NASDAQ:CLMB Q3 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 Klein Global Solutions financial results for the third quarter ended September 30, 2026. Joining us today are Klein'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 third 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 will open the call for your questions. I would 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 FCC. 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 fillings, 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 SBC rules. I'll now turn the call over to Klein's CEO, Dale Foster.

Dale Foster | Chief Executive Officer:

Thanks, Sean, and good morning, everyone. Our team delivered an exceptional third quarter. achieving record results across our key financial metrics, demonstrating the strength and scalability of our global platform. Our strong performance was driven by growing momentum across our vendor portfolio and deepening our relationships with our partners. Within our line card, we generated sequential growth with 19 of our top 20 vendors during the quarter. We are seeing meaningful traction with several of our newer relationships that have added or expanded over the past year. underscoring our ability to identify innovative technology partners and develop into meaningful contributors over time. During the quarter, we evaluated 32 new net brands that signed an agreement with only one, Harmonic Security, reflecting on our disciplined approach to our vendor selections. Harmonic is an innovative cybersecurity company focused on helping organizations securely adopt and scale AI technologies. As AI adoption accelerates, we believe solutions like Harmonix will become increasingly important in helping business capture the productivity benefits of AI while mitigating the associated security risks. This partnership further strengthens our security portfolio and positions our resellers, partners to address a growing area of customer demand. As these partnerships scale, We are also seeing a growing opportunity to work with larger, more established technology companies that may not fit in the traditional definition of emerging technology. While these vendors have already built

meaningful scale and market presence, many are still looking for a more focused distribution partner that can help them expand their channel, reach, strengthen reseller engagement, and accelerate growth. We refer to this segment of the market as called as challenger vendors. which aligns with a challenger category within Gartner's Magic Quadrant framework. We believe this represents an attractive and underserved opportunity for clients as these companies can benefit from the same high-touch sales, marketing, and technical expertise that have helped us successfully scale our emerging vendor relationships. Importantly, this is a natural extension of our existing strategy rather than a shift away from our core focus. By leveraging our specialized teams, established reseller network and proven go-to-market capabilities, we believe that we are well-positioned to attract a broader range of technology partners and further expand our growth opportunities. As we continue to expand our vendor portfolio and scale our global operations, we are equally focused on strengthening the infrastructure needed to support that growth. A key part of this effort is improving operational efficiency and leveraging technology to streamline processes across the business. Our ERP systems serve as critical components of our global operating infrastructure, and we continue to focus on leveraging its capabilities to automate workflows and drive greater efficiencies across the organization. We are applying this approach to areas such as coding, various accounting functions along with digital connectivity to our vendors and partners, where we see opportunities to reduce manual processes, improve productivity, and support continued growth as we scale. Separately, we are investing in the developing of our own cloud marketplace, which will provide a centralized platform for our MSP and reseller partners to purchase, provision, and manage cloud subscriptions. The platform is designed to simplify transactions, consolidate billing, and provide greater visibility across the customer lifecycle. Over time, we see an opportunity to leverage this infrastructure across all of our global territories, enabling us to scale Recurring cloud transactions strengthen our partner relationships and expand on new markets more efficiently. Substance to quarter end, we expanded our European presence to the acquisition of Neovag, bolstering our position in France with a highly complementary team, reseller network, and vendor portfolio. The transaction builds on the investments we've made in Europe and creates additional opportunities to deepen vendor relationships while broadening the solutions available to our channel partners. Similar to our approach with Interworks, which continues to perform on plan since closing the acquisition earlier this year, we believe Klim's infrastructure can support Neovad's growth while maintaining their local market expertise and customer relationships that have contributed to its success. We believe Neovad is a strategic and cultural fit and an important part of the increasing of our scale across European operations. Looking ahead, We will continue to identify cutting edge technologies that can strengthen our line card and support organic growth. We will also selectively pursue acquisitions that fit our culture and operating model with Europe remaining as an important focus area. With a growing momentum we are seeing across our business, we believe we are well positioned to close out the year on a strong note and deliver another year of record performance for client shareholders. With that, I will turn the call over to Matt Sullivan for 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 third 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 third quarter of 2026 increased 40% to a quarterly record of $706.4 million compared to $504.6 million in the year-ago quarter. Distribution segment gross billings increased 41% to $680.5 million, while solution segment gross billings increased 14% to $25.9 million. Net sales in the third quarter of 2026 increased 37% to a quarterly record of $220.3 million, compared to $161.3 million in the prior year period. This increase reflects strong, double-digit organic growth from new and existing vendors. Gross profit in the third quarter of 2026 increased 28% to a quarterly record of 33 million, compared to 25.7 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 third quarter of 2026 were $20.9 million compared to $16.2 million in the prior year period. The increase primarily reflects SG&A associated with Interworks and variable sales compensation attributed to the growth in organic growth profit. SG&A in Q3 of

2026 was also impacted by our investments in IT infrastructure and automation initiatives designed to improve operating efficiencies. SG&A as a percentage of gross billings decreased to 3% for the third quarter of 2026 compared to 3.2% for the prior year period. SG&A as a percentage of gross profit for the third quarter of 2026 was 63.2% and represents a decline from the first two quarters of 2026, which was 68.5% for the second quarter of 2026 and 76.7% for the first quarter of 2026. Net income in the third quarter of 2026 increased 69% to a quarterly record of $7.9 million, or 43 cents per diluted share, compared to $4.7 million, or 25 cents per diluted share, for the prior year period. Adjusted net income increased 34% to $8 million, or 43 cents per diluted share, compared to $6 million, or 33 cents per diluted share, for the year-ago period. Adjusted EBITDA in the third quarter of 2026 increased 35% to $14.7 million, compared to $10.9 million in the same period of 2025. Effective margin, which is defined as adjusted EBITDA as a percentage of gross profit, increased 230 basis points to 44.6%, compared to 42.3% for the same period of 2025. Turning to our balance sheet, Cash equivalents were $66.9 million as of September 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 September 30, 2026, we had no debt outstanding or outstanding borrowings under our $50 million revolving credit facility. We ended the quarter with a strong balance sheet, giving us the flexibility to support organic growth We remain disciplined in our approach to capital allocation, focusing on investments that align with our long-term strategy, drive earnings growth, and create sustainable value for our shareholders. This concludes our prepared remarks. Operator, please open the line for questions.

Operator | Conference Call Operator:

Thank you. If you would like to ask a question, please press star and 1 on your telephone keypad now. To leave the queue at any time, press star 2. Once again, that is star and 1 to ask a question. Our first question is from Keith Husam with North Coast Research.

Keith Housum | Analyst, Northcoast Research:

Great. Good morning, gentlemen, and great job on the quarter. Guys, just a few questions on the Neovat acquisition. I guess any differences in terms of their margin profile versus clients are pretty similar.

Dale Foster | Chief Executive Officer:

It is, and Matt can give the details, but it's in line with, you know, a lot of our European acquisitions, right? So the margins are typically double what we see in North America, and this one's actually higher than that. It really is attributed to how they actually work with their customer base, where they bring on vendor lines, negotiate a higher margin up front as they're going to take a new vendor line into the French territory. and then that'll decrease over time as the resellers take on more of the burden. But those margins still stay in that double-digit range compared to what we see in the U.S. as single, you know, mid-single-digit.

Howard Root | Analyst, Fairhope Capital:

Great. Go ahead, I'm sorry, Matt.

Matthew Sullivan | Chief Financial Officer:

I was just going to say, just to reiterate what Dale said, it's consistent margins with what we've talked about with the Interworks acquisition, so it is slightly higher than our existing European business, but it is in those low double-digit gross profit percentages.

Keith Housum | Analyst, Northcoast Research:

Great. In terms of their so-called growth rates, are they growing in line with you guys as well?

Dale Foster | Chief Executive Officer:

Go ahead, Matt.

Matthew Sullivan | Chief Financial Officer:

In recent years, they've signed a couple, you know, strong vendor lines in France. So their growth has accelerated in the last two years even greater than the growth rates that we've seen historically.

Dale Foster | Chief Executive Officer:

And, Raheem, what's unique? I mean, we've been talking for a while. You know, we've had one sales representative in France, Camille, and he was both selling in France our product portfolio but also prospecting for us. So it's the relationship that he built with Jerome, the owner of Neovat. But the uniqueness of Neovat is that they have majority exclusive relationships with their vendors for France. And they also sell in the, you know, other French-speaking countries, but really they focus in France and, you know, they get the higher margins because they have exclusivity. And then we, you know, like I said this in the past, you know, how do you target potential, you know, acquisition targets? We use our vendor network, and we've done it in this case as well, just to check on and saying, okay, how is this distributor? How does it go to market? So you find out a lot about them before you even maybe have your first meeting with them. So it works out very well.

Keith Housum | Analyst, Northcoast Research:

Great. I appreciate that. And is management going to be staying on?

Dale Foster | Chief Executive Officer:

It is. Their full team will be staying on. They're just in a suburb of Paris. Matt's been out there for a while. I'll be heading back out for another trip in a couple weeks. Great. Thank you, Matt.

Keith Housum | Analyst, Northcoast Research:

Andy, if I just look here at Quantum's results for the quarter, obviously outstanding results. Sales and buildings growing faster than gross profits there. So was there a mixed change versus prior quarters here, or just kind of the lower profitable business? Or maybe just a mix of what you have there. Can you give a little color on that, please?

Dale Foster | Chief Executive Officer:

Yeah, it goes back to Q2 when we had 18 of our top 20 brands growing at a really good clip, and now we have 19 of our top 20 brands. And I'll just put it out there. I mean, the 20th brand is Adobe. And Adobe, it's not that it's not growing. It's a little flat, but it's still growing. You know, a great relationship with us, but that's our 19th. So it's really the core, you know, piece of our vendors that are growing at this club to make it there. We didn't have any, you know, big one-offs that we've had in the past. So it's just, like I said, just a really

good quarter. Teams are firing on all cylinders. And, you know, like I mentioned in the prepared remarks, you know, we're just so focused. And I think I said this in Q1 that, you know, this is going to be the year that we really – and so forth. And so, we're trying to get off and get our efficiencies going and we're putting quite a few dollars into our systems and our technical teams.

Keith Housum | Analyst, Northcoast Research:

Great. So, there is nothing really one time item in the quarter. It's all sustainable growth from here, correct?

Dale Foster | Chief Executive Officer:

It is. And when we talk about our top 20 brands, we still have brands going in and out of our top 20, the ones that are growing faster, the ones that are becoming large. You know, ones that we signed, you know, over a year or two years ago. I'll mention Dartrace. You know, they're on that $100 million run rate as a vendor. And, you know, we're just seeing more of them. And as we said before, I mean, we're still getting a lot of inquiries for vendors for us to take a look at that are just much larger brands and that come with a much larger share shift. either from their direct model that they need to get more efficient or, you know, a share shift from our competitors.

Keith Housum | Analyst, Northcoast Research:

Great. I guess I have a question before I turn it over. But in terms of your reseller count, do you guys – I'm sure you guys track it, but you guys discuss it publicly in terms of how many resellers you're working with and how it's growing over time?

Dale Foster | Chief Executive Officer:

We do. We do it in our investor deck. And we talk, you know, worldwide, you know, I think we give a range of, you know, 7,000 to 7,500 resellers that are unique resellers. customer of ours. But yeah, we track it because we're mining our database all the time, especially our vendors to get into the resellers that are the closest fit to where they think they can go to market. So that's about the number worldwide. Okay, great. Thanks, guys. I'll turn it over. Appreciate it. Thanks. Thanks, Keith.

Operator | Conference Call Operator:

Thank you. Our next question is from Vincent Colicchio with Barrington Research.

Vincent Colicchio | Analyst, Barrington Research:

Good morning, Dale. Nice quarter. In terms of organic growth, it looks like it accelerated this quarter. Should we expect this level of growth to continue in coming quarters?

Dale Foster | Chief Executive Officer:

We mentioned right at the end that we expect to have a record year. We're already into almost October. and we're on that same trajectory that we did with, you know, Q3, you know, just being up and right over last year's Q4. So we're trying to, you know, clean up our line card. It's important for us, you know, we talk about these top 70 brands and that's what we go to market with and then everything from 70 above goes to our

client elevate team and that's a real focus that we've had over these last really six months to get transacting lines that just don't meet the criteria of a go-to-market. You know, to push them to climb elderly, which that team is growing very quickly, and the rest of it so we can do more focused. But, yeah, I mean, at this rate, I mean, we had a great quarter. There's no doubt about it. You know, at that same level, you know, of course, I wanted to be there. I think that's going to be a tough one, but we don't see it slowing down as far as this is just one bump of a quarter. We just have a lot of our vendors performing at a great clip. And I think it's due to a lot of the, you know, we're 70% in the cybersecurity space. And a lot of it's because people have to secure the networks. And they're securing it in so many different ways and making sure they go from, you know, a firewall to an endpoint to everything in between. With everything in the news, you hear about an AI agent escaped and is doing an increasing habit on somebody's system. So everybody's looking for ways to make sure that they are in the news.

Vincent Colicchio | Analyst, Barrington Research:

Effective margin increased 230 basis points year over year. How much of that improvement is structural? Should we expect it at that level or better to continue?

Matthew Sullivan | Chief Financial Officer:

Yeah, so we're tracking for the full year on an effective margin percentage that we've historically seen, right? So when you look at it on a full fiscal year basis, we're in that low 40% range. That's definitely where we're continuing to track for 2026. We did do some initiatives and some cost savings initiatives in Q3 that we executed upon. So that brought the, you know, as I highlighted in the call, that brought the SG&A expenses as a percentage of gross profit down even compared to not only the first two quarters of this year, but in line with where we were in Q3 of last year. So it's really, it's continuing to trend in the positive direction, you know, kind of where we've seen our historical effective margins.

Vincent Colicchio | Analyst, Barrington Research:

and some of the investments you summarized in the ERP system and in the marketplace. Will we see the results of that in margin in 27?

Dale Foster | Chief Executive Officer:

It won't be in margin. It will be an effective margin, right, as we get more efficient. And if I was to take it overall, you know, structurally we're a great place in the company, but we're fine-tuning different areas. and with that, then, it's all about the technology, you know, that I mentioned, our different ERP systems. You know, we have, with Vishal, our new CIO that came on board over, you know, what, two years ago, a lot of things have changed. We have more projects, and I've mentioned in Q1, than we've ever had before, and we're completing more projects in a short period of time than we've ever had before. So, I mentioned the cloud marketplace. It's something that's always been our agenda. and I mentioned at the end of Q2 or the Q2 initial release that we've hired somebody to do that and we are well on our way. So we'll have some announcements for you in Q1 on our cloud marketplace and what that really will mean. I've said it all along. A portion of our business should be a self-service platform that we're building so our customers can interface and do it quickly and how they want to interact with us versus how they have to interact with us right now, vendor by vendor.

Vincent Colicchio | Analyst, Barrington Research:

And then, Matt, what was the revenue contribution of Neovad in 25, and then what monthly contribution should we expect in the coming quarter?

Matthew Sullivan | Chief Financial Officer:

Yeah, we haven't put that information out in our press release when we announced the acquisition. We announced the adjusted EBITDA impact, but We'll have more to talk about on the NEOVAD contribution as we move forward here.

Dale Foster | Chief Executive Officer:

And Vince, our CRO, Gerard Brophy, that runs our MEA operations, NEOVAD will go up through him. And just since we had the announcement last week, we already have four of our existing vendors that have reached out and said, hey, we want to do something in France. We've said this many times, you know, the French buy from French and Germans buy from Germans. We think that we are just so positioned are larger portfolio vendors with Neovac's limited portfolio that will do a combination and figure out which vendors fit best for us and best for the Neovac team and then take it into the French market. That's the real opportunity here.

Vincent Colicchio | Analyst, Barrington Research:

Good to hear. Thanks, guys. We'll go back in the queue. Thanks, Vince.

Operator | Conference Call Operator:

Thank you. Our next question comes from Bill Zellum with Teton Capital.

Bill Zellem | Analyst, Teton Capital:

Thank you. I have a group of questions. First of all, relative to the larger vendors wanting to work with Climb, does this ultimately imply that your growth rate will be accelerating over time as a result of just a larger dollar volume of revenue that can be transacted with larger vendors?

Dale Foster | Chief Executive Officer:

Yeah, Bill, you're spot on, right? So if you look at it, and this is an internal discussion we have a lot, and that is if we're a $2.2 billion company and we sign a $20 million line that we think we can get up to speed in six months, $20 million is only 1% of our overall risk. So we're looking, and if you go back three years ago, we were talking about, hey, we'll sign a vendor line if we can get to $10 million in the first 18 months, and now we're saying... There's two components of that. Can we grow that vendor line in our ecosystem, and what is the share-shift opportunity? And I mentioned it. Is that share-shift opportunity from competitors that are just not serving the customers like they need to be serviced, or is it from a direct go-to-market that these vendors have? And I was with a very large vendor yesterday and having this exact discussion, and the discussion goes kind of like this. They have $200 million of business that is unmanaged, and they know they have to put in the channel, and there's the good part of PE firms. They're owned by a PE firm, as most of our vendors are, and the PEs are saying, you've got to be more efficient, you know, because this is what the market will bear as far as cost. How do you become more efficient? And going direct and hiring expensive people and

continuing to build your infrastructure doesn't work. When a channel exists that's already super efficient, Why aren't we doing that? So they're pushing these management teams to go find channel people versus direct sellers. And that's how the conversation goes. So you look at a vendor like that and say, okay, we've got $200 million unmanaged. We want to run this through distribution. What is it going to cost us? And we start playing the financial game. So those are the conversations we're having as well as, you know, back on, and this goes to our challenger brands. If you look at, you know, Gardner's Magic Water in the top left, that's the challenger brands that we have quite a few sitting in there. and then our emerging brands. That's not going to be something we're not going to continue to focus on because if you look at who sits in our top 20, those are emerging brands that we signed four and five years ago. We see opportunity with existing larger vendors that need a solution, whether it's a direct-to-channel or a share shift because they're not being serviced.

Bill Zellem | Analyst, Teton Capital:

That's very helpful. We'll look forward to hearing more on those vendors in the future. Relative to your comment that you made to the prior question, relative to your marketplace, is this something that we are going to see tied in with the Climb Elevate program and ultimately finding a way for those vendors to to be able to transact on your site, but ultimately it's not going to require even the elevates time. Is that part of the strategy here, or is it really more for a larger vendor, let's say a Fortinet or an Adobe that's well-known, that the resellers can simply go onto your site and accomplish what they want to, and they already know what they need, and what they're trying to accomplish and don't need human assistance.

Dale Foster | Chief Executive Officer:

Yeah, so the client, and I'm going to start referring to more of the platform because we're going to be doing a lot of things on this platform to service our customers and our vendors. And I talked about the connectivity that we have to have between our vendors and our customers. But it's really our core, right? So client elevates. does a great job, but that's not what we're doing this for. Will that be an extension of the platform? 100%, right? So we can transact and make it, you know, much more efficient as we work it out. But it's really for the core part of Climb. If you look at – I could go vendor by vendor, and you brought up Adobe, great – and many, many, many more. Yes, the Elevate piece of it will be great in the future, but right now it's really for the core part of Climb. And I could go vendor by vendor and tell you the ones that would be the first ones that would go on that make the most sense. We're just going to pick them by size and the ones that we spend the most time in the back office trying to transact.

Bill Zellem | Analyst, Teton Capital:

And Dale, this marketplace platform is something that I think that you have talked about for some time now. And What has taken this long to get this accomplished? Sitting on the outside looking in, it seems pretty straightforward. Clearly, it's not as easy as it seems from the outside. But what's been the friction point?

Dale Foster | Chief Executive Officer:

So, you know, the inside baseball part of it, and that is we tried with a couple development companies that already have platforms, and we were going to modify what they had and use that instead of reinventing the wheel. And we went down the road with a couple, and it just gets too wide, right? So they want to do, just like, you know, AWS, right? Their marketplace is super wide, and it's like you can go and get anything, but no one really uses that much in our space unless they have to have you know, retire some kind of spend. And if you look at how much, you know, Amazon has sitting there on their books for people to still spend on their marketplace, whether it's, you know, compute, storage or licensing. So the good thing for us is that the vendors weren't ready for that. And I'm talking about our vendors because you have to have the connectivity

and they have to build out either an API, EDI or some kind of interface to your platform. So we're getting the number of vendors coming to it and saying, okay, we're ready for this now. So it was a good timing for us to really kick this off. So with that, we weren't behind. I kept thinking we're way behind, way behind. I look at our competitors. If you look at, you know, what people call the gold standard out there for MSPs is PAC-8, and PAC-8 does it, but we don't even run into PAC-8 in any of our vendors. Our vendors sign PAC-8. We don't run into them as far as a competitor. We might... say we're not running into because we're not touching as many MSPs as they are. But the timing is now for us, and it's a good time for us with our vendors. And the amount of vendors we'll have on the platform this time next year will be how they want to transact. We don't want to ever tell somebody how to go to market, but if it fits with us and how we service our customers, then we're all in.

Bill Zellem | Analyst, Teton Capital:

Thank you for that genuine response. I really appreciate that. And then one additional question here. Because you have tried a couple of approaches and because technology is advancing so quickly, whether it be due to artificial intelligence models or otherwise, do you believe today that when you do launch your marketplace, The characteristics that that marketplace will have and capabilities is going to be better than what you had originally envisioned, and therefore, you know, what I was thinking may have been a delay. It sounds like what you may have been thinking was a delay ultimately is to your benefit.

Dale Foster | Chief Executive Officer:

Yeah, so a couple things. It's purpose-built for how Climb goes to market. So we're not doing things that nobody wants just to, you know, be flashy and do some kind of marketing ploy. But it's what our vendors want, our customers want, and how they want to actually transact with us. So there's, you know, we're never going to get away, and we can say that, and I'll go back to just look at our numbers and where we're going. The vendors, unfortunately for them, don't have a lot of choices, right, in North America. They have a lot of choices overseas. But in North America, they don't have a lot. They have the big three distributors that are, you know, $40 billion plus. And then there's a couple small ones, but there's nobody else. And so if they either have to keep that direct model, how are they going to do it? Are they going to build their own platform marketplace? The problem is VARs, customers, resellers, MSPs, they don't want to have to log in to 40 different, you know, vendors just to get their licensing. And that's why it's a perfect fit for distribution to aggregate all those. So, and I'm a little off topic, but as far as back to your question on the platform, I've got Vishal, which Vishal, you know, coming from WWT or CIO, he was involved in integration when WWT bought SoftChoice. He's familiar with some of the platforms they were using. Some of it was outsourced. Some of it was built. And then he brought a gentleman in, Ben Ryan, that's done this before, spent time at Ingram with some of their marketplace, and they've got quite a long history of that. and they, you know, the most time is spent in the architecture of it before we even write code. The coding part's the quick part. It's the architecture to make sure we're not building something someone doesn't want. And we're looking at the efficiencies of what my team does every day that's just monotonous on the inside sales team and that we can automate this where you can go to get your information very quickly and then get back to, our team can get back to actually selling and saying, okay, why is this emerging technology Thank you. Our next question is from Howard Root with Fairhope Capital. Good morning, guys, and congratulations on really an exceptional quarter.

Howard Root | Analyst, Fairhope Capital:

Most of my questions have already been asked, but two quick ones. One, on the gross billings, I mean, up 41% year over year, or up $200 million. I mean, it's almost, to me, following it for a long time, almost unbelievable. But can you break down kind of what, on a rough basis, whether that came from Interworks, what came from new vendors, what came from, and I'd put Fortinet into the new vendors category, and what

came from expansion of just the current line?

Matthew Sullivan | Chief Financial Officer:

Yeah. Thanks, Howard. The bulk of that, you know, the majority of that expansion is from existing vendor relationships. So, you know, we are on target with numbers that internally we've budgeted for, for AffordNet as an example for 2026. Intiworks, as Dale highlighted in the call earlier, has performed on plan, but really that – and so forth, and so forth, and so forth.

Dale Foster | Chief Executive Officer:

You know, they bought SecureWorks, their total global company. They've been flat for the last couple years, and now they finally got those two companies integrated. They kicked off their new fusion play, and there's just so much more hype around them, and we've seen it in the market. You know, with people that are renewing their licensing. So I could go each vendor, like Matt mentioned, Fortinet, each one of our top, you know, 20, and there's some... and many more.

Howard Root | Analyst, Fairhope Capital:

Here I was told that AI was going to destroy your business.

Dale Foster | Chief Executive Officer:

Q4 is historically your strongest quarter.

Howard Root | Analyst, Fairhope Capital:

Is there any change to that?

Dale Foster | Chief Executive Officer:

It's not, and it goes back to the whole thing as far as people from way back, and we have a new stream of licensing that gets renewed by people extinguishing their budgets, so we'll see the same thing. I mean, 80-some percent of our business is renewals. We don't see that changing. We've already You know, we're quoting, the vendors are pushing us to go after renewals 90 to 120 days, which I think is kind of ridiculous, before the renewal is up. There's just a lot of maneuvering in the vendor market as far as how they want the renewals done. We're doing a lot of it for them. So we see a lot of that business already setting up for Q4. And then, you know, just on our lines, our vendor lines that we had in our top 20 are not slowing down into Q4.

Howard Root | Analyst, Fairhope Capital:

Great. And then just on acquisitions, I mean, I know that you always are on the lookout and you do acquisitions, but, you know, here we are at the end of the year, you do an acquisition and you end up with even more cash than you had at the beginning of the year. So you've got more ability to do larger ones. What do you see out there in the acquisition field? What's your appetite and how do you see things coming in the next two or three years in your M&A activity?

Dale Foster | Chief Executive Officer:

Yeah, so right, the top of my list right now is four companies. and, you know, I said this, I said it yesterday that, you know, we're looking to acquire two to three companies per year and it was great that we could get this one done. We have a couple already that we've put, not LOIs in, but initial, you know, points in to say, okay, this is what it would look like. But, yes, we can go larger. You know, we haven't taken any debt on this company. as Matt explained in his remarks, but it's going to be in Europe. And there's some other regions that we're actually prospecting in that have come to us by our vendors saying, hey, we need help here. This is a great distributor. You should take a look at them. We think the owner is going to retire. So there's a lot of those. Outside of those four or five that are hot right now, there's another ten right behind those. And that reaches into areas like the Middle East. We're going to invest more into the African market as we're getting going with our African team and the South African team. But it's a robust list and it's not slowing down. And the good thing for us is you have these, like I said before, these three massive distributors that are worldwide. Then you have some that are in that $4 to $5 billion range, but they think they already have those territories covered. So there's not as much competition on the acquisition side. It's more of me competing with A $30 million distributor trying to buy a $15 million or a $60 million trying to buy a $30 million in the European space.

Howard Root | Analyst, Fairhope Capital:

Great. Very helpful. Thanks and congrats again to everyone at Klein for a great quarter. Thanks, Eric.

Operator | Conference Call Operator:

Thank you. At this time, there are no further questions in the queue.

Dale Foster | Chief Executive Officer:

Thank you, Eric. And I just want to say to everyone that joined today, I'd like to thank the entire CLIMB team across all our regions. A big welcome to our French team. I can't wait to spend more time with them in the upcoming weeks, and our teams are going to get more integrated as we go and putting it onto our platforms. And then to our just core CLIMB team, you know, great quarter. We'll continue to deliver that first-class experience to our customers and to our vendor partners, but thank you.

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.