S&P Global
Market Intelligence

Gartner, Inc. NYSE:IT

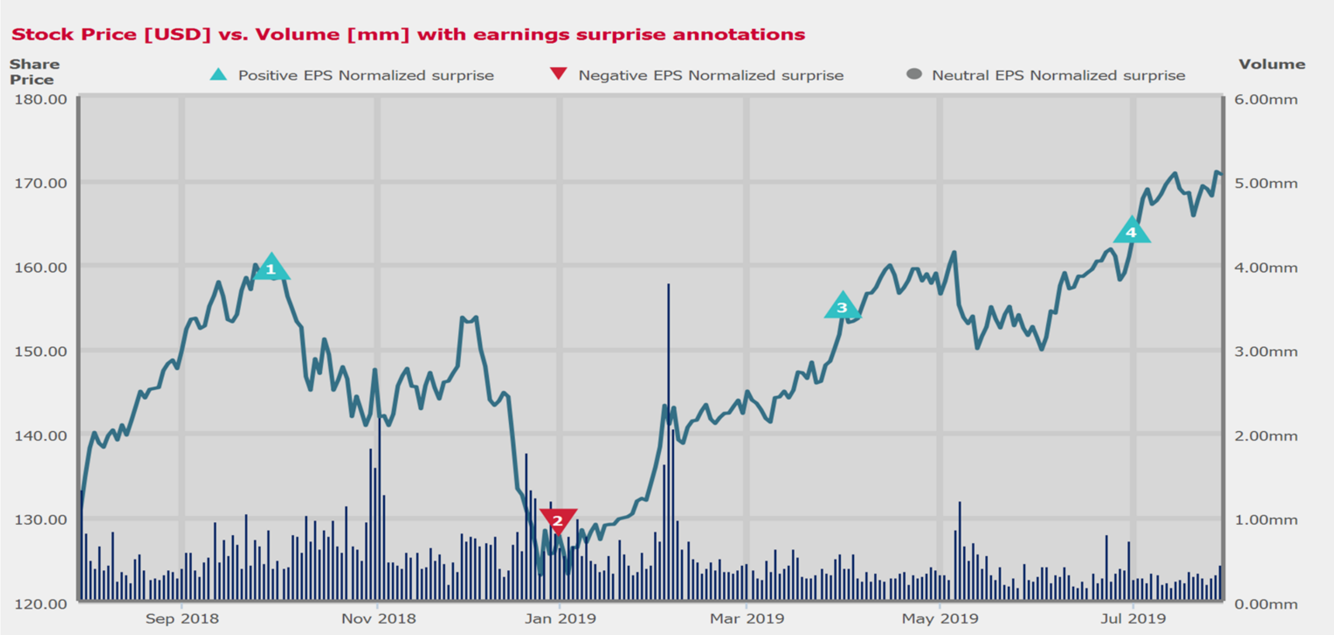
FQ2 2019 Earnings Call Transcripts

Tuesday, July 30, 2019 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2019-			-FQ3 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.18	1.45	▲22.88	0.79	3.96	4.55
Revenue (mm)	1070.98	1070.88	▼(0.01 %)	1009.01	4263.23	4744.74

Currency: USD
Consensus as of Jul-30-2019 12:45 PM GMT


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

- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2018	0.62	0.85	▲1 37.10 %
FQ4 2018	1.25	1.20	▼2 (4.00 %)
FQ1 2019	0.53	0.58	▲3 9.43 %
FQ2 2019	1.18	1.45	▲4 22.88 %

Table of Contents

Call Participants 3
Presentation 4
Question and Answer 10

Call Participants

EXECUTIVES

Craig W. Safian
Executive VP & CFO

David Cohen
Group Vice President of Investor Relations

Eugene A. Hall
CEO & Director

ANALYSTS

Gary Elizabeth Bisbee
BofA Merrill Lynch, Research Division

Jeffrey Marc Silber
BMO Capital Markets Equity Research

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

Joseph Dean Foresi
Cantor Fitzgerald & Co., Research Division

Keen Fai Tong
Goldman Sachs Group Inc., Research Division

Manav Shiv Patnaik
Barclays Bank PLC, Research Division

Timothy John McHugh
William Blair & Company L.L.C., Research Division

Toni Michele Kaplan
Morgan Stanley, Research Division

William Arthur Warmington
Wells Fargo Securities, LLC, Research Division

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Gartner Second Quarter 2019 Earnings Conference Call. [Operator Instructions] Please note that today's call is being recorded.

I would now like to introduce your host for today's conference, David Cohen, Gartner's GVP of Investor Relations. Mr. Cohen, you may begin.

David Cohen
Group Vice President of Investor Relations

Thank you, Sarah, and good morning, everyone. We appreciate you joining us today for Gartner's Second Quarter 2019 Earnings Call. With me today are Gene Hall, Chief Executive Officer; and Craig Safian, Chief Financial Officer.

This call will include a discussion of second quarter 2019 financial results and our current outlook for 2019 as disclosed in today's press release. In addition to today's press release, we have provided a detailed review of our financials and business metrics in an earnings supplement for investors and analysts. We have posted the 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. [Operator Instructions] On the call, unless stated otherwise, all references to revenue and contribution margin are for adjusted revenue and adjusted contribution margin, which exclude the deferred revenue purchase accounting adjustment and the 2018 divestitures. All references to EBITDA are for adjusted EBITDA with the adjustments as described in our earnings release and excluding the 2018 divestitures. All cash flow numbers, unless stated otherwise, are as reported with no adjustments related to the 2018 divestitures. All growth rates in Gene's comments are FX neutral, unless stated otherwise.

In our discussion of Global Business Sales, or GBS, we will refer to the GxL products. These are the products for business leaders across the enterprise. Gartner for Marketing Leaders is GML, Gartner for Finance Leaders is GFL and so on. In aggregate, we refer to these products for business leaders as GxL.

Reconciliations for all non-GAAP numbers we use are available in the Investor Relations section of the gartner.com website. Finally, all contract values and associated growth rates we discuss are based on 2019 foreign exchange rates. 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 2018 annual report on Form 10-K and quarterly reports on Form 10-Q as well as in other filings with the SEC. I encourage all of you to review the risk factors listed in these documents.

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

Eugene A. Hall
CEO & Director

Good morning, and thanks for joining us. For the second quarter of 2019, we continue to deliver strong performances across our business. Total revenues were up 12% fueled by double-digit growth in each of our business segments: Research, Conferences and Consulting. We continue to make significant global impact through these segments. We help more than 15,000 enterprise clients in more than 100 countries around the world with their mission-critical priorities while providing great jobs to more than 16,000 associates globally.

Research, our largest and most profitable segment, is the core of our value proposition. Our Research business was up 10% over this time last year. The Gartner formula for sustained double-digit growth drives our success in our Research business. As we've previously highlighted, the Gartner formula consists of indispensable insights, exceptional talent, sales excellence and enabling infrastructure. For each of these elements, we drive relentless, globally consistent execution of best practices and continues to improve in innovation.

Global Technology Sales, or GTS, serves leaders and their teams within IT. This group represents more than 80% of our total research contract value. GTS contract value growth was 14% year-over-year. We delivered double-digit growth in every region across every sized company and in virtually every industry.

Global Business Sales, or GBS, serves leaders and their teams beyond IT and represents about 20% of our total research contract value. This includes supply chain and marketing, which we've addressed for several years as well as other major enterprise roles including HR, finance, legal, sales and more. GBS continued on a path towards double-digit growth with total GBS contract value accelerating to 1%.

Our GxL product line continued to gain momentum with contract value increasing $20 million sequentially. GxL products provide greater value to clients because they're tailored to the client's individual needs. This in turn results in higher prices per user and stronger retention. Beyond better pricing retention, GxL products provide exponentially more growth opportunities because we can sell these high-value products throughout our clients' organizations. For Q2, GxL contract value grew 71% year-over-year and new business was up 51%. We continue to expect double-digit contract value growth in GBS by the end of the year.

Our Conferences segment also delivered a terrific performance in Q2 with double-digit revenue growth of 29%. Gartner Conferences combined the outstanding value for research with the immersive experience of live interactions, making every conference we produce the most important gathering for the executives we serve.

We continue to invest in our Conferences portfolio. In GTS, we expanded our flagship conference, Gartner IT Symposium. We held an IT symposium conference in Canada, which exceeded performance expectations.

In GBS, we continue to build out our conference portfolio to align to the GBS rules we serve. In June, we launched the Gartner CFO in Finance Executive conference. This program featured strategic guidance on the trends that shape finance, company performance and personal leadership. We gave participants the opportunity to connect with peers and talk one-on-one with thought leaders. This conference had a great attendance with 63% of attendees at the CFO or VP level. Over time, we'll launch additional conferences to put the other functions in GBS. In addition to all that, we'll continue growing the Evanta business.

Our Consulting segment also achieved double-digit growth in Q2 with revenues up 10%. Gartner Consulting is an extension of Gartner Research, it provides clients a deeper level of involvement through extended project-based work to help them execute their most strategic initiatives. Our growth in the quarter was a combination of our labor-based business and strength in our Contract Optimization business.

As you'll hear from Craig, we've adjusted our guidance for the rest of the year. These changes are driven by 2 factors: a modest reduction in expected revenues and a modest increase in expected costs.

The revenue change was driven by 2 factors as well. First, lower nonsubscription Research revenue than expected. Within our Research segment, we have some nonsubscription-based products, many of which are legacy. One of our strategic priorities is emphasizing subscription-based research offerings compared to nonsubscription-based offerings. In Q2, our nonsubscription-based revenues were lower than expected, and we expect this to affect the revenues during the rest of the year as well.

The second factor is lower than forecast subscription revenue. While very strong, our contract value growth is modestly below our plan set out at the start of the year. There are a number of drivers that are individually minor, but in aggregate, have an impact. These items included a larger than usual number of sales leadership changes in GTS, expanded deployment of sales teams into our Dallas and Barcelona offices and changes to our selling approach for various small tech companies.

The second major factor driving our adjusted guidance is a modest increase in costs as we were more successful than expected in filling open sales territories. Sales territories become open through a combination of planned growth, promotions, lateral moves within Gartner, sales people leaving the business. Once the salesperson gives notice that they're leaving, it takes about 3 months to hire a replacement and another 6 weeks to train them before they get into territory. It can take longer in some countries or when specialized skills are needed. Now we sell less in a sales territory with no salesperson than one that has a salesperson. So one of our priorities is to minimize the time sales territories are open.

We made significant progress last year. We exceeded our expectations again this year and expect this trend to continue. For example, in one of our sales organizations, we planned for 6% open territories and are achieving 2%. Over time, this additional sales people come up to speed, which will lead to higher sales. In the near term, we incur higher-than-planned costs. These include compensation, recruiting, training and technology. As a result, we're expecting our SG&A through the rest of the year to be higher than originally planned with the payout in incremental sales being realized in 2020. So we've adjusted our guidance to reflect a modest reduction in revenues combined with a modest increase in costs.

Looking ahead, we are well positioned for sustained double-digit growth. We expect continued sustained double-digit growth in GTS. We're at an inflection point in GBS. We've invested to get GBS on a growth trajectory to realize the incredible market potential. In Q2, contract value growth accelerated, and we expect to continue acceleration. Going forward, we expect to get a strong return on the investments we've made in GBS, with GBS contributing to both higher research contract value growth and increasing profits. And of course, Conferences and Consulting are on a strong path.

Looking ahead to 2020 with the great strategic positioning of GTS and GBS together with leveraging the investments we've made, we expect double-digit top line growth and EBITDA growing approximately in line with revenues.

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

Craig W. Safian
Executive VP & CFO

Thank you, Gene, and good morning, everyone. Global Technology Sales, the largest part of our business, continues to deliver exceptional growth. Global Business Sales contract value growth turned positive. Our strategy to deliver products and services with a compelling value proposition across all enterprise functions is working. Conferences and Consulting are having outstanding years. This year, we are completing a period of above-trend investments across our business positioning us for sustained long-term double-digit growth.

Second quarter revenue was $1 billion, up 9% on a reported basis and 12% on an FX-neutral basis. The product retirements we discussed last quarter impacted the top line growth rate by about 130 basis points. In addition, contribution margin was 64%, up 39 basis points from the prior year. EBITDA was $185 million, up 1% year-over-year and 4% FX neutral, slightly above our expectations. Adjusted EPS was $1.45 with meaningful help from tax, and free cash flow in the quarter was $197 million.

Our Research business had a strong quarter. Research revenue grew 8% in the second quarter and 10% on an FX-neutral basis. Second quarter contribution margin was 69%. Total contract value was $3.2 billion at June 30. FX neutral growth of 11% versus the prior year.

I'll now review the details of our performance for both GTS and GBS. In the second quarter, GTS contract value increased 14% versus the prior year. GTS had contract value of $2.6 billion on June 30 representing just over 80% of our total contract value. Client retention for GTS remained strong at 82%. Wallet retention for GTS was 105% for the fourth quarter, up 25 basis points year-over-year. The combination of the client and wallet retention rates show how our clients spend more with us each and every year reinforcing the value we provide to clients.

GTS new business increased 4% versus the second quarter of last year, which had a very strong new business -- which had very strong new business growth. New business is coming from a mix of new enterprises and growth in existing enterprises through sales of additional services and upgrades. The third quarter pipeline is strong.

We ended the second quarter with 12,739 GTS enterprises, up 3% compared to Q2 2018. The average contract value for enterprise also continues to grow. It now stands at $203,000 for enterprise in GTS, up 10% year-over-year.

As we discussed previously, we continue to invest in GTS. The investments in headcount growth and improving productivity are driving the GTS acceleration you have seen over the course of 2018 and into the first half of 2019. At the end of the second quarter, we had 3,207 quota-bearing associates in GTS or growth of 14%, reflecting our planned growth and the better-than-expected reduction in our open territories.

For GTS, the year-over-year net contract value increase, or NCVI, provided by the beginning period quota-bearing headcount was $110,000 per salesperson, up 2% versus second quarter of last year. This is the seventh consecutive quarter of year-over-year productivity improvement.

Turning to Global Business Sales. GBS contract value was $602 million at the end of the second quarter or about 20% of total contract value. CV returned to growth, increasing 1% year-over-year. Many of our GBS metrics continue to be affected by the discontinuation in 2018 of sales of the largest legacy products. As we described the last couple of quarters, the discontinuations were based on a purposeful strategy that allows our sales team to focus on GxL products going forward.

GxL products continue to gain share and are an important part of our strategy. Looking at total contract value from the GxL products, we drove an FX-neutral increase of 71% year-over-year from $133 million to $228 million.

Similar to the last 2 quarters, on Page 11 of the earnings supplement, we provided a bridge from the first quarter to second quarter. We sold $29 million of GxL new business in Q2, up 51% versus the prior year quarter. We continue to make great progress with our GxL products across each of the functions GBS serves. More than half of the GxL new business in the quarter came from newly launched products. GxL CV now makes up 38% of our total GBS contract value, up 16 percentage points from Q2 of last year.

While legacy GBS CV attrition is close to 30%, GxL attrition is around 20%, almost at GTS levels. We reduced attrition levels through improving client engagement. We are driving increased client engagement through expanded service teams and growing adoption of individualized content and service.

For the stand-alone quarter, we drove attrition rates down for GBS. For contracts that were up for renewal in the second quarter, attrition improved by about 270 basis points over the prior year quarter. Again, this is a result of the increased engagement we discussed in all of our other retention programs having an impact.

We continue to expect to achieve double-digit CV growth in GBS by the end of this year. The combination of improving attrition and corresponding retention rates and continued ramping of GxL new business are the metrics that will get us there.

At the end of the second quarter, we had 919 quota-bearing associates in GBS or growth of 24%. We expect GBS headcount growth to moderate by the end of the year to approximately 16% to 18%. We have made significant investments in GBS in sales as well as in research, products and services. With the investments we have made and those contemplated in our guidance, we are well positioned to see the benefits as we move into 2020.

In Conferences, revenues increased by 27% year-over-year in Q2 to $141 million. FX-neutral growth was 29%. Second quarter contribution margin was 57%, up slightly from the same quarter last year. We had very strong growth from GBS Conferences including marketing and supply chain. As Gene mentioned, we also had a very successful launch of our first Conference for finance leaders. And the Evanta continues to grow over 20%, a significant improvement from before we owned it.

We had 27 destination Conferences in the second quarter. On the same Conference FX-neutral basis, revenues were up 21% with an 18% increase in attendees. The second quarter is typically our second largest quarter after the fourth quarter, and Q2 was strong for our Conferences business.

Second quarter Consulting revenues increased by 7% to $104 million. FX-neutral growth was 10%. Consulting contribution margin was 33% in the second quarter. Labor-based revenues were $79 million, up 3% versus Q2 of last year or 5% on an FX-neutral basis. Labor-based billable headcount of 773 was up 9%. Utilization was 63%. Backlog at June 30 was $110 million, up 7% year-over-year on an FX-neutral basis. Our pipeline for the second half of the year remained strong.

Contract optimization revenues were up 27% versus the prior year quarter. As we have detailed in the past, this part of our -- this part of the Consulting segment is highly variable.

SG&A increased 13% year-over-year in the second quarter or 16% on an FX-neutral basis. We continue to grow sales capacity and the enabling infrastructure to support our strategy of delivering sustained double-digit growth over the long term. The enabling infrastructure includes investments in human resources functions like recruiting and in real estate to support our increased number of associates around the world.

As we discussed at Investor Day, our largest dollar investments are in GTS where we have seen strong growth in contract value and higher productivity. Our continuing investments in GCS, the Conferences' sales team, have been driving faster growth in that segment.

GBS investments are also continuing, and we expect to see contract value acceleration this year and going forward, which will drive return on the investments we have been making. Across all of our sales teams, we are investing to increase territories to reduce open roles and to drive improvements in sales productivity.

Adjusted EBITDA for the second quarter was $185 million, up 1% on a reported basis and 4% on an FX-neutral basis. EBITDA was adversely affected by about 5 percentage points or $7 million impact due to the product retirements. Taking that into consideration, the underlying FX-neutral EBITDA growth was about 9% in the quarter.

Depreciation was up about $3 million from last year as additional office space went into service. Amortization was flat sequentially after taking an expected step down in the fourth quarter last year as some of the acquisition intangibles reached their 18-month life. Integration expenses were down year-over-year as we have moved past the biggest part of the integration work.

Interest expense excluding deferred financing cost in the quarter was $23 million, down from $28 million in the second quarter of 2018. The lower interest expense resulted from paying down roughly $250 million in debt over the past year. The Q2 adjusted tax rate, which we use for the calculation of adjusted net income, was negative 3% for the quarter. The adjusted tax rate for the quarter was affected positively by an intercompany sale of intellectual property, which resulted in the material favorable impact on the adjusted tax rate. The tax rate for the items used to adjust net income was 23.1% in the quarter.

Adjusted EPS in Q2 was $1.45 with upside relative to our expectations from below the line items including a lower-than-expected tax rate.

In Q2, operating cash flow was $227 million compared to $174 million last year. The increase in operating cash flow was driven by lower interest expense, lower taxes and contributions from working capital. Q2 2019 Capex was $39 million and Q2 cash acquisition and integration payments and other nonrecurring items was approximately $8 million. This yields Q2 free cash flow of $197 million, which is up 25% versus the prior year quarter normalizing 2018 for divestitures and working capital timing. On a rolling 4-quarter basis, our free cash flow conversion was 126% of adjusted net income excluding divested operations and working capital timing.

Turning to the balance sheet. Our June 30 debt balance was about $2.2 billion. Our debt is 100% fixed rate. Adjusting EBITDA for the divestitures, our gross leverage ratio is now about 3.2x EBITDA. We repurchased about $2 million of stock in the quarter. We will continue to be price-sensitive and opportunistic as we return capital to shareholders. We have about $870 million remaining on our repurchase authorization.

Our capital allocation strategy remains the same. We deploy our free cash flow and balance sheet flexibility by returning capital to our shareholders through our buyback programs and through strategic value-enhancing M&A.

Turning to the outlook for 2019. We've recalibrated our revenue outlook, modestly lowering the growth expectations in Research including the nonsubscription fees while increasing the expectations for Conferences and Consulting. The top line growth outlook on an FX-neutral basis remained strong.

In addition, as we move through the first half of the year, we decided to make modest investments, most notably reducing the level of open territories in GBS. Our GTS and Conferences investments have been generating returns, and we expect to see returns from the GBS investments as we move into 2020. As a result of these changes, we revised our outlook relative to our initial guidance.

As you think about modeling the operations for the rest of the year, we expect mostly typical seasonality for the quarter we're facing. In addition, our guidance reflects FX rates as of June 30. Due to U.S. dollar strengthening, we expect FX to cost roughly 2-point negative impact for projected 2019 full year growth rates across revenue, EBITDA, adjusted EPS and free cash flows.

Looking at our updated full year guidance, we expect revenue towards the lower end of the $4.2 billion to $4.3 billion range. That is FX-neutral growth of 10% to 11%. This reflects research revenues of about $3.355 billion to $3.380 billion or adoption at the midpoint of about 2%. About half of the reduction is from nonsubscription products and services.

As a reminder, in addition to the noncore businesses that we've divested over the course of 2018, there were some additional products from the CEB acquisition that we viewed as noncore. We retired these, which is impacting our 2019 total revenue growth rate by about 75 basis points. This is almost $30 million, about 2/3 of which drops to EBITDA. Additionally, as Gene mentioned, our Q2 nonsubscription-based revenues were lower than expected, and we expect this trend to continue for the rest of the year.

We expect adjusted EBITDA of $670 million to $700 million. FX-neutral growth of down 1% to up 4%. Some of the lower EBITDA reflects modestly lower revenue expectations. In addition, this reflects incremental operating expense of 1% to 2% versus our prior outlook. As Gene mentioned, we decided to invest the -- on the original plan to take advantage of the opportunities we see for increased growth, most notably the reduction in open territories.

We expect an adjusted tax rate of around 25.5% for the full year 2019. Please note that if you're adding back from GAAP net income, the rate for the tax effect on the add backs is also about 25.5%. Our full year tax rate remains unchanged despite the benefit in the second quarter. Our tax planning related to our intellectual property is ongoing, and we anticipate incremental tax cost in the fourth quarter.

We expect 2019 adjusted EPS of between $3.39 and $3.64 per share, a range of down 7% to flat year-over-year. For 2019, we expect free cash flow of $400 million to $430 million as the projected FX-neutral change of down 2% to up 5% versus our normalized 2018 free cash flow. All the details of our full year guidance are included on our Investor Relations site.

For the third quarter, we expect adjusted EPS of about $0.40 to $0.45 per share. As you build your models, remember that last year's third quarter EBITDA was very strong. This year, we have a larger cost base, and the third quarter is a small revenue quarter, which magnifies the effect of the costs. And finally, we expect our adjusted tax rate to be in the low 30s on a percentage basis.

Through the first half of the year, we have delivered strong results across our business. Notably, GTS contract value growth continues to be strong and sales of our new GxL products in GBS continue to rise. Our Conferences and Consulting businesses both had outstanding quarters. Free cash flow was up versus last year and conversion was stable. We are applying the Gartner formula across the combined business to drive sustained long-term double-digit growth to revenues, EBITDA and free cash flow.
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] Our first question comes from the line of Tim McHugh with William Blair.

Timothy John McHugh
William Blair & Company L.L.C., Research Division

I guess do you want to start out obviously, I guess, on the revenue outlook for the Research business? The first, the nonsubscription piece. In the Q, you released kind of the point-in-time revenue as one of the disclosures, and that number would be pretty -- or looks kind of consistent sequentially. It was up 17% year-over-year. So can you help us give a little more color on the nonsubscription piece being lower than you thought because that would seem like a pretty steady and kind of healthy growth number?

Craig W. Safian
Executive VP & CFO

Tim, thanks for the question. So on the Research revenue, as you point out, a hunk of the reduction relates to nonsubscription revenue. There's a couple of factors going on there. They're buried within the disclosure and the year-over-year growth rate you're seeing. So as you know, we retired a bunch of products at the end of 2018, and we're dealing with the impact of that in 2019. That was contemplated in the original guidance.

On top of that, there were a number of nonsubscription products tied to GBS that were not retired, but did not get the sales focus in the first half of the year as we've been driving real focus on GxL and subscription products. And so the revenue on those fell off faster than we had anticipated, and we're baking that continued fall-off into the balance of the year, and that is obviously impacting the growth rate and the guidance a little bit, but more pronounced the outlook for the rest of the year. On top of that, there are some additional nonsubscriptions revenues, which, as you point out, continue to perform very strongly, but have come down modestly from more elevated levels of performance in previous quarters.

Timothy John McHugh
William Blair & Company L.L.C., Research Division

Okay. And then just on the subscription piece of the guidance change, I guess the Research revenue guide changed by roughly 2%, and we only have 0.5 year left. GTS' growth, I guess I'm trying to reconcile the fact that against a tougher comp slowdown 80 bps and why, for half year, that drives a 2-point change in the full year outlook -- or sorry, even if it's 1 point, I guess, related to the subscription piece, that would seem to be a bigger impact than I would've thought unless the original guidance assumed, I guess, further acceleration in GTS.

Eugene A. Hall
CEO & Director

Yes. Tim, it's a good point, and you're right. Again, about half of the reduction relates to subscription, half to nonsubscription. So about 1% is a more accurate way to think about it. I think a couple of things. So one is that with GTS, it's still performing really, really well, 13.5% growth is very strong. And again, it's up from where we were in 2017 and early parts of 2018. It had been humming along at north of 14%. And obviously, that modest slowdown we saw in the second quarter has a flow-through impact. And it's not just the quarterly impact and flowing that through, we've also modulated the expectations for Q3 and Q4, and that had a modest impact on the outlook as well. And so it's really the -- essentially, and Gene described it, which was our outlook was for stronger total combined CV growth through the first half of the year, we're off that modestly and that's causing that roughly 1% impact on the subscription revenue for 2019.

Operator

Our next question comes from the line of Jeff Meuler with Baird.

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

Yes. I guess on the subscription piece, just a follow-up. You mentioned some sales leadership -- or elevated sales leadership at GTS or maybe some execution hiccups. Can you just go into more detail on that? And to what extent do you view macro as a factor that could be impacting kind of both the small business nonsubs revenue as well as the GTS contract value deceleration?

Eugene A. Hall
CEO & Director

Jeff, it's Gene. So basically, as I mentioned, so -- and as Craig mentioned, GTS is a great contributor. 13.5% is very strong growth. It was a little off what we had expected. As I said, there were a number of small factors that individually wouldn't be a big deal but happened to all here at once, and I'll just go through it. So first, we had some management -- some leadership changes in GTS. We always have both. We happen to have a greater than usual number. So for example, we had a leader running Asia for many years who needed to come back to U.S. for personal reasons. We had -- in Germany, we had our 2 top people that were running Germany got -- one got promoted, one go to GBS. We had changes in the -- for similar things. So I've just got a -- there's a bunch of -- in order for this more spread out, it happened for a combination of business and personal reasons to be more concentrated in the first half. So that was one piece of it.

Second piece I mentioned was an expansion of our Dallas and Barcelona offices. We -- as we -- as a company, we grow. We need to have different talent pools. We -- our European headquarters has traditionally been in the London area. Through a combination of Brexit and other talent markets, we've opened a major office in Barcelona and again moved a bunch of people, leaders and -- into Barcelona, which was disruptive. And similar thing happened between Florida and Texas. This year, we expanded our Dallas office. Again, these were planned quite a bit of an advance and just happened here at the same time.

And I also mentioned we changed our approach to selling to various small tech companies. There's a lot of innovations. Small tech companies are great market for us, and we organized slightly to make it more effective in selling to that market. Each of those things normally wouldn't have -- the rolls falls back, but then you like -- there are others, but these are kind of the biggest ones. Each of them were small, but collectively results in that very minor change in our growth rate and subscription revenue. And it's all GTS basically.

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

And then your view on macro is not a worsening factor?

Eugene A. Hall
CEO & Director

We don't see it. So if you look at our business, so our Research -- GTS grew 13.5%, GBS accelerated and then -- I mean, I'm sorry, Conferences business had a very strong quarter, one of the strongest quarters we've ever had. Our Consulting business had a very strong quarter. So across the business, we had really a lot of strength. Now again at any point in time, we have some companies that are doing really well. We have some of our clients that -- among the 15,000 enterprise clients, some that are not doing so well. It's just our Consulting business. There's clearly an uptick and interest in cost optimization. But again, all of our businesses had very strong performance.

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

Okay. And then just, I guess, similar question given that it's only a half-year effect on the magnitude of the EBITDA guidance reduction and EPS guidance reduction. Is it -- should we think about some of this lost revenue being at like a near 100% decremental margin or just a very high decremental margin? And then on top of that, I guess the other factor is GBS sales headcount is going to trend higher because of the closing of the open territories. Is that the right way to think about it? Or just -- I'm trying to understand the magnitude of it.

Craig W. Safian
Executive VP & CFO

Yes, Jeff. I think, it's Craig, I think that's the right way to think about it. So for a portion of the revenue reduction, it would have flowed through at very high margins. So basically, cost-based fixed and when the revenue's there, it flows through very high margins. Conversely, when the revenue's not there, the hurt is large flow-through margins as well. On some of the revenue, we were able to or are able to modulate the costs, but for the most part, they are -- it is a fixed cost base. And so your assertion on the large decremental revenue is appropriate.

In terms of the cost, I think you're right also. Most notably, it is the reduction in open territories in GBS, but also a little bit in GTS and in our conference sales, but most notably in GBS that is flowing through to the balance of the year. I think the other thing worth noting is some of this, some of the increased spending was baked into our Q2 outlook. At that point, when we gave our guidance, we -- our view was we would make it up in other areas and then obviously, as Gene mentioned, with a modest downtick in our revenue expectation and this modest uptick in the cost. It caused us to recalibrate the outlook coming out of the second quarter.

Operator

Our next question comes from the line of Manav Patnaik with Barclays.

Manav Shiv Patnaik
Barclays Bank PLC, Research Division

If I could just follow up on that -- on the EBITDA guidance. I guess you reduced that by about $60 million to $65 million. I think you said that the nonsubscription or kind of legacy GBS stuff that you had was $30 million of complete drop through. So is that the right way to think about it, $30 million of that is that drop through you talked about? And is the rest of that split between the increased, I guess, investment in sales on the 2 -- GBS and GTS side?

Craig W. Safian
Executive VP & CFO

Yes, Manav, it's Craig. So I think the way to think about it is -- you're roughly right. And so yes, as I mentioned just before with Jeff, there's some portion of the revenue downside where it's not 100% flow-through. We're actually able to eliminate or reduce certain cost, but most of it is flowing through. And then the increased spending, again most notably around faster growth or lower proportion of open territories in GBS. So I think that is the right way to think about it.

Manav Shiv Patnaik
Barclays Bank PLC, Research Division

Okay. Got it. And then also just to the earlier question on the macro impact. I think in your 10-Q, you usually have this language on double-digit growth in contract value across your industry segments. And I think last quarter, it was 3/4. And in this quarter, you said it was half. So is that just law of large numbers? I guess it's just trying to use that data point to follow up and if you are seeing any slowdown, deceleration in your segments.

Craig W. Safian
Executive VP & CFO

Yes. I think the way to think about it is, in GTS, where we've traditionally made that comment, it's every client size, every major region and virtually every industry grew at double-digit rates. The comment in the Q, I believe relates to the combined GTS and GBS. And so that's going to be a little more mixed just because we are combining a 13.5% grower with a 1% grower. But on the GTS side, the way we look at the measures, it's been very consistent where we've had that same level of almost universal double-digit growth across every vector that you could look at.

Operator

Our next question comes from the line of Toni Kaplan with Morgan Stanley.

Toni Michele Kaplan
Morgan Stanley, Research Division

So I wanted to clarify, are you still expecting to get the double-digit CV growth in GBS by the end of the year? And also just in general, I know you made the change in GTS to selling to the small tech companies in terms of sales processes, but are there any sales processes that you're changing in GBS or are you just, just given that GxL has been such a big transition, are you just sort of seeing it takes time and just seeing how that goes? Or are you sort of incrementally changing that as it goes along as well?

Eugene A. Hall
CEO & Director

Toni, it's Gene. So we are expecting double-digit growth in the GBS by the end of this year, which will reflect that. We obviously know what our results were for the first half. We have our bottoms-up forecast for Q3, and we've looked at what we think new business and retention's likely will be in Q4. And that's what we're basing our expectation that we will still get to double-digit growth by the end of 2019. So it's based on, like I said, the results for the first half, our positive forecast for Q3 and then our expectations on what would happen in Q4. So that's the impact question.

In terms of sales process, the way that we've been handling GBS is, let's make sure we get the right product line, which has got GxL in, let's make sure we get the right capacity, which we've got the sales capacity, let's make sure we've got the right selling -- direct selling recruiting, training, tools and processes in place and the right retention programs. All those things now are in place and we've modeled them as we talked in the past of what we've done very successfully for many years for GTS.

And so while we're -- while we may make some tweaks as we learn in terms of the processes, we really feel like we've got all of the pieces in place and that's why you're seeing the kind of really strong acceleration. And as Craig talked about, we had $29 million of new business in Q2. That was up 51% in Q1 for GxL. These products are really selling very, very well. And so we feel kind of that we're on a really good track there.

Toni Michele Kaplan
Morgan Stanley, Research Division

Great. And then I know I ask this question all the time, but given that EBITDA margins for this year at the midpoint of guidance are about 160 basis points lower than last year, which was 100 basis points lower than the year before, I know there is sort of a major transition going on and the revenue growth hasn't come in as quickly as the expense level right now, but what sort of long term, the right level for margins for the business? I'm not trying to say like where are you going to be this year or next year, et cetera, but just over time, like what kind of margin level should this business support?

Craig W. Safian
Executive VP & CFO

Toni, it's Craig. So I think we're not going to give long-term guidance on our margin expectation. I think Gene, in his remarks, outlined the way that we're all thinking about 2020 right now, which is we'll grow revenue at double-digit rates, continue our trend of strength in revenue, and we'd expect EBITDA to grow approximately roughly in line with revenue next year.

We've obviously made a lot of investments in the business, again across GTS, GBS and Conferences. And as we talked about, we really feel good about the returns we're getting in GTS and on the Conferences side, and we fully expect to start realizing those returns in GBS in 2020.

Operator

Our next question comes from the line of Gary Bisbee with Bank of America Merrill Lynch.

Gary Elizabeth Bisbee
BofA Merrill Lynch, Research Division

So I -- so if I look at the incremental -- the slight reduction in revenue and the incremental cost that the EBITDA guidance implies, even if we assume a much-higher-than-corporate-average margin on that revenue, and I guess acknowledging there's some mix shift within that, with the higher margin revenue falling more than that total number, it still feels like there's like $40 million of incremental cost coming in, which if we were to annualize that, it's like 4% of your SG&A or more than 2% of revenue. It -- that seems like a pretty good number relative to some investments and filling a few more open territories. Can you just help us understand what's -- first of all, is that directionally right? And what's really in that number? What are you investing in at such a high level in the back half of the year?

Craig W. Safian
Executive VP & CFO

Gary, it's Craig. So the way to think about it is you're probably a little high on your expense impact. It's probably a little bit lower, I think roughly in the $30-ish million range. I think part of this is -- it's not all second half spending. The spending may have started in late Q1, certainly in Q2. And so annual -- you can't just double it to annualize it. Some of it is already baked into our run rate for 2019.

As Gene mentioned, with one example where in one of our sales units, we reduced the level of open territories from 6% to 2%. And so think about it as almost a 4% increase in the number of heads on board. And there's the frontline cost of those individuals. And then if we add that many more people, we might need more managers, we might have needed more recruiters to actually get them and see, et cetera.

And so the move of reducing open territories, which we firmly, firmly, firmly believe absolutely pays off in the future, does have a cost in the upfront. And I think that is not the only thing that's impacting that cost line or the reduction in our EBITDA, but that is the most notable thing within that reduction. And so again, just think about what the size of our sales force is, GBS is at 919 people, GTS is over 3,200 people. Modest changes against our assumptions in terms of percent of open territories can have a pretty sizable impact from a short-term P&L perspective. But again, we firmly believe, long term, it pays off.

Gary Elizabeth Bisbee
BofA Merrill Lynch, Research Division

So I guess that leads to the follow-up, which is just how do you weigh on a day-to-day basis when you're running the business, the concept of investing relative to delivering to your medium-term targets? Because this is now the second year in a row you won't hit that EBITDA growth target and it despite being well within the revenue range that you're targeting, and at some point -- I know there's growing frustration, certainly for me and I think from a lot of investors in this concept of constantly investing so much, but yet really not showing a lot of return on investment because the level of reinvestment remains so high.

Eugene A. Hall
CEO & Director

So Gary, it's Gene. So first, if you look at our performance, again, GTS is growing really well. We've invested there. We've gotten great returns on it. Our Conferences business, the reason it has such record growth is because we've invested there, we've got great returns. I talked about in the past in GBS where that -- we've been investing ahead, we know we're investing ahead. We know there's great incredible growth opportunities there. And as I've said before, we think we've reached that inflection point, where we're going to start getting those returns in GBS as we have in GTS and in our Conferences business.

So as we -- and we're not deciding to make new investments per se. Again, as Craig said, the biggest factor on the cost side is that we assumed a number -- a percentage of open territories. It was significantly better than last. We had an improvement last year. And it's across all 3 of our major sales forces. We're actually overachieving in terms of fewer open territories. That is great for the long-term growth. You can only get better growth if you get better retention with existing clients. And so it's a great thing to do, and we already have those territories. So it's not incremental that we just decided one day to have a whole another investment. So again, just summarizing, we've gotten great returns from GTS reinvestment we've made, great returns on GCS and we feel like we're at the beginning of seeing those returns for GBS as well.

Operator

Our next question comes from the line of Bill Warmington with Wells Fargo.

William Arthur Warmington
Wells Fargo Securities, LLC, Research Division

So a couple of questions on the productivity side. The -- within GBS, the productivity was minus 2,000 in Q1. It was up to plus 7,000 in Q2. The previous GBS guidance for double-digit growth had implied in it a productivity improvement to about 75,000. And I wanted to ask, given the new guidance, what is implied in the new guidance?

Craig W. Safian
Executive VP & CFO

Bill, so -- there's really no change in the way to think about the productivity. The way we measure it is opening period headcount. And so again, to drive the roughly 10% growth on a $600 million, just below $600 million base, we have to drive the same level of NCVI and our opening number of headcount hasn't changed. So essentially, it's the same mass. You're right in your calcs for Q1 and Q2. And again, we believe through a combination of improved retention rates and what we've seen in both Q1 and Q2 is very favorable. I think we said in Q1 for the contracts that came up for renewal, we were up close to 200 basis points in terms of the pure retention on those transactions. Same measure in Q2. We were up 270 basis points. You will note that Q2 new business for GBS in total was up 16% year-over-year, that's coming off several quarters of a decline in new business on a year-over-year basis. And so again, if you kind of model forward, improve -- the continued improvements to retention and continued ramping of our new business, again, as the sales force seasons, as they get more comfortable selling GxL and as we get real momentum on GxL, that's the way we think about the path to still getting to that double-digit growth in GBS by the end of this year.

William Arthur Warmington
Wells Fargo Securities, LLC, Research Division

Okay. And then on the GTS side, the productivity last quarter grew 9% versus the 13% comp. In this quarter, productivity grew 2% versus an easier 10% comp. And I thought initially that, that might be the more rapid closing of the open territories than expected, but it sounded like a lot of that was really on the GBS side. So I wanted to ask what was driving that lower productivity.

Craig W. Safian
Executive VP & CFO

Yes, sure. So we, as you know, we did have a modest deceleration in the GTS overall contract value growth rate. And again, 13.5% is still very, very strong and the productivity is still up 2% on a year-over-year basis, but given the modest deceleration in the quarter, that's really what caused the modest deceleration in the productivity. And again, we're up -- we have -- it was 7th consecutive quarter of productivity being up on a year-over-year basis but the modest decel impacted the productivity measure or said the other way, the productivity measure impacted the modest decel. You can look at it either way, but that's really what happened in the second quarter.

Operator

Our next question comes from the line of Jeff Silber with BMO Capital Markets.

Jeffrey Marc Silber
BMO Capital Markets Equity Research

Sorry, but I just wanted to go back to the margin expansion questions from earlier. If we look at 2020, it looks like your soft guidance is for flat margins next year. I would've thought if we're ending this year at double-digit CV growth in GBS, you talking about that potentially accelerating next year, we're off the headwinds from the shift from the -- away from the legacy business, you're filling your open territories a little bit quicker than you thought, why shouldn't we see a little bit of margin expansion next year?

Craig W. Safian
Executive VP & CFO

Jeff, thanks for the question. So again, we're not giving 2020 guidance at this point. Obviously, a lot of it will be determined upon where we land the year. So the bulk of our 2020 economics are determined by the contract value growth or the NCVI we deliver in both GTS and GBS through the second half of the year. I'll be happy to go into immense and infinite detail around our EBITDA growth assumptions when we give the 2020 outlook, and we'll certainly provide all of the visibility and transparency in terms of being able to walk and reconcile the points you make. We're just not in a position right now where we're talking about the 2020 guidance or the margin outlook moving forward.

Eugene A. Hall
CEO & Director

And Jeff, I'd add that the reason that I had that in my comments was that we wanted to communicate that we know we've been investing ahead of CV growth in GBS and that we feel like we've reached a point now where we have the right base -- as I talked about earlier, the right number of sales people, the right products, et cetera, to where we can start getting returns out of that, which is what we're trying to communicate as opposed to specific guidance where the margins are going to be next year.

Jeffrey Marc Silber
BMO Capital Markets Equity Research

Okay. Look forward to getting more detail as the year progresses. And then just a quick numbers question. You mentioned the tax benefit impacting adjusted EPS in 2Q. What was the exact amount of that tax benefit impact on EPS?

Craig W. Safian
Executive VP & CFO

So roughly speaking, Jeff, I think it was about a $38 million benefit recorded on the income tax line.

Operator

Our next question comes from the line of Joseph Foresi with Cantor Fitzgerald.

Joseph Dean Foresi
Cantor Fitzgerald & Co., Research Division

So I just wanted to kind of circle back to GxL. What do you think The Street is undervaluing that would result in the ramp necessary to hit that double-digit growth? What do we not see sort of on the outside that you see on the inside from either a product-improvement standpoint or some other area?

Craig W. Safian
Executive VP & CFO

Joe, it's Craig. Joe, I think it's -- we've always had confidence in the quality of the product. It really is a very strong, high-value proposition at a relatively low cost product, very consistent with our IT products, our supply chain products and our marketing products. And I think what really gives us confidence is 2 things: So one is the continued ramp of GxL new business. And again, it's one of the reasons why we've consistently been breaking that out for investors so that investors can see the progress we're making. And again, it can get a little masked in the total numbers because there's a lot of moving parts, but when you isolate out what's happening with GxL, particularly on the new business side, in the second quarter, we sold $29 million worth of new business and that was across every enterprise function where we've launched the new GxL product. And if I look at the growth on a year-over-year basis across all of the enterprise functions, the growth was very strong. As Gene mentioned, overall, GxL new business growth was up 51% year-over-year and in just about every enterprise function, we were close to that average. So very, very strong growth.

So the market uptake continues to be strong. And again, our sales teams continue to get more and more repetitions, if you will, of selling the product and they're just getting better and better and better at it. You couple that with the improvements we've seen in retention and that comment is both on the GxL retention and also on legacy product retention. And again, we've seen very strong things that have come up for renewal in the first half of the year, a very strong improvement in our retention rates. And again, if you flow that through, which we believe should flow through for the balance of the year, and you continue to ramp up on the GxL, again given we're not selling onesie, twosies of these things, we're selling millions and millions or tens of millions of dollars of these each and every quarter, that's really what we're seeing underneath the covers. And again, we're trying to make that as transparent as possible as well.

Joseph Dean Foresi
Cantor Fitzgerald & Co., Research Division

Got it. And then just as follow up. Maybe you could just remind us of the investment schedule in GxL. What are you currently investing in? Do you feel like you've made the proper investments at this point? Because I know that we, a couple of -- I think it goes back to after the closing, saw a spike in investments, in the pull forward and all the rest of that stuff. So maybe you could just help us with the investment scheduled, what are you investing in now? Do you feel like the investments are now complete? Or are they continually ongoing? Is it mostly in sales? Just a little bit more color on the CapEx that you're putting back into the business.

Eugene A. Hall
CEO & Director

Joe, it's Gene. The largest single investment is the sales force. And the -- we've added to sales capacity because that's key to getting long-term sustained growth and we've got that in place. Now that we're doing and seeing -- and again, as the business grows, that will continue to grow. We've also invested in getting the right products in place, the right service delivery teams, the retention gets up and all those things, as Craig mentioned, are working, meaning GxL is selling very well. Retention of the first months of conf renewal have been very strong. The retention programs are also affecting the legacy products as well, where, as Craig mentioned, our retention is up there as well. And so the key investments really are in -- basically, the most is in sales, to a lesser degree, in service delivery and in product.

Operator

Our next question comes from the line of George Tong with Goldman Sachs.

Keen Fai Tong
Goldman Sachs Group Inc., Research Division

Your GTS headcount growth in the quarter accelerated to 14.5%. I recall previously, you're looking to slow your GTS headcount growth and rely more on productivity gains to drive CV growth. So can you talk about your overall strategy in GTS between balancing headcount growth and productivity gains over the next, call it, 2 to 4 quarters?

Eugene A. Hall
CEO & Director

So George, I'll answer the first half of the question, which is the way we think about adding capacity to our sales force is that we decide a number -- a certain number of territories we want to add each year and the phasing of value in those territories through the year. And then we assume that there's a certain number of opens that we talked about. And so the story in GTS is the same as we talked about in GBS, which is we gave you -- the guidance we gave you on the sales force headcount growth was based on number of territories. As Craig and I mentioned, we actually reduced the number sales territories in GTS as well as in GBS and that's why the sales growth -- the sales force growth is a little higher because we're not giving you the number of territories. Giving you the number of actual people on board.

Craig W. Safian
Executive VP & CFO

Yes, and George, just to continue the thought and to answer the second part of your question. So it's not a change in our territory growth assumptions. It's we were just more efficient and more effective at filling open territories, and we had that many -- that 14% more heads on board compared to where we were last quarter. And yes, it's modestly a point or 2 above what we had guided for the full year.

For the next few quarters, we expect to run roughly in this range given the low level of open territories and the same level of territory growth. Again, we are -- we remain focused on driving increased sales productivity consistently. As we mentioned, we've done it 7 quarters in a row of year-over-year productivity improvement, and we will continue to be focused on striking that right balance between headcount growth and productivity improvements. And again, as we accelerate on GBS, I think we'll employ that same kind of thinking the way we want to get productivity. But we also want to make sure we add so that we can still capture that huge market opportunity and drive sustained long-term double-digit growth.

Keen Fai Tong
Goldman Sachs Group Inc., Research Division

Got it. That's helpful, and then with respect to open territories, can you confirm that most of the upside in filling those territories did in fact come from GBS? And perhaps quantify maybe the number of open territories that you filled versus what you had initially expected and how you expect the better filling of these territories to impact sales over the next year.

Craig W. Safian
Executive VP & CFO

Yes. Sure, George. So the way to think about it is we've actually, if you look at our 3 major selling units, so GTS, GBS and then the sales teams that sell the Conferences, we've reduced the level of open territories in each of those segments. And again, you could argue in GTS, we're seeing the benefits of that and that return is paying off.

In Conferences, we're seeing the benefit. And in GBS, we're starting to see contract value growth accelerate. And as Gene mentioned, we really expect to start seeing the returns from all those investments in 2020 and beyond. The way to think about it just quantitatively is we've planned -- we've historically had roughly 5% open territories in GTS and GBS. And so a 2 or 3-point reduction in open territories can impact the headcount growth by that same 2% or 3%. And so as we've moved through this year in particular, we've been really efficient and effective at filling open territories at a faster rate than we had previously.

On the GTS side, it's probably a couple points better. On the GBS side, it's a little more notable in terms of more than a couple of points better. And again, each of those improvements is accreting the growth rate that you're seeing in headcount. And now that we filled those territories, we expect to kind of run at that level -- at least we've baked into our outlook running at that level for the balance of the year.

Operator

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

Eugene A. Hall
CEO & Director

So summarizing today's call. For the second quarter of 2019, we continue to deliver strong performances across our business. We again delivered double-digit growth in each of our business segments, Research, Conferences and Consulting. We are well positioned for sustained double-digit growth. We expect continued sustained double-digit growth in GTS, we're at an inflection point in GBS and Conferences and Consulting are on a strong path. Our future at Gartner remains bright. Thanks for joining us today and we look forward to updating you again next quarter.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone, have a great day.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.