

Gartner, Inc. NYSE:IT

FQ1 2026 Earnings Call Transcripts

Tuesday, May 5, 2026 12:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ1 2026-			-FQ2 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.92	3.32	▲ 13.70	3.67	13.48	NA
Revenue (mm)	1515.18	1511.00	▼ (0.28 %)	1676.69	6649.00	NA

Currency: USD
Consensus as of May-05-2026 12:46 PM GMT

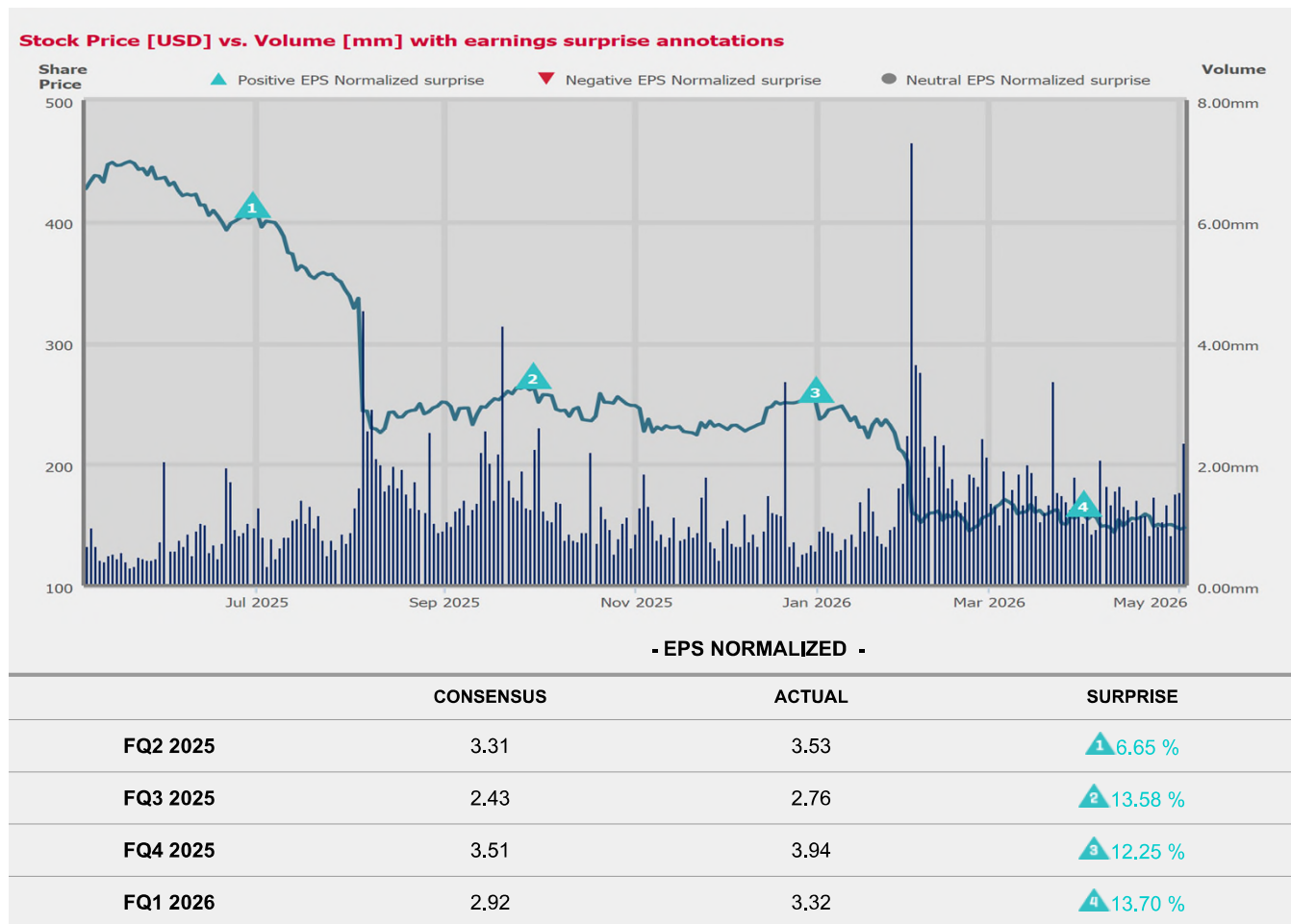


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Presentation

David Cohen

Senior Vice President of Investor Relations

Good morning, everyone. Welcome to Gartner's First Quarter 2026 Earnings Call. I am 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 first quarter 2026 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 revenue are for adjusted revenue, and all references to EBITDA are for adjusted EBITDA, in each case, excluding the divested operation and with the adjustments as described in our earnings release and supplement. Our contract values and associated growth rates we discuss are based on 2026 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 confined materially from actual results and are subject to a number of risks and uncertainties, including those contained in the company's 2025 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. Thanks for joining us today. First quarter insights, revenue, EBITDA, adjusted EPS and free cash flow were ahead of expectations. New business with enterprise leaders was strong in the first 2 months of the quarter. Due to changes in the geopolitical environment, client decisions slowed somewhat in March. Year-over-year contract value growth accelerated in the first quarter. We were agile in managing expenses, and we continue to deliver unparalleled value to our clients.

Gartner's strategy is to guide executives on their journeys to achieve their mission-critical priorities. Our clients are the senior most executives and their teams who lead every major enterprise function. For example, Chief Information Officers and Senior IT leaders, Chief Supply Chain Officers and Heads of Logistics, Chief Financial Officers and Corporate Controllers and more. These roles are enduring regardless of change in the world.

The executives who lead these roles will always have priorities that are mission critical to the success of their enterprise, their functions and their personal careers. Priorities that are mission-critical tend to be long, complex journeys. They take time and effort to achieve. Executives want and need help. In today's environment, most executives face information overload. It could be challenging to differentiate authoritative sources from others. Trust is at a premium.

Gartner is the best, most trusted source for the help executives need to achieve success. We proactively deliver insights that guide smarter decisions and stronger outcomes on mission-critical priorities. Gartner insights are derived from a vast pool of highly proprietary data. Every year, we hold more than 0.5 million 2-way conversations with more than 80,000 executives across every major function and in every industry. We conduct more than 27,000 briefings with the executives from technology providers. We also leverage data from proprietary surveys, tools, models, benchmarks and more. This gives us a deep understanding of what executives care about most, what's working and what isn't.

Our insights are independent and objective. They reflect the latest information and situations our clients are experiencing. They're continually updated and they're available exclusively from Gartner. A large part of our value comes from helping clients see around corners. We help leaders understand issues and approaches they're often not aware of. We help them identify blind spots, prioritize issues and avoid costly mistakes. Our insights are forward-looking. We guide clients on how the world is likely to change and what they should do to thrive in uncertain environments.

We deliver unparalleled client value through both digital and human interactions. Clients can access our written insights, budget quadrants, pipe cycles, critical capabilities, ignition guides, toolkits for procurement and governance and many more.

In addition, through inquiry, clients can tap into the deep expertise of our world-class analysts that goes beyond what's in our written insights. They can get personalized support from experienced practitioners. Through our conferences, clients can interact in person with analysts, peers and technology providers. They can validate decisions through the Gartner Pure community, which has more than 100,000 executives from nearly every enterprise function. And of course, they can use AskGartner to go even deeper into specific topics.

No one else does what we do at our scope and scale. Retention is foundational to our success. Clients who engage frequently with our insights, receive greater value and retain at higher rates. To support more frequent client engagement, we've been transforming our business and technology insights organization and processes. I covered the dimensions of this transformation on last quarter's earnings call. They are impact, volume, timeliness and user experience. Today, I'll give you an update on how we're doing. We measure progress in a number of ways. I'll highlight just a few examples for simplicity's sake. Starting with impact. Our objective is to ensure insights are always on the topics our clients care about most right now. We've increased the number of high-impact documents by 22%.

The second dimension is volume. The number of documents in our insights library is up 19%. The third dimension is timeliness. With the accelerating rate of change in the world, we've introduced insights that are published the same day important events occur. The number of these documents has more than doubled. A recent example includes recommendations for heads of software engineering in response to the dramatic change in the security landscape posed by Anthropic's Myths. And of course, we continue to make improvements on the user experience. For example, we've added the ability to create downloadable PowerPoint presentations directly from within AskGartner. Clients can ask questions in 25 languages, and we continue to integrate additional proprietary data sources. The programs we have underway are driving increased client engagement, which should result in higher retention and additional new business.

AI continues to be one of the most requested topics across all the roles we serve. Gartner sits at the nexus of CIOs and IT organizations, business leaders and AI technology providers. This gives us a full proprietary perspective that includes all the major players. We also have comprehensive independent and objective guidance on all aspects of AI, strategy, ROI, ethics and governance, workforce readiness and more. We cover the full range of issues leaders need to address to be successful with AI. And we are world-class users of AI internally. No one is more capable or better positioned to guide leaders along their AI journeys than Gartner.

Our people drive our success. I just returned from one of our sales recognition events, where I had the opportunity to spend time with hundreds of our most successful salespeople. They continue to demonstrate unwavering dedication to their clients, and are incredibly excited at the future of our business.

In closing, Gartner has an unparalleled and enduring value proposition. We're transforming our business and technology insights organization and processes to deliver even more client value. Clients who engage frequently with our insights receive greater value and retain at higher rates. Gartner is the best source for clients looking to achieve success on their AI journeys, and our teams are incredibly optimistic about our future.

Looking ahead to the rest of the year, we expect contract value will accelerate. We will continue to drive strong free cash flow that we can put to use to drive incremental shareholder value, and we expect to deliver adjusted EPS on a compound annual basis above 12% over the next 3 years.

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. First quarter contract value, or CV, grew 1% year-over-year. This was an acceleration from the fourth quarter. Insights revenue, EBITDA, adjusted EPS and free cash flow in the first quarter were better than expected. We are increasing our EBITDA, adjusted EPS and free cash flow guidance for the full year. In the first quarter, we reduced our share count by about 4%, buying back \$535 million of stock. And we expect to generate significant free cash flow and have fewer shares outstanding over the course of the next several years.

First quarter revenue was \$1.5 billion, up 2% year-over-year as reported and down 1% FX neutral. In addition, total contribution margin was 72%, EBITDA was \$395 million, up 6% as reported and 1% FX neutral. Adjusted EPS was \$3.32, up 11% from Q1 of last year. And free cash flow was \$371 million, up 29% year-over-year. Rolling 4-quarter return on invested capital was about 27%.

Insights revenue in the quarter grew 3% year-over-year as reported and was about flat FX neutral. First quarter Insights contribution margin was 78%, up about 120 basis points versus last year. Contract value was \$5.3 billion at the end of the first quarter, up 1% versus the prior year and an acceleration from year-end. Excluding the U.S. federal government, CV growth was 3.5%.

At March 31, we had approximately \$114 million of U.S. Federal CV. Q1 is normally a higher-than-average renewal quarter and our seasonally lowest new business quarter. The second quarter is a smaller renewal quarter and a larger new business quarter than Q1. We had more than \$200 million in new business in the first quarter as there continues to be considerable interest in Gartner's proprietary unbiased insights. As you recall, new business dollars increase each quarter as we move through the year.

Driving engagement is critically important to retention. As Gene discussed, through both digital and human interactions, we understand our clients' mission-critical priorities, and we are proactive in helping them to address those priorities. This ongoing engagement helps drive client success and strong retention. We've increased license user engagement levels over time. In each month of the first quarter, they are higher than they've been in any of the same months over the past 3 years with consistent engagement improvements in both digital and human interactions.

Derived from analyzing monthly active users, overall engagement in Q1 was up over 170 basis points compared to the prior year quarter. Digital engagement improved by more than 160 basis points year-over-year. Human interactions increased more than 80 basis points year-over-year through improvements in the usage of analyst inquiries. Global Technology Sales contract value was \$4 billion at the end of the first quarter, up versus the prior year. GTS CV for both enterprise leaders and tech vendors increased by more than 3% year-over-year ex Fed. Wallet retention for GTS was 97% for the quarter. Ex Fed, wallet retention was 99%. GTS new business was down 4% compared to last year and down about 3% ex Fed.

As Gene noted, new business was tracking ahead of the prior year through February and was affected a bit in March due to the geopolitical environment. Global Business Sales contract value was \$1.3 billion at the end of the first quarter, up 3% year-over-year. Ex Fed, GBS CV grew 5%. Growth was led by the sales, supply chain and legal practices.

Wallet retention for GBS was 98% for the quarter. GBS new business was down 2% compared to last year. Again, as Gene noted, new business was tracking very favorably through February with some client decision-making slowing down in March. Conferences revenue for the first quarter was \$78 million. On a same conference basis, revenue growth was around 9% FX neutral. Contribution margin was 39%. We held 10 destination conferences in the first quarter as planned.

Q1 consulting revenue was \$119 million compared with \$140 million in the year ago period. Consulting contribution margin was 31% in Q1. Labor-based revenue was \$90 million. Backlog at March 31 was \$201 million. In contract optimization, we had \$147 million of revenue on an LTM basis, about flat compared with Q1 of 2025.

On a 2-year CAGR basis, revenue was up about [15%.] As you know, our contract optimization revenue is highly variable.

EBITDA for the first quarter was \$395 million, up 6% from last year as reported and 1% FX neutral. We outperformed expectations in the first quarter through effective expense management and a prudent approach to guidance. Adjusted EPS in Q1 was \$3.32, up 11% compared to Q1 last year. We had 70 million shares outstanding in the first quarter. This is an improvement of about 8 million shares or approximately 10% year-over-year. We exited the first quarter with 68 million shares on an unweighted basis.

Free cash flow remained strong in the first quarter, up 29% year-over-year. Free cash flow on a rolling 4-quarter basis was \$1.3 billion. Adjusting for several items detailed in the earnings supplement, free cash flow was 20% of reported revenue, 79% of adjusted EBITDA and 145% of GAAP net income.

At the end of the first quarter, we had about \$1.7 billion of cash. This includes about \$500 million for running the business and around \$1.2 billion available to deploy on behalf of shareholders.

Our March 31 debt balance was about \$3 billion. Our reported gross debt to trailing 12-month EBITDA was under 2x.

We repurchased \$535 million of stock during the first quarter, reducing our share count by more than 4%. Last week, the Board increased the buyback authorization to about \$1.2 billion. We expect the Board will refresh the amount as needed.

We are updating our full year guidance to reflect recent performance and trends, including FX. For Insights revenue in 2026, our guidance reflects Q1 contract value. The revenue outlook is operationally unchanged as we had modeled in the NCVI performance we saw in the quarter. We increased the outlook for FX. For conferences, we are basing our guidance on the 56 in-person destination conferences we have planned for 2026. We have good visibility into current year revenue with the majority of what we've guided already under contract.

For consulting, we have reflected a prudent view for the balance of the year based on the Q1 results. Contract optimization has had several very strong years and the business remains highly variable. For 2026, we expect consolidated revenue at or above \$6.405 billion, which is updated from last quarter and is FX-neutral growth of 1%.

We now expect full year EBITDA at or above \$1.545 billion, up \$30 million from our prior guidance. This reflects full year margins at or above 24.1%, also up from last quarter. We expect 2026 adjusted EPS at or above \$13.25, an increase from last quarter that primarily reflects the increase in the EBITDA outlook and a lower share count.

For 2026, we expect free cash flow at or above \$1.16 billion. This reflects a conversion from GAAP net income of 137%. Our guidance is based on 69 million fully diluted weighted average shares outstanding, which incorporates the repurchases made through the end of the first quarter.

We exited Q1 with about 68 million fully diluted shares.

For Q2, we expect EBITDA at or above \$425 million. Our profit and cash flow results in Q1 were ahead of expectations, and we've increased the EBITDA, adjusted EPS and free cash flow guidance for 2026.

Contract value ex Fed grew 3.5% in the quarter and total CV growth improved from the fourth quarter of 2025. We are positioned to accelerate CV growth in 2026, and we expect to deliver adjusted EPS on a compound basis above 12% over the next 3 years. We'll also deploy our capital on stock 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] First question comes from the line of Jeff Mueller with Baird.

Jeffrey P. Meuler

Robert W. Baird & Co. Incorporated, Research Division

Yes. So it makes sense that the selling environment would be tougher in March. Can you give any perspective on if that has started to convert in April, the things that kind of slipped out of March by some indications, maybe the environment is getting a little bit better. And then just any differentiation on new business sales trends between new logo versus upselling in the base, which I think had been lagging?

Eugene A. Hall

CEO & Chairman

Okay. Jeff, it's Gene. I'll get started. So in terms of -- again, as I said in my prepared remarks, we had really good January and February, March decision slowed down. By and large, clients and prospects told us, we still want to buy from you, but we can't make a decision today. To your point, as a role to April, we're seeing many of those deals actually closed where clients delayed in March, but actually be came through and closed in April.

Craig W. Safian

Executive VP & CFO

And then Jeff, on the mix between new logo and existing client growth, the what we saw through the first 2 months where we did see nice year-over-year growth that was broad-based across both new logo and with existing clients. And then with the challenging -- more challenging environment in March, it was also broad-based across new logo and existing clients. And so as we continue to see some of those things, as Gene just mentioned, come through, it's a mix of new logo growth and growth with existing accounts.

Jeffrey P. Meuler

Robert W. Baird & Co. Incorporated, Research Division

Got it. And then on -- good to hear overall engagement of both in person and digital. Just anything you can give us on the evolution of AskGartner, either usage statistics or any meaningful changes in, I guess, user experience, either from something new with the foundational models that underpin it or any adjustments that you've been making to it?

Eugene A. Hall

CEO & Chairman

Yes. So as Gartner is just one part of our value proposition. Obviously, there's a whole lot of other pieces of Gartner like people buy. We have a start and it's important we will make it competitive. The client usage continues to increase and the amount of repeat client usage continues to increase. And so we're seeing increasing engagement with AskGartner. We do a new release every 2 weeks. Clients -- we have a telesales you want a button on there and they do, plus we do market research. And every 2 weeks, we have new releases. As Craig and I mentioned in our remarks, we've added sort of support for 25 languages. You can now create PowerPoints directly from the from with AskGartner, and there's all series of other kinds of upgrades. And we're upgrading every 2 weeks, so it's too numerous to actually talk about over the course of the quarter.

Craig W. Safian

Executive VP & CFO

Yes. And Jeff, it's a common -- those upgrades are a combination of feature enhancements and incremental proprietary data that the tool is going from as well. And so we are very quickly rolling out new features, as Gene mentioned, every 2 weeks, and we'll continue to do that as there's demand for it, as the models improve and as our clients give us feedback on what they want from the tool.

Operator

Our next question is from Faiza Alwy with Deutsche Bank.

Faiza Alwy

Deutsche Bank AG, Research Division

Yes. I wanted to follow up on the geopolitics comment. And I'm curious if you could give us some regional color. Did you see slowing sort of across the board? Or if there was any differentiation regionally? I'm assuming maybe you saw some slower decision-making outside the U.S., but just would love some additional color there.

Eugene A. Hall
CEO & Chairman

So there was a slowdown across the board by industry. It was worse in some places than others. So if you could imagine, with airlines and transportation companies, it was worse in financial institutions, for example. And. It was worse in the country's directly impact such as the Gulf Cooperation Council countries than it was in places that were less impacted like in the U.S.

Faiza Alwy
Deutsche Bank AG, Research Division

Okay. Understood. And then I'm curious if you're reevaluating any pricing strategies, maybe just thinking about the overall price point just as virtually every company is trying to figure out AI, but maybe they can't afford your services at -- or your subscription at the price point that it is. So just curious how you're thinking about any changes around pricing.

Eugene A. Hall
CEO & Chairman

We talk to our clients a lot about price and understand how they think about pricing, whether we're priced appropriately or not. And the feedback we get from our clients today is that their pricing is very appropriate where they expect. They're very comfortable with it. We have different price points. So if a client -- we have our community guide the products was the highest price than our guided products and our advisory products and our reference products. And when clients have price sensitivity, we give them an option they can go for a different level of service. So same content with a different level of service with those, and that's what clients choose to do. As we look within each of those groups, we feel like we're priced at property. Again, we talk we bench work with clients to see if that's the case. We also look when clients say I'm not going to buy a price is a major issue. And price is not the issue, it's potentially, if they're not going to buy, the CFO said, we have to cut all expenses 50%. And so whether we're at 4 points or 8 points higher isn't tissue at all, it's kind of a broader cost cutting that organization is going through.

Craig W. Safian
Executive VP & CFO

And Faiza, it's important to remember who we're targeting and focusing on from a go-to-market perspective and a strategy perspective, which is really the top of the org chart and each of the functions that we serve. And so again, we are going in and targeting the CIO, the Chief Information Officer or the CFO or the Chief Supply Chain Officer, et cetera, and their teams. And so we're starting at the top of the pyramid where there tends to be much less price sensitivity around those things. And again, we have, as Gene articulated, an architecture where if there is price sensitivity, there are offerings that we can provide to the clients if they're not willing to sign up for a guided product. They'll go to adviser product. If they're not willing to go with the adviser product to go with the reference pros and so on.

Eugene A. Hall
CEO & Chairman

And the other thing to think about is that, it's a very small part of their budget. So even our smallest clients would have \$100 million of revenue. And so individual executive likes to have a \$10 million budget and their service card might be \$100,000 out of that \$10 million budget. So the -- whether it's \$100,000 or \$104,000 isn't big issue, it's about the value they had.

Operator

Our next question comes from the line of Andrew Nicholas with William Blair.

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

I wanted to ask on the U.S. federal government business, in particular. I think it was 250 basis point headwind in the quarter. Maybe a little bit more than I would have thought because I thought you had lapped most of that. Can you just level set for us where you sit in

that kind of renewal cycle post kind of some of the government approach changes early last year? And maybe at what point would you expect that headwind to alleviate as we move through '26?

Craig W. Safian

Executive VP & CFO

Andrew, it's Craig. On the U.S. Federal side, as we talked about through most of last year, the DOGE impacts, we really didn't start feeling them until March of last year. And so Jan and Feb were, let's just say, semi normal month from a selling environment perspective. And then when the DOGE activities kicked in, that was really March and April and then forward from there. And so I think as we roll into Q2, we really do start to then lap the significant challenges that we had there.

From a U.S. federal CV perspective, we exited Q1 with about \$114 million worth of U.S. federal CV spread across GTS and GBS, the bulk of that actually in GBS -- GTS, I'm sorry, the bulk of that in GTS, I should say. What we saw from a renewal rate perspective in the quarter was obviously a significant improvement on a year-over-year basis. We are renewing a lot of business. We are writing new business, but we really do start to lap the significant challenges starting in Q2 with the U.S. Fed clients.

Andrew Owen Nicholas

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

Perfect. Very helpful. And then for my follow-up, I just kind of want to go to the headcount growth. I think you had outlined low single-digit growth for GTS and in mid-singles for GBS as kind of your targets for this year. Is that still the case? And any color you could give us on the cadence of the slope of that ramp would be great.

Craig W. Safian

Executive VP & CFO

Yes, Andrew. So the target still remain. You articulated them correctly. That is what we are gunning for over the course of the year. We typically do see a little bit of a step back in the numbers in Q1 just because we do a lot of our promotions in the first quarter from a frontline seller to manager. It does -- we try and get ahead of that from a hiring perspective, but it often does take a little bit of time to catch up on some of that hiring. As we noted, the hiring we're doing in 2026 is really about 2027 and 2028 and beyond. We've got ample capacity in 2026 to deliver on that CV acceleration that we've been talking about. The other note I'd mentioned is we are hiring more incremental new business developers than AEs. It's not one or the other, but we definitely have a bias towards hiring incremental BDs right now as opposed to hiring incremental account managers going forward. And that's baked into those year-end numbers you talked about, and that's all baked into our OpEx guide as well.

Operator

Our next question comes from Jason Haas with Wells Fargo.

Jason Daniel Haas

Wells Fargo Securities, LLC, Research Division

I'm curious for the ex federal government CV, did that accelerate from the 3.5% that you reported for 1Q in April? And how are you expecting that to trend through the year? Do you expect an acceleration in ex federal government CV growth?

Craig W. Safian

Executive VP & CFO

Jason, it's Craig. So we're not giving any stats on April yet. We've barely closed the books on that. So I can't quite comment on that. I think the answer on the CV trend is we expect the whole CV base to accelerate over the course of 2026 and then continuing onward, which would be a combo of the U.S. Fed recovery and then also the non-U.S. Fed base accelerating as well.

Jason Daniel Haas

Wells Fargo Securities, LLC, Research Division

Okay. Great. And then do your pre-existing long-term targets still hold? Or are those no longer in place?

Craig W. Safian

Executive VP & CFO

That's a great question. So there's no change to the medium-term objectives. I would say those objectives really do apply to a normal operating environment, and you can still find those medium-term objectives in our Gartner 101 presentation, which is on the Investor

Relations site. I do think as we think about where we are today, and both Gene and I articulated this, we expect in the current environment for our CV growth to accelerate. We're committed to driving compound annual growth at or above 12% to our EPS number. We continue to have a great and very large addressable market and a compelling client value proposition. Those 2 things are unchanged. We've rebaselined the EBITDA margin now based on our updated guidance of 24.1%, and we would expect our margins moving forward over the medium term to expand from there. And then obviously, with the great free cash flow engine that we have, we expect to generate a significant amount of free cash flow. As CV growth accelerates, we'll get more towards the higher end of our typical conversion levels of net income to free cash flow or EBITDA to the free cash flow. And obviously, we'll have all that free cash flow to put to use on behalf of our shareholders as well.

Operator

Our next question, it comes from Surinder Thind with Jefferies.

Surinder Singh Thind

Jefferies LLC, Research Division

When looking ahead, when we think about the acceleration in CV growth, any color there where you can maybe disaggregate the drivers? Is the expectation maybe a bit more new business development? Or should we expect wallet retention to continue to improve and maybe a bit more upsell at existing clients? And then maybe I assume it's also underpinned by just normalized annual price increases that are normally embedded.

Eugene A. Hall

CEO & Chairman

The reason we're expecting CV to accelerate is, we're expecting -- so we're making a bunch of changes in visit we talked about. So Craig talked about how we're driving engagement, and we expect engagement to go up. And in fact, engagement has been rising just as Craig outlined. We expect that to continue because we've got a big focus on it. When we get more engagement, we expect that our retention will increase as well. And so our CV retention will increase with our increased engagement. In addition to that, we're making a bunch of changes in BTI and I articulated all the changes we're making. And we expect that's going to lead to more and better insights that again leads to even more engagement and also help support new business growth. And so as we look forward through the year, we expect that our new business growth and our retention both improving as we go through the year. Based on all the changes we're making and the leading indicators, which Craig and I talked about that indicates that these things are causing increased engagement with our clients, which ultimately should result in more more business, more retention and higher growth.

Craig W. Safian

Executive VP & CFO

And Surinder, you should see that come through, obviously, in the CV growth rate but also in the lot retention number, which is the measure of net growth from clients that stay with us. And so the more that clients stay with us, the more new business opportunities we have with that. The more that they stay with us, the more opportunity we have to expand the relationship and so on and so on. So we would expect the CV acceleration to read through both, obviously, to the top line CV growth, but also on the [indiscernible] retention line as well as we will be selling more new business to existing clients over that time frame as well.

Surinder Singh Thind

Jefferies LLC, Research Division

Got it. And then just on the management of costs, can you maybe provide a bit more color there just relative to your expectations versus just kind of normally being conservative when you initially guide, just any update where maybe there's a bit more benefits from even if it's AI or just other things that are going on and the opportunity for any potential structural change in the outlook for margins at this point? Or is it just one small step forward each quarter at this point?

Craig W. Safian

Executive VP & CFO

Yes, it's a great question, Surinder. So as we look at the OpEx number, I'd say a couple of things. So 1 is we're obviously very focused on making sure that we're delivering on our commitments from both EBITDA profitability perspective and a free cash flow perspective, and we are tuning our OpEx model as we go. The second thing I'd say is we're very focused on making sure that we keep our run rates aligned with our CV growth expectations, which are essentially what drive future revenue growth. And again, we want to make sure that we not only deliver strong earnings and free cash flow in current year, but that we're setting ourselves up to continue to do that into the future.

Third thing I'd say is we are always focused on continuous innovation and continuous improvement and driving operational efficiencies through the business. We can leverage AI for some of that. We can leverage other technologies for other things. We can improve processes as well, and we will continue to do that. And then the fourth thing I'd say is we're doing all that while also making sure we're making investments that we believe will drive future medium- and long-term growth for us.

And so under the covers, we'll be investing in places and we may be harvesting benefits and efficiencies in other places so that we can reinvest in the places that we know drive value. So we know we need analysts in our business and technology insights business. We're not going to stop investing there. We know adding QBH drives long-term growth we're going to be adding there. It may mean that we are driving significant operational efficiencies in other areas, and we'll continue to do that so that we free up the appropriate resources to invest in the things that we believe will drive long-term growth.

Operator

Our next question comes from Josh Chan with UBS.

Joshua K. Chan

UBS Investment Bank, Research Division

I guess, as we think about sort of the selling environment on a year-over-year basis, it's obvious that in Q1 it was worse than last year. But as we go into Q2, you had Liberation Day in the prior year, et cetera. How do you think about the year-over-year selling environment comparison as we kind of go through the rest of the year?

Eugene A. Hall

CEO & Chairman

So what I'd say, Josh, is it kind of depends on how the world evolves. As I sit here today, as I mentioned, a lot of the deals that clients in March said, let's wait and revisit this in a couple of weeks actually closed in April. In fact, one of the things that will be interesting is that a lot of these companies think airline shipping companies, other energy-intensive industries and geographies. And basically that normally a functional leader like a CIO, which have [indiscernible] decision, when times are tough, what will happen is I'll say we're going to escalate that maybe even the CEO depending on how have the decision with the company. And so we saw more of those kind of escalations. They got escalated, they said you the values there and then they closed. It just took longer to close. And so I think that what happens in the rest of the year is going to depend on kind of what the environment looks like.

Craig W. Safian

Executive VP & CFO

The one thing I'd add, Josh, though, is we pride ourselves on adapting. And so yes, the environment is crazy and continues to remain a little bit chaotic, but we're making sure that our sales and our service people are armed with the right tools, contracts back up, et cetera, to be successful in any sort of environment. We'll see how the world evolves, but we're going to make sure that we keep -- we're going to make sure that sales and service from our perspective are armed to deliver value, highlight the value for prospects, continue to deliver the value for clients, et cetera, moving forward.

Eugene A. Hall

CEO & Chairman

Yes. To build on Craig's point, one of the things that I talked about both the last and on this call is we made more change in the last year than we've ever opened Gartner in terms of increasing value to clients. And those -- the [indiscernible] speed farm is going to be tough going forward. And we want to make sure we're resilient in that environment. And I think what we're seeing here is that selling cycles are longer, but they're still buying. And so that's kind of what we saw happen in March. So again, January and February, actually, we had great very robust new business growth that is Greg and I talked about. Decisions then took longer starting March. And so I think there are good signs overall for what the selling environment, but it's probably going to take longer decision cycles if the environment continues to have the uncertainty in does today.

Joshua K. Chan

UBS Investment Bank, Research Division

Sure. Sure. That makes a lot of sense. And I appreciate the color there. And then maybe on your EPS CAGR outlook, can you talk about the drivers behind that 12%? I mean, obviously, revenue growth, at least currently is not probably at that level, so you're going to need some margins or buybacks. Can you just talk about what contributes to that level of EPS growth?

Craig W. Safian

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Executive VP & CFO

Yes, Josh, happy to. So again, over a 3-year period, where our expectation is CV growth will reaccelerate, which will drive future revenue growth. As we noted earlier and have noted for a while, we're committed delivering strong margins and margin expansion over time as well. And then obviously, on top of that, we have significant capital to put to use on behalf of our shareholders. Over the last 12 months, I think we've bought back like \$2.4 billion, \$2.5 billion worth of stock, reducing the share count significantly. And obviously, our intention will be to continue to do that, and that's obviously, one of the bigger drivers to that EPS CAGR as well.

Operator

Our next question comes from Toni Kaplan with Morgan Stanley.

Toni Michele Kaplan

Morgan Stanley, Research Division

Gene, just a strategic question. A number of the other info services firms have been starting to use large LLM providers as like an additional distribution channel. And I know your business is different being more weighted towards advisory, but you still have proprietary data that people want. And so I was wondering if -- is there a sort of broader data distribution that you would consider? Or do you think that, that dilutes your value proposition too much because, obviously, a lot of the value isn't talking to the research analysts and the network and everything like that?

Eugene A. Hall

CEO & Chairman

Yes. Toni, I think you're at the nail on the head, which is what clients rule out us for is for us to proactively go to them and say, given your mission-critical priorities, here's the things you should be worried about, things you may not have thought of, things that you might be surprised by. And so what they rely on us for is to be very proactive as opposed to wait and answer a question. So that's not our plan to work with us. That's not our value proposition. And then in addition to that, there's a big human component, and so we have our executive partners, which can function as advisers to our clients, with our analysts, which are world-class experts. And while they publish, obviously, a lot of content and insights, the kind of rule that we have, that's only like 5% of what they know that could be active and valuable. It's our -- when they do it an inquiry with our analysts, clients get access to that other 95% that actually isn't -- we have a vast content library, but again, that's only a portion of what our analysts actually know. And then we have our conferences that they go to which clients get to interact live, we have peer interactive. And so if you think about it, the -- that piece of it is just a small piece of our overall value proposition. And so we want to focus on what clients want from us the most value, which is a whole tell us what I'm not seeing, help you see around corners, tell how world is going to evolve so that I can be successful in this uncertain environment. And that doesn't really fit well with feeding into an LLM that is really answering questions, which is we have as Gartner. That's not the majority of what we do that's all my clients [indiscernible].

Toni Michele Kaplan

Morgan Stanley, Research Division

Yes. That makes sense. I wanted to shift to consulting. I know both the labor-based and contract optimization was down a bit year-over-year, and contract optimization can be volatile and the comp was tough. But on the labor base, any -- do you just attribute the slowdown there to just normal macro slowdown? You mentioned a lot that March was slower, or do you think that there's something structurally worse going on right now given AI?

Eugene A. Hall

CEO & Chairman

Yes. Toni, I don't think if there's something structurally worse. And again, this is a different behavior than we saw in Q4. So it's not something that has been kind of a long-term thing. I think basically, it's what you said, which is the American environment changed a lot, and that affects both the -- it effective differently, both the labor part of the business as well as CFC -- FX CFC, because if a client was going to buy something, and they postpone that decision. We get paid when they buy something. And so with CFC, you had both a very tough comp, as Greg went through. In addition, if clients, and we saw this, say, "Hey, I was going to do that big software deal. I've decided to push the decision of for a month," that puts us getting paid off as well.

Operator

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

Keen Fai Tong

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Goldman Sachs Group, Inc., Research Division

I wanted to take a step back on CV performance. Can you provide more details on the reasons why CV growth is coming below historical levels in the high single, low double-digit range? Specifically, can you outline how much of the slower growth is due to tariff affected industries, government spending, the macro environment and other potential unnamed factors?

Craig W. Safian
Executive VP & CFO

George. So I think; one, the first obvious headwind is the U.S. federal business, which we talked about in detail and is a 250-basis-point headwind in the quarter alone. That business, we believe, is rebaselined. Our current assumptions are for it to be flat in 2026 and grow from there going forward. And so that is a temporary headwind. Obviously, we've been dealing with it for since really March of last year, but that certainly remains the most dominant headwind that we have going forward, or that we have had that have impacted the results and should write itself going forward.

In terms of the other areas, I think it's a combination of -- the macro has been really, really, really challenging over the last several quarters and whether it's the DOGE impacts that started in March of last year, josh referred to Liberation Day, which I remember was April 2 of last year to lots of other geopolitical challenges over the course of the year to where we sit today. I think the short answer is, we fully expect our CV growth rate to accelerate over the course of 2026. As I mentioned earlier, we expect it to increase across the board. So yes, we expect the U.S. Fed growth rate improve as we lap some of the more challenging areas, but we also expect the non-U.S. Fed business to accelerate. That includes tariff affected and nontariff affected, that includes software companies and IT services companies, et cetera. And so I think from where we sit today, we expect CD growth to reaccelerate over the course of 2026. And again, we believe the combination of that CV growth reacceleration, our operating expense management, our ability to invest in the right areas that drive and support future growth will allow us to drive significant free cash flow and earnings per share growing at a 12% compound a growth rate.

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

Got it. That's helpful. And then following up on the CV growth expectations. So you noted acceleration over the course of the year. What are your CV growth expectations exiting the year? And do you expect the improvement to be relatively linear from 1Q?

Craig W. Safian
Executive VP & CFO

So we don't guide to CV growth, George, and we're going to continue to not do that. What I can tell you is we expect to accelerate over the course of this year. I did note in my prepared remarks that Q1 happens to be a heavy renewal quarter and our smallest new business quarter. As we roll into Q2 and Q3, we see increasing levels of new business dollars, and we just have less CV that is up for renewal in those quarters. And so that certainly helps. CV though, is a rolling 4-quarter number. And so we expect to continue to see improvements across the year. And we don't believe that we're done at the end of this year. But right now, we're focused on making sure we're driving engagement, making sure we're delivering on all the transformations Gene outlined, and all those things should lead to CV growth accelerating over the course of this year. And again, that should benefit us as we roll forward in 2027 and beyond.

Operator

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

Jeffrey Marc Silber
BMO Capital Markets Equity Research

You mentioned a couple of times your goal to have compounded adjusted EPS growth, I think, over -- at or above 12% over the next 3 years. What kind of headcount growth do you need to get there both from a sales force perspective and an analyst perspective?

Craig W. Safian
Executive VP & CFO

Yes, Jeff. I mean, I think it's all baked into our ability to drive the margin to get the desired results that give us that 12% CAGR. Our operating model with QBH or sales headcount, is unchanged, so grow at roughly [300] bps slower than what we're growing or our expectation around CV growth. That framework still -- we're still operating with that framework going forward. And on the analyst side, it's really demand-driven. And because we've got such a good finger on the pulse of what our clients are most interested in, we're actually able to predict where that demand is and make sure that we've got the appropriate analyst levels and analyst count to

handle that. And so it's not a specific number. And we'll do all that while also driving efficiency and improvement across the rest of the business. And so the combination of those three things is what gives us the [indiscernible] the operating result levers to get to that 12% EPS CAGR over time.

Jeffrey Marc Silber

BMO Capital Markets Equity Research

Okay. That's great. And just to clarify something, the base here that you're talking about, is that 2025 or 2026?

Craig W. Safian

Executive VP & CFO

That base year is 2025. It's a great question. Thanks for clarifying that, Jeff.

Operator

And our next question is from Jasper Bibb with Truist Securities.

Jasper James Bibb

Truist Securities, Inc., Research Division

Again, I know you don't guide for CV, but I think you've mentioned on a couple of earlier questions that CV should reaccelerate those total and ex fed through the year and helpful context to around the seasonal payments of renewals and new business. I just wanted to clarify, like, do you think we see a reacceleration in the ex Fed CV growth number next quarter? Or maybe are we still a little bit further away from the acceleration in ex Fed CV?

Craig W. Safian

Executive VP & CFO

Jasper, so all I'll tell you without getting into too many details is we expect the CV growth rate to accelerate over the course of the year. We're not going to get into the details of expectations by segment of business per quarter. We'll tell you all about that when we report our Q2 results. but the headline should be that we expect CV growth to accelerate.

Jeffrey Marc Silber

BMO Capital Markets Equity Research

Got it. And then maybe following up on the early pricing question. I think there was some speculation intra-quarter if sales teams have made offers to sign on below the normal \$50,000 ASP for new LUs, I guess can you just clear up kind of in response to that, like if there's anything that's changed on your approach to pricing or offering discounts?

Craig W. Safian

Executive VP & CFO

Yes. So we do not offer discounts. Our pricing strategy and focus and mechanics are unchanged. We put through our normal annual price increase on November 1 of last year. That has been in place since then. And we are -- despite -- well, of course, you may be hearing, I could assure you we are not -- there's no change in our discounting posture or philosophy.

Operator

And our next question comes from Scott Wurtzel with Wolfe Research.

Scott Darren Wurtzel

Wolfe Research, LLC

Just one for me. Just wondering if you can talk a little bit about just the puts and takes on client versus wallet retention in the quarter with client retention ticking down a little bit, but wallet retention ticking up. Just wondering if there was any incremental, I guess, price realization or upsells that drove that expanding wallet retention will client ticked down?

Craig W. Safian

Executive VP & CFO

Yes. Scott, great question. I think it's largely a function of those are both rolling 4 quarter numbers. In the first quarter, as I noted earlier, it's our smallest new business dollar quarter, which implies it's our smallest new business enterprise quarter as well. And so

we added new enterprises there. But as always, there is a lot of churn within our small tech clients. That's -- it's improved over the last couple of years, but that's still the most significant impact on that client retention number. And because those are typically lower spending clients, does not have as big of an impact on the wallet retention number.

With wallet also, we are lapping some of the challenges from last year, but also we are holding on to more dollars than we have historical -- than we did last year as well. And so I think that's manifesting itself in that modest improvement in the wallet retention number as well.

Operator

And our next question is from Ashish Sabadra with RBC Capital Markets.

Ashish Sabadra

RBC Capital Markets, Research Division

I just wanted to focus on the tech vendor conversation. I was wondering if you could provide any color on that front, how is that trending? And also, if you could talk about some of the challenges that software companies are facing, has that influence any of that conversation?

Craig W. Safian

Executive VP & CFO

So on the tech vendor side, I think what we're seeing is consistent with what we saw in the last couple of quarters where our business with software companies and services companies is growing at high single-digit growth rate, and other elements of our tech vendor client universe are not performing as well, most notably, I'd say, hardware providers and telecom carriers, which we classify as part of that tech community. But the bulk of our CV sits with software and services and the software and services business continues to grow at high single-digit growth rates.

Ashish Sabadra

RBC Capital Markets, Research Division

That's very helpful color. And then on the quota-bearing headcount, I just wanted to follow up on the prior comment around hiring more incremental new business developers than account managers. How should we think about the overall QDH growth going forward, but also how do we think about that mix shift going forward and influence on productivity.

Craig W. Safian

Executive VP & CFO

Yes, it's a great question. So again, it's not binary 1 or the other. We're obviously -- as we are successful with our BD and they sell more new business, we do need to hire account managers to catch that business, retain it and going forward. But what we've been doing is driving productivity and efficiency out of our account management teams by adding incremental clients to their territories. And again, we've studied this really intently to make sure that we're not going too far on any of those, and we feel really good about the productivity gains we've driven there. And what that does is free up incremental for us to invest in business developers. And when you think about the size of the addressable market opportunity, the fact that there are roughly 140,000 enterprises that we think to be clients of Gartner, and we're currently doing business with 14,000 of them, the way we capture that market -- that incremental market is really through business developer investment.

It's a slow shift in mix, though, because, yes, the bias is towards hiring incremental BDs, but it's not like a student body left or a student right. And so that mix will move moderately over time but we think it's the right combination of being able to manage, retain and grow the existing client base while having the right-sized engine to be the new logo addition and incremented growth going forward as well. So we think we've got the right mix there going forward, and we'll continue to update our investors and the investment community on that incremental investment and the mix of that investment going forward.

Eugene A. Hall

CEO & Chairman

The vast majority of our sales force today is account executives. They do a lot of new business growth as well, and we expect that to continue. And even given with our accounts executives under the covers, we changed territories all the time. So if there's less demand in the U.S. federal government, then what we'll do is reduce territories there and move those over to places where there's higher demand. And so there's more change when under the covers to actually improve productivity as well.

Operator

And our last question comes from Wahid Amin with Bank of America.

Wahid Nuhash Amin

BofA Securities, Research Division

Just one for me. On an earlier remark, you talked about sometimes clients and budgets are tight, maybe the selling environment is much longer than expected. How would you classify the customers that want to keep a Gartner subscription, but may consider down selling or using a different user experience? Are you seeing a huge influx of that?

Eugene A. Hall

CEO & Chairman

It's a great question. So in all times, we have some clients that are upgrading some upgrading, there are some that are downgrading clients. Because while there's more concern today because of so much political things. Any time there's always clients, sometimes they are doing well and some that aren't. And so to your point, we often see clients that are doing really well, so they want to upgrade and get more value. They try it at lower price points and more value. Similarly, we often see clients say, "Hey, my CFO says cut half expenses, I won't keep Gartner, so let's go with the lower service level unless we still keep partner. Those things actually tend to balance out. And so we see about as many upgrades as downgrades, which is why we don't talk about it that much because it actually -- the 2 balance out almost exactly.

Operator

Ladies and gentlemen, this will conclude the Q&A session. I will pass it back to Gene Hall for closing comments.

Eugene A. Hall

CEO & Chairman

Well, here's what I'd like to take away from today's discussion. Gartner has an unparalleled and enduring value proposition. We're the best, most trusted source for executives who want to succeed with their mission-critical priorities. We're transforming our business and technology insights organization processes to deliver even more client value. Clients engage ritually with our insights receive greater value and retain higher weights. Gartner is the best source for clients looking to achieve success upon their AI journeys. We are incredibly optimistic about our future. And looking ahead to the rest of the year, we expect contract value will accelerate.

We will continue to grow our strong free cash flow that we can put to use to drive incremental shareholder value. And we expect to deliver adjusted EPS on a compound annual basis above 12% over the next 3 years. Thanks for joining us today, and I look forward to updating you again next quarter.

Operator

And this concludes our conference. Thank you for participating, and you may now disconnect.

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