NASDAQ:CLMB Q1 2026 Earnings Call Transcript

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Operator | Conference Operator:

Please stand by. Your meeting 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 first quarter ended March 31, 2026. Joining us today are Climb's CEO, Mr. Dale Foster, the company's CFO, Mr. Matthew Sullivan, and and the company's Investor Relations Advisor, Mr. Sean Mansuri with Elevate IR. By now, everyone should have access to the first quarter 2026 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'll open the call for your questions. I'd now like to turn the call over to Mr. Mansouri for introductory comments.

Sean Mansouri | 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. I'd now like to turn the call over to CLIM's CEO, Dale Foster.

Dale Foster | CEO, Climb Global Solutions:

Thank you, Sean, and good morning, everyone. In the first quarter, we generated double-digit organic growth in our core business and also had some benefit from our acquisition of Interworks.cloud. We remained disciplined in our signing high-quality vendors to our line card while moving slower-performing vendors to our ClimbLO8 division. Our performance underscores the momentum across the business, driven by the strength of our global platform and the depth of both vendors and partners. During the quarter, we evaluated 39 net

new brands and selected only two consistent with our strategy of cultivating strong, high-impact vendor relationships across our platform. Notably, we signed CheckMK, an industry-recognized innovator in comprehensive, enterprise-grade monitoring and observability. As a strategic distributor, we provide channel partners with streamlined access to CheckMK's unified monitoring and observability platforms, delivering deep, visibility across hybrid environments and key domains, including infrastructure, networks, and applications from a single solution. Combined with enterprise-grade scalability, high automation, and open-core architecture, Checkmk enables partners to confidently position and sell and deploy a unified monitoring platform that scales seamlessly across diverse customer environments and use cases. We also launched a company called LogicMonitor, during the quarter, following the successful pilot with a large customer in the fourth quarter of 2025. LogicMonitor is an AI-powered hybrid observability platform that provides unified visibility across cloud, on-prem, and multi-cloud environments, enabling organizations to proactively identify and resolve issues. Through this partnership, we are bringing LogicMonitor's capabilities to our partner ecosystem, equipping VARs and MSPs with a differentiated solution enhanced visibility, improves operational resilience, and drives long-term customer value. We look forward to building our relationship with both Checkmk and LogicMonitor as we take their products to market. Alongside expanding our vendor portfolio, in February, we acquired Interworks, a Greek distributor that brings over 600 cloud resellers and managed service provider relationships, as well as strong vendor to our existing strong line card. While early in the integration process, we are seeing meaningful opportunities to deepen our presence in southeastern Europe by leveraging Interworks' established network, as well as expanding cross-sell opportunities across our broader platform. Overall, we are encouraged by this early progress we're seeing and look forward to generating additional synergies as we fully integrate the teams in the months ahead. As we continue to scale our global platform, we are focused on driving greater alignment and efficiency across our organization. To support this effort, we promoted Sarah Peters to Senior Director of Alliances to our AMIA team. Sarah is working closely with regional leadership to replicate the process, discipline, and execution framework that have produced strong results in North America. Importantly, our underlying alliance strategy remains unchanged. We continue to take a highly selective approach to onboarding new vendors while prioritizing deep engagement with existing partners. As our pipeline of opportunities expands, We are also seeing increased activity across both new evaluations and re-evaluations, which require a similar level of effort and reflect the deep growth and maturity of our vendor portfolio. Looking ahead, we remain focused on driving organic growth while maintaining a disciplined approach to capital allocation. As we continue to scale the business, we are investing in infrastructure needed to support that growth. including advanced automation and AI-enabled tools that enhance visibility, streamline our workflows, and improve overall operating efficiencies. We currently have over 41 IT projects in the works that have streamlined and will continue to streamline our workflows. We're using AI tools and agents to connect our partners that will help our team be more efficient as we grow. These initiatives are designed to increase throughput across the platform and enable us to support higher volumes of activity without the commensurate increase in headcount. At the same time, we continue to view M&A as a strategic lever to complement our organic growth. We're actively evaluating opportunities that align with our high-performance culture, as well as our service offerings and in our geographic reach. We believe these initiatives will enable us to execute on our 2026 plan and deliver yet another year of strong results. With that, I will turn the call over to our CFO, Matt Sullivan. Matt?

Matthew Sullivan | CFO, Climb Global Solutions:

Thank you, Dale, and good morning, everyone. A quick reminder, as we review the financial results for our first quarter, all comparisons and variance commentary refer to the prior year quarter unless otherwise specified. As reported in our earnings press release, gross billings in Q1 2026 increased 14% to $542.8 million compared to $474.6 million in the year-ago quarter. Distribution segment gross billings increased 15% to $520.9 million, and solution segment gross billings increased 4% to $21.9 million. Net sales in the first quarter of 2026 increased 32% to $182.4 million, compared to $138 million in the year-ago period. This reflects double-digit organic growth from new and existing vendors, as well as contributions from our acquisition of Interworks on February 24, 2026. Gross profit in the first quarter of 2026 increased 13% to 26.5

million compared to 23.4 million for the same period in 2025. The increase was driven by organic growth from new and existing vendors in both North America and Europe, as well as the contribution from Interworks. Selling general and administrative expenses in the first quarter of 2026 were 20.3 million compared to 16.8 million in the year-ago period. The increase in SG&A expenses was primarily driven by one-time investments to drive organic growth from new vendors and in our infrastructure to support long-term growth initiatives. More specifically, we expanded our IT capabilities to enhance system efficiencies, further aligned our sales organization across teams and geographies, and continued to build out our Fortinet-focused sales resources. In addition, SG&A reflects higher legal and professional fees associated with strategic initiatives, including our stock split. SG&A as a percentage of gross billings was 3.7% for the first quarter of 2026 compared to 3.5% for the prior year period. Net income in the first quarter of 2026 was 3.3 million or 18 cents per diluted share compared to 3.7 million or 20 cents per diluted share for the prior year period. Adjusted net income was 3.6 million or 19 cents per diluted share compared to 3.9 million or 22 cents per diluted share for the year ago period. Both net income and adjusted net income in the first quarter of 2026 were impacted by a higher effective tax rate compared to the prior year period. Adjusted EBITDA in the first quarter of 2026 increased 4% to $7.9 million compared to $7.6 million for the same period in 2025. The increase was primarily driven by organic growth from both new and existing vendors, partially offset by the aforementioned investments in our infrastructure to support long-term growth initiatives. Effective margin, which is defined as adjusted EBITDA as a percentage of gross profit, was 29.9% compared to 32.7% for the same period in 2025. Excluding the previously mentioned one-time investments and costs, effective margin for the first quarter of 2026 was higher compared to the prior year period. Turning to our balance sheet, cash and cash equivalents were $41.8 million as of March 31, 2026, compared to $36.6 million on December 31st, 2025. The increase in cash was primarily attributed to the timing of receivable collections and payables. As of March 31st, 2026, we had no outstanding debt or borrowings outstanding under our $50 million revolving credit facility. As previously mentioned, our board approved a four-for-one forward stock split effective in March to enhance liquidity and broaden access to our shares while maintaining each stockholder's proportionate ownership. We believe this action improves the accessibility of our stock and supports a more efficient trading environment for a broader base of investors. Looking ahead, our balance sheet remains a strategic asset. With over $41 million of cash and no outstanding debt, we have ample liquidity and flexibility to execute on our growth initiatives in 2026. We remain active in evaluating creative M&A opportunities that can deepen our vendor portfolio, broaden our geographic footprint, and enhance our operating platform. We believe these initiatives, coupled with our demonstrated track record of success, will enable us to continue driving value creation for our shareholders. This concludes our prepared remarks. We will now open up the line for questions. Operator?

Operator | Conference 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 1 to ask a question. We'll move first to Keith Howsam with North Coast Research. Your line is open.

Keith Howsam | Analyst, North Coast Research:

Good morning, guys, and thanks for the opportunity here. In terms of the extra spending here on the SG&A for the quarter, I noticed you guys said the number of one-time items, including IT and legal costs and investments like a 4Net. Can you perhaps bifurcate that a little bit more so we understand? I'm assuming increased costs for 4Net will continue going forward. some of your one-time IT costs, probably one time in nature. Any way to bifurcate some of that growth in SG&A to understand a little bit more going forward?

Dale Foster | CEO, Climb Global Solutions:

Keith, the biggest section. Go ahead, Matt.

Matthew Sullivan | CFO, Climb Global Solutions:

I was going to say the largest driver there or a big piece of the driver there was the Fortinet investment. And the investment in that relationship has been tremendous. is slightly different than the investment in a typical onboarding of a new vendor where we had increased costs, building out teams, and additional one-time costs as we start that relationship here in Q1 of 2026. So that really was about half a million dollars worth of costs that were in the first quarter that it was a negative reduction to adjusted EBITDA that we expect to, you know, turn the other direction as we move into the remainder of 2026.

Dale Foster | CEO, Climb Global Solutions:

And, Keith, this is one of the – and, Keith, real quick, this is one of the things, you know, we typically – when we sign vendors, you know, we'll do some small investments, and a lot of times it's paid by the vendors. If you take a look at Fortinet – You know, it's a market cap $60 billion company, I think $6 billion in annual sales. And the relationship was just a little different. We agreed and, you know, didn't have it in all of our budgets to put this investment out there because we see it as such an opportunity. It's an anchor for us as we go forward. And, you know, it's one of the top four cybersecurity vendors in the world. So that's why we put this investment in there. the sales are coming along and we'll be able to report those better in Q2 as we have been ramping those up along with the team that we brought on board.

Keith Howsam | Analyst, North Coast Research:

Yeah, that was going to be my follow-up question. What's kind of the break-even point for that and how fast does it take to ramp up something like a Fortinet? Will you see a return on investment here before the end of the year on that?

Dale Foster | CEO, Climb Global Solutions:

We will. I mean, Q2 is already ramping up pretty quickly, but it'll be Q3 when we'll see that return on investment. So, Yeah, there'll be some of those SG&A costs in Q2 of that team and then covered in Q3.

Keith Howsam | Analyst, North Coast Research:

Okay. Gotcha. And then it looks like the mix between gross and net revenue here spikes really on the gross side. I think the highest has been several quarters, if not several years. Is that attributed to some of the new vendors, or is there anything you can point to as we think about going forward, the split between gross and net revenue?

Moderator | Call Moderator:

Yeah, not –

Matthew Sullivan | CFO, Climb Global Solutions:

I was going to say, it's not an impact of the new vendors. It's really just the product mix of our existing vendors. And that can fluctuate from a given quarter. You're right, it is the highest this quarter of any quarter in recent time. But that's really driven by our existing vendors and what specific products we are selling to them.

Keith Howsam | Analyst, North Coast Research:

Okay, gotcha. And then, you know, the memory issue is wreaking havoc in the hardware world. In your realm, in the software space, are you guys seeing a benefit as people prioritize some of their spending away from hardware with increased prices towards software? Is it too early to tell, or what's your thoughts on that?

Dale Foster | CEO, Climb Global Solutions:

We do not see the impact, Keith. I mean, some of the delays on potential people doing installs or if they're doing a hybrid cloud or going to a data center, we see some of that. But Remember, 80 to 90% of ours are reoccurring revenue and renewals. So we just haven't seen that slow down. We haven't seen the seat licenses decrease like everybody got crazy in Q1. To talk about, I think, the adults are coming back and saying, hey, man, this is sophisticated software that people are selling. We've got two things going for us. Number one, we have a strong renewal stream. And number two, we're 60 some percent in the cybersecurity world, which people are always going to protect their infrastructure first.

Keith Howsam | Analyst, North Coast Research:

Gotcha. And maybe last question for you. In terms of the targeted one-time investments that get IT in the first quarter, what's your expected ROI on that? And I guess, are you satisfied with some of the progress you've made with those initiatives?

Dale Foster | CEO, Climb Global Solutions:

Yeah. So our new CIO that's done on board, he'll be coming up in a year in Q2. I wanted to point out, the first time I pointed out how many projects we have going because the list continues to grow. We went to our new ERP over a year and a half ago, and we've been streamlining it. But now we're using so many of the AI tools to just make our systems faster. And that is not only the ERP piece of it, but all of the associate applications that that we can use agents to do a lot of the work that we've had to do before manually. So here's our goal that Matt and I have set, and that is, you know, we're throwing technology at it so we don't have to increase headcount, as I mentioned in my remarks. And that is, you know, we need to be able to scale this business, you know. You know, our goal is to double it in the next three years, but not double our headcount because we would just be running on a treadmill at that point. So that's our goal is using the technology. And it's out there to use. We just keep putting the projects on the list to make it more efficient.

Moderator | Call Moderator:

Great. Thanks. I'll turn it over.

Operator | Conference Operator:

Thanks. We'll move next to Vincent Colicchio with Barrington Research. Your line is open.

Vincent Colicchio | Analyst, Barrington Research:

Yeah, Dale. Was the organic growth broad-based in the quarter across your top 20? And were there any lumpy deals that impacted the period?

Dale Foster | CEO, Climb Global Solutions:

Yeah, it is our top 20 that happened. We had some fall over. You know, it typically happens, you know, that from Q4 they come in, the deals didn't get closed on that side. But, no, it was just a good quarter for us when you look at just the vendor performances. You know, we had some vendors that finished their fiscal year at the end of March, so there's going to be, you know, and some of our new vendors that did that. But other than that, it's just across all of our vendors in decent performance.

Vincent Colicchio | Analyst, Barrington Research:

And has gross billings momentum carried through April?

Dale Foster | CEO, Climb Global Solutions:

Yeah, I mean, you know, we're closing out April. We don't want to, you know, talk too much about that. But, yeah, we are not seeing a slowdown definitely in our workloads today. So that's where our focus is, right, is how would it become more efficient with those workloads. But if you look at our adjusted gross billing, so, you know, the whole talk about AI is going to take over this and it's going to take over seats. You know, here's my comment on that, and I've commented before on it, is that we're going to use AI more than we're going to sell it this year, including our vendors are going to use it more internally to develop their products faster. That's the thing that gets talked about the most when we have all of our QBRs with our vendors. is how much faster they're being able to develop products. AI does a great job with repetitive process, and that's how we're using it inside of Con. But when it comes to sophisticated, you know, somebody that's going to go and attack your network, you know, we're seeing the tools that we're selling as important as ever, and we haven't seen that slow down.

Vincent Colicchio | Analyst, Barrington Research:

And curious about vast data, does the pipeline remain substantial there?

Dale Foster | CEO, Climb Global Solutions:

Yeah, it's still going to be lumpy with VAST, but it's still, I mean, if you look at VAST as a company and how much money they've raised, you know, they appeal to the high-speed data pull for AI engines, and that's where they're claimed to be famous. They're still doing a good job. So you'll see throughout this year some more lumpy deals that are coming in. But, you know, it's just hard to predict because they're all based, and back to Keith's comment about memory, you know, they're going to be affected by that. anybody that's going into data centers can be affected by some of the chip stuff.

Vincent Colicchio | Analyst, Barrington Research:

Are you able to give us some help in terms of when Interworks will provide meaningful cross-selling synergies, or is that tough to talk about in terms of timing?

Dale Foster | CEO, Climb Global Solutions:

It's the cross-sell that we have, and this is our strategic plan when we acquire companies in various regions, and that is the opportunities that typically start with vendors in the U.S. and move there. They have a big Microsoft practice, which goes right in line with our Microsoft practice in the U.K., and I mentioned that before, that, you know, we meet the threshold to stay as a distributor. We're working on becoming a frontier distributor, which is a new designator by Microsoft. We think that, you know, and here's the uniqueness about Interworks. They transact all of their business through a cloud platform, which we have a small portion of our business, so we want some of that DNA to come to our newly dedicated MSP team in the U.S. and then to the greater company in Europe as well, that we can transact on a platform as we keep getting, you know, better and better with our system. So it's going to be going both ways. Them on, you know, from the Greek team to us on how they actually transact and from vendors to the Greek team that they're looking to add more vendors. So you'll see the cross-selling and really the onboarding of new vendors in Southern Europe with them. As I mentioned, Sarah Peters taking that role, and that was one of the reasons for it.

Moderator | Call Moderator:

Thanks, Dale. Thanks, Vince.

Operator | Conference Operator:

We'll move next to Howard Root with Fairhope Capital. Your line is open.

Howard Root | Analyst, Fairhope Capital:

Good morning, and thanks for taking my call, guys. I want to follow up a little bit more on the SG&A line. If you look sequentially, I think it went up about two million and year over year, about a three point five million dollar increase. You kind of pointed out the Fortinet was about five hundred thousand of that. And then you called it primarily one time investments. Can you the other like one and a half million sequentially? Can you kind of give us a little bit more detail on what that was and quantify it? And then when you say one time, does that mean one quarter or is that going to continue into Q2 and for the rest of the year?

Matthew Sullivan | CFO, Climb Global Solutions:

So when we refer to that as one time, I mean specifically with the Fortinet relationship, that was a net cost of about half a million dollars to climb as a company. We expect that to begin to turn to a positive contribution in the later part of 2026. And we start to see that in Q2 here and really see that ramp up in Q3 and beyond. And like I said earlier, that was a different type of investment than our usual investment cycle. And then we had other one-time professional and legal-type costs associated with the stock split and some other initiatives there. So like I had mentioned in the prepared remarks, if you exclude those items, our effective margin from – Q1 of 2026 compared to Q1 of 2025 increased. And typically, Q1 is our lowest effective margin quarter of the fiscal year. So even if you look back at 2025, you know, that 32.5% or so, that continued to climb as the year progressed. And we expect no changes to that trajectory as we move forward here in 2026.

Howard Root | Analyst, Fairhope Capital:

So just looking forward on adoption. Go ahead, Dale, sorry.

Dale Foster | CEO, Climb Global Solutions:

Yeah, real quick, Howard. When Matt and I looked at it, as we're going through the quarter, we just have some messy, we say one-time things, but we have some legal stuff that we typically didn't have in the past for those quarters. It was unfortunate, but a lot of those are one-time things as the quarter progresses. You know, as we pointed out, if you look at the actual SG&A, I think it went from 3.5 to 3.7. But, yeah, we got to get that in the other direction. And as you often point out, you know, can we get to the, you know, and I talk about it now with some of our investors and, of course, our board, you know, how do we get our 5% to more of a 50-50 on our SG&A and our effective margin? So that is the goal that we have, and we do not see, and our vision has not changed on that.

Howard Root | Analyst, Fairhope Capital:

Okay. So, the, you know, I wish you guys would start giving a little bit of guidance, but just looking at this line, generally, it's around a little 20 million, 20 and a half million for the quarter. Do you see Q2 on a dollar basis being a decrease from that, an increase from that, or relatively the same?

Moderator | Call Moderator:

Well, it all depends.

Dale Foster | CEO, Climb Global Solutions:

We'd have to go by percentages, Howard, because it all depends on, you know, Our Q2 is going to be typically higher than Q1. We're going in with our education. You know, that's where all the buying starts happening and all the quoting starts happening. And that's how our gross profit is affected by the commissions that we put out there. So I can't give you a hard number that way. But percentage-wise, we're going to see that drop.

Howard Root | Analyst, Fairhope Capital:

Okay. So then, yeah, you mentioned the 532, which we talked about before. I mean, 5% gross profit. profit off of your gross billings, which is kind of the way to look at your business. I think then 3% for us, GNA leaving 2% roughly for income from operations, yet depreciation as well. And he said, that's still kind of your target, but is that a goal? Is that a expectation or is that just kind of, what is that?

Dale Foster | CEO, Climb Global Solutions:

Our goal, our goal, how our goal Howard, and we are in our executive meetings, we kicked off this year, including, you know, presenting to the board. is to get that to a 50-50. And we had our sales kickoff both in the U.S. and overseas, and it's to get the five to two and a half, two and a half. I mean, we know where our competitors are. We know we can get there, but it's an efficiency play for us to split that 5% in half and drop that through. So that is our hard target to get to that we have set for ourselves as a management team.

Moderator | Call Moderator:

And our expectation is that 5-3-2 doesn't change.

Howard Root | Analyst, Fairhope Capital:

Okay, 5-3-2, but two and a half would be what your real goal is here, not just two.

Dale Foster | CEO, Climb Global Solutions:

Correct. That's where we have our sights set, is to take the five and just put in half, and half of it's going to rest, and the other half's going and dropping through.

Howard Root | Analyst, Fairhope Capital:

Okay, all right. Then just bigger picture, and, you know, I don't want to get too nitty. I mean, congrats on the revenue growth. You guys are still doing a great job. On the M&A environment, though, You know, the InnerWorks, it was kind of one of these new things where it was kind of acquire or go out because of the Microsoft vendor that you talked about before, and they had to get bigger or they just weren't going to have that card. Do you see that continuing in the environment, or how do you see more generally the M&A environment in terms of the opportunities and the valuations today?

Dale Foster | CEO, Climb Global Solutions:

Sure. Yeah, so the valuations have still stayed, and this is targeting mostly in Europe, a little bit in the Middle East that we're looking at, because we'll prospect two years out into some territories. But yeah, it was opportunistic that we did it with this company, because we already had a relationship with them from the cloud platform piece of it. So yeah, we're doing it that way. You know, right now, yeah, there's still a lot of opportunities on my list, a lot that I've met with when I was – Matt and I were over in Greece with a team and, you know, did a stop by to talk to some other potential targets out there. So it's good. It all depends, and everything depends on what that company internally does, right? Are they reliant on one vendor, one territory? You know, there's all different factors that go into the valuation piece of it, you know, from a – where we acquired Douglas Stewart at a four and a half up to paying close to eight and a half for other companies. And it just depends on what their makeup is and where we see that we can effectively grow them and how quickly we can grow them is what we pay.

Moderator | Call Moderator:

Great. All right. Thanks. Congrats on the progress. And thanks for taking my questions. Thanks, Howard.

Operator | Conference Operator:

Move next to Bill DeZellum with Titan Capital. Your line is open.

Bill DeZellum | Analyst, Titan Capital:

Thank you. After signing the Fortinet agreement, given the size of that organization, has that led to any follow-on effects with other large vendors that basically raised their eyes to what CLIMB may be able to accomplish?

Dale Foster | CEO, Climb Global Solutions:

Thanks for the question, Bill. It actually has. You know, we've had this, you know, our talk track is, you know, we're going after emerging vendors. And if you look at our line card and even our top vendors that we talk about, SolarWinds and Sophos have been great partners for us and continue to be that. But as far as looking at like a tier one vendor, like a Juniper, Fortinet that are out there, we typically don't market toward that environment. But when this one came up, it was not an immediate, oh my gosh, this is going to be great. It's going to change climb. You know, for the better. I my first reaction to was I don't want it to change our culture or become like a broad line distributor. Right. Because I think there's so much value in what we do and what we take to market. But to your point, after that happened, Charles Bass, which runs our alliances team. You know, we've had some pretty large companies reach out to us and say, hey, I didn't realize you guys did this. I didn't realize you went as wide in some of the markets that you do. And if you look at the North American market, you have the three large distributors, now all public, with Ingram going public last year. And then it's all the way down to where we see, you know, climb. We're very small compared to these 50, 60 billion other companies. We don't want to be them, but we're having – vendors that are coming to us and saying, hey, either we want to keep them honest or we want to do a targeted approach to a group of resellers that we think you touch much better than the broadliners do. So the answer is yes. I won't give you names, of course, until we announce them. But, yeah, it's nice to have them coming to us instead of us going and trying to, you know, knock on every door.

Bill DeZellum | Analyst, Titan Capital:

So, Dale, the implication then of what you just said is that there are other meaningful potentially needle-moving vendors that you are in discussions with now? I'll leave it at that, yes. And I'll try to not let you leave it at that. Would you anticipate that if any one of these come to fruition, that it would happen this calendar year, or are these discussions much more drawn out than that?

Dale Foster | CEO, Climb Global Solutions:

Yeah, no, that would happen this calendar year on the ones we're looking at. But, I mean, it's just like a, you know, we expected Fortinet to have a little faster start than we have. It always is, you know, you're putting energy, and as we showed in Q1, we're putting resources and expenses into getting it going. But as I told my field sales team that I'm putting tons of pressure on, right, to launch this and getting them to net new customers, and that's where we're really going after. is that is, hey, we're going to take advantage of this vendor line for the next 5, 10, 15 years, right? Because I think we're just a better go-to-market play than our competitors. So that's why we're putting the energy in right now. I mean, everybody has their day jobs to do, but we're pushing to our field teams to say, hey, you know, this is important to us. It's going to drag along a lot of cross-sale opportunities. If you take a look at Fortinet's technology partner page on their website, you'll see all the vendors that they work with. There's quite a few on that list. Well, number one, there are seven or eight that we already work with, so there's cross-selling, and we do marketing programs together with them. But if you look at that list, it is big on the cybersecurity side and associated platform side, even on the monitoring piece of it. So, yeah, more new targets for us, but, yeah, I see more and more of that coming our way.

Bill DeZellum | Analyst, Titan Capital:

Thank you for that. And if you were to sign one more of them, the one-time investments that you've discussed here relative to Fortinet, would those scale to, let's just call them vendor B, or are these resources really dedicated to Fortinet and you would then have this same scaling that you would do for vendor B. Would you help us understand behind the scenes how that would work?

Dale Foster | CEO, Climb Global Solutions:

Yeah, I'll give you an example that's real time. So when we acquired Douglas Stewart, you know, Adobe was a big part of that relationship and they had a separate team and that team we maintained separate until we put them to our ERP. Now the Adobe platform, the Adobe marketing, all that stuff is part of Climb, right? We want a one Climb approach to how we go to market. Same thing with Fortinet. It'll eventually morph into our overall team and become part of the Climb ecosystem. But right now we kept it separate so we can track it, so we can show our progress. But, you know, everybody is, everybody, you know, we have 80 some sellers in North America. They're all selling Climb. Fortinet products, just like they're all selling Adobe. It wasn't that way to start with. So it depends on the, and you're not going to like this answer, but it depends on the opportunity, right? If the vendor, if it already is in our same work stream, like most of the vendors we sign are, it just goes right in. And as I mentioned in my remarks, you know, we are pushing vendors that are not in our top 70 or that are drifting or don't have the investment to our Climb Elevate team, which is really a transactional team. It doesn't get marketing. It doesn't get sales support, but just transactional. And I'm trying to continue to move vendors off so we can focus on our core. I would like, you know, we started 100 vendors. We're down to 70 in our core. I would like that number to go down to 50 because if you look at our top 20, you know, they represent 90-some percent of our business. We want to keep doing that focus. And that's what our vendors want on the top side, and that's what our customers expect, you know, to be able to deliver products the message, you know, how many vendors can a sales rep really represent? So we want to limit that, so we're really an extension of that vendor sales force.

Moderator | Call Moderator:

Great. Thank you for the additional perspective. Thanks, Bill.

Operator | Conference Operator:

And there are no further questions at this time. I would now like to hand back to Dale Foster for any additional or closing remarks.

Dale Foster | CEO, Climb Global Solutions:

Thank you, operator. Again, thanks to the entire CLIMB team. You know, hard work this year. A lot of things going on, a lot of moving parts. Also, I want to welcome the team members from our new acquired Greek team in both Thessaloniki and Athens. Matt and I had a chance to go over and spend time with them, and it was just a doubling down on the culture that we have at CLIMB. It's the same thing. That same strand goes right through our team in Greece, and just a great time. So they fit with not only our go-to-market, but they have the same kind of values that we have as far as taking care of our customers and our vendors. Last thing I want to mention is we will be doing an investor day on July 7th in New York City, and for our shareholders, we'll be sending out invites to that. I'd love to see you in New York. Thank you, Robert.

Operator | Conference Operator:

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