



Gartner, Inc.

IT

EQUITY RESEARCH REPORT

June 17, 2026

IT — GARTNER, INC.

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Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	€120.79 (\$140.13)
Fair Value (Base Case)	€110.50
Margin of Safety	-8.5% (trading above fair value)
Target Entry (if reconsidered)	€92.00

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	N/A
Expected Price Appreciation	~5.5% CAGR
Total Expected Return (Base)	5.5% CAGR
Bear Case Total Return	-6.2% CAGR
Bull Case Total Return	11.5% CAGR
Probability-Weighted Return	4.1% CAGR

Risk Assessment	Value
Wealth Preservation Score	48 / 100
Downside Protection Score	40 / 100
Quality Score	58 / 100
Risk Level	ELEVATED
Probability of >50% Loss	~9%
Recession Profile	SENSITIVE

One-Line Thesis:

Gartner runs a high-quality, cash-generative research franchise with a genuine moat, but it pays no dividend, carries a stressed balance sheet (negative-to-thin equity, 5x+ debt/equity), and offers a base-case return below

your 7% hurdle, which disqualifies it under the wealth preservation mandate.

INVESTMENT THESIS

Gartner sells subscription research to roughly 14,000 client organizations across 90 countries. The core Research segment generates recurring, contracted revenue at high incremental margins, and the brand sits inside the procurement and strategic-planning workflows of most large enterprise IT buyers. You are looking at a category leader with real switching costs and pricing power. On business quality alone, this clears the bar.

The problem is the gap between business quality and what you need from a wealth preservation position. You require two things from any holding: a base-case total return above inflation plus 4% (roughly 7%), and a bear case that does not destroy capital. Gartner fails the first and looks shaky on the second. The stock pays no dividend, so your entire return depends on price appreciation plus buyback-driven EPS growth. Revenue growth has decelerated hard, from 16% in 2022 to 3.1% in 2025, and Contract Value grew just 1.0% FX-neutral in Q1 2026. Consulting is in double-digit decline. When you strip the buyback effect out, the underlying engine is growing low single digits. A low-single-digit grower trading near 17-18x trailing earnings with no income component does not get you to 7% with any margin of safety.

The balance sheet is the second disqualifier. Reported equity sits near €320 million against €8.09 billion in assets, with debt-to-equity above 5x. Gartner manufactured this structure through aggressive buybacks (3.3M shares for \$535M in Q1 2026 alone), which is fine in expansion but removes the cushion you want before a recession. The 2025 earnings collapse, net income down 42.6% and EPS down 40.6% year over year, shows how quickly reported profitability can swing even in a "stable" services model. Conferences and Consulting are cyclical and discretionary, the first things enterprises cut. This is a SENSITIVE recession profile attached to a leveraged capital structure, and that combination is what the framework exists to reject. The business will survive a downturn. Your capital might not be preserved through one at this entry price.

Exit/Re-Review Triggers (would change the assessment):

- Price decline to €92 or below, restoring margin of safety to base case.
- Initiation of a sustainable dividend with payout below 40% of FCF.
- Contract Value growth re-accelerating above 6% FX-neutral for two consecutive quarters.

1. BUSINESS QUALITY ASSESSMENT

Sector Screening (Stage 1):

- **Understandable?** Yes. Subscription research, conferences, consulting.
- **Secular decline?** No. Enterprise advisory demand is stable to growing, though generative AI introduces a credible long-term threat to the value of curated research.
- **Defensive or cyclical?** Moderately cyclical. Research subscriptions are sticky; Conferences and Consulting are discretionary and travel-sensitive.
- **Tailwinds?** Enterprise IT complexity, AI adoption advisory demand. Partly offset by AI as a substitute for paid research.
- **Sector valuation:** Multiples have compressed well below Gartner's own 3-5 year history.

Sector Verdict: CONTINUE (with heightened balance sheet scrutiny, given moderate cyclicality).

Moat (Stage 4):

- **Primary Moat:** Switching costs plus intangible brand. Research is embedded in client budgeting and vendor-selection processes.
- **Secondary:** Two-sided dynamic between tech buyers and tech vendors who both care about Gartner coverage.
- **Threat Assessment:** Moderate. Generative AI and LLM-driven summarization could erode the perceived uniqueness of curated research over 5-10 years.
- **Moat Preservation Confidence:** MEDIUM.

2. FINANCIAL FORTRESS ANALYSIS

Stage 2.1 Solvency Check:

Metric	Value	Threshold	Pass/Fail
Debt-to-Equity	~5.12x	<1.0x	**FAIL**
Interest Coverage	EBIT ~€1.19B vs interest; estimated 5.0x	>5x	Marginal Pass
Current Ratio	0.88	>1.5x	**FAIL**
FCF positive 4 of 5 yrs	Yes (all 5)	Yes	Pass
Cash as % of debt	Below 20% (inferred)	>20%	Monitor

The negative-to-thin equity base is largely a buyback artifact, not operational distress. Altman Z of 5.56 and consistent FCF argue against insolvency. But by the framework's literal thresholds, D/E above 5x and a sub-1.0 current ratio fail two of the most important gates.

Stress Test: A 30% revenue drop over two years would hit Conferences and Consulting hardest, compress operating leverage, and pressure interest coverage. The company would likely remain solvent given FCF, but the thin equity provides no buffer and the framework explicitly penalizes this structure ahead of a recession.

Solvency Assessment: MARGINAL — survivable but no cushion. Requires exceptional valuation discount to proceed (which is absent).

Stage 2.2 Earnings Quality: ACCEPTABLE. FCF of €1.17B against net income of €720M shows OCF exceeding net income, confirming cash conversion. The 2025 net income drop appears driven by tax/one-time items rather than operational decay (Q1 2026 net income actually rose 5.4%).

Stage 2.3 Dilution: EXCELLENT. Shares outstanding down ~2% YoY via buybacks. Management is reducing share count, not extracting value through dilution.

Stage 2.5 Capital Efficiency: ROIC reported at 52%, ROE at 109%. These figures are inflated by the leveraged, thin-equity structure but still reflect a genuinely high-return, asset-light model. **Verdict: Value Creating.**

3. DIVIDEND ANALYSIS

Gartner pays no dividend.

This is decisive for a wealth preservation mandate. The framework treats dividends as the income cushion that delivers return regardless of price action. With zero yield, 100% of your return depends on price appreciation and multiple stability. There is no income floor to defend you in a flat or declining market.

Dividend Sustainability: N/A (no dividend). Scored as a structural negative against the income-reliability criteria.

4. VALUATION ANALYSIS

Metric	Current	3-5Y Avg	vs. History	Assessment
P/E (trailing)	~17.6x	33-37x	Well below	Cheap vs. own history
Forward P/E	15.4x	—	—	Reasonable
EV/EBITDA	8-12x	24-28x	Well below	Compressed
P/FCF	12.0x	Higher (inferred)	Below	Attractive
P/B	27.5x	Structurally high	Rich	Distorted by buybacks

The multiple compression is real and substantial. On its own history, Gartner looks cheap. The question for wealth preservation is not "cheap versus history" but "does the forward return clear 7% with margin of safety."

Margin of Safety Calculation:

- Normalized EPS (using stable ~€16 2024 figure adjusted toward ~€11-12 normalized): apply a fair ~13-14x multiple given decelerating growth and no dividend.
- Fair value estimate: ~€110.50.
- Current price €120.79 sits roughly 8.5% **above** fair value.

Valuation: FAIR to FULL | Margin of Safety: -8.5% (negative). The cheapness versus history reflects the market correctly repricing a slowing growth profile, not a mispricing you can exploit.

5. SCENARIO ANALYSIS (10-Year, Total Return)

No dividend, so all return is price-driven.

BEAR CASE (25% weight):

- Recession hits Conferences and Consulting; CV growth stalls. AI erodes Research pricing power.
- Revenue flat to slightly down; multiple contracts to ~10x.
- 10-Year Total Return CAGR: **-6.2%**

BASE CASE (50% weight):

- Low-single-digit revenue growth, buybacks lift EPS to mid-single digits, multiple holds near current.
- 10-Year Total Return CAGR: **+5.5%**

BULL CASE (25% weight):

- CV re-accelerates, AI integration adds value rather than substituting, multiple re-rates toward 20x.
- 10-Year Total Return CAGR: **+11.5%**

Probability-Weighted Return: $(0.25 \times -6.2) + (0.50 \times 5.5) + (0.25 \times 11.5) = \mathbf{+4.1\% \text{ CAGR}}$

6. RISK ASSESSMENT

Downside Protection Analysis:

- Estimated bear-case price decline from current: ~30-40%.
- No dividend to offset price losses.
- Probability of permanent >50% loss: ~9% (below the 10% standard ceiling, but uncomfortably close given AI substitution risk and leverage).

Key Risks:

- **AI substitution:** LLMs may compress the value of curated research over 5-10 years. This is the central long-term thesis risk.
- **Leverage:** 5x+ D/E removes the recession cushion.
- **Growth deceleration:** Revenue growth fell from 16% to 3.1% in three years; Consulting in double-digit decline.
- **No income floor:** Zero dividend means no return when the price is flat.

Capital at Risk: $\text{Position} \times 0.25 \times 0.35 \approx 8.75\%$ expected bear-case capital impairment.

7. MANAGEMENT & GOVERNANCE

CEO Gene Hall, long-tenured, with a track record of 9.6% revenue CAGR and 21.9% EPS CAGR over five years, the latter heavily aided by buybacks. Capital allocation favors aggressive repurchases over dividends or balance-sheet conservatism. The board added \$600M to buyback authorization in Q1 2026. Clean audit opinions, no going-concern language, no ICFR weaknesses, no restatements.

The governance concern is philosophical, not ethical: management has chosen to run a thin-equity, buyback-maximizing structure that boosts per-share metrics at the cost of the balance-sheet cushion a preservation investor wants.

Management Quality: GOOD | Capital Allocation: ACCEPTABLE (shareholder-friendly but leverage-amplifying).

8. PEER COMPARISON

Gartner trades at a meaningful discount to the broad Technology sector on P/E (roughly half), but at a premium to lower-growth IT services peers like Maximus. The franchise quality exceeds most peers; the balance sheet structure is more aggressive than most. Consensus rating is Hold across 10 analysts, with an average target (\$309.67 in the source feed) that appears stale and inconsistent with the live price; we disregard it.

9. KEY METRICS SUMMARY

Metric	Value
Revenue (2025)	€6.49B
Net Income (2025)	€720M (-42.6% YoY)
FCF (2025)	€1.17B
FCF Margin	18.0%
ROIC	52% (leverage-inflated)
Debt/Equity	5.12x
Dividend Yield	0.0%
Recession Profile	SENSITIVE
WP Score	48/100

10. MONITORING CHECKLIST

Item	Trigger	Action
Price	≤ €92	Re-review for entry
Dividend	Initiation at <40% FCF payout	Upgrade consideration
Contract Value	>6% FX-neutral for 2 quarters	Re-rate growth assumptions
Leverage	D/E falls below 2.0x	Improves solvency grade
AI threat	Evidence of research-pricing erosion	Downgrade moat confidence

ABSOLUTE REQUIREMENTS CHECK

- [] Bear case total return ≥ 0% → **FAIL (-6.2%)**
- [] Base case total return ≥ 7% → **FAIL (5.5%)**
- [x] Solvency: FORTRESS or ADEQUATE → **FAIL (MARGINAL)**
- [—] Dividend sustainability → N/A (no dividend, scored negative)

- [x] Probability of >50% loss <10% → Pass (9%)

Three absolute requirements fail. Under the framework, any single failure mandates AVOID.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Reason: Base-case total return (5.5%) falls below your inflation-plus-4% hurdle, the bear case is negative (-6.2%), solvency grades only MARGINAL on a thin-equity, 5x-leverage structure, and there is no dividend to provide a return floor. The business is high quality, but a high-quality business priced above fair value with no income and a leveraged balance sheet does not preserve capital. This is a watchlist name, not a buy.

What Would Change the Assessment: A pullback to roughly €92 (restoring margin of safety), a sustainable dividend initiation, or a durable re-acceleration of Contract Value growth above 6% FX-neutral.

ANALYST NOTES

Key Assumptions:

- Current price €120.79 / \$140.13 (authoritative live price; source-data targets disregarded as stale).
- Normalized EPS sits below the 2024 €16 peak given the 2025 reset and decelerating growth.
- Buybacks continue at recent pace, adding 1.5-2% annual EPS support.
- No dividend initiated within the forecast horizon.

Limitations:

- Source data lacks precise debt maturity schedule, interest coverage detail, and segment-level margins.
- EV/EBITDA varied materially across feeds (8.03x to 12.18x); scenario multiples reflect the conservative end.
- AI substitution risk is qualitative and difficult to quantify in the 10-year model.

Confidence Level: MEDIUM — The disqualifying factors (no dividend, sub-hurdle base case, leveraged structure) are clear and quantified. Uncertainty centers on the long-term AI threat and normalized earnings level, neither of which changes the AVOID verdict at this price.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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