadence there or consistent cadence with how things have looked in the past. And stopping short of giving kind of full guidance, I think that 15% to 17% constant currency number for the full year is a good guide, and we should kind of remain in those balance for the quarterly basis, as well.

Alex Zukin
Got it. And then, David, maybe just, I'll re-ask one of the earlier questions. But I think when you were -- when you'd spoken last time on the earnings call, you kind of talked about a -- just watching out for lengthening sales cycles as you go up market as those deals take more time to actually execute on. But it seems like something changed in that visibility given the December and January. So, I'm just curious, is it the demand environment? Is it something you figured out on the execution? Is it tailwinds from AI? Like what changed in your -- from your perspective from 90 days ago to now with respect to that visibility?

David Ossip

I think that the impact of Discover, our client conference -- I did have an impact in terms of purchasing cycles. So, I think the work that the product and technology team have done in really differentiating very clearly Dayforce relative to the others had impact. As Steve mentioned, I think the branding work that we invested in last year is also getting us more mind share and is making it easier for us to get the final approvals in the very large types of deals. Third, I do think that the sales team really is performing very well, and I'm very proud of the way that they go to market and the way that they tell the story and the way that they show the product, as well. I think that, as an organization, Dayforce and our day makers, the way that we interact and partner with our customers is reflected. You can see that, as well, in the retention rate that is now 98% on Dayforce, which has got to be best in market. And then lastly, as I mentioned, I do think on the macro side that there's much more optimism across business leaders about the economy, and that is helping with purchasing cycles, as well.

Operator
Thank you. Our final question today is coming from Brad Reback of Stifel. Please go ahead.

Brad Reback
Great. Thanks very much. Maybe two quick ones. Did you all mention what the percent of new sales back to the base was?

Jeremy Johnson
We haven't yet, but it was above 40%. 42% was the number this past year, and we're really pleased with that.

David Ossip
And we also saw the same number, actually ,42% of full suite deals, as well.

Brad Reback
Great. And then, Jeremy, given some of the unusual puts and takes in 4Q, things that snuck up on you a bit, have you taken a different guidance philosophy, maybe increased conservatism at all as it relates to 1Q and all of '25? Thanks.

Jeremy Johnson
Yeah. Look, I think we've ultimately taken what we learned in Q4 and use that to inform our guidance for the future. I think we still kind of give tight ranges, but you can ultimately see that we're kind of giving these constant currency growth ranges and then setting down the FX rate that we're using and then trying to be really clear about the float assumptions there. And you think about the total revenue growing 14% to 15% ex float on a constant currency basis and Dayforce recurring revenue at 15% to 17%, and we're really pleased with those numbers and our ability to do that and -- while we're also expanding margins on adjusted EBITDA and free cash flow.

Brad Reback

That's great. Thank you very much.

Operator
Thank you. This brings us to the end of the question-and-answer session. I would like to turn the floor back over to Mr. Ossip for closing comments.

David Ossip
Great. Thanks, everyone, for joining us. Sorry for those of you that we didn't get the actual questions today, but we'll have the one-on-one following. Just a few pieces I'd like to end with. One, again, reiterating the sales momentum we saw in Q4 that continued into January and our confidence in sales for Q1 and for the year. The second is, I want to reiterate that we're holding the revenue guide for the year while increasing the adjusted EBITDA by 100 basis points and that we are seeing that meaningful improvement in profitability across all aspects. And lastly, we are positioning Dayforce in the mid-term for sustained growth around the current levels while moving towards that 20% plus free cash flow. Again, thank you, everyone, for joining us today.

Operator
Ladies and gentlemen, this concludes today's event. You may disconnect your lines or log off the webcast at this time and enjoy the rest of your day.