GARTNER INC
Form 10-Q
August 02, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
(Mark One)

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

For the quarterly period ended June 30, 2013

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 (State or other jurisdiction of incorporation or organization)	04-3099750 (I.R.S. Employer Identification Number)
P.O. Box 10212 56 Top Gallant Road Stamford, CT (Address of principal executive offices)	06902-7700 (Zip Code)

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 þ 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 þ 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 þ Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

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

As of July 26, 2013, 93,158,578 shares of the registrant's common shares were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GARTNER, INC.

Condensed Consolidated Balance Sheets

(Unaudited; in thousands)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$333,363	$299,852
Fees receivable, net of allowances of $6,300 and $6,400, respectively	432,011	463,968
Deferred commissions	77,884	87,933
Prepaid expenses and other current assets	80,100	75,713
Total current assets	923,358	927,466
Property, equipment and leasehold improvements, net	89,415	89,089
Goodwill	516,144	519,506
Intangible assets, net	8,834	11,821
Other assets	76,036	73,395
Total Assets	$1,613,787	$1,621,277
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$204,350	$287,763
Deferred revenues	749,240	692,237
Current portion of long-term debt	61,250	90,000
Total current liabilities	1,014,840	1,070,000
Long-term debt	143,750	115,000
Other liabilities	126,503	129,604
Total Liabilities	1,285,093	1,314,604
Stockholders' Equity		
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	698,293	679,871
Accumulated other comprehensive income, net	2,358	5,968
Accumulated earnings	991,671	908,482
Treasury stock, at cost, 63,077,653 and 62,873,100 common shares, respectively	(1,363,706)	(1,287,726)
Total Stockholders' Equity	328,694	306,673
Total Liabilities and Stockholders' Equity	$1,613,787	$1,621,277

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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
Research	$311,233	$278,302	$621,564	$552,922
Consulting	85,928	76,676	158,561	151,239
Events	48,886	42,504	72,676	62,492
Total revenues	446,047	397,482	852,801	766,653
Costs and expenses:				
Cost of services and product development	177,904	161,247	341,641	307,710
Selling, general and administrative	185,629	165,221	366,107	327,739
Depreciation	7,017	6,182	14,117	12,077
Amortization of intangibles	1,404	928	2,738	1,667
Acquisition and integration charges	106	1,182	206	1,182
Total costs and expenses	372,060	334,760	724,809	650,375
Operating income	73,987	62,722	127,992	116,278
Interest expense, net	(2,144)	(2,153)	(4,580)	(4,348)
Other expense, net	(280)	(76)	(69)	(1,054)
Income before income taxes	71,563	60,493	123,343	110,876
Provision for income taxes	25,049	19,009	40,154	35,171
Net income	$46,514	$41,484	$83,189	$75,705
Income per common share:				
Basic	$0.50	$0.44	$0.89	$0.81
Diluted	$0.49	$0.43	$0.87	$0.79
Weighted average shares outstanding:				
Basic	93,574	93,350	93,584	93,383
Diluted	95,188	95,423	95,426	95,826

See the accompanying notes to the condensed consolidated financial statements.

GARTNER, INC.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited; in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$46,514	$41,484	$83,189	$75,705
Other comprehensive loss, net of tax:				
Interest rate swap (cash flow hedge) – gain (loss)	814	(433)	1,375	(401)
Defined benefit pension plans – actuarial gain (loss)	1	(52)	24	(106)
Foreign currency translation adjustments	(1,220)	(4,339)	(5,009)	(1,663)
Other comprehensive loss	(405)	(4,824)	(3,610)	(2,170)
Comprehensive income	$46,109	$36,660	$79,579	$73,535

See the accompanying notes to the condensed consolidated financial statements.

GARTNER, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited; in thousands)

	Six Months Ended June 30, 2013	2012
Operating activities:		
Net income	$83,189	$75,705
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles	16,855	13,744
Stock-based compensation expense	19,574	18,802
Excess tax benefits from stock-based compensation	(17,114)	(16,728)
Deferred taxes	(1,747)	(3,401)
Amortization and write-off of debt issue costs	1,472	1,008
Changes in assets and liabilities, net of acquisition:		
Fees receivable, net	27,071	30,660
Deferred commissions	8,847	9,726
Prepaid expenses and other current assets	(3,938)	(7,437)
Other assets	(2,528)	(1,845)
Deferred revenues	67,320	46,727
Accounts payable, accrued, and other liabilities	(58,685)	(67,509)
Cash provided by operating activities	140,316	99,452
Investing activities:		
Additions to property, equipment and leasehold improvements	(19,635)	(20,642)
Acquisition (net of cash acquired)	—	(9,509)
Cash used in investing activities	(19,635)	(30,151)
Financing activities:		
Proceeds from stock issued under stock plans	3,355	8,751
Proceeds from debt issuance	201,875	15,088
Payments for debt issuance costs	(3,553)	—
Payments on debt	(201,875)	(15,000)
Purchases of treasury stock	(98,000)	(84,675)
Excess tax benefits from stock-based compensation	17,114	16,728
Cash used by financing activities	(81,084)	(59,108)
Net increase in cash and cash equivalents	39,597	10,193
Effects of exchange rates on cash and cash equivalents	(6,086)	(2,401)
Cash and cash equivalents, beginning of period	299,852	142,739
Cash and cash equivalents, end of period	$333,363	$150,531

See the accompanying notes to the condensed consolidated financial statements.

GARTNER, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 — Business and Basis of Presentation

Business. Gartner, Inc. is a global information technology research and advisory company founded in 1979 with its headquarters in Stamford, Connecticut. Gartner delivers its products and services globally through three business segments: Research, Consulting, and Events. When used in these notes, the terms “Gartner,” “Company,” “we,” “us,” or “our” refer to Gartner, Inc. and its consolidated subsidiaries.

Basis of presentation. The accompanying interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”), as defined in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (“ASC”) Topic 270 for interim financial information and with the applicable instructions of the U.S. Securities & Exchange Commission (“SEC”) Rule 10-01 of Regulation S-X on Form 10-Q and should be read in conjunction with the consolidated financial statements and related notes of the Company filed in its Annual Report on Form 10-K for the year ended December 31, 2012.

The fiscal year of Gartner represents the twelve-month calendar period from January 1 through December 31. In the opinion of management, all normal recurring accruals and adjustments considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented herein have been included. The results of operations for the three and six months ended June 30, 2013 may not be indicative of the results of operations for the remainder of 2013.

Principles of consolidation. The accompanying interim condensed consolidated financial statements include the accounts of the Company and its wholly- and majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of estimates. The preparation of the accompanying interim condensed consolidated financial statements requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, and other long-lived assets, as well as tax accruals and other liabilities. In addition, estimates are used in revenue recognition, income tax expense, performance-based compensation charges, depreciation and amortization, and the allowance for losses. Management believes its use of estimates in these interim condensed consolidated financial statements is reasonable.

Management continuously evaluates and revises its estimates using historical experience and other factors, including the general economic environment and actions it may take in the future. Management adjusts these estimates when facts and circumstances dictate. However, these estimates may involve significant uncertainties and judgments and cannot be determined with precision. In addition, these estimates are based on management’s best judgment at a point in time. As a result, differences between our estimates and actual results could be material and would be reflected in the Company’s consolidated financial statements in future periods.

Adoption of new accounting rules. The Company adopted new accounting rules in the six months ended June 30, 2013 related to accumulated other comprehensive income (see Note 2 — Comprehensive Income) and balance sheet offsetting of receivables and payables arising from derivative contracts (see Note 10 — Derivatives and Hedging). The adoption of these new rules resulted in additional disclosures only.

Note 2 — Comprehensive Income

On January 1, 2013, the Company adopted FASB Accounting Standards Update ("ASU") 2013-2, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, an amendment to FASB ASC Topic 220, Comprehensive Income. ASU 2013-2 requires entities to prospectively disclose additional information about changes in accumulated other comprehensive income ("AOCI') balances by component and items reclassified out of AOCI to income during the period. ASU 2013-2 does not change the existing requirement to present the components of comprehensive income in the financial statements and is intended to improve the transparency of reclassification amounts and their impact on the financial statements. The information required by ASU 2013-2 is presented below.

The changes in AOCI by component (net of tax) for the three and six months ended June 30, 2013 are presented in the following tables (in thousands) (1):

For the three months ended June 30, 2013:

	Interest Rate Swap (Cash Flow Hedge)	Defined Benefit Pension Plans	Foreign Currency Translation Adjustments	Total
Balance – March 31, 2013	$(5,449)	$(1,555)	$9,767	$2,763
Changes during the period:				
Other comprehensive income (loss) before reclassifications	213	—	(1,220)	(1,007)
Reclassifications from AOCI to income (2), (3)	601	1	—	602
Other comprehensive income (loss) for the period	814	1	(1,220)	(405)
Balance – June 30, 2013	$(4,635)	$(1,554)	$8,547	$2,358

For the six months ended June 30, 2013:

	Interest Rate Swap (Cash Flow Hedge)	Defined Benefit Pension Plans	Foreign Currency Translation Adjustments	Total
Balance – December 31, 2012	$(6,010)	$(1,578)	$13,556	$5,968
Changes during the period:				
Other comprehensive income (loss) before reclassifications	207	17	(5,009)	(4,785)
Reclassifications from AOCI to income (2), (3)	1,168	7	—	1,175
Other comprehensive income (loss) for the period	1,375	24	(5,009)	(3,610)
Balance – June 30, 2013	$(4,635)	$(1,554)	$8,547	$2,358

(1) Amounts in parentheses represent debits.

(2) The reclassifications related to the interest rate swap (cash flow hedge) were recorded in Interest expense, net and exclude $0.4 million and $0.8 million of tax benefit reflected in the Provision for income taxes for the three and six months ended June 30, 2013, respectively. See Note 10 – Derivatives and Hedging for information regarding the hedge.

(3) The reclassifications related to defined benefit pension plans were recorded in Selling, general and administrative expense and had an immaterial tax effect. See Note 12 – Employee Benefits for information regarding the Company’s defined benefit pension plans.

Note 3 — Earnings per Share

The following table sets forth the calculations of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Numerator:				
Net income used for calculating basic and diluted earnings per share	$46,514	$41,484	$83,189	$75,705
Denominator:				
Weighted average number of common shares used in the calculation of basic earnings per share	93,574	93,350	93,584	93,383
Common stock equivalents associated with stock-based compensation plans (1)	1,614	2,073	1,842	2,443
Shares used in the calculation of diluted earnings per share	95,188	95,423	95,426	95,826
Basic earnings per share	$0.50	$0.44	$0.89	$0.81
Diluted earnings per share	$0.49	$0.43	$0.87	$0.79

(1) Certain common stock equivalents were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. These shares totaled 0.4 million and 0.7 million for the three months ended June 30, 2013 and 2012, respectively, and 0.3 million and 0.7 million for the six months ended June 30, 2013 and 2012, respectively.

Note 4 — Stock-Based Compensation

The Company grants stock-based compensation awards as an incentive for employees and directors to contribute to the Company's long-term success. The Company currently awards stock-settled stock appreciation rights, service-based and performance-based restricted stock units, and common stock equivalents. At June 30, 2013, the Company had 6.1 million shares of its common stock, par value $.0005 per share (the "Common Stock") available for awards of stock-based compensation under its 2003 Long-Term Incentive Plan.

The Company accounts for stock-based compensation awards in accordance with FASB ASC Topics 505 and 718, as interpreted by SEC Staff Accounting Bulletins No. 107 ("SAB No. 107") and No. 110 ("SAB No. 110"). Stock-based compensation expense is based on the fair value of the award on the date of grant, which is then recognized as expense over the related service period, net of estimated forfeitures. The service period is the period over which the related service is performed, which is generally the same as the vesting period. Currently the Company issues treasury shares upon the exercise, release or settlement of stock-based compensation awards.

Determining the appropriate fair value model and calculating the fair value of stock-based compensation awards requires the input of certain complex and subjective assumptions, including the expected life of the stock compensation awards and the Common Stock price volatility. In addition, determining the appropriate amount of associated periodic expense requires management to estimate the amount of employee forfeitures and the likelihood of the achievement of certain performance targets. The assumptions used in calculating the fair value of stock-based compensation awards and the associated periodic expense represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems

it necessary in the future to modify the assumptions it made or to use different assumptions, or if the quantity and nature of the Company's stock-based compensation awards changes, then the amount of expense may need to be adjusted and future stock-based compensation expense could be materially different from what has been recorded in the current period.

Stock-Based Compensation Expense

The Company recognized the following amounts of stock-based compensation expense by award type and expense category in the periods indicated (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
Award type:	2013	2012	2013	2012
Stock appreciation rights	$1.2	$1.0	$3.0	$2.6
Common stock equivalents	0.1	0.2	0.3	0.3
Restricted stock units	5.9	6.7	16.3	15.9
Total	$7.2	$7.9	$19.6	$18.8

	Three Months Ended June 30,		Six Months Ended June 30,	
Amount recorded in:	2013	2012	2013	2012
Cost of services and product development	$3.2	$3.2	$8.8	$8.6
Selling, general and administrative	4.0	4.7	10.8	10.2
Total stock-based compensation expense (1)	$7.2	$7.9	$19.6	$18.8

(1) Includes charges of $1.7 million and $0.2 million for the three months ended June 30, 2013 and 2012, respectively, for awards to retirement-eligible employees since these awards vest on an accelerated basis. The six months ended June 30, 2013 and 2012 include retirement-eligible charges of $8.8 million and $3.2 million, respectively.

As of June 30, 2013, the Company had $55.4 million of total unrecognized stock-based compensation cost, which is expected to be expensed over the remaining weighted-average service period of approximately 2.5 years.

Stock-Based Compensation Awards

The following disclosures provide information regarding the Company's stock-based compensation awards, all of which are classified as equity awards in accordance with FASB ASC Topic 505:

Stock Appreciation Rights

Stock-settled stock appreciation rights (SARs) permit the holder to participate in the appreciation of the Common Stock. SARs are settled in shares of Common Stock by the employee once the applicable vesting criteria have been met. SARs vest ratably over a four-year service period and expire seven years from the grant date. The fair value of SARs awards is recognized as compensation expense on a straight-line basis over four years. SARs have only been awarded to the Company's executive officers.

When SARs are exercised, the number of shares of Common Stock issued is calculated as follows: (1)the total proceeds from the SARs exercise (calculated as the closing price of the Common Stock on the date of exercise less the exercise price of the SARs, multiplied by the number of SARs exercised) is divided by (2)the closing price of the Common Stock as reported on the New York Stock Exchange on the exercise date. The Company withholds a portion of the shares of Common Stock issued upon exercise to satisfy minimum statutory tax withholding requirements. SARs recipients do not have any stockholder rights until after actual shares of Common Stock are issued in respect of the award, which is subject to the prior satisfaction of the vesting and other criteria relating to such grants.

The following table summarizes changes in SARs outstanding during the six months ended June 30, 2013:

	SARs (in millions)	Per Share Weighted-Average Exercise Price	Per Share Weighted-Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2012	2.0	$24.59	$9.04	4.10 years
Granted	0.4	49.37	14.88	6.62 years
Forfeited	—	—	—	n/a
Exercised	(0.4)	18.80	7.02	n/a
Outstanding at June 30, 2013 (1), (2)	2.0	$30.11	$10.46	4.43 years
Vested and exercisable at June 30, 2013 (2)	1.0	$21.00	$7.98	3.42 years

n/a=not applicable.

(1) As of June 30, 2013, 1.0 million of the SARs outstanding were unvested. The Company expects that substantially all of these unvested awards will vest in future periods.

(2) Total SARs outstanding had an intrinsic value of $53.3 million. SARs vested and exercisable had an intrinsic value of $36.8 million.

The fair value of the SARs was estimated on the date of grant using the Black-Scholes-Merton valuation model with the following weighted-average assumptions:

	Six Months Ended June 30, 2013	2012
Expected dividend yield (1)	— %	— %
Expected stock price volatility (2)	35 %	40 %
Risk-free interest rate (3)	0.8 %	0.8 %
Expected life in years (4)	4.5	4.6

(1) The dividend yield assumption is based on the history and expectation of the Company’s dividend payouts. Historically, Gartner has not paid cash dividends on its Common Stock.

(2) The determination of expected stock price volatility was based on both historical Common Stock prices and implied volatility from publicly traded options in the Common Stock.

(3) The risk-free interest rate is based on the yield of a U.S. Treasury security with a maturity similar to the expected life of the award.

(4) The expected life represents the Company’s weighted-average estimate of the period of time the SARs are expected to be outstanding (defined as the period between the service inception date and the expected exercise date), which is based on historical exercise data.

Restricted Stock Units

Restricted stock units (RSUs) give the awardee the right to receive shares of Common Stock when the vesting conditions are met and the restrictions lapse, and each RSU that vests entitles the awardee to one common share. RSU awardees do not have any of the rights of a Gartner stockholder, including voting rights and the right to receive dividends and distributions, until the shares are released. The fair value of RSUs is determined on the date of grant based on the closing price of the Common Stock as reported by the New York Stock Exchange on that date. Service-based RSUs vest ratably over four years and are expensed on a straight-

line basis over four years. Performance-based RSUs are subject to both performance and service conditions, vest ratably over four years, and are expensed on an accelerated basis.

The following table summarizes the changes in RSUs outstanding during the six months ended June 30, 2013:

	Restricted Stock Units (RSUs) (in millions)	Per Share Weighted Average Grant Date Fair Value
Outstanding at December 31, 2012	2.5	$27.95
Granted (1)	0.6	49.71
Vested and released	(1.3)	22.44
Forfeited	—	—
Outstanding at June 30, 2013 (2), (3)	1.8	$38.65

(1) The 0.6 million RSUs granted in 2013 consisted of 0.3 million performance-based RSUs awarded to executives and 0.3 million service-based RSUs awarded to non-executive employees and certain board members. The 0.3 million performance-based RSUs represents the target amount of the award for the year, which is tied to an increase in the Company's subscription-based Research contract value ("CV") for 2013. The final number of performance-based RSUs that will be granted to executives in 2013 ranges from 0% to 200% of the target amount, with the final number dependent on the actual increase in CV for the year as measured on December 31, 2013. If the specified minimum level of achievement is not met, the performance-based RSUs will be forfeited in their entirety, and any compensation expense previously recorded will be reversed.

(2) The Company expects that substantially all of the outstanding awards will vest in future periods.

(3) The weighted-average remaining contractual term of the outstanding RSUs is approximately 1.5 years.

Common Stock Equivalents

Common stock equivalents (CSEs) are convertible into Common Stock and each CSE entitles the holder to one common share. Members of our Board of Directors receive directors' fees payable in CSEs unless they opt to receive up to 50% of the fees in cash. Generally, the CSEs have no defined term and are converted into common shares when service as a director terminates unless the director has elected an accelerated release. The fair value of the CSEs is determined on the date of grant based on the closing price of the Common Stock as reported by the New York Stock Exchange on that date. CSEs vest immediately and as a result are recorded as expense on the date of grant.

The following table summarizes the changes in CSEs outstanding during the six months ended June 30, 2013:

	Common Stock Equivalents (CSEs)	Per Share Weighted Average Grant Date Fair Value
Outstanding at December 31, 2012	100,545	$16.89
Granted	4,640	56.04
Converted to common shares	(3,741)	56.04

Outstanding at June 30, 2013	101,444	$17.24

Employee Stock Purchase Plan

The Company has an employee stock purchase plan (the “ESP Plan”) under which eligible employees are permitted to purchase Common Stock through payroll deductions, which may not exceed 10% of an employee’s compensation (or a maximum of $23,750

in any calendar year), at a price equal to 95% of the closing price of the Common Stock as reported by the New York Stock Exchange at the end of each offering period.

At June 30, 2013, the Company had 1.2 million shares available for purchase under the ESP Plan. The ESP Plan is considered non-compensatory under FASB ASC Topic 718, and as a result the Company does not record stock-based compensation expense for employee share purchases. The Company received $2.2 million and $2.0 million in cash from purchases under the ESP Plan during the six months ended June 30, 2013 and 2012, respectively.

Note 5 — Segment Information

The Company manages its business through three reportable segments: Research, Consulting and Events. Research consists primarily of subscription-based research products, access to research inquiry, peer networking services, and membership programs. Consulting consists primarily of consulting, measurement engagements, and strategic advisory services. Events consists of various symposia, conferences, and exhibitions.

The Company evaluates reportable segment performance and allocates resources based on gross contribution margin. Gross contribution, as presented in the table below, is defined as operating income excluding certain Cost of services and product development expenses, Selling, general and administrative expense, depreciation, amortization of intangibles, and acquisition and integration charges. Certain bonus and fringe benefit costs included in consolidated Cost of services and product development are not allocated to segment expense. The accounting policies used by the reportable segments are the same as those used by the Company. There are no intersegment revenues.

The Company does not identify or allocate assets, including capital expenditures, by reportable segment. Accordingly, assets are not reported by segment because the information is not available by segment and is not reviewed in the evaluation of segment performance or in making decisions in the allocation of resources.

The following tables present information about the Company's reportable segments (in thousands):

Three Months Ended June 30, 2013	Research	Consulting	Events	Consolidated
Revenues	$311,233	$85,928	$48,886	$446,047
Gross contribution	213,411	33,185	23,114	269,710
Corporate and other expenses				(195,723)
Operating income				$73,987
Three Months Ended June 30, 2012	Research	Consulting	Events	Consolidated
Revenues	$278,302	$76,676	$42,504	$397,482
Gross contribution	189,471	27,906	20,394	237,771
Corporate and other expenses				(175,049)
Operating income				$62,722
Six Months Ended June 30, 2013	Research	Consulting	Events	Consolidated
Revenues	$621,564	$158,561	$72,676	$852,801
Gross contribution	428,625	55,722	30,222	514,569
Corporate and other expenses				(386,577)
Operating income				$127,992

Six Months Ended June 30, 2012	Research	Consulting	Events	Consolidated
Revenues	$552,922	$151,239	$62,492	$766,653
Gross contribution	378,074	55,506	28,289	461,869
Corporate and other expenses				(345,591)
Operating income				$116,278

The following table provides a reconciliation of total segment gross contribution to net income for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Total segment gross contribution	$269,710	$237,771	$514,569	$461,869
Costs and expenses:				
Cost of services and product development - unallocated (1)	1,567	1,536	3,409	2,926
Selling, general and administrative	185,629	165,221	366,107	327,739
Depreciation and amortization	8,421	7,110	16,855	13,744
Acquisition and integration charges	106	1,182	206	1,182
Operating income	73,987	62,722	127,992	116,278
Interest expense and other	2,424	2,229	4,649	5,402
Provision for income taxes	25,049	19,009	40,154	35,171
Net income	$46,514	$41,484	$83,189	$75,705

(1) The unallocated amounts consist of certain bonus and related fringe costs recorded in Consolidated cost of services and product development expense that are not allocated to segment expense. The Company's policy is to only allocate bonus and related fringe charges to segments for up to 100% of the segment employee's target bonus. Amounts above 100% are absorbed by corporate.

Note 6 — Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and identifiable intangible net assets acquired. The evaluation of goodwill is performed in accordance with FASB ASC Topic 350, which requires an annual assessment of potential goodwill impairment at the reporting unit level. A reporting unit can be an operating segment or a business if discrete financial information is prepared and reviewed by management. The Company has three reporting units: Research, Consulting, and Events.

The following table presents changes to the carrying amount of goodwill by reporting unit during the six months ended June 30, 2013 (in thousands):

	Research	Consulting	Events	Total
Balance, December 31, 2012 (1)	$377,225	$100,349	$41,932	$519,506
Foreign currency translation adjustments and other (2)	(2,814)	(529)	(19)	(3,362)
Balance, June 30, 2013	$374,411	$99,820	$41,913	$516,144

(1) The Company does not have any accumulated goodwill impairment losses.

(2) Includes the impact of foreign currency translation and certain immaterial goodwill adjustments.

Amortizable Intangible Assets

The following tables present reconciliations of the carrying amounts of amortizable intangible assets as of the dates indicated (in thousands):

June 30, 2013	Trade Name	Customer Relationships	Content	Software	Total
Gross cost, December 31, 2012	$6,019	$10,562	$3,447	$2,124	$22,152
Foreign currency translation adjustments	—	(334)	9	(4)	(329)
Gross cost	6,019	10,228	3,456	2,120	21,823
Accumulated amortization (1)	(4,172)	(7,126)	(936)	(755)	(12,989)
Balance, June 30, 2013	$1,847	$3,102	$2,520	$1,365	$8,834

December 31, 2012	Trade Name	Customer Relationships	Content	Software	Total
Gross cost	$6,019	$10,562	$3,447	$2,124	$22,152
Accumulated amortization (1)	(3,531)	(5,896)	(497)	(407)	(10,331)
Balance, December 31, 2012	$2,488	$4,666	$2,950	$1,717	$11,821

(1) Intangible assets are being amortized against earnings over the following periods: Trade name—2 to 5 years; Customer relationships—4 years; Content—4 years; Software—3 years.

Aggregate amortization expense related to intangible assets was $1.4 million and $0.9 million for the three months ended June 30, 2013 and 2012, respectively, and $2.7 million and $1.7 million for the six months ended June 30, 2013 and 2012, respectively.

The estimated future amortization expense by year from amortizable intangibles is as follows (in thousands):

2013 (remaining six months)	$2,706
2014	3,531
2015	1,923
2016	674
	$8,834

Note 7 — Debt

2013 Credit Agreement

On March 7, 2013, the Company entered into a new credit arrangement (the "2013 Credit Agreement") with a syndication of banks led by JPMorgan Chase to take advantage of favorable financing conditions and obtain additional liquidity through a larger revolving credit facility. The 2013 Credit Agreement provides for a five-year, $150.0 million term loan and a $600.0 million revolving credit facility. In addition, the 2013 Credit Agreement contains an expansion feature by which the term loan and revolving credit facility may be increased, at the Company's option and under certain conditions, by up to an additional $250.0 million in the aggregate.

The term loan will be repaid in 16 consecutive quarterly installments commencing June 30, 2013, plus a final payment due on March 7, 2018, and may be prepaid at any time without penalty or premium (other than applicable breakage

costs) at the Company's option. The revolving credit facility may be used for loans, and up to $40.0 million may be used for letters of credit. The revolving loans may be borrowed, repaid and re-borrowed until March 7, 2018, at which time all amounts borrowed must be repaid.

On March 7, 2013, the Company drew down $150.0 million from the term loan and $50.0 million from the revolving credit facility which was used to repay amounts outstanding under the Company's prior credit arrangement, which was terminated in connection with the refinancing. Future amounts to be drawn down under the revolving credit facility will be used for general working capital purposes. The Company recorded a charge of $0.3 million for capitalized debt issuance costs related to the termination of the

previous credit arrangement, which was recorded in Interest expense, net in the Condensed Consolidated Statements of Operations. The Company incurred $3.6 million in debt issuance costs related to the new credit facility, which was capitalized and will be amortized to interest expense over the term of the 2013 Credit Agreement.

Amounts borrowed under the 2013 Credit Agreement bear interest at a rate equal to, at Gartner's option, either (i) the greatest of: the Administrative Agent's prime rate; the average rate on overnight federal funds plus 1/2 of 1%; and the Eurodollar rate (adjusted for statutory reserves) plus 1%, in each case plus a margin equal to between 0.25% and 0.75% depending on Gartner's leverage ratio as of the end of the four consecutive fiscal quarters most recently ended, or (ii) the Eurodollar rate (adjusted for statutory reserves) plus a margin equal to between 1.25% and 1.75%, depending on Gartner's leverage ratio as of the end of the four consecutive fiscal quarters most recently ended.

The 2013 Credit Agreement contains certain customary restrictive loan covenants, including, among others, financial covenants requiring a maximum leverage ratio, a minimum interest expense coverage ratio, and covenants limiting Gartner's ability to incur indebtedness, grant liens, make acquisitions, be acquired, dispose of assets, pay dividends, repurchase stock, make capital expenditures, make investments and enter into certain transactions with affiliates. The 2013 Credit Agreement contains customary events of default that include, among others, non-payment of principal, interest or fees, inaccuracy of representations and warranties, violation of covenants, cross defaults to certain other indebtedness, bankruptcy and insolvency events, ERISA defaults, material judgments, and events constituting a change of control. The occurrence of an event of default will increase the applicable rate of interest by 2.0%, allows the lenders to terminate their obligations to lend under the 2013 Credit Agreement and could result in the acceleration of Gartner's obligations under the credit facility and an obligation of any or all of the guarantors to pay the full amount of Gartner's obligations under the credit facility. As of June 30, 2013, the Company was in full compliance with the loan covenants.

The following table provides information regarding the Company's total outstanding borrowings:

Description:	Amount Outstanding June 30, 2013 (In thousands)	Contractual Annualized Interest Rate June 30, 2013		Amount Outstanding December 31, 2012 (In thousands)
Term loans (1)	$148,125	1.65	%	$150,000
Revolver loans (1), (2)	51,875	1.65	%	50,000
Other (3)	5,000	3.00	%	5,000
Total	$205,000			$205,000

(1) Both the term and revolver loan rates consisted of a floating Eurodollar base rate of 0.27% plus a margin of 1.38%. However, the Company has an interest rate swap contract which converts the floating Eurodollar base rate to a 2.26% fixed base rate on the first $200.0 million of Company borrowings (see below). As a result, the Company's effective annual interest rate on the $200.0 million of outstanding debt under the 2013 Credit Facility as of June 30, 2013, including the margin, was 3.64%.

(2) The Company had $544.9 million of available borrowing capacity on the revolver (not including the expansion feature) as of June 30, 2013.

(3) The Company borrowed $5.0 million in December 2012 as part of an economic development program through the State of Connecticut in connection with the Company's renovation of its Stamford headquarters facility. The loan has a 10 year maturity and bears a 3.0% fixed rate of interest. Principal payments are deferred for the first five years and the loan may be repaid at any point by the Company without penalty. The loan has a principal

forgiveness provision in which up to $2.5 million of the loan may be forgiven if the Company meets certain employment targets in the State of Connecticut during the first five years of the loan.

Interest Rate Swap

The Company has a $200.0 million notional fixed-for-floating interest rate swap contract which it designates as a hedge of the forecasted interest payments on the Company's variable rate borrowings. Under the swap terms, the Company pays a base fixed rate of 2.26% and in return receives a floating Eurodollar base rate on $200.0 million of notional borrowings. The Company entered into this swap contract in December 2010 and it matures in September 2015.

The Company accounts for the interest rate swap as a cash flow hedge in accordance with FASB ASC Topic 815. Since the swap is hedging forecasted interest payments, changes in the fair value of the swap are recorded in OCI as long as the swap continues to be a highly effective hedge of the designated interest rate risk. Any ineffective portion of change in the fair value of the hedge is recorded in earnings. The swap continued to be a highly effective hedge of the forecasted interest payments as of June 30, 2013. The interest rate swap had a negative fair value to the Company of $7.7 million and $10.0 million at June 30, 2013 and December 31, 2012, respectively, which is deferred and classified in OCI, net of tax effect.

Letters of Credit

The Company had $10.0 million of letters of credit and related guarantees outstanding at June 30, 2013. The Company enters into these instruments in the ordinary course of business to facilitate transactions with customers and others.

Note 8 — Equity

Share Repurchase Program

The Company has a $500.0 million share repurchase program, of which $142.8 million remained available for share repurchases as of June 30, 2013. Repurchases may be made from time-to-time through open market purchases, private transactions, tender offers or other transactions. The amount and timing of repurchases will be subject to the availability of stock, prevailing market conditions, the market price of the stock, the Company's financial performance and other conditions. Repurchases may also be made from time-to-time in connection with the settlement of the Company's shared-based compensation awards. Repurchases may be funded from operating cash flow or borrowings.

The Company's share repurchase activity is included in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Number of shares repurchased (1)	865,325	184,831	1,842,268	2,164,260
Cost of repurchased shares (in thousands)	$49,472	$7,517	$98,000	$84,674

(1) The average purchase price for the shares was $57.17 and $53.19 for the three and six months ended June 30, 2013 and $40.67 and $39.12 for the three and six months ended June 30, 2012, respectively.

Note 9 — Income Taxes

The provision for income taxes was $25.0 million for the three months ended June 30, 2013 compared to $19.0 million in the three months ended June 30, 2012. The effective tax rate was 35.0% for the three months ended June 30, 2013 and 31.4% for the same period in 2012. The increase in the effective tax rate was primarily due to a change in the estimated annual mix of pre-tax income by jurisdiction as well as the impact of certain state tax credits recognized in the three months ended June 30, 2012.

The provision for income taxes was $40.2 million for the six months ended June 30, 2013 compared to $35.2 million in the six months ended June 30, 2012. The effective tax rate was 32.6% for the six months ended June 30, 2013 and 31.7% for the same period in 2012. The increase in the effective tax rate was primarily due to a change in the estimated annual mix of pre-tax income by jurisdiction and the benefit recognized in 2012 for the impact of state tax credits noted above. These items were partially offset by a benefit recognized in the first half of 2013 for the enactment of The American Taxpayer Relief Act of 2012.

As of June 30, 2013 and December 31, 2012, the Company had gross unrecognized tax benefits of $18.4 million and $17.6 million, respectively. The unrecognized tax benefits relate primarily to the utilization of certain tax attributes. It is reasonably possible that the gross unrecognized tax benefits will decrease by $3.7 million within the next 12 months, due to anticipated closure of audits and the expiration of certain statutes of limitation. The Company classifies uncertain tax positions not expected to be settled within one year as long term liabilities. As of June 30, 2013 and December 31, 2012, the Company had Other liabilities of $14.7 million and $13.1 million, respectively, related to long term uncertain tax positions.

In July 2013 the Internal Revenue Service closed its audit of the Company's federal income tax returns for the 2008 and 2009 tax years. The resolution of the audit did not result in any material adjustments to the Company's consolidated financial statements.

Note 10 — Derivatives and Hedging

The Company enters into a limited number of derivative contracts to offset the potentially negative economic effects of interest rate and foreign exchange movements. The Company accounts for its outstanding derivative contracts in accordance with FASB ASC Topic 815, which requires all derivatives, including derivatives designated as accounting hedges, to be recorded on the balance sheet at fair value. The following tables provide information regarding the Company's outstanding derivatives contracts (in thousands, except for number of outstanding contracts) as of the dates indicated:

June 30, 2013

Derivative Contract Type	Number of Outstanding Contracts	Notional Amounts	Fair Value Asset (Liability), Net (3)	Balance Sheet Line Item	Unrealized Loss Recorded in OCI
Interest rate swap (1)	1	$200,000	$(7,725)	Other liabilities	$(4,635)
Foreign currency forwards (2)	38	24,000	(52)	Accrued Liabilities	—
Total	39	$224,000	$(7,777)		$(4,635)

December 31, 2012

Derivative Contract Type	Number of Outstanding Contracts	Notional Amounts	Fair Value Asset (Liability), Net (3)	Balance Sheet Line Item	Unrealized Loss Recorded in OCI
Interest rate swap (1)	1	$200,000	$(10,000)	Other liabilities	$(6,010)
Foreign currency forwards (2)	68	76,100	4	Current assets	—
Total	69	$276,100	$(9,996)		$(6,010)

(1) This swap has been designated, and is accounted for, as a cash flow hedge of the forecasted interest payments on borrowings (see Note 7 — Debt). As a result, changes in fair value of this swap are deferred and are recorded in OCI, net of tax effect.

(2) The Company has foreign exchange transaction risk since it typically enters into transactions in the normal course of business that are denominated in foreign currencies that differ from the local functional currency. The Company enters into short-term foreign currency forward exchange contracts to offset the economic effects of these foreign currency transaction risks. These contracts are accounted for at fair value with realized and unrealized gains and losses recognized in Other expense, net since the Company does not designate these contracts as hedges for accounting purposes. The majority of the outstanding contracts at June 30, 2013 matured by the end of July 2013.

(3) See Note 11 — Fair Value Disclosures for the determination of the fair value of these instruments.

The Company's derivative counterparties are all large investment grade financial institutions. The Company did not have any collateral arrangements with its derivative counterparties, and none of the derivative contracts contained credit-risk guarantees.

The following table provides information regarding derivative gains and losses that have been recognized in the Condensed Consolidated Statements of Operations for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Amount recorded in:	2013	2012	2013	2012
Interest expense, net (1)	$1,008	$903	$1,947	$1,750
Other expense (income), net (2)	85	(353)	158	(599)
Total expense, net	$1,093	$550	$2,105	$1,151

(1) Consists of interest expense from an interest rate swap contract.

(2) Consists of realized and unrealized gains and losses on foreign currency forward contracts.

Note 11 — Fair Value Disclosures

The Company's financial instruments include cash equivalents, fees receivable from customers, accounts payable, and accruals which are normally short-term in nature. The Company believes the carrying amounts of these financial instruments reasonably approximate their fair value due to their short-term nature. The Company's financial instruments also include its outstanding borrowings. The Company believes the carrying amount of the outstanding borrowings reasonably approximates their fair value since the rate of interest on the borrowings reflect current market rates of interest for similar instruments with comparable maturities.

FASB ASC Topic 820 provides a framework for the measurement of fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of assets and liabilities. Classification within the hierarchy is based upon the lowest level of input that is significant to the resulting fair value measurement. The valuation hierarchy contains three levels. Level 1 measurements consist of quoted prices in active markets for identical assets or liabilities. Level 2 measurements include significant other observable inputs such as quoted prices for similar assets or liabilities in active markets; identical assets or liabilities in inactive markets; observable inputs such as interest rates and yield curves; and other market-corroborated inputs. Level 3 measurements include significant unobservable inputs, such as internally-created valuation models.

The Company has a limited number of assets and liabilities recorded in its Consolidated Balance Sheets that are remeasured to fair value on a recurring basis, and the Company does not currently utilize Level 3 valuation inputs to remeasure any of its assets or liabilities. In addition, the Company typically does not transfer assets or liabilities between different levels of the fair value hierarchy.

The Company's assets and liabilities remeasured to fair value are presented in the following table for the periods indicated (in thousands):

Description:	Fair Value June 30, 2013	Fair Value December 31, 2012
Assets:		
Deferred compensation plan assets (1)	$29,528	$27,795
Foreign currency forward contracts (2)	36	204
	$29,564	$27,999
Liabilities:		
Deferred compensation plan liabilities (1)	$33,093	$31,260
Foreign currency forward contracts (2)	88	200
Interest rate swap contract (3)	7,725	10,000
	$40,906	$41,460

(1) The Company has a deferred compensation plan for the benefit of certain highly compensated employees. The assets consist of investments in money market and mutual funds, and company-owned life insurance contracts, all of which are valued based on Level 1 or Level 2 valuation inputs. The related deferred compensation plan liabilities are recorded at fair value, or the estimated amount needed to settle the liability, which the Company also considers to be based on a Level 2 input.

(2) The Company enters into foreign currency forward exchange contracts to hedge the effects of adverse fluctuations in foreign currency exchange rates. Valuation of the foreign currency forward contracts is based on observable foreign currency exchange rates in active markets, which the Company considers a Level 2 input.

(3) The Company has an interest rate swap contract which hedges the forecasted interest payments on its borrowings (see Note 7 — Debt). To determine the fair value of this over-the-counter financial instrument, the Company relies on a mark-to-market valuation prepared by a third-party broker. The valuation is based on observable interest rates from recently executed market transactions or broker quotes corroborated by other observable market data. Accordingly, the fair value of the swap is determined under a Level 2 input. The Company independently corroborates the reasonableness of the swap valuation prepared by the third-party broker through the use of an electronic quotation service.

Disclosures about Offsetting of Assets and Liabilities

On January 1, 2013, the Company adopted FASB ASU No. 2013-1, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which updates FASB ASU No. 2011-11, Disclosures about Offsetting Assets and Liabilities. These rules require certain disclosures of assets and liabilities resulting from derivative transactions, repurchase agreements, and securities lending arrangements. Among the required disclosures are the gross amounts of assets and liabilities resulting from these transactions, amounts potentially subject to offset under master netting arrangements, and resulting amounts recorded in the balance sheets.

The Company enters into a limited number of derivatives transactions but does not enter into repurchase agreements or securities lending transactions. In addition, the Company does not enter into master netting arrangements and receivables or payables that result from derivatives transactions are recorded gross in the Company's Consolidated Balance Sheets. Information regarding the Company's derivatives contracts and related amounts recorded in the Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012 are included in the fair value table above.

Note 12 — Employee Benefits

Defined Benefit Pension Plans

The Company has defined-benefit pension plans in several of its international locations. Benefits paid under these plans are based on years of service and level of employee compensation. The Company's defined benefit pension plans are accounted for in accordance with FASB ASC Topics 715 and 960. Net periodic pension expense was $0.8 million and $0.7 million for the three months ended June 30, 2013 and 2012, respectively, and $1.6 million and $1.3 million for the six months ended June 30, 2013 and 2012, respectively.

Note 13 — Commitments and Contingencies

Contingencies

The Company is involved in legal proceedings and litigation arising in the ordinary course of business. We believe that the potential liability, if any, in excess of amounts already accrued from all proceedings, claims and litigation will not have a material effect on our financial position, cash flows, or results of operations when resolved in a future period.

The Company has various agreements that may obligate us to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business under which we customarily agree to hold the other party harmless against losses arising from a breach of representations related to such matters as title to assets sold and licensed or certain intellectual property rights. It is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of the Company's obligations and the unique facts of each particular agreement. Historically, payments made by us under these agreements have not been material. As of June 30, 2013, the Company did not have any indemnification agreements that could require material payments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of the following Management's Discussion and Analysis ("MD&A") is to help facilitate the understanding of significant factors influencing the quarterly operating results, financial condition and cash flows of Gartner, Inc. Additionally, the MD&A also conveys our expectations of the potential impact of known trends, events or uncertainties that may impact future results. You should read this discussion in conjunction with our condensed consolidated financial statements and related notes included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 10-K"). Historical results and percentage relationships are not necessarily indicative of operating results for future periods. References to "Gartner," "the Company," "we," "our," and "us" in this MD&A are to Gartner, Inc. and its consolidated subsidiaries.

Forward-Looking Statements

In addition to historical information, this Quarterly Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are any statements other than statements of historical fact, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. In some cases, forward-looking statements can be identified by the use of words such as "may," "will," "expect," "should," "could," "believe," "plan," "anticipate," "estimate," "predict," "potential," "continue," or other words of similar meaning.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in, or implied by, the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Factors That May Affect Future Performance" and elsewhere in this Quarterly Report and in the 2012 10-K. Readers should not place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date on which they were made. Except as required by law, we disclaim any obligation to review or update these forward-looking statements to reflect events or circumstances as they occur. Readers should review carefully any risk factors described in the 2012 10-K.

BUSINESS OVERVIEW

Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. We deliver the technology-related insight necessary for our clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to supply chain professionals and technology investors, we are the valuable partner to clients in over 13,315 distinct organizations. We work with clients to research, analyze and interpret the business of IT within the context of their individual roles. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, U.S.A., and as of June 30, 2013, we had 5,744 associates, including 1,457 research analysts and consultants, and clients in 85 countries.

The foundation for all Gartner products and services is our independent research on IT and supply chain issues. The findings from this research are delivered through our three business segments — Research, Consulting and Events:

- Research provides objective insight on critical and timely technology and supply chain initiatives for CIOs, other IT professionals, supply chain leaders, technology companies and the investment community through reports, briefings, proprietary tools, access to our analysts, peer networking services and membership programs that enable our clients to make better decisions about their IT and supply chain investments.

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Consulting provides customized solutions to unique client needs through on-site, day-to-day support, as well as proprietary tools for measuring and improving IT performance with a focus on cost, performance, efficiency, and quality.

- Events provide IT, supply chain and business professionals the opportunity to attend various symposia, conferences and exhibitions to learn, contribute and network with their peers. From our flagship event Symposium/ITxpo, to summits focused on specific technologies and industries, to experimental workshop-style seminars, our events distill the latest Gartner research into applicable insight and advice.

For more information regarding Gartner and our products and services, visit www.gartner.com.

BUSINESS MEASUREMENTS

We believe the following business measurements are important performance indicators for our business segments:

BUSINESS SEGMENT	BUSINESS MEASUREMENTS
Research	Contract value represents the value attributable to all of our subscription-related research products that recognize revenue on a ratable basis. Contract value is calculated as the annualized value of all subscription research contracts in effect at a specific point in time, without regard to the duration of the contract.
	Client retention rate represents a measure of client satisfaction and renewed business relationships at a specific point in time. Client retention is calculated on a percentage basis by dividing our current clients, who were also clients a year ago, by all clients from a year ago.
	Wallet retention rate represents a measure of the amount of contract value we have retained with clients over a twelve-month period. Wallet retention is calculated on a percentage basis by dividing the contract value of clients, who were clients one year earlier, by the total contract value from a year earlier, excluding the impact of foreign currency exchange. When wallet retention exceeds client retention, it is an indication of retention of higher-spending clients, or increased spending by retained clients, or both.
Consulting	Consulting backlog represents future revenue to be derived from in-process consulting, measurement and strategic advisory services engagements.
	Utilization rate represents a measure of productivity of our consultants. Utilization rates are calculated for billable headcount on a percentage basis by dividing total hours billed by total hours available to bill.
	Billing Rate represents earned billable revenue divided by total billable hours.
	Average annualized revenue per billable headcount represents a measure of the revenue generating ability of an average billable consultant and is calculated periodically by multiplying the average billing rate per hour times the utilization percentage times the billable hours available for one year.
Events	Number of events represents the total number of hosted events completed during the period.
	Number of attendees represents the total number of people who attend events.

EXECUTIVE SUMMARY OF OPERATIONS AND FINANCIAL POSITION

We have executed a consistent growth strategy since 2005 to drive double-digit revenue and earnings growth. The fundamentals of our strategy are to create extraordinary research insight, deliver innovative and highly differentiated product offerings, build a strong sales capability, provide world class client service with a focus on client engagement and retention, and continuously improve our operational effectiveness.

We had total revenues of $446.0 million in the second quarter of 2013, an increase of 12% compared to the second quarter of 2012 on a reported basis and 13% adjusted for foreign exchange impact. Revenues increased by double-digits in all three of our business segments. For a more complete discussion of our results by segment, see Segment Results below. We had net income of $46.5 million in the second quarter of 2013, an increase of 12% compared to second quarter 2012. Diluted earnings per share was $0.49 per share in second quarter of 2013 compared to $0.43 in second quarter 2012.

Our operating cash flow increased 41%, to $140.3 million, for the first half of 2013 compared to first half 2012, and we had $333.4 million of cash and cash equivalents at June 30, 2013. We believe that our liquidity is adequate to fund our current plans. We continue to enhance shareholder value through our share repurchase plan, and during the first half of 2013 we repurchased 1.8 million shares of our Common Stock for a total cost of $98.0 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires the application of appropriate accounting policies and the use of estimates. Our significant accounting policies are described in Note 1 in the Notes to Consolidated Financial Statements of Gartner, Inc. contained in the 2012 10-K. Management considers the policies discussed below to be critical to an understanding of our financial statements because their application requires complex and subjective management judgments and estimates. Specific risks for these critical accounting policies are also described below.

The preparation of our financial statements requires us to make estimates and assumptions about future events. We develop our estimates using both current and historical experience, as well as other factors, including the general economic environment and actions we may take in the future. We adjust such estimates when facts and circumstances dictate. However, our estimates may involve significant uncertainties and judgments and cannot be determined with precision. In addition, these estimates are based on our best judgment at a point in time and as such these estimates may ultimately differ materially from actual results. Also, on-going changes in our estimates could be material and would be reflected in the Company's consolidated financial statements in future periods.

Our critical accounting policies are as follows:

Revenue recognition — Revenue is recognized in accordance with the requirements of U.S. GAAP as well as SEC Staff Accounting Bulletins No. 101, Revenue Recognition in Financial Statements ("SAB 101"), and SEC Staff Accounting Bulletin No. 104, Revenue Recognition ("SAB 104"). Revenue is only recognized once all required criteria for revenue recognition have been met. Revenue by significant source is accounted for as follows:

- Research revenues are derived from subscription contracts for research products and are deferred and recognized ratably over the applicable contract term. Fees from research reprints are recognized when the reprint is delivered.

- Consulting revenues are principally generated from fixed fee and time and material engagements. Revenues from fixed fee contracts are recognized on a proportional performance basis. Revenues from time and materials engagements are recognized as work is delivered and/or services are provided. Revenues related to contract optimization contracts are contingent in nature and are only recognized upon satisfaction of all conditions related to their payment.

- Events revenues are deferred and recognized upon the completion of the related symposium, conference or exhibition.

The majority of research contracts are billable upon signing, absent special terms granted on a limited basis from time to time. All research contracts are non-cancelable and non-refundable, except for government contracts that may have cancellation or fiscal funding clauses. It is our policy to record the entire amount of the contract that is billable as a fee receivable at the time the contract is signed with a corresponding amount as deferred revenue, since the contract represents a legally enforceable claim.

Uncollectible fees receivable — We maintain an allowance for losses which is composed of a bad debt allowance and a sales reserve. Provisions are charged against earnings, either as a reduction in revenues or an increase to expense. The measurement of likely and probable losses and the allowance for losses is based on historical loss experience, aging of outstanding receivables, an assessment of current economic conditions and the financial health of specific clients. This evaluation is inherently judgmental and requires estimates. These valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectability of fees receivable becomes available. Circumstances

that could cause our valuation reserves to increase include changes in our clients' liquidity and credit quality, other factors negatively impacting our clients' ability to pay their obligations as they come due, and the effectiveness of our collection efforts.

The following table provides our total fees receivable, along with the related allowance for losses, as of the date indicated (in thousands):

	June 30, 2013	December 31, 2012
Total fees receivable	$438,311	$470,368
Allowance for losses	(6,300)	(6,400)
Fees receivable, net	$432,011	$463,968

Goodwill and other intangible assets — Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and identifiable intangible net assets acquired. Goodwill is not amortized against earnings, but is periodically evaluated for impairment in accordance with FASB ASC Topic 350, which requires goodwill to be assessed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In addition, an impairment evaluation of our amortizable intangible assets may also be performed on a periodic basis should events or circumstances indicate potential impairment. If we determine that the fair value of a reporting unit or an intangible asset is less than its related carrying amount, we must recognize an impairment charge against earnings. Among the factors we consider important that could trigger an impairment review are the following:

- Significant under-performance relative to historical or projected future operating results;

- Significant changes in the manner of our use of acquired assets or the strategy for our overall business;

- Significant negative industry or general economic trends;

- Significant decline in our stock price for a sustained period; and

- Our market capitalization relative to net book value.

The determination of the estimated fair value of our reporting units, whether based on a quantitative or qualitative assessment, contains judgments and assumptions regarding future trends and events, with both the precision and reliability of the resulting estimates subject to uncertainty. As a result, if the Company deems it necessary in the future to modify its judgments and assumptions, or if actual results are materially different from our expectations, then the estimated reporting unit values could change, potentially resulting in goodwill impairment charges in future periods.

Accounting for income taxes — As we prepare our consolidated financial statements, we estimate our income taxes in each of the jurisdictions where we operate. This process involves estimating our current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We record a valuation allowance to reduce our deferred tax assets when future realization is in question. We consider the availability of loss carryforwards, existing deferred tax liabilities, future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event we determine that we are able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment is made to reduce the valuation allowance and increase income in the period such determination is made. Likewise, if we determine that we will not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the valuation allowance is charged against income in the period such determination is made.

Accounting for stock-based compensation — The Company accounts for stock-based compensation in accordance with FASB ASC Topics 505 and 718, as interpreted by SEC Staff Accounting Bulletins No. 107 (“SAB No. 107”) and No. 110 (“SAB No. 110”). The Company recognizes stock-based compensation expense, which is based on the fair value of the award on the date of grant, over the related service period, net of estimated forfeitures (see Note 4 — Stock-Based Compensation in the Notes to the Condensed Consolidated Financial Statements).

Determining the appropriate fair value model and calculating the fair value of stock-based compensation awards requires the input of certain complex and subjective assumptions, including the expected life of the stock-based compensation awards and the Company's Common Stock price volatility. In addition, determining the appropriate amount of associated periodic expense requires management to estimate the rate of employee forfeitures and the likelihood of the achievement of certain performance targets. The assumptions used in calculating the fair value of stock-based compensation awards and the associated periodic expense represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and the Company deems it necessary in the future to modify the assumptions it made or to use different assumptions, or if the quantity and nature of the Company's stock-based compensation awards changes, then the amount of periodic

stock-based compensation expense may need to be adjusted which could be materially different from what has been recorded in the current period.

Restructuring and other accruals — We may record accruals for severance costs, costs associated with excess facilities that we have leased, contract terminations, asset impairments, the integration of acquired businesses, and other costs as a result of on-going actions we undertake to streamline our organization, reposition certain businesses and reduce ongoing costs, or acquire other companies. Estimates of costs to be incurred to complete these actions, such as future lease payments, sublease income, the fair value of assets, and severance and related benefits, are based on assumptions at the time the actions are initiated. These accruals may need to be adjusted to the extent actual costs differ from such estimates. In addition, these actions may be revised due to changes in business conditions that we did not foresee at the time such plans were approved. We also record accruals during the year for our various employee cash incentive programs. Amounts accrued at the end of each reporting period are based on our estimates and may require adjustment as the ultimate amount paid for these incentives are sometimes not known with certainty until the end of our fiscal year.

RESULTS OF OPERATIONS

Overall Results

The following tables summarize the changes in selected income and expense lines in our interim Condensed Consolidated Statements of Operations for the periods indicated (in thousands):

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Income Increase (Decrease) $	Increase (Decrease) %
Total revenues	$446,047	$397,482	$48,565	12 %
Costs and expenses:				
Cost of services and product development	177,904	161,247	(16,657)	(10)
Selling, general and administrative	185,629	165,221	(20,408)	(12)
Depreciation	7,017	6,182	(835)	(14)
Amortization of intangibles	1,404	928	(476)	(51)
Acquisition and integration charges	106	1,182	1,076	91
Operating income	73,987	62,722	11,265	18
Interest expense, net	(2,144)	(2,153)	9	—
Other expense, net	(280)	(76)	(204)	>(100)
Provision for income taxes	25,049	19,009	(6,040)	(32)
Net income	$46,514	$41,484	$5,030	12 %

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Income Increase (Decrease) $	Increase (Decrease) %
Total revenues	$852,801	$766,653	$86,148	11 %
Costs and expenses:				
Cost of services and product development	341,641	307,710	(33,931)	(11)
Selling, general and administrative	366,107	327,739	(38,368)	(12)
Depreciation	14,117	12,077	(2,040)	(17)
Amortization of intangibles	2,738	1,667	(1,071)	(64)
Acquisition and integration charges	206	1,182	976	83
Operating income	127,992	116,278	11,714	10
Interest expense, net	(4,580)	(4,348)	(232)	(5)
Other expense, net	(69)	(1,054)	985	93
Provision for income taxes	40,154	35,171	(4,983)	(14)
Net income	$83,189	$75,705	$7,484	10 %

Total revenues for the three months ended June 30, 2013 increased $48.6 million, or 12%, compared to the same quarter in 2012, with double-digit revenue increases in all three of our business units. Excluding the impact of foreign currency translation, quarterly revenues increased 13%. For the six month periods, total revenues increased to $852.8 million in 2013, an 11% increase over 2012, or 12% excluding the impact of foreign currency translation. Please refer to the section of this MD&A below entitled “Segment Results” for a discussion of revenues and results by segment.

Cost of services and product development increased $16.7 million, or 10%, in the second quarter of 2013 compared to the second quarter of 2012. The increase was primarily due to $14.0 million in higher payroll and related benefits costs due to increased

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headcount and merit salary increases. We also had $2.5 million in additional conference expense as the number of events increased in the 2013 quarter. These increased expenses were partially offset by the favorable impact of foreign currency translation. Cost of services and product development as a percentage of revenues was 40% and 41% for the second quarter of 2013 and 2012, respectively.

For the six month periods, Cost of services and product development expense increased $33.9 million, or 11%, in 2013 compared to the same period in 2012. Consistent with the quarterly increase, the additional charge was primarily due to higher payroll and benefit costs due to increased headcount and merit salary increases, and to a lesser extent, higher conference expenses. These increases were partially offset by favorable currency impact. Cost of services and product development as a percentage of revenues was 40% for both six month periods.

Selling, general and administrative ("SG&A") expense increased $20.4 million, or 12% quarter-over-quarter. The increase was primarily due to higher payroll and related benefits costs, which was partially offset by favorable foreign currency impact. The higher payroll costs resulted from additional headcount, higher sales commissions, and merit salary increases. The increased headcount includes our investment in additional quota-bearing sales associates, which increased 14%, to 1,549 at June 30, 2013. SG&A expense increased 12%, or $38.4 million, in the six months ended June 30, 2013 compared to the same period in the prior year. Consistent with the quarter increase, the additional charges were primarily driven by higher payroll costs.

Depreciation expense increased 14% and 17% in the three and six months ended June 30, 2013, respectively, compared to the same periods in 2012 due to two renovated buildings on our Stamford headquarters campus being placed into service.

Amortization of intangibles increased in both the three and six months ended June 30, 2013 compared to the same periods in 2012 due to the addition of intangibles from the mid-year 2012 acquisition of Ideas International Limited.

Acquisition and integration charges relate to the acquisition of Ideas International Limited in 2012 and include legal, consulting, severance, and other costs.

Operating income increased $11.3 million, or 18%, quarter-over-quarter. Operating income as a percentage of revenues increased by 1 point quarter-over-quarter, to 17% in the second quarter of 2013 compared to 16% in the second quarter of 2012, primarily due to a higher segment contribution in Research and to a lesser extent, higher contributions in both Consulting and Events. For the six month periods, operating income increased $11.7 million, or 10%. As a percentage of revenues, operating income was 15% for both six month periods.

Interest expense, net was flat quarter-over-quarter. For the six month periods, interest expense, net increased 5% in the 2013 period, which was primarily due to $0.3 million in write-offs of capitalized debt issuance costs related to our debt refinancing.

Other expense, net consisted of net foreign currency exchange gains and losses.

Provision for income taxes was $25.0 million for the three months ended June 30, 2013 compared to $19.0 million in the three months ended June 30, 2012. The effective tax rate was 35.0% for the three months ended June 30, 2013 and 31.4% for the same period in 2012. The increase in the effective tax rate was primarily due to a change in the estimated annual mix of pre-tax income by jurisdiction as well as the impact of certain state tax credits recognized in the three months ended June 30, 2012.

Provision for income taxes was $40.2 million for the six months ended June 30, 2013 compared to $35.2 million in the six months ended June 30, 2012. The effective tax rate was 32.6% for the six months ended June 30, 2013 and 31.7%

for the same period in 2012. The increase in the effective tax rate was primarily due to a change in the estimated annual mix of pre-tax income by jurisdiction and the benefit recognized in 2012 for the impact of state tax credits noted above. These items were partially offset by a benefit recognized in the first half of 2013 for the enactment of The American Taxpayer Relief Act of 2012.

Net income increased 12% quarter-over-quarter while diluted earnings per share increased by 14%, due to the higher net income and a slightly lower number of weighted-average shares outstanding. For the six month periods, net income increased 10% while diluted earnings per share also increased 10%, again primarily due to the higher net income.

SEGMENT RESULTS

We evaluate reportable segment performance and allocate resources based on gross contribution margin. Gross contribution is defined as operating income excluding certain Cost of services and product development charges, SG&A expenses, Depreciation,

Acquisition and integration charges, and Amortization of intangibles. Gross contribution margin is defined as gross contribution as a percentage of revenues.

The following sections present the results of our three business segments:

Research

	As Of And For The Three Months Ended June 30, 2013		As Of And For The Three Months Ended June 30, 2012		Increase (Decrease)	Percentage Increase (Decrease)		As Of And For The Six Months Ended June 30, 2013		As Of And For The Six Months Ended June 30, 2012		Increase (Decrease)	Percentage Increase (Decrease)	
Financial Measurements:														
Revenues (1)	$311,233		$278,302		$32,931	12	%	$621,564		$552,922		$68,642	12	%
Gross contribution (1)	$213,411		$189,471		$23,940	13	%	$428,625		$378,074		$50,551	13	%
Gross contribution margin	69	%	68	%	1 point	—		69	%	68	%	1 point	—	
Business Measurements:														
Contract value (1)	$1,293,027		$1,141,461		$151,566	13	%							
Client retention	82	%	83	%	(1) point	—								
Wallet retention	97	%	99	%	(2) points	—								

(1) Dollars in thousands.

Research segment revenues increased 12% quarter-over-quarter. The impact of foreign currency translation was not significant. The segment gross contribution margin increased by 1 point, to 69%, due to the higher revenues and the operating leverage in this business. When comparing the six month periods, revenues increased 12% in 2013, and 13% adjusted for the impact of foreign exchange. The segment gross contribution increased 1 point when comparing the 2013 to 2012, again due to the higher revenues and the operating leverage in this business.

Research contract value at June 30, 2013 increased 13% compared to June 30, 2012 with only a minimal impact from foreign currency translation. Contract value increased across all of the Company's client sizes and sales regions. At June 30, 2013, client retention was 82% and wallet retention was 97%.

Consulting

	As Of And For The Three Months Ended June 30, 2013	As Of And For The Three Months Ended June 30, 2012	Increase (Decrease)	Percentage Increase (Decrease)		As Of And For The Six Months Ended June 30, 2013	As Of And For The Six Months Ended June 30, 2012	Increase (Decrease)	Percentage Increase (Decrease)	
Financial Measurements:										
Revenues (1)	$85,928	$76,676	$ 9,252	12	%	$158,561	$151,239	$7,322	5	%
Gross contribution (1)	$33,185	$27,906	$ 5,279	19	%	$55,722	$55,506	$216	—	%

Gross contribution margin	39	%	36	%	3 points	—		35	%	37	%	(2) points	—	
Business Measurements:														
Backlog (1)	$93,954		$93,100		$ 854	1	%							
Billable headcount	518		481		37	8	%							
Consultant utilization	68	%	67	%	1 point	—		66	%	68	%	(2) points	—	
Average annualized revenue per billable headcount (1)	$428		$425		$ 3	1	%	$416		$431		$(15)	(3	)%

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(1) Dollars in thousands.

Consulting revenues increased $9.3 million, or 12%, quarter-over-quarter and 13% excluding the unfavorable impact of foreign exchange. The increase was primarily due to higher revenues in both the contract optimization business and core consulting. The gross contribution margin improved by 3 points, driven by higher revenues in the contract optimization business and to a lesser extent, in core consulting.

For the six month periods, Consulting revenues increased 5% in 2013, due to higher contract optimization and core consulting revenues, which were partially offset by lower strategic advisory (SAS) revenues. Excluding the unfavorable impact of foreign currency translation, Consulting revenues increased 6% in 2013. The gross contribution margin declined by 2 points, primarily due to lower consultant utilization and additional headcount. Backlog was $94.0 million at June 30, 2013, an increase of 1% compared to June 30, 2012.

Events

	As Of And For The Three Months Ended June 30, 2013	As Of And For The Three Months Ended June 30, 2012	Increase (Decrease)	Percentage Increase (Decrease)	As Of And For The Six Months Ended June 30, 2013	As Of And For The Six Months Ended June 30, 2012	Increase (Decrease)	Percentage Increase (Decrease)
Financial Measurements:								
Revenues (1)	$48,886	$42,504	$6,382	15 %	$72,676	$62,492	$10,184	16 %
Gross contribution (1)	$23,114	$20,394	$2,720	13 %	$30,222	$28,289	$1,933	7 %
Gross contribution margin	47 %	48 %	(1) point	—	42 %	45 %	(3) points	—
Business Measurements:								
Number of events	25	21	4	19 %	37	34	3	9 %
Number of attendees	12,098	12,540	(442)	(4)%	17,886	18,247	(361)	(2)%

(1) Dollars in thousands.

Events revenues increased 15% quarter-over-quarter, or $6.4 million. The impact of foreign currency translation was not significant. The 25 events held in the second quarter of 2013 consisted of 17 ongoing events, 4 new event launches and 4 events moved in to the quarter. Three events held in the second quarter of 2012 were moved to another quarter in 2013, while one was discontinued. Approximately $4.0 million of the revenue increase was due to the ongoing events, $2.0 million for the event launches, and $0.4 million for the events moved into the quarter on a net basis. The overall number of attendees declined slightly and exhibitors increased 23%, while average revenue per attendee increased 16% and average revenue per exhibitor declined 3%. The gross contribution margin decreased 1 point, primarily due to lower contributions from the event launches, which had lower margins than the events moved to another quarter. New events typically have lower profitability in their early years.

For the six month periods, Events revenues increased $10.2 million in 2013 when compared to 2012, or 16%, primarily due to higher revenues from our ongoing events. Adjusted for the unfavorable impact of foreign currency translation, revenues increased 17%. The 37 events held through June 30, 2013 consisted of 31 ongoing events, 4 new

event launches, and two events moved in. Overall, we had a slight decrease in the number of attendees but a 21% increase in the number of exhibitors. Average revenue increased 17% for attendees but declined slightly for exhibitors. The gross contribution margin decreased 3 points due to a number of factors, including higher operating expenses from several events that were upgraded or moved to large facilities.

LIQUIDITY AND CAPITAL RESOURCES

We finance our operations primarily through cash generated from our on-going operating activities. At June 30, 2013, we had $333.4 million of cash and cash equivalents and $544.9 million of available borrowing capacity under our revolving credit facility (without the expansion feature). Our cash and cash equivalents are held in numerous locations throughout the world, with approximately 60% held outside the United States at June 30, 2013. We believe that we have adequate liquidity and that the cash

we expect to earn from our on-going operating activities, our existing cash balances, and the borrowing capacity we have under our revolving credit facility will be sufficient for our currently anticipated needs.

The following table summarizes the changes in the Company's cash and cash equivalents (in thousands):

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Cash Increase (Decrease)
Cash provided by operating activities	$140,316	$99,452	$40,864
Cash used in investing activities	(19,635)	(30,151)	10,516
Cash used by financing activities	(81,084)	(59,108)	(21,976)
Net decrease in cash and cash equivalents	39,597	10,193	29,404
Effects of exchange rates	(6,086)	(2,401)	(3,685)
Beginning cash and cash equivalents	299,852	142,739	157,113
Ending cash and cash equivalents	$333,363	$150,531	$182,832

Operating

Operating cash flow increased by $40.9 million, or 41%, when comparing the six months ended June 30, 2013 to the same period in 2012. The increase was primarily due to earlier collections and the higher net income, as well as other positive working capital changes. These increases were partially offset by higher cash payments for bonus and commissions.

Investing

Cash used in our investing activities decreased by $10.5 million when comparing the six months ended June 30, 2013 to June 30, 2012. The decrease was primarily due to the $9.5 million of cash used in the 2012 period for the acquisition of Ideas International.

Financing

We used $81.1 million of cash in our financing activities in the six months ended June 30, 2013 period compared to $59.1 million in the same period in 2012, an increase in cash used of $22.0 million, primarily due to additional cash used for share repurchases, which totaled $98.0 million in the 2013 period compared to $84.7 million in 2012. We also had lower cash proceeds realized from option exercises and our ESPP plan in the 2013 period.

OBLIGATIONS AND COMMITMENTS

2013 Credit Agreement

The Company has a five-year credit arrangement that it entered into in March 2013 that provides for a $150.0 million term loan and a $600.0 million revolving credit facility (the "2013 Credit Agreement"). Under the revolving credit facility, amounts may be borrowed, repaid, and re-borrowed through the maturity date of the agreement in March 2018. The credit arrangement contains an expansion feature by which the term loan and revolving credit facility may be increased, at the Company's option and under certain conditions, up to an additional $250.0 million in the aggregate. The Company had $200.0 million outstanding under the 2013 Credit Agreement as of June 30, 2013, which included $148.1 million outstanding under the term loan and $51.9 million outstanding under the revolver.

The term loan will be repaid in 16 consecutive quarterly installments which commenced on June 30, 2013, plus a final payment due on March 7, 2018, and may be prepaid at any time without penalty or premium at the Company's option. The revolving credit facility may be used for loans, and up to $40.0 million may be used for letters of credit. The revolving loans may be borrowed, repaid and re-borrowed until March 7, 2018, at which time all amounts borrowed must be repaid. See Note 7 — Debt herein in the Notes to the Condensed Consolidated Financial Statements for additional information regarding the 2013 Credit Agreement.

Off-Balance Sheet Arrangements

Through June 30, 2013, we have not entered into any off-balance sheet arrangements or transactions with unconsolidated entities or other persons.

BUSINESS AND TRENDS

Our quarterly and annual revenues, operating income, and cash flows fluctuate as a result of many factors, including: the timing of our Symposium/ITxpo series that normally occurs during the fourth calendar quarter, as well as our other events; the amount of new business generated; the mix of domestic and international business; domestic and international economic conditions; changes in market demand for our products and services; changes in foreign currency rates; the timing of the development, introduction and marketing of new products and services; competition in the industry; the payment of performance compensation; and other factors. The potential fluctuations in our operating income could cause period-to-period comparisons of operating results not to be meaningful and could provide an unreliable indication of future operating results.

FACTORS THAT MAY AFFECT FUTURE PERFORMANCE

We operate in a very competitive and rapidly changing environment that involves numerous risks and uncertainties, some of which are beyond our control. A description of the risk factors associated with our business is included under "Risk Factors" contained in Item 1A. of our 2012 Annual Report on Form 10-K which is incorporated herein by reference.

RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting rules issued by the various U.S. standard setting and governmental authorities that have not yet become effective and may impact our Consolidated Financial Statements in future periods are described below, together with our assessment of the potential impact they may have on our Consolidated Financial Statements and related disclosures in future periods:

In March 2013, the FASB issued ASU No. 2013-05, Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. ASU No. 2013-05 provides updated guidance to resolve diversity in practice concerning the release of the cumulative foreign currency translation adjustment into net income when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. When a company ceases to have a controlling financial interest in a subsidiary within a foreign entity, the company should recognize any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary had resided. Upon the partial sale of an equity method investment that is a foreign entity, the company should release into earnings a pro rata portion of the cumulative translation adjustment. Upon the partial sale of an equity method investment that is not a foreign entity, the company should release into earnings the cumulative translation adjustment if the partial sale represents a complete or substantially complete liquidation of the foreign entity that holds the equity method investment.

ASU No. 2013-05 is effective for the Company's quarter ending March 31, 2014. The adoption of this guidance is not expected to have a material effect on the Company's results of operations, financial position or liquidity.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

We have exposure to changes in interest rates arising from borrowings under our 2013 Credit Agreement. At June 30, 2013, we had $148.1 million outstanding under the term loan and $51.9 million outstanding under the revolver. Borrowings under this facility are floating rate, which may be either prime-based or Eurodollar-based. The rate paid for these borrowings includes a base floating rate plus a margin between 0.25% and 0.75% on prime borrowings and between 1.25% and 1.75% on Eurodollar-based borrowings.

We have an interest rate swap contract which effectively converts the floating base rate on the first $200.0 million of our borrowings to a 2.26% fixed rate. The Company only hedges the base interest rate risk on the first $200.0 million of its outstanding borrowings. Accordingly, we are exposed to interest rate risk on borrowings in excess of $200.0 million. A 25 basis point increase or decrease in interest rates would change pre-tax annual interest expense on the additional revolver borrowing capacity under the 2013 Credit Agreement (not including the expansion feature) by approximately $1.4 million.

FOREIGN CURRENCY RISK

We have customers in numerous countries, and 46% of our revenues for the fiscal year ended December 31, 2012 were derived from sales outside of the U.S. As a result, we conduct business in numerous currencies other than the U.S dollar. Among the major foreign currencies in which we conduct business are the Euro, the British Pound, the Japanese Yen, the Australian dollar, and the Canadian dollar. Our foreign currency exposure results in both translation risk and transaction risk:

Translation Risk

We are exposed to foreign currency translation risk since the functional currencies of our foreign operations are generally denominated in the local currency. Translation risk arises since the assets and liabilities that we report for our foreign subsidiaries are translated into U.S. dollars at the exchange rates in effect at the balance sheet dates, and these exchange rates fluctuate over time. These foreign currency translation adjustments are deferred and are recorded as a component of stockholders’ equity and do not impact our operating results.

A measure of the potential impact of foreign currency translation on our Condensed Consolidated Balance Sheets can be determined through a sensitivity analysis of our cash and cash equivalents. At June 30, 2013, we had $333.4 million of cash and cash equivalents, a substantial portion of which was denominated in foreign currencies. If the foreign exchange rates of the major currencies in which we operate changed in comparison to the U.S. dollar by 10%, the amount of cash and cash equivalents we would have reported on June 30, 2013, could have increased or decreased by approximately $16.0 million.

Because our foreign subsidiaries generally operate in a local functional currency that differs from the U.S. dollar, revenues and expenses in these foreign currencies translate into higher or lower revenues and expenses in U.S. dollars as the U.S. dollar continuously weakens or strengthens against these other currencies. Therefore, changes in exchange rates may affect our consolidated revenues and expenses (as expressed in U.S. dollars) from foreign operations. Historically, this impact on our consolidated earnings has not been material since foreign currency movements in the major currencies in which we operate tend to impact our revenues and expenses fairly equally.

Transaction Risk

We have foreign exchange transaction risk since we typically enter into transactions in the normal course of business that are denominated in foreign currencies that differ from the local functional currency in which the foreign subsidiary operates. We typically enter into foreign currency forward exchange contracts to offset the effects of foreign currency transaction risk. These contracts are normally short term in duration and unrealized and realized gains and losses are recognized in current period earnings. At June 30, 2013, we had 38 outstanding foreign currency forward contracts with a total notional amount of $24.0 million and an immaterial net unrealized loss. Most of these outstanding contracts matured by the end of July 2013.

CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of short-term, highly liquid investments classified as cash equivalents, accounts receivable, and interest rate swap contracts. The majority of the Company’s cash and cash equivalents, its interest rate swap contract, and its foreign exchange contracts are with large investment

grade commercial banks that are participants in the Company's 2013 Credit Agreement. Accounts receivable balances deemed to be collectible from customers have limited concentration of credit risk due to our diverse customer base and geographic dispersion.

ITEM 4. CONTROLS AND PROCEDURES

We have established disclosure controls and procedures that are designed to ensure that the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported in a timely manner. Specifically, these controls and procedures ensure that the information is accumulated and communicated to our executive management team, including our chief executive officer and our chief financial officer, to allow timely decisions regarding required disclosure.

Management conducted an evaluation, as of June 30, 2013, of the effectiveness of the design and operation of our disclosure controls and procedures, under the supervision and with the participation of our chief executive officer and chief financial officer. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material Company information required to be disclosed by us in reports filed under the Exchange Act.

In addition, there have been no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in legal and administrative proceedings and litigation arising in the ordinary course of business. We believe that the potential liability, if any, in excess of amounts already accrued from all proceedings, claims and litigation will not have a material effect on our financial position or results of operations when resolved in a future period.

ITEM 1A. RISK FACTORS

A description of the risk factors associated with our business is included under "Risk Factors" contained in Item 1A. of the 2012 10-K and is incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

The Company has a $500.0 million share repurchase program that it may utilize to acquire shares of Common Stock. Repurchases may be made from time-to-time through open market purchases, private transactions, tender offers or other transactions and repurchased shares are placed into treasury. The amount and timing of repurchases will be subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company's financial performance, legal restrictions and other conditions. Repurchases may also be made from time-to-time in connection with the settlement of the Company's shared-based compensation awards. Repurchases will be funded from cash flow from operations and borrowings under the Company's 2013 Credit Agreement. The following table provides detail

related to repurchases of our Common Stock during the six months ended June 30, 2013:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Approximate Dollar Value of Shares that may yet be Purchased Under our Share Repurchase Program (in thousands)
2013 (1)			
January	1,841	$50.07	
February	774,917	49.32	
March	200,185	51.02	
Total	976,943	$49.67	
April	1,060	$56.23	
May	392,840	57.41	
June	471,425	56.97	
Total	865,325	$57.17	$142,800

(1) The Company paid $49.5 million and $98.0 million in cash for share repurchases in the three and six months ended June 30, 2013, respectively.

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
31.1	Certification of chief executive officer under Rule 13a — 14(a)/15d — 14(a).
31.2	Certification of chief financial officer under Rule 13a — 14(a)/15d — 14(a).
32	Certification under 18 U.S.C. 1350.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets at June 30, 2013 and December 31, 2012, (ii) the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2013 and 2012, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012, and (v) the Notes to Condensed Consolidated Financial Statements.

Items 3, 4, and 5 of Part II are not applicable and have been omitted.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Gartner, Inc.

Date: August 2, 2013

/s/ Christopher J. Lafond
Christopher J. Lafond
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)