

Gartner, Inc. NYSE:IT

FQ4 2025 Earnings Call Transcripts

Tuesday, February 3, 2026 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	3.51	3.94	▲12.25	3.31	12.79	13.17	▲2.97	13.54
Revenue (mm)	1748.86	1752.60	▲0.21	1572.64	6493.29	6500.00	▲0.10	6686.17

Currency: USD

Consensus as of Feb-03-2026 12:50 PM GMT

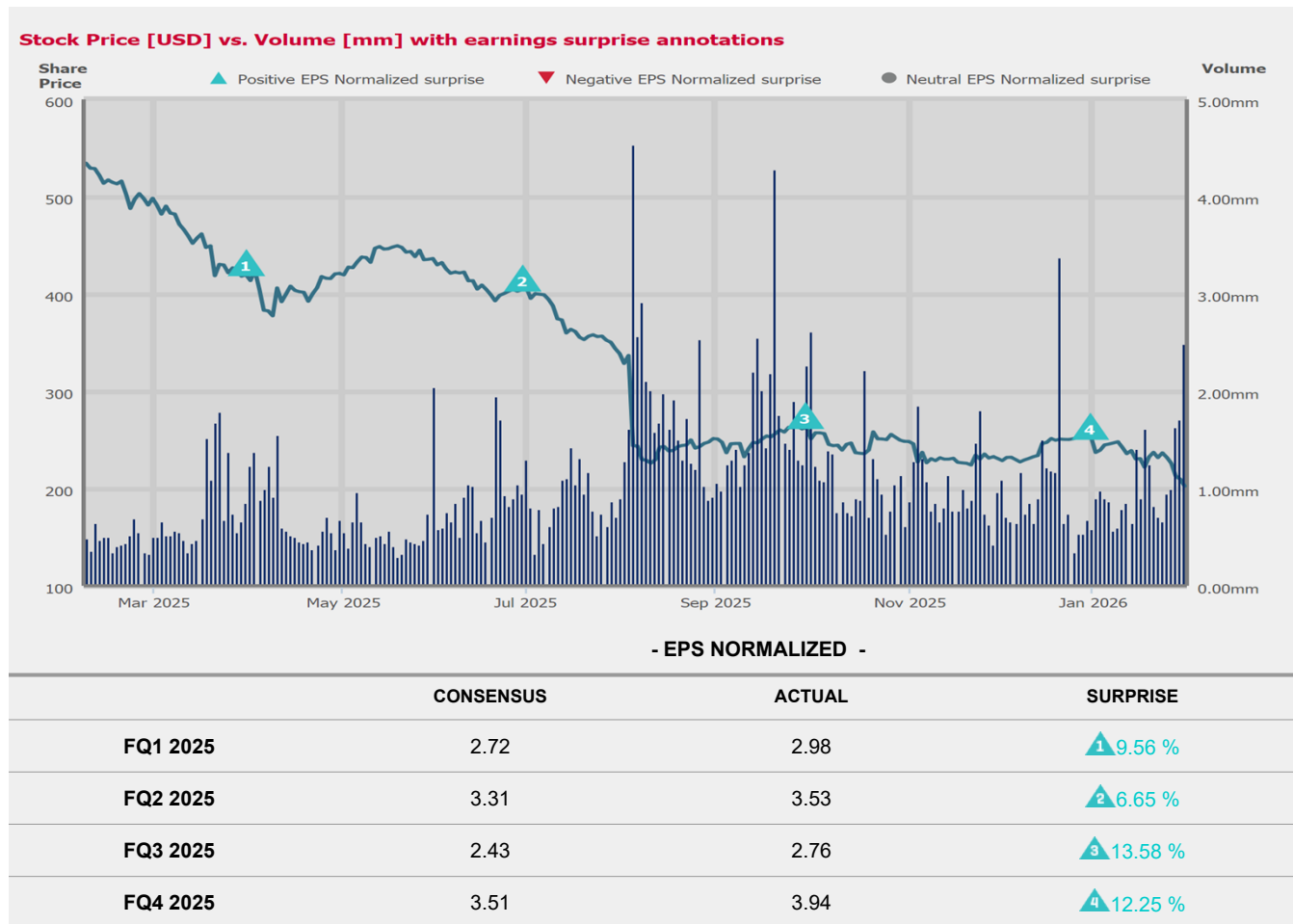


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Presentation

David Cohen

Senior Vice President of Investor Relations

Good morning, everyone. Welcome to Gartner's Fourth Quarter 2025 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.

[Operator Instructions] Please be advised that today's conference is being recorded. This call will include a discussion of fourth quarter 2025 financial results and Gartner's outlook for 2026 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. All contract values and associated growth rates we discuss are based on 2025 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 2024 annual report 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. Thanks for joining us today. Fourth quarter revenue, EBITDA, margins, EPS and free cash flow were ahead of expectations. We continued to deliver great value to our clients. We were agile in managing expenses. And we repurchased more than \$2 billion of Gartner stock in 2025.

2025 was a unique year due to a range of external market forces. Department of Government Efficiency or DOGE-related initiatives affected our U.S. federal clients. Evolving trade policies create complexity for tariff-impacted enterprises. Funding changes affected our state and local government and education clients. Tech companies that are not in or adjacent to AI experienced a shifting landscape. And there were country-specific factors in several geographies. These external market forces led to increased scrutiny, elevated deal approval authority and extended buying cycles.

Over the past few years, including 2025, the rate of change and volatility in the external environment has increased significantly. Executives have responded to this by slowing and deferring everything possible. This makes for a much tougher selling environment. The value bar is higher, but it's also a huge opportunity for us. Clients know they need help with these issues. Gartner is an insights business. Our high-value, forward-looking insights help clients on their journeys to achieve their mission-critical priorities.

The key to capturing an opportunity, while operating under deferred decision-making and higher value standards, is to help clients engage more frequently with our insights. Clients who engage frequently with our insights, receive greater value and retain at higher rates. This was true in 2025 and every year prior, and it's still true today.

Client engagement increased modestly throughout 2025, but in today's world, client engagement levels need to be even higher. Because the rate of change is faster than ever, driving incremental improvements on our standard practices wasn't enough. To achieve step change improvements, we needed to rethink many of our processes and practices. So we've been driving transformation across business and technology insights.

We covered some aspects of this transformation on previous earnings calls. Today, I'll share a comprehensive view of what we're doing. We're transforming business and technology insights along four dimensions: impact; volume; timeliness; and user experience.

Beginning with impact. Our insights provide tremendous value to clients today, and we know we can get even better. Our objective is to ensure insights are always on the topics our clients care about most right now. The biggest example today is AI. AI is transforming the world. It's our highest demand topic. During 2025, we expanded our AI insights. We have more than 6,000 AI-related documents

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in our library. We've documented more than 1,000 unique use cases. In 2025, we conducted more than 200,000 in-depth client conversations on AI, and we answered more than 500,000 AI-related questions through AskGartner.

Based on our analytical measures, the impact of our insights is improving at a rapid pace. By increasing the impact of our insights, we can ensure our clients get even more value on the topics they care most about at any given time.

The second dimension is volume. We serve clients of every size in every industry in every enterprise function in 90 countries. This diverse set of clients have differing mission-critical priorities. Our objective is to increase the number of insights to accommodate the broadest range of client priorities. To achieve this, we're applying automation, streamlining processes and upgrading and upscaling our analyst teams.

We developed a neural network AI model to quickly and systematically determine the topics our clients care about most. As of the end of 2025, our active insights library has grown by approximately 50%. By increasing volume, we can better accommodate the full range of our clients' mission-critical priorities.

The third dimension is timeliness. The pace of the world continues to accelerate. Some say the rate of change will never be this slow again. We're ensuring our insights keep pace with the ever accelerating pace of the world. We've introduced insight types that are produced the same day as important events occur in the world, such as a major security breach, where clients need immediate guidance, or in the rapidly evolving world of AI, where major changes happen every day.

To support this, we've made two other innovations. First, we introduced new processes to create insights as quickly as the same day. Second, for insight types that are highly valued by our clients, such as Magic Quadrants, we reduced our average insight creation time by 75% compared to 2024. So we'll continue to ensure our insights keep pace with the ever accelerating pace of the world.

The fourth element is user experience. If we produce great insights but our clients can't find them, they won't receive value from them. Historically, the single biggest feedback from our clients was, Gartner produces tremendous insights, but I can't always find them. We're ensuring our clients can easily access the insights that are most relevant to them when they need them the most.

As Gartner leverages AI to quickly identify and summarize the right high-value insights across our vast library, it leverages role, function, mission-critical priorities, insight viewership histories and more to make its responses even more relevant to each licensed user.

We began rolling out AskGartner in August of last year. We completed the rollout in October. Licensed users who used AskGartner had substantially higher renewal rates than those who did not even with the same levels of engagement. We'll continuously improve and innovate AskGartner's capabilities. Separately, we're identifying role-specific insights each week that are particularly valuable and broadly applicable. Our goal is to ensure clients have every opportunity to engage with these uniquely valuable insights.

We're also changing how we deliver insights in terms of format and access to meet today's client preferences. Conferences are an important way clients engage with our insights. Destination conferences provide high value to clients. But not all our clients can attend our destination conferences. For these clients, we launched Gartner C-level Communities.

Gartner C-level Communities are local, peer-driven one-day events where C-level executives can gain access to our insights. We're continuing to expand both our destination conferences and Carter C-level Communities in 2026 and beyond. We'll continue to improve the user experience to ensure our clients can access the insights they need to achieve their mission-critical priorities.

So we're driving transformation across business and technology insights along four dimensions: impact; volume; timeliness; and user experience. We began driving these transformational improvements during 2025 and will continue during 2026 and beyond. We believe this transformation will provide a step change in the value to our clients over the next few years. In addition, we'll drive continuous improvement and innovation across the rest of the business.

During 2025, we also took several shareholder value-enhancing actions, including repurchasing \$2 billion of Gartner stock, increasing leverage with a successful inaugural investment-grade bond offering to support even more share repurchase capacity, adding two new directors who bring unique and valuable skills to our Board, rotating our Board committee chairs and entering into a definitive agreement to sell our Digital Markets business.

In summary, the world is changing more than ever before. This represents a huge opportunity for us. Gartner is an insights business that guides the leaders who shape the world. The key to capturing our opportunity while operating under a challenging selling environment is to help clients engage more frequently with our insights.

In 2025, we began transforming business and technology insights along four dimensions: impact, volume, timeliness and user experience. These transformations will allow us to thrive in a world with greater change and uncertainty than ever. We expect to see the impact over the next few years, and we'll continue to keep you updated on our progress.

With our unparalleled value proposition, continued transformation in business and technology insights and responsible reinvestment in our business, Contract Value will accelerate. As Contract Value accelerates, our P&L and free cash flow conversion will follow, we will continue to create value for our shareholders by generating free cash flow in excess of net income and returning capital through our share repurchase program.

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. Today, I'm going to walk you through fourth quarter and full year 2025 results, and I will introduce our 2026 guidance. Financial results in the fourth quarter were better than expected. For the full year, revenue increased from 2024 and EBITDA margins finished well ahead of our initial guidance from last February. Our return on invested capital continues to be above 20%, highlighting the strength of our business model and our ongoing ability to create long-term value.

We increased leverage with a successful bond offering, our first as an investment-grade rated credit. We generated significant free cash flow and bought back about \$2 billion of stock. And last week, we entered into a definitive agreement to sell the Digital Markets business, which allows us to focus even more on delivering insights to help our clients address their mission-critical priorities.

Fourth quarter revenue was \$1.8 billion, up 2% year-over-year as reported and unchanged FX neutral. For the full year, revenue was \$6.5 billion, up 4% as reported and 3% FX neutral. Fourth quarter Contract Value or CV grew 1% year-over-year. Outside the U.S. federal government, CV grew 4%. In the quarter, total contribution margin was 67%, up 85 basis points from last year.

EBITDA was \$436 million, up 5% as reported and 1% FX neutral. Adjusted EPS was \$3.94 and free cash flow was \$271 million. For the full year, EBITDA was \$1.6 billion. EBITDA margins were 24.8%, well above the initial guidance we gave at the start of the year. Adjusted EPS was \$13.17. Free cash flow was \$1.2 billion and ROIC was strong at around 24%.

The Insights segment is our largest, most important business. It's subscription-based with strong retention, recurring revenue and excellent contribution margins. We get paid upfront, which allows us to generate strong free cash flow well in excess of net income. Insights revenue in the quarter grew 3% year-over-year as reported and 1% FX neutral. Fourth quarter Insights contribution margin was 77%, up 59 basis points versus last year. Full year Insights revenue increased 5% as reported and 4% FX neutral. For 2025, Insights' contribution margin was 77%, up 14 basis points from 2024.

Contract Value was \$5.2 billion at the end of the fourth quarter, up 1% versus the prior year. Outside the U.S. federal government, CV growth was about 330 basis points faster at around 4%. Global NCVI in the quarter outside the U.S. federal government was positive \$147 million. The vast majority of our U.S. federal contracts came up for renewal during 2025. At December 31, we had \$126 million of U.S. federal CV.

Outside the U.S. fed, we delivered CV growth across practices, industry sectors, company sizes and geographic regions. By sector, energy, banking and technology led to growth. CV grew at high single-digit or mid-single-digit rates across all commercial enterprise sizes. All but two of our top 10 countries grew in 2025 with one growing double digits. And we had more than \$400 million of new business in the fourth quarter.

Global Technology Sales Contract Value was \$3.9 billion at the end of the fourth quarter, about flat compared with the prior year. GTS CV outside the U.S. federal business grew 4% in the quarter. Tech vendor CV increased mid-single digits, with services and software growing low double digit or high single digits.

Wallet retention for GTS was 96% for the quarter. GTS new business of more than \$300 million was down about 5% outside the U.S. federal government. The change in GTS quota-bearing headcount was consistent with our expectations. We managed our territory changes and investments based on a balance of expense discipline and opportunities to invest for growth.

We've optimized territories with growth directed towards business developers and new logo and new business opportunities. BD productivity has remained strong, which is a foundation for our investment in adding BDs. Our regular full set of GTS metrics can be found in our earnings supplement.

Global Business Sales Contract Value was \$1.2 billion at the end of the fourth quarter, up 3% year-over-year. Outside the U.S. federal government, GBS CV grew about 200 basis points faster at around 6%. Growth was led by the sales, supply chain and legal practices. GBS NCVI was positive \$16 million in the fourth quarter. Outside the U.S. federal government, GBS NCVI was positive \$21 million.

Wallet retention for GBS was 99% for the quarter. Outside the U.S. federal business, wallet retention was over 100%. GBS new business of more than \$100 million was down 4% compared to last year. The change in GBS quota-bearing headcount was consistent with our expectations.

Similar to GTS, we managed our territory changes and investments based on a balance of expense discipline and opportunities to invest for growth. BD productivity has remained strong, which is a foundation for our investment in adding BDs. 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 also provided quarterly historical Contract Value data updated to 2026 FX rates on Page 21 of the earnings supplement. As you build your 2026 models, please remember to use the updated data as the baseline for your forecasting. The U.S. dollar weakened significantly over the course of 2025, causing this adjustment to be larger than most years. We've also provided several quarters of historical data to reflect the updated financials for the Digital Markets divestiture on Page 22 of the earnings supplement.

Conferences revenue for the fourth quarter was \$286 million. On a same conference basis, revenue growth was around 8% FX neutral. Contribution margin was 51%. We held 14 destination conferences in the fourth quarter as planned. Full year Conferences revenue grew 11% to \$645 million. FX-neutral growth was 9%. Contribution margin was 50%.

Q4 Consulting revenue was \$134 million compared with \$153 million in the year ago period. FX was a benefit of about 300 basis points in the quarter. Consulting contribution margin was 27% in Q4. Full year Consulting revenue was \$552 million compared to \$559 million in the prior year. Contribution margin was 34%.

Consolidated cost of services on a GAAP basis was \$573 million in the quarter or 32.7% of revenue. For the full year, cost of services was \$2 billion or 31.6% of revenue. SG&A on a GAAP basis was \$798 million in the quarter or 45.5% of revenue. For the full year, SG&A was \$3 billion or 47.2% of revenue.

We continue to balance disciplined cost management, while ensuring we can invest in key areas such as expert talent, AI, the customer experience and frontline sellers. As a percentage of revenue, our costs are well below historical highs.

EBITDA for the fourth quarter was \$436 million, up 5% from last year's reported and 1% FX neutral. We outperformed in the fourth quarter through modest revenue upside, effective expense management and a prudent approach to guidance. EBITDA margins were 24.9%, up about 60 basis points from last year's Q4. Full year EBITDA was \$1.6 billion, up 4% as reported and 2% FX neutral. EBITDA margins were 24.8%, consistent with last year.

Depreciation in the quarter was \$28 million. Full year depreciation was up 5%. Net interest expense before deferred financing costs in the quarter was \$18 million, increasing by \$7 million versus the fourth quarter of 2024 due to lower interest income on our cash balances. The full year net interest expense before deferred financing cost was \$56 million, favorable by \$10 million versus 2024 due to lower interest expense and higher interest income on our cash balances.

The Q4 adjusted tax rate, which we use for the calculation of adjusted net income, was 20% for the quarter. This compares to last year's benefit of 25%. The tax rate for the items used to adjusted income was 3% for the quarter. The full year tax rate for the calculation of adjusted net income was 22%, in line with our expectations. The prior year tax rate benefited from favorable tax planning.

Adjusted EPS in Q4 was \$3.94. Full year adjusted EPS was \$13.17. We had 72 million shares outstanding in the fourth quarter. This is an improvement of about 6 million shares or approximately 8% year-over-year. We exited the fourth quarter with 71 million shares on an unweighted basis.

Operating cash flow for the quarter was \$295 million. This compares with \$335 million in Q4 2024. CapEx was \$24 million, flat year-over-year. Fourth quarter free cash flow was \$271 million. This compares with \$311 million in Q4 of 2024. For the full year, operating cash flow was \$1.3 billion. CapEx was \$115 million, and free cash flow was \$1.2 billion.

Free cash flow on a rolling 4-quarter basis was 161% of GAAP net income and 73% of EBITDA. As we previously noted, there were two items that affect rolling fourth quarter net income and free cash flow, including a real estate lease termination payment in Q2 2025 and we also had a noncash goodwill impairment charge related to Digital Markets business in Q3 2025. Last week, we signed a definitive agreement to divest Digital Markets.

Adjusting for these items, free cash flow on a rolling 4-quarter basis was 18% of revenue, 74% of EBITDA and 136% of GAAP net income. At the end of the fourth quarter, we had about \$1.7 billion of cash. Our December 31 debt balance was \$3 billion, up about \$500 million from Q3 as a result of our most recent bond offering.

Our reported gross debt to trailing 12-month EBITDA was 1.9x. 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.

Our balance sheet is very strong with \$2.7 billion of liquidity, low levels of leverage and 100% fixed interest rates. We repurchased about \$500 million of stock during the fourth quarter and \$2 billion during the full year.

Last week, the Board refreshed our authorization, bringing the total to about \$1.2 billion. We expect the Board will continue to refresh the authorization as needed. As we continue to repurchase stock, we create value for our shareholders through EPS accretion and increasing returns on invested capital.

Before providing the 2026 guidance details, I want to discuss our base level assumptions and planning philosophy for the year. We've not included the Digital Markets business in the outlook.

For Insights revenue, our guidance reflects Q4 2025 Contract Value and our CV growth rate accelerating over the course of 2026. First quarter and first half NCVI are important inputs to calendar 2026 revenue growth. We have taken a prudent view of NCVI phasing because Q1 is a seasonally important quarter for renewals. As always, we have high visibility into our Insights revenue based on our ending 2025 Contract Value.

For Conferences, we are basing our guidance on the 56 in-person destination conferences we have planned for 2026. We expect similar seasonality to what we saw in 2025 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 had a strong advanced bookings quarter in Q4, which provides very good visibility into 2026 revenue. We have a majority of what we've guided already under contract. This is ahead of where we were at the same time last year.

For Consulting, we have more visibility into the next quarter or 2 based on the composition of our backlog and pipeline as usual. Contract Optimization has had several very strong years and the business remains highly variable. Our base level assumptions for consolidated expenses reflect the run rate from the fourth quarter and merit increases scheduled to go into effect April 1 as usual. We recommend thinking about expenses sequentially with notable seasonality driven by the conferences calendar and annual merit increases.

For GTS, we expect low single-digit QBH growth in 2026 with a focus on growth in our business developers. For GBS, we plan to grow QBH mid-single digits this year with an emphasis on growth in business developers. We have the recruiting capacity to go faster depending on how the year plays out.

We continue to prudently manage our expenses, in part to create alignment with recent CV trends, and we are driving efficiencies wherever we can through automation, process improvements and leveraging technology. We are also prioritizing sensible investments to drive future growth and returns, which include key areas like business and technology insights analysts, artificial intelligence, the customer experience and sales capabilities, efficiencies and QBH. These investments are fully reflected in our 2026 guidance.

Based on January FX rates, we expect revenue growth to benefit by about 110 basis points and EBITDA growth to benefit by about 170 basis points for the full year. As a reminder, about 1/3 of our revenue and operating expenses are denominated in currencies other than U.S. dollar.

Our 2026 guidance is as follows: we expect Insights revenue of \$5.19 billion or more, which is FX-neutral growth of about 1%. We expect Conferences revenue of \$695 million or more, which is FX-neutral growth of about 7%. We expect Consulting revenue of \$570 million or more, which is growth of about 3% FX neutral. The result is an outlook for consolidated revenue of \$6.455 billion or more, which is FX-neutral growth of 2%. We expect full year EBITDA of \$1.515 billion or more. This reflects full year margins of 23.5% or more.

As we move through the year, our strong visibility will get even better. For net interest expense, we expect higher interest costs as a result of the increase in leverage. Interest income will be affected by interest rates and the deployment of cash for repurchases made during 2025.

In addition, we have not assumed interest income on excess cash that could be deployed on share repurchases. Notably, however, our share count for 2026 only assumes repurchases to offset dilution. This means in the adjusted EPS guidance, we effectively assume both less cash on the balance sheet and more shares outstanding than we are likely to have.

We expect 2026 adjusted EPS of \$12.30 or more. As I just noted, EPS would see a significant positive impact through a combination of fewer shares and/or greater interest income. For 2026, we expect free cash flow of \$1.135 billion or more. This reflects a conversion from GAAP net income of 140%. Our guidance is based on about 71 million shares outstanding, again, only reflecting share repurchases to offset dilution. For Q1, we expect adjusted EBITDA of \$370 million or more.

Our financial results in Q4 were ahead of expectations. In particular, margins were strong and better than we guided at the start of 2025. We had another year of very strong free cash flow. ROIC continues to be excellent. We made significant accretive share repurchases, reducing our shares outstanding by 8% in the year. Contract Value outside the U.S. federal business grew 4% in the quarter, and we are positioned to accelerate CV growth throughout 2026.

As Gene detailed, in 2025, we began driving transformation across business and technology insights along four dimensions: impact, volume, timeliness and user experience. The investments to continue the transformation through 2026 are fully reflected in our guidance.

Finally, we'll continue to deploy our capital to drive shareholder value and contribute to strong ROIC. Our capital allocation strategy remains focused on share repurchases, which will lower the share count over time and strategic value-enhancing tuck-in M&A. With that, I'll turn the call back over to the operator and will be happy to take your questions. Operator?

Question and Answer

Operator

[Operator Instructions] Our first question comes from Jeff Meuler with Baird.

Jeffrey P. Meuler

Robert W. Baird & Co. Incorporated, Research Division

On the expected Contract Value acceleration as '26 unfolds, I guess there's going to be a mathematical benefit from moving past the peaking and lessening federal government headwind. Are you expecting acceleration beyond that on an ex-government or ex-federal government basis? And I imagine you expect some benefit from the step function operational changes. But just if you can give us an update on what you're seeing in terms of any leading indicator KPIs. You had talked about a lot of things last quarter like in-quarter renewal rates. Just wondering if those have continued to make progress.

Eugene A. Hall

CEO & Chairman

Yes, Jeff. Yes, we are expecting CV to accelerate throughout the year and not just because of lesser headwinds within the federal government, U.S. federal government. Basically, as you said, we made more changes in the second half of last year with this transformation program and we expect those changes to begin hitting throughout -- hitting and building throughout 2026 and into '27. And so it's really that's what's driving the acceleration of CV over the year -- over '26 and then '27 after that.

Jeffrey P. Meuler

Robert W. Baird & Co. Incorporated, Research Division

And on some of the leading indicators and what you were seeing on things like in-quarter renewal rates?

Eugene A. Hall

CEO & Chairman

So the way that we're approaching the transformation is, we know that if our clients engage with us more, they renew at higher rates. And so we're looking at leading indicators that say they're going to engage more with our content. And so there's things like, again, the four dimensions I talked about, we changed our content. One of the leading indicators we have is the conferences where we presented those new content.

In our conference scores, we ask clients to rate each of the presentations as well as the overall conference. And those conference scores were up significantly and more than we've ever seen in the past for the conferences that were held in the second half and particularly in Q4 of last year, where we have a lot of conferences. And so that's kind of one of the leading indicators that we see.

As I mentioned also, our engagement actually has been rising. And as the engagement rises, again, it doesn't -- when engagement goes up, it doesn't affect you today. But when that client comes up for renewal over the next, depending whether it's a single year or multiyear contract, when they come up over the next 12 or 24 months, they're much more likely to renew us. So we see a positive impact from that as well.

And so it's indicators like that, that are telling us that both our -- the transformation we're making in BTI in terms of driving more engagement is working. And in fact, we're seeing the beginnings of higher engagement as well. I mentioned another one as well, which is the uptake of -- I'm sorry, the impact of AskGartner. It lets clients get access -- much better access to our content than they've been able to do in the past.

And as I mentioned, we only rolled it out to all of our clients in October of last year. So our clients didn't have that much chance to use it. But for those clients that used it and then renewed last year, their renewal rates were actually significantly higher. I think it's a combination of both better access and also transformation changes that we talked about earlier.

So if we look at leading indicators, we think that actually that we're on a good track. And again, these things will take -- because of they have to use the content, they have to renew and that renewal takes place over a 12- to 24-month period, it's going to take a while for all these things to kick in, but I'd say the leading indicators we view as very positive.

Operator

Our next question comes from Andrew Nicholas with William Blair.

Andrew Owen Nicholas

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

Just want to follow up on the same kind of line of questioning, a couple of quarters ago, you talked about your hopes to kind of get back to the high single-digit range in terms of CV growth here in 2026. Just wondering, now a couple of quarters past that, how you're thinking about that kind of line of thinking? And of the factors that you outlined at that time between the federal government business, tech vendors accelerating, tariff-related industries or tariff-impacted industries normalizing some and your own internal adaptations, is there any changes to kind of the magnitude of those benefits that you would speak to today versus 6 months ago?

Craig W. Safian

Executive VP & CFO

Andrew, it's Craig. So sort of a headline answer, I'd say, is and just reiterating what Gene just said with the prior question is, we do expect CV and the CV growth rate to accelerate over the course of 2026 and that's obviously within our U.S. fed portion of the business just lapping the significant headwinds and also the balance of the business accelerating as well.

As you know, our normal course practice is not to guide specifically to CV. But we do fully expect all the factors that we've been discussing and the details Gene provided to support driving that CV growth and also all the factors we talked about, all those different buckets, we expect to have an impact as well into 2026. And so I think part of this is the environment still remains pretty chaotic. And we want to see what the environment looks like as we move our way through 2026. But baked into our guide and baked into all of our operating assumptions is the CV growth rate accelerating over the course of 2026.

Operator

Our next question comes from Faiza Alwy with Deutsche Bank.

Faiza Alwy

Deutsche Bank AG, Research Division

So just to follow up on that, Craig, I think you talked about the quarterly phasing of CV growth. I'm curious if you expect sort of that quarterly phasing to be similar to what we have seen historically? Or you could sort of put a finer point on that? I imagine you're expecting that some of the internal initiatives that you're taking will kind of help more towards the back half of the year, but any further perspective would be helpful.

Craig W. Safian

Executive VP & CFO

Yes, great question, Faiza. Thank you. And so as we look at the way our CV expiration SKU looks like for 2026, it looks pretty consistent with what we've seen historically. And so a little bit overweighted in terms of dollars coming up for renewal in Q1 and Q4, so a little bit more than 25% in each of those quarters, and obviously a little bit less than 25% that implies in the middle quarters Q2 and Q3.

As you know -- and again, and our sort of NCVI build, as we think about it, we believe should be roughly consistent to what we've seen over the last several years. That all said, the revenue guide is obviously most sensitive to where we ended 2025, net Contract Value amount as we roll into 2026 and then the phasing of the NCVI.

To your point, one is we tend to generate much more of our NCVI in the second half of the year historically and then to emphasize your point and Gene's points too, is that the transformation that we've been doing, again, these are not just started on Jan 1, we've been working on through these for the last few quarters, but certainly, will have more of an impact on the second half of the year than on the first half of the year.

Operator

Our next question comes from Josh Chan with UBS.

Joshua K. Chan

UBS Investment Bank, Research Division

I guess stepping back from the numbers, it seems like in recent months, you have taken some more kind of strategic steps, including the divestiture of the non-sub business. I think we understand you had an organizational realignment perhaps. So could you just talk

about what drove these kind of more longer-term type actions and kind of how you're thinking about those actions versus kind of the environment that you're sitting in?

Eugene A. Hall
CEO & Chairman

Josh, great question. So the last year, there were a lot of changes. In fact, over the last 2 or 3 years, there's been a lot of changes between what's happened with AI, the U.S. federal government, tariffs, all the things I kind of outlined in my talk. And so during the first half of last year, we came to conclusion that we should assume that the world is going to be like this forever, that there's going to be a lot more disruption and chaos.

And we don't know what those things are going to be, but we need to be prepared for them. And so to do that, we've decided the best way to impact it in our business was to focus on our core BTI business. And on top of that and within that, the way to optimize that business is to get more client engagement.

As I mentioned in my remarks, the more clients engage with us, the higher the retention is. And the higher the retention is, obviously, the faster our business grows. And so we're really driving engagement and driving retention. And the way we're doing that is through the transformation program. And we did a lot of analysis to understand what drives engagement.

And it's the four things I talked about. It's the impact of our insights, the number of insights, we cover all the federal projects they have interest in, how fast we get it to them, especially in today's world where things change so quickly. And the user experience that they actually get access to them, whether it be through AskGartner or through enhanced conferences that I mentioned.

The changes we made in the second half of last year were more change than we've ever done at Gartner. I've been here 20 years. In that entire time, it's more change than we've ever done. And it's in a reaction to position the business so that even if the world doesn't get better, that we can get back to the kind of growth rate that we've had historically meaning double-digit growth even in a really bad environment because we've enhanced our BTI offering so much.

And so as a result of that, two of the things you mentioned were as a result of that. So one of them we decided that our Digital Markets business didn't fit in that vision. And so we made the decision after careful analysis, that, that didn't make sense. And so we made an arrangement which we think is a very good owner for it.

And then the second thing is there were some staff changes, as we assess the BTI transformation, in any transformation, you often find that people that don't have the skills today that you need going forward. And so for those people, we had -- unfortunately, we had an action that we took so that we could basically reposition skills so we have the skills we need going forward, not the skills we need in the past.

And that was only one small part of the transformation, but that was a part of the transformation. So this had nothing to do with cost or something like that. It had to do with making sure we had the skills to address the impact, volume, timeliness and user experience that we need as a business to thrive in any economic environment.

Craig W. Safian
Executive VP & CFO

And then, Josh, the one last thing I'd add, as you know, we're obviously very focused on doing shareholder value-enhancing initiatives. The #1 way we do that is to drive value for our clients, which then translates through the P&L and free cash flow statement. But obviously, we're focused on optimizing and maximizing shareholder value as well. And you know our capital allocation strategy is around buybacks and potential value-enhancing M&A, tuck-in M&A.

And so on the buybacks, as you saw and noted, you have about \$2 billion worth of shares repurchased over the course of 2025, taking advantage of the debt markets and transforming, if you will, our balance sheet, so that we have a little bit more leverage and more capacity to deploy our capital on behalf of our shareholders. And then we do typically talk about M&A, but divestitures can be ways to drive shareholder value as well.

And as Gene outlined, I think we came to the -- through deep analysis, through the recognition that Digital Markets was not a core part of the business, and so we look to drive value, sell it to a more natural owner and then from a shareholder value perspective, that allows us to use those proceeds, but also to focus on the core, which is really driving value out of the BTI business or the Insights business, I should say.

Operator

Our next question comes from Jason Haas with Wells Fargo.

Jason Daniel Haas

Wells Fargo Securities, LLC, Research Division

I'm curious, as part of some of the internal improvements you're making, are there any changes to try to institutionalize some of the process that your analysts go through to collect proprietary insights from your customers? Because our understanding is there's a treasure trove of data that your analysts are collecting. And I'm curious how much of that is coming through just sort of informal questioning? Or is there really a process around that to drive the collection of those insights?

Eugene A. Hall

CEO & Chairman

Jason, it's a great question. And that is actually a core part of the BTI transformation as well. To your point, we have hundreds of thousands of conversations with our clients every day -- I mean, every year. And with also with technology vendors, we have thousands of conversations. We have a lot of peer interactions where peers interact, we get all that data. We do proprietary surveys.

One challenge we have is with our 2,400 analysts, how do we get all the right information to those analysts. And so as a part of this transformation action, we've developed some very sophisticated systems that let us get all -- get the insights that matter most to the analysts that are going to be actually working on a particular topical area like cybersecurity or something like that.

And it starts with this neural network-based system I talked about before, and it starts there because one of the most important decisions we make is what do we actually write content on, what insights we want to write on. This neural network-based system I talked about takes all of that input and says, what's trending, what are the things that people are most interested in.

By the way, it's updated on a real-time basis. So this week, what are our clients interested in? And then what assets do we have that can actually create incredible insights that will be of high value to those clients?

And so your point is actually a key part of the transformation is, the way we worked many years ago was a bunch of analysts sat in a room and said, hey, what do you hear, what I hear. Now with thousands of analysts and hundreds of thousands of conversations, we can't work that way.

And so we leverage technology, including AI, so that we can actually both write on the right topics by using this neural network model and then get all the right assets that will help those analysts write truly insightful research into the hands of the right people. And so it's a core part of it.

Operator

Our next question comes from Toni Kaplan with Morgan Stanley.

Toni Michele Kaplan

Morgan Stanley, Research Division

I wanted to get a sense of in the fourth quarter if AI sort of entered the renewal conversations a little bit more in terms of client decision-making around adding or removing seats and things like that? And I know you've got a lot of feedback from your clients. So I just wanted to hear sort of what you're hearing from them? And is the environment getting maybe a little bit better? Like I just wanted to get a sense of sort of the client environment and feedback.

Eugene A. Hall

CEO & Chairman

Yes, Toni. So the single biggest issue we are helping our clients with is AI across every function. So our clients clearly understand AI. They know they have challenges with it. And again, it's our single highest band item. And as I've talked about in the past, with our salespeople, we ask each salesperson to document any concerns clients have. And one of the specific ones we ask them to document is if a client brings up that AI might be a substitute.

And in addition to that, we have a help desk. And so any salesperson, that basically says, hey, the client said, I'm thinking about using AI instead of Gartner, we try to document -- we train salespeople. And then by the way, they use this system, right? It also tracks competitive threats and things like that. And so it is regularly used. To put in perspective, probably half our salespeople use it in any given year.

And so they're familiar with it and we train them on it. And we have this help desk in case somebody has an AI question and the help desk is like the Maytag repair man, which is to say that, that has not been -- we have a lot of challenges with clients in terms of their own internal budgets that these guys will talk about. But one that we do not hear frequently is that they're thinking about using AI in some way as a substitute for Gartner.

And again, to your point, I think our salespeople, it's not -- if anything, Q4 is less of an issue or less of concern than even before. But we don't -- we try to track it very carefully. We're trying to be eyes open about it, and we don't see it as something that is restraining our growth as opposed to clients that have tariffs and budget problems and the federal government DOGE things, those are real problems that we have that we see every day.

Toni Michele Kaplan
Morgan Stanley, Research Division

Do you see those problems getting better, the DOGE and tariff problems and things like that?

Eugene A. Hall
CEO & Chairman

So we approach it two different ways. So in terms of DOGE, as we had talked about, all of our federal government clients, U.S. federal government contracts, virtually all of them are 1-year contracts, and so any client that wanted to cancel because of DOGE after Q1 will have already had the chance to cancel. And so we believe -- and there's still tremendous demand.

What's going on in the U.S. federal government is we provide valuable services. The clients that are actually using our services like Chief Information Officers, et cetera, highly want to use our services. They have tight budgets, they're getting direction for above. And so in some cases, they cancel their contracts, which is why we've had terrible renewal rates.

We believe that the ones that are going to cancel will have gone through it once we get through Q1 and that going forward, it would be more to a normal environment with the U.S. federal government where we have sure value but we provide a lot of value. We have a lot of clients who want to buy it from us. And so that's kind of how we're expecting there.

Outside of the federal government, the tariff industries, it gets down to the BTI transformation I talked about earlier, where we made -- as I mentioned, we've made more changes in the second half of last year than ever before. And the whole idea is we need to increase value to our clients. We're going to do that by increasing engagement. The more they engage, the higher value they get, the more they renew.

And we know if we get engagement rates up even modestly, it has a material impact on renewal rates and then our growth rate. And so the federal government, we're going to hopefully get through all the contracts with people that are going to cancel. And again, for everyone else, and in fact, the federal government going forward, we're increasing the value we provide to our clients at a much higher rate through, as I talked, the impact, volume, timeliness and user experience.

Operator

Our next question comes from Surinder Thind with Jefferies.

Surinder Singh Thind
Jefferies LLC, Research Division

Gene, could you maybe talk about your willingness to kind of maintain the medium-term guidance here? It seems like we've had a number of challenging years where there's always something that disrupts your ability to hit that medium-term guidance. And given the pace of change, what gives you confidence that you can achieve medium-term guidance? It just seems like disruption is in the air at this point beyond the current narrative here.

Eugene A. Hall
CEO & Chairman

Yes. As I mentioned earlier, we're taking a view that the world is always going to be more challenging than it was prior to a couple of years ago. And so because of that, we needed to really up the value we provide to clients a lot. And so -- which we have a program to do it. As I mentioned earlier in the call, actually, the early indicators are good.

It's going to take time because, again, clients, we have to produce -- we are to make the changes I talked about. Clients then have to use them. Then that contract has to come up for renewal. And so it's going to take a couple of years before we get the full benefit of

programs that we're just talking about. But I have confidence that our CV will continue to accelerate over the time period because of the changes that we're making.

Craig W. Safian
Executive VP & CFO

And Surinder, it's Craig. I think, again, we kind of go back to every way we look at it, there is still a very large addressable market that we continue to figure out ways and unlock ways to go after that addressable market. The value we provide to our clients is unparalleled and unmatched. And again, all the things Gene outlined will allow us to continue to enhance and increase that value proposition.

And then if you think about the four elements that Gene mentioned, all of those things, we believe, will allow us to better penetrate and hold on to that huge addressable market opportunity. And so there's really no change in our view on the market. We know the value we provide to clients. We're focused on continuing to enhance that value. And we believe that all those things are unchanged in terms of the opportunity for us going forward.

Surinder Singh Thind
Jefferies LLC, Research Division

That's helpful. And just a quick clarification here. I think, Gene, you mentioned this idea that to realize the full benefit of the investments that you're making, it maybe a few years. So is that the time frame then for kind of getting to your medium-term guidance targets? I just wanted to clarify that.

Eugene A. Hall
CEO & Chairman

So basically, as I mentioned, the way we're going to get the benefits is we make the changes. And again, we made a lot of change last year. It's not going to stop. We're going to continue making changes this year in the same four areas I talked about. Then clients have to use and benefit from them, they have to actually get our insights and see the advantage to it. Then they have to come up for renewal, and it's just the nature of our business because it's the subscription-based business, it can take a couple of years until you get the whole benefit of everything we're talking about.

Craig W. Safian
Executive VP & CFO

And just to underscore that, Surinder, I mean the guide, as we said, implies or overtly has contract value growth rate reacceleration over the course of 2026. We don't expect to be done with that in 2026. And so we believe all the things that we are doing, we continue to make sure we're -- as both Gene and I mentioned, prioritizing the right kinds of investments to drive that reacceleration and drive strong returns on those investments in the future.

And so as we mentioned, no change in our view on the market. We're doing all the right things, we believe, in terms of enhancing the value that we deliver to our clients, and then with continued reacceleration, we believe we can drive lots of incremental shareholder value over the short, medium and long term.

Operator

Our next question comes from Manav Patnaik with Barclays.

Brendan J. Popson
Barclays Bank PLC, Research Division

This is Brendan on for Manav. I just want to ask for some more -- you talked about some of the rapid change internally. And I also noted you mentioned this 75% time reduction for Insights. So I guess just any clarity on what exactly that means? And just anything else on the internal changes to drive this better retention?

Eugene A. Hall
CEO & Chairman

Yes, Brendan. As I mentioned, we're making these internal changes on impact, volume, timeliness and user experience. One important part of timeliness is actually how fast we can produce insights. And as we did this in-depth analysis in terms of how we produce

insights, we've developed -- we basically decided in today's world where things happen so quickly, again, you look at like AI or cybersecurity where things happen on a daily basis, we weren't operating at that kind of pace.

And so beginning in July of last year, so these are not changes that happened like in January, beginning of July of last year, we looked at how could we take time out of the process and actually it involved a couple of things.

First is new content types. So actually, we now have content types like a thing called a First Take that is, if something happens today, you need to do about today, we get that first take out immediately because our clients need to make decisions about it.

The second area was actually than changing the process, and in fact, we found that we had too many people in parts of the process, the back part of the process, not the creative part, but the editing part. And so we actually downsized that part of the process. When we change -- and changed process as a product, so it's better.

And the third thing we did is add automation and part of the automation was AI. And so between those three factors, different content types, restructure the process and what people's jobs are and then provide a lot of automation, including AI, allowed us to shrink the production time, which, again, in today's world is really, really important.

As I mentioned earlier, we started making these changes in July. And so these are part of -- I mentioned we had more change than ever before in the second half of last year. This is one of those changes where again, it involves restructurings as well as process changes as well as substantive changes.

Operator

Our next question comes from Scott Wurtzel with Wolfe Research.

Scott Darren Wurtzel
Wolfe Research, LLC

You've talked a lot about sort of expanding the breadth of your offerings, the velocity of the insights and the ease of use improvements as well. Just wondering if you can maybe talk about if there's any changes to your sales strategy, your go-to-market strategy that you're thinking about for this year? And then if you can also help us with how we should think about sort of the phasing of your quota-based headcount, quota-bearing headcount growth across GTS and GBS for '26.

Eugene A. Hall
CEO & Chairman

Yes, Scott. So I did not focus as much on sales because the BTI transformation is so much -- such a step and a huge change for us. We've always done a lot of innovation in sales, and we continue to do those innovations. And so like -- and I'll give you some examples. So one of them is that we know that our salespeople they come in, they have not typically been the C-level clients that they're selling to. So we need to make sure they have the skills, the confidence. We have very extensive training programs.

One of the things we've done to enhance that, which has actually worked out better than we expected actually is use AI-based role play tools so that we can put a salesperson in a situation with these AI tools or they are talking to a prospect or a client about things like what's the value, how -- what questions they might have, do I get a discount, why don't I get a discount, whatever those questions might be, that our salespeople actually get practice ahead of time. And we've always had role plays, but adding AI-based tools has allowed us to exponentially expand those kind of role plays. And the sales teams love these tools because it makes them so much more efficient.

The second thing we're doing is there's content that -- if you look at all the content we produce, we produce tons of it. What we've been doing is taking each week what is the content that would be most valuable for a salesperson in their role, whether they're selling to CHROs, it would be one set of content. If they're selling to CIOs, a different set. If they're selling to CFOs, a different set. So for that week, if they had to be one piece of content, what would it be? And we do it ever week.

So what we're doing is actually identifying that content, and we have a whole process to get it up to our sales force and explain them why they need to about that content, how they should talk up with clients, et cetera. It equips them to actually be much more substantive with our clients and confident on the issues that, that week are the most important, which is another piece we're doing.

Another piece we're doing is expanding the role of business developers. And so we have a very modest sales force expansion planned for 2026. One of the things that we found even last year, our business developer productivity has been actually quite strong over time. So while we had a lot of challenges last year with existing clients, actually selling to prospects, which our business developers do, was actually -- they were very strong.

And so because the -- of our sales productivity strength there, that's the one place that we have added to our sales force going into 2026, which we think positions us well for both '26 and '27 as it takes time for people to get to full productivity. There's a lot of other changes, but that gives you a flavor for -- even though I didn't talk about it a lot, we are continuing to innovate and maybe pick up the pace of innovation in sales and in services as well.

Operator

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

Jeffrey Marc Silber
BMO Capital Markets Equity Research

You guys always give us a lot of data, specifically on the retention side. And I know there's a lot of noise in that number because of federal government, et cetera. But I'm just curious, are you seeing clients keeping their relationships with you, but maybe cutting back on seats or taking a lower level of service? And if that's happening, how do you counter that?

Eugene A. Hall
CEO & Chairman

Yes. So let me get started on it. So basically, what you said is exactly right, which is, we see very few clients actually outright canceled us. Of course, we lose clients because there's mergers and acquisitions, some small companies go out of business, things like that. We make mistakes sometimes, but if we look at '24 to '25, most of the retention issue we had was a client who has 10 seats saying, well, because of budget problems, I'm going to go down to 9 seats. And that's kind of been the repeat retention problem -- issue that we faced.

So it hasn't been clients saying, well, I didn't get value out of Gartner. It's kind of -- it's been more -- I get a lot of value out of Gartner. It's tough times. In fact, what often happens is clients have turnover. So somebody will leave a job, let's say they retire. They may not fill that position immediately. That's the most vulnerable seats.

If someone leaves the job, changes companies or retires or whatever, and it happens during budget, and they basically say, I've got 10 seats, one of them, so there's no one there right now because they left the company, so why don't we cut that seat out and then we'll revisit it when we get the position filled. That's the most common thing we face in today's world.

Craig W. Safian
Executive VP & CFO

And Jeff, just on the metric side of it, you can see, if you look at just the total global sales, client retention rates are up about 100 bps year-over-year. And so not only are we holding on to that, we're holding on to more of them on a year-over-year basis. The challenge is all the things that Gene highlighted. And again, we believe all the things we're doing around the insights transformation are the things that are actually going to help change the outcome there from a retention perspective.

And again, if you think about the investment in BDs that Gene just talked about, all the things we're doing in the transformation business, continued process automation and process improvement, all of those things are what we believe will sort of bridge the gap and allow that Contract Value growth rate to accelerate in 2026.

Operator

Our next question comes from Ashish Sabadra with RBC Capital Markets.

Ashish Sabadra
RBC Capital Markets, Research Division

You mentioned the tougher selling environment. I was just wondering, based on what you've seen in Jan, any thoughts or based on the feedback that you might have received for the salespeople, how do you think about the sales environment in '26? What -- in particular, if you can talk about the demand environment and the budgets, how are those shaping up? And any color on those external market forces by industry? Are there any particular industry like the tariff impacted industry, if you have seen any lessening of pressure on that front?

Eugene A. Hall
CEO & Chairman

So we're certainly assuming that this year 2026, that the selling environment is going to be no better than it's been in 2025, that there's still going to be lots of challenges. So that's kind of our assumption. What I will say is that there are areas that are worse. So for example, when you're -- we sell to every industry, including, for example, oil producers.

And if you look from oil prices going down, they have a tougher environment than they did even last year with lower oil prices. On the other hand, a lot of the tariffs have stabilized, and so some of the companies that had concerns over tariffs are kind of -- and with 15% tariffs, if that's where it stays at, we can live with that.

And so I think it's a mixed bag in sort of every part of the economy. And so there are some parts that are a little bit better and there are other parts, I think, that are worse. So -- but again, we're assuming the economy is not going to get better at all.

Operator

Our next question comes from George Tong with Goldman Sachs.

Sami Uddin Nasir

Goldman Sachs Group, Inc., Research Division

This is Sami on for George. Your margin guidance suggests a step down from 2025. Is this the new baseline for the business since the incremental investments seem more structural? Or do you view the decline as temporary and margins should return to that 25% level fairly quickly?

Craig W. Safian

Executive VP & CFO

So as we built the plan for 2026, I'd say a couple of things. So one is we've been managing our run rate into 2026 over the course of 2025. And we talked about this a little bit in our prepared remarks, basically ensuring our cost base is aligned with CV growth and also with the corresponding revenue growth. And so some of the actions we took in 2025, we got benefit in '25, those were really for 2026. So that would be the first point to make.

Second point I'd make is we've got our assumed operating expense plan, if you will, for 2026 growing at about 5% year-over-year. And there's a little bit of FX in there. So on an FX neutral basis, growing around 4% year-over-year. That's basically our merit increase plus some selected investments, which we talked about in our prepared remarks.

And then the third thing I'd say is, yes, we do believe that, that 23.5% is the new baseline, if you will, and we should be able to expand our margins going forward. Now again, with faster CV growth, as Gene highlighted, that certainly helps from a revenue growth perspective, EBITDA flow through, free cash flow perspective, et cetera, and ultimately margin perspective. But again, we baked in accelerating CV growth into our plan for 2026. As you know, the revenue does lag that. And so that's also part of the margin bridge story from '25 to '26.

Operator

I'm showing no further questions at this time. I'd like to turn the call back over to Gene Hall for closing remarks.

Eugene A. Hall

CEO & Chairman

So here's what I'd like you to take away from today's call. Q4 financial results were ahead of expectations. Margins and free cash flow were strong. We reduced our shares outstanding by 8% in the year. In 2025, we began transforming business and technology insights along four dimension: impact, volume, timeliness and user experience. These transformations will allow us to thrive in a world of greater change and uncertainty. We expect to see the impact over the next few years, and we'll continue to keep you updated on our progress.

Looking ahead, we're well positioned to accelerate CV growth throughout 2026. We will continue to create value for our shareholders by providing timely objective insight, guidance and tools for our clients, responsibly 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 for your participation. You may now disconnect. Good day.

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