

Climb Global Solutions, Inc. (CLMB)

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

Analyst: Elizabeth Christenson Recommendation: BUY Philosophy Fit 4 / 5 As of: 10/07/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	26.4% vs 9.2% → Above ke
Change in performance — ΔROIC	+0.1 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase III — highest expectations
Valuation gap — target vs. price	+9.7% → Price below our value



ROIC dips in FY2026E as SG&A grows faster than gross profit and Interworks is added; it recovers to 32.2% in FY2027E.

BUSINESS DESCRIPTION

Climb Global Solutions, Inc. engages in the distribution of software developed by others through resellers indirectly to customers. It operates through the Distribution and Solutions segments. The Distribution segment distributes technical software to corporate resellers, value added resellers (VARs), consultants and systems integrators worldwide under the names Climb Channel Solutions and Sigma Software Distribution. The Solutions segment provides cloud solutions and value-added reseller of software, hardware, and services to customers worldwide under the names TechXtend and Grey Matter. The company was founded by Edwin Huffman Morgens in 1982 and is headquartered in Eatontown, NJ.

INVESTMENT THESIS

Climb Global Solutions, a distributor of security, data and cloud software, is growing quickly but spending ahead of profits: billings rose 16% in H1 2026 and 19 of its top 20 vendors grew in Q2, but SG&A rose 24%, faster than gross profit (+14%), and adjusted EPS fell to \$0.49 from \$0.56. At \$34 the stock is above the ~\$31 consensus target and our base case of \$37 (+9.7%), so the BUY is an analyst override pending committee approval, based on management's plan to more than double FY2025 adjusted EBITDA by 2030 (bull case \$37 to \$40; bear case \$17).

MARKET SNAPSHOT

Current Price	\$33.73	Market Cap (\$B)	\$0.6	Beta	0.74
52-Week Range	\$17 – \$36	Inst. Ownership	80.3%	Insider Own.	11.7%
Shares Out. (mm)	18.1	Short Interest (% float)	9.5%	Dividend Yield	0.0%
Consensus L-T Growth	12.0%	Payout Ratio	7.6%	Cost of Equity	9.2%
Price Target	\$37.00	Upside to Target	9.7%	Value Range	\$33 – \$47

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$33.68	(0.2%)	16.0x P/E
Equity DCF – terminal P/S	\$32.81	(2.7%)	0.6x P/S
Equity DCF – terminal P/B	\$47.41	40.5%	3.2x P/B
Equity DCF – constant growth	\$35.42	5.0%	3.5% g, 9.2% ke
Average of methods	\$37.33	10.7%	Equal-weighted
Analyst price target	\$37.00	9.7%	Average of methods, rounded

Fund risk test: 52% volatility and a 53% peak-to-trough drop over 12 months. Sharpe ratio on the 12-month expected return: base 0.28, bull 0.43, vs. about 0.30 for the market.

PHILOSOPHY FIT — Five pillars · Score: 4 / 5

	Fit?
1. Fundamental improvement & valuation discipline	ΔROIC +0.1 pts; price is 0.90x our average value
2. Investing through company cycles	Phase III; EBIT margin 4.5% (FY2026E) → 5.1% (FY2028E)
3. Initial position sizing & risk limits	Sized within fund limits; small weight given 52% volatility
4. Capital allocation discipline	Net cash \$34m, but dividend cut and use of cash unproven
5. Identifiable catalysts & conservative underwriting	Three drivers, each with a watch item; base case is organic only

VALUE CRITERIA — 10-Point Checklist · Score: 6 / 10

1. Catalyst / Investment Drivers	Pass?
Driver 1 — New Vendors Drive Billings	Billings rose about 10 times from Q1 to Q2 2026 after restrictions lifted in May, expected to become a top-five vendor within a year against a \$250 million billings goal.
Driver 2 — Cost Control Restores Margins	SG&A grew 24% in H1 2026, faster than gross profit (+14%), because of the Interworks deal, a new ERP system and AI tools.
Driver 3 — Europe and Acquisitions	About 23% of net sales comes from outside the U.S., and Interworks earns about double U.S. margins.
What does management say?	Goal to more than double FY2025 adjusted EBITDA by 2030 through organic growth and acquisitions, and says it is focused on strengthening current vendor partnerships rather than scale for its own sake. Climb suspended its 23-year dividend in 2026 to fund growth and acquisitions, and bought back \$1.6 million of stock in the first half.

2. Low P/E Ratio							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$0.68	\$1.02	\$1.16	\$1.29	\$1.56		\$1.82
P/E at current price	49.5x	33.2x	29.1x	26.1x	21.6x		18.5x
Peer median P/E (FactSet, subject excl.)	16.8x	FY2026E P/E vs. peer median		+55%			

Model EPS is GAAP; FactSet consensus (adjusted) is \$1.40 for FY2026E and \$1.76 for FY2027E. Adjustments added \$0.11 in FY2025.

Model EPS is GAAP; FactSet consensus (adjusted) is \$1.40 for FY2026E and \$1.76 for FY2027E. Adjustments added \$0.11 in FY2025.

3. Low Price / Cash Flow						No
FCFE / share	\$0.80	-\$0.07	\$0.18	\$0.89	\$1.74	\$2.06
Price / FCFE	42.0x	NM	192.6x	37.9x	19.4x	16.4x
Peer median P/CF (FactSet, subject excl.)	12.3x	Price / FCFE (today) vs. peer median		+1461%		

4. Low Price / Book Value							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$4.25	\$5.07	\$6.44	\$7.69	\$9.21	\$11.05	
Price / Book	7.9x	6.7x	5.2x	4.4x	3.7x	3.1x	
ROE (EOY book)	16.0%	20.0%	18.0%	16.8%	17.0%	17.2%	
Peer median P/B (FactSet, subject excl.)	2.0x	Price / book (today) vs. peer median			+161%		

Climb Global Solutions, Inc. (CLMB) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	3	3	2	2	2	2	
Net debt (\$mm)	-34	-27	-34	-49	-80	-117	
Total debt / equity (gross)	3.5%	3.4%	1.9%	1.6%	1.3%	1.1%	
Total debt / assets (gross)	0.8%	0.7%	0.5%	0.4%	0.4%	0.3%	
Net debt / invested capital	-39.4%	-27.0%	-27.8%	-33.4%	-45.7%	-56.1%	
Net debt / EBIT	-2.0x	-0.9x	-1.1x	-1.5x	-2.0x	-2.5x	
Tax rate	23.6%	Book equity (\$mm)		117			
6. Positive Earnings Dynamics							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	15.7%	32.3%	40.1%	15.0%	11.0%	10.0%	
EBIT margin	4.9%	6.5%	4.6%	4.5%	4.8%	5.1%	
EPS growth	(3.0%)	49.1%	14.2%	11.4%	21.0%	16.6%	
7. Business Strategy & Segment Mix							Yes
Strategy	Distribute emerging security, data and cloud software through resellers in North America and Europe.						
Segment / geography mix	Distribution (about) 96% U.S. 77%, UK 13%, Canada 5%, Europe 5%.						
8. Capable Management & Insider Ownership							Yes
Insider ownership	11.7%	Inst. ownership		80.3%	Div. + buybacks, % of NOPAT (FY1E)		0.3%
Insider activity / governance	CEO holds 42k shares sold \$0.7m in Mar-26; a director bought at \$18.83 in May-26.						
9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	26.4%	Cost of equity (ke)		9.2%	EVA spread (ROIC – ke)		17.2%
Price target / upside	\$37.00	9.7%		Value / share range (low–high)		\$33 – \$47	
10. Uses of Capital — allocation discipline							No
Reinvestment 34% of NOPAT in FY2026E (Interworks); no dividend, and stock pay exceeds buybacks — full detail in the Uses of Capital table below.							
VALUE FIT SCORE — criteria met		6 / 10					

FINANCIAL SUMMARY (\$mm except per share)

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	352	466	653	750	833	916	21.1%
Gross margin	17.5%	18.6%	14.9%	15.0%	16.0%	17.0%	
EBIT	17	30	30	34	40	47	22.2%
Net income	12	18	21	24	29	34	22.9%
EPS (basic)	\$0.68	\$1.02	\$1.16	\$1.29	\$1.56	\$1.82	21.8%
Dividend / share	\$0.17	\$0.17	\$0.17	\$0.17	\$0.17	\$0.17	
FCFE / share	\$0.80	-\$0.07	\$0.18	\$0.89	\$1.74	\$2.06	20.7%
Invested capital	85	99	124	147	176	209	19.6%
ROIC	25.6%	32.7%	26.3%	26.4%	32.2%	39.1%	
NOPAT margin	3.6%	4.8%	3.5%	3.4%	3.6%	3.8%	
Sales / NWC	-20.85x	-23.90x	559.14x	555.56x	555.56x	555.56x	
Sales / NFA	5.33x	5.26x	7.59x	7.94x	9.08x	10.40x	
Sales / invested capital (ex cash)	7.16x	6.75x	7.49x	7.83x	8.94x	10.21x	

USES OF CAPITAL — full range, as % of cash generated (NOPAT)

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	13	23	23	25	30	35	
Uses, as % of NOPAT							
CapEx, R&D & content (Δ NFA)	149.7%	99.6%	(10.8%)	33.4%	(9.2%)	(10.3%)	42.0%
Working capital (Δ NWC)	(164.1%)	(11.5%)	90.1%	0.7%	0.5%	0.4%	(14.0%)
Dividends	24.0%	13.5%	13.4%	12.2%	10.3%	8.8%	13.7%
Share buybacks	(41.4%)	(3.1%)	(35.2%)	(11.8%)	(10.0%)	(8.6%)	(18.4%)
Debt repaid (neg. = borrowing)	8.0%	(2.1%)	3.9%	—	—	—	1.6%
Cash & securities build	127.7%	(28.9%)	29.6%	58.5%	104.0%	105.5%	66.1%
Interest & other (residual)	(3.9%)	32.6%	9.0%	7.0%	4.5%	4.2%	8.9%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	(14.4%)	88.1%	79.3%	34.2%	(8.7%)	(9.9%)	28.1%
Dividends + buybacks, % of NOPAT	(17.5%)	10.3%	(21.8%)	0.3%	0.3%	0.2%	(4.7%)

Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

COMPS OVERVIEW (current multiples, FactSet)

Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
PLUS	ePlus inc.	19.4x	1.0x	2.3x	40.9x	9.5x
SNX	TD SYNEX Corporation	16.9x	0.3x	2.4x		10.1x
INGM	Ingram Micro Holding Corporation	15.0x	0.1x	1.5x		7.0x
ARW	Arrow Electronics, Inc.	15.4x	0.3x	1.7x	13.3x	9.2x
SCSC	ScanSource, Inc.	16.8x	0.4x	1.4x	10.3x	11.0x
NSIT	Insight Enterprises, Inc.	23.3x	0.6x	2.9x	11.4x	9.2x
Median	Peer median (subject excluded)	16.8x	0.4x	2.0x	12.3x	9.3x
CLMB	Subject, at current price	29.1x	0.9x	5.2x	192.6x	19.2x
Premium / (discount) to peer median		+73%	+147%	+161%	+1461%	+106%

Peer set from AutoTearSheet-5PageID14:DI9. Median is of peers only and excludes blanks.

KEY RISKS

1. Customer concentration — two resellers were 24% and 13% of FY2025 net sales and the top five 55%; losing or repricing either would hurt more than losing a vendor.
 2. Costs keep outgrowing gross profit; Q2 SG&A was 3.5% of billings vs. 3.3%. Watch SG&A versus gross profit growth each quarter.
 3. Vendors go direct or AI cuts software seats. The stock fell 53% from October 2025 to April 2026.
- Exit discipline: exit if SG&A again grows faster than gross profit in H1 2027, if Fortinet is not a top-five vendor by Q2 2027.

