

Gartner Reports Third Quarter 2019 Financial Results

October 31, 2019

Total Contract Value \$3.3 Billion, +11% YoY FX Neutral

THIRD QUARTER 2019 HIGHLIGHTS

- Revenues: \$1.0 billion, +9%; +10% FX neutral. Adjusted Revenues: +10%, +11% FX neutral.
- Net income: \$41 million; adjusted EBITDA: \$140 million, -6%, -5% FX neutral.
- Diluted EPS: \$0.46, >100%; adjusted EPS: \$0.70, -18%.
- Operating cash flow: \$220 million; free cash flow: \$190 million, -24%.

2019 FINANCIAL OUTLOOK

The Company reiterated its full year 2019 financial outlook:

- Revenues: \$4.22 - \$4.26 billion.
- Net income: \$190 - \$213 million; adjusted EBITDA \$670 - \$700 million.
- Diluted EPS: \$2.09 - \$2.34; adjusted EPS \$3.39 - \$3.64.
- Operating cash flow: \$487 - \$527 million; free cash flow \$400 - \$430 million.

STAMFORD, Conn.--(BUSINESS WIRE)-- Gartner, Inc. (NYSE: IT), the world's leading research and advisory company, today reported results for the third quarter 2019 and reiterated its financial outlook for full year 2019. Additional information regarding the Company's results is provided in an earnings supplement available on the Company's Investor Relations website at <https://investor.gartner.com>.

Gene Hall, Gartner's Chief Executive Officer, commented, "We delivered another quarter of double-digit contract value growth, validating the compelling value proposition we offer our clients and prospects. We accelerated the pace of share buybacks during the quarter and will continue to deliver long-term growth in cash and earnings to our shareholders."

CONFERENCE CALL INFORMATION

The Company will host a webcast call at 8:00 a.m. Eastern time on Thursday, October 31, 2019 to discuss the Company's financial results. The call will be available via the Company's website at <https://investor.gartner.com> or by dialing 844-413-7151 (conference ID 9248559). A replay of the webcast will be available for approximately 30 days following the call on the Company's website.

CONSOLIDATED RESULTS HIGHLIGHTS

(\$ in millions, except per share data) Three Months Ended

	September 30,		Inc/(Dec)	
	2019	2018	Inc/(Dec)	FX Neutral
GAAP Metrics:				
Revenues	\$ 1,001	\$ 922	\$ 9%	10%
Net income	41	12	>100%	na
Diluted EPS	0.46	0.13	>100%	na
Operating cash flow	220	249	(12)%	na

Non-GAAP Metrics:

Adjusted revenues	\$ 1,001	\$ 910	10%	\$ 11%
Adjusted EBITDA	140	149	(6)%	(5)%
Adjusted EPS	0.70	0.85	(18)%	na
Free cash flow	\$ 190	\$ 251	(24)%	na

na=not available.

SEGMENT RESULTS HIGHLIGHTS

- Global Technology Sales Contract Value (GTS CV): \$2.6 billion, +13% YOY FX Neutral
- Global Business Sales Contract Value (GBS CV): \$0.6 billion, +3% YOY FX Neutral

Our segment results for the three months ended September 30, 2019 were as follows (Unaudited; \$ in millions) (a):

	Research	Conferences	Consulting
GAAP Metrics:			
Revenues	\$ 841	\$ 66	\$ 93
Inc/(Dec)	9%	16%	18%
Inc/(Dec) - FX neutral	10%	19%	20%
Gross contribution	\$ 583	\$ 27	\$ 27

Inc/(Dec)	9%	10%	44%
Contribution margin	69%	41%	28%

(a) During 2018, the Company divested all of the non-core businesses comprising its Other segment and moved a small residual product in the Other segment into the Research business. As a result, there are no results reported for the Other segment in 2019.

Additional details regarding our segment results can be obtained in the earnings supplement and in our quarterly report on Form 10-Q filed with the SEC on October 31, 2019.

Certain financial metrics contained in this Press Release are considered non-GAAP financial measures. Definitions of these non-GAAP financial measures are included in this Press Release under "Non-GAAP Financial Measures" and the related reconciliations are under "Supplemental Information — Non-GAAP Reconciliations." In this Press Release, some totals may not add due to rounding and percentage changes are based on the whole number and recalculation based on millions may yield a different result.

FINANCIAL OUTLOOK FOR 2019

Additional details regarding our 2019 financial outlook are available in the earnings supplement.

ABOUT GARTNER

Gartner, Inc. (NYSE: IT) is the world's leading research and advisory company and a member of the S&P 500. We equip business leaders with indispensable insights, advice and tools to achieve their mission—critical priorities today and build the successful organizations of tomorrow. We believe our unmatched combination of expert-led, practitioner-sourced and data-driven research steers clients toward the right decisions on the issues that matter most. We are a trusted advisor and objective resource for more than 15,000 organizations in more than 100 countries — across all major functions, in every industry and enterprise size. To learn more about how we help decision makers fuel the future of business, visit gartner.com.

FORWARD LOOKING STATEMENTS

Statements contained in this press release regarding the Company's growth and prospects, projected financial results, long-term objectives, and all other statements in this release other than recitation of historical facts are forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, estimates, uncertainties and other factors that may cause actual results to be materially different. Such factors include, but are not limited to, the following: our ability to achieve and effectively manage growth, including our ability to integrate our acquisitions and consummate and integrate future acquisitions; our ability to pay our debt; our ability to maintain and expand our products and services; our ability to expand or retain our customer base; our ability to grow or sustain revenue from individual customers; our ability to attract and retain a professional staff of research analysts and consultants as well as experienced sales personnel upon whom we are dependent; our ability to achieve continued customer renewals and achieve new contract value, backlog and deferred revenue growth in light of competitive pressures; our ability to carry out our strategic initiatives and manage associated costs; our ability to successfully compete with existing competitors and potential new competitors; our ability to enforce or protect our intellectual property rights; additional risks associated with international operations, including foreign currency fluctuations; the U.K.'s planned exit from the European Union and its impact on our results; the impact of restructuring and other charges on our businesses and operations; cybersecurity incidents; general economic conditions; risks associated with the creditworthiness, budget cuts, and shutdown of governments and agencies; the impact of the U.S. Tax Cuts and Jobs Act of 2017; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; changes to laws and regulations; and other factors described under "Risk Factors" in our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, which can be found on Gartner's website at <https://investor.gartner.com> and the SEC's website at www.sec.gov. Forward-looking statements included herein speak only as of the date hereof and Gartner disclaims any obligation to revise or update such statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or circumstances, except as required by applicable law.

NON-GAAP FINANCIAL MEASURES

Certain financial measures used in this Press Release are not defined by U.S. generally accepted accounting principles ("GAAP") and as such are considered non-GAAP financial measures. We provide these measures to enhance the user's overall understanding of the Company's current financial performance and the Company's prospects for the future. Investors are cautioned that these non-GAAP financial measures may not be defined in the same manner by other companies and, as a result, may not be comparable to other similarly titled measures used by other companies. Also, these non-GAAP financial measures should not be construed as alternatives, or superior, to other measures determined in accordance with GAAP. The non-GAAP financial measures used in this Press Release are defined below.

Adjusted Revenue: Represents GAAP revenue plus: (i) revenue from pre-acquisition periods, as applicable, and (ii) the amortization of non-cash fair value adjustments on pre-acquisition deferred revenues, as applicable; less (iii) revenue related to divested operations. Non-cash fair value adjustments on pre-acquisition deferred revenues are generally recognized ratably over the remaining period of the underlying revenue contract. We believe Adjusted Revenue is an important measure of our recurring operations as it provides a more accurate period-over-period comparison of trends in revenues.

Adjusted Contribution and Adjusted Contribution Margin: GAAP gross contribution is derived from our GAAP-based financial statements and represents revenue less direct expense. Adjusted Contribution represents GAAP gross contribution plus: (i) contribution from pre-acquisition periods, as applicable, and (ii) the amortization of non-cash fair value adjustments on pre-acquisition deferred revenues, as applicable; less (iii) contribution related to divested operations; and (iv) an adjustment for unallocated corporate costs. Adjusted Contribution Margin represents the contribution margin on Adjusted Revenue. We believe these are important measures of our recurring operations as they provide a more accurate and consistent period-over-period comparison of our segment results.

Adjusted EBITDA: Represents GAAP net income (loss) adjusted for: (i) interest expense, net; (ii) tax provision (benefit); (iii) other operating expense/income, net; (iv) stock-based compensation expense; (v) depreciation, amortization, and accretion; (vi) the amortization of non-cash fair value adjustments on pre-acquisition deferred revenues, as applicable; (vii) acquisition and integration charges and certain other non-recurring items; (viii) EBITDA from pre-acquisition periods, as applicable; (ix) gain/loss on divestitures, as applicable; and (x) EBITDA from divested operations, as

applicable. We believe Adjusted EBITDA is an important measure of our recurring operations as it excludes items not representative of our core operating results.

Adjusted Net Income: Represents GAAP net income (loss) adjusted for the impact of certain items directly related to acquisitions and other non-recurring items. These adjustments include: (i) the amortization of acquired intangibles; (ii) acquisition and integration charges and other non-recurring items; (iii) the amortization of non-cash fair value adjustments on pre-acquisition deferred revenues, as applicable; (iv) the non-recurring impact from the enactment of the U.S. Tax Cuts and Jobs Act of 2017, as applicable; (v) gain/loss on divestitures and other similar items, as applicable; and (vi) the related tax effect, as applicable. Adjusted Net Income includes the operating results of our divested operations. We believe Adjusted Net Income is an important measure of our recurring operations as it excludes items that may not be indicative of our core operating results.

Adjusted EPS: Represents GAAP EPS adjusted for the impact of certain items directly related to acquisitions and other non-recurring items. These adjustments include on a per share basis: (i) the amortization of acquired intangibles; (ii) acquisition and integration charges and other non-recurring items; (iii) the amortization of non-cash fair value adjustments on pre-acquisition deferred revenues, as applicable; (iv) the non-recurring impact from the enactment of the U.S. Tax Cuts and Jobs Act of 2017, as applicable; (v) gain/loss on divestitures and other similar items, as applicable; and (vi) the related tax effect, as applicable. Adjusted EPS includes the operating results of our divested operations. We believe Adjusted EPS is an important measure of our recurring operations as it excludes items that may not be indicative of our core operating results.

Free Cash Flow: Represents cash provided by operating activities determined in accordance with GAAP: (i) plus payments for acquisition and integration items directly-related to our acquisitions and certain other non-recurring items; (ii) less payments for capital expenditures. Free Cash Flow includes the results of our divested operations. We believe Free Cash Flow is an important measure of the recurring cash generated by the Company's core operations that may be available to be used to repay debt obligations, repurchase our stock, invest in future growth through new business development activities, or make acquisitions.

Foreign Currency Neutral (FX Neutral): We provide foreign currency neutral dollar amounts and percentages for our contract values, revenues, certain expenses, and other metrics. These foreign currency neutral dollar amounts and percentages eliminate the effects of exchange rate fluctuations and thus provide a more accurate and meaningful trend in the underlying data being measured. We calculate foreign currency neutral dollar amounts by converting the underlying amounts in local currency for different periods into U.S. dollars by applying the same foreign exchange rates.

SUPPLEMENTAL INFORMATION - NON-GAAP RECONCILIATIONS

The tables below provide reconciliations of certain Non-GAAP financial measures used in this Press Release with the most directly comparable GAAP measure. See "Non-GAAP Financial Measures" above for definitions of these measures.

Reconciliation - GAAP Revenue to Adjusted Revenue; GAAP Contribution to Adjusted Contribution and Adjusted Contribution Margin (Unaudited; in millions):

For the three months ended September 30, 2019

	Research	Conferences	Consulting	Unallocated	Total
GAAP revenue	\$ 841	\$ 66	\$ 93	\$ —	\$ 1,001
Less: Revenue from divested operations ^(a)	—	—	—	—	—
Adjusted revenue	\$ 841	\$ 66	\$ 93	\$ —	\$ 1,001
GAAP gross contribution	\$ 583	\$ 27	\$ 27	\$ —	\$ 637
Less: Contribution from divested operations ^(a)	—	—	—	—	—
Unallocated ^(b)	—	—	—	(1)	(1)
Adjusted contribution	\$ 583	\$ 27	\$ 27	\$ (1)	\$ 635
Adjusted contribution margin	69%	41%	28%	na	64%

For the three months ended September 30, 2018

	Research	Conferences	Consulting	Other	Unallocated	Total
GAAP revenue	\$ 774	\$ 57	\$ 79	\$ 12	\$ —	\$ 922
Less: Revenue from divested operations ^(a)	(3)	—	—	(9)	—	(12)
Adjusted revenue	\$ 771	\$ 57	\$ 79	\$ 3	\$ —	\$ 910
GAAP gross contribution	\$ 535	\$ 25	\$ 18	\$ 7	\$ —	\$ 585
Less: Contribution from divested operations ^(a)	(2)	—	—	(5)	—	(7)
Unallocated ^(b)	—	—	—	—	—	—
Adjusted contribution	\$ 533	\$ 25	\$ 18	\$ 2	\$ —	\$ 579
Adjusted contribution margin	69%	44%	23%	na	na	64%

(a) During 2018, the Company divested all of the non-core businesses comprising its Other segment and moved a small residual product in the Other segment into the Research business. As a result, there are no results reported for the Other segment in 2019.

(b) Consists of certain unallocated corporate adjustments.

na=not applicable.

Reconciliation - GAAP Net Income to Adjusted EBITDA (Unaudited; in millions):

	Three Months Ended September 30,	
	2019	2018
GAAP net income	\$ 41	\$ 12
Interest expense, net	24	27
Gain from divested operations ^(a)	—	(13)
Other (income) expense, net	(8)	1
Tax provision	12	26
Operating income	69	53
Adjustments:		
Stock-based compensation expense ^(b)	13	10
Depreciation, amortization, accretion ^(c)	53	69
Acquisition and integration charges and other non-recurring items ^(d)	5	20
EBITDA from divested operations ^(e)	—	(3)
Adjusted EBITDA	\$ 140	\$ 149

(a) Consists of a net gain from the divestiture of a non-core business.

(b) Consists of charges for stock-based compensation awards.

(c) Includes depreciation expense, amortization of intangibles and accretion on asset retirement obligations.

(d) Consists of incremental and directly-related charges related to acquisitions and other non-recurring items.

(e) Consists of Adjusted EBITDA from divested operations.

Reconciliation - GAAP Net Income to Adjusted Net Income and Adjusted EPS

(Unaudited; in millions, except per share amounts):

	Three Months Ended September 30,			
	2019		2018	
	Amount	Per Share	Amount	Per Share
GAAP net income	\$ 41	\$ 0.46	\$ 12	\$ 0.13
Acquisition and other adjustments:				
Amortization of acquired intangibles ^(a)	32	0.35	51	0.55
Acquisition & integration charges and other non-recurring items ^{(b), (c)}	7	0.08	21	0.23
Gain from sale of divested operations ^(d)	—	—	(13)	(0.14)
Fair value adjustment - equity security ^(e)	(9)	(0.10)	—	—
Tax impact of adjustments ^(f)	(7)	(0.08)	7	0.08
Rounding	—	(0.01)	—	—
Adjusted net income and Adjusted EPS ^(g)	\$ 64	\$ 0.70	\$ 78	\$ 0.85

(a) Consists of non-cash amortization charges from acquired intangibles.

(b) Consists of incremental and directly-related charges related to acquisitions and other non-recurring items.

(c) Includes the amortization and write-off of deferred financing fees, which are recorded in Interest expense, net in the Company's Condensed Consolidated Statements of Operations and in the Adjusted EBITDA table above.

(d) Consists of a net gain from the divestiture of a non-core business.

(e) Represents unrealized appreciation related to a minority equity investment that the Company sold in October 2019. Such benefit was recorded in Other income/expense, net in the Company's Condensed Consolidated Statements of Operations and in the Adjusted EBITDA table above.

(f) The blended effective tax rate on the adjustments was approximately 24% and 12% for the three months ended September 30, 2019 and 2018, respectively.

(g) Adjusted EPS was calculated based on 90.9 million and 92.1 million diluted shares for the three months ended September 30, 2019 and 2018, respectively.

Reconciliation - GAAP Cash Provided by Operating Activities to Free Cash Flow (Unaudited; in millions):

	Three Months Ended September 30,	
	2019	2018
GAAP cash provided by operating activities	\$ 220	\$ 249
Adjustments:		
Plus: cash paid for acquisition, integration and other non-recurring items	7	26
Less: cash paid for capital expenditures	(36)	(24)
Free Cash Flow	\$ 190	\$ 251

Financial Outlook Reconciliation - GAAP Net Income to Adjusted EBITDA (Unaudited; in millions):

Full Year 2019 Guidance	
Low	High

Net income	\$ 190	\$ 213
Interest expense, net (a)	103	103
Other (income) expense, net	3	3
Loss on divestitures	2	2
Tax provision	65	73
Operating income	363	393

Adjustments:

Stock-based compensation expense	71	71
Depreciation, accretion, and amortization	215	215
Acquisition and integration charges and other non-recurring items	21	21
Adjusted EBITDA	\$ 670	\$ 700

(a) Includes approximately \$6.0 million of amortization of deferred financing fees, which is reported in Interest expense, net in the Consolidated Statement of Operations.

Financial Outlook Reconciliation - GAAP EPS to Adjusted EPS (Unaudited):

	Full Year 2019 Guidance	
	Low	High
GAAP EPS	\$ 2.09	\$ 2.34

Adjustments:

Amortization of acquired intangibles	1.06	1.06
Acquisition and integration charges and other non-recurring items	0.22	0.22
Loss on divestitures	0.02	0.02
Adjusted EPS	\$ 3.39	\$ 3.64

Financial Outlook Reconciliation - GAAP Cash Provided by Operating Activities to Free Cash Flow

(Unaudited; in millions):

	Full Year 2019 Guidance	
	Low	High
Operating cash flow	\$ 487	\$ 527
Acquisition, integration and other non-recurring payments	60	60
Capital expenditures	(147)	(157)
Free Cash Flow	\$ 400	\$ 430

GARTNER, INC.

Condensed Consolidated Statements of Operations

(Unaudited; in thousands, except per share data)

	Three Months Ended	
	September 30,	
	2019	2018
Revenues:		
Research	\$ 840,998	\$ 774,188
Conferences	66,286	57,141
Consulting	93,218	78,752
Other	—	11,593
Total revenues	1,000,502	921,674
Costs and expenses:		
Cost of services and product development	365,056	336,112
Selling, general and administrative	512,159	447,537
Depreciation	20,704	17,335
Amortization of intangibles	31,694	50,852
Acquisition and integration charges	1,742	17,114
Total costs and expenses	931,355	868,950
Operating income	69,147	52,724
Interest expense, net	(24,073)	(26,984)
Gain from divested operations	—	13,040
Other income (expense), net	8,024	(827)
Income before income taxes	53,098	37,953
Provision for income taxes	11,710	26,200
Net income	\$ 41,388	\$ 11,753

Net income per share:

Basic	\$ 0.46	\$ 0.13
Diluted	\$ 0.46	\$ 0.13
Weighted average shares outstanding:		
Basic	89,846	90,854
Diluted	90,887	92,148

Gartner-IR

View source version on [businesswire.com](https://www.businesswire.com/news/home/20191031005200/en/): <https://www.businesswire.com/news/home/20191031005200/en/>

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Source: Gartner, Inc.