



Forrester Research Reports 2023 Third-Quarter Financial Results

October 26, 2023

CAMBRIDGE, Mass.--(BUSINESS WIRE)--Oct. 26, 2023-- Forrester Research, Inc. (Nasdaq: FORR) today announced financial results for the third quarter ended September 30, 2023, with flat contract value (CV) at \$349.4 million, compared with the prior year.

"While our contract value remained flat this quarter due to persistent headwinds, we now have approximately \$200 million of CV on the Forrester Decisions platform and remain on track to convert two-thirds of our CV to Forrester Decisions by the end of the year," said CEO and Chairman George F. Colony. "We continue to improve the Forrester Decisions platform. These enhancements include the development of Izola, our generative AI system, and the expansion of client outcomes. Izola will enable clients to find answers faster, and outcomes will better align Forrester's value with client challenges. We remain resolute in our pursuit of growing CV and accelerating the ongoing journey to create a high-performance sales culture."

Third-Quarter Consolidated Results

Total revenues for the third quarter of 2023 were \$113.4 million, compared with \$127.7 million for the comparable quarter in 2022.

On a GAAP basis, net income was \$2.5 million, or \$0.13 per diluted share, for the third quarter of 2023, compared with a net income of \$5.4 million, or \$0.28 per diluted share, for the same period in 2022.

On an adjusted basis, net income was \$8.6 million, or \$0.44 per diluted share, for the third quarter of 2023, reflecting an adjusted effective tax rate of 29%. Adjusted net income excludes stock-based compensation of \$4.1 million and amortization of acquisition-related intangible assets of \$3.0 million. This compares with an adjusted net income of \$10.9 million, or \$0.57 per diluted share, for the same period in 2022, which reflects an adjusted tax rate of 30%. Adjusted net income for the third quarter of 2022 excludes stock-based compensation of \$3.9 million and amortization of acquisition-related intangible assets of \$3.4 million.

Forrester is providing updated guidance for 2023 as follows:

Full-Year 2023 (GAAP):

- Total revenues of approximately \$475 million to \$485 million
- Operating margin of approximately 1.2% to 2.2%
- Interest expense of approximately \$3.1 million
- An effective tax rate of approximately 50%
- Earnings per share of approximately \$0.10 to \$0.30

Full-Year 2023 (Adjusted):

Adjusted financial guidance for the full-year 2023 excludes stock-based compensation expense of \$15.0 million to \$15.5 million, amortization of acquisition-related intangible assets of approximately \$12.0 million, restructuring costs of approximately \$12.2 million, a legal settlement of \$4.8 million, and any investment gains or losses.

- Adjusted operating margin of approximately 10.5% to 11.5%
- Adjusted effective tax rate of approximately 29%
- Adjusted diluted earnings per share of approximately \$1.80 to \$2.00

About Forrester

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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 full-year 2023 and statements about the performance of Forrester Decisions, Forrester's sales force, and 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, Forrester's ability to retain and enrich memberships for its research products and services, including the migration of its existing clients into its Forrester Decisions portfolio of services; Forrester's ability to fulfill existing or generate new consulting engagements and advisory services; technology spending; the risks and challenges inherent in international business activities; the impact of health epidemics, including COVID-19, on Forrester's business; 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 respond to business and economic conditions and market trends; the impact of Forrester's outstanding

debt obligations; competition and industry consolidation; possible variations in Forrester's quarterly operating results; concentration of ownership of Forrester; the possibility of network disruptions and security breaches; any failure to enforce and protect Forrester's intellectual property rights; compliance with privacy laws; taxation risks; any weakness in Forrester's system of internal controls; and the amount and timing of the repurchase of Forrester stock. 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Research	\$ 80,606	\$ 87,038	\$249,211	\$262,265
Consulting	28,237	37,382	89,957	115,075
Events	4,588	3,259	23,522	23,556
Total revenues	113,431	127,679	362,690	400,896
Operating expenses:				
Cost of services and fulfillment	47,978	52,717	151,884	166,959
Selling and marketing	39,967	44,231	123,080	133,249
General and administrative	15,108	16,448	51,650	47,897
Depreciation	2,262	2,374	6,557	6,992
Amortization of intangible assets	3,041	3,352	9,175	10,068
Restructuring costs	19	—	12,140	—
Total operating expenses	108,375	119,122	354,486	365,165
Income from operations	5,056	8,557	8,204	35,731
Interest expense	(763)	(584)	(2,286)	(1,732)
Other income, net	568	346	1,632	192
Gains on investments	—	—	—	426
Income before income taxes	4,861	8,319	7,550	34,617
Income tax expense	2,377	2,905	3,837	11,181
Net income	\$ 2,484	\$ 5,414	\$ 3,713	\$ 23,436
Basic income per common share	\$ 0.13	\$ 0.29	\$ 0.19	\$ 1.24
Diluted income per common share	\$ 0.13	\$ 0.28	\$ 0.19	\$ 1.22
Basic weighted average shares outstanding	19,191	18,958	19,164	18,939
Diluted weighted average shares outstanding	19,289	19,139	19,239	19,192

Adjusted data (1):

Income from operations - GAAP	\$ 5,056	\$ 8,557	\$ 8,204	\$ 35,731
Amortization of intangible assets	3,041	3,352	9,175	10,068
Restructuring costs	19	—	12,140	—
Legal settlement	—	—	4,800	—
Stock-based compensation included in the following expense categories:				
Cost of services and fulfillment	2,449	2,268	6,505	6,397
Selling and marketing	790	743	2,094	2,128
General and administrative	905	894	2,570	2,511
Adjusted income from operations	\$ 12,260	\$ 15,814	\$ 45,488	\$ 56,835

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net income - GAAP	\$ 2,484	\$ 0.13	\$ 5,414	\$ 0.28	\$ 3,713	\$ 0.19	\$23,436	\$ 1.22

Amortization of intangible assets	3,041	0.16	3,352	0.18	9,175	0.47	10,068	0.53
Restructuring costs	19	—	—	—	12,140	0.63	—	—
Legal settlement	—	—	—	—	4,800	0.25	—	—
Stock-based compensation	4,144	0.21	3,905	0.20	11,169	0.58	11,036	0.58
Gains on investments	—	—	—	—	—	—	(426)	(0.02)
Tax effects of items above (2)	(1,542)	(0.08)	(1,980)	(0.10)	(9,117)	(0.47)	(5,487)	(0.29)
Adjustment to tax expense for adjusted tax rate (3)	420	0.02	212	0.01	(48)	—	79	—
Adjusted net income	\$ 8,566	0.44	\$10,903	\$ 0.57	\$31,832	1.65	\$38,706	\$ 2.02
Diluted weighted average shares outstanding	19,289		19,139		19,239		19,192	

(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, stock-based compensation, restructuring costs, a legal settlement, and net gains from investments, as well as their related tax effects. We also utilized an assumed tax rate of 29% in 2023 and 30% in 2022, which excludes items such as 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 Generally Accepted Accounting Principles 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 29% in 2023 and 30% in 2022.

Forrester Research, Inc.

Key Financial Data

(Unaudited, dollars in thousands)

	September 30,		December 31,	
	2023		2022	
Balance sheet data:				
Cash, cash equivalents and marketable investments	\$ 111,456		\$ 123,317	
Accounts receivable, net	\$ 41,016		\$ 73,345	
Deferred revenue	\$ 158,349		\$ 178,021	
Debt outstanding	\$ 35,000		\$ 50,000	
Cash flow data:				
Net cash provided by operating activities	\$ 9,791		\$ 37,803	
Purchases of property and equipment	\$ (3,903)		\$ (4,227)	
Repayments of debt	\$ (15,000)		\$ (25,000)	
Repurchases of common stock	\$ (4,082)		\$ (15,112)	
Metrics:				
Contract value	\$ 349,400		\$ 348,900	(a)
Client retention	73%		75%	
Wallet retention	91%		98%	
Number of clients	2,538		2,875	
Headcount:				
Total headcount	1,750		2,004	
Sales force	599		701	

(a) September 30, 2022, contract value has been recast based on 2023 foreign currency rates.

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