

Gartner, Inc. NYSE:IT

FQ4 2024 Earnings Call Transcripts

Tuesday, February 4, 2025 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2024-			-FQ1 2025-	-FY 2024-			-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	3.26	5.45	▲67.18	2.75	11.90	14.09	▲18.40	12.50
Revenue (mm)	1690.39	1715.10	▲1.46	1537.03	6243.66	6300.00	▲0.90	6586.29

Currency: USD

Consensus as of Feb-04-2025 1:06 PM GMT

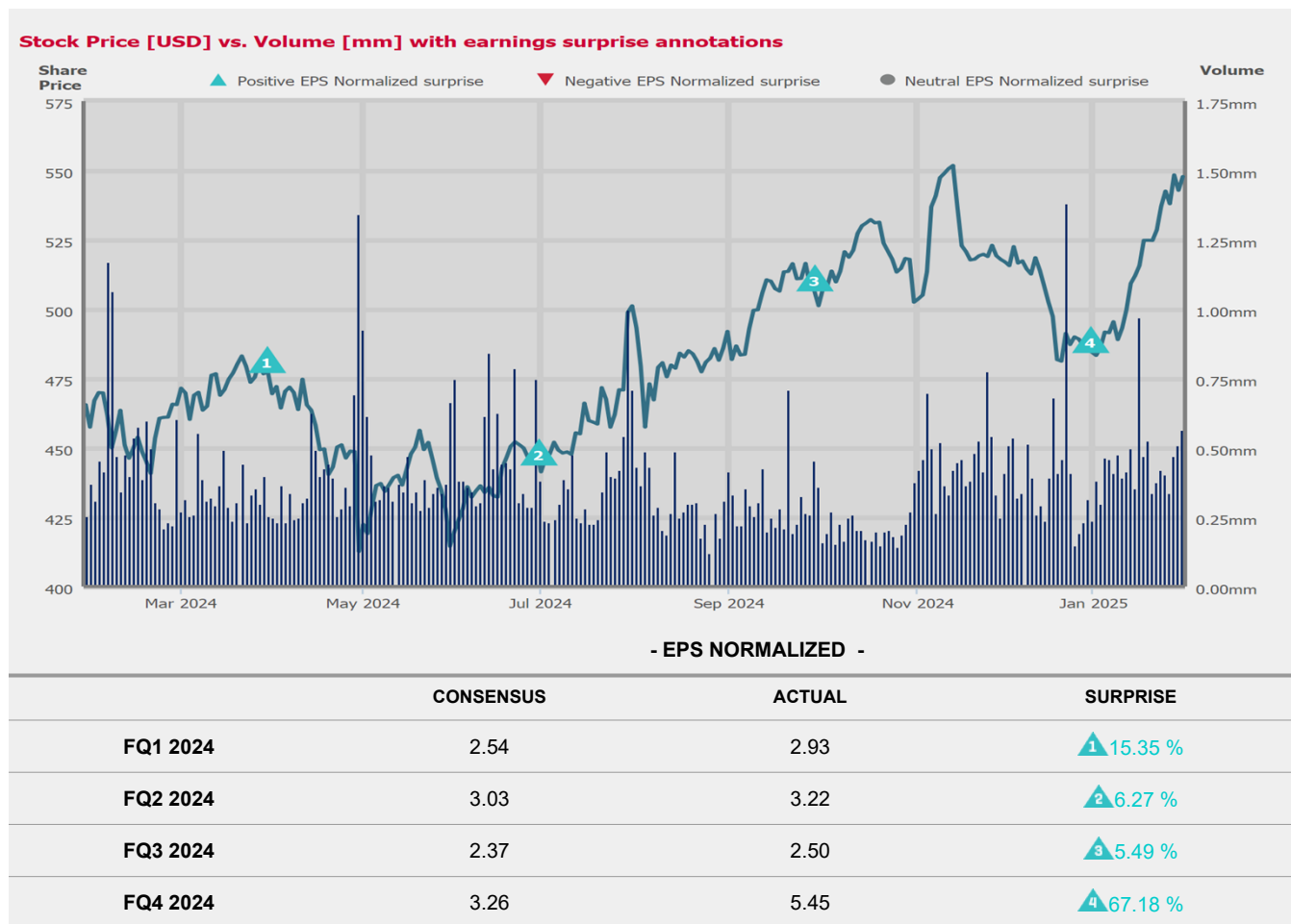


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Presentation

David Cohen

Group Vice President of Investor Relations

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

This call will include a discussion of fourth quarter 2024 financial results and Gartner's outlook for 2025, as disclosed in today's earnings release and earnings supplement both posted to our website, investor.gartner.com.

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

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

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

Eugene A. Hall

CEO & Chairman

Good morning, and thanks for joining us today. Gartner continues to remain resilient in a complex environment. In Q4, contract value grew 8%. Fourth quarter revenue, EBITDA, EPS and free cash flow were ahead of expectations. We delivered 6% headcount growth across our sales organizations and will continue to accelerate growth in 2025.

In 2024, geopolitical polarization and conflict was the worst in decades. Supply chains continued to experience major disruptions. Cybersecurity attacks escalated becoming even more sophisticated. Enterprises remain challenged by how to leverage artificial intelligence while mitigating risk and more.

Executives across the enterprise are facing greater uncertainty than ever before, and the rate of change continues to accelerate. Leaders know they need help and they know Gartner is the best source for the insight, guidance and tools they need to succeed.

We help our clients make smarter decisions that address their mission-critical priorities while managing risk, saving time, saving money and building confidence. Gartner guides leaders across every size enterprise in all major geographies and in every major industry. This includes government. There is no organization that knows more about how to help governments than Gartner.

We support public sector leaders in 74 countries, including the 30 largest economies, except Russia. And of course, we know more than anybody in the world about how to leverage technology in the private sector. In the U.S., there's a focus on leveraging technology to improve the efficiency and effectiveness of governance.

We'll apply our insights and best practices to help the U.S. achieve these objectives. One topic that continues to challenge leaders across the enterprise is how to harness AI innovation in their environment. In the world of artificial intelligence, the pace of innovation is almost impossible to keep up with.

During our 2024 IT symposium conference series, Gartner analysts discussed ways leaders could successfully pivot from learning AI to scaling AI and pursuing what's next. We are helping tens of thousands of executives determine how best to leverage AI in their enterprises.

Research continues to be our largest and most profitable segment. Within our Research segment, we serve executives and their teams through distinct sales channels. Global Technology Sales, or GTS, serves leaders and their teams within IT. GTS new business grew 13%, with double-digit growth in both enterprise leaders and tech vendors. GTS contract value accelerated to 7% and contract value with tech vendor clients improved for the third consecutive quarter.

Global Business Sales, or GBS, serves leaders and their teams beyond IT. This includes HR, supply chain, finance, marketing, legal, sales and more. GBS contract value accelerated to 12% with strong new business growth of 15%. Gartner Conferences deliver extraordinarily valuable insights to an engaged and qualified audience.

Conferences revenue grew 17% in the fourth quarter, and our plan and advanced bookings for 2025 are strong. Gartner Consulting is an extension of Gartner Research. Consulting helps clients execute their most strategic initiatives through deeper project-based work. Consulting is an important complement to our IT research business.

Labor-based consulting revenue grew 4%. Contract Optimization revenue was \$50 million, which exceeded expectations. Three foundational elements of our long-term success are: first, an unrelenting focus on globally consistent execution of Gartner best practices; second, a company-wide commitment to continuous improvement and innovation; and third, our vibrant culture, which inspires associates to operate and win as a global team.

In closing, Gartner delivered financial results ahead of expectations. Tech vendor CV growth continued to accelerate. We have a powerful client value proposition and a vast addressable market opportunity. We will continue to create value for our shareholders by providing actionable objective insight, guidance and tools to our clients; prudently investing for future growth; and returning capital to our shareholders through our share repurchase program.

We expect to deliver modest margin expansion over time, and we'll continue to generate significant free cash flow well in excess of net income. All of this and more positions us to drive long-term double-digit revenue growth and sustain our track record of success far into the future.

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

Craig W. Safian
Executive VP & CFO

Thank you, Gene, and good morning. Fourth quarter contract value growth accelerated to almost 8%. Revenue, EBITDA, adjusted EPS and free cash were better than expected as we continue to execute well in a complex environment. Our financial performance for the full year 2024 included global contract value growth of 8%, consolidated revenue growth of 6%, EBITDA of \$1.6 billion, diluted adjusted EPS of \$14.09 and free cash flow of \$1.4 billion.

We repurchased more than \$735 million of stock through December and remain eager to repurchase shares opportunistically. We are introducing 2025 guidance, which we view as achievable with opportunity for upside.

Fourth quarter revenue was \$1.7 billion, up 8% year-over-year as reported and FX neutral. In addition, total contribution margin was 66%. EBITDA was \$417 million, up 8% as reported and 9% FX neutral. Adjusted EPS was \$5.45, up 79% versus Q4 2023. This includes a benefit in the quarter from our tax planning initiatives. And free cash flow was \$311 million, a very strong finish to the year.

We ended the quarter with 21,044 associates, up 4% year-over-year. We have a great team across Gartner driven by a very compelling associate value proposition. Moving into 2025, we are in an excellent position from a talent and tenure perspective with a strong hiring plan for the coming year.

Research revenue in the fourth quarter grew 5% year-over-year, as reported, and 6% FX neutral. Subscription revenue grew 8% on an FX-neutral basis. Non-subscription revenue was in line with our expectations and guidance.

Fourth quarter research contribution margin was 74%, consistent with the prior year period. For the full year 2024, research revenue increased by 5% as reported and FX neutral. The gross contribution margin for the year was 74%. Contract Value, or CV, was \$5.3 billion at the end of the fourth quarter, up 8% versus the prior year.

Quarterly net contract value increase, or NCVI, was \$220 million. As we've discussed in the past, there is notable seasonality in this metric. For the fourth quarter, CV from enterprise function leaders across GTS and GBS grew 9%. CV from tech vendors accelerated for the third consecutive quarter.

CV growth was broad-based across practices, industry sectors, company sizes and geographic regions. Across our combined practices, the majority of the industry sectors grew at double-digit or high single-digit rates led by the health care, manufacturing and public sectors. We had high single-digit growth across almost all of our enterprise size categories.

The small category, which has the largest tech vendor mix, grew mid-single digits. We also drove double-digit or high single-digit growth in the majority of our top 10 countries. Global Technology sales contract value was \$4 billion at the end of the fourth quarter, up 7% versus the prior year. GTS CV increased \$165 million from the third quarter.

Wallet retention for GTS was 102% for the quarter, reflecting net growth even before the addition of new clients. GTS new business increased 13% versus last year with double-digit growth with both enterprise leaders and tech vendors. GTS quota-bearing headcount increased 4% year-over-year, consistent with our plan. We added 138 net new sellers in the quarter, the largest sequential increase since Q4 of 2022. We are planning mid-single-digit QBH growth for GTS in 2025. Our regular full set of GTS metrics can be found in the earnings supplement.

Global Business Sales contract value was \$1.2 billion at the end of the fourth quarter, up 12% year-over-year. The majority of our GBS practices grew at double-digit rates. Growth was led by finance, sales and legal. GBS CV increased \$55 million from the third quarter. While retention for GBS was 106% for the quarter, reflecting strong net growth with our existing clients, GBS new business was up 15% compared to last year. GBS quota-bearing headcount was up 9% versus the fourth quarter of 2023. We are planning double-digit QBH growth for GBS in 2025.

As with GTS, our regular full set of GBS metrics can be found in our earnings supplement. As we do each year at this time, we've provided quarterly historical contract value data updated to 2025 FX rates in the appendix of the earnings supplement. The dollar strengthened significantly during 2024 against our major currencies. This resulted in a larger-than-normal revaluation. As you build your 2025 models, please remember to use the updated data as the baseline for your forecasting.

Conferences revenue for the fourth quarter was \$251 million, up 17% year-over-year. Contribution margin in the quarter was 48%, consistent with typical seasonality. We held 13 destination conferences in the quarter, all in person. For the full year 2024, we delivered revenue of \$583 million, which was an increase of 15% on a reported and FX-neutral basis.

Full year gross contribution margin was 48%. We made investments during the year for conference launches and the expansion of existing conferences. Fourth quarter consulting revenue of \$153 million increased 19% compared with the fourth quarter of 2023. Consulting contribution margin was 35% in the fourth quarter.

Labor-based revenue was \$104 million, up 4% versus Q4 of last year as reported and on an FX-neutral basis. Backlog at December 31 was \$192 million, increasing 17% year-over-year on an FX-neutral basis on strength in multiyear contracts.

We delivered \$50 million of contract optimization revenue in Q4. The quarter was very strong, with more and larger deals compared with last year. About \$8 million were pulled forward from the first quarter of 2025. Our contract optimization revenue is highly variable.

Full year consulting revenue was up 9% on a reported and FX-neutral basis. Gross contribution margin was 36% compared to 35% in 2023. Consolidated cost of services increased 9% year-over-year in the fourth quarter as reported and 8% on an FX-neutral basis. The biggest driver of the increase was higher headcount to support our future growth.

SG&A increased 10% year-over-year in the fourth quarter as reported and on an FX-neutral basis. SG&A increased in the quarter as a result of headcount growth, mostly in sales. EBITDA for the fourth quarter was \$417 million, an increase of 8% as reported and 9% on an FX-neutral basis.

Fourth quarter EBITDA upside to our guidance primarily reflected stronger-than-expected revenue performance. EBITDA for the full year was almost \$1.6 billion, a 5% increase over 2023 on a reported basis and up 6% FX neutral.

Depreciation in the quarter of \$29 million was up 10% compared to 2023 and similar to Q3. Net interest expense, excluding deferred financing costs in the quarter, was \$11 million. This was an improvement of \$8 million versus the fourth quarter of 2023 due to higher interest income on our cash balances.

The Q4 adjusted tax rate, which we use for the calculation of adjusted net income, was a benefit of 25% for the quarter as a result of favorable tax planning which took place during the quarter. The tax rate for the items used to adjust net income was 32% in Q4. The full year tax rate for the calculation of adjusted net income was 10%, again, as a result of the favorable tax planning in the fourth quarter.

Adjusted EPS in Q4 was \$5.45, up 79% versus Q4 2023. If the adjusted tax rate had been 23%, adjusted EPS in the quarter would have been \$3.37. We had 78 million shares outstanding in the fourth quarter. This is a reduction of about 1 million shares or about 1% year-over-year. We exited the fourth quarter with just under 78 million shares on an unweighted basis.

For the full year, adjusted EPS was \$14.09, up 24% for 2023. If the adjusted tax rate had been 23%, adjusted EPS for the year would have been \$11.99.

Operating cash flow for the quarter was \$335 million, up 50% compared to last year with a working capital timing benefit in the quarter. CapEx for Q4 was \$24 million, about \$4 million less than the prior year. Free cash flow for the quarter was \$311 million, up 59% compared to last year.

Free cash flow for the full year was almost \$1.4 billion, a 31% increase versus 2023. There were several items affecting net income and free cash flow during 2024, including after-tax insurance proceeds, a real estate lease termination payment and tax planning benefits. Adjusting for these items, free cash flow for 2024 was 18% of revenue, 74% of EBITDA and 140% of GAAP net income.

Our free cash flow conversion is generally higher when CV growth is accelerating. At the end of the fourth quarter, we had about \$1.9 billion of cash. Our December 31 debt balance was about \$2.5 billion. Our reported gross debt to trailing 12-month EBITDA was under 2x. Our expected free cash flow generation, available revolver and excess cash remaining on the balance sheet provide ample liquidity to deliver on our capital allocation strategy of share repurchases and strategic tuck-in M&A.

Our balance sheet is very strong with \$2.6 billion of liquidity, low levels of leverage and effectively fixed interest rates. We repurchased \$102 million of stock during the fourth quarter and more than \$735 million for the full year. At the end of December, we had more than \$900 million of authorization for repurchases remaining, and we expect the Board will continue to refresh the repurchase authorization going forward.

As we continue to repurchase shares, our capital base will shrink. Over time, this is accretive to earnings per share and combined with growing profits, also delivers increasing returns on invested capital.

Before providing the 2025 guidance details, I want to discuss our base level assumptions and planning philosophy for 2025. As you know, the U.S. dollar has strengthened significantly. We expect FX will be around a 2 percentage point headwind to revenue and EBITDA growth for the full year. For research, we continue to innovate and provide a very compelling value proposition for clients and prospects.

The outlook for 2025 research revenue growth is a function of 3 primary factors: first, 2024 ending contract value; second, the timing and slope of the continued CV acceleration; and third, the performance of nonsubscription revenue. Starting with research subscription revenue, which was 77% of 2024 consolidated revenue.

Our guidance reflects CV continuing to accelerate during 2025. First quarter and first half NCVI are important inputs to calendar 2025 revenue growth. We have taken a prudent view of NCVI phasing because Q1 is a seasonally important quarter for renewals.

With the U.S. Federal Government, we ended 2024 with around \$270 million of CV, which is 5% of the total. Our contracts are spread widely across agencies and departments. Around 85% of U.S. Federal CV is in GTS. Almost all the U.S. federal contracts are for 1 year with renewal spread across the year.

We offer a very compelling value proposition for our public sector clients. As Gene discussed, we help government function leaders address their mission-critical priorities. Potential government changes may affect our business in the short term. We will continue to provide great sales, service and research levels to our clients. This will position us to drive strong growth over time.

The nonsubscription part of the Research segment was about 5% of consolidated revenue in 2024. We built into the guidance a continuation of second half traffic trends. If the underlying fundamentals of this portion of the segment improve, we'll be able to increase the full year outlook.

For conferences, which was about 9% of 2024 revenue, we are basing our guidance on the 53 in-person destination conferences we have planned for 2025. We expect similar seasonality to what we saw in 2024 with Q4 the largest quarter, followed by Q2. We expect gross margins in the second quarter to be the highest of the year for the Conferences segment.

We have very good visibility into 2025 revenue with the majority of what we've guided already under contract. This is consistent with last year.

For Consulting, which was also about 9% of 2024 revenue, we have more visibility into the first half based on the composition of our backlog and pipeline as usual. Contract optimization has had several very strong years. It's seasonally slower in the first quarter. We pulled forward about \$8 million in Q4, and the business remains highly variable.

We've incorporated a prudent outlook for this part of the segment. Our base level assumptions for consolidated expenses reflect the run rate from the second half 2024 hiring and the growth hiring we have planned for 2025. Beyond the hiring factors, we recommend thinking about expenses sequentially with notable seasonality driven by the conferences calendar and annual merit increases.

Our plan for mid- to high single-digit sales headcount growth for 2025 reflects our commitment to invest for future growth while delivering strong margins and free cash flow. For GTS, we expect mid-single-digit QBH growth again in 2025. We have the capacity we need for the tech vendor part of the business for now, and we're going to be thoughtful about our public sector hiring in the short term.

For GBS, we plan to grow QBH double digits this year. We have the recruiting capacity to go faster depending on how the year plays out. The most important way we invest for long-term sustained double-digit growth is by increasing our sales headcount. This is an essential part of our 2025 operating plan.

Our guidance for 2025 is as follows: We expect Research revenue of at least \$5.365 billion, which is FX-neutral growth of about 6%. The guidance reflects FX-neutral research subscription revenue growth near 8%, consistent with 2024 CV growth.

We expect Conferences revenue of at least \$625 million, which is FX-neutral growth of about 10%. We expect Consulting revenue of at least \$565 million, which is FX-neutral growth of about 2%. The result is an outlook for consolidated revenue of at least \$6.555 billion, which is FX-neutral growth of 6%. We expect full year EBITDA of at least \$1.51 billion. On a reported basis, we expect an EBITDA margin of at least 23%.

Compared with 2024 margins, this factors in FX, 2024 headcount additions, 2025 growth hiring and a prudent approach to the plan. We expect 2025 adjusted EPS of at least \$11.45 per share. For 2025, we expect free cash flow of at least \$1.14 billion. This reflects a conversion from GAAP net income of about 140%.

Our guidance is based on 78 million shares, which only assumes repurchases to offset dilution. Finally, for the first quarter of 2025, we expect to deliver EBITDA of at least \$345 million.

We performed well in 2024 despite continuing global macro uncertainty and a dynamic tech vendor market. We finished the year with high single-digit CV growth. Revenue, EBITDA, EPS and free cash flow performance exceeded our expectations and the guidance we set a year ago.

We repurchased about \$735 million in stock during 2024 and more than \$4 billion over the past 4 years. We remain eager to return excess capital to our shareholders. We will continue to be price sensitive, opportunistic and disciplined. Looking out over the medium term, our financial model and expectations are unchanged.

With 12% to 16% Research CV growth, we will deliver double-digit revenue growth. With gross margin expansion, sales costs growing about in line with CV growth and G&A leverage, we will expand EBITDA margins modestly over time.

We can grow free cash flow at least as fast as EBITDA because of our modest CapEx needs and the benefits of our clients paying us upfront. And we'll continue to deploy our capital on share repurchases, which will lower the share count over time and on strategic value-enhancing tuck-in M&A.

With that, I'll turn the call back over to the operator, and we'll be happy to take your questions. Operator?

Question and Answer

Operator

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

Jeffrey P. Meuler

Robert W. Baird & Co. Incorporated, Research Division

You gave us a lot of perspective, but I'm still trying to tie some of the things you gave us together. A 7.8% Q4 CV exit rate with Research subscription constant currency growth only landing near 8%, especially when you have an easier comp to begin the year and that flows through while the revenue of CV does well then.

Just are you seeing anything from the renewal risk heat map perspective? Or are you hearing things from the U.S. Federal Government salespeople or seeing something in those renewal trends on the ground yet? Or just anything you're trying to signal beyond the prudence in the guidance assumptions to tie those figures together?

Eugene A. Hall

CEO & Chairman

So the biggest driver of forward year subscription revenue growth is going to be the end of year prior year CV growth. And that sort of determines, call it, 80% to 85% of how much revenue actually flows through into the following year. The other important part, which we talked about a little bit during the prepared remarks, is the phasing of our NCVI quarter-to-quarter-to-quarter.

And as we mentioned, we -- Q1 is a heavy renewal quarter or a little bit heavier than average, and it is our lowest new business quarter. And so we generally take a pretty prudent approach to how we plan for Q1 and Q2 in CVI. And those -- Q1 and Q2 are the quarters that can materially move the revenue up or down depending on the performance. And so what you're looking at is sort of I would characterize as sort of a normal flow of ending contract value growth flowing into 2025 and then our "normal" expectations for first half NCVI rolling into that around 8% constant currency subscription revenue growth for 2025.

Jeffrey P. Meuler

Robert W. Baird & Co. Incorporated, Research Division

Got it. And then on 2025 margin guidance, I hear you an opportunity for upside. But should we be thinking that wherever 2025 margin lands will be the fully rebased year to expand modestly from over time, consistent with the medium-term framework? And I ask because it sounds like you're still reaccelerating sales headcount, still reimplementing growth investment, and you're not going to be fully back to the medium-term growth framework for GTS quota-bearing headcount in terms of the growth rate yet in 2025? So are we still likely going to be talking about I guess, needing to annualize that spend a year from now? Or is 2025 kind of the final margin reset?

Eugene A. Hall

CEO & Chairman

Thanks, Jeff. So I'd like to say, yes. I don't know what the year has in store for us in terms of the dynamism of the environment that we're operating in. But one way to sort of step back and think about it is the implied operating expense growth that we have baked into our 2025 plan and guide is around 9% year-over-year operating expense growth.

And that encompasses the growth we brought on board in 2024, particularly from a QBH perspective but across the company and the growth we have planned for 2025 with more normal phasing of that hiring. And so if revenue -- and again, and we have modeled in our CV growth rate accelerating over the course of 2025.

And so if 2025 ends up being a more again, "normal year," yes, I would say 2025 could be the new baseline. But again, given the dynamic world in which we operate, it's hard to call that right this moment.

Operator

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

Toni Michele Kaplan

Morgan Stanley, Research Division

I caught the part in the prepared remarks where tech vendor growth continued to accelerate in the quarter. I know last year, we had that first quarter dynamic, but I wanted to understand, are we in a place where a tech vendor is a nonissue now for this year and should we expect to see accelerating growth throughout the year?

Eugene A. Hall
CEO & Chairman

So the tech vendor market has recovered nicely and we are as well. So we expect it to return to a more normalized state over the next several quarters. And so I think it's -- we expect it to continue to accelerate for the year.

Toni Michele Kaplan
Morgan Stanley, Research Division

Great. And then I think one of the questions that people have been asking recently is on the buyback. So Craig, could you just remind us what goes into your decision-making process on that? And any thoughts about -- I know you mentioned in the guide, you're only really contemplating buying back for dilution.

But to the extent that you have a lot of excess cash on the balance sheet, your leverage level is below where your target is. Just want to understand whether we could see upside to that buyback guide?

Craig W. Safian
Executive VP & CFO

Thank you, Toni. So I'll start. Philosophically, we want to make sure that we deploy our capital on shareholder value-enhancing initiatives, one of those initiatives that we know delivers great returns over the long term is returning capital to our shareholders through our buyback programs, and we remain committed to deploying our capital in smart ways, whether it be through the buyback program or through strategic value-enhancing tuck-in M&A.

On the buyback side, again, just zooming back for a moment, we bought back north of \$700 million in 2024. Over the past 4 years, it's been over \$4 billion. And so I think we've proven that, yes, we are more than willing to put our money to work and capital to work and free cash flow to work on behalf of our shareholders.

That said, we don't want to just be in the market buying blindly. We have a philosophy of being price-sensitive, opportunistic and disciplined. And when we see an opportunity to go big when there is a disruption either in the market or in the share price or in the sector or whatever it may be, we are ready to go big.

We were able to repurchase over \$700 million of stock last year at attractive prices because we follow that philosophy. And so going forward, as I mentioned on Jeff's question, the world is a pretty dynamic place and volatile place and so that should give us opportunities to get into the market and be more aggressive, but we're not going to deviate from our overall philosophy of being price-sensitive, opportunistic, and disciplined.

Operator

Our next question will come from Faiza Alwy from Deutsche Bank.

Faiza Alwy
Deutsche Bank AG, Research Division

First, I wanted to ask about the public sector. You said that you are going to be thoughtful about public sector hiring in the short term. And I know you've talked about the value proposition for the public sector. Obviously, there's been a lot in the news. Just give us a bit more color -- and thank you for the quantification there, but give us a bit more color about how you're tactically approaching the public sector just in light of the dynamic environment there?

Eugene A. Hall
CEO & Chairman

So let me start. First, -- for the public sector for us, encompasses federal governments, state governments, local governments in 74 countries around the world. So when it comes to public sector, we're actually incredibly diversified in terms of where public sector comes from. And we help among the most advanced governments in the world with their service, delivering better services to their citizens, and we're an essential service for them.

And so we're going to continue doing that. And so as we look at the public sector, if you think about it as being not just like U.S. Government, but being actually 74 countries and federal, state, local, all of whom technology is just as important as for the commercial sector. And so we see it as a very vibrant sector for us overall that we expect to continue to do very well with us.

Faiza Alwy

Deutsche Bank AG, Research Division

Okay. Understood. And then you talked about 1Q being like a higher renewal quarter for you. Give us some perspective on how much -- is that across the board? Is that -- were you talking specifically about tech lenders or GTS or is it across the board?

Craig W. Safian

Executive VP & CFO

Yes. Faiza, it's Craig. So our renewals are phased pretty evenly throughout the year, but it's not 25, 25, 25, 25. And so Q1 happens to be a little bit higher than the 25% mark. And as I mentioned earlier, it's our lowest new business quarter. Fourth quarter is our largest new business quarter, we have our most conferences, we build the most pipelines and we sell the most new business.

And as we roll into Q1, it tends to be our lightest new business quarter. So it's really the dynamic of slightly higher-than-average amount of renewals in the quarter and seasonally our lowest new business quarter that causes us to make sure that we're thoughtful about the Q1 NCVI that we build into our revenue plan.

Operator

Our next question will come from Andrew Nicholas from William Blair.

Andrew Owen Nicholas

William Blair & Company L.L.C., Research Division

First question, I just kind of wanted to circle back on the government piece. I understand it's not a massive part of the business and you're optimistic about the opportunity in medium and long term. But can you just clarify, like are you already getting feedback from that part of your business that the renewal cycle will be choppy? I think you mentioned those are generally 1-year contracts or is it just kind of reacting to news flow and being a bit more cautious? Just not sure if it's tangible to this point or goes back to a typically conservative approach?

Eugene A. Hall

CEO & Chairman

So if I look -- again, if I look at our total business, the 74 countries in federal, state, local are highly diversified. No change there. If I zoom in just on the U.S. public sector, I'd say, we're seeing the same -- the trends we're seeing now are the same trends we saw in Q4. There's no change. And that could change in the future, but as we sit here today, there's no trends -- no difference from what we saw in Q4.

Andrew Owen Nicholas

William Blair & Company L.L.C., Research Division

Great. And then for my follow-up, I just wanted to ask about generative AI broadly. It seems like every day we get a new release from one of the major players there in terms of new models, new capabilities. Any update to how you're thinking about your ability to leverage that technology within your business, become more efficient, generate more content, whatever it may be. Any updated thoughts there would be great.

Eugene A. Hall

CEO & Chairman

So AI is fantastic for us. If I start with our clients, and I'll come back to us, but if I start with our clients, it's the -- it's one of the biggest areas of uncertainty. There's a lot of expectation, it can provide a lot of productivity growth in the future for our clients.

And we're best positioned in the world to help our clients to sort this out, both on the enterprise function leader side as well as on the tech vendor side. Within Gartner, in particular, we have in the range of tens of different kinds of initiatives where we're applying AI, generative AI but other kinds of AI as well. And it ranges from advanced statistical techniques with some types of AI to using generative AI for things like training as well as in some of our client facing, doing things like translations and things like that.

And so we've got like many tens of applications we're using. No single application is going to be like improve productivity 50%. Each of these are going to be like small little things. Some will work out and be great and maybe great, meaning like they'll give us a 5% productivity improvement. And some we will try and we'll find actually if they don't have a big impact and move on to the next one.

And so we're seeing it as -- so we have a strategy of continuous improvement and continuous innovation. AI and generative AI both are just another piece of our continuous innovation, continuous improvement strategy. So again, it will be -- will be transformational, but it will help us continue to improve our effectiveness over time, both with clients.

But the big advantage for us is not on the internal side, it's really about helping clients figure out how to use in their business, which is the rate change is so high that there's -- there are a few things that have been in business history have so much uncertainty, which is great for us.

Operator

Our next question will come from Manav Patnaik from Barclays.

Manav Shiv Patnaik

Barclays Bank PLC, Research Division

Gene, I was just wondering in terms of GTS, right, I think you talked about in your prepared remarks how sales growth is very important to your long-term double-digit growth and you're doing that in GBS. I was just wondering in GTS, why only mid-single digits? What kind of environment or what does it take for you to get back to the double-digit sales force growth on the GTS side?

Eugene A. Hall

CEO & Chairman

So the -- if I look at GTS, we believe that there is room to improve productivity in GTS in addition to growing headcount. And so the reason we're growing GTS headcount modestly slower than we wanted to over the medium term is that we believe we can get growth out of productivity, particularly on the tech vendor side of our business, we think we can do both, improve productivity and grow headcount.

Manav Shiv Patnaik

Barclays Bank PLC, Research Division

Okay. Fair enough. And then, Craig, just in terms of being opportunistic on the buybacks, is it really just the -- I guess, your interpretation if the stock is cheap or not. But just besides that, is there any deal pipeline or anything of that nature that might be part of why you're holding back as well?

Craig W. Safian

Executive VP & CFO

Manav, we're in a position where because of our excess cash we have on the balance sheet, balance sheet flexibility and the \$1 billion-plus of free cash flow that we generate each year, it's an and question not an or question for us in terms of buybacks or M&A. So I would not read anything into our opportunism and discipline around our buyback program and M&A pipeline.

Again, and I think the other thing I would just highlight is the bulk or virtually all of our M&A targets, I would characterize as small to medium kind of tuck-in acquisitions, nothing big transformational like we did 8 years ago.

Operator

Our next question will come from Surinder Thind from Jefferies LLC.

Surinder Singh Thind

Jefferies LLC, Research Division

Gene, a big picture question here. As you think about tech vendor and maybe the cyclical nature in that part of the business, how do you think about that on a go-forward basis in the sense of how unusual do you think this cycle has been? And if I interpret your comments correctly, it sounds like tech vendor should be back to normalized growth by the end of 2025. And if so, what does normalized growth for that business look like?

Eugene A. Hall

CEO & Chairman

So I think the period that we've been through over the last 3 or 4 years has been pretty extraordinary in the tech sector. There was a -- if you look at venture capital funding, during that time period, it went up a whole number of multiples, I think 3 to 4 times. And so there was a -- in my view, an unusually large, I'll call it, bubble, of venture capital spending, which then drove a kind of bubble with all those tech companies. I can't recall that happening and I don't see that happening again.

Anything could happen, but I do think that was very unusual. If you look at the 20 years prior to that, we didn't see that. We saw ups and downs, but not anything like that. And so I would expect it to be anywhere near as cyclical as it has been.

The other thing that happened then, too, is it wasn't just cyclical. There was a shift in what the venture capital firms were investing in that happened simultaneously. So a lot of the investments they made that were not in AI, and now there's a big focus in venture capital in AI.

And so there's a big shift going on from companies that used to get funding 4 years ago or 3 years ago that today can't get funding, a different set of companies now that are getting those funding. That's all, I think, a very -- that's not a usual event if you look back over the last 20-plus years.

Craig W. Safian
Executive VP & CFO

And 2 other thoughts there, Surinder. So one, when we think about our medium-term objective for research and CV growth, it's 12% to 16%, and that's across the entire GTS and GBS portfolio, inclusive of tech vendor. And if you go back historically, tech vendor has grown in that range year after year after year after year. And so I do think the most recent cycle has been abnormal or atypical.

The other thing, just to clarify, I think what Gene said is returning to normal growth over the next several quarters. He wasn't pegging end of year or anything like that. And so we expect our tech vendor CV to continue to accelerate. It has accelerated these past 3 quarters, and we'll continue to accelerate into '26 and beyond.

Surinder Singh Thind
Jefferies LLC, Research Division

That's helpful. And then maybe just on the nonsubscription lead gen part of the business. Can you maybe talk about where you believe you are in that part of this strategic shift, maybe how demand pricing has evolved versus the expectations over the last year and where you think it's going to head to or what's in the assumptions for 2025?

Eugene A. Hall
CEO & Chairman

So I'll start with kind of where the business is. So the business went through -- in fact, it was impacted by the same things we just like earlier with this, what I will call tech bubble. And we're kind of, I think, getting -- working our way through all of those. And I think the business will then normalize and be back to kind of normal where both traffic, conversion traffic and pricing then stabilizes again over the next few quarters.

Operator

Our next question will come from Josh Chan from UBS.

Joshua K. Chan
UBS Investment Bank, Research Division

I was wondering if you could talk about the selling environment. I noticed that the GTS wallet retention improved nicely this quarter. So I wonder if any change you've noticed there in terms of selling and renewals?

Eugene A. Hall
CEO & Chairman

So I would say the selling environment is unchanged, but our level of execution continues to improve. So I think the improvement you're seeing across the business is due to improved execution on our part.

Joshua K. Chan
UBS Investment Bank, Research Division

Okay. That's great color. And then on your comment about the Q1 renewal prudence. I think last year, you had slightly negative NCVI in Q1, but that was because tech vendors were in a much tougher spot. And so I guess with tech vendors seemingly getting better this year, can we roll out negative NCVI in Q1? I guess, would you care to comment on that?

Craig W. Safian
Executive VP & CFO

Yes. It's we're -- we don't guide on CV, and we're not going to guide on Q1, and we're only 1 month into the cycle, I would just emphasize that the world is a very dynamic place. We have planned what we consider to be appropriately and prudently for Q1 NCVI, and we are fighting for every new business win and every renewal rate, like we always do. We are executing better, as Gene mentioned, then we had 4 quarters ago, 6 quarters ago, 8 quarters ago, and we'll continue to do that. We'll update you on Q1 in April or early May.

Joshua K. Chan
UBS Investment Bank, Research Division

Great. And good luck in the Q1.

Craig W. Safian
Executive VP & CFO

Thank you.

Operator

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

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

Just sort of built on the prior question, but you talked about taking a prudent view of NCVI phasing since 1Q is a heavier renewal quarter and lower new business quarter. Can you talk about some of the top internal or external swing factors that you're watching that could affect how NCVI comes in?

Craig W. Safian
Executive VP & CFO

It's the normal stuff, George. So obviously, we have a global business that operates with the largest companies in the world down to smaller companies. We've got small tech vendor baked in there. We obviously have our public sector business and some level of U.S. Fed renewals in the first quarter. So there's always large swing factors. Last year was a bit unique in that we had several very large tech vendor renewals where we knew the situations were going to be challenging.

So they're either like large M&A closing and us having to deal with the ramifications of that or large layoffs announced in the throes of us going through the renewal process. So we don't have that to the same extent that we did last year. But we're talking about thousands and thousands of deals that our teams are working both from a research perspective, a service perspective, a renewal perspective and a growth perspective over the course of the quarter. And so any of those underneath the covers can drive the overall NCVI and CV growth up or down a little bit.

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

Got it. That's helpful context. And then you're planning to increase sales headcount mid-single digits in GTS, in double digits in GBS this year. Can you talk about the phasing of this hiring? If it's going to be front-end loaded or back-end loaded or perhaps evenly distributed across the year?

Craig W. Safian
Executive VP & CFO

Yes, it's a great question, George. So I think in 2024, almost all of our growth hiring or the net increase in quota-bearing headcount was back-end loaded. In 2025, current plan is for it to be more evenly spread throughout the year. The one thing I would note, though, is the number can bounce around a little bit quarter-to-quarter. We're not necessarily hiring to a deadline of we must have you on board by midnight on March 31, so we can hit our numbers. We are much more pragmatic about how we run the business.

So there can be a little bit of noise in the numbers from quarter-to-quarter. The other thing I'd say is Q1 can often be a lighter net growth quarter, not hiring quarter, but net growth quarter because that's when we do all our promotions and then we backfill them.

We often backfill a lot of them in advance in the fourth quarter. We often tend to see a little bit higher turnover in the first quarter because if people didn't earn money in 2024, they often opt out and leave and look for greener pass-through somewhere else in the first quarter. So there can be a little bit of volatility in the numbers for all those reasons, but we would anticipate not being nearly as back-end loaded in 2025 as we were in 2024.

Operator

And our next question will come from Jeff Silber from BMO Capital Markets.

Jeffrey Marc Silber
BMO Capital Markets Equity Research

I wanted to ask about pricing. If I remember correctly, you take price increases in the beginning of November, and I think you said it was roughly 4%. Is that across the board? Is it different by product and geography? And I'm just wondering, did you get any pushback this year greater than normal?

Craig W. Safian
Executive VP & CFO

Jeff, so the price increase for the most part goes into effect, as you said, on November 1. On average, it was a little bit below 4%. But we don't paint it with a broad paint brush. We actually look at it specifically by product and by geography. And so in markets that are more inflationary, we will be more aggressive on pricing. And again, one of the key inputs that we look at is wage inflation in the given markets as well because as we've talked about, philosophically, we want to make sure that our pricing at least offsets what our expectation is from a wage inflation perspective, so it is not a broad paint brush, we're actually very laser-focused on making sure that we're taking the pricing up the right amount, in the right places, in the right currencies.

And then in terms of pushback, it's been the standard price increase, so nothing of note related to pushback. I think we're very focused on making sure that we are constantly improving our delivery and our products, and that justifies the very modest price increase that we put on top for our clients each year.

Jeffrey Marc Silber
BMO Capital Markets Equity Research

Right. That's really helpful. If I could shift gears, maybe just talk about some different geographies. I think you said that the growth was broad-based, but I'm really curious specifically in Europe and China, what the trends were there?

Craig W. Safian
Executive VP & CFO

Yes. So it's Europe -- the selling environment in Europe has basically been pretty consistent from what we saw in the second half of 2024, so nothing or no news to report there. On the China side, has been pretty challenging, especially with larger clients there in China. What I would say is we've had some success and seen some improvement in selling to like a tier below that over the second half of the year, but it's been largely consistent our performance over the course of 2024.

Operator

Our next question will come from Jason Haas from Wells Fargo.

Jason Daniel Haas
Wells Fargo Securities, LLC, Research Division

I saw the GTS productivity improved from 3Q to 4Q, despite the fact that you increased headcount, which you know can be difficult to drive and then you made some comments earlier about better execution. So I was curious if you could provide some more color on that in terms of what changes you've made and how you've been able to drive that?

Eugene A. Hall
CEO & Chairman

So Jason, it's basically the normal stuff, which is we're very focused on making sure we hire the right people. And when we get the right people, then we give them right training, and so we're constantly improving our recruiting processes. We also are constantly improving our training, a big focus on training.

And then again, if I look at like the tools we provide our sales force, we're always innovating those tools, those are always taken to another level literally quarter-by-quarter. And so it's basically who we recruit, how we train them and the tools we give our salespeople.

Jason Daniel Haas
Wells Fargo Securities, LLC, Research Division

Got it. That's helpful. And then there's also a comment earlier about an expectation. I know you don't guide to CV, but there's a comment about an expectation that CV growth would continue to accelerate. So I was hoping you could put a finer point on that. Are you saying that the 7.8% that you reported in 4Q, is that expected to be the bottom here and each quarter should be above that? Or could it potentially be more sort of rough path from here?

Craig W. Safian
Executive VP & CFO

Yes. Jason, I think the comment is more that over the course of 2025 and when we exit 2025, we would expect to be higher than 7.8%. As we've talked about in the past, the CV growth rate may not go up in a precisely straight line or that the slope may not be precisely straight, more so that the trend will be that it will exit 2025 higher than 7.8%. And again, and with a goal towards continuing to accelerate to first double digit and then to our medium-term objective of 12% to 16%.

Operator

And I am showing no further questions from our phone lines. I'd now like to turn the call back over to Gene Hall for any closing remarks.

Eugene A. Hall
CEO & Chairman

So here's what I'd like you to take away from today's call. Gartner delivered financial results ahead of expectations. Tech vendor CV growth continues to accelerate. We have a vast addressable market opportunity. We have a strong and compelling value proposition. Looking ahead, we're well positioned to drive sustained double-digit revenue growth over the long term.

We'll continue to create value for our shareholders by providing actual objective insight guidance and tools to our clients, prudently investing for future growth, generating free cash flow well in excess of net income and returning capital to our shareholders through our repurchase program.

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

Operator

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

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