NASDAQ:CLMB Q2 2025 Earnings Call Transcript

Generated on 6/10/2026

Operator | Conference Call Operator:

Good morning, everyone, and thank you for participating in today's conference call to discuss Climb Global Solutions financial results for the second quarter ended June 30th, 2025. Joining us today are Climb's CEO, Mr. Dale Foster, the company's CFO, Mr. Matthew Sullivan, and the company's investor relations advisor, Mr. Sean Mansuri with Elevate IR. By now, everyone should have access to the second quarter 2025 earnings press release, which was issued yesterday afternoon at approximately 4.05 p.m. Eastern Time. The release is available in the Investor Relations section of Climb Global Solutions website at www.climbglobalsolutions.com. This call will also be available for webcast replay on the company's website. Following management remarks, we will open the call for your questions. I would now like to turn the call over to Mr. Mansuri for introductory comments.

Sean Mansuri | Investor Relations Advisor, Elevate IR:

Thank you. Before I introduce Dale, I'd like to remind listeners that certain comments made on this conference call and webcast are considered forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain known and unknown risks and uncertainties, as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. These forward-looking statements are also subject to other risks and uncertainties that are described from time to time in the company's filings with the SEC. Do not place undue reliance on any forward-looking statements. which are being made only as of the date of this call. Except as required by law, the company undertakes no obligation to revise or publicly release the results of any revision to any forward-looking statements. Our presentation also includes certain key operational metrics and non-GAAP financial measures, including gross billings, adjusted EBITDA, adjusted net income and EPS, and effective margin. as supplemental measures of performance of our business. All non-GAAP measures have been reconciled to the most directly comparable GAAP measures in accordance with SEC rules. You'll find reconciliation charts and other important information in the earnings press release and Form 8K we furnished to the SEC yesterday. I'll now turn the call over to CLIMB's CEO, Dale Foster.

Dale Foster | Chief Executive Officer:

Thank you, Sean, and good morning, everyone. As you can see, we had another strong quarter with material increases across all of our key financial metrics. During the quarter, we generated double-digit organic growth by strengthening relationships with customers, growing our line card with new innovative vendors, and expanding market share in both the U.S. and Europe. We also benefited this quarter from the incremental contribution and seasonal strength of our acquisition of Douglas Stewart Software, DSS, which typically sees higher demand for education customers as they ramp up ahead the next school year. Our CLIMB team continues to identify and align with the most innovative technologies in the market that not only strengthen our vendor ecosystem, but also address increasingly complex challenges our customers face. In Q2 alone, we evaluated 50 potential vendor partnerships and moved forward with just four of them. This disciplined approach reflects our commitment to quality over quantity, and our focus on delivering differentiated high-impact solutions that drive long-term value across our platform. Let me take a moment to highlight a few of these wins. First, we announced a partnership with Ignite, a leader in secure content, collaboration, intelligence, and governance. This partnership enables us to offer Ignite's cloud-native platform to our partners, their customers across the U.S., reinforcing our commitment to the expanding access of transformative technologies. By adding Ignite to our line card, we are equipping resellers with a trusted, scalable platform that fits seamlessly into both SMB and enterprise environments. This partnership underscores our mission to deliver partner-first technologies that move with speed of the modern business. In Q2, we also, our QAM UK and Ireland team secured an exclusive distribution agreement with IGEL, a global leader in secure endpoint OS solutions for UK and Ireland. This milestone builds on the partnership that we began in 2016 with Data Solutions out of Ireland, which we acquired in 2023. Our ability to drive lead generation and expanded IGEL addressable market in the region led to this sole distribution agreement further validating our strength of our channel, reach, execution, and commitment to Europe. We look forward to continuing our partnership with IGEL as we scale together in these key markets. In June, we brought on Vishal Pushpa, CLIMB's Chief Information Officer. Vishal is a dynamic IT executive with more than two decades of strategic leadership across high-tech manufacturing, logistics, distribution, services, and services. Vishal has led large-scale ERP, CRM, and HCM transformations and has overseen complex M&A integrations and driven a deployment of cutting-edge cloud solutions. AI, and automation, and enhanced security infrastructure. He brings a visionary approach to innovation and has a strong track record of fostering global calibration and anticipating future technology trends. We are pleased to have him join the Klein family and look forward to his invaluable contributions. In addition to Vishal's appointment, in May, we announced the promotion of Carlos Rodriguez to our President of North America. Carlos has been a key leader at Klein since 2020, bringing more then 20 years of experience in value-added distribution and a proven track record of driving growth across North America. Since joining Climb, he has played a pivotal role in expanding market share, building high-performance sales teams, and strengthening strategic vendor relationships. In his prior role as Vice President of Sales, Carlos led the development of Climb's dedicated vendor management team and has also consistently delivered impactful results through alignment and partner engagement. In this new role, As President, Carlos will oversee the North American sales with a focus on accelerating growth, deepening vendor and partner success, and further expanding CLIMB's market presence. We're excited to see Carlos bring his leadership and vision to his new role as we continue executing on our growth strategy. Looking ahead, we're focused on building on the momentum from the first half of the year by continuing to execute against our strategic priorities, with our ERP system Now fully in place, we're beginning to realize the benefits of improved operational efficiency and scalability, positioning us to drive stronger operating leverage as we grow. Additionally, we're actively evaluating strategic M&A opportunities in North America and overseas that align with our long-term vision and can expand both our capabilities and geographic reach. These initiatives, coupled with our robust balance sheet and demonstrated track record of success, will enable us to deliver on both organic and inorganic objectives in 2025 and beyond. With that, I will turn the call over to our CFO, Matt Sullivan, to take you through our financial results. Matt?

Matthew Sullivan | Chief Financial Officer:

Thank you, Dale, and good morning, everyone. A quick reminder as we review our second quarter financial results, all comparisons and variance commentary refer to the prior year quarter unless otherwise specified. As reported in our earnings press release, Gross billings in Q2 of 2025 increased 39% to $500.6 million compared to $359.8 million in the year-ago quarter. Distribution segment gross billings increased 40% to $477 million, and solutions segment gross billings increased 19% to $23.5 million. Net sales in the second quarter of 2025 increased 73% to $159.3 million compared to 92.1 million, which primarily reflects double-digit organic growth from new and existing vendors, as well as contribution from our acquisition of DSS in July of last year. Gross profit in the second quarter increased 42% to 26.3 million, compared to 18.6 million. Again, the increase was driven by organic growth from new and existing vendors in both North America and Europe, as well as contribution from DSS. Gross profit as a percentage of gross billings increased to 5.3% compared to 5.2% in the year-ago period. SG&A expenses in the second quarter were 16.4 million compared to 13 million for the same period in 2024. SG&A from DSS accounted for 900,000 of the increase. SG&A as a percentage of gross billings decreased to 3.3% in Q2 of 2025 compared to 3.6% in the year-ago period. Net income in the second quarter of 2025 increased 74% to $6 million, or $1.30 per diluted share, compared to $3.4 million, or $0.75 per diluted share, for the comparable period in 2024. Net income was impacted by a $400,000 charge related to the change in fair value of acquisition contingent consideration associated with DSS. Adjusted net income increased 68% to $6.4 million, or $1.39 per diluted share, compared to $3.8 million, or $0.83 per diluted share, for the year-ago period. Adjusted EBITDA in the second quarter increased 64% to $11.4 million, compared to $6.9 million in the prior year quarter. The increase was driven by the aforementioned organic growth from both new and existing vendors, as well as contribution from DSS. Adjusted EBITDA as a percentage of gross profit, or effective margin, increased 600 basis points to 43.3% compared to 37.3% in the year-ago period. Turning to our balance sheet, cash and cash equivalents were $28.6 million as of June 30, 2025, compared to $29.8 million on December 31, 2024, while working capital increased by $12.2 million during this period. The decrease in cash was primarily attributed to the timing of receivable collections and vendor payments. As of June 30, 2025, we had $500,000 of outstanding debt with no borrowings outstanding under our $50 million revolving credit facility with JPMorgan Chase. On July 29, 2025, our Board of Directors declared a quarterly dividend of 17 cents per share of our common stock payable on August 15, 2025, the shareholders of record on August 11, 2025. To echo Dale's earlier comments, we're continuing to explore strategic acquisitions that align with our high-performance culture and strengthen our ability to meet evolving customer needs. With a robust balance sheet, we're well-positioned to pursue opportunities that complement our existing portfolio and accelerate growth in key markets. This momentum is a direct result of our team's hard work and execution, and we're excited to carry that forward as we advance both our organic and inorganic growth initiatives throughout 2025. This concludes our prepared marks. We will now open it up for questions from those participating in the call. Operator, back to you.

Operator | Conference Call Operator:

Thank you. And at this time, if you would like to ask a question, please press the star and 1 on your telephone keypad. You may withdraw your question by pressing star 2. And once again, that is star and one if you would like to join the queue. We'll take our first question from Vincent Colicchio with Barrington Research. Please go ahead. Your line is open.

Vincent Colicchio | Analyst, Barrington Research:

Good morning, Dale. Good quarter. My first question is, did security and data center continue to lead growth in the quarter, or is it broadening out somewhat?

Dale Foster | Chief Executive Officer:

It has. Those are our top two, and security being the stronger of those two, Vince. But yeah, those are leading it. And it kind of makes sense, right? I mean, the security market continues to heat up. And then, you know, in the data center space, as we keep bringing in tools that are either data migration tools or, you know, storage tools, that's going to be our leader for quite some time.

Vincent Colicchio | Analyst, Barrington Research:

And how did your top 20 vendors perform versus the overall business? Are they keeping track with staying at a pace in line?

Dale Foster | Chief Executive Officer:

You know, if you take a look at our, you know, when you say the top 20, there's probably like five or six that, you know, at the bottom end of that, you know, from 12 to 20 that are taking, you know, go into the 20th. We have some of the other ones jump forward. Some of the ones, you know, we've talked about dark trace is going to make more of an impact as we go through the rest of this year, as we just got started with them. And yeah, know just got our all basically our teams aligned as we announced it and then uh you know that's going to be the the biggest impact for the second second half of the year but yeah it's it's new new entrance to get into that top 20. nothing really has changed that much in the top 10 but uh from 10 to 20 yeah we have dumping ones that are just you know performing better in the quarter and were there any large deals which made this quarter especially strong which may not necessarily recur in the following quarter Yeah, so what we do is, you know, we talk about this and we argue internally, you know, what we call out vast data because we consider it organic because we've had that company for, what, three years now. So we get lumpy with that. We had a vast order that we budgeted for Q3 that got pulled into Q2. So we'll have to make that up in Q3. So that definitely helped the quarter out to put us over the top. But just organically without that, we were still growing at a very good clip.

Vincent Colicchio | Analyst, Barrington Research:

And are you seeing meaningful synergies as of yet from the Douglas Stewart acquisition?

Dale Foster | Chief Executive Officer:

We do. So we already announced that they're on our ERP systems. And also their lines have moved into our common portfolio of vendors. We still are carving out and calling, hey, we can go after this K-12 and higher ed space. And You know, this is, you know, just like I said in my comments, this is the growth, you know, the excitement period for that is everybody's going in school year and everybody's, you know, extinguishing their budgets by the states in the end of June. And then, you know, buying new, going into the new school year. But, yeah, I mean, we have integrated that team into our teams. Our teams, you know, we have 14 teams, regional teams, and then some dedicated teams in North America. And they're already not only quoting, processing, but also learning the Douglas Stewart product lines.

Vincent Colicchio | Analyst, Barrington Research:

Okay, I'll go into the queue. Thanks. Thanks, Vince. Good talking to you.

Operator | Conference Call Operator:

Thank you. And once again, that is star and one if you would like to join the queue. We will move next with Howard Root, private investor. Please go ahead. Your line is open.

Howard Root | Private Investor:

Good morning, Dale and Matt. Congratulations. I mean, that was just another outstanding quarter. Very little to explain, actually, in the results. It's kind of hard to find stuff to pick on. But I got a couple of questions, I guess. First, a couple of little things on the income statement. I've always looked at it as your gross margin as a percent of gross billings, and that, as you said, moved up from 5% to 5.3%. And, you know, it's always that 5% was kind of the target. Is that a trend or is that just a little bouncing around? Or how do you see that going forward on gross margin?

Matthew Sullivan | Chief Financial Officer:

Thanks, Howard. So, yes, for Q2 of this year, we went from 5.2% of Q2 last year to 5.3% for this quarter. And, you know, internally, we continue to project it to be in that, you know, 5, 5.1%. The real driver is, of that higher percentage, a slightly higher percentage this quarter was the timing of the lumpy transactions that Dale just alluded to. You know, some have higher margins as their, you know, than our typical base business. But that's what really contributed to the higher gross profit as a percentage of gross billings this quarter.

Dale Foster | Chief Executive Officer:

But, dear, good question. And thanks for the question, Albert. But, you know, it's not going to be a trend that we're going to continue to see that expand. It'll just be lumpy just like it is before because VASA, they're big orders and they have, you know, typically a lot of margin with them. You know, it's something that we look at, like Matt said, you know, can we do, and we get asked by investors all the time, can we expand our margins? It's going to be with, you know, expanding our solutions team. And then as we've talked about, you know, we want to add more services to the company. That'll help move that up in the basis point. But right now, you know, still continued in that 5 to 5.1 range.

Howard Root | Private Investor:

Okay, great. And then on SG&A, I mean, that jumped up by 28% year over year, but your gross billings went up by 39%. So your percent goes from 3.6 down to 3.3%. And with you implementing ERP and growing and setting the stage, I mean, that's all understandable. But how do you see that going forward? Do you see that getting closer to 3% of gross billings? Is that going to be a trend?

Matthew Sullivan | Chief Financial Officer:

I think the percentage that you saw this quarter is what we expect to see as we move forward. So, you know, we had a $900,000 contribution of DSS this quarter that we didn't have in the prior year quarter. But that 3.3% range is more consistent with what we expect going forward.

Dale Foster | Chief Executive Officer:

Yeah, and Howard, so, you know, DSS wasn't, you know, comparable from last year because we recorded them in July of last year. So, that's the added SG&A. But we've integrated. They didn't have a lot of infrastructure. So if you look at, hey, can we clear out some of the back office, it's more about mending the teams together and then looking for efficiencies in that play. But that's the biggest thing is the DSS expenses.

Howard Root | Private Investor:

Okay, great. And then kind of on your international side, is there anything material on tariffs or on currency fluctuation that you see right now that could affect things going forward?

Dale Foster | Chief Executive Officer:

You know, so we talk about the tariff. We've had no real impact. And we have legal entities in the UK and Ireland and some of the other EU countries. So we can play with that as far as where we're dealing with in shipping. So we haven't had impact on that. You know, one thing that we had, you know, we have board meetings, of course, before these earnings calls, and we talk about our FX and how we deal with that. And we're just trying to come up with better schemes to deal with you know, our currency because most of our vendors were buying in U.S. dollars. So any kind of fluctuation as the dollar got weaker, you know, we're going to have that impact. So we're doing some hedging, but we're looking for better strategies because, you know, we have, you know, realized and unrealized gains. And, you know, some one quarter over another, you know, will affect us. And then a lot of times we'll get that pickup, but, you know, it'll be in a quarter or two quarters down. Good.

Howard Root | Private Investor:

So then look at a bigger picture. I kind of look back. It was back Q3 of 2022. So less than three years ago, you crossed over into the $1 billion in gross billings, and now you're crossing $2 billion. And back then on the call, I asked, you know, how does this continue? I mean, a billion is a big number. And your response was, in your market, a billion is still small potatoes, that there's really a lot of area going forward, which you've proved yourself correct over the last two-plus years. But as you cross to $2 billion, do you still see that? I mean, you still see yourself as a fairly small player in the overall market with the potential to continue this type of growth going forward? Or when will you reach kind of a little bit of a limitation, you know, the limits of large-size numbers?

Dale Foster | Chief Executive Officer:

You're right. I mean, we are still such a small player. And I can just give you some inside baseball information. We meet with vendors. You know, we talked about this quarter. We met with 50 different vendors. The vendors have choices, you know, how they want to go to market. And once they choose distribution, they get the big three, right? We had Ingram Micro, Cinexec Data, and Arrow. And that is worldwide. Those are the big three. The next largest one, I would say, exclusive networks is in the $5 billion to $6 billion range. They just got taken private in Q1 or the end of Q1. So we're still extremely small. But when these vendors come in, We talk about these big players, but we're talking about competing them in one of their smaller divisions. So, you know, our headroom between $2 billion and $30 billion, I would say, okay, that's a big gap so we can grow a lot. But if we take a look at where they actually compete against us in software applications, server security, data center only, you know, because we're so different in that space, we still have, you know, I would say, you know, it's $2 billion to $20 billion. You know, so compare it that way. It's a lot of headroom that we can go before we're disruptive to them where they would say, hey, we need to make some kind of move. We're just not that disruptive to them. We think we can still grow under that, you know, umbrella of being that emerging, you know, high-touch, fast-to-market, you know, channel partner.

Howard Root | Private Investor:

Great, great. I mean, that's just so unusual for me that it's just kind of a little bit. Hard to believe, but you've proven me wrong.

Dale Foster | Chief Executive Officer:

Well, Howard, if you, and we've talked about this, you know, if you look at our market, you know, all the roll-up of distributors in the United States happened, you know, ended up in, you know, 2013. So there's nobody, right? We have these three massive ones that are worldwide, but, you know, really focused in North America, and then us. And there's some other ones that are on the adjacent market space, but nothing that's directly competitive. And like Charles, our CMO, loves to say, you know, You know, hey, there could be two or three more climbs in our space, and we still would have that many vendors to look at and that many vendors on board. It's shocking how many $100 million ARR SaaS vendors are out there that we even haven't touched yet. The ones we touch, maybe they're not ready for us. Maybe we're not ready for them. But there's a lot of them to choose from, and that's the excitement of our market. A lot of good acquisition targets overseas and a lot of good vendors coming into our space.

Howard Root | Private Investor:

Great. Great. I appreciate it. And final question for me is just a little bit, if you could talk a little bit about your acquisition process and what you see out there in terms of the market for potential acquisitions and the valuation that you're seeing and then how you view currency to do the acquisition. What you've done so far has been cash and a little bit of debt, which you've done a great job of making it creative almost immediately and paying off the debt. But how do you see it going forward? Because I assume you're looking at a couple of bigger things as well as more things like what you've done already.

Dale Foster | Chief Executive Officer:

yeah correct so this year howard we're looking at ones that we would just use cash for they're they're not that big but they're they would be strategic for us so we look at it but we have a strategic plan as far as acquisitions you know we're looking at services companies because we want to add that and there's two two reasons for that you know we like the margin profile we want to become more sticky with vendors that we currently have and if we have services And if you look at the vendors, right, they're making 80% of margin selling their product. Why would they have an internal services team just for customer sat when they're only making 30%? So if they can offlat that to the channel, that's perfect for us. We won't compete with our customer base, but when they don't have those capabilities and the vendor wants us to do that, that's what I want to build into the company. So there's a couple of small ones we're looking at there. And then outside of that 2026 spot on, like what can really move the needle for climate? It's not strategic. It's going to have to be much more sizable. And that will be a 2026 into 2027 play for us. But, yeah, a lot of good targets out there, but we would do cash on anything this year.

Howard Root | Private Investor:

And valuations on those targets, has it changed at all?

Dale Foster | Chief Executive Officer:

Is it a strong market? Here's how we start, Howard. And it's funny because we're being rewarded in the market for being differentiators. as our go-to markets are, you know, our multiples are a lot higher. But we still start in that, you know, seven to nine multiple, and then it all depends. You know, if you look at Douglas Stewart, it was a much lower margin multiple because, you know, they were so concentrated with one vendor. We also look at the acquisitions as far as what vendors they bring in because we think that's the lifeblood of, you know, what we have inside of Climate and what we take out to the market. But we just start at that, and then it's the give and take that, you know, what is that company really going to bring to us and can we actually expand? Can we actually get it to all of our territories, depending on what they bring? But we started that, and have we paid more than the multiple we're trading at? No, we have not. So I know that's not a perfect answer, but the answer is it depends.

Howard Root | Private Investor:

No, that's very helpful. So congratulations once again to you guys and to the whole CLIMB team on another outstanding quarter. Just great job.

Vincent Colicchio | Analyst, Barrington Research:

Thanks, Howard. Good talking to you.

Operator | Conference Call Operator:

Thank you. And we do have a follow-up from Vincent Colicchio with Barrington Research. Please go ahead.

Vincent Colicchio | Analyst, Barrington Research:

Yeah, Dale. So obviously the business appears quite robust, but I am wondering, any signs of economic headwinds, any delays, anything of that nature?

Dale Foster | Chief Executive Officer:

We do not see it, Vince, and I think it goes back to – Howard's remarks that we are extremely small in our space. And you can say, hey, we're going to go to the $2 billion mark, but we're still small in our space. And if you look at, we've spent some time with the Canalys team, which is an analyst group. And if you look at the overall IT market or IT services, we're talking at $1 to $2 trillion space. So A lot of new entrants. We still see money flowing from the VCs into a lot of startups. You know, we're still having a huge pipeline of vendors coming toward us. And I've talked about this in the past, that we've had to go and find them. And over the last 18 months, it's they're finding us. So we don't. And, you know, I'll just talk, you know, about the downside for Q2. You know, we lost Citrix. We announced that, you know, in Q1 of our Ireland group when we acquired Data Solutions. The team, you know, was tracking very well in Q1 because we still had that. But in Q2, that was where the hole. And, you know, here's what I will say. Sales teams have sales cycles, and they have a lot of tools in their bag. If they're not selling Citrix, they're selling something else. We feel, and we did not change our budget going into this, knowing that this is coming, that we think we can fill that hole as well. So, you know, kudos to our overall teams. They're just performing and, you know, looking at, hey, okay, I don't have this. to sell anymore, I'm going to take this new product into my customer base.

Vincent Colicchio | Analyst, Barrington Research:

Okay. That's it for me. Thank you. Thanks, Vince.

Operator | Conference Call Operator:

Thank you. And this concludes our Q&A session. I will now turn the call over to Mr. Dale Foster for closing remarks.

Dale Foster | Chief Executive Officer:

Thanks, operator. Once again, thanks to all of our shareholders for supporting us. and also to the greater climb team on their excellent performance. You know, they've been continued to focus on growing climb. And with that, we'll end the call. Thank you.

Operator | Conference Call Operator:

Thank you. And this does conclude today's program. Thank you for your participation. You may disconnect at any time.