

GARTNER INC
Form 10-Q
November 03, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission File Number 1-14443

Gartner, Inc.

(Exact name of Registrant as specified in its charter)

Delaware 04-3099750

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

P.O. Box 10212 06902-7700

56 Top Gallant Road (Zip Code)

Stamford, CT

(Address of principal executive offices)

Registrant's telephone number, including area code: (203) 316-1111

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Edgar Filing: GARTNER INC - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
" No

As of October 31, 2016, 82,609,884 shares of the registrant's common shares were outstanding.

Table of Contents

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets at September 30, 2016 and December 31, 2015</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2016 and 2015</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2016 and 2015</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>24</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>38</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>39</u>
<u>PART II. OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>40</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>40</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>40</u>
<u>ITEM 6. EXHIBITS</u>	<u>41</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GARTNER, INC.

Condensed Consolidated Balance Sheets

(Unaudited; in thousands)

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$465,734	\$372,976
Fees receivable, net of allowances of \$7,000 and \$6,900, respectively	560,202	580,763
Deferred commissions	112,697	124,831
Prepaid expenses and other current assets	107,316	62,427
Total current assets	1,245,949	1,140,997
Property, equipment and leasehold improvements, net	118,789	108,733
Goodwill	742,926	715,359
Intangible assets, net	81,769	96,544
Other assets	88,307	113,053
Total Assets	\$2,277,740	\$2,174,686
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	\$348,429	\$387,691
Deferred revenues	1,028,995	900,801
Current portion of long-term debt	40,000	35,000
Total current liabilities	1,417,424	1,323,492
Long-term debt	696,405	790,000
Other liabilities	174,409	193,594
Total Liabilities	2,288,238	2,307,086
Stockholders' Deficit		
Preferred stock, \$.01 par value, 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$.0005 par value, 250,000,000 shares authorized; 156,234,415 shares issued for both periods	78	78
Additional paid-in capital	851,077	818,546
Accumulated other comprehensive loss, net	(47,784)	(44,402)
Accumulated earnings	1,577,521	1,450,684
Treasury stock, at cost, 73,575,816 and 73,896,245 common shares, respectively	(2,391,390)	(2,357,306)
Total Stockholders' Deficit	(10,498)	(132,400)
Total Liabilities and Stockholders' Deficit	\$2,277,740	\$2,174,686

See the accompanying notes to the condensed consolidated financial statements.

GARTNER, INC.

Condensed Consolidated Statements of Operations

(Unaudited; in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues:				
Research	\$461,502	\$396,179	\$1,350,943	\$1,162,987
Consulting	79,082	74,686	258,090	239,814
Events	33,475	29,301	132,290	116,487
Total revenues	574,059	500,166	1,741,323	1,519,288
Costs and expenses:				
Cost of services and product development	223,122	193,602	666,585	581,859
Selling, general and administrative	269,902	236,355	799,322	703,868
Depreciation	9,531	8,510	27,390	24,939
Amortization of intangibles	6,221	2,737	18,614	6,983
Acquisition and integration charges	16,557	6,488	32,958	15,263
Total costs and expenses	525,333	447,692	1,544,869	1,332,912
Operating income	48,726	52,474	196,454	186,376
Interest expense, net	(5,932)	(6,049)	(19,294)	(14,769)
Other income, net	1,954	5,367	5,086	3,937
Income before income taxes	44,748	51,792	182,246	175,544
Provision for income taxes	14,264	21,426	55,149	65,672
Net income	\$30,484	\$30,366	\$127,097	\$109,872