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MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by, and welcome to Gartner’s Fourth Quarter 2020 Earnings Conference Call. At this time, all participant lines are in a listen-only mode. After the speakers’ presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today’s conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your speaker today, David Cohen, Gartner’s GVP of Investor Relations. Thank you. Please go ahead, sir.

**David Cohen**  
*Group Vice President-Investor Relations, Gartner, Inc.*

Good morning, everyone. We appreciate you joining us today for Gartner’s fourth quarter 2020 earnings call and hope you’re well. With me on the call today are Gene Hall, Chief Executive Officer; and Craig Safian, Chief Financial Officer. This call will include a discussion of fourth quarter 2020 financial results and Gartner’s outlook for 2021 as disclosed in today’s earnings release and earnings supplement, both posted to our website, investor.gartner.com. Following comments by Gene and Craig, we will open up the call for your questions. We ask that you limit your questions to one and a follow-up.

On the call, unless stated otherwise, all references to EBITDA are for adjusted EBITDA with the adjustments as described in our earnings release. All growth rates in Gene’s comments are FX neutral, unless stated otherwise. Reconciliations for all non-GAAP numbers we use are available in the Investor Relations section of the
gartner.com website. Finally, all contract values and associated growth rates we discuss are based on 2020 foreign exchange rates, unless stated otherwise.

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 2019 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
Chief Executive Officer & Director, Gartner, Inc.

Good morning and thanks for joining us. 2020 was an extraordinary year. The COVID-19 pandemic, global macroeconomic conditions, social unrest and geopolitical changes, all posed significant challenges to enterprises around the world. In this context, Gartner delivered a strong performance across contract value, revenue, EBITDA and free cash flow.

As many of you know, we entered 2020 with a financial plan to align costs with revenues. By executing this plan and taking swift cost actions when the pandemic first began, we quickly stabilized our financial position. We maintained disciplined cost management throughout the year [ph] while withdrawing (02:49) investments to support future growth. We successfully pivoted our global workforce to operate effectively in a remote environment. We grew our capability in key functions across our business. We drove strong operational execution and we were extremely agile in serving our clients, pivoting our content to address critical contemporary issues such as the pandemic, remote work environments, cost optimization and business continuity. We are well-positioned to spring back quickly as the macroeconomic environment improves.

Our performance improved in Q4 compared to earlier in 2020. We delivered strong performances in GBS contract value, Research revenues, EBITDA and free cash flow. Research is our largest and most profitable segment. It is a vast market opportunity across all sectors, sizes and geographies. Our Research segment serves executives and their teams across all major enterprise functions in every industry around the world. We are uniquely positioned to support leaders enterprise-wide on hundreds of critically important topics. Topics with the highest interest during Q4 included data and analytics, cost optimization and talent management.

Global Technology Sales, or GTS, serves leaders and their teams within IT. For the full year 2020, GTS contract value grew 4%. Our key underlying metrics have improved each quarter since Q2. Fourth quarter 2020 contract value from new logos was up from a year ago while cancels were about the same. Our existing clients continue to increase their spend. However, it was a slower pace than in 2019. This was the biggest factor impacting our growth in the quarter.

Client engagement continued to be strong with both content and analyst interactions up 30% versus 2019. We saw strong performances across several regions and industries including tech, retail and services. Some of the topics with the highest interest included digital transformation, application development, cloud management and the digital workplace. We expect GTS contract value growth to accelerate in 2021 and return to double-digit growth in the future.

Global Business Sales, or GBS, serves leaders and their teams beyond IT. This includes HR, supply chain, finance, marketing, sales, legal and more. GBS contract value continued to perform well throughout the year with
contract value growth of 7%. New business growth was a very strong 26% in the quarter, driven by our GxL product line. The sales, finance and HR practices all ended Q4 with double-digit growth rates and all practices with the exception of marketing contributed to GBS’ growth. Across our entire Research business, we practice relentless execution of proven practices and we’re seeing the results of our efforts. Our Research business is well-positioned to return to sustained double-digit growth over the medium term.

Turning to Conferences. As many of you know, our Conferences segment had great momentum coming out of 2019, but was hard hit in 2020 by the global pandemic. To replace our traditional in-person destination conferences, which were no longer possible in 2020, we pivoted to virtual conferences. The performance of these conferences exceeded our expectations in 2020. And now, with several months experience under our belt, we've got a set of best practices that we'll continue to refine. Our value proposition for virtual conferences remains the same as for in-person conferences. We deliver extraordinarily valuable insights to an engaged and qualified audience. Beyond virtual conferences, operationally, we're preparing to return to in-person conferences in the second half of 2021.

Gartner Consulting is an extension of Gartner Research. It helps clients execute their most strategic initiatives through deeper, extended project-based work. Our Consulting segment was also impacted by the pandemic with revenues down 12% in Q4 and 5% for the full year 2020. Over the past several years, we've made great progress in our Consulting business and it will continue to serve as an important complement to our IT Research business.

Company-wide, we continue to strengthen our stance against racism and discrimination. We appointed a new leader of diversity, equity and inclusion. We established a Center of Excellence dedicated to improving in this area. And we strengthened our employee resource groups, which helped remove barriers for diverse populations and support associate engagement.

Sustainability is an important factor in how we manage our business. For example, we've signed contracts for our Stamford headquarters and our UK hub to be powered by 100% renewable energy. We'll be eliminating single-use plastics across our offices. And finally, we're benchmarking our environmental footprint and development programs to minimize it over time.

Summarizing, we performed well in the context of a pandemic. Looking ahead, we are well-positioned for sustained growth. We expect to return to revenue growth in 2021 and are on track to return to double-digit CV and revenue growth thereafter. We expect to deliver 2021 EBITDA margins up 2019 and to further expand margins over time. We generate significant free cash flow in excess of net income, which we'll deploy to return capital to our shareholders through share repurchases and make strategic tuck-in acquisitions.

With that, I'll hand the call over to Craig. Craig?

Craig W. Safian
Executive Vice President & Chief Financial Officer, Gartner, Inc.

Thank you, Gene, and good morning. I hope everyone remains safe and well. Fourth quarter results were ahead of our expectations, headlined by a strong performance in GBS, better than planned cost management and outstanding free cash flow generation. As our 2021 guidance highlights, we expect total revenue to increase versus 2020 while also positioning Gartner for return to strong growth.

Looking out over the medium term, we continue to expect double-digit CV and revenue growth, modest margin expansion and strong free cash flow generation. Because we can fund growth investments, we have ample capital to return to shareholders and to deploy to strategic tuck-in acquisitions when we find the right
opportunities. Our board authorized an additional $300 million for repurchases, bringing the total available to around $860 million.

Reviewing our year-over-year financial performance for the full year 2020, total contract value increased 4%, total FX-neutral revenue was down 3%, FX-neutral adjusted EBITDA increased 20%, diluted adjusted EPS was a strong $4.89 and free cash flow was $819 million, up almost 100% from 2019. We did see some timing benefits, which I will discuss a bit later.

Fourth quarter revenue was $1.1 billion, down 8% as reported and 9% FX-neutral. Excluding Conferences, our revenues were up 2% year-over-year FX-neutral. In addition, total contribution margin was 68%, up more than 580 basis points versus the prior year. EBITDA was $245 million, up 13% year-over-year and up 10% FX-neutral. Adjusted EPS was $1.59 and free cash flow in the quarter was a robust $237 million.

Research revenue in the fourth quarter grew 5% year-over-year as reported and 4% on an FX neutral basis. Fourth quarter Research contribution margin was 72%, benefiting in part from the temporary cost avoidance initiatives we put in place starting in the first quarter of 2020. Total contract value grew 4% FX neutral to $3.6 billion at December 31. This was the highest contract value in Gartner history, a notable achievement in a challenging year. For the full year 2020, Research revenues increased by 7%, both on a reported and FX neutral basis. The gross contribution margin was 72%, up about 240 basis points from the prior year.

Global Technology Sales contract value at the end of the fourth quarter was $2.9 billion, up almost 4% versus the prior year. The selling environment continued to improve in the fourth quarter, but we are still seeing less upsell with existing clients than normal. Our clients are staying with us, but not adding as much incremental CV as we've historically seen given the challenging economic environment. Moving forward, we expect win-backs and a return to more expansion with existing clients to contribute to growth in 2021, consistent with our experience coming out of the last downturn. By industry, CV growth was led by technology, retail and services.

Wallet retention for GTS was 98% for the quarter, down about 600 basis points year-over-year. A majority of our industry group saw retention improve from the third quarter. GTS new business declined 5% versus last year, an improvement from both the second and third quarters. Our regular full set of metrics can be found in our earnings supplement.

Global Business Sales contract value was $696 million at the end of the fourth quarter. That's about 20% of our total contract value. CV increased 7% year-over-year. CV growth was led by the healthcare and technology industries. The sales, finance and human resources practices all recorded double-digit CV growth for the year. All practices contributed to the 7% CV growth rate for GBS with the exception of marketing, which was impacted by discontinued products. That said, our marketing business saw improving retention rates and a return to year-over-year new business growth in the fourth quarter.

Wallet retention for GBS was 101% for the quarter, down 43 basis points year-over-year. GBS new business was up 26% over last year, led by very strong growth in HR, finance and legal. As with GTS, our regular full set of GBS metrics can be found in our earnings supplement. Overall, GBS continued to demonstrate its resilience and strength as we exited 2020.

The Conferences segment was materially impacted by the global pandemic, as you know. During the year, we pivoted to producing virtual conferences with a focus on maximizing the value we deliver for our clients. We held 13 virtual conferences in the fourth quarter. We also held a number of virtual Evanta meetings, shifting these one-day local conferences online due to the pandemic.
Conferences revenue for the quarter was $93 million. Contribution margin in the quarter was 78%. Our fast transition to virtual conferences has been positive for the overall business. As we discussed last quarter, virtual conferences offer significant value to our research clients and prospects. And while we've shown that we can run virtual conferences profitably, it is important to recognize the different economics associated with virtual versus in-person conferences.

Similar to last quarter, I'd highlight two primary differences. First, our mix of revenue from attendees and exhibitors has essentially flipped. With the in-person format, approximately two-thirds of revenue comes from exhibitors and one-third from attendees. In the virtual format, we've seen about two-thirds of revenue come from attendees.

Second, the vast majority of our attendee revenue has continued to come from research contract entitlements as opposed to incremental tickets. I'd also highlight that our fourth quarter destination conferences have historically been our largest, most profitable conferences. In 2020, we held our biggest, most highly anticipated conferences of the year in the fourth quarter in a virtual format.

For the full year 2020, revenue decreased by 75%, both on a reported and FX-neutral basis. Gross contribution margin was 48%, down about 290 basis points from 2019 as we maintained some of our cost of service as well as SG&A despite the lower revenue. We did this to ensure we were in a position to execute our new virtual conferences and to resume in-person conferences when it is safe and permitted. Lastly, the timing of receiving conference cancellation insurance claims remains uncertain. So, we will not record any recoveries in excess of expenses incurred until the receipt of the insurance proceeds.

Fourth quarter Consulting revenues decreased by 10% year-over-year to $94 million. On an FX-neutral basis, revenues declined 12%. Consulting contribution margin was 26% in the fourth quarter, down about 160 basis points versus the prior-year quarter due to lower contract optimization revenue, which usually flows through at high margins. Labor-based revenues were $73 million, down 10% versus Q4 of last year or 12% on an FX-neutral basis. Labor-based billable head count of 730 was down 10%. Utilization was 63%, up about 300 basis points year-over-year. Backlog at December 31 was $100 million, down 14% year-over-year on an FX-neutral basis. Our backlog provides us with about four months of forward revenue coverage. Our contract optimization business was down 9% on a reported basis versus the prior-year quarter. As we've detailed in the past, this part of the Consulting segment is highly variable. Full year Consulting revenue was down 4% on a reported basis and 5% on an FX neutral basis and its gross contribution margin of 31% was up 68 basis points from 2019.

SG&A decreased 6% year-over-year in the fourth quarter. SG&A as a percentage of revenue was up year-over-year as we restored certain compensation and benefit cost and had significantly less revenue from Conferences. For the full year, SG&A decreased 3% on a reported and FX neutral basis.

EBITDA for the fourth quarter was $245 million, up 13% year-over-year on a reported basis and up 10% FX neutral. As we have seen improvements in the macro environment, we have resumed growth spending and started to restore some of the compensation and benefit programs which we have put on hold when the pandemic first hit.

Fourth quarter EBITDA benefited from several factors. First, we've continued to maintain very strong cost discipline across the company. Second, we had better than planned revenue performance in Research and Conferences, which flowed through with very strong incremental margins. Third, we had planned for an increase in certain costs, such as travel, which didn't materialize due to pandemic-related shutdowns. And, finally, we had
been conservative in our implied fourth quarter guidance given the geopolitical uncertainty due in part to the US election, rising COVID counts and a still recovering global economy. Depreciation in the quarter was up approximately $4.5 million from last year, including expense acceleration from facilities-related charges. Amortization was down about $800,000 sequentially.

Net interest expense excluding deferred financing costs in the quarter was $26 million, flat versus the fourth quarter of 2019. The Q4 adjusted tax rate, which we use for the calculation of adjusted net income, was 25% for the quarter. The tax rate for the items used to adjust net income was 28.4% in the quarter. The adjusted tax rate for the full year was 21%.

Adjusted EPS in Q4 was $1.59. For the full year, adjusted EPS was $4.89. EPS growth for the year was 25%. Note that about $7 million of equity compensation expense, which we normally would have incurred in the fourth quarter, has shifted into the first quarter of 2021. That was a benefit to fourth quarter adjusted EPS of about $0.07.

Operating cash flow for the quarter was $260 million compared to $83 million last year. The increase in operating cash flow was primarily driven by cost avoidance initiatives, improved collections and timing of tax payments. CapEx for the quarter was $23 million, down 57% year-over-year. Lower CapEx is largely a function of lower real estate expansion needs due to the pandemic.

We define free cash flow as cash provided by operating activities less capital expenditures. Free cash flow for the quarter was $237 million, which is up about 700% versus the prior year. Free cash flow as a percent of revenue or free cash flow margin was 20% on a rolling four-quarter basis, continuing the improvement we’ve been making over the past few years. Free cash flow was well in excess of GAAP and adjusted net income. Adjusted for timing and one-time benefits, 2020 normalized free cash flow margin is around 13%. We had a fantastic year for free cash flow, driven by the resiliency of the business, continued strong collections, disciplined cost and cash management and lower cash taxes and deferrals of certain tax payments.

We took a number of actions in 2020 to further strengthen our balance sheet. We had two successful bond offerings and amended and extended our credit facility. We reduced our maturity risk and our annual interest expense will be lower starting in 2021. Our December 31 debt balance was $2 billion. At the end of the fourth quarter, we had about $1 billion of revolver capacity. Our reported gross debt to trailing 12-month EBITDA is about 2.5 times.

At the end of the fourth quarter, we had $713 million of cash. We resumed our share repurchases after pausing earlier in the year, buying back $100 million in stock at an average price of $156 per share. The board recently increased our share repurchase authorization by $300 million because we have significant capacity for buybacks from cash on hand and expected free cash flow. As of February 8, we have around $860 million available for open market repurchases. We expect the board will refresh the repurchase authorization as needed going forward. We will deploy excess cash for share repurchases and strategic tuck-in acquisitions.

Before providing the 2021 guidance details, I want to discuss our base level assumptions and planning philosophy for 2021. For Research, most of our 2021 revenue is determined by our year-end 2020 contract value. As we move through the year, we will revisit the Research revenue outlook.

For Conferences, our guidance is based on being 100% virtual for the full year. Operationally, we are planning to relaunch in-person one-day events in the third quarter and in-person destination conferences starting in September. Our guidance includes fixed costs, primarily people and marketing, related to both a full year of virtual
and in-person conferences. We’ve excluded the variable costs, primarily venue-related, associated with the in-person conferences from our guidance. We’ve been able to run profitable virtual conferences in 2020 and that is reflected in our 2021 guidance. If we are able to run in-person conferences, we expect incremental upside to both our revenue and profitability for 2021. The economics in 2021 even in a partial in-person year won’t be fully back to normal. As we get closer to the go, no-go decision point, we’ll provide additional insight to sizing the incremental revenue and profits.

For Consulting revenues, the compares get easier as we move through the year. We have more visibility into the first half based on the composition of our backlog and pipeline, as usual. For expenses, we have planned for the full reinstatement of benefits that were either cancelled or deferred in 2020. This includes our annual merit increase and certain other benefits. We are also returning to growing our sales forces with planned quota-bearing head count growth in the high-single-digits for both GTS and GBS.

We have also planned for several additional programs, including technology investments. The impact of most of these expense restorations or investments impact our P&L starting in the second quarter. As you know, travel expense was close to zero from April through December. Our current plans assume a modest ramp-up in travel-related expenses over the course of 2021. Most of this ramp is built into the second half of the year. If travel restrictions remain in place for longer than we've assumed, we'd see expense savings.

Our guidance for 2021 is as follows. We expect Research revenue of at least $3.815 billion, which is growth of at least 5.9%. We expect Conferences revenue of at least $160 million, which is growth of at least 33%. We expect Consulting revenue of at least $390 million, which is growth of at least 3.6%. The result is an outlook for consolidated revenue of at least $4.365 billion, which is growth of 6.5%. Based on current foreign exchange rates and business mix, the consolidated growth includes an FX benefit of about 200 basis points.

We expect full year adjusted EBITDA of at least $760 million, which is a decline of about 7% and reported margins of at least 17.4%. This is based on conferences running virtual-only. We expect our full year 2021 adjusted net interest expense to be $102 million. We expect an adjusted tax rate of around 22% for 2021. We expect 2021 adjusted EPS of at least $4.10. For 2021, we expect free cash flow of at least $630 million. This is before any insurance proceeds related to 2020 conference cancellations.

It is also important to note that we have revalued our contract value at current year FX rates, which had a modest overall impact. Our 2020 ending contract value at 2021 FX rates is $2.9 billion for GTS and $706 million for GBS. Details are included in the appendix of the earnings supplement. All the details of our full year guidance are included on our Investor Relations site. Finally, we expect to deliver at least $200 million of EBITDA in Q1 of 2021.

In summary, despite an unfavorable economic environment, we delivered better-than-planned financial results in 2020. We had outstanding free cash flow and strong EBITDA. We strengthened our balance sheet and moved quickly to implement cost avoidance initiatives while still investing for future growth. While there is still uncertainty in the macro [ph] and (25:07) outlook, our contract value held up better than in the last downturn. We were able to launch and monetize virtual conferences and virtual Evanta meetings. We will continue with targeted investments and restoration of certain expenses to ensure we are well-positioned to rebound when the economy recovers.

As I mentioned at the start of my remarks, looking out over the medium term, we continue to expect double-digit CV and revenue growth, modest margin expansion and strong free cash flow generation. Because we can fund growth investments, we have ample capital to return to shareholders through our buyback programs and to deploy to strategic tuck-in acquisitions when we find the right opportunities.
QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Jeff Meuler with Baird. Your line is open.

Jeffrey P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Yeah. Thank you. Good morning. On GTS upselling, I guess, how does it compare to the last downturn? Anything you're doing operationally different? And I guess, any signs that having a higher penetration rate in terms of number of seats per average client coming out of this downturn could be a constraint?

Eugene A. Hall
Chief Executive Officer & Director, Gartner, Inc.

Hey Jeff, it's Gene. So, compared to last downturn, GTS, in fact, the whole company, we took a lot of lessons from the last downturn in terms of operational execution. And we've been better all the way around in terms of operational execution. And so, I think that in terms of every aspect of the business, like if you look at new logo growth in Q4, that was very good, even though obviously it's still a tough economic environment out there, etcetera. So, I think basically our operational execution is a lot better than it was during the last downturn.

Craig W. Safian
Executive Vice President & Chief Financial Officer, Gartner, Inc.

And, Jeff, hey, good morning. It's Craig. The other thing I'd add is while we have increased the penetration since the last downturn, we still look at our penetration as sort of woefully underpenetrated even in our existing enterprises. We're talking about on average four to six seats generally. And so, we continue to believe there's an enormous opportunity to continue to penetrate existing enterprises.

Jeffrey P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Got it. And then...

Eugene A. Hall
Chief Executive Officer & Director, Gartner, Inc.

There's a lot of growth in existing....

Jeffrey P. Meuler
Analyst, Robert W. Baird & Co., Inc.

Go ahead, Gene.

Eugene A. Hall
Chief Executive Officer & Director, Gartner, Inc.
Go ahead, Jeff. I was just saying, in fact, there was a lot of growth in existing enterprises as well, wasn't quite as much as in 2019, but still significant amount of growth in existing enterprises.

Jeffrey P. Meuler  
Analyst, Robert W. Baird & Co., Inc.  

Got it. And then I get that you're going to give us more financial outlook commentary on Conferences as we get to the second half and know if they're happening in-person or not. But just any framework for thinking about incremental margins as that returns? I know that your guidance is assuming that you don't have the variable facilities-based cost to execute in-person conferences, but I think you still preserved quite a bit of SG&A. So, not sure how much of that has to return. Just if you can give us any framework on incremental margins as conferences come back to in-person at some point.

Craig W. Safian  
Executive Vice President & Chief Financial Officer, Gartner, Inc.  

Yeah. Sure, Jeff. Happy to. And again, I mean, I think part of the challenge we have is we hope we're in a situation where we're able to run a full in-person scenario in the second half of the year. It may vary depending on regions that open up earlier than others or certain restrictions that are in place. And so, there's no easy yes-or-no answer here. The way we sort of think about it is, yes, you're right. We did maintain a team in Conferences to be able to return to producing our fantastic in-person events or conferences rather as soon as we can. And that is baked into our base level guidance. Obviously, if we pivot to in-person, we generate a lot more revenue. The way we thought about it in our modeling is it will flow through at historical incremental margin rates roughly for Conferences. And so, if you look back to how our incremental margins flowed through historically, that's what we're expecting as we make this pivot.

Now, the other thing I would mention is, as we do return to in-person and I mentioned this in my prepared remarks as well, we don't expect to fully return to the size and scale that we exited 2019 at. It's going to take a little bit of time to grow back and that obviously impacts the flow-through economics as well.

Jeffrey P. Meuler  
Analyst, Robert W. Baird & Co., Inc.  

And I hope to see all of you at one of your in-person conferences later this year. Thanks, both.

Operator: Thank you. Our next question comes from Toni Kaplan with Morgan Stanley. Your line is open.

Toni M. Kaplan  
Analyst, Morgan Stanley & Co. LLC  

Thanks very much. Just while we're on Conferences, wanted to ask, you've had about 40% monetization versus in-person for the virtual conferences. Is that similar to what we should expect this year or is there a progression that you could get higher than that? And basically in terms of exhibitors, is there any progress that you've made on getting exhibitors involved in the virtual format and, just basically, should we expect sort of a similar model for monetization of Conferences this year ex the in-person obviously?

Craig W. Safian  
Executive Vice President & Chief Financial Officer, Gartner, Inc.  

Hey, good morning, Toni, thanks. Thanks for the question. In terms of the monetization, I would say, we're still progressing on that and I wouldn't anchor on that 40%. I think one thing to keep in mind is we did a really great
job of very quickly pivoting and a great job of monetizing in the back half of this year. In the last three months of
the year, we ran our Global Symposium series, which, as you know, are typically and historically our largest, most
profitable conferences. And we were actually—we had significant pent-up demand, if you will, from not being able
to run conferences for the first several months of the year. And so, again, we’ll continue to refine our monetization
and our ability to market to and sell incremental tickets to those virtual conferences. And so, again, we expect
we’ll get better and better at this as we move on.

In terms of exhibitors, we did a decent job, I would argue, in the fourth quarter. While the revenue mix has shifted,
as I mentioned, to being more attendee-driven, still a full third of our revenue was generated from exhibitors in the
fourth quarter. And so, I think similar to the attendee commentary I just gave you, we continue to get better and
better at that as well by providing exhibitors the opportunity to meet with or get exposed to our highly qualified
audience and, then on top of that, our attendees generally one of the things that they really put a lot of value on
when they come to a conference is that exposure to the exhibitors as well. So I think both are works in process.
We've gotten, as Gene mentioned, better and smarter at how we deliver it after each and every conference and
we'll continue to refine that as we move forward.

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC

Great. And then in terms of GTS, how are you thinking about head count growth strategy in 2021? Will you start
to ramp up ahead of demand or concurrent with demand? Just what are your thoughts on ramping that up and are
you still expecting 1Q to be the inflection point? Thanks.

Eugene A. Hall
Chief Executive Officer & Director, Gartner, Inc.

Hey Toni, it’s Gene. So, we are focused on long-term double-digit growth and head count growth is an important
part of that. And so, as we go through 2021, we expect to increase our head count in both GTS and GBS, not so
much to impact 2021, but really so we have the capacity in 2022 to make sure we can hit very attractive growth
rates in 2022.

Craig W. Safian
Executive Vice President & Chief Financial Officer, Gartner, Inc.

And Toni, just on the phasing, I think because of what Gene just mentioned, which is this is really about ceding
the investments for 2022 and beyond, you won’t necessarily see an inflection point in Q1. Like most of our cost
restoration and cost investments, we’re really turning these things on from Q2 and beyond. So, it really impact the
P&L Q2 and beyond.

Toni M. Kaplan
Analyst, Morgan Stanley & Co. LLC

Thanks a lot.

Operator: Thank you. Our next question comes from Gary Bisbee with Bank of America. Your line is open.

Gary E. Bisbee
Analyst, BofA Securities, Inc.

Hey guys. Good morning. Great job on the results and outlook. Craig, I wanted to ask about free cash flow. The
last two quarters, I feel like you’ve been discussing that a little differently. Historically, it was sort of a conversion
rate as a percent of adjusted earnings that we talked about. Now you're talking about a free cash flow margin. And frankly, it's a lot higher, right, if we go back at that old metric than it used to be. So I'm trying to understand what's really driving this significant improvement in your free cash flow generation. And is that 13% of revenue a good bogey going forward because the guidance implies a higher level than that in 2021? Thank you.

Craig W. Safian  
Executive Vice President & Chief Financial Officer, Gartner, Inc.

Yeah. Good morning, Gary, and thanks for the comments and the question. So, I think that, obviously, our business model is one that should generate significant amounts of free cash flow. And when we were in the 2017 to 2019 timeframe, we were investing significantly, both from an operating P&L perspective and also from a CapEx perspective as we were dealing with all the growth. And we had some challenges with our collection pacing and DSOs and things of that nature as well. I think in 2020 we got everything back on track And so, we did a fantastic job on collections in 2020, especially in a really tough environment, which was great and, obviously, that flowed through in 2020 and we expect to maintain that level of collection pacing moving forward.

The other big factor I would say is CapEx. And so, we had a significant amount of investment, as I mentioned, in capital expenditures primarily behind facilities to support our very significant investment in growth in head count. Obviously, we muted that in 2020. And our 2021 guidance assumes that we're going to run at roughly the same level of CapEx spending as we had in 2020. And I think, moving forward, we can expect that to remain at roughly the levels that we are today sort of in that percent of revenue range. So, it will increase, but we don't see it going back to the roughly $150 million that we spent on it in 2019.

So, I think the combination of those two things and really getting the benefit of our upfront negative working capital model is what we're seeing flow through. And so, we focused on it. We've sort of strayed from it for a year or two. We got real focused on it again. And we saw the benefits of that in 2020. Obviously, 2020 was sort of an extraordinary year with a lot of unique things in it. But you're right, our 2021 guidance for free cash flow margin, if you will, is even a little bit higher than that normalized rate that we saw in 2020. So, we feel really good about the free cash flow generation capability and forecast and outlook moving forward.

Gary E. Bisbee  
Analyst, BofA Securities, Inc.

Great. And then just the other question, the other thing that really stood out to me was the 2021 margin a lot higher than what you'd indicated was likely a quarter ago. Obviously, revenue is trending better and that's helpful. Is there anything else you'd call out other than how the top line is going? And I guess, maybe as part of that, has your thinking progressed at all from last quarter around the potential for permanent cost reductions now that you've run the business through the pandemic? Thanks a lot.

Craig W. Safian  
Executive Vice President & Chief Financial Officer, Gartner, Inc.

Yeah. I think that's a smart observation. I think as we've progressed through 2020 – well, let me back up for a sec. So, when we entered 2020, our operating plan was essentially let's make sure 100% that we have revenue growth and cost growth in line and set ourselves up to then be able to modestly expand margins moving forward.

I think as we progressed through 2020 with an eye towards cost discipline and cost management, we were able to flex on things that we didn't necessarily think were possible previously. And so, I think as we look at our cost savings that we generated and cost avoidance that we generated in 2020, portions of that were permanent, and we'll be able to yield the benefits of that moving forward. Portions of them were what I would characterize as
semi-permanent. We'll get smarter around the way we spend in the future based on what we learned in 2020. And some of them will come right back, right? So, like the benefits stuff that we save in our compensation and benefit savings in 2020, we're obviously bringing that back in 2021. And we think it's really important from an associate perspective to keep everyone motivated and running towards our goals. But there certainly are things that we definitely see permanent and/or semi-permanent savings from that we learned in 2020 that will be able to help us manage to that better margin outlook moving forward.

Gary E. Bisbee  
Analyst, BoFA Securities, Inc.

Thank you.

Operator: Thank you. Our next question comes from George Tong with Goldman Sachs. Your line is open.

George K. Tong  
Analyst, Goldman Sachs & Co. LLC

Hi. Thanks. Good morning. On GTS, you mentioned we won't see an inflection in CV in 1Q, but rather in 2Q and beyond that spending comes back. Since 2021 CV largely depends on the 2020 sales force head count, what are the assumptions underlying sales force productivity as you move through 2021?

Craig W. Safian  
Executive Vice President & Chief Financial Officer, Gartner, Inc.

Good morning, George. So, the way to think about it is we have invested in growing both our GTS and GBS sales forces over the past several years. Obviously, in 2020, we didn't do that. We actually pared down a little bit. We were able to work through a pretty large bench that we had built at the end of 2019. And so, we feel really good about our sales capacity, our selling capacity entering 2021. And so, we've got a significant amount of sellers in both GTS and GBS ready to go and tackle 2021.

And so, the way to think about the inflection and what we expect from a CV perspective is that obviously Q1 is the last, if you will, tough compare from a semi-normal environment and the compares to get easier in Q2 and beyond. And so, that's why we expect that inflection point from a CV growth perspective to sort of pivot upwards after Q1.

I think there's a variety of different productivity scenarios you can run. If we're able to get back to 2019 levels of productivity, obviously, that would drive a really nice rebound and very significant contract value growth in 2021. But you could also get there getting somewhere in between where we finished 2020 and where we finished 2019. And so, as we think about it, we believe that there's no reason why in the future not necessarily in 2021, in the future, we can't get back to the productivity levels we were at pre-pandemic. It's going to take potentially a little bit of time to get there. But even if we glide up to that level, we can see a pretty nice rebound in the contract value growth for GTS over the course of both 2021 and into 2022.

George K. Tong  
Analyst, Goldman Sachs & Co. LLC

Very helpful. And then on GBS, in the quarter, you saw a significant upside there. Can you talk a little bit, elaborate on what the sources of upside were and how you expect those sources of upside to persist into 2021?
Eugene A. Hall  
Chief Executive Officer & Director, Gartner, Inc.

Yeah. It's Gene. I think the answer is that the clients and prospects see a lot of value in our offerings. We identify what our most important initiatives are and how they can execute them better. People have those challenges to address in good times and bad. And what we've seen is that the uptake from prospects and clients with the GBS products are really good and it's because the value they see in them.

George K. Tong  
Analyst, Goldman Sachs & Co. LLC

Got it. Thank you.

Operator: Thank you. Our next question comes from Andrew Nicholas with William Blair. Your line is open.

Trevor Romeo  
Analyst, William Blair & Co. LLC

Hi. Good morning. You've actually got Trevor Romeo here in for Andrew. Thank you for taking my questions. First of all, just curious on GTS, if you could maybe give us an update on buying activity for clients that are kind of in some of the highly affected industries from the pandemic, like travel, hospitality, et cetera. And to what degree have you seen client win-back at this point and how much opportunity do you see for further win-backs in those areas in the future?

Eugene A. Hall  
Chief Executive Officer & Director, Gartner, Inc.

Yeah. Great question. So, first, even through the pandemic, we saw pretty good rates of buying from – renewal rates and buying from existing clients even in troubled industries. Not all clients were the same. Some clients actually would go from five seats to four seats or something like that. And so, we did see some of that. But overall, we saw a pretty good performance there. In terms of win-backs, for the ones that did downgrade and so there obviously were some of those, actually we are going to see win-backs. And in fact, in Q4, particularly in December, we saw some win-backs from some of the business we lost early in the year. And as we go through 2021, we’d expect that to continue.

Trevor Romeo  
Analyst, William Blair & Co. LLC

Okay. Great. Thank you. And then for my follow-up, within GBS in the marketing practice specifically, have you now lapped the shift away from those lower margin products that you were going through and how would you expect that vertical to grow relative to the other practices within GBS in the future?

Eugene A. Hall  
Chief Executive Officer & Director, Gartner, Inc.

Yeah. Marketing has the same great value proposition that the other GBS practices have. And as you pointed out, we had some products that we discontinued, which has dragged the overall growth rate down. But if you look at the products that – if you separate that out, which we can do internally obviously, the new products are quite attractive and are selling well. In terms of whether we’ve lapped it, we’ve not quite lapped it, but we’ve just continued most of those products. Some of the clients were in multi-years and some of those multi-years extended into 2021. And so, it will take 2021 to get through all of it. But again, the majority we’ve already gotten through of those discontinued products.
All right. Great. Thank you very much for the color.

Operator: Thank you. Our next question comes from Manav Patnaik with Barclays. Your line is open.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Thank you. Good morning, guys. Just on the events business, you talked about the mix in attendees. I was just wondering if you could talk about Evanta, like the smaller events versus the bigger events, and perhaps the difference in profitability as well as that you guys have assumed from virtual to in-person?

Craig W. Safian
Executive Vice President & Chief Financial Officer, Gartner, Inc.

Yeah. Good morning, Manav. Happy to. So, I think as we mentioned, we've pivoted to virtual in both our destination conference portfolio and in our one-day Evanta portfolio. And if you look at Q4 as an example, historically, Evanta contributed about 20% to our overall Conferences revenue, was a little bit higher than that in Q4, but not significantly higher than that. So, it's been a pretty consistent contributor. They actually were able to pivot a little sooner to virtual, just given the size of the communities and the size of the events or the meetings that they run. And so, again, we're very, very pleased with what we've been able to do from a monetization perspective on both the Evanta one-day meetings and the destination meetings.

We do believe, as we look at our 2021 calendar that we will be able to return to in-person Evanta meetings perhaps a little bit sooner, really dependent on the geography and what is allowed or permitted in those geographies. But we do think given the size of them that we'll be able to return to them a little bit earlier, but in any event, we've focused or we've pivoted to really driving virtual value in absence of in-person value. Clearly, I think our members and exhibitors in that business are itching to get back to in-person value, but we expect Evanta to continue to be a really nice contributor to the overall Conferences portfolio.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Okay. Got it. And then if I could just ask on your comments around M&A. Firstly, just a quick clarification. How much did TOPO add to the GBS contract value this quarter? But broadly, do you see more opportunities like dislocation because of your smaller, I guess, targets maybe not being able to handle it like you guys did?

Eugene A. Hall
Chief Executive Officer & Director, Gartner, Inc.

Yeah, Manav, I'll take the non-TOPO question. In terms of the number of small companies, there are a lot of small innovative companies out there. We track many, many. Think hundreds of companies looking for innovative ideas that we can add into our portfolio. And so, we see that as a core part of our strategy where we see small innovative companies and it makes sense to buy rather than build. Obviously, in the absence of that, we can do just fine with organically. But if we can see M&A opportunities that are accretive and help strategically, we'll certainly do that.

And Craig...
Craig W. Safian  
Executive Vice President & Chief Financial Officer, Gartner, Inc. 

Yeah. Sure, of course. I mean, actually TOPO CV was included in Q4 2019. So, over the course of Q4 and the first three quarters of this year, it added about 60 basis points to the GBS growth rate. It's actually apples-to-apples in the Q4 numbers. So, that's why you don't see any sort of dislocation really between the reported GBS rate and the organic rate given TOPO CV is in both balances.

Manav Patnaik  
Analyst, Barclays Capital, Inc. 

All right. Thanks a lot guys.

Operator: Thank you. Our next question comes from Henry Chien with BMO Capital Markets. Your line is open.

Henry Sou Chien  
Analyst, BMO Capital Markets Corp. 

Hey good afternoon. Thanks for taking the question. So, I guess, just looking forward relative to other cycles, any suggestion that there might be some change in terms of the incremental or the new demand coming forward in terms of CV growth, whether that's by industries or is there any change in the character of this recovery?

Eugene A. Hall  
Chief Executive Officer & Director, Gartner, Inc. 

Yeah. Every recession is different. We've tracked carefully what our performance was last recession to see if there's things that are indicative. One thing is for sure, which is we are operationally much better. As we went through the last recession, we sat down and figured out kind of the things that worked the best and we made sure we ran those plays very early in this recession. Obviously, one big difference was that we literally couldn't hold conferences. In the last recession, you could hold conferences. People might have been restrained of travel expenses. You had less people going. But we could actually hold them. That's very different than this year. And so I think one big difference in terms of how it recovers is, Craig mentioned it earlier, we're looking forward to being able to – we'll continue the virtual conference that we've had, but we also think that there's value in in-person conferences and look forward to go into those as the economy recovers.

Henry Sou Chien  
Analyst, BMO Capital Markets Corp. 

Got it. Okay. Yeah. Appreciate it. And I guess, just – and in terms of perhaps contract value growth or Research growth, has there been any change or anything that you're expecting going forward in terms of just the, I guess, the character characterizing the recovery?

Eugene A. Hall  
Chief Executive Officer & Director, Gartner, Inc. 

I'd say two things. One is that, again, because we are operationally better, I think the CV growth will hold up better than it did in the last recession. It has been already. And I do think that for the ones that we – for our clients that did decide to buy four seats instead of five or maybe even discontinued altogether, just like the last recession, we will see some uptake from that. And so, there will be some clients that come back to give us a boost as well over the next several months.
But I think at the heart of it is giant market opportunity with products that provide tremendous value to our clients. And that's part of the reason we've seen the acceleration more recently. The clients find a lot of value in the products. I do think that when we introduced GxL products, it took time for the sales force to figure out the value proposition to explain to clients. And that's part of the reason we've seen sort of the acceleration more recently. But I think at the heart of it is giant market opportunity with products that provide tremendous value to our clients.

And Henry, the one thing I'd add is, obviously, from a medium-term outlook or a medium-term objective perspective, no change in how we're thinking about the market opportunity or our ability to grow both the GTS and GBS businesses at strong double-digit growth rates.

Yeah. Got it. All right. Thanks a lot, guys.

Hi. This is Mario Cortellacci filling in for Hamzah. Just had a question on Consulting. I just wanted to see if you can give us a sense for what the sales cycle looks like for Consulting today versus what it looked like a few months ago and do you think the vaccine rollout changes that as we enter 2021.

Yeah. I'd say, to your point, the Consulting selling cycle is longer now. What many companies did in response to the downturn and the pandemic is just stop all outside spending, put a pause on it, which obviously increases your selling cycle. And we certainly saw that. I do think as both with a vaccine, but also as companies understand how stable the financial situation is, we'll see that selling cycle start to come down a bit from both of those factors.

Great. And then could you just also talk about how sustainable the sequential improvement in GBS is? And are you doing anything differently there? Is it a factor of your sales force being more tenured? Is there anything new in terms of products or is it just simply that things are getting better from an economy standpoint?

Yeah. So, GBS, like GTS, has an enormous untapped market opportunity and we have products that provide great value to capture that market opportunity. That's what's driving the GBS improvement. And I think we're going to continue to see that acceleration over time for the same reason. The clients find a lot of value in the products. I do think that when we introduced GxL products, it took time for the sales force to figure out the value proposition to explain to clients. And that's part of the reason we've seen sort of the acceleration more recently. But I think at the heart of it is giant market opportunity with products that provide tremendous value to our clients.
Mario Cortellacci
Analyst, Jefferies LLC

Great. Thank you so much.

Operator: Thank you. And I'm currently showing no further questions at this time. I'd like to turn the call back over to Gene Hall for closing remark.

Eugene A. Hall
Chief Executive Officer & Director, Gartner, Inc.

So, as you heard today, Gartner delivered a strong performance in the context of what was a truly extraordinary year. We continue to have a vast and largely unpenetrated addressable market. The Gartner formula for sustained long-term growth continues to drive success in our Research business. And looking ahead, we are well-positioned for sustained success. We'll return to revenue growth in 2021 and beyond 2021 or the medium and long term, we expect to return to sustained double-digit contract value and revenue growth. We expect to deliver EBITDA margins up from 2019 and to further expand margins over time. We generate significant free cash flow in excess of net income, which we'll deploy to return capital to our shareholders through share repurchases and to make strategic tuck-in acquisitions. And finally, we expect to come out of this recession strong and well-positioned to drive long-term, sustained double-digit growth for years to come.

Thanks again for joining us and I look forward to updating you again next quarter.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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