Gartner, Inc. NYSE:IT

FQ1 2024 Earnings Call Transcripts

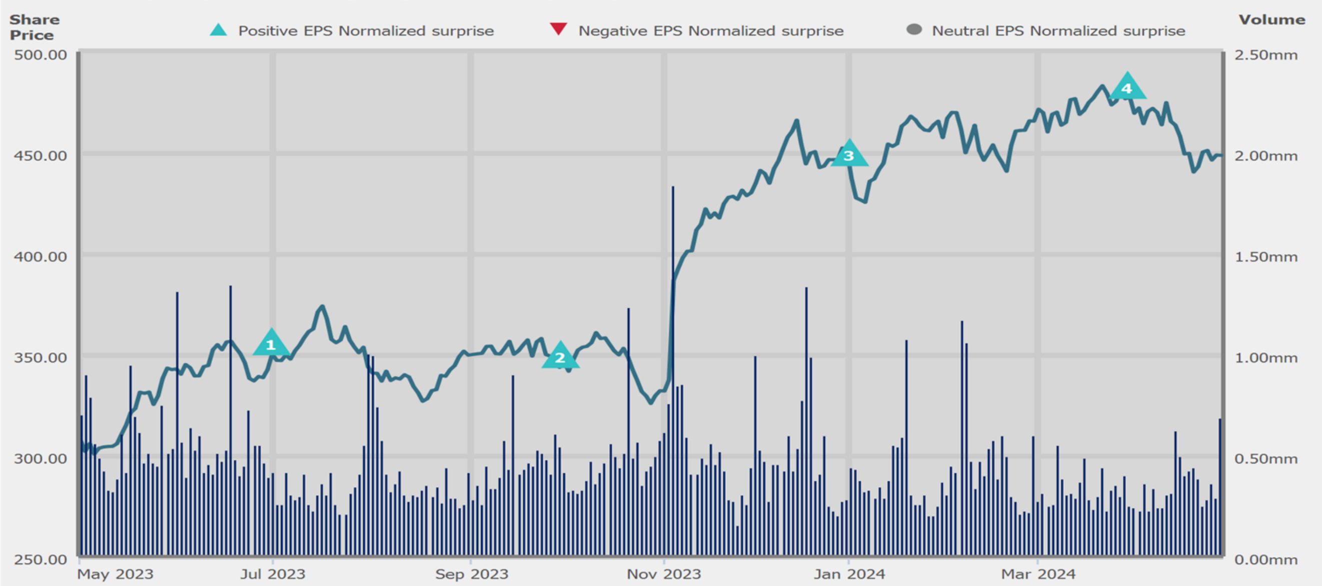
Tuesday, April 30, 2024 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2024-			-FQ2 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.54	2.93	▲15.35	2.95	11.38	12.94
Revenue (mm)	1475.27	1472.90	▼(0.16 %)	1599.07	6361.76	6998.24

Currency: USD
Consensus as of Apr-29-2024 5:40 AM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2023	2.50	2.85	▲14.00 %
FQ3 2023	1.96	2.56	▲30.61 %
FQ4 2023	2.83	3.04	▲7.42 %
FQ1 2024	2.54	2.93	▲15.35 %

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Group Vice President of Investor Relations

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ANALYSTS

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Heather Nicole Balsky
BofA Securities, Research Division

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Barclays Bank PLC, Research Division

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Jefferies LLC, Research Division

Toni Michele Kaplan
Morgan Stanley, Research Division

Presentation

David Cohen
Group Vice President of Investor Relations

Good morning, everyone. Welcome to Gartner's First Quarter 2024 Earnings Call. I'm David Cohen, SVP of Investor Relations. [Operator Instructions] After comments by Gene Hall, Gartner's Chief Executive Officer; and Craig Safian, Gartner's Chief Financial Officer, there will be a question-and-answer session. Please be advised that today's conference is being recorded.

This call will include a discussion of first quarter 2024 financial results and Gartner's outlook for 2024 as disclosed in today's earnings release and earnings supplement, both posted to our website, investor.gartner.com.

On the call, unless stated otherwise, all references to EBITDA or for adjusted EBITDA, with the adjustments as described in our earnings release and supplement, while contract values and associated growth rates we discuss are based on 2024 foreign exchange rates, while growth rates in Gene's comments are FX neutral, unless stated otherwise. All references to share counts are for fully diluted weighted average share counts, unless stated otherwise.

Reconciliations for all non-GAAP numbers we use are available in the Investor Relations section of the gartner.com website.

As set forth in more detail in today's earnings release, certain statements made on this call may constitute forward-looking statements. Forward-looking statements can vary materially from actual results and are subject to a number of risks and uncertainties, including those contained in the company's 2023 annual report on Form 10-K and quarterly reports on Form 10-Q as well as in other filings with the SEC. I encourage all of you to review the risk factors listed in these documents.

Now I will turn the call over to Gartner's Chief Executive Officer, Gene Hall.

Eugene A. Hall
CEO & Director

Good morning, and thanks for joining us today. Gartner remains resilient in a complex environment. In Q1, contract value grew high single digits. Natural results for the quarter were ahead of expectations. We delivered strong profitability and free cash flow, and we increased our guidance for 2024 on an FX neutral basis.

The world continues to experience broad geopolitical and economic uncertainty. Higher interest rates and uncertain outlook continue to affect banks. Federal and local governments are struggling to shifting priorities. Inflation remains challenging for companies in many sectors, such as health care. Supply chains continue to be strained.

We continue to see big shifts in where people work, which is affecting the real estate sector. Cybersecurity continues to be a global and universal threat. And enterprise leaders are just beginning to understand how to leverage artificial intelligence in their organizations.

Enterprise leaders and their teams know they need help, and they know Gartner is the best source for that help. We provide the insights, tools and advice to drive smart decisions and achieve stronger performance on their mission-critical priorities. Our insights often make the difference between success and failure for the leaders we work with and the enterprises they serve. Gartner guides the leaders who shape the world.

Research continues to be our largest and most profitable segment. Our Research business serves enterprises across all major functions in every industry and every geography. Our market opportunity is vast. We deliver unparalleled value to our clients, whether they're thriving, struggling or anywhere in between.

In Q1, our clients experienced more challenging macroeconomic conditions, which led to a tougher selling environment. Because of the incredible value we deliver, contract value in our enterprise functional leader business grew 10%.

Our tech vendor clients continue to be affected by sizable layoffs as well as reductions and shifts in venture capital investments. In addition, we had higher than normal levels of tech vendor contracts up for renewal in Q1, as expected.

We guided clients through a wide range of challenging topics, including cybersecurity, supply chain optimization, data analytics, leader and manager development, managing emerging risks, cost optimization and more. Artificial intelligence was a topic with a high level of interest across every business function we serve.

Gartner serves executives and their teams through distinct sales channels. Global Technology Sales, or GTS, serves leaders and their teams within IT. GTS also serves leaders at technology vendors, including CEOs, Chief Marketing Officers and senior product leaders. GTS contract value grew 5%. GTS contract value with enterprise function leaders grew at high single digits.

Global Business Sales, or GBS, serves leaders and their teams beyond IT. This includes HR, supply chain, finance, marketing, legal, sales and more. GBS contract value grew 12%.

Gartner Conferences deliver valuable insights to a highly engaged audience. We had a great start to the year, including the launch of two new Conferences. The outlook for Conferences remains strong.

Gartner Consulting is the extension of Gartner Research. Consulting helps clients execute their most strategic initiatives through deeper project-based work. Consulting is an important complement to our IT Research business. Consulting revenue grew 7%. Labor-based revenue was up 13%. We drove a strong performance in contract optimization against a tough compare.

People are at the heart of our business. I just returned from our sales recognition events where I spent time with some of our top performers. Our sales teams are enthusiastic about our prospects for growth in 2024. They love Gartner's strategy, culture and ability to innovate. Gartner is a place where our associates build lifelong careers in sales and beyond.

Looking ahead, we updated our guidance for the stronger dollar and increased revenue, EBITDA, EPS and free cash flow on a FX-neutral basis.

In closing, Gartner delivered financial results ahead of expectations and 10% contract value growth with enterprise function leaders. Gartner is well positioned for contract value growth to accelerate as we move through the year. Our client value proposition and addressable market opportunity will allow us to drive long-term sustained double-digit revenue growth.

We will continue to create value for our shareholders by providing actionable objective insight to our clients, prudently investing for future growth and returning capital to our shareholders through our share repurchase program.

We expect margins will expand modestly over time, and we'll continue to generate significant free cash flow well in excess of net income. All of this and more positions us to continue our sustained record of success are into the future.

With that, I'll hand the call over to our Chief Financial Officer, Craig Safian.

Craig W. Safian
Executive VP & CFO

Thank you, Gene, and good morning. First quarter financial results were better than planned with particular strength in profitability and free cash flow. We remain well positioned for the global CV growth rate to accelerate from the first or second quarter of this year. We are increasing our revenue, profit and free cash flow guidance on an operating basis and updating for the stronger U.S. dollar. We have a lot of capacity for share repurchases and remain eager to buy back stock opportunistically.

First quarter revenue was $1.5 billion, up 5% year-over-year as reported and FX neutral. In addition, total contribution margin was 69%, about in line with last year. EBITDA was $382 million, ahead of our guidance and up modestly from first quarter 2023. Adjusted EPS was $2.93, up 2% from Q1 of last year, and free cash flow was $166 million.

Research revenue in the first quarter grew 4% year-over-year as reported and on an FX-neutral basis. Subscription revenue grew 6% FX-neutral. Non-subscription revenue was similar to Q4 2023 following changes we made during the fourth quarter, which we discussed in February. First quarter Research contribution margin was 74%, consistent with last year.

Contract value, or CV, was $4.9 billion at the end of the first quarter, up 7% versus the prior year and down about $10 million from the fourth quarter 2023. The NCVI results reflect the higher-than-normal level of tech vendor contracts up for renewal, which we discussed in February. In addition, Q1 is our seasonally smallest quarter for new business.

CV from enterprise function leaders across GTS and GBS grew 10%. CV growth is FX neutral. CV growth outside of our tech vendor client base was broad-based across practices, industry sectors, company sizes and geographic regions. Across our combined practices, the majority of the industry sectors grew at double-digit or high single-digit rates led by the energy, manufacturing and public sectors.

CV grew double-digit or high single-digit rates across all enterprise sizes except small, which was about flat and has the largest tech vendor mix. We also drove double-digit or high single-digit growth in the majority of our top 10 countries.

Global Technology Sales contract value was $3.8 billion at the end of the first quarter, up 5% versus the prior year. GTS enterprise leader CV increased high single digits. Tech vendor CV was down slightly year-over-year. GTS CV was $22 million lower than the fourth quarter.

Wallet retention for GTS was 101% for the quarter, which compares to 104% in the prior year. Enterprise leader wallet retention was consistent with historical levels. As expected, tech vendors were the key driver of the change year-over-year.

GTS new business was 1% lower than last year, even as enterprise leader new business increased year-over-year. GTS quota-bearing headcount was down 2% year-over-year. We continue to expect mid-single-digit QBH growth by the end of the year. The near-term hiring focus is in the enterprise leader portion of the business. Our regular full set of GTS metrics can be found in our earnings supplement.

Global Business Sales contract value was $1.1 billion at the end of the first quarter, up 12% year-over-year. All of our GBS practices grew at double-digit or high single-digit rates other than sales, which grew mid-single digits. Growth was led by finance, legal and supply chain.

GBS CV increased $12 million from the fourth quarter, while retention for GBS was 107% for the quarter, which compares to 110% in the prior year. GBS new business was up 7% compared to last year. GBS quota-bearing headcount was also up 7% year-over-year. As with GTS, our regular full set of GBS metrics can be found in our earnings supplement.

Conferences revenue for the first quarter was $70 million, modestly ahead of our expectations during a seasonally small period. We had two successful launches in the quarter: our CFO and Finance Executive Conference in Australia; and our Data & Analytics Summit in Brazil. Contribution margin in the quarter was 33%, consistent with typical seasonality and reflecting investments for future growth. We held 12 destination conferences in the quarter.

First quarter Consulting revenues increased by 6% year-over-year to $135 million. On an FX-neutral basis, revenues were up 7%. Consulting contribution margin was 40% in the first quarter. Labor-based revenues were $109 million, up 12% versus Q1 of last year's reported and 13% on an FX-neutral basis. Backlog at March 31 was $188 million, increasing 17% year-over-year on an FX-neutral basis with continued booking strength.

Our contract optimization business is highly variable. We delivered $26 million of revenue in the quarter against a tough prior year compare. Consolidated cost of services increased 6% year-over-year in the first quarter as reported and 5% on an FX-neutral basis. The biggest driver of the increase was higher compensation costs.

SG&A increased 5% year-over-year in the first quarter as reported and on an FX-neutral basis. SG&A increased in the quarter as a result of headcount growth and higher compensation costs.

EBITDA for the first quarter was $382 million, up modestly from last year. First quarter strength compared to our guidance reflected modest revenue upside, effective expense management and a prudent approach to our initial guidance. Depreciation in the quarter of $26 million was up about 10% compared to 2023.

Net interest expense, exclusive deferred financing costs in the quarter, was $18 million. This is favorable by $9 million versus the first quarter of 2023 due to higher interest income on our cash balances. The modest floating rate debt we have is fully hedged through the third quarter of 2025.

The Q1 adjusted tax rate, which we use for the calculation of adjusted net income was 20% for the quarter. The tax rate for the items used to adjust net income was 25% for the quarter.

Adjusted EPS in Q1 was $2.93, up 2% compared with last year. We had 79 million shares outstanding in the first quarter. This is a reduction of close to 1 million shares or about 2% year-over-year. We exited the first quarter with about 79 million shares on an unweighted basis.

Operating cash flow for the quarter was $189 million, up 15% compared to last year. CapEx for the quarter was $23 million, up modestly year-over-year.

Free cash flow for the quarter was $166 million. Free cash flow as a percent of revenue on a rolling 4-quarter basis was 18% of revenue and 72% of EBITDA. Free cash flow conversion from GAAP net income was 135%. Our free cash flow conversion is generally higher when CV growth is accelerating.

At the end of the first quarter, we had about $1.2 billion of cash. Our March 31 debt balance was about $2.5 billion. During the quarter, we closed on a new 5-year $1 billion unsecured revolving credit facility. Outstanding borrowings from the existing credit agreement were rolled over into the new unsecured revolver. The amount drawn remains fully hedged. Our capital structure is now 100% unsecured. After Moody's upgraded our credit in April, we now have three investment grade ratings from Fitch, S&P and Moody's.

Our reported gross debt to trailing 12-month EBITDA was under 2x. Our expected free cash flow generation, available revolver and excess cash remaining on the balance sheet provide ample liquidity to deliver on our capital allocation strategy of share repurchases and strategic tuck-in M&A. Our balance sheet is very strong with $1.9 billion of liquidity, low levels of leverage and effectively fixed interest rates.

We repurchased $225 million of our stock during the first quarter. We expect the Board will continue to refresh the repurchase authorization as needed going forward. At the end of March, we had about $830 million authorized for repurchases. As we continue to repurchase shares, our capital base will shrink. Over time, this is accretive to earnings per share and, combined with growing profits, also delivers increasing returns on invested capital.

We are raising our full year guidance on an FX-neutral basis to reflect Q1 performance. The dollar has gotten stronger since we reported in February, which is also incorporated into the guidance.

For Research, we continue to innovate and provide a very compelling value proposition for clients and prospects. Executives and their teams face uncertainty and challenges, and they recognize how Gartner can help, regardless of the economic environment.

For Research revenue, based on Q1 results and our outlook for the balance of the year, our guidance on an FX-neutral basis is unchanged. The guidance also reflects the CV growth rate reaccelerating this year. New business strength and improvements in retention would lead to upside to our guidance. And Research subscription revenue growth will likely lag CV growth reacceleration by about a quarter or 2 on an FX-neutral basis.

The nonsubscription revenue outlook continues to reflect the shift to higher-quality traffic sources we discussed last quarter. We saw pricing stabilizing over the past few months. An improvement in pricing would represent upside to the guidance.

The first quarter for Conferences is seasonally small. We continue to expect strong performance for the full year. We expect similar seasonality to what we saw in 2023 with Q4 the largest quarter, followed by Q2.

For Consulting, we continue to see demand on our labor-based services in areas like digital transformation and cost optimization. Contract optimization has had several very strong years and is highly variable. We've incorporated a prudent outlook for this part of the segment.

For consolidated expenses, we are investing for future growth, even as we have taken a balanced view of the timing of revenue flowing into the P&L. We recommend thinking about expenses sequentially with notable seasonality driven by the conferences calendar and merit increases.

As a reminder, about 1/3 of our revenue and operating expenses are denominated in currencies other than the U.S. dollar. With the strengthening dollar, we now expect FX-neutral growth to be higher than reported growth by about 0.5 point for revenue and around a full point for EBITDA for the full year.

Our updated 2024 guidance is as follows. We expect Research revenue of at least $5.115 billion, which is FX-neutral growth of about 5%. First quarter results were about in line with our expectations. We updated for the stronger dollar.

We expect Conferences revenue of at least $560 million, which is FX-neutral growth of about 11%. We expect Consulting revenue of at least $525 million, which is growth of about 3% FX neutral. The result is an outlook for consolidated revenue of at least $6.2 billion, which is FX-neutral growth of 5%.

We now expect full year EBITDA of at least $1.455 billion, up $35 million from our prior guidance before the effect of a stronger dollar. We expect typical operating expense seasonality to continue through the rest of the year. We now expect 2024 adjusted EPS of at least $10.90.

For 2024, we now expect free cash flow of at least $1.08 billion, up $15 million from our prior guidance. The higher free cash flow reflects a conversion from GAAP net income of 139%. Our guidance is based on 79 million fully diluted weighted average shares outstanding, which reflects the repurchases made through the end of March. And finally, for the second quarter, we expect adjusted EBITDA of at least $390 million.

Our financial performance started the year ahead of our plan, despite continuing global macro uncertainty and a dynamic tech vendor market. CV grew high single digits in the quarter, and we expect CV growth to reaccelerate from the first or second quarter of this year.

Revenue and EBITDA performance exceeded our expectations, we increased our operating guidance and incorporated the stronger U.S. dollar into the outlook.

Free cash flow was strong in the quarter, and we increased the guidance for the full year. We repurchased about $225 million in stock year-to-date through March and remain eager to return excess capital to our shareholders. We will continue to be price sensitive, opportunistic and disciplined.

Looking out over the medium term, our financial model and expectations are unchanged. With 12% to 16% Research CV growth, we will deliver double-digit revenue growth. With gross margin expansion, sales costs growing about in line with CV growth and G&A leverage, we will expand EBITDA margins modestly over time.

We can grow free cash flow at least as fast as EBITDA because of our modest CapEx needs and the benefits of our clients paying us upfront. And we'll continue to deploy our capital on share repurchases, which will lower the share count over time and on strategic value-enhancing tuck-in M&A.
With that, I'll turn the call back over to the operator, and we'll be happy to take your questions. Operator?

Question and Answer

Operator

[Operator Instructions] And our first question will come from Jeff Meuler from Baird.

Jeffrey P. Meuler
Robert W. Baird & Co. Incorporated, Research Division

Hello? Can you hear me?

Operator

Yes, sir, we can hear you now.

Jeffrey P. Meuler
Robert W. Baird & Co. Incorporated, Research Division

Yes. Sorry about that. Was hoping you could give more perspective on GTS new business sold trends, and I'm obviously keying in on the year-over-year being a bit weaker this quarter than last.

And I think that was one of the factors that you were pointing to for confidence in the CV reacceleration during 2024. So just any perspective? Did it soften at all later in the quarter? Was it consistent with your plan?

Craig W. Safian
Executive VP & CFO

Jeff, it's Craig. Thank you for the question. On the new business side, again, you need to really differentiate between what we're seeing from a tech vendor perspective and what we're seeing on the enterprise function leader portion of the GTS business.

And what we saw was GTS new business for enterprise function leaders was up low single digits year-over-year in the quarter and it was down a little bit year-over-year on the tech vendor side. And so those two dynamics are really what hit us in the first quarter.

I would say just on the tech vendor side, and I'm sure we'll talk about this quite a bit as we work through the questions, that we highlighted in February that we had a larger-than-normal amount of contracts coming up for renewal on the tech vendor side. Those were typically 2- or 3-year deals, and so they hadn't been touched in a few years. And obviously, the tech market is very different today than it was a few years ago.

And generally, what we're seeing, particularly with our medium to larger-sized tech clients, is they are staying with us, but there is some -- still some recalibration. And what that means is there's less new business than normal on those renewals.

Out over the medium term and long term, we expect our tech vendor business to be a 12% to 16% grower, but we're still, and again, you guys can often read the headlines as well as we can, we're still in a pretty challenging tech vendor end market.

Gene, I don't know if you want to add.

Eugene A. Hall
CEO & Director

The only thing to add is that our sales to new logos in tech vendors has been strong. And so what Craig reflected is that it's not the new logos that's actually been strong. It's when we have a renewal, how much of -- how many digital seats they buy.

Jeffrey P. Meuler

Robert W. Baird & Co. Incorporated, Research Division

Okay. And then just on retention, obviously, we have your publicly reported metrics, and just want to recognize that you had previously called out the outsized renewals for tech vendor this quarter.

So the question, I guess, is if I -- if you isolate just the business that comes up for renewal in a period, is the -- are the renewal rates now largely stable kind of quarter-to-quarter at this point that you just needed to get through the tail of those renewals? I'm just trying to, I guess, just figure out how stable it is on what's coming up for renewal.

Craig W. Safian
Executive VP & CFO

Yes. I think, Jeff, it's a great question. We have seen some stability in the retention rates. And generally, if you look at our NCVI in any given quarter, it's a combination of what did we renew and how much new business we sold.

And with Q1 being a seasonally very small new business quarter, historically, it's always been that way, coupled with the disproportionate amount of tech vendor contracts we had coming up for renewal, the reason we highlighted that in February is because that makes for a tough math, if you will, on NCVI in a given quarter.

We are seeing retention rates stabilize. We do see a strong pipeline across the board in both GTS and GBS. And so again, we firmly believe that contract value growth is going to reaccelerate this year, as we indicated in our prepared remarks. And stable retention rates will certainly be an ingredient in that reacceleration.

Operator

And our next question will come from Toni Kaplan from Morgan Stanley.

Toni Michele Kaplan
Morgan Stanley, Research Division

I was hoping you could just comment on the first part of the last question, the recalibration and seats as contracts come up for renewal. Are you seeing the large enterprise clients reducing seats? Or was that more of a comment around the tech vendor?

And basically, if you could give sort of an outlook on how you think the tech vendor trends go from here and what percent of business is related to tech vendor at this point. You probably gave it. I just missed it.

Eugene A. Hall
CEO & Director

Toni, it's Gene. There's a couple of things going on. One is in the small end of the market, the companies that got funding 2 or 3 years ago that are now coming up for renewal, many of those companies are having difficulty getting funding for two reasons.

One is that the interest rates are higher. The second is there's been a big shift to where venture capitalist want to fund AI. Not surprised that AI start-ups compared to the software start-ups they were funding 2 years ago. And so we're seeing kind of as those come up for renewal, the ones that aren't getting funding don't do as well. And that's why new logos are doing well through selling to the AI start-ups.

And then you have the large end of the market, where we have different front going, where they're laying off tens of thousand people. And so they're -- it's a tougher selling environment than it has been in the past.

As Craig mentioned, Q1 is our worst quarter in terms of just look at the SKU of renewals in terms of the most -- the largest number of those renewals coming up, and so we expect to get better through the year.

Craig W. Safian

Executive VP & CFO

And then, Toni, just for context, the tech vendor CV is a little less than 25% of total CV, which is pretty consistent with where we've been over the last several quarters.

Toni Michele Kaplan
Morgan Stanley, Research Division

Yes. Okay. Great. And then wanted to ask on AI. You've said in the past that it hasn't generated extra demand, and that it's just sort of another topic that clients are interested in. I guess, why shouldn't you see increased demand for additional seats across both GTS and GBS?

It seems like it's a topic that more people within the organization would probably need to learn more about. And so -- and then maybe any ways you've been able to utilize AI for efficiency or selling purposes?

Eugene A. Hall
CEO & Director

So Toni, there's a broad level of interest in AI across each of our functional areas. So whether it's IT, marketing, sales, finance, legal, every single function has a very high interest in AI, and we have a large research team that is focused on making sure we understand the applications in AI in each of those functional areas. And so we have a large installed base of existing clients. Most of those clients are -- the existing clients are looking at our AI research and using it.

When we sell to new client, they also -- that's a very hot topic they want to talk to us about it, and it is a good reason to close a sale. If I contrast it though, like 2 years ago, about even cloud computing, that was -- AI wasn't the hot topic, cloud computing was.

And so the topic has shifted, and it's a very high level of interest, just as cloud computing was 2 or 3 years ago. And so it's not like that we didn't have demand, just all of a sudden increased demand. It kind -- has kind of taken the place of things that were in the past.

And again, as we -- and the other thing I'd say is companies are now just kind of trying to figure out whether it's relevant, what the trade-offs are, what the cost is. And I think that this could gather momentum over time as they sort these kinds of things out.

It's good for us no matter how you look at it. But it's not like we had no business, and this is going to lead to a step change. It's more like it's substituted other things that we're helping with. Again, if you think about the margin over time, it will be a net plus.

And with regard to internal usage, we have a number of internal uses that we are using mainly with data analytics, having very sophisticated machine learning algorithms and neural networks in terms of understanding our business. That's one of the big applications we have for it.

Operator

Our next question comes from Heather Balsky from Bank of America.

Heather Nicole Balsky
BofA Securities, Research Division

I'd love to touch on your, I guess, I'll call it guidance that you still think CV should start to accelerate, either after this quarter or after next quarter. It sounds like the selling environment got tougher. We're still seeing layoffs in the tech industry. I'm just curious what you're seeing right now that still gives you confidence that this is the year we see the inflection?

And also just kind of -- was there anything in the first quarter that kind of was a positive sign in your view, realizing that 1Q is kind of a lighter quarter generally in your business? But just help us get the conviction you have in the inflection.

Eugene A. Hall

CEO & Director

Heather, let me start. So our -- Q1, our enterprise function leaders CV grew 10%, so it was a little tougher economic environment. Decisions got pushed. We still grew 10% in that kind of environment.

The second thing is we talked about the tech sector, we had a -- particularly, we had a lot more renewals from 2 or 3 years ago that's coming up and finishes later in the year.

And the third thing is if we look at our go-forward sales pipeline, our go-forward sales pipeline is very robust. And so those are the kinds of things that give us confidence that the outlook that we gave is very accurate.

Craig W. Safian
Executive VP & CFO

Well, I think -- and just to add to that, Heather, our sales force continues to come up the 10-year curve. And so every day, they're a little bit more experienced and a little bit more tenured. And that gives us confidence around the reacceleration.

And I think also, we are a learning company that are very agile. And even in a tougher environment, we are always working for ways to perform better in that tougher environment. And we learned a lot from prior dislocations. We've learned a lot even from the last couple of quarters, and we were applying those things. And we believe that actually will have a positive impact and help fuel that reacceleration as well.

Heather Nicole Balsky
BofA Securities, Research Division

And another question we got. You talked about the heavy renewals in the quarter, and you've warned us about that. As you think about the renewals coming from the, I guess, sort of peak period for the tech vendor space, how does the rest of the year look in terms of the renewals coming up?

Craig W. Safian
Executive VP & CFO

Yes. I mean, it's -- so obviously, it's got to add up to 100% over the course of the year. And so we were a little overweighted in the first quarter on those tech vendor renewals, and it's much more even over the balance of the year. And again, it's another reason that gives us confidence.

So if you look at the way the renewals work and the way our new business ramps over the course of the year, that's what gives us confidence that either coming off of Q1 or Q2, you will see the reacceleration in the total contract value growth rate.

Operator

And our next question will come from Andrew Nicholas from William Blair.

Andrew Owen Nicholas
William Blair & Company L.L.C., Research Division

I wanted to first ask on operating expenses. Pretty significant upside to your adjusted EBITDA outlook on Q1. Just wondering where the major drivers were relative to your expectations in terms of spend. Any areas in particular where you're getting a bit more efficiency than you had expected and maybe what that means for operating expenses going through the rest of this year?

Craig W. Safian
Executive VP & CFO

Andrew, I'd say the OpEx favorability was pretty broad based. It wasn't any one particular area where we harvested significant savings. I would say the FX rate actually helped a little bit there, too. It obviously hurts on revenue, but helps on expenses.

And so we have dialed in the savings in the areas that we saw in Q1. Some of that is timing. Some of that, we're going to catch up on. And some of that is real savings. And so the new guidance reflects what we learned from Q1 from an OpEx perspective.

But don't overlook the foreign exchange. As we talked about, the dollar has strengthened quite a bit. And about 1/3 of our operating expenses are denominated in currencies outside of the U.S. dollar. And so those pretty large movements can actually impact the reported OpEx and revenue pretty significantly, but again all reflected now in the new guide.

Andrew Owen Nicholas
William Blair & Company L.L.C., Research Division

Got it. That's helpful. And then I wanted to ask about Conferences. I think you said you added two new Conferences in the first quarter. Can you just kind of talk about where you sit in terms of your plans on the Conference build out front?

I know you had hoped to have, at some point in the future, a conference in every single region for every single kind of GBS and GTS seat. So if you could just kind of update us on that progress and the momentum in building out that plan.

Craig W. Safian
Executive VP & CFO

Yes. And so that is still the plan, right? Strategy is for us to have destination conference for every major constituency that we serve, role that we serve on every major region or geography in which we operate. And I think the two launches in the first quarter, while small, are indicative of that.

And so we've expanded our finance, our CFO conferences to Australia in the first quarter, again, sort of building out that portfolio. And we brought back a Data & Analytics Summit in Brazil, again, because we've got a large business in Brazil, and there's demand for data and analytics.

This year, 2024, we're going from 47 conferences last year to 51 in 2024. I would expect us to have a similar sort of build over the next several years as we continue to build out the Conferences portfolio to support the Research business.

Eugene A. Hall
CEO & Director

The other thing we're doing to Andrew, too, is for some of these existing conferences, we're moving to larger venues, so that we actually can accommodate the incremental demand that we're seeing, which is substantial.

Operator

And our next question will come from Josh Chan from UBS.

Joshua K. Chan
UBS Investment Bank, Research Division

Is there a way to estimate how much the elevated renewals in Q1 impacted your CV growth? And I guess, relatedly, absent this elevated renewal impact in Q2, how should we think about the NCVI in Q2 as compared to last year, which should theoretically be a pretty easy comparison, I think?

Craig W. Safian
Executive VP & CFO

Thanks. Josh, so again, I think the combination, as we talked about, of more than normal contracts coming up for renewal against our smallest new business quarter is really -- and the continued tech vendor challenges is really the story around the Q1 NCVI and the Q1 CV growth.

As you think about moving through the year, the simple way that I think about whether CV growth accelerates or not is just comparing an expectation to your point on what the quarter NCVI is going to be in this year compared to what the NCVI was last year. And so roughly speaking, last year, in the second quarter, we did around $40 million worth of NCVI across GTS and GBS.

For the contract value growth to reaccelerate in Q2, we have to do modestly more than that on a dollar basis year-over-year. Again, if you look at the same number for Q3 where I think Q3 of last year, we did order of magnitude around $100 million of NCVI in the third quarter, we have to do modestly more than that in the third quarter of 2024 to continue the reacceleration.

And so, again, as we've talked about sort of when we think the reacceleration is going to happen, clearly, the renewal mix -- or the contracts coming up for renewal mix, coupled with our new business, normal expectations, coupled with looking at our pipeline, looking at conversion rates, looking at pipeline velocity, et cetera, that's what gives us confidence that we will see a reacceleration coming off of either the Q1 or the Q2 number.

Joshua K. Chan
UBS Investment Bank, Research Division

Great. I guess, on my follow-up on your sales force tenure, how do you think about the idea of the tenure improving into a time when the environment is not yet fully robust? Do you have to work harder on retaining, so that you can fully take advantage of the sales force when the environment does cooperate? How do you think about that?

Craig W. Safian
Executive VP & CFO

Yes, it's a great question. So obviously, when we talk about average productivity and what we've seen historically, those are generally measured in more "normal" operating environment. And so clearly, when it's more challenging from an operating environment perspective, we can see some of the productivity measures or at least the final output productivity measures a little more muted.

We also measure the inputs that go into sales. And so how many opportunities are being added? How quickly are those things advancing through the pipeline? How often are salespeople and service people interacting with their clients? How many prospects are we getting to webinars or the conferences and things like that?

So there are other measures beyond just the pure NCVI measure, which is sort of the ultimate measure, but there are other measures that we can look at that give us confidence that our sellers are getting more at that and more experience and are coming up the tenure curve. And then when the economy does stabilize or perhaps even improve, we should be able to see the benefits from that.

Operator

Our next question comes from Manav Patnaik from Barclays.

Manav Shiv Patnaik
Barclays Bank PLC, Research Division

Craig, in your prepared remarks, you made a comment around pricing stabilized, that it could be upside to guidance if it improves. So I was just hoping you could just give a little bit more detail on what the pricing, I guess, year-over-year growth is today versus historical. And were you implying that you guys might be raising prices here again?

Craig W. Safian
Executive VP & CFO

Manav, just for clarity's sake, the pricing stabilization comment was really specifically about the nonsubscription part of our Research business. And so as you recall, coming out of last year, on our

February call, we talked a lot about focusing on higher-quality traffic. And by doing that over the medium to long term, we would expect to see improvements in pricing.

And so what we saw in the first quarter is some stabilization to pricing, which, again, we view as positive. And as we continue to focus on that higher-quality traffic, if it does convert into better pricing there, that would reflect upside to the existing guidance.

Eugene A. Hall
CEO & Director

And Manav, the pricing in our subscription business has been completely stable, so there's been no issue there.

Manav Shiv Patnaik
Barclays Bank PLC, Research Division

Okay. Got it. And then just one quick one. I think the enterprise count is down about 4% year-over-year. I'm guessing a lot of that was the tech vendor challenges you talked about. But just in context of your CV acceleration you're expecting, can you just remind us again of your hiring plans for the quota-bearing sales force?

Craig W. Safian
Executive VP & CFO

Yes. Sure, Manav. Happy to provide that color. So on the enterprise count, your hypothesis is spot on. It's more -- and Gene alluded to this earlier in our prepared remarks. It's just more churn in the small tech space. And again, to Gene's point, we are adding new logos in the small tech space, and we're actually doing pretty well there and holding up pretty well, but it's not offsetting the losses.

And again, as Gene laid out, the challenges that a lot of these clients had where they had funding 2 years ago, when they sign the contract and obviously may not today. And so that's really the prime story on the enterprise count.

On headcount growth, we continue to target mid- to high single-digit QBH growth by the end of this year. And again, the combination of the size of the army we had entering the year, people coming up the tenure curve and that mid- to high single-digit growth in QBH should set us up -- or will set us up to continue to accelerate contract value growth rolling into 2025.

Operator

And our next question comes from Surinder Thind from Jefferies.

Surinder Singh Thind
Jefferies LLC, Research Division

Just following up on some of the tech vendor questions here. On an absolute dollar basis for CV for tech vendor, is the idea that we're close to stabilizing at this point? Or how should we think about the trajectory over the course of the year as you think about CV growth reaccelerate? So is the primary determinant of that where CV for tech vendor ends up? Or how should we think about that?

Craig W. Safian
Executive VP & CFO

Surinder, I think it's a combination across the portfolio that will fuel the reacceleration for CV. I mean, clearly, tech vendor needs to be a piece of that. It's about 25% of total CV.

But we also see opportunity for acceleration across the enterprise function leader portion of our business as well. As Gene highlighted, that continues to grow at around 10% combined, so pretty strong growth in a challenging environment.

But essentially, I think we believe the -- well, I shouldn't say the tide will lift all three businesses, but all three portions of the CV base should see improvement that lead to the reacceleration of growth.

Surinder Singh Thind
Jefferies LLC, Research Division

Got it. But as a clarification, is CV for tech vendor assume to inflect positive at any point in your guidance at this point?

Craig W. Safian
Executive VP & CFO

Surinder, we generally don't guide around contract value. And so, yes, I can't answer that specifically. All I would say is from either the Q1 or Q2 point, we expect total CV to begin to reaccelerate. And certainly, tech vendor CV will contribute there.

Surinder Singh Thind
Jefferies LLC, Research Division

Got it. And then just a quick follow-up on the nonsubscription pricing stabilization. It sounds like it stabilized fairly quickly or in the last few months. Is that a fair characterization? And then could the opposite also happen is how quickly could you potentially see improvement? Is that something that we could start to see in the back half of the year? Or how should we think about the potential for when pricing may reaccelerate or normalize?

Eugene A. Hall
CEO & Director

Yes. Surinder, great question. So the pricing is based on the -- what we're calling the quality of the leads, which is basically the proportion of leads that we send that turn into actual clients. And so -- and analyzing it, we've determined that increasing that proportion actually increases prices. But what happens is you send the vendor the lead, they have to actually close the deals. And so there's a lag time between when you send a better lead and when the pricing goes up.

And so we certainly -- we believe the pricing will go up as we increase quality leads. Exactly when that happens is hard to predict because of the dynamic I just talked about. The companies actually have to get the leads, close them, realize that they got that business and then reflect that in their pricing.

Operator

Our next question will come from George Tong from Goldman Sachs.

Keen Fai Tong
Goldman Sachs Group, Inc., Research Division

Can you discuss how tech vendor trends performed moving through the quarter in the month of April? Are trends still trying to find the bottom? Have you seen any stabilization? Or are you seeing early signs of a positive inflection?

Craig W. Safian
Executive VP & CFO

George, I don't think there's anything really to call out month-to-month. I mean, our business, as you know, tends to be very heavily weighted towards the last month of the quarter. And so it's hard to draw inferences or conclusions from Jan to Feb to March, et cetera.

I guess, all I'd say is we expect that total CV will reaccelerate coming off of either Q1 or Q2. And again, as we just discussed with Surinder, tech vendor will be a piece of that reacceleration.

Keen Fai Tong
Goldman Sachs Group, Inc., Research Division

Okay. Got it. And then with respect to margins, you raised your EBITDA margin outlook for the year from 23% to 23.5%. Typically, revenue upside is what drives the margin upside, and expenses are stable at this point. So what's driving your improved margin outlook? And what are your latest thoughts on what normalized EBITDA margin should be?

Eugene A. Hall
CEO & Director

Yes. George, great question. So spot on, on your assessment. I guess, I would say a couple of things. So one is that, clearly, our margins are structurally higher today than they were in 2016 or 2019. As you know, there are a lot of factors that can influence margins on a quarter-to-quarter basis or over the course of the year.

As it stands right now with coming out of Q1, sort of putting aside foreign exchange for a little bit, we modestly outperformed our expectations or our operating plan on revenue and then had modest upside from an OpEx perspective as well. We have flowed that through the balance of the year, and what you see is a guidance that implies a 23.5% EBITDA margin for the year -- for 2024.

In terms of how to think about future years, we're only 1 quarter into 2024. We'll give 2025 guidance in February of 2025. But again, a framework or a way to sort of think about it is with the QBH growth that were -- we've got baked into the 2024 plan, we're growing our expenses in high single digits. And that's obviously consistent with our medium-term framework on how we want to run this over the long term to drive long-term sustained double-digit top line growth.

Obviously, today, with decelerating CV, that puts a little bit of pressure on the margins as the revenue growth is not as great as the expense growth. That said, we're really disciplined around where we're spending and how we manage our expenses. And we're finding that balance between delivering on our margin expectations and making sure that we are investing appropriately to drive future growth.

And then the last thing I'd say is over the medium to long term, there is operating leverage in the business, and we expect to modestly expand our margins each and every year over the medium to long term.

Operator

And we will take our last question from Jeff Silber from BMO Capital Markets.

Ryan Christopher Griffin
BMO Capital Markets Equity Research

This is Ryan on for Jeff. On the renewal activity over the past couple of quarters, can you compare the terms of those renewals to all the new business you signed 2, 3 years ago? In particular, are you seeing greater preference for longer contracts? And then what sort of price escalators are typically embedded in there, if anything worth calling out?

Craig W. Safian
Executive VP & CFO

Ryan, I'd say it's been pretty stable and normal. So our standard contract is essentially a 2-year contract. I think somewhere around 70% of our contract value are multiyear contracts, 2 or 3 years, but the bulk of them are actually 2-year.

To your point, we do build price escalators into those multiyear contracts and sort of aligns with what our pricing expectation is when we sign the contract. So think an escalator of between 3% and 5% on the anniversary of those contracts.

And I'd say in this environment, we're selling roughly same amount of multiyear contracts that we sold 12 months ago or 18 months ago. The team is very focused on continuing to improve that number. It's just -- it's great for our economics, and it's actually great for our clients as well because their challenges are not bounded by a 12-month time frame.

They're bigger than that. So signing 24-month contracts or 36-month contracts makes sense both from our business model perspective, but almost as importantly, or more importantly, from a client perspective, and that hasn't really changed.

Ryan Christopher Griffin
BMO Capital Markets Equity Research

Got it. And then just on the quarterly cadence, what are the meaningful hiring quarters this year? And then just more broadly, how is the hiring market currently for tech talent?

Eugene A. Hall
CEO & Director

So let me start with the tech talent market. So our turnover is very, very low. It's near record lows. And so that's really good for us because it helped increase tenure. On the hiring side, we have a great associate value proposition and a great recruiting team that does an incredible job communicating that value proposition.

And so we get a lot of demand. Just in the prior report, we get approximately 200 applicants for every single job. And if you benchmark that, that is way off the charts. And so we're a very, very attractive employer. And that looks -- this combination of being a very attractive employer lets us hire great people. And then once we're here, we retain them, which is why we have such low turnover.

And we work this issue on both the recruiting side and the retention side of our associates. And so that keeps getting better and better over time, which is one of the things that's driving associate tenure up which, in turn, over time, drives productivity up.

Craig W. Safian
Executive VP & CFO

And then, Ryan, on the timing of the phasing, hiring dates can be -- they can happen on June 29, and they're in the second quarter number or they could happen on July 1 and then they're in the third quarter number. We're very focused on making sure that we hire the right amount of people over the course of this year, so that we enter 2025 with the right number of sellers ready to go.

And so when we talk about the mid- to high single-digit year-over-year growth in quota-bearing hires across GTS and GBS, that's really a December to December measure. But that's really the most important measure because the people we hire over the course of 2024 don't have a huge impact on 2024.

But if we have them in seat and trained, with a little bit of experience rolling into 2025, they can actually have a meaningful impact on 2025 and 2026 and beyond. So as you think about the QBH growth of mid- to high single digits, that's really where we want to end the year 2024, so that we're very well positioned as we start 2025.

Operator

And that does conclude our question-and-answer session for today's conference. I'll now turn the call back over to Gene Hall for any closing remarks.

Eugene A. Hall
CEO & Director

Well, here's what I'd like you to take away from today's call. Gartner delivered financial results ahead of expectations and 10% contract value growth with enterprise function leaders. We have a vast addressable market opportunity. We have a strong value proposition.

Looking ahead, we're well positioned to continue our sustained record of success far into the future. We'll continue to create value for our shareholders by providing actual objective insights to our clients, prudently investing for future growth, generating free cash flow well in excess of net income and returning capital to our shareholders through our repurchase program.

Thanks for joining us today, and we look forward to updating you again next quarter.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect. Everyone, have a wonderful day.