



## Forrester Research Reports 2020 Fourth-Quarter And Full-Year Financial Results

February 11, 2021

CAMBRIDGE, Mass., Feb. 11, 2021 /PRNewswire/ -- Forrester Research, Inc. (Nasdaq: FORR) today announced its 2020 fourth-quarter and full-year financial results.

### Fourth-Quarter Financial Performance

Total revenues were \$120.5 million for the fourth quarter of 2020, compared with \$124.3 million for the fourth quarter of 2019. Adjusted revenues, which exclude the fair value adjustment to deferred revenue from the acquisition of SiriusDecisions, were \$120.6 million for the fourth quarter of 2020, compared with \$125.1 million for the fourth quarter of 2019.

On a GAAP basis, net income was \$2.4 million, or \$0.13 per diluted share, for the fourth quarter of 2020, compared with net income of \$4.9 million, or \$0.26 per diluted share, for the same period in 2019.

On an adjusted basis, net income was \$6.6 million, or \$0.35 per diluted share, for the fourth quarter of 2020, which reflects an adjusted effective tax rate of 31%. Adjusted net income excludes stock-based compensation of \$2.9 million, amortization of acquisition-related intangible assets of \$5.5 million, acquisition and integration costs of \$2.0 million, lease incentive income of \$3.4 million, and investment gains of \$0.1 million. This compares with adjusted net income of \$10.7 million, or \$0.57 per diluted share, for the same period in 2019, which reflects an adjusted tax rate of 31%. Adjusted net income for the fourth quarter of 2019 excludes stock-based compensation of \$3.1 million, amortization of acquisition-related intangible assets of \$5.7 million, acquisition-related deferred revenue fair value adjustment of \$0.8 million, acquisition and integration costs of \$1.1 million, and investment gains of \$0.1 million.

"Forrester had a strong finish to the year despite challenging macroeconomic conditions. We helped our clients find new ways to win and retain customers during the pandemic, shift their workforces to virtual, and prepare themselves for a post-pandemic digital world," said George F. Colony, Forrester's chairman and chief executive officer. "After the uncertainty of Q2, company momentum built in Q3 and Q4, with rising engagement across our research, consulting, and events businesses. We exceeded revenue and EPS guidance for the quarter and head into 2021 with healthy cash flow and a solid balance sheet.

"In 2021, the company is laser-focused on increasing research contract value bookings at double-digit rates — that is job number one."

### Year Ended December 31, 2020, Financial Performance

Total revenues were \$449.0 million, compared with \$461.7 million for the same period in 2019. Adjusted revenues, which exclude the fair value adjustment to deferred revenue from the acquisition of SiriusDecisions, were \$449.4 million, compared with \$473.0 million for the same period in 2019.

On a GAAP basis, net income was \$10.0 million, or \$0.53 per diluted share, for 2020, compared with a net loss of \$9.6 million, or \$0.52 per diluted share, for 2019.

On an adjusted basis, net income was \$30.4 million, or \$1.60 per diluted share, for 2020, which reflects an adjusted effective tax rate of 31%. Adjusted net income excludes stock-based compensation of \$10.9 million, amortization of acquisition-related intangible assets of \$19.7 million, acquisition-related deferred revenue fair value adjustment of \$0.4 million, acquisition and integration costs of \$5.8 million, lease incentive income of \$3.2 million, and investment gains of \$2.5 million. This compares with adjusted net income of \$31.0 million, or \$1.65 per diluted share, for 2019, which reflects an adjusted tax rate of 31%. Adjusted net income for 2019 excludes stock-based compensation of \$11.7 million, amortization of acquisition-related intangible assets of \$22.6 million, acquisition-related deferred revenue fair value adjustment of \$11.3 million, and acquisition and integration costs of \$8.9 million.

A reconciliation of GAAP results to pro forma results may be found in the attached financial tables.

### 2021 Guidance

Forrester is providing first-quarter 2021 financial guidance as follows:

*First-Quarter 2021 (GAAP):*

- Total revenues of approximately \$104.0 million to \$108.0 million.
- Operating margin of approximately (1.0)% to 1.0%.
- Interest expense of approximately \$1.2 million.
- An effective tax rate of 32%.
- Loss per share of approximately \$0.02 to \$0.08.

*First-Quarter 2021 (Adjusted):*

Adjusted financial guidance for the first quarter of 2021 excludes stock-based compensation expense of \$2.4 million to \$2.6 million, amortization of acquisition-related intangible assets of approximately \$3.8 million, integration costs of approximately \$0.1 million, and any investment gains or losses.

- Adjusted operating margin of approximately 5.0% to 7.0%.
- Adjusted effective tax rate of 31%.
- Adjusted diluted earnings per share of approximately \$0.15 to \$0.21.

Our full-year 2021 guidance is as follows:

*Full-Year 2021 (GAAP):*

- Total revenues of approximately \$466.0 million to \$476.0 million.
- Operating margin of approximately 4.5% to 5.5%.
- Interest expense of approximately \$4.5 million.
- An effective tax rate of 32%.
- Diluted earnings per share of approximately \$0.57 to \$0.67.

*Full-Year 2021 (Adjusted):*

Adjusted financial guidance for full-year 2021 excludes stock-based compensation expense of \$10.2 million to \$10.7 million, amortization of acquisition-related intangible assets of approximately \$15.2 million, integration costs of \$0.3 million to \$0.5 million, and any investment gains or losses.

- Adjusted operating margin of approximately 10.0% to 11.0%.
- Adjusted effective tax rate of 31%.
- Adjusted diluted earnings per share of approximately \$1.50 to \$1.60.

**About Forrester Research**

[Forrester](#) (Nasdaq: FORR) is one of the most influential research and advisory firms in the world. We help business and technology leaders use customer obsession to accelerate growth. Through Forrester's proprietary research, consulting, and events, leaders from around the globe are empowered to be bold at work — to navigate change and put their customers at the center of their leadership, strategy, and operations. Our unique insights are grounded in annual surveys of more than 675,000 consumers, business leaders, and technology leaders worldwide; rigorous and objective methodologies, including Forrester Wave™ evaluations; and the shared wisdom of our most innovative clients. To learn more, visit [Forrester.com](#).

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, Forrester's financial guidance for the first quarter of and full-year 2021 and statements about Forrester's future financial performance and financial condition. These statements are based on Forrester's current plans and expectations and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual future activities and results to differ include, among others, the impact of health epidemics, including COVID-19, on Forrester's business; Forrester's ability to retain and enrich memberships for its research products and services; technology spending; Forrester's ability to respond to business and economic conditions and market trends; the risks and challenges inherent in international business activities; the exit of the United Kingdom from the European Union; Forrester's ability to offer new products and services; Forrester's dependence on key personnel; Forrester's ability to attract and retain professional staff; Forrester's ability to anticipate and respond to market trends; Forrester's ability to successfully integrate businesses that it acquires; the impact of Forrester's outstanding debt obligations; the possibility of network disruptions and security breaches; competition and industry consolidation; any failure to enforce and protect Forrester's intellectual property rights; privacy laws; possible variations in Forrester's quarterly operating results; taxation risks; concentration of ownership of Forrester; and any weakness in Forrester's system of internal controls. Forrester undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. For further information, please refer to Forrester's reports and filings with the Securities and Exchange Commission.

The consolidated statements of operations and the table of key financial data are attached.

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**Forrester Research, Inc.**  
**Consolidated Statements of Income**

(Unaudited, In thousands, except per share data)

Three Months Ended December 31,		Year Ended December 31,	
2020	2019	2020	2019

<b>Revenues:</b>								
Research	\$	75,255	\$	79,299	\$	294,485	\$	298,735
Consulting		41,382		37,530		144,362		135,952
Events		3,884		7,440		10,137		27,010
<b>Total revenues</b>		120,521		124,269		448,984		461,697
<b>Operating expenses:</b>								
Cost of services and fulfillment		47,457		50,116		180,899		196,726
Selling and marketing		44,601		45,210		166,200		172,865
General and administrative		14,433		13,098		50,369		53,042
Depreciation		2,481		2,262		9,879		8,572
Amortization of intangible assets		5,536		5,656		19,683		22,619
Acquisition and integration costs		1,964		1,100		5,779		8,948
<b>Total operating expenses</b>		116,472		117,442		432,809		462,772
<b>Income (loss) from operations</b>		4,049		6,827		16,175		(1,075)
Interest expense		(1,236)		(1,713)		(5,340)		(8,054)
Other expense, net		(209)		(286)		(374)		(515)
Gains on investments, net		107		106		2,472		45
<b>Income (loss) before income taxes</b>		2,711		4,934		12,933		(9,599)
Income tax expense (benefit)		285		44		2,943		(29)
<b>Net income (loss)</b>	\$	2,426	\$	4,890	\$	9,990	\$	(9,570)

Basic income (loss) per common share	\$	0.13	\$	0.26	\$	0.53	\$	(0.52)
Diluted income (loss) per common share	\$	0.13	\$	0.26	\$	0.53	\$	(0.52)
Basic weighted average common shares outstanding		<u>18,971</u>		<u>18,624</u>		<u>18,827</u>		<u>18,492</u>
Diluted weighted average common shares outstanding		<u>19,119</u>		<u>18,720</u>		<u>18,935</u>		<u>18,492</u>

**Adjusted data (1):**

<b>Total revenues - GAAP</b>	\$	120,521	\$	124,269	\$	448,984	\$	461,697
Deferred revenue fair value adjustment		42		790		444		11,257
<b>Adjusted revenues</b>	<b>\$</b>	<u><u>120,563</u></u>	<b>\$</b>	<u><u>125,059</u></u>	<b>\$</b>	<u><u>449,428</u></u>	<b>\$</b>	<u><u>472,954</u></u>

<b>Income (loss) from operations - GAAP</b>	\$	4,049	\$	6,827	\$	16,175	\$	(1,075)
Deferred revenue fair value adjustment		42		790		444		11,257
Amortization of intangible assets		5,536		5,656		19,683		22,619
Acquisition and integration costs		1,964		1,100		5,779		8,948
Lease incentive		(3,445)		—		(3,226)		—
Stock-based compensation included in the following expense categories:								
Cost of services and fulfillment		1,693		1,815		6,156		6,627
Selling and marketing		520		402		1,751		1,768
General and administrative		700		862		2,970		3,289
<b>Adjusted income from operations</b>	<b>\$</b>	<u><u>11,059</u></u>	<b>\$</b>	<u><u>17,452</u></u>	<b>\$</b>	<u><u>49,732</u></u>	<b>\$</b>	<u><u>53,433</u></u>

	Three Months Ended December 31,				Year Ended December 31,			
	2020		2019		2020		2019	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
<b>Net income (loss) - GAAP</b>	\$ 2,426	\$ 0.13	\$ 4,890	\$ 0.26	\$ 9,990	\$ 0.53	\$ (9,570)	\$ (0.52)
Effect on GAAP net loss of diluted shares	—	—	—	—	—	—	—	0.01
Deferred revenue fair value adjustment	42	—	790	0.04	444	0.02	11,257	0.60
Amortization of intangible assets	5,536	0.29	5,656	0.30	19,683	1.04	22,619	1.20
Acquisition and integration costs	1,964	0.10	1,100	0.06	5,779	0.30	8,948	0.48
Lease incentive	(3,445)	(0.18)	—	—	(3,226)	(0.17)	—	—
Stock-based compensation	2,913	0.15	3,079	0.16	10,877	0.57	11,684	0.62
Gains on investments	(107)	—	(106)	—	(2,472)	(0.13)	(45)	—
Tax effects of items above (2)	(1,632)	(0.08)	(4,166)	(0.22)	(8,612)	(0.45)	(15,062)	(0.80)
Adjustment to tax expense for adjusted tax rate (3)	(1,063)	(0.06)	(580)	(0.03)	(2,091)	(0.11)	1,125	0.06
<b>Adjusted net income</b>	<b>\$ 6,634</b>	<b>\$ 0.35</b>	<b>\$ 10,663</b>	<b>\$ 0.57</b>	<b>\$ 30,372</b>	<b>\$ 1.60</b>	<b>\$ 30,956</b>	<b>\$ 1.65</b>
Diluted weighted average shares outstanding	<u>19,119</u>		<u>18,720</u>		<u>18,935</u>		<u>18,720</u>	

(1) Forrester believes that adjusted financial results provide investors with consistent and comparable information to aid in the understanding of Forrester's ongoing business, and are also used by Forrester in making compensation decisions. Our adjusted presentation excludes amortization of

acquisition-related intangible assets, acquisition-related deferred revenue fair value adjustments, stock-based compensation, acquisition and integration costs, net gains or losses from investments, lease incentive cost and credits, as well as their related tax effects. We also utilized an assumed tax rate of 31% in both 2020 and 2019, which excludes items such as any release of reserves for uncertain tax positions established in prior years, the settlement of prior year tax audits, and the effect of any adjustments related to the filing of prior year tax returns. The adjusted data does not purport to be prepared in accordance with Accounting Principles Generally Accepted in the United States.

(2) The tax effect of adjusting items is based on the accounting treatment and rate for the jurisdiction of each item.

(3) To compute adjusted net income, we apply an adjusted effective tax rate of 31%.

## Forrester Research, Inc.

### Key Financial Data

(Unaudited, dollars in thousands)

	December 31, 2020	December 31, 2019
<b>Balance sheet data:</b>		
Cash and cash equivalents	\$ 90,257	\$ 67,904
Accounts receivable, net	\$ 84,695	\$ 84,605
Deferred revenue	\$ 179,968	\$ 179,194
Debt outstanding	\$ 109,375	\$ 132,750

	Year Ended December 31, 2020	2019
<b>Cash flow data:</b>		
Net cash provided by operating activities	\$ 47,754	\$ 48,406
Purchases of property and equipment	\$ (8,905)	\$ (11,890)
Cash paid for acquisitions	\$ —	\$ (237,684)
Repayments of debt	\$ (23,375)	\$ (42,250)

	As of December 31, 2020	2019
<b>Metrics:</b>		
Agreement value	\$ 345,300	\$ 358,000
Client retention	65%	72%
Dollar retention	88%	90%
Enrichment	100%	106%
Number of clients	2,697	2,880

	As of December 31, 2020	2019
<b>Headcount:</b>		
Total headcount	1,798	1,795
Products and advisory services staff	704	688
Sales force	701	698

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