



# Gartner, Inc.

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New York Stock Exchange, ticker: IT · Long — we expect the price to rise · Priced 27 Jun 2026

*A high-quality, cash-rich subscription business has been cut roughly 63% from its 2023 high of about \$434 to about \$160, on the fear that artificial intelligence will make paid human research obsolete — and the question is whether that fear is overdone or correct.*

### WHAT YOU'D BE BUYING

Gartner sells research and advice to businesses, mostly by yearly subscription. A company pays an annual fee for access to Gartner's analysts, data and "who's-best" technology rankings, and renews each year.

PRICE <b>\$135</b>	VALUATION <b>~13x earnings</b>	SIZE <b>~\$9bn (mid-size)</b>
EXCHANGE <b>NYSE</b>	TIME FRAME <b>12–18 months+</b>	



Daily price over the last four years with our entry, stop and target marked. Priced 27 Jun 2026. Not advice.

ENTRY —	STOP —	TARGET <b>\$225</b> A fork: ~\$225 if temporary, ~\$86 if structural	REWARD vs RISK
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## How we would trade it, in plain terms

We would **not buy it yet — we would watch it**. Gartner is cheap *if* its recent slowdown is a passing air-pocket, and a value trap *if* artificial intelligence is permanently eroding demand for paid human research. The company's own next big results (expected in the second half of 2026) will show which it is — and waiting for that costs us only a few months, while buying now risks real money on an unanswered question. So for now: **no position**. The trigger to buy is *evidence* — its core subscription book re-accelerating — not simply a lower price. If the shares fell to a deep-discount level (around \$140) one could take a small starter, but the honest base case is to wait. We would stay out for good if the slowdown proves permanent: subscription growth stuck near zero with renewal rates slipping.



## What the company does

Gartner sells **research and advice to businesses**, mostly by yearly subscription. A company pays an annual fee for access to Gartner's analysts, data and "who's-best" technology rankings, and renews each year. There are three parts: **Research** (the big subscription engine and the bulk of profit), **Conferences** (paid industry events) and **Consulting** (bespoke advisory work). The prize asset is the subscription Research business — paid up front, renewed at very high rates, and highly cash-generative.

## The idea in one sentence

A high-quality, cash-rich subscription business has been cut roughly **63% from its 2023 high of about \$434 to about \$160**, on the fear that artificial intelligence will make paid human research obsolete — and the question is whether that fear is overdone or correct.

## Why it looks cheap

On the company's own raised 2026 profit guidance (about **\$13.25 per share**) the shares at about **\$160** cost roughly **12 times** next year's earnings — low for a business that renews 97–99% of its subscription revenue each year. The stronger gauge is cash: after all spending, Gartner generates between **\$1.06 billion and \$1.3 billion of genuine spare cash a year**, which against its ~\$10.7 billion stock-market value is about a **10–12% cash return on the share price**, or roughly **9–10%** measured against the whole business including debt. That is high, and it is the part of the case we lean on most.

Two honest caveats. First, the company's **reported accounting profit (~\$729 million) fell sharply** year-on-year while revenue (up ~3.7% to ~\$6.5 billion) and cash did not — a gap driven by below-the-line, largely non-cash items rather than the business deteriorating; we lean on the cash figure. Second, although the buyback is real (below), management bought back stock in 2025 at an average price near **\$345** — about double today's — so it was a genuine return of capital but not a cheaply-timed one.

## What the price is implying — our valuation model

A business is worth the spare cash it returns to owners over time, with future cash worth less than cash today. Run that backwards on Gartner: at about **\$160**, generating **\$1.06–1.3 billion** of spare cash a year and discounting future cash at a normal ~9%, the price implies the market expects that cash to **shrink by roughly 1% every year, forever**. The price does not require Gartner to grow — only that it not decline. For a 97–99%-renewal business, "slowly dying" is a demanding assumption.

Looking forward, we model three futures over five years, all built on the company's own \$13.25 guidance:

Scenario	Chance	Profit growth a year	Share worth today*	Return a year
Good	25%	~13%	~\$349	~+27%
Middle	45%	~9%	~\$225	~+17%
Bad	30%	0%	~\$86	~-4%

\\*Five-year value brought back to today's money at ~9% a year.

The **middle** case assumes the recent slowdown clears and subscription growth returns to mid-single digits, with the shares recovering modestly from about 12 times profit to about 17 — still well below the 25-to-35 times they fetched in 2021–2023. The **good** case assumes growth genuinely re-accelerates. The **bad** case is



the one that matters: artificial intelligence does erode the willingness to pay for human research, profit goes nowhere for five years even with the buyback, and the shares stay cheap.

The honest reading: a probability blend points to roughly **\$215 a share**, but **that blend leaves out the true worst case** — a world where renewals actually roll over, which is worth well below \$86. Add that back and the "fair value" sits much closer to today's price. So the real picture is a **fork, not a bargain**: about **\$225 if the weakness is temporary**, about **\$86 (or less) if it is structural** — and which one is right is precisely the question still open. The model confirms the shares are cheap on optimistic assumptions; it does **not** settle whether this is a bargain or a value trap. That is why we wait.

## What we think the market is missing — and the risk

Today's price treats Gartner as a structurally threatened business: that artificial intelligence will let companies self-serve and stop paying for human research. The number the bears point to is stark — Gartner's own 2026 IT-spending forecast is **+13.5%**, yet its core subscription book (Contract Value) grew only about **+1%**. The optimistic case is that this gap is **temporary and explainable**: a US-government spending air-pocket that should clear, plus softness among technology-vendor clients — not a permanent erosion of the research model. Underneath, renewal rates are still 97–99% and client usage of the product has been rising.

**This is unresolved, and it is the heart of the case.** If the pessimists are right — AI assistants make paid human research dispensable — then renewals roll over with a lag, growth stays stuck, and the low multiple is *deserved, not cheap*.

## The economic backdrop

Gartner depends chiefly on the US corporate and government technology-spending cycle. A +13.5% spending backdrop is supportive in aggregate; the specific drags are US federal budget churn and weakness among technology-vendor customers. The whole case turns on whether those drags are passing or the leading edge of permanent change.

## The signals we are acting on

**A high free-cash-flow yield (cheap on cash)** is the load-bearing strand — about a 10–12% cash return at today's price. It is reinforced by a **genuine, share-shrinking buyback**: Gartner bought back about **\$2 billion of stock in 2025** and the share count **fell about 8%** to roughly **67 million shares** — a real return of capital, not optics that merely offset employee stock. High renewal rates are the quality guard that keeps this out of value-trap territory — provided the AI fear proves overdone.

## Channel checks (what we see beyond the filings)

The non-financial signals lean cautious, so we record them plainly. Employee reviews describe **company-wide layoffs through 2025–26**, with staff themselves attributing the cuts to AI pressure on the research model, and the published bear case flags a **reduced sales force**. Set against that, the company's disclosed client-engagement measure has been *rising*. The tension is real — usage reportedly up, yet headcount being cut — and on balance it raises, rather than settles, the question of whether the weakness is structural.

## The investor checklist

- **Returns on capital and moat — strong, with a caveat.** Returns on capital are high; gross margin ~69%,



renewal rates 97–99%, real pricing power. The caveat: renewal is quoted as a single, undated figure, and in an AI-disruption case the *direction* of renewals (especially among the most AI-exposed clients) matters more than the headline level — and we do not yet have that breakdown.

- **Capital allocation — good, but not cheaply timed.** A real, share-reducing buyback, though executed in

2025 at roughly double today's price. Debt rose modestly to help fund it; leverage stays conservative.

- **Margin of safety — only at a lower price.** Cheap on cash and on earnings, but the value splits in two on

the unresolved question, so today's price is not a clear discount once the worst case is included.

- **Cash quality — high.** Spare cash comfortably exceeds reported profit; the model collects cash up front.
- **Balance sheet — sound.** Modest net debt against ~\$1.3 billion of annual spare cash; maturities are

spread out, with no near-term refinancing wall.

- **Management — credible.** They beat their own margin guidance and *raised* this year's profit guidance —

a guide-low-and-beat pattern, not over-promising.

- **Insider ownership — modest** (~4%); no recent open-market insider buying that would lift our conviction.

## Management track record

Management has a long record of compounding and disciplined capital return; they beat their margin guidance and raised earnings guidance into a soft patch — confidence, not bravado. On the evidence to date, promise-versus-delivery reads credible.

## What would make us wrong

If the AI fear is right — businesses decide AI assistants make paid human research dispensable — renewals roll over, growth stays near +1% instead of recovering, and the cheap multiple is *deserved*. Our channel checks (AI-attributed layoffs, a smaller sales force) already lean toward this risk, so we are explicitly not treating the optimistic story as settled.

## What we are watching

- **Turns constructive** if the next big results show the subscription book re-accelerating (growth back toward mid-single digits outside the government drag) with renewals holding at ~97%+.
- **Confirms the bear case** if growth stays at ~+1% with renewals slipping below ~96%, or research-side (not just consulting) headcount keeps falling.

*Sources read: Gartner's full-year 2025 results and latest earnings call; the 2024 annual report (debt and maturities); ownership data; employee-review and published bear-case commentary on AI and the sales force; 2026 sector valuation data.*