



Gartner Reports Third Quarter 2021 Financial Results

November 2, 2021

Total Contract Value \$4.0 billion, +13.8% YoY FX Neutral

THIRD QUARTER 2021 HIGHLIGHTS

- Revenues: \$1.2 billion, +16.3% as reported; +15.0% FX neutral.
- Net income: \$149 million; adjusted EBITDA: \$305 million, +82.3% as reported, +79.9% FX neutral.
- Diluted EPS: \$1.76, +826.3%; adjusted EPS: \$2.03, +123.1%.
- Operating cash flow: \$345 million; free cash flow: \$331 million, +44.5%.
- Repurchased 1.3 million common shares for \$355 million.

STAMFORD, Conn.--(BUSINESS WIRE)--Nov. 2, 2021-- Gartner, Inc. (NYSE: IT) today reported results for the third quarter of 2021 and updated its financial outlook for the full year 2021. Additional information regarding the Company's results as well as an updated 2021 financial outlook 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, "Our strong growth in contract value, revenue, EBITDA, and free cash flow continued in the third quarter. We repurchased more than \$1.4 billion of stock year-to-date and remain committed to returning excess capital to shareholders. We are again raising our guidance to reflect the momentum we have seen through the first three quarters of the year."

CONFERENCE CALL INFORMATION

The Company will host a webcast call at 8:00 a.m. Eastern time on Tuesday, November 2, 2021 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 5964908). A replay of the webcast will be available on the Company's website for approximately 30 days following the call.

CONSOLIDATED RESULTS HIGHLIGHTS

(Unaudited; \$ in millions, except per share amounts) Three Months Ended

	September 30,		Inc/(Dec)	
	2021	2020	Inc/(Dec)	FX Neutral
GAAP Metrics:				
Revenues	\$ 1,156	\$ 995	16.3%	15.0 %
Net income	149	17	777.5%	na
Diluted EPS	1.76	0.19	826.3%	na
Operating cash flow	345	244	41.5%	na
Non-GAAP Metrics:				
Adjusted EBITDA	305	\$ 168	82.3%	79.9 %
Adjusted EPS	2.03	0.91	123.1%	na
Free cash flow	331	229	44.5%	na

na=not available

SEGMENT RESULTS HIGHLIGHTS

- Global Technology Sales Contract Value (GTS CV): \$3.2 billion, +11.8% YOY FX Neutral
- Global Business Sales Contract Value (GBS CV): \$0.8 billion, +22.3% YOY FX Neutral

Our segment results for the three months ended September 30, 2021 were as follows:

(Unaudited; \$ in millions)

	Research	Conferences	Consulting
Revenues	\$ 1,037	\$ 24	\$ 95
Inc/(Dec)	16.2%	91.7%	6.3%
Inc/(Dec) - FX neutral	14.8%	93.2%	5.7%
Gross contribution	\$ 769	\$ 11	\$ 31
Inc/(Dec)	19.7%	460.5%	10.0%
Contribution margin	74.2%	46.9%	32.7%

Additional details regarding our segment results can be obtained from the earnings supplement, our quarterly report on Form 10-Q filed with the SEC on November 2, 2021 and our webcast.

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. The percentage changes are based on the unrounded whole number and recalculation based on millions may yield a different result.

ABOUT GARTNER

Gartner, Inc. (NYSE: IT) delivers actionable, objective insight to executives and their teams. Our expert guidance and tools enable faster, smarter decisions and stronger performance on an organization’s most critical priorities.

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, and are currently, or in the future could be, amplified by the COVID-19 pandemic. Such factors include, but are not limited to, the following: uncertainty of the magnitude, duration, geographic reach and impact on the global economy of the COVID-19 pandemic; the current, and uncertain future, impact of the COVID-19 pandemic and governments’ responses to it on our business, growth, reputation, projections, prospects, financial condition, operations, cash flows, and liquidity; the adequacy or effectiveness of steps we take to respond to the crisis; our ability to recover potential claims under our event cancellation insurance; the timing of conferences and meetings, in particular our Gartner Symposium/Xpo series that normally occurs during the fourth quarter, as well as the timing of our return to in-person conferences and meetings and willingness of participants to attend; 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 obligations; 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 and protect our intellectual property rights; additional risks associated with international operations, including foreign currency fluctuations; the U.K.’s 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; changes in macroeconomic and market conditions and market volatility (including developments and volatility arising from the COVID-19 pandemic), including interest rates and the effect on the credit markets and access to capital; risks associated with the creditworthiness, budget cuts, and shutdown of governments and agencies; the impact of changes in tax policy and heightened scrutiny from various taxing authorities globally; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; changes to laws and regulations; and other risks and uncertainties 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 EBITDA and Adjusted EBITDA Margin: Represents GAAP net income (loss) adjusted for: (i) interest expense, net; (ii) tax provision (benefit); (iii) loss on extinguishment of debt, as applicable; (iv) gain on event cancellation insurance claims, as applicable; (v) other expense/income, net; (vi) stock-based compensation expense; (vii) depreciation, amortization, and accretion; (viii) the amortization of non-cash fair value adjustments on pre-acquisition deferred revenues, as applicable; (ix) acquisition and integration charges and certain other non-recurring items; and (x) gain/loss on divestitures and other similar items, as applicable. Adjusted EBITDA Margin represents Adjusted EBITDA divided by GAAP Revenue. We believe Adjusted EBITDA and Adjusted EBITDA Margin are important measures of our recurring operations as they exclude 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) loss on extinguishment of debt, as applicable; (iv) the amortization of non-cash fair value adjustments on pre-acquisition deferred revenues, as applicable; (v) gain/loss on divestitures and other similar items, as applicable; (vi) gain on event cancellation insurance claims, as applicable; (vii) the non-cash gain/loss on de-designated interest rate swaps, as applicable; and (viii) the related tax effect. 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 diluted 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) loss on extinguishment of debt, as applicable; (iv) the amortization of non-cash fair value adjustments on pre-acquisition deferred revenues, as applicable; (v) the gain/loss on divestitures and other similar items, as applicable; (vi) gain on event cancellation insurance claims, as applicable; (vii) the non-cash gain/loss on de-designated interest rate swaps, as applicable; and (viii) the related tax effect, as applicable. 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 less payments for capital expenditures. 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 to all periods presented.

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 Net Income to Adjusted EBITDA

(Unaudited; \$ in millions)

	Three Months Ended September 30,	
	2021	2020
GAAP net income	\$ 149	\$ 17
Interest expense, net	32	31
Loss on extinguishment of debt ^(a)	—	45
Other income, net	—	(2)
Tax provision (benefit)	50	(3)
Operating income	230	88
Adjustments:		
Stock-based compensation expense ^(b)	19	16
Depreciation, amortization and accretion ^(c)	53	54
Acquisition and integration charges and other non-recurring items ^(d)	3	10
Adjusted EBITDA	\$ 305	\$ 168

(a) Includes \$30.8 million early redemption premium payment and \$14.0 million write-off of unamortized deferred financing costs related to the early repayment of the 2025 senior note and the 2016 credit agreement.

(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, abandoned office space, workforce reductions and other non-recurring items

Reconciliation - GAAP Net Income and GAAP income per share to Adjusted Net Income and Adjusted EPS

(Unaudited; \$ in millions, except per share amounts)

	Three Months Ended September 30,			
	2021		2020	
	Amount	Per Share	Amount	Per Share
GAAP net income and GAAP net income per share	\$ 149	\$ 1.76	\$ 17	\$ 0.19
Acquisition and other adjustments:				
Amortization of acquired intangibles ^(a)	27	0.32	31	0.35
Acquisition and integration charges and other non-recurring items ^{(b), (c)}	4	0.05	12	0.13
Loss on extinguishment of debt ^(d)	—	—	45	0.50
Tax impact of adjustments ^(e)	(8)	(0.09)	(23)	(0.26)
Adjusted net income and Adjusted EPS ^(f)	\$ 172	\$ 2.03	\$ 82	\$ 0.91

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

(b) Consists of incremental and directly-related charges related to acquisitions, abandoned office space, workforce reductions 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 accompanying Condensed Consolidated Statements of Operations and in the Adjusted EBITDA table above.

(d) Includes \$30.8 million early redemption premium payment and \$14.0 million write-off of unamortized deferred financing fees related to the early repayment of the 2025 senior notes and the 2016 credit agreement.

(e) The blended effective tax rates on the adjustments were approximately 25.4% and 26.4% for the three months ended September 30, 2021 and 2020, respectively.

(f) Adjusted EPS was calculated based on 84.8 million and 90.0 million diluted shares for the first three months ended September 30, 2021 and 2020, respectively.

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

(Unaudited; \$ in millions)

	Three Months Ended September 30,	
	2021	2020
GAAP cash provided by operating activities	\$ 345	\$ 244
Cash paid for capital expenditures	(14)	(15)
Free Cash Flow	\$ 331	\$ 229

Condensed Consolidated Statements of Operations (Unaudited; in millions, except per share data)

	Three Months Ended September 30,	
	2021	2020
Revenues:		
Research	\$ 1,037.2	\$ 892.7
Conferences	24.4	12.7
Consulting	94.7	89.2
Total revenues	1,156.3	994.6
Costs and expenses:		
Cost of services and product development	359.2	329.8
Selling, general and administrative	512.6	521.5
Depreciation	25.4	22.7
Amortization of intangibles	27.1	31.2
Acquisition and integration charges	1.8	1.7
Total costs and expenses	926.1	906.9
Operating income	230.2	87.7
Interest expense, net	(31.6)	(30.6)
Loss on extinguishment of debt	—	(44.8)
Other income, net	0.2	1.9
Income before income taxes	198.8	14.2
Provision (benefit) for income taxes	50.0	(2.8)
Net income	\$ 148.8	\$ 17.0
Net income per share:		
Basic	\$ 1.78	\$ 0.19
Diluted	\$ 1.76	\$ 0.19
Weighted average shares outstanding:		
Basic	83.6	89.4
Diluted	84.8	90.0

Source: Gartner, Inc.

Gartner-IR

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