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Q1 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Gartner First 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 may be recorded. [Operator Instructions]

I would now like to hand the conference over to your speaker today, David Cohen, GVP, Investor Relations. Please go ahead.

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

Good morning, everyone. We appreciate you joining us today for Gartner's first quarter 2020 earnings call and hope you are well. Joining me today on the call are Gene Hall, Chief Executive Officer; and Craig Safian, Chief Financial Officer. This call will include a discussion of first quarter 2020 financial results and our updated outlook for 2020 as disclosed in today's press release. In addition to today's release, we have provided a detailed review of our financials and business metrics in an earnings supplement for investors and analysts. We've posted a press release and the earnings supplement on 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. Reconciliations for all non-GAAP numbers we use are available in the Investor Relations section of the gartner.com website.

We've updated the definition we use for free cash flow and cash provided by operating activities determined in accordance with GAAP as payments for capital expenditures. Definition of free cash flow no longer excludes acquisition and other nonrecurring items, as we believe this change better captures actual cash generated in the period for the purposes of capital allocation. In the supplement, we've included the historical add-backs for prior periods as well as what they would've been in the first quarter to allow for comparability. Finally, all contract values and associated growth rates we discuss are based on 2020 foreign exchange rates, unless stated otherwise.

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 view 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. I hope you're all safe and healthy. The COVID-19 pandemic is a humanitarian crisis that continues to drive massive social, economic and operational disruption everywhere around the world. As we navigate this environment, there're three messages you should take away from our discussion today. We're well-positioned to help our clients address the pandemic and the economic downturn. We've taken steps to carefully manage our cost and cash flow in response to the economic downturn and we will come out of the recession strong and well-positioned to resume driving long-term, sustained, double-digit growth.

As most of you know, Gartner operates in three business segments: Research, Conferences, and Consulting. Each of these business segments has been impacted somewhat differently by the current environment. Research is our largest and most profitable segment and remains the core of our value proposition. Our Research segment is well-positioned to operate as a virtual business.

Prior to the pandemic, the majority of our analysts, experts and thought leaders were located in countries around the world. They were already supporting our clients via tele and video conference. A large share of our sales and service teams were based in centralized office locations or selling and servicing our clients remotely. All Gartner associates are equipped with laptops configured for a virtual work environment as part of our business continuity program.

In response to the pandemic and local government directives, we closed our offices during Q1. Because we have a strong infrastructure in place, associates were able to make a smooth transition to working from home. Of course, not everything went as planned. For example, some associates have relatively slow Internet connections and some managers had to adjust to managing their teams remotely. Our most immediate challenge has been an increased difficulty of reaching prospects and some clients in their remote environments rather than in their offices.

We continue to make a significant global impact for our research insights, tools and advice. We're agile with our research content. We continuously adapt our research agenda to ensure we're writing on topics that support our clients' current mission-critical priorities. Q1 was no different. When news of the pandemic broke, we added comprehensive content for every major functional role across the enterprise on critical topics, such as what steps to take in response to COVID-19, what to do so that employees are productive working from home, and how to make smart cost reductions across the organization.

In addition, we took the best cross-practice content and made it available to our clients. Findings for expanded coronavirus coverage and real-time surveys are being widely used by our clients. These insights have also been cited by well-known media outlets including The Wall Street Journal, CNBC, The Economist and more.

During Q1, we significantly increased the number of webinars and other virtual events where we deliver content to our clients. These have been highly valued. For example, in early March, we launched a global webinar on Leading Through COVID-19. Registrations for that event were about 8 times more than our average for 2019 webinars. Client engagement is one of the biggest drivers of retention and by being agile and adapting our content, our client engagement has remained strong. Our services are very cost-effective and provide high value to clients because we're able to get the right content to the right audience at the right time in a virtual format. Our new business and renewals have been impacted by COVID-19.

In today's environment, we see three categories of clients. First, there are those companies and industries most impacted by COVID-19, such as travel, entertainment and retail. Renewals and new business with companies in these industries is more difficult than it was last year. [ph] However, many realize they continue (00:06:22) to need our services and are continuing to buy just at a slower rate.

The second category includes companies that have been minimally impacted economically by COVID-19, such as companies that provide goods or services like food, cleaning supplies, and some types of software. Renewals and new business within these companies continues at about the same pace as it has in the past.

The third category is companies that are not directly impacted by COVID-19 but are experiencing reduced demand for their products and services. While these companies continue to buy, they're placing additional scrutiny on all purchases, including Gartner products and services. This can extend the time to complete a sale or renewal.

Across GTS and GBS, our clients have expressed how important our services are, especially during these turbulent times. Our HR, finance and legal practices had demand and buy cycles similar to IT. Out of the GBS practices, supply chain and marketing businesses had the weakest performance in Q1. Due to interruptions in supply chains, many supply chain leaders have been forced to pause their strategic initiatives and become more directly involved in tactical supply chain operations. This often extends the time to complete a sale or renewal.

As we discussed last quarter, we're phasing out certain marketing products with low profitability, which reduced the retention and growth rate of our marketing practice. Overall, our Research business is well-positioned to operate successfully as a virtual business.

Our Conferences segment has been impacted the most by COVID-19. Because of government mandates and health concerns, we were able to hold only a limited number of conferences during Q1. With this situation, we're now planning to hold 17 destination conferences later this year out of our original full year plan of 77. This, as well as our reduced events and schedule, will reduce our expected revenues from our Conferences business. Based on the reduced expected revenues from this segment, we've taken steps to reduce cost, including staff reductions.

Our conferences provide tremendous value to both attendees and exhibitors. We're in constant contact with our exhibitors. They continue to have a high level of interest and are ready to return when safe to do so. There's a similar level of interest among potential attendees. We're carefully developing changes in our conferences to increase safety such as sanitation standards, additional separations, et cetera. We're also developing the virtual conference formats. We held our first virtual conference just last week. That conference for sales leaders went from concept to event including the marketing of the conference in less than three weeks.

There were nine sessions held over a single day. We had more than 1,900 total registrations for this conference. The Net Promoter Score was 77, a strong score which exceeded our expectations. While we are operationally planning to hold conferences during the latter part of the year, we recognize that this may not be possible due to government mandates or health concerns. As a result, our updated financial guidance assumes that we will be unable to hold these conferences. [ph] Looking at the (00:09:21) long term, we expect Conferences to continue to be an important contributor to our overall business.

Gartner Consulting is an extension of Gartner Research and provides clients with a deeper level of involvement through extended project-based work to help them execute their most strategic initiatives. Consulting's also been impacted by COVID-19. Many clients were postponing major new initiatives until they have more clarity as to the impact of the pandemic and the economic downturn. As a result, our backlog was up only 1% during Q1.

Looking across our business, during Q1, we closed our offices worldwide for the safety of our associates and to comply with government mandates. Consistent with government guidelines, we've reopened our offices in Shanghai and Beijing. We'll use our experiences with these offices to reopen in other countries when shelter-at-home directives begin to relax.

We've taken steps across the business to manage our costs without impairing our ability to drive growth in the future. We've implemented very tight controls in staffing levels, including hiring freezes where appropriate. We reduced staff in our Conferences business as I mentioned earlier. We significantly cut nonlabor spending and we slowed our capital expenditures, such as the build-outs of new office space. The operational changes we made will ensure we have positive cash flow.

In addition, we're tightly managing our financial operations functions to possibly impact cash flows. We've also taken steps to help ensure we maintain adequate liquidity. We ended the quarter with $228 million in cash. On April 1, we drew an additional $300 million from our revolver and we have another $700 million of capacity available.

Finally, we negotiated an amendment to a credit facility with financial covenants that gives us improved flexibility. We will come out of the recession strong and well-positioned to continue driving long-term, sustained, double-digit growth. We continue to have vast market opportunity across all sectors, sizes and geographies. We'll continue to maintain and improve our core capabilities to capture our market opportunity while carefully managing our cost structure and cash flow. We plan to maintain and improve our analyst and advisor capability for developing highly valuable research insights and strong services capability to meet client needs. We're trying to maintain and improve our sales coverage and capacity while taking this opportunity to address underperforming sales territories. We will remain agile, so we're prepared for whatever may come next.

In summary, as we navigate the uncertainties of this unique environment, these are the three messages you could take away from our discussion today. We are well-positioned to help our clients address the pandemic and economic downturn. We've taken steps to carefully manage our costs and cash flow in response to the economic downturn and we will come out of the recession strong and well-positioned to resume driving long-term, sustained, double-digit growth.

I'll now turn the call over to our CFO, Craig Safian.

Craig W. Safian

Executive Vice President & Chief Financial Officer, Gartner, Inc.

Thank you, Gene, and good morning, everyone. I hope you, your families and your colleagues are safe and healthy as we navigate the pandemic and economic downturn. I'll provide an update on our strong liquidity and capital structure, as well as an overview of the cost actions we have taken to ensure our financial flexibility. Then I will review our first quarter results, including the impact of COVID-19. Finally, I'll describe our updated outlook for the year within the context of the rapidly evolving macro environment.

Beginning in early March, as we first started to see the impacts the pandemic could have on our business, we quickly pivoted to EBITDA preservation and cash conservation mode. Gene described many of the actions we took. The goal of all the actions was to ensure our financial strength and ongoing flexibility.

I'll start this morning with a discussion of our cash and balance sheet position. At the end of the first quarter, we had $228 million of cash, which is more than we need to run the business. On April 1, to increase our cash position and preserve financial flexibility, we drew $300 million on our revolver bringing our cash balance to $528 million. This puts our liquidity in a very strong position reinforced by our ability to continue to generate positive free cash flow. We have additional revolver capacity of more than $700 million available to us as well. Cash flow trends in April continued on a positive track.

On March 31, debt balance was about $2.2 billion that increased by $300 million to $2.5 billion after the April 1 revolver draw. We've also amended our credit facility to provide greater covenant flexibility as follows. First, our total leverage covenant has increased half a turn from 4.5 to 5 times. Second, our secured leverage covenant has increased by a quarter of turn from 3.5 to 3.75 times. Our interest coverage covenant is unchanged. The calculations use gross debt, trailing 12-month EBITDA and trailing 12-month interest expense. Gross debt, EBITDA and interest expense used for the covenant calculations are defined in our 2016 Credit Agreement.

Based on the debt levels after the incremental revolver draw on April 1, our leverage ratios under the covenants were 3.5 times total debt, 2.4 times secured debt, and 7.4 times interest coverage. These are all well within the required levels for compliance under our credit facility. While we don't expect to need the incremental covenant capacity, we secured the amendment to ensure future financial flexibility.

We repurchased $73 million of our stock in the first quarter. Of that total, $34 million relate to open market stock repurchases. We paused our share repurchases during the last week of February. We will not resume until we have a clearer picture of how the pandemic and economic downturn will play out. In addition to our strong cash position and access to capital, we are taking steps to align our cost with our revenue allowing us to continue to generate positive free cash flow.

Going into the current situation, we'd already built a plan for 2020 that aligned cost growth with revenue growth. Following the rapid changes in the world as a result of COVID-19, we took additional steps to ensure our long-term financial health and operational excellence through a number of cost avoidance initiatives. We made tough decisions to eliminate merit increases, freeze hiring temporarily, restrict travel, cancel internal meetings, and reduce third-party spending.

We have also made reductions to our Conferences staff to better align our cost structure with our Conferences revenue and new schedule. These decisive actions help ensure our ongoing financial flexibility in this challenging and uncertain environment without compromising on the quality of the insight, advice and service we provide to our clients. We remain well-positioned to reaccelerate and drive future growth once the timing of the economic recovery in this pandemic becomes more evident.

Moving to our first quarter results, Research and Consulting growth were in line with our expectations and we moved quickly to manage costs late in the quarter. First quarter revenue was $1 billion, up 5% as reported and up 6% on an FX neutral basis. Excluding Conferences, our revenues were up 11% year-over-year on an FX neutral basis.

In addition, contribution margin was [ph] 66%, (00:16:41) up 200 basis points versus the prior year. EBITDA was $214 million, up 51% year-over-year and 53% FX neutral. Our EBITDA performance was tracking strongly through February and then benefited from the cost avoidance initiatives we implemented in March. Adjusted EPS was $1.20 and free cash flow in the quarter was $31 million.

Research revenue in the first quarter grew 10% year-over-year on a reported basis and 11% on an FX neutral basis. First quarter contribution margin was 72% as margins benefited from temporary cost avoidance initiatives, which we will only keep in place while the macro environment remains challenging. Total contract value was $3.5 billion at March 31; FX neutral growth of 11% versus the prior year. As we do each year, we have updated our historical Research metrics at 2020 FX rates in our earnings supplement.

Global Technology Sales contract value at the end of the first quarter was $2.8 billion, up 11% versus the prior year. GTS CV growth and associated metrics performed well in January and February before slowing late in the quarter as the COVID-19 response led to lower new business growth and modestly lower retention rates. The more challenging selling environment had an impact on most of our reported metrics. Client retention for GTS remains at around 82%, down about 50 basis points year-over-year. Wallet retention for GTS was 104% for the quarter, down about 200 basis points year-over-year.

GTS new business declined 2% versus last year. We ended the first quarter with 12,826 GTS enterprises, slightly up from last year. The average contract value per enterprise continues to grow. It now stands at $219,000 per enterprise in GTS, up 11% year-over-year. Growth in CV per enterprise reflects the combination of upsell, increased number of subscriptions and price.

At the end of the first quarter, we had 3,196 quota-bearing associates in GTS or an increase of 5% year-over-year. As part of our cost reduction programs we announced in late March, we temporarily froze head count growth. For GTS, the year-over-year net contract value increase, or NCVI, divided by the beginning period quota-bearing head count was $92,000 per salesperson, down 21% versus the first quarter of last year. As we get more clarity on the economy in the short-term demand environment, we will look to increase sales hiring to position us for sustained, long-term, double-digit growth on the top and bottom line.

Global Business Sales contract value was $646 million at the end of the first quarter. That's about 20% of our total contract value. CV growth was 8% year-over-year both reported and organic. GxL CV grew 48% to $307 million and legacy CV declined 13% year-over-year to $338 million. Total GBS new business was down 12% in the quarter, impacted largely by supply chain and marketing. Our supply chain practice saw a decrease in both retention and new business. The supply chain practice was uniquely affected in the quarter by the global disruptions caused by the pandemic developments in Asia.

Last quarter, we explained that we've stopped selling and renewing some lower margin marketing products. As expected, this impacted GBS growth. The GxL legacy split in GBS becomes less meaningful every quarter so we are phasing out reporting GBS that way. This quarter, we are providing the new business and attrition dollars for GxL and legacy as we did in 2019.

In the first quarter, total GxL new business was $22 million while legacy new business was $5 million. Also in the first quarter, GxL attrition was $17 million and legacy attrition was $14 million. Client retention for GBS was 83%, up about 170 basis points year-over-year. Wallet retention for GBS was 101% for the quarter, up about 700 basis points year-over-year. We ended the first quarter with 5,025 GBS enterprises, down about 4% from last year.

The average contract value per enterprise continues to grow. It now stands at $128,000 per enterprise in GBS, up 13% year-over-year. Growth in CV per enterprise reflects upsell, an increased number of subscriptions and price. At the end of the first quarter, we had 862 quota-bearing associates in GBS, down 1% year-over-year. Head count was down sequentially and year-over-year as we optimized our territories and then temporarily froze hiring as part of our cost avoidance program. For GBS, the year-over-year net contract value increase, or NCVI, divided by the beginning period quota-bearing head count was $57,000 per salesperson, a significant improvement from when it was negative last year.

As we communicated in March, the Conferences segment has been materially impacted by the global response to the pandemic. We were able to hold a few small conferences early in the first quarter resulting in $14 million of revenue. We will not have any conferences through August. For the rest of the year, we have revised the schedule for in-person conferences. The result is a plan for fewer conferences with a focus on maximizing the value we deliver for our clients. I'll review some additional points related to Conferences in the guidance section a bit later.

First quarter Consulting revenues increased by 3% year-over-year to $96 million. FX neutral growth was 4%. Consulting contribution margin was 31% in the first quarter, down 14 basis points versus the prior year quarter. Labor-based revenues were $81 million, up 3% versus Q1 of last year or 4% on an FX neutral basis. Labor-based billable head count of 808 was up 9%. Utilization was 62%.

Backlog at March 31 was $110 million, up 1% year-over-year on an FX neutral basis. Our backlog provides us with about four-and-a-half months of forward revenue coverage in line with our operating target. Contract optimization revenues were up 1% on a reported basis versus the prior year quarter against the difficult compare. As we've detailed in the past, this part of the Consulting segment is highly variable.

SG&A decreased 4% year-over-year in the first quarter and 3% on an FX neutral basis as the cost avoidance initiatives we've put in place, specifically around internal meetings and other travel, went into effect. EBITDA for the first quarter was $214 million, up 51% year-over-year on a reported basis and up 53% on an FX neutral basis. Depreciation in the quarter was up approximately $3 million from last year as additional office space went into service. Amortization was flat sequentially.

Net interest expense excluding deferred financing costs in the quarter was $25 million, up from $23 million in the first quarter of 2019. Net interest expense is up due to higher floating to fixed hedge costs as we rolled the previous contracts forward. The Q1 adjusted tax rate, which we use for the calculation of adjusted net income, was 22.5% for the quarter roughly in line with our guided full year rate. The tax rate for the items used to adjust net income was also 22.5% in the quarter.

We completed an intercompany sale of intellectual property in April 2020. We expect it will have a material favorable tax impact for the second quarter 2020 financial results. This benefit was already reflected in our full year guidance. Adjusted EPS in Q1 was $1.20. We've updated the definition we use for free cash flow to be cash provided by operating activities less capital expenditures, and we will no longer be adding back adjustments or nonrecurring items. This free cash flow definition provides a measure that reflects cash available for capital allocation like debt repayment.

Operating cash flow for the quarter was $56 million compared to $36 million last year. The increase in operating cash flow was primarily driven by cost avoidance initiatives and improved collections. CapEx for the quarter was $25 million. This includes a small software techquisition that helps increase analyst productivity through automation and AI. Excluding the small acquisition, CapEx would have been down versus the prior year quarter.

Free cash flow for the quarter was $31 million, which is up 101% versus the prior year. This includes outflows of about $10 million of acquisition, integration and other nonrecurring items. Free cash flow as a percent of revenue or free cash flow margin was 10% on a rolling fourth quarter basis continuing the improvement we've been making over the past few years. Free cash flow as a percent of GAAP net income was about 150%, almost back to historical levels.

Since there is significantly more uncertainty and volatility in the economy than normal, we are providing an updated outlook for 2020. Before I go through the outlook assumptions for each segment, I'll start with the overall approach we have taken to developing the updated outlook for 2020. First, we've taken our experience and results from March and April to drive forecasts for the balance of the year. Second, we have not forecast a recovery for 2020.

Third, our overall outlook assumes that we will not be able to run conferences for the balance of the year. We do have plans in place to start delivering in Conferences again in September, if that proves possible. And fourth, we are calibrating our cost reduction programs with our top line results. If business is weaker than forecast, we will further reduce cost to protect EBITDA dollars and cash flow. And if business is stronger than forecast we will reinstate certain expenses that we had turned off to protect profitability.

With the strengthening of the US dollar, we are giving the updated guidance and reported dollar terms and making no assumptions on future changes or volatility to exchange rates. We now forecast reported Research revenue of at least $3.425 billion for the full year, about 1% to 2% growth. This reflects a continuation of late March and April new business and retention trends through the rest of the year. We expect total CV to decelerate from the first quarter due to a more challenging customer spending and decision-making environment.

Based on what we are seeing in March and April and improvements we have made in the business over the past decade, CV growth should remain above the levels we saw in the last downturn. CV changes earlier in the year have a larger impact to full year Research revenue growth. There is a lag effect on Research revenue, so slower CV growth this year may lead to slower Research revenue growth in 2021. As we ramp back up our spending to position ourselves for long-term success, there may be a short-term headwind to margins due to the lag between CV and revenue growth.

For the Conferences segment, as I mentioned, we are currently planning to resume conferences in September. However, our guidance is based on not being able to run any conferences for the duration of 2020. The result, without running conferences for the balance of the year, will be revenue of about $35 million. We will continue to incur costs in the Conferences business, both cost of services as well as SG&A.

Within the business, we have direct expenses that relate to specific conferences and other expenses that don't. We won't be incurring the direct costs related to specific conferences that are canceled. This results in modestly lower costs and lower decremental margins than we had expected when we provided an update in late March. Wherever possible, we expect to roll forward conference participation by exhibitors and attendees to future conferences. If we are able to run our updated conference calendar in the last four months of the year, we estimate additional revenue of approximately $200 million.

In addition, at the end of April, we reduced the number of associates and conferences to align with the new reality of the business for 2020. Severance costs of $5 million to $6 million will be incurred in the second quarter. Finally, we have the potential to recover insurance for canceled events beyond the amount of the direct expenses, potentially up to the amount of the lost revenue in some cases.

The timing of insurance coverage remains uncertain, but our policies are specific to our Conferences business and not generic business interruption coverage. The insurance recovery will not be included in EBITDA and is not included in our EBITDA guidance. However, for debt covenant purposes, the insurance recovery is included in the calculation of EBITDA. We continue to work with our insurance brokers and providers, and we'll provide updates on our progress in the future quarters.

We now expect reported Consulting revenue of at least $350 million or a decline of about 11% for the full year. The Consulting outlook contemplates a slowdown in labor-based demand and reflects very challenging compares for the contract optimization business through most of the year and implies being down roughly 15% for the remainder of 2020. Overall, we expect consolidated revenue of at least $3.81 billion. That's a reported decline of about 10% versus 2019. For the full year at current FX rates and business mix, we expect a drag on revenue growth of about 130 basis points.

Cost avoidance programs could yield up to $400 million in savings for the full year assuming no recovery from the economic downturn. The implied operating costs are not a new run rate but reflect planning assumptions for a cautious view of the revenue outlook. As soon as we can get back to normal operating environment, we will resume spending to drive future growth. We expect adjusted EBITDA of at least $625 million. That's despite a revenue impact we currently contemplate of about $800 million and a roughly $20 million negative impact from FX to EBITDA.

If our top line forecast proves conservative and we are able to restore a more normal spending, we continue to expect margins to be at least 16.1%, which would be flat to 2019. We expect an adjusted tax rate of around 22% for 2020. We expect 2020 adjusted EPS of at least $3. For 2020, we expect free cash flow of at least $300 million. Our free cash flow guidance reflects both the P&L outlook we just discussed as well as some slowing of collections. All the details of our full-year guidance are included on our Investor Relations site. Finally, for the second quarter of 2020, we expect adjusted EBITDA of about $160 million to $165 million.

In closing, we are focused on the right things we need to do for our associates, clients and shareholders to deliver long-term value. As Gene discussed, we will execute to come out of the downturn better positioned than before to drive long-term, sustained, double-digit growth. We know that the value of Gartner is the long-term stream of free cash flows we expect to generate by delivering value to our clients in a very large addressable global market. So, while we are taking the steps to ensure our short-term financial flexibility, we remain focused on driving long-term shareholder value.

Amid a tough economic backdrop, our Research business had a healthy quarter and Consulting held up as well. We are avoiding expenses, managing cash flow, and working through insurance recovery. We maintain a strong and healthy balance sheet and are focused on maintaining high levels of liquidity and financial flexibility.

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 SECTION

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

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

Q

Yes. Thank you. Good morning. I wanted to see if you're willing to provide any of the data around the late March and April new business and retention trends. And as they reset lower start again in March, have you seen them stabilize? And then whether or not you're able to provide that, could you tie it to what type of contract value exit rate for 2020 is implied by the updated Research revenue guidance?

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

A

Good morning, Jeff, and thanks for the question. So the way we're looking at it, obviously as we mentioned in our prepared remarks, we were tracking really nicely across the entire business, but across our Research business as well through the first two months of the year. And as you also know, a lot of our business tends to come in, in the last two weeks of each month with a heavy emphasis on the last couple of weeks of each quarter. And so, we were tracking really well across the businesses.

And when we looked at March as a stand-alone, recognizing that there was significant disruption, as Gene mentioned, our clients and us, we all shifted to working in offices to working at home. And so what we saw when we look at it was new business declines on a year-over-year basis in the 20% to 25% range and some hits on our transactional renewal rates as well, thinking the roughly 5 point range. And that's what we experienced in March.

In April, trends are kind of on that level. Some are a little bit better, some are consistent, but roughly speaking on that level. And again, when we develop the guidance for the year, we have not assumed any sort of recovery. And so we've basically modeled that new business experience at a granular level across every region and practice in which we do business, and we've modeled that straight across assuming the recovery.

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

Q

And what did that imply for CV [indiscernible] (00:34:42) during the year?

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

A

So, Jeff, we don't provide a contract value guidance and essentially there's a kind of wide range of possible outcomes for that contract value. And so the way we feel about it is it's definitely going to cause a deceleration in the Research contract value growth rate that will probably glide down over the year. But what we've said is, based on everything we can see and the way we've modeled it and the improvements we've made to the business, we don't see it drifting down as far as we did in the last downturn.

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

Q

Okay. And then on expense savings, I'll give you kind of my dream buckets, but hopefully, you can just give us some additional perspective. So of the $400 million, is that in your realized savings, and how does it bucket out between like temporary cost avoidance that comes back when the world goes back to normal, I guess like taking growth, head count out of the planning assumptions, which eventually comes back because you're trying to preserve the ability to grow at double-digit rates long term? And then the third bucket would be, is there any sizable portion that is some form of permanent cost takeout or productivity?

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

A

Yeah. Well, so it's kind of hard to parse right now. So first, to answer the first part of your question, the up to $400 million is in year 2020 savings. And if you kind of map the changes in our guidance, you'll need that savings to deliver on the EBITDA guidance or the minimum EBITDA guidance we just gave.

As we think about it, the cost avoidance – and to be frank, it is more cost avoidance than cost reduction. As you mentioned and as I mentioned, we're all very focused on making sure that when we come out of this, we are strong and prepared to rebound back as quickly as possible, similar to what happened during the last downturn.

And so I wouldn't categorize much of the cost avoidance as "permanent". I think that over time, varying degrees of it will get turned back on at different paces. So as an example, as you mentioned with growth head count, if we are growing the business and we are seeing sales productivity, we're going to add the right number of research analysts and service people and salespeople. We will absolutely do that to support the business and drive future growth. On top of that, we have large buckets of spend like travel. And that one will probably turn back on at a slower rate than potentially head count.

And then the other thing I'd mention is we've made some tough decisions around head count reductions as we talked about and other compensation-related things. And when we get out of this or when we could see our way out of this, we are a people business and we want to make sure that we keep our team happy and motivated and chasing the goal of consistent double-digit growth.

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

Q

Okay. Thank you. Stay safe.

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

Gary E. Bisbee
Analyst, BofA Securities, Inc.

Q

Hey, guys. Good morning. I guess the first question, so it's interesting to me that the cost cuts – and I'm sure this is sort of an output rather than the goal potentially but maintain this margin around 16% and you're cutting that heavily. But, Craig, you acknowledged that there's potential for the revenue to slow on a lag next year and for the margin to go down as you bring the cost back. Why be so aggressive with costs now and is part of that really going to delay the ability of the business to rebound or was this something you felt you had to do to maintain the liquidity in other parts -just solvency of the business?

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

A

Yeah. Sure. I'll take the first part.

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

A

[ph] Hey, Gary. (00:39:03)

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

A

Oh go ahead, Gene, you can go first now.

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

A

No, go ahead. Go ahead, Craig.

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

A

Okay. Yeah.

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

A

Go ahead.

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

A

So I'd say I think you're right. When we saw what was potentially the impacts on the business, most notably our Conferences schedule. And while Conferences only represents around 11% of revenue – not for nothing, it's a $500 million business. And as we started to look at the potential for not being able to run a full schedule, only being able to run a partial schedule, and potentially as our outlook reflects, not being able to run any conferences at all, we were very focused on really EBITDA preservation, cash conservation, liquidity and financial flexibility. Those were kind of our mantras throughout March. And we very aggressively hit the brakes on a lot of items to make sure that we maintain as much financial flexibility as possible.

We've done, what I would argue, a really good job of getting that in line, making the tough decisions when we need to. But again, as I mentioned, it's more cost avoidance than actual cuts. And again, unfortunately, we have had to make some cuts but the bulk of the savings is really around cost avoidance. And it kind of just did round to that roughly 16% range. We were not solving for that. It was more about just making sure we can maintain as much financial flexibility as possible moving forward. And then I'll slip it to Gene to talk about the future.

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

A

Yeah, I mean again, Gary, [indiscernible] (00:40:45). We didn't have a target in terms of margin that we were aiming for. We basically wanted to build in sufficient flexibility for the future that we could cover a range of outcomes and we're very much thinking about what's going to happen in [ph] 2020 and one, (00:41:00) as Craig and I both mentioned in our scripts, and are preparing so that we can return to quite – we're hoping to be able to return to quite good growth there, but we're prepared for whatever may come.

Gary E. Bisbee
Analyst, BofA Securities, Inc.

Q

Okay, just a follow-up then. Within that up to $400 million of cost – and I realize that will be determined by how revenue comes in, but can you help us understand how much of that was really the Conferences business where you've got the major, short-term problem versus how much of that is cost avoidance at Research that you'll have to rebuild the support getting back to double-digit growth over time?

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

A

Yeah, Gary, when we talk about the cost avoidance, [ph] we're not taking (00:41:41) the cost that we don't have to have to deliver the conferences. So it's kind of separate and apart from the Conferences side. What we've done on the Conferences side is rightsize the business as we talked about, but the bulk of the $400 million relates to, as I mentioned, really more cost avoidance measures.

So we had a plan for 2020. Within that plan, we had pretty decent growth in sales head count, in service head count, in other areas of head count. We've temporarily frozen all of that and that yields pretty significant amount of savings. We've stopped traveling, obviously not our choice necessarily, but that yields significant savings. And as I mentioned with Jeff's question, over time, that will have to be turned back on, but it's probably not a binary thing where we immediately go back to spending exactly what we were spending precrisis.

And so it's kind of a mix of different things, but the bulk of the savings really relate to avoiding cost that we had built into our 2020 plan and harvesting some savings from things like T&E or maybe not investing as much in facilities or things like that, which again we don't know what the new reality is going to look like going forward. And as Gene mentioned, everything we're doing is to maintain as much flexibility financially and operationally as we move forward.

Gary E. Bisbee
Analyst, BofA Securities, Inc.

Q

Thanks. That's helpful.

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

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

A

Toni, we're not hearing you.

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

Q

...now?

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

A

Hello, Toni?

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

Toni, is that you? Yes, we can hear you now.

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

Yeah. Okay. Thank you. Gene, you spoke about the three impacted client categories. Could you just give us a sense of the proportions for each of those? Just thinking that the COVID-impacted clients could come back quicker while maybe the impaired business clients could take longer. Just trying to understand how you're thinking about the pace of recovery in Research.

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

So, Toni, we don't have kind of a quantitative breakdown of those. I'll give you kind of a qualitative perspective, which is the largest category is the companies that are not directly impacted by COVID-19, like for example so not hotels [indiscernible] (00:44:42) that's not the largest category. The largest categories of companies that are not directly impacted, but they might sell things to hotels or sell things to airlines and so they have some impact on the business. That's the largest category.

And then I'd say the second largest category are the companies that are – [indiscernible] (00:45:00) the other two categories are probably equal size, which is the ones that are directly impacted like hotels, restaurants, airlines, things like that and then equal size would be the companies that are not impacted at all, like if you're selling video conferencing software or in certain parts, like streaming media business for example.

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

Got it. And I know you mentioned a little bit earlier that you'd then expect Research CV growth to sort of glide down during the year. I guess that's a result of recession as opposed to like sort of a quicker snapback?

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

Yes. Craig said in his remarks, we basically for our guidance assume no improvement during the year. So if you think about it, we took the results in March and in April and said if nothing gets better through the year, what is it going to look like? And so we took our – think about our new business growth and our retention rates and [ph] extrapolated through (00:45:54) the rest of the year with the [ph] contract really (00:45:58) we have coming up for renewal and that kind of gives you what happens with the Research business.

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

Got you. And then just for my follow-up, how are you thinking about sort of the timing of in-person conferences? Are you looking at certain metrics like number of cases and et cetera to make the determination of holding them, like do you have to see a vaccine before you feel comfortable, before having a lot of in-person conferences again? And just I guess going forward, would you expect structurally a higher level of virtual conferences? And if you could give us any sort of sense of revenue differential between like a virtual conference versus an in-person one?

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

A

So in terms of timing when we restart conferences, first, we have two kinds of conferences. We have kind of what we call destination conferences where people tend to fly in from around the country so like Orlando's supposedly one of those. Then we also have our Evanta conferences, which tend to be small, think 50 people, at a local event where people don't travel. It could be a dinner. It could be a one-day event. And so, first, we expect that the conferences that are more local are more likely to be feasible to hold before we'd be able to hold the large destination conferences.

The second thing is that, as we assess when is a good time to restart, we're going to get input – right now, in fact, we have focus groups with both exhibitors and with attendees to get what they think would be necessary for us to restart, and we're using that information as input.

We're also going to be looking at what the rest of the world is doing. So is the NFL having – kind of be having football games in the fall and how do people – are they comfortable doing that? Is Disneyland or Disney World reopening? And so if you look at kind of – we're going to look at those kinds of things. And of course, we're going to look at what the health officials say as well. And so it's going to be triangulating what clients and potential attendees would say, looking at what the rest of the world is doing, and then looking at what the health risks would be, and then triangulating all that stuff to figure out what we actually do.

I'm also imagining that it may not be the same answer around the world. So as you probably know, some companies opened things like these kinds of events in China already, and so we'll see what happens there and what the health risks are and what the reaction of the public is.

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

Q

Thank you. [indiscernible] (00:48:35)

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

A

With regard to – yeah, and so with regard to virtual events, as I mentioned on the call, we believe that it's a reasonable bet that virtual events will be more popular. And so we are experimenting and innovating to look at how do we both hold stand-alone virtual events but also how do we combine with in-person events with virtual events, so that if people want to participate but they [ph] aren't not (00:49:00) comfortable in coming in person that they can participate virtually. And so we're developing those models now, we're testing them, and I'm optimistic that we'll come up with a good model there.

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

Q

Thanks a lot.

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

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Thank you. Good morning, gentlemen. My first question was just the Research guidance, the deceleration will be above the levels in the last downturn. I was just hoping just so we're on the same page if you could just give us some color on what those levels were for GTS and GBS.

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

A

Yeah, sure. Thanks, Manav. Good morning. So during the last downturn and obviously, we were just essentially GTS and just our Technology business. It was prior to us acquiring AMR and it was obviously well in advance of us acquiring CEB. And if you go back and look at the metrics, the CV trough was around negative 4%. So in the second or third quarter of 2009 that was kind of the bottom. And if you look at it, we actually bounced back and rebounded really quickly. And by the midpoint of the next year or end of 2010, we were already back at double-digit growth rates. And so that's what happened with the CV.

When we look at the new business and retention, the new business declines were in the negative 25% range for a couple of quarters when the bad stuff on the Great Recession really started to hit and our retention rates were down in the, call it, 500 to 750 basis points range as well. As we mentioned though, there's probably two primary reasons why we believe we are better positioned today than we were back in 2008, 2009, and we've noted them over and over whenever we've gotten questions in the past or as we've described our business, but it really is around the types of research we deliver, the real focus we can drive on cost reduction and cost optimization, and the levels of engagement we drive with our clients consistently and have continued to drive in March and April. And so while we do anticipate – or I shouldn't say that – while we have modeled in based on our March, April experience that deceleration and glide down, we do feel that we are in a stronger position than we were during the Great Recession in 2008, 2009.

Manav Patnaik
Analyst, Barclays Capital, Inc.

Q

Got it. And then if I could just follow up on the EBITDA guidance, the implied second half guidance is much lower than the 2Q number you gave. And I guess I would think 2Q probably ends up being the worst part of it so I was just curious what the delta is – I mean I think you maybe thrown out some hints at conservatism along the way but just any bridge there.

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

A

Yeah, I think there's a couple of things there, Manav. I think, number one, we're very fast to harvest cost avoidance opportunities and anything we could harvest in Q1, we've harvested in Q1. And if you think about that from a financial flexibility perspective, we get the benefit of that. If you look at our debt covenants and all that, we get the benefit of that for the next four quarters. And so, it was very important for us to make sure that we harvested as much as we could in Q1 to maintain all that financial flexibility.

The second thing I'd say is if you model out Research revenue, we've always said Research revenue growth lags contract value growth because of the revenue recognition. It's the same thing on the flip side when there is a deceleration in contract value. And so, we intend to glide down on – or we've modeled gliding down on the CV growth. Over the course of the year, the Research revenue glides down at a slower rate, if you will, just because of the revenue recognition methodology that we employ on that large part of the business.

And so, as we look at Q2 through Q4, again we've tried to be thoughtful around not assuming any sort of recovery. And as Gene mentioned, there are parts of the world, whether it's conferences or research or what have you, there are parts of the world that are "reopening up." But we have not taken that into account. We wanted to be appropriately conservative in thinking about this and not trying to pick when we think a recovery will come. Whether it's a U-shaped recovery or a V-shaped recovery or a W-shaped recovery, we didn't want to get into guesswork on that.

And so I think we're just trying to make sure that we manage the business appropriately. We take the steps necessary to maintain financial flexibility and we're also making sure that we maintain capacity in places like sales and research and service so that when we come out of this, we're prepared to reaccelerate.

Manav Patnaik
Analyst, Barclays Capital, Inc.
Q

All right. Thank you, guys.

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

Andrew Nicholas
Analyst, William Blair & Co. LLC
Q

Good morning. Just wanted to follow up again on the earlier question on Conferences, hoping you could speak a bit more specifically about kind of how you're looking at that business in the medium term, based on some of those focus groups you referenced, do you expect clients to gradually ramp up to previous attendance levels over the next couple quarters or years, or is your expectation that there will be some sort of permanent reset lower? And then maybe relatedly, is there a way for us to think about the attendance required relative to previous levels in order to make that a worthwhile endeavor?

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

So, [ph] well, Andrew, (00:55:56) we don't know how fast people are going to come back and so we're going to have to play that by ear, but I do know is, as we've done our focus groups that there's a very – in fact, it's exceeded our expectations, the level of interest that clients have in attending these types of conferences.

And so what we find is that there's actually quite a bit of enthusiasm. People are anxious to be able to – and looking forward to be able to [indiscernible] (00:56:22). Obviously, if they don't feel safe, they won't, but so we get across that threshold and we don't know when that will occur, but the good news is the underlying demand seems to be there. People still want to come to conferences for all the reasons they have in the past. And so to the extent that we can make the environment comfortable that will draw them faster and we're certainly doing that. We're looking, like I said, is in terms of ways that we can make the conferences – we can hold them in a way that people feel very safe going there.

Andrew Nicholas
Analyst, William Blair & Co. LLC
Q

Got it. And then maybe just one quick follow-up, and sorry if I missed it but did you outline or mention how much of the expense savings were realized in Q1 specifically?

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

Hi. Good morning, Andrew. We didn't call that out specifically, but obviously, we beat our original guidance pretty significantly in the first quarter. As I mentioned, we were tracking very well from an EBITDA perspective through January and February, and tracking well ahead of our EBITDA budget for those two months.

Then on top of that, once we saw some of the challenges that we're now dealing with, we slammed the brakes on a significant amount of costs and we are actually able to offset about $46 million worth of lost Conference revenue in the quarter as well. And so if you kind of think about the cost avoidance benefits in Q1, if you kind of bridge between our original guide and where we ended, that's a pretty good estimate for how much we were able to save.

Andrew Nicholas
Analyst, William Blair & Co. LLC Q

Great. Thank you.

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

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

Hi. Thanks. Good morning. Your GTS sales force productivity declined 21% in 1Q and swung the positive $57,000 in GBS. Can you discuss how productivity trended in April and what scenarios are contemplated in your updated 2020 guidance?

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

Hey, good morning, George.

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

Hey, George.

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

I'll take it. I'll start and then Gene can fill in the blanks. So productivity, as you know, the way we measure it is a rolling four quarter measure based on the amount of net contract value growth that we deliver over those rolling four quarters divided by opening head count. It's sort of a derivative of all of the other metrics that we look at in terms of what drives contract value growth.

And so what we saw in the first quarter obviously – and you can see this on the specific GTS and GBS pages – is the actual NCVI generated in first quarter of 2020, if I talk about GTS specifically, was less than the NCVI we generated in Q1 of 2019. And so on a rolling four quarter basis, we lost a, let's call it, a strong quarter and replaced it with a more challenging quarter and that's essentially what impacts that productivity measure. Since it is a derivative metric, if contract value growth is going to decline over the balance of the year, productivity will decline as well.

And again if you think about the inputs of productivity at the kind of granular level, they're the same as we talk about at the highest level, which is what is the retention rate on the contract value that is coming up for renewal and how much new business are you actually able to generate. And as we mentioned, obviously in March and through April because of the environment, both of those metrics had pressure on them. And so we would expect that pressure – or I should say, we've modeled that consistent pressure to continue through the balance of the year.

With GBS, obviously last year, we had a bunch of negative quarters in the rolling four quarter measure. And so now, we've obviously flipped a positive in GBS, which is great and where we want to be, and that's what's driving that flip from negative to positive in the first quarter. But the same dynamics that apply to new business and retention for GTS will also apply to GBS or at least as we've modeled them through the balance of the year.

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

Q

Got it. That's helpful. So you talked about planning $400 million in cost savings this year. Does this assume that the Research sales force head count freeze will extend through the end of the year? And given that it takes a year for new sales force hires to ramp in productivity, what are your thoughts on whether the glide down in Research CV will extend into 2021?

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

A

So I think a lot of the dynamics related to Research contract value growth in the kind of short to midterm will be driven by recovery. And so, if there is a recovery in the third quarter or the fourth quarter or the first quarter of next year, obviously, that is what's going to support contract value kind of bouncing back and reaccelerating in the short to midterm. Gene, I don't know if you want to take the question on GTS head count specifically and how we're thinking about it.

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

A

Yeah. So, George, basically we're going to set GTS head count based on the productivity we're seeing at an individual territory basis. And so where we see territory, if we today we see territories that have good productivity, we're going to be adding to those territories. And so it's going to be just looking sort of at what's our overall productivity territory by territory? And are there places that we could add – that we could productively add territories, we'll do that. And so you shouldn't think about that our sales head count in GTS is frozen for the year. We're going to moderate that head count based on the productivity we see.

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

Q

Got it. That's helpful. Thank you.

Operator: Thank you. Our next question comes from the line of Hamzah Mazari with Jefferies. Your line is now open.

Hamzah Mazari
Analyst, Jefferies LLC

Q

Good morning. Hope you're healthy and safe out there. I had a question around how discretionary is the GBS portfolio in terms of customer spend versus GTS. So when you think about marketing, legal, HR, supply chain, is that much more discretionary versus your core IT business, or asked another way, the net new business that you're seeing down 20% to 25%, is that larger and the marketing segment or HR, any thoughts there as you know because you didn't own GBS In the prior downturn?

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

A

Yeah, so I wouldn't think about GBS as being more discretionary than GTS. And here's how we think about it, which is that in GBS, so first things like HR, finance, legal, as I mentioned in my remarks really have very similar characteristics in terms of the buying cycles, buying criteria, things like that as in GTS.

And I mentioned also that in marketing and in supply chain, there're specific issues. In supply chain, the issue is that a lot of the supply chain leaders that we would sell to are actually doing tactical, operational things in their business because supply chains are struggling in their companies. In terms of marketing it's impacted by the fact that we had these product lines we talked about that we are discontinuing because the profitability wasn't where we wanted it to be. And so those two things are actually taking the GBS growth lower than it would otherwise be.

And then the other factor that affects GBS that's different than GTS is our GTS sales and service teams have much more experience. We have sales and service people in GTS that have been working there for 10, 15, 20 years. In GBS, we have a much smaller group of people that have been using those same playbooks for that kind of period of time. And so we expect that that'll have an impact, but over time, they'll keep getting better and better and then approach GTS levels. And so, those are kind of the two factors that affect why GBS has been a little bit of a laggard relative to GTS.

Hamzah Mazari
Analyst, Jefferies LLC

Q

That's very, very helpful. Just a follow-up question, anything you're seeing geography-wise in April that different – maybe any learnings from areas that have come out of this shutdown, if you have any, and what you're seeing there?

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

A

So you know we're in 100 countries around the world. They vary a lot. I don't think there's anything I would take away specifically strongly like I'll give you two examples. India and Japan have been doing well for us relative to other countries, but I think it's just our execution was just a little bit better there is kind of what I'd put it up to as opposed to us – yeah, as opposed to there's something fundamentally different there about the economy or something like that.

Hamzah Mazari
Analyst, Jefferies LLC

Q

Got you. Thank you so much.

Operator: Thank you. This concludes today's question-and-answer session. I would now like to turn the call back to Gene Hall for closing remarks.

Eugene A. Hall

Chief Executive Officer & Director, Gartner, Inc.

So as you heard from our call today, as we navigate the uncertainties of our current environment, we are well-positioned to help our clients address both the pandemic and the economic downturn. We've taken steps to carefully manage our costs and cash flow in response to the economic downturn, and we're going to come out of the recession strong and well-positioned to resume driving long-term, sustained, double-digit growth. Thanks for joining us today and we 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.