NASDAQ:CLMB Q4 2025 Earnings Call Transcript

Generated on 6/10/2026

Conference Operator | Operator:

Stand by, your program is about to begin. Good morning, everyone, and thank you for participating in today's conference call to discuss CLIMB Global Solutions financial results for the fourth quarter and full year ended December 31st, 2025. Joining us today are CLIMB CEO, Mr. Dale Foster, the company's CFO, Mr. Matthew Sullivan, and the company's investor relations advisor, Mr. Sean Manzuri with Elevate IR. By now, everyone should have access to the fourth quarter and full year 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 at following management's prepared remarks will open the call for your questions. I'd now like to turn the call over to Mr. Manzuri for introductory comments.

Sean Manzuri | 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 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. I'd now like to turn the call over to CLIME CEO Dale Foster.

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Thank you, Sean, and good morning, everyone. 2025 was another exceptional year for CLIME as we generated record results across all key financial metrics. These achievements reflect the continued execution of our teams, that are driving organic growth by strengthening relationships with existing vendors and customers, collectively adding innovative technologies to our line card and while driving and delivering operational efficiencies throughout our business. In the fourth quarter alone, we evaluated nearly 100 potential vendor relationships and signed agreements to only two of them. Notably, in December, we launched our partnership with Fortinet, a global leader in cybersecurity and secure network solutions serving enterprises. We also serve service providers, government customers worldwide. Fortinet is quickly becoming a primary onboarding focus and we expect to ramp them up quickly and will become a meaningful contributor to both their business and client business. We look forward to building a long-term mutual beneficial relationship with Fortinet and their channel while delivering incremental value to our reseller network. While we focus most of our efforts in Q4 on onboarding Fortinet, there were other positive achievements from the Alliance perspective. The fourth quarter of 2025 was only the second full quarter since we kicked off our relationship with Darktrace. As a reminder, Darktrace is a cybersecurity company that uses self-learning AI to detect, investigate, and respond to cyber threats in real time across the entire organization's digital infrastructure. In Q4, QLIME had 70 partners transact over $13 million in Darktrace product offerings with significantly more quoted pipeline ahead of us. We continue to work closely with the Darktrace team to expand partner enablement and drive broader adoption across our channel, positioning the relationship for sustained long-term growth. In addition to strengthening our vendor portfolio, earlier this week, we announced the acquisition of Interworks.cloud, a Greece-based specialist cloud distributor serving the Southeastern Europe reseller market, including Greece, Malta, Cyprus, and Bulgaria, and more. Interworks brings an established regional platform with over 600 cloud resellers and managed service providers, along with a curated vendor portfolio that includes Acronis, Google Workspace, AnyDesk, Blackwall, and most notably, Microsoft. I've had the pleasure of working alongside the Interworks team for nearly a decade now, and over that time, we've developed a strong alignment in our culture, strategy, and partner focus. They bring an experienced management team, a well-established Microsoft CSP business, and a multi-country footprint and deep expertise in cloud marketplace and MSP-focused distribution. Together, these capabilities enhance our ability to drive cross-sell opportunities, deepen our engagement with our vendors and reseller partners, and further position Climb as a distributor of choice across the Southeastern Europe region. A critical component of this transaction is that we are bringing the full Interworks organization into Climb, and this team will become part of our overall EMEA go-to-market structure. Maintaining the strength of their local leadership and partner relationships was a priority for us, and we believe continuity at the operational level will be essential in sustaining momentum in the region. At the same time, by integrating Interworks into our broader infrastructure, we can provide additional resources, scale, strategic investment to accelerate their growth. We expect the transaction to be immediately accretive to our earnings and adjusted EBITDA and look forward to the unlocking synergies and cross-selling opportunities as we integrate Interworks into our global platform in the coming months. Looking ahead, we remain focused on accelerating organic growth. At the same time, we have our internal development team building generative AI solutions to make our entire team more efficient. We will also continue to pursue accretive M&A opportunities that can strengthen our vendor portfolio and expand our geographic footprint. We believe these initiatives, coupled with our disciplined execution and strong balance sheet, will enable us to deliver on our organic and inorganic growth objectives in 2026. With that, I will turn the call over to our CFO, Matt Sullivan, and he will take you through the financial results. Matt?

Matthew Sullivan | Chief Financial Officer, CLIMB Global Solutions:

Thank you, Dale, and good morning, everyone. A quick reminder, as we review the financial results for our fourth quarter, all comparisons and variance commentary refer to the prior year quarter unless otherwise specified. As reported in our earnings press release, gross billings increased 3% to $625.4 million compared to $605 million in the year-ago quarter. Distribution segment gross billings increased 4% to $602.3 million, and solution segment gross billings remained flat at $23.1 million. Net sales in the fourth quarter of 2025 increased 20% to $193.8 million compared to $161.8 million. which primarily reflects organic growth from new and existing vendors. As we've mentioned in the past, the calculation of net sales is influenced by product mix and the respective adjustment to convert gross billings to net sales for financial reporting purposes under U.S. GAAP. In the fourth quarter, we had an increase in sales of products that were recognized on a gross basis and therefore leads to a smaller adjustment from gross billings to net sales. Gross profit in the fourth quarter was 29.8 million compared to 31.2 million, The decrease was primarily driven by a large vendor transaction in the year-ago period that carried a higher than average margin profile. Selling general and administrative expenses in the fourth quarter of 2025 were $18.2 million compared to $17.1 million in the year-ago period. SG&A as a percentage of gross billings was 2.9% for the fourth quarter of 2025 compared to 2.8% in the year-ago period. Net income in the fourth quarter of 2025 remained flat at $7 million or $1.52 per diluted share compared to the prior year period. Adjusted net income was $7 million or $1.53 per diluted share compared to $10.3 million or $2.26 per diluted share for the year ago period. Adjusted EBITDA in the fourth quarter of 2025 was $13 million compared to $16.1 million for the same period in 2024. The decrease was primarily driven by a large vendor transaction in the year-ago period that carried a higher flow-through to adjusted EBITDA as sales compensation expense related to this transaction was paid through a contingent earn-out. And that was included in the change in fair value of acquisition contingent consideration add-back with an adjusted EBITDA in the year-ago period. Effective margin, which is defined as adjusted EBITDA as a percentage of gross profit, was 43.6 percent compared to 51.5 percent for the same period in 2024. Turning to our balance sheet, cash and cash equivalents were $36.6 million as of December 31st, 2025, compared to $29.8 million on December 31st, 2024, while working capital increased by $27.7 million during this period. The increase was primarily attributed to the timing of receivable collections and payables. As of December 31st, we had $200,000 of outstanding debt with no borrowings outstanding under our $50 million revolving credit facility. Consistent with our capital allocation priorities, the board has determined to suspend our quarterly cash dividend beginning in the first quarter of 2026. This decision allows us to retain additional capital to support organic growth initiatives and strategic acquisitions while further strengthening our financial flexibility. Based on the company's strong return on equity, the company plans to reinvest the capital for higher growth initiatives. Looking ahead, our strong liquidity position provides us with the flexibility to pursue both organic and inorganic growth opportunities while expanding our relationships with vendors and customers worldwide. We will continue to be active on the M&A front as we evaluate accretive targets that can strengthen our vendor profile and expand our geographic footprint. With a disciplined approach to expansion and a continued focus on execution, we believe we are well positioned to deliver another year of growth and enhance profitability in 2026. Dale, back to you.

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Yeah, thanks, Matt. And, you know, before we open this up for questions, I'd like to address a couple points. You know, some of them have just come up over the last couple days when everybody's seen, you know, some of the AI disruption in the market. First, you know, on the dividend, it's a thoughtful decision made by our board and one that I fully support. As we evaluate the opportunities in front of us, we believe the best way to drive long-term federal value at this stage is through discipline, capital allocation, and strategic reinvestments in the businesses. We operate in an ecosystem where many of our customers and vendors are backed by private equity firms, which has provided us kind of a unique perspective on how successful operators deploy capital and accelerate growth and also enhance the returns with their portfolio companies. We intend to take a similar tactic at Climb, and candidly, we've already begun to do so in the way of our now six acquisitions in the last six years with the addition of Interworks.Cloud. With a strong balance sheet and liquidity position, our priority is to allocate capital toward initiatives that improve operational efficiency and strengthen our competitive position. That includes continuing to streamline processes, leveraging AI and automation tools where appropriate, utilizing, you know, prudent leverage when it enhances our returns, and pursuing strategic acquisitions in our ecosystem that align with our go-to-market strategy. And we believe all this will create, you know, long-term shareholder value for our shareholders. The second point, which is, you know, over the last couple days on the AI disruption, you know, these are the disruption of AI engines and large language models, large language models or LLMs that have come into our market. And more specific, you know, they're going to interface with or take out SaaS vendors we currently are carrying or prospecting. So I've been around a long time in this business and remember a similar talk track around the cloud. I had to do a lookup, but AWS announced in 2006 that cloud was open for business. That was 20 years ago. And just 20 years later, and it was just last year, that cloud workloads that were workloads and storage in the cloud just passed the 50% threshold versus on-prem or private clouds or private on-prem environments. So the real-world environment today for cloud is really a hybrid one. Do I believe, or yes, that AI will move much faster than 20 years? Is there an adoption rate? For sure that's going to happen. But we still believe it's going to be more of a hybrid environment, just like cloud is. I think it's 98% hybrid right now. So the AI environment will be a hybrid one. While we are very small and we're a very nimble company in our market, You know, we are still connecting technology builders with users. We can pivot quickly as we have done over these last eight years. As the market moves, we will move and move at that same speed. And whether we have a standalone AI systems, AI agents, hybrid SaaS that's out there or platform of service, you know, we will be selling emerging technology products that solve real world problems. And regardless of the computing environment, we believe we will have a place as that connector of technology. And this concludes our remarks, and we'll take it to the operator for questions.

Conference Operator | Operator:

Thank you. If you'd like to ask a question, press star 1 on your keypad. To leave the queue at any time, press star 2. Once again, that is star and 1 if you would like to ask a question. And we'll take our first question from Keith Hosman with North Coast Research. Please go ahead. Your line is now open.

Keith Hosman | Analyst, North Coast Research:

Good morning, guys. Appreciate it, and congratulations on the acquisition here. You know, just looking at that large acquisition that happened the prior year, can you guys just give us any scope in terms of how big that was in terms of we want to kind of think about what the year-over-year performance was without that? Any way to kind of scale it out?

Matthew Sullivan | Chief Financial Officer, CLIMB Global Solutions:

Yeah, so we talked a bit about it last quarter, and thanks, Keith, for joining and calling and dialing in. When you remove that large transaction in Q4 of last year, our recurring and organic growth still was in the high teens for Q4 compared to Q4 of last year.

Keith Hosman | Analyst, North Coast Research:

Great. And that's both gross buildings as well as EBITDA basis? Correct. Yes. Great. Appreciate that. And then you guys, I think it was early last year, announced the departure of Citrix. And can you talk a little bit about the impact that had on the corridor? Have you guys been able to completely offset that loss with other vendors?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Yeah, I'll say that quickly. So we still had input from Citrix, and we still have it through 2029. It's some residual stuff because of the nature of some of the agreements that go out with our customers. That's a year-over-year recurring. So we had impact, not as... not as impactful in Q1 of 2025, but then the rest of the year we looked at as a $50 to $60 million hole. And if you, you know, I was at our SKO over in the UK, and our team still with that big hole grew at 3%. So they made that entire $60 million up in the last three quarters, which is a testament to number one, picking up new vendors. Uh, they picked up vendors that we have on the U S side. Like I said, and we've continued to say that we were signing global contracts now. So it's the choice of the sales teams in their regions and what they want to sell. And some of them are pushed on them. Other ones are, you know, that they're prospecting on their own. So the team did an incredible job. I mean, we, we kept, and like, I love to say Keith is that, you know, we're salespeople, um, we'll take the next product and take it out to market. And, uh, They filled that pretty quickly and expanded some relationships with vendors that actually compete with Citrix, and we took some of that over back that we lost.

Keith Hosman | Analyst, North Coast Research:

Great. Impressive. I appreciate that. Turning over to the Interworks acquisition here, the 86% growth in EBITDA year over year, how should we think about going forward, like the go-forward run rate or the starting point? I mean, was there anything unique in that 86% or is that roughly a million dollars in EBITDA a good starting point for those guys?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Yeah, that's a good starting point for them. But there's a couple things that, you know, we didn't get into detail on the call. But so Microsoft came up and said, hey, we're going to consolidate our distribution worldwide. And they set a threshold. So there was a lot of scrambling over the last 14 months that said, if you don't meet this threshold, you'll lose your distribution agreement with Microsoft. And both us and Interworks.Cloud were in that same position on our climb side. And we wanted to keep that relationship because we believe Microsoft is a tier one, but it's also where people want to go. And so there's two reasons. Number one, we were combined as a company. We get to that $30 million threshold with Microsoft. Number two, we are moving into a cloud environment and we've talked about it for a while. And I'm going to have our CPC event with all of our top customers and vendors next week. But, you know, I'm going to have a slide just on our failures. And one of the failures we've had is we haven't been able to get to our 2.0 of expedition of a cloud marketplace or platform. Well, Interworks is already there. They're transacting in a very, you know, eloquent way with their customers, almost like a self-service. And they do a lot with MSPs, hybrid VARs, that we do this as well, but not as quickly as they do. So it's going to be a learning curve in the DNA transfer between the two companies. Their parent company that we acquired them from is called Infotera, which is the platform that we both use. And actually, all of our locations use that platform. So we see more and more of our vendors going on to the platform and marketplace. And the Greek team will help us and educate our teams on the U.S. side and the Europe side.

Keith Hosman | Analyst, North Coast Research:

Great. I appreciate that. And then a final question for me before I turn it over. The working capital increase and the timing of collections, does that already then work through? Orish, how should we think about that going forward?

Matthew Sullivan | Chief Financial Officer, CLIMB Global Solutions:

Yeah, so it's a usual timing difference. So, with the large transaction at the end of last year, those receivables and payables have already been collected during 2025, and then it's been worked through here in early 2026.

Keith Hosman | Analyst, North Coast Research:

Great, thanks. I'll turn it back over.

Conference Operator | Operator:

Thank you. We'll take our next question from Vincent Cagliuccio. With Barrington Research, please go ahead. Your line is open.

Vincent Cagliuccio | Analyst, Barrington Research:

Yeah, Dale, congrats on beating the expectations this quarter. Was your growth broad-based across your top 20 on an organic basis, and were there any lumpy deals in the quarter?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Thanks, Vince. Good to talk to you. So no lumpy deals in the quarter like we had before in 2024 and Q4. But it was across our vendors. The ones I talked about, you know, our dark trace continues to rise up. You know, we talked about our top two vendors, Sophos and SolarWinds. SolarWinds, you know, I think we talked about in the last release they acquired by Turn Capital or Turn River. And so there was some disruption as they went through their pricing model changes. But we actually, you know, finished really strong with SolarWinds as they've gotten through some of their pricing structure and their go-to-market. But other than that, it's the top 20 make that biggest impact, and it's been very stable.

Vincent Cagliuccio | Analyst, Barrington Research:

And has the revenue momentum that you've seen in the quarter carried through in 26?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Well, you know, you're always going to see Q4, and it's always been this way, is always our biggest quarter because people, you know, going back to, you know, we have our reoccurring revenue with our annual subscription. So Q4 has always been large, so it'll continue to be large because that's when the renewals come up. We do the Douglas Stewart acquisition, and you'll see a rebranding kick off next week for all the climb stuff on the sled and education side. But they typically have a down quarter in Q1 that we experienced last year because it's just flat, and then all the buying picks up for that. But other than that, it's pretty cyclical like it has been for the last five, six years.

Vincent Cagliuccio | Analyst, Barrington Research:

On the AI side, have you identified use cases for internal use? Are you at that stage?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

We have. So Vishal, our new CIO, has been on board now for seven, eight months. He is the most popular person in our company because everybody's looking to him to solve efficiency issues. And we've You know, he is front and center at our sales kickoffs. So we have a tech guy, you know, kicking off and people are asking and it becomes, you know, quite the entertainment having our CIO be the center of attention, which is great because we're just solving so many internal things that we need to work on. You know, we went live with our ERP almost two years ago, and now it's how to make that more efficient. What AI tools? And if you look at Vishal's background, right, so he came from WWT, which is a $30 billion reseller, one of our customers, one we have great relationships with. But he's already gone through a lot of this, you know, because of the, you know, they have the dollars to really spend on this and adopt it early. So he's really running kind of the same plan that he had at WWT. So he sees what needs to be done, and it's how fast we can implement it. So we've done a couple things. We have a bigger implementation and development team inside of Climb. We have outsourced some of the smaller connector products, projects that we have, whether it's EDI or XML or APIs. So everything is moving faster. And he's identified so many different efficiencies because we still, and what I like to say is we're the fastest of the turtles. So if you look at Distribution has been done, what we've been doing for 30 years. All we're doing is moving a license key from a vendor all the way to a user. And our goal is to do that much faster, but we're still doing things that we did 15, 20 years ago. So Vishal's saying, hey, we can do this much quicker and without the expense of the labor that we have right now.

Vincent Cagliuccio | Analyst, Barrington Research:

What is the timeline for when Interworks can provide cross-selling synergies?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

So our teams, you know, because we have the Microsoft distribution agreement already, and Microsoft is well aware of ahead of time with confidentiality of the agreement, you know, we have it for all the EU countries. So we are going to, you know, if you take a look at it just from just a mental geographic look, you know, here we have, you know, the UK and Ireland that we're very strong in, and now we have Southeastern or Southwestern Europe, Southeastern Europe. And between those two, we have, you know, 20 countries in between there that we're going to attack with that Microsoft agreement and then all of the cottage industry products that go with that. So Interworks, number one, will be onboarding vendors that they see as a great fit that we have because we have a big, robust portfolio of vendors compared to them. And then on their side, they already have in the cloud, on the marketplace, vendors that are transacting that we will take advantage of. So you'll see those integrate very quickly. And the fact that we're already using the same platform, it's really getting those two interconnected so that the teams feel pretty seamless and so do our customers.

Vincent Cagliuccio | Analyst, Barrington Research:

Last question for me. In your conversations with resellers, what is the pulse on the market in terms of the health of the market versus the prior quarter?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Yeah, I would be better to answer that next week as we have an open session with our resellers. But As far as, you know, and I'll take this from the vendor standpoint first, and that is, Vince, there's so many vendors coming at us, right? We have to say no, we have to say no, because there's that many, and we have to keep moving our threshold up as far as what can we do in the first 18 months? You know, it used to be $2 or $3 million now. Is it $15 million that we can do in the first 18 months before we'll even find them? What is the real go-to-market strategy? Does it fit ours? So we're just asking a lot more questions because we know when Charles, our chief alliance officer, says yes, that's when all the man hours kick in for us. So we want to make sure that we have a good, you know, base to start with before we say yes to that vendor to onboard them. On the reseller side, we haven't seen slowdown. We've seen some consolidation between, you know, companies buying each other up, which is a natural occurrence for us. But for us, we're typically transacting with both parties anyway. So it's just a timing thing. Thanks, Bill.

Conference Operator | Operator:

Thank you. We'll take our next question from Bill DeZellum with Tyington Capital. Please go ahead. Your line is now open.

Bill DeZellum | Analyst, Tyington Capital:

Thank you. Would you please walk through the size of the Fortinet relationship and what the potential is for that to move the needle for clients?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Yeah, so Bill, thanks. Take a look at Fortinet. They're on the NASDAQ, right? A great company. The relationship started from the top. It usually starts in the middle and then moves up, but this one started at the top with C-Levels. They have some of the bigger distributors that are out there. They have two of the largest distributors in the world, so why do they need Climb? It's really for what we do for companies that are just getting into the market, and that is to fill in a lot of the gaps and being that high touch distributor that's going into a wider market than just tier one or Fortune 500 companies. So if you look at what their overall sales, and I think they break them down, it's about a $2.5 billion addressable market in the US that they're already selling into. uh you know who are they competing against right if you look up the stack they're competing with palo alto juniper and cisco that's their three big above them they're considered number four and then below them you know we carry some of those lines below them but they said wait a second we have a targeted distributor they have field sellers and i think this this would be the most important uh thing to take away and that is when we're talking to their executives, they said, wait a second, you mean we can fly into a region because we have regional sales people and your sales reps will take us into three new resellers that we've never met before? And I'm like, that's what they do every day with vendors. They don't get that from tier one or the top distributors because they can't take them in there when they're selling Cisco Juniper and Palo Alto and those, those customers, because they're like, Hey, we're displacing one of our other vendors. We don't have that issue at all. We don't have a really cross competing product with a Fortinet. We have a bunch of smaller ones, but nothing that goes as wide as Fortinet goes. And if you look at what they do, I mean, they Fortinet goes all the way from firewall to cameras, right? I mean, they are such engineering type company. So it's a good fit for us. Uh, And, you know, the acceptance, so look at $2.5 billion, you know, 10% of that is something that we're going after in the next 18 months, and we think we can get there. And I think Fortin will be our top three vendor this time next year.

Bill DeZellum | Analyst, Tyington Capital:

So, Dale, if I do that math, 10% of $2.5 billion, are you saying that you're thinking that this could lead to $250 million of gross billings for you, Dale? And I guess it would be 27 if we look out a year from now.

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Yeah, I think so. I think it's 18 months that we'll get on that run rate for them. It's just a good relationship. You know, the Fortinet teams, the first thing that really happens, and when I say this magic happens, it's when our field sellers get with their field sellers and go into new accounts and give the value pitch. It only takes a couple times to do that, and then our teams take it from there, and they don't have to do a four-legged call. It's them delivering the four-net pitch as they get familiar with it. So we're getting closer and closer to them. They've been just a great partner. They feel like a small company touch to us, which is refreshing.

Bill DeZellum | Analyst, Tyington Capital:

That's helpful. And congratulations, by the way. That's a great, great win. Let me take that one step further. Do you see other companies that are in a similar situation where all of a sudden someone in their C-suite is saying the same thing that you heard from the Fortinet leaders?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

I feel like you're reading my email, but yes. We were getting many inbound from companies that are much, much larger. And, you know, I mean, I'll bring up CrowdStrike. We talked to them about two years ago. We were in a competitive with some of the other distributors. They decided to go a different direction based on some of the support that some of these other distributors would give them or potentially, you know, say that they would give them. But You know, if I go back six years, Bill, we were out there, you know, signing companies that would fog a mirror and just go after them because we needed to have more products for our sales teams to sell. Now the focus is curating the ones and the relationships that we currently have or almost ready to sign to make sure that they're really the right ones for us. But, yes, we're getting larger companies and larger at-bats with them. without having to prospect them, for sure. There's some, you know, multi, you know, in the $500 to $600 million range companies we're talking to on a regular basis. And a lot of times we say no because they're not ready for us or we're not ready for them. It could be a connection through systems that we don't think that we can, you know, we'll burn more cycles than it's worth. But we are getting a lot of those at bats. And You know, the other thing is we say we have a limited line card, but it keeps, you know, sneaking up on us, and then we push our vendors over to Climb Elevate just to transact, and I want to continue to limit our line card. We say it's 70. I want it to be 50, but really it's 100 right now because we haven't pushed them over to our Climb Elevate where we'll still transact, but it just burns cycles, and we want to focus our sales and marketing and service cycles on our top 50.

Bill DeZellum | Analyst, Tyington Capital:

Thank you. And a couple more questions. Let me shift to Citrix. The implication then of the way that that change took place last year is that the comparison that you all are going to have in Q2, Q3, and Q4 of this year could lead to very strong comps given that you last year simply had to fill in that hole and now you're going to be building off of that. Is that the right way to think about that?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

It is. I guess it feels like it's already been done with us, Bill, because we've been there, done there, forgot about it, right? We've already filled it in with other vendors. We know what our run rates are. And that's the nice thing about this recurring revenue model is we know that 80% to 90% of what we sold last year, that as long as we're doing a good job and the vendor is still producing a good product and good updates, that we're going to get that renewal. I mean, the goal is to have the renewal rate over 100%, which means they're picking up more license and seats going forward. But, yeah, we really haven't thought about it that way. We look at just what our run rate is. What is our piece with Citrix? We've already forgot about that. It's been in the news quite a bit just on the different taxes Citrix has made. Their last one was kind of funny that they said that they are truly a channel company, even though they cut a big chunk of the channel out a year ago. I think they thought people forgot about it. But we've replaced it. We have two or three different lines. We're getting ready to sign a line that goes back to our Citrix customers. We were replacing with some of the Microsoft business, which is a competitor to Citrix, and same thing with Parallels, which is another one of our vendors that we've replaced that whole with.

Bill DeZellum | Analyst, Tyington Capital:

Great. Thank you. And then one final question, please. I think that yesterday Vast and Supermicro signed or announced a deal. What are the implications, if any, for that with you all?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Yeah, and so VAST data, you know, they have their user conference. We have people there in Salt Lake this week of our team members, both from the European side, which is a bigger number, and then from the U.S. side. And I think it's a good thing. I assume they use the conference to announce that. But if you – I think it's only good, right? VAST, you know, says they're a software company, but they're still, you know, it's a big piece of hardware that goes in its distributors or it's the OEMs like a Supermicro. And we have a relationship with

Supermicro we've had for the last 10 years. It's a good thing because right now a lot of their builds are being done by a company called Telrad that Arrow bought. So that's the build. So what does it do? It just makes it faster because right now, you know, VAST is dependent on this hardware, you know, GPUs, who has the GPUs, who has the metal to put their software on top of to run. So I think it'll actually speed up the actual delivery cycle of all these big you know, AI engines that need fast data storage, you know, because that's what that does. I mean, they are, it's about how fast they can deliver data up to an AI engine. So I think it's only a good thing. And Supermicro has some of the best products out there. I mean, that's how most of If everybody remembers the HCI, the compute space with Nutanix and Rubrik, that was all based on Supermicro for the longest time. So it's just a good alternative to what they currently had. So it's a number two, and I think it'll be good. Great.

Bill DeZellum | Analyst, Tyington Capital:

Thank you, and congratulations on a strong quarter. Thanks, Bill.

Conference Operator | Operator:

Thank you. We'll take our next question from Howard Root, who is a private investor. Please go ahead. Your line is now open. Howard, please check the mute function on your device.

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Sorry about that.

Howard Root | Private Investor:

Congratulations on a nice conclusion to the year. I'll try to be briefer. I got two questions, one on M&A. You know, it looks like the Interworks was kind of right within the middle of your playbook. You know, it's a territory expansion. You've got synergies. You knew them very well. And then it's 9.4 times adjusted EBITDA. Is that, you know, how do you see that fitting in? Is that the way to look at it? Is that a little expensive? What do you see as the market out there for acquisitions going forward? Has it come down based on market turmoil? Where are you right now?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

So, Bill, I'm sorry, Bill. Sorry, Howard. So, Howard, here's how we kind of think about it. And we go back to our early days of acquisitions, you know, when we were trading in that, you know, seven to nine range. And that's kind of where we look to start. And it depends on, you know, four or five different things. And with these guys, number one, we knew them for a long time. We know their parent company very well. So it was a comfort factor that way. Plus the Microsoft piece of it, as far as we want, you're like, why do you need really any Microsoft? And it's still just a great, um, cornerstone to have in your platform marketplace and in your company. Cause you can, you can add so many products around that to support it. But, but the other piece of it is, you know, what is their margin profile and their margin profile compared to us is double what we have in the U S. So will we pay a little bit more than that, that eight? And I always, I don't know why I always say, Hey, we're going to start at eight. And then what are the positives and negatives? If you look back to the, the, the DSS transaction, why was that as a less multiple? Real simple. I mean, they were all focused on Adobe. So if you lose Adobe, there's just more risk involved in that. So that's how that negotiation happened. On this side, their margins are higher. They're in a territory that we are not in and not have been selling into. And the nice thing about it, they're in a territory that's not that competitive that it's starving for new vendors to get into.

So that's how the negotiations went to get to that. But I'm still looking in that same range. We started A and we'll go up or down from there.

Howard Root | Private Investor:

So just kind of looking on that, following up on that, to me, the only reason to eliminate the dividend is really to grow a pile to do bigger acquisitions. This is relatively smaller compared to like Douglas Stewart was bigger, and that was 18 months ago. I kind of look at, is that a slow pace for you over these 18 months? I mean, it seems that you want to do at least one or two a year. And then is that the way you look at the dividend? Because to cut the dividend to spend money internally, well, you're generating plenty of cash for your internal projects. It has to be using that cash, and we'd hate to see it pile up in Treasury, but really to apply it to buy synergistic targets. And you must be seeing plenty of them out there, maybe larger than this Interworks deal.

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Without giving you specifics, Howard, you're spot on. You're spot on. There's a lot of deals coming at us. We are going to use the capital. I mean, you know, we talked that we are very CapEx-like. And we are going to accelerate our acquisition interfaces. If you look at my travel, I've been in Western Europe more than I have been before because there's that many targets, there's that many ones coming at us. The roll-up that we have talked about that happened in the U.S. from 2006 to 2017 is happening in Europe, and we want to be part of it. Here's the good thing for Kleinman. You have these three massive distributors we talk about all the time. They're $50 billion plus. the targets that we're looking at are so insignificant for them unless they were a real strategic reason. We're not competing with them. We're competing with other strategics that are, you know, similar in size, which is only two or three of them over there, or they're doing a roll-up between the two companies to get larger to make more of a significant impact, or it could be a regional expansion. So right now, I can't tell you how many I've talked to, but how many that we're in discussions with is, you know, a lot more than a handful. So, yes, the dividend will be going, you know, toward the M&A side of things that we think, you know, like we always say, is it going to be a creative to us? Is it going to be an expansion? Is it going to be a vendor acquisition that we can't get or it's going to take too long to get that vendor sign that we think we can take to other regions? But it's all those things lined up. It has not changed, you know, since we started this.

Howard Root | Private Investor:

And the pace of acquisitions, you'd expect to do one or two in 2026?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Yes.

Howard Root | Private Investor:

Okay. All right. Well, yeah, I don't want to make you uncomfortable answering stuff on that. But it just seemed that we had 18 months since the last one, and that was not because of lack of effort, but just it didn't come together. And maybe now this is the breaking, and you get three here in the next year instead of zero. The second question for me on profitability, and here, you know, congratulations, you had a really tough comparable in Q4 and having to deal with that. So I'll kind of ignore that a little bit because of the large vendor transaction you had that affected billings and your gross profit. If you look at it over a year, your gross billings were up 18%. Your gross profit was up a little bit less than that. Your margin on gross billings was slipped below 5%. And your SG&A, because of the Douglas Stewart, kind of up 20%. So your income from operations only went up about 4% for the year. And quarterly, your leverage is kind of slipping a little bit. And can you give us a quick how that happened and where you see that go from here? And does the Fortinet and Darktrace additions change your profile. And it looks like Interworks kind of helps you a little bit on that financial profile as well. But do you see that reverting back up where your gross profit on gross billings is above 5% and your SG&A rises less than your increase in gross billings in the year?

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

So we're holding, you know, just look at that five range. And, yeah, we slipped it in a quarter. There's some other things in the background that have been happening, but I won't get into some of that stuff. But I can tell you that the focus is, and, you know, I wish I could share some of the slides I shared with our board. But, you know, it's showing how much manual stuff that we deal with in the company. And like I said on the earnings call, You know, we're doing the same thing that we did 30 years ago in distribution, and, you know, Vishal is helping us change that mindset. The first thing when the board agreed to going to a new ERP system was the first prime mover to get more efficient. The second one is taking that ERP system and the – associate applications with connectors and taking just a lot of costs out of the business, right? We are touching way too many, and I'll just give you some inside baseball. We do 12 quotes and perform 12 quotes for about every order that we get. The first move we had about four years ago was when we moved our average sale price per order up from, you know, $200 to $1,500. So we're doing the same work. We're just, you know, the quote size is seven times bigger. So that's number one. It's the efficiency that we think that we can get out of our systems to keep the same labor force that we have today and be, you know, one and a half times the size. And that is the real goal. And back to your, Howard, that you love to point out, you know, that 5-3-2. And this is what I talked about our SKOs, both in the U.S. and in Europe. And it's like how can I move my three to two and a half and my two to two and a half, right, so that I can split the profit and the cost or the SG&A to a 50-50, which I think is our goal and has been our goal for the last couple of years. But it is going to be about efficiencies. Of course, AI is heavy into our company right now doing that, but we look at it as a generative AI, which it just makes everybody more efficient so we can expand and do more with our top vendors.

Howard Root | Private Investor:

Great. Well, thanks for the explanation and thanks for continuing to make great progress in 2025.

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Yeah, thanks, Howard.

Conference Operator | Operator:

Thank you. At this time, there are no further questions in the queue. I will now turn the meeting back over to Mr. Dale Foster.

Dale Foster | Chief Executive Officer, CLIMB Global Solutions:

Thank you to our shareholders board and all the climb team members, you know, and I just want to welcome our new Greek team on board. We had our first kickoff in town hall yesterday with the team. Look forward to everybody being able to meet each other like I have over the last couple years. And with that, we'll conclude the call. Thank you.

Conference Operator | Operator:

Thank you. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.