S&P Global
Market Intelligence

Gartner, Inc. NYSE:IT

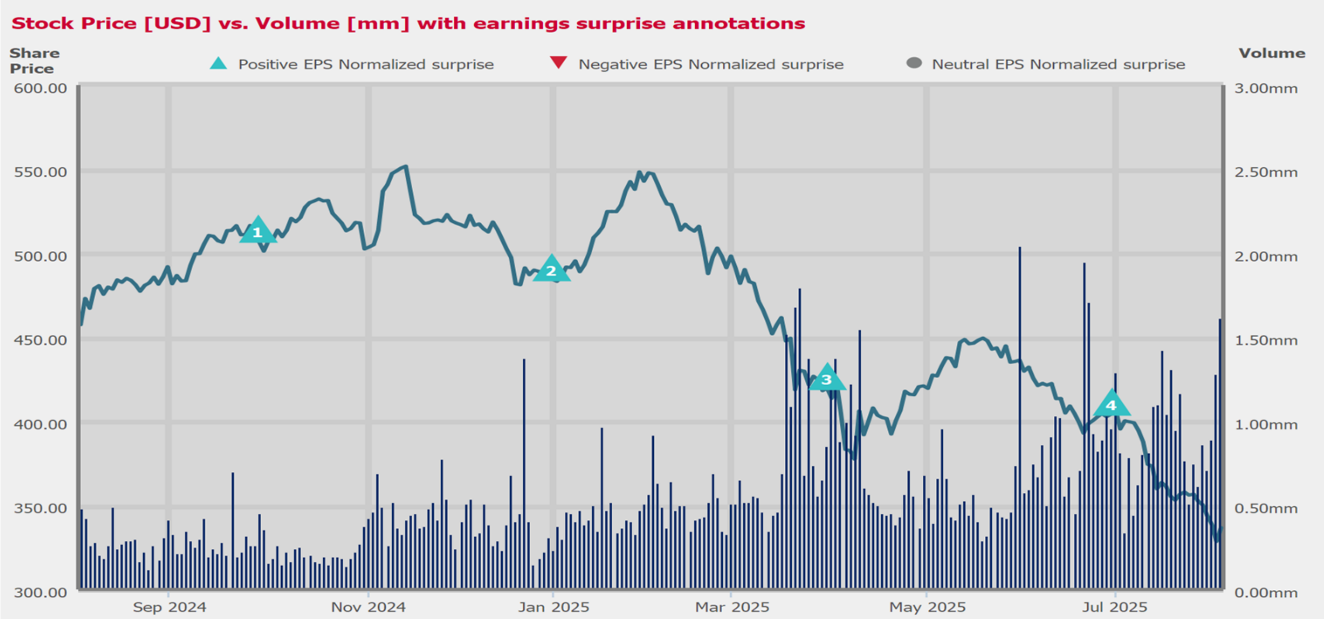
FQ2 2025 Earnings Call Transcripts

Tuesday, August 5, 2025 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.31	3.53	6.65	2.68	12.29	13.59
Revenue (mm)	1674.13	1686.50	0.74	1556.35	6574.61	7018.74

Currency: USD
Consensus as of Aug-05-2025 12:37 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2024	2.37	2.50	5.49 %
FQ4 2024	3.26	5.45	67.18 %
FQ1 2025	2.72	2.98	9.56 %
FQ2 2025	3.31	3.53	6.65 %

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Call Participants

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Presentation

David Cohen
Senior Vice President of Investor Relations

Good morning, everyone. Welcome to Gartner's Second 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. Please be advised that today's conference is being recorded.

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

On the call, unless stated otherwise, all references to EBITDA are for adjusted EBITDA with the adjustments as described in our earnings release and supplement. Our contract values and associated growth rates we discuss are based on 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 on Form 10-K and quarterly reports on Form 10-Q as well as in other filings with the SEC. I encourage all of you to review the risk factors listed in these documents.

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

Eugene A. Hall
CEO & Chairman

Good morning, and thanks for joining us today. There are 2 things I'd like you to take away from today's discussion. First, AI is an important opportunity for Gartner across several dimensions. And second, we're making adaptations that give us a clear path back to double-digit growth. AI is one of the most pervasive changes happening around the world. It was the single largest demand area across all the topics we cover for virtually every role. Clients see large potential in AI, and they need help in determining the best way to capture that potential. Across functions, geographies and industries, clients are looking to Gartner to provide that help, and we're the best solution to support clients' AI journeys.

While AI was the largest single topic, there were others that were mission critical to clients, including cybersecurity, cost optimization, data governance and management, IT strategy and digital transformation, risk management, finance transformation, HR talent planning and more. We also experienced some headwinds during Q2.

Measures of CEO confidence fell to recessionary levels, among the fastest drops ever recorded. And in a Gartner survey, 78% of CEOs indicated they're implementing cost-cutting measures to safeguard performance. We have a high degree of confidence in what caused these headwinds because we track the reason for every loss for both renewals and potential new business.

The largest headwind in Q2 was with the U.S. federal government. Initiatives from the Department of Government Efficiency, or DOGE, made it more challenging for clients to purchase or renew many of our products. In addition, there were impacts from tariff policies.

With the prospect of higher tariffs, many companies implemented strong cost-saving measures. Even companies not directly impacted by tariffs began implementing these measures. Purchase decisions that were previously made by functional leaders are now being escalated to the CFO or even the CEO. These changes occurred at a record pace, impacting our performance during Q2.

One of Gartner's core strengths is agility in responding to change. So we're making adaptations to accelerate our performance going forward. With the U.S. federal government, we're ensuring we stay aligned to the changing priorities, especially improving efficiency. Of course, we'll also continue to support critical issues such as cybersecurity, and we're working with our clients to adjust to new procurement processes. We're also adapting to industries impacted by changing tariffs. A portion of our clients are always interested in cost optimization. We have great expertise in helping clients on this topic. Clients highly value our guidance because it results in quantifiable cost savings.

Now with tariff changes, the number of clients interested in cost optimization has increased dramatically. So we've expanded our capabilities, including certifying our client-facing associates on delivering these services. We're also helping clients determine how to optimally reconfigure supply chains for tariff changes. Even industries not directly impacted by tariffs will get strong value from enhanced cost optimization capabilities.

We're making several other changes to reaccelerate growth. In research, we redesigned our insight processes to ensure we create content relevant to the broadest possible audience and that delivers the biggest impact. We're also incorporating additional proprietary data to enhance the value clients receive from our insights.

We've begun rolling out AskGartner, an AI-powered tool for our clients to access trusted insights from Gartner. AskGartner has been in development for almost 2 years to ensure clients get the high-quality results they expect from Gartner. It's based on best-in-class large language models. AskGartner quickly breaks down a client's question into topic and intent and provide structured answers through natural language processing. Answers contain direct references to our distinctive insights.

Unlike other AI tools, which provide answers based on public information from the Internet, AskGartner's responses are fully grounded in our world-class proprietary independent and objective insights. AskGartner also provides users with relevant images and recommends follow-up questions, making our insights more discoverable and fully immersing clients in the Gartner platform.

AskGartner is unique because it marries the power of Gartner insights with AI, and our teams are focused on making sure it gets better and better. We've been testing it with internal teams and a pilot group of clients. One client referred to AskGartner as, "a game changer for Gartner." Some mentioned time savings of up to 75% on the platform. We're also leveraging AI internally. We've introduced more than 50 applications that use AI to improve associate productivity and effectiveness.

Finally, we appointed a strong tenured Gartner leader to head up our research organization. We're also making adaptations in sales and services to accelerate growth. We recently launched a new program to better equip client-facing associates with comprehensive knowledge on hot topics, including AI and cost optimization, and we're certifying our associates on these critical topics to ensure a high level of capability. Not all of our clients are aware of the full suite of high-value capabilities they're entitled to. So we're training our teams to ensure clients benefit from the full range of services.

We're also expanding and refining our sales development program, which we've discussed before. This is an apprentice-type program that pairs early career talent with experienced sales professionals. Program graduates then take on their own sales territories and have higher productivity than those hired directly into role. We expect these and other adaptations will get us back to double-digit growth.

Gartner's strategy and the foundation of our business is to guide executives on their journeys to achieve their mission-critical priorities. Addressing these priorities usually requires long complex journeys. Through our high-value proprietary business and technology insights, we got our clients at every stage of their journeys.

Gartner Insights are derived from a vast pool of highly proprietary data. Every year, we hold more than 500,000 2-way conversations with more than 80,000 executives across every major function and in every industry. We learn what they care about most, what's working and what isn't. All of this amounts to several hundred terabytes of highly proprietary data.

We also conducted more than 27,000 briefings annually with technology provider executives. This gives us unique insights into the technology industry that no one else has. We supplement this data with additional terabytes of information from proprietary surveys, tools, models, benchmarks and more. Our data is real time and continuously updated, reflecting the latest information and challenges our clients are experiencing.

Our more than 2,500 world-class experts use this vast proprietary data in highly developed processes to create unique and valuable insights. These insights aren't available anywhere else. We know we need to get better every year. So we continually develop new proprietary data sources and constantly innovate our processes. The segment that develops these insights has historically been called Research. To better describe the value we deliver, we're changing the name of the segment. Going forward, our Research business will now be called Business and Technology Insights, or Insights for short.

Summarizing, there are 2 things I'd like you to take away from today's discussion. First, AI is an important opportunity for Gartner across several dimensions. It's the highest demand topic that we're helping our clients with today. We're rolling out AskGartner to provide faster, easier access to your insights, and we're improving internal efficiency with AI tools. And second, we're making adaptations that will give us a clear path back to double-digit growth.

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. Second quarter contract value, or CV grew 5% year-over-year. Revenue, EBITDA, adjusted EPS and free cash flow were better than expected. We remain highly focused on delivering extraordinary value to our clients. The challenging Q1 selling environment, which was affected by DOGE and tariff-affected industry spending changes, continued through the second quarter. We are updating our guidance to reflect the Q2 results and the outlook for the balance of the year. With our disciplined expense management, we will continue to deliver strong profitability and free cash flow.

Since the end of the first quarter, we've increased the pace of share repurchases. We bought $274 million in Q2 and an additional $282 million since the end of the second quarter. This brings the year-to-date repurchase total to approximately $720 million. We will generate more free cash flow and have fewer shares outstanding over the course of the next several years. This, coupled with return to double-digit growth, will create significant value for shareholders.

After reviewing the results for the second quarter and updating the guidance, I will take you through some of the numbers related to our path back to double-digit CV growth that Gene highlighted. Second quarter revenue was $1.7 billion, up 6% year-over-year as reported and 5% FX neutral. In addition, total contribution margin was 68%, up 70 basis points from last year. EBITDA was $443 million, up 7% as reported and 5% FX neutral versus the second quarter of 2024. Adjusted EPS was $3.53, up 10% from Q2 of last year. And free cash flow was $347 million, another strong performance.

As Gene just highlighted, we renamed the Research segment to Business and Technology Insights or Insights to reflect the nature of the value we provide to clients. Insights revenue in the quarter grew 4% year-over-year as reported and 3% FX neutral. Subscription revenue grew 5% FX-neutral. Non-subscription Insights revenue continues to be affected by shifts in traffic volumes. Second quarter Insights contribution margin was 74%, up 20 basis points versus last year.

Contract value was $5 billion at the end of the second quarter, up 5% versus the prior year. Contract value and CV growth are FX-neutral. Excluding the U.S. federal government, CV growth was about 150 basis points faster at around 6%. Global NCVI in the quarter, excluding the U.S. federal government, was positive $13 million.

CV growth was broad-based across practices, industry sectors, company sizes and geographic regions. Across our combined practices, all the industries, except public sector, grew at high single or mid-single digit rates. Energy, banking, transportation and health care led the growth. CV grew at mid-single or high single-digit rates across all commercial enterprise sizes.

We drove double-digit growth in half of our top 10 countries. CV declined on a year-over-year basis in Canada and Australia, which combined represents around 6% of global contract value. Nearly all of our U.S. federal contracts will come up for renewal during 2025, with over 60% having transacted in the first half of the year. Dollar retention year-to-date was around 47%. At June 30, we had approximately $200 million of U.S. Federal CV.

Global Technology Sales contract value was $3.8 billion at the end of the second quarter, up 4% versus the prior year. Excluding the U.S. federal government for both periods, GTS CV grew about 180 basis points faster or 5% in the quarter. The U.S. Federal business NCVI was negative $26 million. Wallet retention for GTS was 99% for the quarter. Excluding the U.S. federal business, wallet retention was over 100%. GTS new business was down 8% compared to last year. GTS quota-bearing head count was up 3% year-over-year. 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 second quarter, up 9% year-over-year. Excluding the U.S. federal government, GBS CV grew about 60 basis points faster at around 10%. All of our major GBS practices grew at double-digit or high single-digit rates. Growth was led by the sales, finance and legal practices. GBS NCVI was positive $14 million in the second quarter. Excluding the U.S. federal government, GBS NCVI was positive $18 million. Wallet retention for GBS was 104% for the quarter. GBS new business was down 3% compared to last year. GBS quarter-bearing head count was up 10% year-over-year. As with GTS, our regular full set of GBS metrics can be found in our earnings supplement.

Conferences revenue for the second quarter was $211 million, increasing 14% as reported and 12% FX neutral compared to Q2 of 2024. Adjusting for the 3 conferences, which moved from Q1 or Q3 last year to Q2 this year, revenue growth was around 6% FX neutral. Contribution margin was 57%, consistent with typical Q2 seasonality. We held 19 destination conferences in the second quarter as planned. Q2 Consulting revenue was $156 million compared with $143 million in the year ago period, up about 9% as reported and 6% FX neutral. Consulting contribution margin was 40% in the second quarter.

Labor-based revenue was $110 million. This part of the segment was up 3% versus Q2 of last year's reported and about flat FX neutral. Backlog at June 30 was $191 million, down about 2% year-over-year FX neutral. In contract optimization, we delivered $46 million of revenue in the quarter, up 26% versus Q2 of last year and 24% FX neutral. The quarter was ahead of our expectations. Our contract optimization revenue is highly variable.

Consolidated cost of services increased 4% year-over-year in the second quarter as reported and 2% FX neutral. The biggest driver of the increase was higher compensation costs. SG&A increased 9% year-over-year in the second quarter as reported and about 8% on an FX-neutral basis. SG&A increased in the quarter as a result of head count growth.

EBITDA for the second quarter was $443 million, up 7% from last year's reported and up 5% FX neutral. We outperformed in the second quarter through modest revenue upside, effective expense management and a prudent approach to guidance. Depreciation in the quarter of $31 million was up 11% compared to 2024. Net interest expense, excluding deferred financing costs in the quarter, was $11 million. This is favorable by $8 million versus second quarter of 2024 due to higher interest income on our cash balances. The modest floating rate debt we have is fully hedged through the third quarter of 2025.

The Q2 adjusted tax rate, which we use for the calculation of adjusted net income, was 24% for the quarter. This compares to last year's rate of 23%. The tax rate for the items used to adjust net income was 25% for the quarter. Adjusted EPS in Q2 was $3.53, up 10% compared to Q2 last year. We had 77 million shares outstanding in the second quarter. This is an improvement of about 1 million shares or approximately 1% year-over-year. We exited the second quarter with just under 77 million shares on an unweighted basis.

Operating cash flow for the quarter was $384 million, up 4% compared with last year. CapEx was $36 million, up about $7 million year-over-year. This was primarily due to real estate related costs and in line with our expectations.

Second quarter free cash flow was $347 million, up 2% compared with Q2 in 2024. Free cash flow on a rolling 4-quarter basis was 119% of GAAP net income and 95% of EBITDA. As we noted previously, there were several items that affect rolling fourth quarter net income and free cash flow, including after-tax insurance proceeds in 2024, 2 real estate lease termination payments and tax planning benefits last year. Adjusting for these items, free cash flow on a rolling 4-quarter basis was 20% of revenue, 83% of EBITDA and 157% of GAAP net income.

At the end of the second quarter, we had about $2.2 billion of cash. Our June 30 debt balance was about $2.5 billion. Our reported gross debt to trailing 12-month EBITDA was well under 2x. Our expected free cash flow generation, available revolver and excess cash remaining on the balance sheet provide ample liquidity to deliver on our capital allocation strategy of disciplined share repurchases and strategic tuck-in M&A. Our balance sheet is very strong with $2.9 billion of liquidity, low levels of leverage and effectively fixed interest rates.

We repurchased $274 million of stock during the second quarter. Since the end of June, we have bought back an additional $282 million worth of shares, bringing us to about $720 million year-to-date. Last week, the Board increased the repurchase authorization to about $1 billion. We expect they will 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.

We are updating our full year guidance to reflect recent performance and trends. We are remaining agile in managing our cost structure, while also ensuring we have enough selling capacity now and in the future. This includes QBH and other sales-related roles, which are key inputs into our algorithm for future sustained double-digit growth.

Based on July FX rates, we expect revenue growth to benefit by about 95 basis points and EBITDA growth to benefit by about 190 basis points for the full year. As a reminder, about 1/3 of our revenue and operating expenses are dominated in currencies other than the U.S. dollar.

For the Insights subscription revenue in 2025, our guidance reflects an expectation that Q2 trends for new business and retention continue through the second half. At this point in the year, we have very high visibility into the Insights subscription revenue for calendar 2025. We've also incorporated the information we have about U.S. federal spending decisions to date. In addition, we've taken a prudent view of the outlook.

While the selling environment remains challenging, and we've seen longer sales cycles, we entered Q3 with double-digit year-over-year growth in both GTS and GBS new business pipelines. For the nonsubscription part of the Insights segment, we've built a continuation of recent traffic and pricing trends into the guidance.

For Conferences, we are basing our guidance on the 53 in-person destination conferences we have planned for 2025. We have good visibility at the current year revenue with the majority of what we've guided already under contract.

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 updated 2025 guidance is as follows. We expect Insights revenue of at least $5.255 billion, which is FX-neutral growth of about 2%. This reflects subscription Insights revenue growth of about 4%. We expect around $210 million of non-subscription revenue. We expect conferences revenue of at least $625 million, which is FX-neutral growth of about 5%. This is unchanged from last quarter. We expect Consulting revenue of at least $575 million, which is growth of about 1% FX neutral. This is also unchanged from last quarter. The result is an outlook for consolidated revenue of at least $6.455 billion, which is FX-neutral growth of 2%.

We now expect full year EBITDA of at least $1.515 billion, down $20 million from our prior guidance. This reflects margins of 23.5%, consistent with last quarter's outlook despite the lower revenue guidance. We expect 2025 adjusted EPS of at least $11.75, an increase from last quarter.

For 2025, we expect free cash flow of at least $1.145 billion. This is unchanged from our prior guidance and reflects a conversion from GAAP net income of 141%. Our guidance is based on 77 million fully diluted weighted average shares outstanding, which incorporates the repurchases made through the end of the second quarter. For Q3, we expect adjusted EBITDA of at least $300 million.

Our financial results through June were modestly ahead of expectations, underscoring the resilience of our business model. We've updated the revenue guidance to reflect continued challenges in the selling environment. Our EBITDA margin outlook remains higher than it was at the start of the year.

We have successfully navigated challenging environments before and know the right things to do. We are adapting by making operational changes and renewing focus on leveraging our proven sales best practices. This will drive the return to historical levels of productivity. Some of the headwinds are related to temporary external factors, including the U.S. federal government and tariff affected industries. As productivity gets back to historical levels, we will accelerate QBH to capture the very large addressable market opportunity we have.

Before we go to questions, I will take you through some of the numbers related to our path back to double-digit CV growth. If recent retention and new business trends continue in the second half, we would exit this year with CV growth in the low to mid-single digits. This reflects DOGE, tariff-affected industry dynamics and tech vendors only part of the way back to normal spending. There are 4 primary categories, which will drive the return to double-digit growth.

First, most of our U.S. federal contracts will have come up for renewal this year. Removing the DOGE-related headwinds with no assumption for net growth next year will add back around 200 basis points of CV growth in 2026.

Second, as companies and tariff-affected industries get more clarity around trade policies, we expect them to get back to normal course planning and spending. This should add at least 100 basis points to growth.

Third, tech vendor remains on a path back to double digits. We are encouraged, in particular, with the improvement in the small tech vendor part of the business.

Within large tech vendors, the overall trend remains positive. The second quarter was affected by the timing of a few larger deals getting delayed and tariffs affecting some parts of the hardware subsegment. Continued reacceleration of tech vendor CV would add back another 100 basis points to growth.

Finally, we are focused on improving our operations to drive faster growth, even in challenging selling environments. This includes more focus on cost optimization insights, the continued rollout of AskGartner, the initiatives Gene discussed and more. We expect to add as much as 100 to 200 basis points to growth from these initiatives and better overall execution. All these factors would get us to at least high single-digit growth in 2026, well on our way back to double-digit growth in 2027 and beyond.

Another take on the opportunity is to recognize that as the sales teams return towards historical levels of productivity, we will return to double-digit CV growth. With around 5,000 sellers, we can generate enough NCVI to grow high single to low double digits next year. This is the case with outgrowing QBH and even at productivity levels lower than the historical $110,000 to $120,000 per seller. We are implementing programs to support the sales teams to drive client and prospect engagement and to grow our sales and sales support teams outside of direct frontline quota-bearing headcount.

Based on recent trends, as I mentioned, CV growth this year will be in the low to mid-single digits. With the adaptations we are making and with the stabilization of our most acutely impacted end markets, we expect growth to accelerate next year and again in 2027. Based on this outlook, our overall medium-term growth algorithm, including double-digit revenue growth and modest margin expansion remains unchanged. We'll also continue to deploy our capital on share repurchases, which will lower the share count over time, and on strategic value-enhancing tuck-in M&A.

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

Question and Answer

Operator

[Operator Instructions] Our first question coming from the line of Andrew Nicholas with William Blair.

Andrew Owen Nicholas
William Blair & Company L.L.C., Research Division

Appreciate the build on the return to high single-digit or even double-digit CV growth. I wanted to ask specifically on the tariff-impacted industry piece. Is there anything you can do to kind of size what you've determined to be the tariff-affected industries? How much that represents in terms of CV? I think you said 100 basis points improvement next year from kind of some normalization there. Any more color or quantification on that front would be helpful.

Craig W. Safian
Executive VP & CFO

Yes. Andrew, thank you for the question. The way we've defined tariff impact in industries is not perfect, I will tell you. We've looked at industries that rely heavily on importing and exporting, and we've looked at really ones focused here in the U.S. and those where the U.S. is a major trade partner. When we rolled that up around 35% to 40% of our CV fell into that category across both GTS and GBS.

Andrew Owen Nicholas
William Blair & Company L.L.C., Research Division

Okay. And then on the AI topic, I want to maybe focus on the operational efficiency piece. Again, just asking, is there anything you can do to kind of quantify that? I understand that improving the product was one part of the top line growth acceleration. But if we think about later this year or into '26 and '27, is there anything that you can say about what those internal efficiencies might do for the cost structure or margin profile broadly?

Eugene A. Hall
CEO & Chairman

Andrew, it's Gene. So we've implemented about 50 internal applications where we're using AI. Most of those are custom applications, I mean it's not just using a commercial tool. We make that available as well, but we have a bunch of -- majority of this application would be custom AI applications. And while the -- I'd say there are some of those applications that have promising early results, it's too early to say that they're going to have -- what impact they're going to have over the long term on our cost structure.

Operator

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

Toni Michele Kaplan
Morgan Stanley, Research Division

Thank you for the comments on AskGartner in the prepared remarks, and also the clarification on sort of the proprietary data and processes that you have. I was hoping -- I know AI has been a topic that has been most frequent for you coming in from customers. Just what are the most common questions or topics that clients come to you for understanding, just better and how you help them like that? And I think my main purpose in asking the question is trying to figure out what is it that can't be addressed by sort of deep research AI tools that you're able to help with that clients are seeing the value in?

Unknown Executive

Toni, so if you look at Gartner, let me just start with the -- what's differentiated for us, which sounds like it is at the heart of your question. Is that right?

Toni Michele Kaplan
Morgan Stanley, Research Division

Yes.

Unknown Executive

Okay. Yes. So the first thing is that we help clients with what we call mission-critical priorities, which are things like building a cybersecurity capability, how to fully leverage AI within their organizations, use leveraging technology for financial transformation. These kinds of initiatives, what we call mission-critical priorities are things that take a lot of effort, a lot of investment, typically over a period of years. Those are the things that we're helping our clients with.

So the first thing to understand is we're not kind of just answering a simple question. We're actually helping clients on a journey to accomplish these high leverage, high-impact initiatives. And we're doing it with the senior most executives in the company. So think about, again, Chief Information Officer, Chief HR Officer, Chief Financial Officer. And so they're relying on us to help them take -- step them through those journeys and make sure they're successful with these relatively large complex projects.

And so again, we're not answering a simple question, we're actually helping these complex journeys. And then we're -- the way we do that is actually by several terabytes of proprietary data. And what we have is we have, as we've mentioned in the past, something like 500,000 one-on-one conversations between our analysts and clients each year. Those conversations cover things like what are their mission-critical priorities? What are the challenges? What's working? What's not working? And in addition to that then, we have -- when it comes to software, which is a big part of a lot of solutions, we have 27,000 briefings from technology vendors, where typically senior leaders of those technology vendors will brief our analysts on what the strategy of the company is, how they're trying to compete, et cetera.

We then combine that with proprietary research that we do, things like surveys of our clients, things like peer interactions, things like that, that again, isn't public available, but it's helpful in solving these kinds of problems. And we have world-class experts that take all that information and synthesize it and then come up with how do clients -- what's the best way for clients to go on these journeys to solve these very difficult mission-critical priorities. And so when you think about it, we're -- and then on top of that, of course, we're unbiased, independent objective, et cetera. And so those are the key elements about the kind of problems we help our clients with and how it's differentiated from other alternatives.

Toni Michele Kaplan
Morgan Stanley, Research Division

That's very helpful. And then I wanted to ask if you're getting any different feedback from clients in terms of either why they are -- like, I assume when a client is at renewal period, if there's any sort of difference in trend, like if there's clients that are cutting seats because of either the macro or other things? And how much insight you get from them in terms of the reasons why if they are happening to cut a seat or 2 or something like that? Do they give you reasons in terms of why they're doing that? And if you've seen any change?

Unknown Executive

Yes, Toni. So we're in contact with our clients every single day. And we track -- we have done this for years. We track every single deal at the deal level. And so if we win a deal, we ask the client, we ask the salesperson, why did we win? If we lose a deal, we do the same thing. And again, this is not just for renewals, it's for new business as well. And one of the things that we've seen this year, particularly in Q2 is with client -- I'm sorry, with tariff impact industries that purchase decisions were getting escalated. Normally, a Chief HR Officer or a Chief Information Officer can make a decision to buy an additional license with Gartner or a couple of extra license with Gartner. That's where they're purchase authority.

One of the things that we saw was a dramatic change in Q2 is that got escalated to the CFO or even the CEO. That tends -- and the reason the clients tell us was because they're worried, especially the tariff-impacted industries, they're worried that tariffs are going to lower their profitability. They won't be able to pass on all the costs to their clients. And so they have massive cost-cutting initiatives across the enterprise, which is why you see decisions, small purchases getting escalated to the CFO or the CEO. This is behavior that we've seen in every recession. So we saw that exact same behavior in the pandemic back in 2021. We saw the same behavior back in 2009 during the Great Recession.

Whenever companies are under cost stress, one way they control those costs is they put more friction in the process by making it get escalated to the CFO or CEO. The implication for us is it stretches out selling cycles. So selling cycles went up substantially in terms of the amount of time it takes to close a deal because of having this additional room. At the end of the day, it doesn't necessarily change our close rate, but it does make it so that we have to do more work and it takes more time to get the deals closed.

So the biggest single change we saw in Q2 outside of the public sector was this escalation. The other thing we saw in Q2 is -- and we didn't see this in Q1 is for companies that weren't impacted by tariffs, many of their clients are companies that are impacted by tariffs. And so they started this as well. Our growth rate was higher with companies that were not impacted by tariffs. But we saw the beginnings of the same kind of escalation that we're seeing in tariff impact industries.

And then lastly, as we talked about, there's the impacts in the U.S. federal government with DOGE, Department of Government Efficiency, where, again, the changes they made to improve government efficiency made it much harder for our clients to buy from us. We still have strong demand, but we're having to work our way through with our clients through showing the value that we have. And we're confident over the long term, we'll be able to do that. There's just more scrutiny than there was a year or 2 ago.

Operator

Our next and coming from the line of George Tong with Goldman Sachs.

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

You provided very helpful renewal metrics on federal government clients in the quarter. Can you talk a little bit more about how new purchases among these government clients are performing? Have they come to a full standstill? Or are you seeing some trickle in?

Craig W. Safian
Executive VP & CFO

George, yes, we mentioned the dollar retention rate that we've been achieving, which is just a shade under 50% on a year-to-date basis, pretty consistent both Q1 and Q2. We actually are writing some new business, but I would underscore what Gene just highlighted about the contracting process is not simple or easy, but we are writing new business. And again, I think we talked about on the call last quarter, our clients really do value everything they get from Gartner and they want to keep us. In some cases, they are unable to do that because of dictates from above or just really challenging hurdles that you have to go through from a contracting perspective.

In the clients where we are retaining but not driving new business, we are staying close to them. So that when things do stabilize, we will be able to win back business that we may have lost. And then also, we continue to work with all our clients. A lot of our value proposition is very well aligned with driving efficiency. Our cost optimization assets are our first rate and 100% aligned with government efficiencies. So while the dollar retention rate has been just below 50%, we are writing some levels of new business. It's obviously weigh down on a year-over-year basis, as you'd expect, but we are writing some levels of new business.

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

Got it. That's helpful. And then with respect to tariff industries, you mentioned it represents about 35% to 40% of CV spread across both GTS and GBS. Is there any way you can provide some sort of spread between how much of that impact is in GTS? How much of that impact is in GBS? So that it's possible to ascertain how much headwind across both of those segments one should expect from tariffs?

Craig W. Safian
Executive VP & CFO

Yes. It's a really good question. I think in GBS because supply chain is, if not our largest practice, top 2 in terms of size, that's going to be much more concentrated with "tariff affected industries." I don't think it changes the distribution wildly, but GBS is probably a little bit more reliant on or has a little higher proportion of tariff affected clients in CV than GTS.

Operator

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

Brendan J. Popson
Barclays Bank PLC, Research Division

This is Brendan, on for Manav. I just want to ask on the tariff commentary. I mean, we've had a lot of companies report, and it seemed like the view was that confidence that kind of returned by the end of the quarter, even though there was definitely some concerns earlier in the quarter and not necessarily huge strategy changes outside maybe a couple of industries. So just seeing like kind of what's different about your business in this environment right now?

Eugene A. Hall
CEO & Chairman

I guess what I'd say is that what we saw with our clients is what I described earlier, and this didn't change at the end of the quarter, which is that companies worry about even with a -- on the low end of tariffs, like a 15% increase in tariffs, that they did not believe they could necessarily pass all that on to their clients. And so wanted to cut costs so that they could help maintain both the client pricing as well as their margins. And so we saw clients very widely basically saying, look, we need to cut costs so that we can maintain our revenues and our margin structure. And again, that didn't change through the quarter.

Brendan J. Popson
Barclays Bank PLC, Research Division

Okay. And then on the new business pipelines, I guess, what's driving that? Is it new logo, upsell, cross-sell or seats or some mix of all?

Eugene A. Hall
CEO & Chairman

So as Craig mentioned in his remarks, our new business was up at very solid double-digit rates for both GTS and GBS pipeline. Pipeline was up at very good double-digit rates for GTS and GBS. And we basically see that as, again, there's demand for -- there's high demand for our services. The biggest single area is in helping clients figure out how to use AI, but also other traditional things as well like cybersecurity and things like that. And so our pipeline is up because there's strong demand out there for our services.

Craig W. Safian
Executive VP & CFO

And Brendan, it's balanced across additional licenses with existing clients, new logos, et cetera.

Operator

Our next question coming from the line Josh Chan with UBS.

Joshua K. Chan
UBS Investment Bank, Research Division

I guess considering the magnitude of the slowdown in the ex Fed business, I guess what's your level of conviction that this is really tariff related versus clients just pulling back and blaming tariffs because I can't imagine the existence of tariffs is that much of a surprise in Q2 versus Q1, right? So I guess what's your confidence about tariffs being the precise driver there?

Eugene A. Hall
CEO & Chairman

Again, we track every single deal. And again, we have a well-developed system. We've done this for a long period of time, where we track every single deal and we ask the clients, we asked our salespeople kind of what was the reason we won or what was the reason we lost. We get into quite good detail. And so that's why we have confidence that what's driving this is and the tariff synergies, a real focus on reducing costs because that's what our clients are telling us.

And we also track escalations. And again, as I mentioned, whenever people are focused on costs, one of the first things they do is make clients escalate things from the functional leaders, the CHRO, the CFO, CIO -- sorry, to the CEO or the CFO. And that's exactly what we're seeing, which is -- again, we've seen that, as I mentioned before, in both the pandemic and in the recession in 2009. That's what we're seeing right now.

Craig W. Safian
Executive VP & CFO

Sorry. And Josh, one other just add-on thing. As we're talking about the dynamics of the business, I wouldn't characterize us saying the slowdown was completely attributable to tariffs and tariff affected industries. We're just trying to provide incremental color around what we're seeing in the business. And because a large part of the economy and a large part of our client base are impacted by tariffs, we wanted to make sure we provide that incremental color around the business.

Eugene A. Hall
CEO & Chairman

And again, due to the performance of the tariff-affected industries, it's much worse than the non-tariff affected industries.

Joshua K. Chan
UBS Investment Bank, Research Division

That's helpful. That makes a lot of sense. And then maybe my follow-up question. I'm sure you're aware of the narrative that AI could be having some sort of impact on the demand of your services. I was just wondering how you would respond to that and how you would kind of ring-fence any impact on the negative side from AI?

Operator

Ladies and gentlemen, please standby. Our speakers are having technical issues. Please standby.

Eugene A. Hall
CEO & Chairman

No, we're good. Did you not get that response?

Operator

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

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

Gene, we did not get that response, and I think a lot of us have a similar question. So yes, if you could try to ring-fence the AI risk, including from my perspective, just what you're hearing on pipeline conversion, and if that's coming up as an issue at all for those that may not understand the richness of the Gartner value proposition as well.

Eugene A. Hall
CEO & Chairman

Jeff, sorry, you didn't get that response. So basically, first, our pipeline, as I mentioned, is up at robust double-digit rates for both GTS and GBS. I think that's the best indicator of kind of what demand is like. And what we're seeing with the pipeline is that we track the number of days from when a deal enters the pipeline, the number of days it closed. The time required to close deals now has gone up. And the reason it's gone up is that it takes more time. I mentioned earlier that a lot of deals are being escalated from the functional leader like a CIO or a CHRO up to the CFO or CEO. It takes more time in the selling process because our functional leaders has to make a business case. The -- just it takes time organizationally for that to get done. And so what I think we're seeing is there's not reduced demand, but closing deals takes longer because the purchasing processes have been stretched out. And that's pretty pervasive and what we've seen in recessions in the past.

Craig W. Safian
Executive VP & CFO

And I think, Jeff, the other thing I would just add and just sort of harken back to Gene's prepared remarks where he talked at length about the different types of incremental value that you get from Gartner, all of the proprietary insights that we have behind our firewalls that are completely independent objective and proprietary to us. And then I think perhaps most importantly, the fact that what we're helping our clients with are complex multi-quarter, often multiyear journeys on their most important mission-critical priorities.

And I think there is sometimes a misconception around what the value is of Gartner for our clients in both GTS and GBS. But fundamentally, it's helping our executive clients solve their complex multi-quarter, multiyear mission-critical priority journeys. And we believe, and I think as Gene just highlighted, our pipeline reflects we are the best, most value-oriented solution to be able to help our clients accomplish those types of things. And we're going to keep improving what we do and keep growing the number of terabytes of data and eventually petabytes of data that we have behind our firewalls that inform the insights that help our clients with their mission-critical priorities. And we're going to keep improving our products.

As Gene highlighted, the rollout of our Gen AI tool as Gartner is a step in that direction. That's not the only thing we've done from a product innovation perspective, but it's certainly one worth highlighting. And so we're going to continue to bang away at those things to make sure that we are the best most cost-effective way to help our executive clients accomplish their mission-critical priorities.

Eugene A. Hall
CEO & Chairman

Jeff, the other thing I'd add is we are training all of our sales and service delivery people on how to -- if a client has a question like that on how to answer that question directly in the way I just described so that a prospect or a client understands kind of what we're used for and why it's so valuable.

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

Got it. And then just for AskGartner, can you help us better understand like what service tiers it's going to be available in? And just what exactly is the rollout process or time line to it?

Eugene A. Hall
CEO & Chairman

Yes. So AskGartner is a Gen AI tool that clients can use to get access to our research. Again, it uses our research only. And so it's a great reflection of helping clients on their mission-critical priorities like I talked about. Yes. And so in any event, so we've -- as I mentioned on my prepared remarks, we've had it in trial for some period of time. We want to make sure it was great. Clients love it. The clients have been using it. And so we're rolling it out as fast as we can. And you can think about it being rolling out several thousand clients per month until we get all of our clients on, which we expect will be by the end of the year. By the way, the client sort of says, "Hey, it's important to you to have it," we'll move them to the top of the queue and get them in there, even they were slated to a later point in time.

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

But I guess what I'm wondering, is it available for like the read-only Gartner digital subscribers? Or is it only available for the higher service tiers, where they have access to live engagement with analysts?

Unknown Executive

So it's available to all of our licensed users. Again, that have been -- that we've rolled it out to...

Unknown Executive

Named license users. Again, there are some product carve-outs where it won't be enabled, but that's a small fraction of our contract value. So by the end of the year, our goal is to have all of the licensed users that we want enabled with AskGartner.

Operator

Our next question coming from the line of Surinder Thind with Jefferies.

Surinder Singh Thind
Jefferies LLC, Research Division

Just following up on the idea of the behavior of clients around tariffs. Just any color around any differences you might have seen between perhaps your U.S. versus your international clients? I noticed you specifically called out Canada and Australia.

Eugene A. Hall
CEO & Chairman

So the -- I'd say in terms of companies impacted by tariffs, there's no difference between whether they're an automotive company in Europe or Japan or in the U.S. They're basically all affecting the same way which we described earlier. There's a second set of things going on, which is -- Craig mentioned Canada and Australia. In Canada, what's going on is there's been a -- first, Canada changed the procurement processes some time ago to make it more difficult to buy. We're working our way through with clients there, and there's -- we're working with the clients on that.

There has been, in some cases, particularly in the public sector, a reaction against some of the U.S. policies and reactions that maybe we shouldn't buy from American companies. In the case of Australia, there's an election recently in May. And whenever there's an election in Australia, it is often that there are a lot of changes in the government. And so purchases and renewals stop for a few months while they get the new -- they call it the machinery of government in Australia, while they get the new machinery of government in place. So it's kind of different issues that are largely unrelated to the tariffs.

Surinder Singh Thind
Jefferies LLC, Research Division

That's helpful. And then when we think about just the headcount, headcount expectations, any incremental color there? It sounds like you're at a good headcount perspective, but there was anticipation of maybe growth later in the year. How should we think about that in light of just current trends continuing through the end of the year?

Craig W. Safian
Executive VP & CFO

Surinder, it's Craig. From a QBH perspective, which I assume when you're saying headcount, you're focused on...

Surinder Singh Thind
Jefferies LLC, Research Division

Yes, QBH.

Craig W. Safian
Executive VP & CFO

We have invested a lot in growing the capacity of our QBH over the last several years and last decades actually, if you go back. And we're at a point now where we've got over 5,000 frontline QBH in both GTS and GBS. And we fundamentally believe that there is a lot of productivity upside across both GTS and GBS that will be part of that pathway back to double-digit growth in CV that both Gene and I highlighted.

We are, of course, remaining very agile in our planning around where we invest and where we do contract. As you'd imagine, we have reduced the number of sales territories in the U.S. Fed just because there's less business there now. But we're keeping our best people and keeping them fully engaged and they're still working with their clients and prospects across U.S. Fed, but we've taken the territories down there in line with the declines that we've seen in that business.

Across the rest of the portfolio, we have a practice, which we call territory optimization, which is every time we see turnover, we take a look to see if there's a better investment for us to make. And so we are very focused on doing that with the thinking being that trading out poor performing territories or less profitable territories or territories with more opportunity in the short, medium and long term is a no brainer to do.

And so while it may appear that headcount or territories are flat, know that under the covers, we are always doing this optimization of shutting down lower-performing and less profitable territories and reinvesting in what we believe to be higher opportunity and higher profitability territories. That all said, our expectation for this year is to end the year roughly flattish from a QBH perspective. And then as we start to reaccelerate across 2026 and into 2027, we will then turn back on the QBH growth that we know is an important input into driving sustained double-digit growth in 2027, 2028 and beyond.

Operator

Our next question coming from the line of Jason Haas with Wells Fargo.

Jason Daniel Haas
Wells Fargo Securities, LLC, Research Division

There were some comments in the prepared remarks about focusing the sales force to ensure that your customers are getting the full value of the Gartner subscription. Is there any way to dimensionalize like what percentage of your customers do you see now is not getting the full value of the Gartner subscription?

Eugene A. Hall
CEO & Chairman

Jason, when you subscribe to Gartner, you get access to our content. You get also access to our experts. You can call the experts. We also -- in many of our products, you get a ticket for a conference. You have the ability to meet peers both in person as well as electronically. We have a thing called contract reviews, which basically allow a client to who's thinking about buying something to say, am I getting the right terms, do I have the right bill of materials, all those kinds of things. And then we have some tools that are very helpful at maturity models. Those are examples.

And so we have quite a suite of services. And not all of our clients use all those services, even though many of them are very high value. And so one of the things we're doing now is to make sure that our sales and service delivery people know the full suite, even if they were new to Gartner, they've been here

3 months or whatever, that we train them effectively on that and then they can go out and talk to clients, especially the ones that may not be using all those extra services.

A good example actually is in peer, where we have tens of thousands of clients that use our peer interactions. They value it incredibly highly. And again, you can do it electronically or in person. And while we have tens of thousands that use it, we have tens of thousands that could use it and aren't yet generally because they just haven't been made aware of it. And so we're trying to make sure clients aware of all these sources of value, of which a lot of them are very high even though they're not using it today.

Jason Daniel Haas
Wells Fargo Securities, LLC, Research Division

Got it. That's very helpful. And then as a follow-up question, this came up a few times. You talked about the fact that every time you had a cancellation, you find out what the reason why was. Are you able to give us any sense of what percentage of folks are citing usage of like a publicly available large language model and therefore, not consuming the Gartner subscription. Is that coming up at all? What percentage is that?

Eugene A. Hall
CEO & Chairman

Yes, that's one of the options, and it's not material. It's basically -- it's essentially unmeasurable.

Operator

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

Jeffrey Marc Silber
BMO Capital Markets Equity Research

I know it's late. I'll just ask one. I wanted to focus on the number of client enterprises. It's been going down at least in GTS for the past couple of years, and now we're seeing it in GBS. Is it just that clients are maybe centralizing the decision-making process and buying as one entity as opposed to multiple entities? I know there's probably some federal government impact this past quarter, but it's been going down for a while. So any color would be great.

Craig W. Safian
Executive VP & CFO

Jeff, it's Craig. The biggest driver that we've seen on the enterprise count has been small tech vendor. And while small tech vendor, our small tech vendor business is improving and accelerating, there's still higher-than-average churn amongst that client base. As you know, with enterprises, everyone counts as one regardless of spending. And so we just see very high churn amongst our small tech vendors. That's the biggest thing driving that enterprise count that you're looking at.

Operator

And I'm showing there are no further questions in queue. I will turn the call back over to Gene Hall for any closing remarks.

Eugene A. Hall
CEO & Chairman

So summarizing, there are 2 things I'd like to take away from today's discussion. First, AI is an important opportunity for Gartner across several dimensions. It's the highest spend topic that we're helping our clients with today. We're rolling out AskGartner to provide faster, easier access to our insights, and we're improving internal efficiency with AI tools. Second, we're making adaptations that will give us a clear path back to double-digit growth.

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

Operator

This concludes today's conference. Thank you for your participation, and you may now disconnect.