NASDAQ:CLMB Q2 2026 Earnings Call Transcript

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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 30, 2026. 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 Mansouri, with Elevate IR. By now, everyone should have access to the second quarter 2026 earnings press release, which was issued yesterday afternoon at approximately 4.05 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 a webcast replay on the company's website. Following management's remarks, we'll open the call for your questions. I would now like to turn the call over to Mr. Mansouri for an introductory comment.

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. and many more. have been reconciled to the most directly comparable gap measures in accordance with SEC rules. 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. We have executed on several strategic initiatives in Q2 that are central to CLIMB's long-term success. We generated double-digit organic growth with 19 of our top 20 vendors benefited from our acquisition of Interworks. We bolstered our line card to make further investments, and our systems need to support the larger and more efficient global platform. Our strong vendor performance is evidence of the momentum we are generating across the business. Rather than pursuing scale for its own sake, we focus on strengthening existing partnerships and identifying emerging technologies that offer a better value proposition for our reseller network and their customers. During the second quarter, we evaluated 34 new brands and signed agreements with only two of them. Our first agreement was with Avanti, a Utah-based global enterprise IT and security software company with more than 1,000 employees and approximately $1 billion in annual revenue. Avanti provides an AI-powered platform designed to help organizations manage, Automate and Secure Complex Digital Workplaces, with a primary focus on cases spanning endpoint management, IT service management, patch and exposure management, and zero-trust security. Through this relationship, GLIME will expand channel access to Ivanti's autonomous endpoint management, offering and enabling partners to help customers improve operational efficiency and strengthen security and reduce risk. We also find a company called Checkmk, a German-based provider of comprehensive IT infrastructure monitoring and observability solutions. Its platform helps organizations track the health and performance and availability of their entire technology stack, including network servers, applications, and cloud resources. Checkmk combines automated discovery, customizable dashboards, and enterprise-grade scalability to support a broad range of IT environments and give customers greater visibility into increasingly complex infrastructures. In addition to those new agreements, we expanded two existing relationships. First, we broadened our relationship with LogicMonitor from a few select customers to all of North America, giving our partners more access to its AI-powered hybrid observability platform. We also launched Quantum on our primary line card, in Q2. Quantum's portfolio includes high-performance storage, AI-enabled workflow management, and long-term data preservation solutions designed to help public and private sector end users manage data growth and storage constraints. These expanded relationships illustrate how we work with our vendors to build momentum over time. We begin with a focused go-to-market strategy, invest in the relationship as demand develops, and expand our support as the opportunity grows. and many more. Fortinet also continues to ramp meaningfully, with gross billings increasing materially from Q1 as we expand our internal capabilities and work closely with Fortinet's leadership team to expand the channel. While the relationship is still developing, we are encouraged by the progress to date and believe Fortinet can be one of Klein's largest vendor relationships over time. We also are making progress on the development of our cloud platform, which is intended to create a more efficient way for customers and partners to purchase, manage, and renew cloud-based software to the client platform. During the quarter, we hired an experienced platform architect who is developing the initial structure and technical blueprint, which we expect to complete soon. Adobe will be one of the first vendor priorities for the integration, and over time we expect the same platform capabilities to support additional vendor lines. Alongside these organic initiatives, we continue to integrate Interworks into our broader global platform. We will preserve the local expertise and relationships that have supported Interworks' success while identifying opportunities to leverage climate's broader infrastructure across the region. These initiatives align with the strategy we outlined earlier this month at our first Investor Day at the NASDAQ market site. where we provided a deeper look at CLIMB's unique model and long-term priorities. We also presented our goals to more than double our FY 2025 adjusted EBITDA by 2030 to organic growth, deeper vendor relationships, partner relationships, and operating leverage and strategic M&A. Thank you again to the investors that joined us in person and as well as those that joined us by webcast. As we position CLIMB for the next phase of growth, and Peter Bell. Peter brings more than 35 years of experience across venture capital technology operations and strategic advisory roles. His experience identifying disruptive technology, scaling technology business and navigating the M&A landscape is directly relevant to our long-term strategy and will add operating investment, strategic perspective to our team as well as scale of our global platform. Looking ahead, we are focused on driving organic growth. collectively expanding our line card and evaluating creative M&A opportunities with Europe as our key focus area. Our strong balance sheet provides the flexibility to invest in these priorities while maintaining a disciplined approach to capital allocation. We believe these initiatives, coupled with our robust balance sheet, will enable us to continue driving value to our shareholders. With that, I will turn the call over to Matt Sullivan, our CFO, for the financial results. Matt?

Matthew Sullivan | Chief Financial Officer:

Thank you, Dale, and good morning, everyone. A quick reminder as we review the financial results for our second 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 the second quarter of 2026 increased 17% to $587.3 million compared to $500.6 million in the year-ago quarter. Distribution segment gross billings increased 8% to $562.9 million, while solutions segment gross billings increased 4% to $24.4 million. Net sales in the second quarter of 2026 increased 9% to $174.2 million, compared to $159.3 million in the prior year period. This increase reflects double-digit organic growth from new and existing vendors, as well as a contribution from our acquisition of Interworks on February 24th, 2026. Growth profit in the second quarter of 2026 increased 15% to $30.2 million compared to $26.3 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 second quarter of 2026 were $20.7 million The year-over-year increase primarily reflects SG&A associated with Interworks and variable sales compensation attributed to the growth and gross profit. SG&A in Q2 2026 was also impacted by higher legal and professional fees, as well as increased investments in IT infrastructure designed to improve workflows, strengthen our operating infrastructure, and drive efficiencies across our global sales organization to support future growth. SG&A as a percentage of gross billings was 3.5% for the second quarter of 2026 compared to 3.3% for the prior year period. Net income in the second quarter of 2026 was $5.5 million or $0.30 per diluted share compared to $6 million or $0.33 per diluted share for the prior year period. Adjusted net income was $5.5 million or $0.30 per diluted share compared to $6.4 million or $0.35 per diluted share for the year-ago period. Both net income and adjusted net income in the second quarter of 2026 were impacted by a higher effective tax rate compared to the prior year period. Adjusted EBITDA in the second quarter of 2026 was $11.3 million compared to $11.4 million in the same period in 2025. The decrease was primarily driven by the aforementioned investments focusing on efficiencies to support long-term growth initiatives. Effective margin, which is defined as adjusted EBITDA as a percentage of gross profit, was 37.5% compared to 43.3% for the same period in 2025. Turning to our balance sheet, cash and cash equivalents were $56.6 million as of June 30, 2026, compared to $36.6 million on December 31, 2025. The increase in cash was primarily attributed to the timing of receivable collections and payables. As of June 30, 2026, We have no debt or outstanding borrowings under our $50 million revolving credit facility. Our strong financial position gives us flexibility to support working capital needs, invest in the business, and actively pursue M&A opportunities. We will continue to deploy capital strategically and evaluate opportunities based on their fit and ability to strengthen the client platform while maintaining the discipline needed to advance our long-term objectives. This concludes our prepared remarks. Operator, please open the line for questions.

Operator | Conference Call 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, and we'll pause for a moment to allow everyone a chance to join the queue. And we'll take our first question from Keith Howsam with North Coast Research. Your line is now open.

Keith Howsam | Analyst, North Coast Research:

Good morning, gentlemen. Appreciate the opportunity. Hey, Matt, as we kind of think about the results for this quarter and compare to last year, if I remember right, last year had some more one-time items related to vast data. How tough of a comparable was that for you this quarter?

Dale Foster | Chief Executive Officer:

Go ahead, Matt. No, you go ahead. So, Keith, number one, thanks for joining us on Investor Day in New York. It was good to see you. The We knew it was going to be a tough comp going into Q2 because we had a $30 million deal with VAT data, and then another one that was going to be in Q3 got pulled into Q2. So we had a really tough comp to do that. But going into the quarter, you know, one of our bigger vendors, Sopos, had a down Q1 and really came back in Q2, so that helped it out. But we really – were thrilled by the teams. And like I mentioned in the opening remarks with Dartrace really going to the next level, some of the other performers. And if you remember when I first said, we had 19 of our 20 vendors outperformed and grew in Q2. So that's tough comp, but, you know, good to see our top vendors taking off.

Keith Howsam | Analyst, North Coast Research:

No, absolutely. And you guys mentioned Fortinet having significant growth this quarter versus the first quarter. Is there a good opportunity for them to eclipse the speed or pace that Dark Trace has achieved over the past year? How are you thinking about Fortinet's ability to climb, I guess, the next 12 months?

Dale Foster | Chief Executive Officer:

For sure. I mean, it was a 10x factor from Q1 of this year to Q2 of this year. Of course, you know, the bigger you get, it doesn't grow as fast, but We're hosting QBRs in our locations. Our teams are so much more integrated than they were even in Q1. You know, we started this relationship in November. So it'll continue, and I think I said it. It'll be one of our top five vendors probably this time next year. It continues to grow. And if you looked at their financial results this week, you know, for a company that's, you know, $6 billion, $7 billion in size, they grew 14% in Q1. Q2, they were up double digits as well. So just a great relationship. And, you know, as your team get closer and closer, everything gets faster, right, as far as, you know, getting more of our customers on board. And Fortinet's portfolio goes so wide, right? They go from firewalls all the way to access and security cameras. So just a good technology company that we're going to expand on. Great. Good to hear it.

Keith Howsam | Analyst, North Coast Research:

And if I look at your SG&A expenses, you know, I know you guys have a lot of different fires going on right now in terms of some of the IT efficiencies and, you know, restructuring, legal fees. If you look at that, how much would you say was one-time or not recurring, and how should we think about it for the rest of the year? Go ahead, Matt.

Matthew Sullivan | Chief Financial Officer:

Yeah. In the quarter, we had about 500K of what I would call non-recurring type expenses. It relates to some of the legal and professional costs and then some of the investments in our IP infrastructure. So, you know, looking, thinking about it from an effective margin perspective, we declined from Q, our SG&A as a percentage of gross billings was and so forth, you know, declined by 20 basis points from Q1 to Q2, which was consistent with our trajectory from Q1 to Q2 of last year. So, that's kind of how, you know, we're thinking about it that, you know, that consistent effective margin flow that we've historically experienced is what we expect to see in the future.

Dale Foster | Chief Executive Officer:

Great. And if you take out the, and Chief, real quick, I mean, I hate talking about one-timers because it seems like every quarter you have a one-timer, right? and many more. and so forth. So, we're still going to do it because the efficiency that we get for the rest of, you know, our next 10 years is worth doing now. So, that's what we've done in both Q1 and Q2 and some will be in Q3.

Keith Howsam | Analyst, North Coast Research:

So, in your head, Dale, in terms of like, you know, the investment in the cloud marketplace and the IT, you know, how fast is your payback? Is that a payback you can get back in a year?

Dale Foster | Chief Executive Officer:

from the IT side, for sure.

Keith Howsam | Analyst, North Coast Research:

Okay. Okay.

Dale Foster | Chief Executive Officer:

Got it. And we're doing, you know, so we, you know, we've talked about our ERP went live, you know, two years ago, July. And now we're tweaking it and we're, you know, we're trying to use the best tools, you know, for the job. So with Vishal coming on, he's been on board a year now. We've expected a lot from him. He's delivered, getting the right team members in. So you're going to continue to see that piece of it. And we know, you know, I'm going to get the comments. I mean, you know, on our SG&A side, we need to keep a very close watch on it and continue to get the efficiency we can drive it down.

Keith Howsam | Analyst, North Coast Research:

Right.

Dale Foster | Chief Executive Officer:

Okay.

Keith Howsam | Analyst, North Coast Research:

Guys, I appreciate the opportunity to look forward to seeing the growth going forward. Thanks.

Dale Foster | Chief Executive Officer:

Thank you.

Operator | Conference Call Operator:

Thank you. Our next question will come from Vincent Colicchio with Barrington Research. Your line is now open.

Vincent Colicchio | Analyst, Barrington Research:

Dale, I'm curious, are geopolitical factors having any impact on sentiment in Europe? And also, are you hitting your cross-selling objectives in Europe, setting an inner work side, given how recent that is?

Dale Foster | Chief Executive Officer:

Yeah, on the cross-selling side, I'll take that first. You know, not that big of an impact, other than the teams are getting to know each other, and we're going to start seeing vendors getting loaded onto the platform that they're using over there, so we'll see that piece of it. But we're also getting the teams integrated together on just territory vendors, because we both have the Microsoft agreement for all of Europe, so now we're, you know, think about it, we're in Southern Europe with Greece, we're in UK, Ireland, and we're going to just keep going to the middle, you know, of Europe on that side. On the macro side, you know, we had a board meeting this week. It came up. We talked about macro environments. I know it sounds, you know, we're $2 billion.

We're still so extremely small in our market, and the companies that we carry in the pockets that we go after are resellers. We just haven't seen it. I mean, of course, it's going to be on the fringes, but nothing really impacted us. We're not in the hardware business, so logistics isn't an issue, just like it wasn't during COVID. So we just haven't seen it, and I think I say that a lot. We're still that small.

Vincent Colicchio | Analyst, Barrington Research:

Vast data was good to you, I believe, in the year-ago period. Does that pipeline there remain substantial?

Dale Foster | Chief Executive Officer:

It is, and as the people that have been on this call before, I mean, it's just going to remain lumpy because the deals are so large in size. You know, a lot of it is a waiting game with data centers being built. That data is known for delivering data to AI engines and LLMs very quickly. That's their claim. And they, you know, they have less than 100 customers worldwide. So it's going to be lumpy, and we have a pretty strong pipeline with them already.

Vincent Colicchio | Analyst, Barrington Research:

And has the gross billions momentum you experienced in the quarter carried through in the early Q3?

Dale Foster | Chief Executive Officer:

You know, we're just finishing up July. We'll have a strong July, some of it, you know, falling over from the quarter, which happens. But, you know, we look at the percentage that is pretty – and many more.

Matthew Sullivan | Chief Financial Officer:

Yeah, so compared to Q2 of last year, our effective rate was higher this quarter than the Q2 of last year because there was a discrete item related to – or there was a greater adjustment for a discrete item in Q2 of last year for when restricted stock passed. So as we've had the run-up in the stock over the – or stock value over the years, As awards vest from many years prior when the fair value was much lower, the company receives a tax benefit. Now as those much prior year rewards become fully vested and the awards are more closer, the award fair value are more closer than to our value of the stock today, we have less of a discrete favorable impact on our taxes, which is therefore driving our tax rate to be more consistent with where we would expect it going forward.

Vincent Colicchio | Analyst, Barrington Research:

Okay. Thanks, gentlemen. Thanks, Vince.

Operator | Conference Call Operator:

Thank you. Our next question comes from Bill DeZellum with Titan Capital.

Bill DeZellum | Analyst, Titan Capital:

Thank you. I have a group of questions. First of all, Fortinet initially had restricted you from certain opportunities, and you referenced that at the analyst meeting. Would you update on where we sit today and what success you are seeing with Fortinet specific to that issue now?

Dale Foster | Chief Executive Officer:

Yeah, so we were restricted, you know, until May 4th of this year. I think it was the top 50 customers. They didn't want disruption. You know, the goal with 4Net has always been for net new business. And if you look at, like I mentioned, our technology stack goes extremely wide. And if you look at a lot of our vendors, our vendors are extremely narrow as far as where they go into the charity stack. So for us, it's just a great fit. So, yeah, it ended in May. Yeah, some share shifts will happen, and some of the customers, and what we like to say, let the customers choose where they want to acquire a product from. Some of it helped there. We have some really cool initiatives inside Teams for generating net new business. and then we're looking at where – if you look at – if you go to Fortinet's website and you look at their technology partnerships, there's so many that we have in common, the vendors we already had on our line card. So we're just doubling down on those. We're doing more events together and do truly cross-level stuff. So, you know, so, yeah, we figure we had April and May. We still haven't touched the top 50. We're seeing some of the stuff come from those groups and they'll continue to momentum.

Bill DeZellum | Analyst, Titan Capital:

And Dale, that's, I guess, part of where I was going is relative to those top 50, are you seeing, to what degree are you seeing them making choices to move to climb?

Dale Foster | Chief Executive Officer:

In region and territory, and this goes back to, you know, what we are known for as a company, right? We are a show-up type of sales force with all of our, and you've got to meet a lot of them in New York, These sellers are in region, in territory, visiting their customers. They do not get that experience from any of our competitors, right? We don't do overlays in the company, so when you go and you talk to our field rep, that's the person that's going to deal with everything to do with climb and what you're acquiring. So, you know, we're going to see more of it as we – get more in line with their field sellers as well. That's when good things happen. There's, you know, the bigger resellers out there, you know, those are bid opportunities that'll come up over the next couple years, but really it's, you know, hand-to-hand combat in all the regions.

Bill DeZellum | Analyst, Titan Capital:

Great. So essentially we should not think about this as a light switch turning on with these top 50 companies. and more so that as the relationship with the client team builds, they're simply going to be – it's just going to be a natural progression where they're going to give more business to the people that they see and like that are showing up every day.

Dale Foster | Chief Executive Officer:

For sure. And it's a buying experience, right? I mean, if we can make it more streamlined, we're going to get more customers. If we are giving them – and many more. to buy more poor net products.

Bill DeZellum | Analyst, Titan Capital:

Thank you. And speaking of a big pond, Dale, the Avanti relationship, we didn't talk a lot about that at the analyst meeting. Would you dive into that and go into some more detail how fast that it will ramp and, I mean, just ultimately the size that you think this could be for climate?

Dale Foster | Chief Executive Officer:

Yeah, and the reason we didn't get into it too much because we were just getting launched. We just had our launch plan with them in all the territories. But let me just back up to when I talk about onboarding vendors and how Charles and his team go through picking vendors, and we're just continue to look upstream at larger vendors because if we're going to move the needle, we can't sign a vendor that we're going to get to 5 to 10 to 15 million in a couple years, right? It's not going to matter. If it's cross-sellable and it's easy part of adding to a purchase order, hey, that's great and we'll look at that. But Avanti, you know, $950 plus million, great team. We get to meet the C-level guys a couple weeks ago in New York with the refresh program. So I only see good things from that. And we're getting more and more at-bats with bigger vendors. We have another one we'll announce in a couple weeks that is a $650 million vendor in the security stack space. So that we're going to continue to look at the bigger vendors that make sense for us that don't have, you know, the same – GoToMarket or technology. It might be an overlap of 20%, but not more than 50%. But you'll see that relationship grow and grow. And Avanti came to us and said, okay, you guys are out in the field. We're not getting that from our other channel players, and we're going to see more of that move over as well as they've moved to – I don't want to put it nicely, you know, cancel contracts with some of our competitors because they're just not getting out of what they want.

Bill DeZellum | Analyst, Titan Capital:

And ultimately with Avanti, do you see this as a top 20, top 10, top 5? Where do you see them ultimately falling?

Dale Foster | Chief Executive Officer:

A top 20, definitely a top 20 vendor at and, you know, we, like I said in the opening remarks, we, you know, in board meeting this week, went through some of the stuff and we pulled some of the data, you know, and I'll give the shareholders some of it. So in 2022, we had 48 vendors that made up about 90% of our adjusted gross billings and today 84 vendors make up 90%. So you can see we're much more diversified. Of course, I would like that number to be a little less. because we're trying to continue to trim off vendors that are burning too much time of my core team and put them into our Climb Elevate group. But, you know, we're very diversified. And then what makes up our, you know, we have 45 vendors that do more than $10 million in sales. And in 2022, we had only 22 vendors in 2022 that did $10 million or more or so. Better Vendor portfolio that we're delivering and working on more focused vendors.

Bill DeZellum | Analyst, Titan Capital:

Great. And then one additional question, please. What additional details do you have on the marketplace? I think you mentioned that Adobe will be first. And, you know, additional details beyond what you had mentioned. earlier this month in New York.

Dale Foster | Chief Executive Officer:

So we've had a platform all along, and the issue with having a platform that you don't control is you don't control the roadmap of when you want a vendor added. So if I look at just back to the efficiency play, and I want a vendor at it because it's going to save us so much time and money internally just transacting that vendor, I have to go into a roadmap of whoever I use as a platform and wait for that to come up. And even if we do some of the devs on ourself, it still takes longer. So we're going to have kind of a hybrid. We're developing with the architecture that's already been developed. pretty much set and then we'll have a committee as far as what we really need for that because we want the experience to be what the customer wants, right? How much of an online experience they can determine? How much of an individual in-person relationship they can determine? We want to have both of those and right now we have the personal experience but we need one that's more online that they can get answers a lot faster than waiting, you know, for their teams. So it'll be a continued investment that we have. This is the first step, bringing somebody that Vishal has had a history with. I've known the companies he's worked for. So, you know, we'll announce this and continue as we go. But we'll have some of our stuff done in Q4 of this year.

Bill DeZellum | Analyst, Titan Capital:

Great. Thank you, and congratulations on the forward progress. Thanks, Bill.

Operator | Conference Call Operator:

Thank you. We'll take our next question from Howard Root with Fairhope Capital. Your line is now open.

Howard Root | Analyst, Fairhope Capital:

Good morning, guys, and thanks for taking my questions. First, congratulations once again on the great growth in billings. I mean, you guys continue to do excellent work there. I have two questions. One, just a little follow-up on the SG&A line. Going up 26% year over year looks kind of troubling, but obviously we talked about that at Q1 because that was where the jump was, and Q1 to Q2, you actually took it down from 3.7% to 3.5% of your gross billing. But kind of the target was always at 3% level, and it's kind of sticky here and going up a little bit Q1 to Q2. What do you see kind of as a percentage of gross billings, the SG&A, what's your target over the rest of this year and into 2027? Can you get that down to 3%? Is that a reasonable target near term?

Dale Foster | Chief Executive Officer:

So I want to say yes, Howard, but, you know, a couple things will happen, and we'll call them out, right? If we have some bigger, vast deals, and if I look, and Matt and I, and Matt went through the last eight quarters, and we had a couple times we dipped below three, and some of the times a couple quarters were just above three. So, of course, that is the goal. But it's the Catch-22 part of it is if I invest in some of the technology that will make me efficient for years to come, I want to do that now and not wait. So that is some of what's being churned up in my SG&A. So I'm trying to be a good steward of it now because I know that we focus quarterly, but I don't want to sacrifice something that if I could do and put in place now for an efficiency that's going to get me 2027 at a much better rate and I don't have to pay those dollars then, I'll do that. So, yeah, that's our goal. And we know that our Q3s and Q4s are very strong. Our Adobe relationship really kicked off as the blind season. So, you know, we'll see those numbers go up without, you know, without putting extra resources on. We're making some, you know, some cost-cutting measures inside. We'll talk about that in Q3 as well.

Howard Root | Analyst, Fairhope Capital:

Just to reiterate, you know, what Dale was saying there.

Matthew Sullivan | Chief Financial Officer:

Historically, our effective margin grows from Q1 to Q4 of every year, or ramps up from Q1 to Q4 of every year. There are fluctuations in it from given quarter to quarter, and we've talked quite a bit about the large, non-reoccurring, at this point, vast transactions from Q2 of last year, and if you take the impact of that out, and take the impact of Interworks' contribution from Q2 of this year, who obviously wasn't in Q2 of last year, we still grew adjusted EBITDA at the strong double-digit organic growth or strong double-digit growth levels of gross billings and gross profit. So, yeah, there's a couple things to peel back there and a couple things to continue to tweak, but, you know, still a strong quarter when you take those pieces out of it.

Howard Root | Analyst, Fairhope Capital:

All right. So I guess the flip side of that, though, is from where you were like three, four years ago when I first started covering you guys, you're adding so much more service to your offering. It's not just here's a product, buy it. You're personal hands-on. And if, you know, it does take 3.5% SG&A, is there a way of getting your gross margin on billings up from that 5% to 6% and capture it that way? Is that something you're looking at or something you think is possible or does the market just doesn't allow that?

Dale Foster | Chief Executive Officer:

Yeah, Howard, and I would say North America, the market doesn't allow it, right? And that's the big piece of it, and I talked about it in New York, and that is some of the acquisition plans that we have overseas, they have double digits to triple what we are, right? So if we're doing 5%, they're doing 10% to 15% because, you know, the competition is less. and if you look at the territory of selling in the U.S., we're looking at that in Europe as territory of selling but it's typically in country. So the margins are higher, less competition and like I said in New York, if we can mimic our size in the U.S., in Europe and beyond, we can move that because if we look at the margins, just the contribution of my solutions team is 11, 12%, that makes a big impact. It makes them look double the size. But the issue has always been, can we do it as efficiently in Europe and beyond as we do in the U.S.? And that is what we're working on with our systems and platform where we're cutting some of the costs out because we have been becoming more efficient. So can we – if you asked me this a couple years ago without the acquisitions and where we're targeting, I would have said it's really tough to do. And now I'm going to change that and say we can do that. And you'll see some of our acquisitions – look at the Greek side of things. The market profile is much better. They're small, so that's why we need to grow that, but I think we can move that number.

Howard Root | Analyst, Fairhope Capital:

Great, thanks. And my second question is on the M&A environment. And at the investor day, you know, what I heard was you guys kind of are picking up a pace maybe on at least the evaluations and the targets and obviously increasing the size that you could do in an M&A. Can you comment on is that a correct interpretation or what do you see looking forward to the rest of this year on your M&A target list and your ability to do bigger deals than you've done before?

Dale Foster | Chief Executive Officer:

You were spot on, Howard. And, you know, this meeting that we had with the board this week was really just for me to lay out the strategy for the next, you know, three to five years and making sure that the board and I are aligned in where we're going and we're not afraid if we want to take on some debt. But, yeah, those two things you said, we're accelerating the targets. We've had them all along, and like I said in the past, I've got to get comfortable with that target because our business is a relationship business. And what's the relationship with our vendors? What's the relationship with our customers? How well are they liked in the market? Do they have a lot of the same philosophy as go-to-market culture that we do? So it takes some time, but I've been working on them for the last two to three years. And now we are at the point where we've got some really good targets, ones that we want to get accomplished. And, you know, we've got two that are very large. that we can do. We're not going to be able to do them with cash, but we'll use the best form of capital to do that, and that's probably in the form of debt.

Howard Root | Analyst, Fairhope Capital:

Great. Thanks, and congrats again on the quarter.

Dale Foster | Chief Executive Officer:

Thanks, Albert. Appreciate it.

Operator | Conference Call Operator:

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

Dale Foster | Chief Executive Officer:

Thank you, Albert. Appreciate it, and thanks again for joining the call. I want to thank the Greater Climb team. When we talk about relationships, we have to talk about it in the form of going to customers and going to our vendors. They're both our customers. Our team is just doing a great job on both sides of that. We're halfway through 2026, a lot of momentum going into the second half, and we look to have a great year for 2026. I appreciate it. Thank you, operator.

Operator | Conference Call Operator:

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