

COMPANY PROFILE

Gartner, Inc.

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COMPANY OVERVIEW

Gartner, Inc. (Gartner or "the company") is an information technology (IT) research and advisory company. The company operates in over 90 countries across Americas; Europe, Middle East and Africa; and Asia-Pacific. It is headquartered in Stamford, Connecticut.

The company reported revenues of (US Dollars) US\$2,444.5 million for the fiscal year ended December 2016 (FY2016), an increase of 13% over FY2015. In FY2016, the company's operating margin was 12.5%, compared to an operating margin of 13.3% in FY2015. In FY2016, the company recorded a net margin of 7.9%, compared to a net margin of 8.1% in FY2015.

KEY FACTS

Head Office	Gartner, Inc. 56 Top Gallant Rd PO Box 10212 Connecticut 06902 7700 STAMFORD Connecticut STAMFORD Connecticut USA
Phone	1 203 9640096
Fax	1 302 6555049
Web Address	www.gartner.com
Revenue / turnover (USD Mn)	2,444.5
Financial Year End	December
Employees	8,813
New York Stock Exchange Ticker	IT

SWOT ANALYSIS

Gartner, Inc. (Gartner or "the company") is an information technology (IT) research and advisory company. The company's sustainable business model offers recurring stream of revenues and high levels of incremental contributions indicating that Gartner has an attractive revenue model which can be effectively leveraged to drive top-line and bottom-line growth. However, appropriations and terminations of government contracts could affect the operating performance of the company.

<p>Strength</p> <p>Sustainable business model Global presence and established customer base Consistent growth strategy</p>	<p>Weakness</p> <p>Lack of diversification</p>
<p>Opportunity</p> <p>Modest recovery in global IT spending Vast market opportunity for research Strategic acquisitions</p>	<p>Threat</p> <p>Government contracts could impact operational performance Competitive pressures Growing use of free online information sources may affect revenues</p>

Strength

Sustainable business model

The company has a sustainable business model that enables it to create new revenue streams. Gartner's business model is based on its ability to create and distribute research content via published reports and briefings, consulting and advisory services, and events, including Gartner Symposium/ITxpo. This enables the company to leverage the breadth and depth of its intellectual capital. Gartner's research content is used across its other segments, consulting and events as well, to generate incremental revenues. This indicates that the company has substantial operating leverage in its business model. Gartner has the ability to distribute intellectual property and expertise across multiple platforms, including research publications, consulting engagements, conferences and executive programs to drive incremental revenues and profitability. This indicates that the same content is earning revenues across multiple touch points while the cost of content creation is incurred once. Consequently, Gartner's operations enjoy high incremental contribution margins (the difference between the unit revenues and unit costs).

Gartner's products and services combined together provide an attractive revenue model for the company. The company's research revenue is recurring in nature due to its annual subscription model, and thereby provides predictable revenue stream. Furthermore, Gartner was also able to maintain high retention rates. The company maintained strong research client retention, with 84% of user organizations renewing

their contracts in FY2015. Further, the subscription based research products and services constituted 73% and 72% of the total revenues in FY2015 and FY2014, respectively. The company also maintained 105% wallet retention, a measure of the dollar amount of contract value the company retained with clients over the prior year.

Sustainable business model offers a recurring stream of revenues and high levels of incremental contributions indicating that Gartner has an attractive revenue model which can be effectively leveraged to drive top-line and bottom-line growth.

Global presence and established customer base

Gartner has over the years focused on creating an established client base across the globe. Gartner's client base consists primarily of CIOs and other senior IT and executives from a wide variety of business enterprises, government agencies and the investment community, further diversifying the client base. Also the company has a vast network of analysts and consultants who collectively speak 50 languages and are located in 35 countries; enabling the company to cater to the client needs globally. The company has global presence with clients in 90 countries across six continents.

Gartner's international operations contribute significantly to its revenues. The established client base is a significant competitive advantage for the company. The diversified base and global presence on the other hand ensures low business risk as the company is not vulnerable to country specific or client specific risks. Its international presence also enables Gartner to leverage the opportunities provided by different countries.

Consistent growth strategy

Gartner was able to maintain a consistent growth strategy and was able to deliver growth across its key metrics. From 2011 through 2015, all of the company's major metrics showed meaningful growth. Over that time period, Gartner's research contract value increased at a compound growth rate (CAGR) of 12%. Client retention was 84% and wallet retention was 105% in FY2015. Gartner's cash flows from operations increased at a CAGR of 8% during 2011-15 periods.

The company's consistent growth during 2011-15 periods depicts its focus on continued growth strategy. The cash flow growth ensures that the company will be able to fund operations and expansion plans internally and is also well positioned to raise external finances at feasible rates. Gartner's consistent growth across all the key metrics will ensure smooth operations.

Weakness

Lack of diversification

Gartner lacks diversified business operations. The company's operations are mainly concentrated around the IT industry, which is highly dynamic and cyclical in nature. Comparatively, the company's competitors have diversified operations into other industries. Gartner directly competes with subsidiaries of companies which have diversified operations, such as Forrester and Informa. Although, the company's strategy has

been to focus on the technology industry, lack of diversification into other industries is a competitive disadvantage. Furthermore, concentrated operations increases its business risk and makes it vulnerable to economic uncertainties related to specific industry.

Opportunity

Modest recovery in global IT spending

The worldwide IT spending is expected to show flat recovery riding on the gradual growth in the global economy. According to industry estimates, the worldwide IT spending is expected to reach \$2.4 trillion in 2016. The market is expected to grow at a CAGR of 3% during 2016-20 periods to reach a value of more than \$2.7 trillion by 2020. Further, North America, including the US and Canada are expected to have the largest share of global IT spending during the forecast period and exceed \$1 trillion mark in 2017. In addition, IT spending in North America and EMEA are expected to grow at CAGRs of 3.8% and 3.3%, respectively during the same period. This recovery in the global IT spending indicates a shift in the outlook of businesses globally, which are ready to spend on IT to support growth of their business. The recovery in global IT spending is expected to enhance the demand for the company's products and services, thus boosting its top-line growth.

Vast market opportunity for research

Gartner has large market opportunity to tap into for its research products and services. The market opportunity for research includes CIOs and senior IT leaders in corporations and government agencies; business leaders in high-tech and telecom enterprises and professional services firms; and supply chain professionals, digital marketing professionals and technology investors. According to industry sources, the global revenue of the market research industry exceeded \$44 billion in 2015. In 2015, North America generated the largest share of market research revenue at 44%, followed by Europe with 37%. The company's strong presence in the region and changes in media consumption and the growing use of social media are expected to revolutionize traditional methods of conducting market research. The company currently caters to 10,796 research client enterprises. The company with its brand name and market position is well positioned to tap into this vast market opportunity to drive revenue growth and market share.

Strategic acquisitions

Gartner made a series of acquisitions in the recent years, with focus on enhancing its product and services offerings. For instance in June 2016, the company acquired SCM World, a provider of subscription-based research and conferences. The acquisition is expected to create a source of objective research, strategic advice, peer networking and conferences for chief supply chain officers and their leadership teams worldwide. Earlier in September 2015, Gartner acquired Capterra, a web service that connects buyers and sellers of business software. In July 2015, the company acquired Nubera, which offers GetApp that enables organizations discover, compare and choose the right business software and applications for their needs. These acquisitions align with the company's strategy of investing in products and services enabling clients to make technology-related decisions.

Strategic acquisitions enable the company enhance its portfolio of offerings and leverage the acquired firms' customer base to further increase its revenues and brand image.

Threat

Government contracts could impact operational performance

Gartner's government contracts are subject to appropriations and terminations. The company generates revenues from contracts with the US government, state and local governments, and their respective agencies, as well as foreign governments and their agencies. At the end of FY2015 and FY2014, \$345 million and \$310 million, respectively, of the company's research contract value and consulting backlog was attributable to government entities. The US government contracts are subject to the approval of appropriations by the US Congress to fund the agencies contracting, and its contracts at the state and local levels are subject to various government authorizations and funding approvals and mechanisms. In general, most, if not all of these contracts may be terminated at any time without cause or penalty (termination for convenience). Similarly, contracts with the US federal, state and local, and foreign governments and their respective agencies are subject to increasingly complex bidding procedures, compliance requirements and intense competition. Appropriations and terminations of government contracts could affect the operating performance of the company.

Competitive pressures

Gartner faces competition from multiple sources in the market research and advisory services market. The company competes with firms that have diverse industry focus and strong financials, including Forrester Research, comScore, Informa and International Data Group (IDG). In addition, Gartner's indirect competitors include consulting firms and other information providers, including electronic and print media companies. In addition, the company faces competition from free sources of information that are available to its clients through the internet. Also, the limited entry barriers result in the emergence of new competitors increasing the competitive pressures. The increased competition could result in loss of market share, diminish the value its products and services, lead to reduction in prices and an increase in sales and marketing expenditures.

Growing use of free online information sources may affect revenues

Free information sources have increased their product offering intensifying the competition for companies like Gartner in recent years. The emergence of Google, Yahoo! and other websites has increased the availability of free information with relatively user-friendly search capabilities. Some governmental and regulatory agencies have also increased the amount of free information that they make available to the public. Additionally, the increasing usage of internet as a source of information also resulted in continued growth of free sources. Though, Gartner does differentiate its product from that of the free sources, the increasing availability of free public information sources, may delay the purchasing decision of the consumer or adversely affect the demand for the company's products and services.

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