

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

February 10, 2011

CAMBRIDGE, Mass., Feb 10, 2011 (BUSINESS WIRE) --

Forrester Research, Inc. (Nasdag: FORR) today announced its fourth-quarter ended December 31, 2010 and full-year ended 2010 financial results.

### **Fourth-Quarter Financial Performance**

- Total revenues were \$67.1 million, compared with \$61.5 million for the fourth quarter of last year.
- On a GAAP-reported basis, Forrester reported net income of \$4.1 million, or \$0.18 per diluted share, compared with net
  income of \$5.8 million, or \$0.26 per diluted share, for the same period last year. The effective tax rate for the fourth quarter
  of 2010 was 45 percent compared with 41 percent for the same period last year.
- On a pro forma basis, net income was \$5.9 million, or \$0.26 per diluted share, for the fourth quarter of 2010, which reflects a pro forma effective tax rate of 40 percent. Pro forma net income excludes stock-based compensation of \$1.2 million, amortization of \$0.9 million of acquisition-related intangible assets, \$0.5 million of duplicate lease costs, \$0.3 million of acquisition costs and net investment gains of \$0.5 million. This compares with pro forma net income of \$7.9 million, or \$0.35 per diluted share, for the same period in 2009, which reflects a pro forma effective tax rate of 40 percent. Pro forma net income for the fourth quarter of 2009 excludes stock-based compensation of \$1.2 million, reorganization costs of \$2.3 million, amortization of \$0.5 million of acquisition-related intangible assets and net investment gains of \$0.7 million.

"As the economy began its slow recovery, Forrester had a solid fourth quarter and full year in 2010," said George F. Colony, Forrester's chairman of the board and chief executive officer. "We continued to successfully execute our role-based strategy and achieved all-time highs in our client and dollar retention rates during 2010. While all of our client groups experienced healthy growth in 2010, Forrester's differentiated offerings for marketing and strategy professionals continued to be the fastest-growing part of our business. Overall we are well positioned for 2011."

"In 2010 we made significant investments to support our growth and will continue to do so in 2011," said Colony. "We have expanded our available office space in key markets and will open a new corporate headquarters in Cambridge, Mass., later this year. We plan to keep hiring both research and sales personnel and are investing in customer-facing platforms to enhance our clients' experience with Forrester."

### Year Ended December 31, 2010, Financial Performance

- Total revenues were \$250.7 million, compared with \$233.4 million for 2009.
- On a GAAP-reported basis, Forrester reported net income of \$20.5 million, or \$0.89 per diluted share for 2010, compared with net income of \$18.9 million, or \$0.82 per diluted share, for 2009. The effective tax rate for 2010 was 40 percent compared with 44 percent for 2009.
- On a pro forma basis, net income was \$24.8 million, or \$1.07 per diluted share for 2010, which reflects a pro forma effective tax rate of 40 percent. Pro forma net income excludes stock-based compensation of \$4.9 million, amortization of \$3.6 million of acquisition-related intangible assets, \$0.1 million of acquisition-related credits, \$0.9 million of duplicate lease costs and net investment gains of \$2.3 million. This compares with pro forma net income of \$29.1 million, or \$1.27 per diluted share for 2009, which reflects a pro forma effective tax rate of 40 percent. Pro forma net income for 2009 excludes stock-based compensation of \$6.1 million, amortization of \$2.3 million of acquisition-related intangible assets, \$5.4 million of reorganization costs and net investment losses of \$1.0 million.

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

Forrester is providing first-quarter 2011 financial guidance as follows:

First-Quarter 2011 (GAAP):

- Total revenues of approximately \$63.0 million to \$65.0 million.
- Operating margin of approximately 5.5% to 7.5%.
- Other income, net of \$250,000.
- An effective tax rate of 40 percent.

Diluted earnings per share of approximately \$0.10 to \$0.14.

First-Quarter 2011 (Pro Forma):

Pro forma financial guidance for the first quarter of 2011 excludes stock-based compensation of \$1.0 million to \$1.2 million, amortization of acquisition-related intangible assets of approximately \$0.4 million, duplicate lease costs of \$1.5 million and any investment gains or losses.

- Pro forma operating margin of approximately 10.0% to 12.0%.
- Pro forma effective tax rate of 40 percent.
- Pro forma diluted earnings per share of approximately \$0.17 to \$0.21.

Forrester is providing full-year 2011 guidance as follows:

Full-Year 2011 (GAAP):

- Total revenues of approximately \$282 million to \$288 million.
- Operating margin of approximately 12.5% to 13.5%.
- Other income of approximately \$1.0 million.
- An effective tax rate of 40 percent.
- Diluted earnings per share of approximately \$0.96 to \$1.02.

Full-Year 2011 (Pro Forma):

Pro forma financial guidance for full-year 2011 excludes stock-based compensation expense of approximately \$4.6 million to \$5.0 million, amortization of acquisition-related intangible assets of approximately \$1.8 million, duplicate lease costs of approximately \$3.3 million to \$3.8 million and any investment gains or losses.

- Pro forma operating margin of approximately 16.0% to 17.0%.
- Pro forma effective tax rate of 40 percent.
- Pro forma diluted earnings per share of approximately \$1.22 to \$1.28.

#### **About Forrester Research**

Forrester Research, Inc. (Nasdaq: FORR) is an independent research company that provides pragmatic and forward-thinking advice to global leaders in business and technology. Forrester works with professionals in 19 key roles at major companies providing proprietary research, customer insight, consulting, events, and peer-to-peer executive programs. For more than 27 years, Forrester has been making IT, marketing, and technology industry leaders successful every day. For more information, visit <a href="https://www.forrester.com">www.forrester.com</a>.

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 2011. 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 respond to business and economic conditions, particularly in light of the global economic environment, technology spending, market trends, competition, industry consolidation, the ability to attract and retain professional staff, possible variations in Forrester's quarterly operating results, any cost savings related to reductions in force and associated actions, risks associated with Forrester's ability to offer new products and services, and Forrester's dependence on renewals of its membership-based research services and on key personnel. 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 income and the table of selected balance sheet and cash flow data are attached.

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#### Forrester Research, Inc.

# Consolidated Statements of Income

(In thousands, except per share data)									
		Three months ended December 31,		Year ended December 31,					
		2010		2009		2010		2009	
Revenues:									
Research services	\$	45,445	\$	40,758	\$	168,508	\$	157,726	
Advisory services and other		21,671		20,728		82,218		75,626	
Total revenues		67,116		61,486		250,726		233,352	

Cost of services and thfillment         25,079         18,42         94,105         84,868           Selling and marketing         33,627         22,076         44,668         76,094           General and administrative         9,547         7,993         33,960         28,461           Depreciation         888         1,069         3,628         4,880           Amorization of intangible assets         90         539         3,620         2,290           Reorganization costs         60,046         52,419         219,976         20,032           Income from operating expenses         7,070         9,067         30,750         32,420           Other income (loss), net         229         115         1,249         2,297           Gains (losses) on investments, net         472         701         2,301         (982)           Income before income taxes         7,513         9,883         34,300         33,735           Income tax provision         3,344         4,100         13,793         14,869           Net nome         \$ 1,129         \$ 2,057         \$ 18,866           Diluted weighted average shares outstanding         23,34         22,672         22,072           East income per share         \$ 0,18	Operating expenses:				
General and administrative         9,547         7,993         33,960         28,461           Depreciation         888         1,069         3,628         4,280           Amoritization of intangible assets         905         539         3,628         4,280           Reorganization costs         -         2,300         -         5,441           Total operating sepsness         60,046         52,419         219,976         200,932           Income from operations         7,070         9,067         30,750         32,420           Other income (loss), net         (29)         115         1,249         2,297           Gains (losses) on investments, net         472         701         2,301         (982)           Income before income taxes         7,513         9,883         3,000         33,733           Income tex provision         3,384         4,100         13,793         14,869           Net Income         \$ 0,18         0,26         0,393         2,826           Diluted income per share         \$ 0,18         0,26         0,393         0,826           Basic income per share         \$ 0,18         0,26         0,991         \$ 0,83           Basic weighted average shares outstanding	Cost of services and fulfillment	25,079	18,442	94,105	84,266
Depreciation         888         1,069         3,628         4,380           Amortization costs         905         539         3,620         2,290           Reorganization costs         60,046         52,419         219,976         200,332           Income from operations         7,070         9,067         30,750         32,420           Other income (loss), net         (29)         115         12,49         2,297           Gains (losses) on investments, net         472         701         2,301         9,823           Income before income taxes         7,513         9,883         34,300         33,735           Income tax proxision         3,384         4,100         13,793         1,486           Net Income         \$ 4,129         \$ 5,783         \$ 0,507         \$ 18,866           Diluted income per share         \$ 0,18         \$ 0,26         \$ 0,807         \$ 1,866           Basic income per share         \$ 0,18         \$ 0,26         \$ 0,907         \$ 0,807         \$ 0,807           Basic weighted average shares outstanding         22,543         22,327         22,478         22,645           Basic weighted average shares outstanding         \$ 7,00         9,067         \$ 30,755         3,242	Selling and marketing	23,627		84,663	76,094
Amortization of intangible assets         905         539         3,620         2,900           Reorganization costs         -         2,300         -         5,441           Total operating expenses         60,046         52,419         219,976         20,932           Income from operations         7,070         9,067         30,755         32,420           Other income (loss), net         429         115         1,249         2,297           Gains (losses) on investments, net         472         701         2,301         9,823           Income before income taxes         7,513         9,83         34,300         3,3735           Income tax provision         3,384         4,100         13,793         14,869           Net Income         \$ 4,129         \$ 5,783         \$ 2,057         \$ 18,866           Diluted weighted average shares outstanding         23,134         22,678         23,062         2,884           Basic notome per share         \$ 0,18         0,26         0,91         0,883           Basic notome per share         \$ 0,18         0,26         0,91         0,883           Basic notome per share         \$ 0,18         0,26         0,91         0,884           Basic notome per share <td>General and administrative</td> <td>•</td> <td>7,993</td> <td>•</td> <td>-</td>	General and administrative	•	7,993	•	-
Reorganization costs         6.0.046         52.419         219,976         20.032           Income from operations         7.070         9.067         30,750         32.420           Other income (loss), net         (29)         1115         1.249         2.297           Gains (losses) on investments, net         472         701         2.301         9.882           Income before income taxes         7,513         9,883         34,300         33,735           Income tax provision         3,384         4,100         13,793         14,866           Net Income         \$ 4,129         5,783         \$ 20,007         \$ 18,666           Diluted mome per share         \$ 0,18         \$ 0,26         \$ 0,88         \$ 0,88           Basic income per share         \$ 0,18         \$ 0,26         \$ 0,88         \$ 0,88           Builded weighted average shares outstanding         22,543         22,578         \$ 23,003         \$ 2,884           Basic weighted average shares outstanding         22,543         22,372         22,478         \$ 2,865           Pro forma data (1):         100         4,90         \$ 30,750         \$ 32,420           Basic weighted average shares outstanding         7,070         9,067         \$ 30,750         \$ 22	·		•	3,628	
Total operating expenses         60,046         52,419         219,976         200,932           Income from operations         7,070         9,067         30,750         32,420           Other income (loss), net         (29)         115         1,249         2,297           Gains (losses) on investments, net         472         701         2,301         (982)           Income before income taxes         7,513         9,883         34,300         33,735           Income tax provision         3,384         4,100         13,793         14,869           Net Income         \$ 4,129         \$ 5,783         \$ 20,507         \$ 18,866           Diluted income per share         \$ 0,18         0,26         8 0,89         0,82           Diluted weighted average shares outstanding         23,134         22,673         23,063         22,884           Basic income per share         \$ 0,18         0,26         9,091         \$ 0,89         \$ 0,89           Basic weighted average shares outstanding         22,543         23,272         22,478         22,685           Basic momp perations         \$ 7,070         \$ 9,067         \$ 30,750         \$ 32,420           Income from operations         \$ 7,071         \$ 9,067         \$ 30,750	Amortization of intangible assets	905	539	3,620	2,290
Income from operations         7,070         9,067         30,750         32,420           Other income (loss), net         (29)         115         1,249         2,297           Gains (losses) on investments, net         472         701         2,301         (982)           Income before income taxes         7,513         9,883         34,300         33,735           Income tax provision         3,384         4,100         13,793         14,869           Net Income         \$ 4,129         \$ 5,783         \$ 20,507         \$ 18,866           Diluted income per share         \$ 0,18         \$ 0,26         \$ 0.89         \$ 0.82           Diluted weighted average shares outstanding         23,134         22,678         23,063         22,884           Basic income per share         \$ 0,18         \$ 0,26         \$ 0,91         \$ 0.83           Basic weighted average shares outstanding         22,543         22,372         22,478         22,648           Basic income per share         \$ 0,18         \$ 0,26         \$ 0,91         \$ 0.83           Basic weighted average shares outstanding         22,543         22,372         22,478         22,648           Basic weighted average shares outstanding         20,18         0,06         3 0,750 </td <td>Reorganization costs</td> <td> </td> <td> 2,300</td> <td> -</td> <td> 5,441</td>	Reorganization costs	 	 2,300	 -	 5,441
Other income (loss), net Gains (losses) on investments, net         (29)         115         1,249         2,297           Gains (losses) on investments, net         472         701         2,301         (982)           Income before income taxes         7,513         9,883         34,300         33,735           Income tax provision         3,384         4,100         13,793         14,869           Net Income         \$ 4,129         \$ 5,783         \$ 20,507         \$ 18,866           Diluted income per share         \$ 0,18         \$ 0,26         \$ 0,89         \$ 0,82           Diluted weighted average shares outstanding         23,134         22,678         23,063         22,884           Basic income per share         \$ 0,18         \$ 0,26         \$ 0,91         \$ 0,83           Basic weighted average shares outstanding         22,543         22,372         22,478         22,645           Pro forma data (1):         Income from operations         \$ 7,070         \$ 9,067         \$ 30,750         \$ 32,420           Amortization of intangible assets         905         539         3,620         2,290           Pro forma data (1):         2,200         4,000         3,750         5,441           Reorganization costs         2,200	Total operating expenses	60,046	52,419	219,976	200,932
Gains (losses) on investments, net         472         701         2,301         (982)           Income before income taxes         7,513         9,883         34,300         33,735           Income tax provision         3,384         4,100         13,793         14,869           Net Income         \$ 4,129         \$ 5,783         \$ 20,507         \$ 18,866           Diluted income per share         \$ 0.18         \$ 0.26         \$ 0.89         \$ 0.82           Diluted weighted average shares outstanding         23,134         22,678         23,063         22,884           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.83           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.83           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.83           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.83           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.93         \$ 0.82           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.91         \$ 0.94         \$ 0.26         \$ 0.94         \$ 0.26         \$ 0.20         \$ 0.94	Income from operations	7,070	9,067	30,750	32,420
Income before income taxes         7,513         9,883         34,300         33,735           Income tax provision         3,384         4,100         13,793         14,869           Net Income         \$ 4,129         \$ 5,783         \$ 20,507         \$ 18,866           Diluted income per share         \$ 0.18         \$ 0.26         \$ 0.89         \$ 0.82           Diluted weighted average shares outstanding         23,134         22,678         23,063         22,884           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.83           Basic weighted average shares outstanding         22,543         22,372         22,478         22,645           Pro forma data (1):         The properties of the prope	Other income (loss), net	(29)	115	1,249	2,297
Income tax provision         3,384         4,100         13,793         14,869           Net Income         \$ 4,129         \$ 5,783         \$ 20,507         \$ 18,866           Diluted income per share         \$ 0,18         \$ 0,26         \$ 0.89         \$ 0.82           Diluted weighted average shares outstanding         23,134         22,678         23,063         22,884           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.83           Basic weighted average shares outstanding         22,543         22,372         22,478         22,645           Pro forma data (1):         The properties of the	Gains (losses) on investments, net	 472	 701	 2,301	 (982)
Net Income         \$ 4,129         \$ 5,783         \$ 20,507         \$ 18,866           Diluted income per share         \$ 0.18         0.26         0.89         0.82           Diluted weighted average shares outstanding         23,134         22,678         23,063         22,884           Basic income per share         \$ 0.18         0.26         0.91         \$ 0.83           Basic weighted average shares outstanding         22,543         22,372         22,478         22,645           Proforma data (1):           Income from operations         \$ 7,070         \$ 9,067         \$ 30,750         \$ 2,240           Amortization of intangible assets         905         539         3,620         2,290           Duplicate lease costs         487         -         875         -           Reorganization costs         -         2,300         -         5,441           Acquisitions costs (credits)         256         -         (70)         -           Stock-based compensation included in the following expense categories:         -         -         2,904         2,961           Selling and marketing         234         239         943         1,123           General and administrative         447         471	Income before income taxes	7,513	9,883	34,300	33,735
Diluted income per share         \$ 0.18         \$ 0.26         \$ 0.89         0.82           Diluted weighted average shares outstanding         23,134         22,678         23,063         22,884           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.83           Basic weighted average shares outstanding         22,543         22,372         22,478         22,645           Proforma data (1):           Income from operations         \$ 7,070         \$ 9,067         \$ 30,750         \$ 32,420           Amortization of intangible assets         905         539         3,620         2,290           Duplicate lease costs         487         -         875         -           Reorganization costs         -         2,300         -         5,441           Acquisitions costs (credits)         256         -         (70)         -           Stock-based compensation included in the following expense categories:         -         -         (70)         -           Cost of services and fulfillment         507         480         2,094         2,961           Selling and marketing         234         239         943         1,123           General and administrative         447	Income tax provision	 3,384	4,100	13,793	14,869
Diluted weighted average shares outstanding         23,134         22,678         23,063         22,884           Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.83           Basic weighted average shares outstanding         22,543         22,372         22,478         22,645           Pro forma data (1):           Income from operations         \$ 7,070         \$ 9,067         \$ 30,750         \$ 32,420           Amortization of intangible assets         905         539         3,620         2,290           Duplicate lease costs         487         2,300         -         5,441           Acquisitions costs (credits)         256         -         (70)         -           Stock-based compensation included in the following expense categories:         5         7,440         4,440         4,941         4,961         2,961           Selling and marketing         234         239         943         1,123         2,961         3,961         1,123         2,027           Pro forma income from operations         9,906         13,096         40,049         46,262         4,6262         2,97         2,97         2,97         2,97         2,97         2,97         2,97         2,97         2,97         <	Net Income	\$ 4,129	\$ 5,783	\$ 20,507	\$ 18,866
Basic income per share         \$ 0.18         \$ 0.26         \$ 0.91         \$ 0.83           Basic weighted average shares outstanding         22,543         22,372         22,478         22,645           Pro forma data (1):           Income from operations         \$ 7,070         9,067         30,750         32,420           Amortization of intangible assets         905         539         3,620         2,290           Duplicate lease costs         487         -         875         -           Reorganization costs         256         -         (70)         -           Reorganization costs (credits)         256         -         (70)         -           Stock-based compensation included in the following expense categories:         -         (70)         -         -           Cost of services and fulfillment         507         480         2,094         2,961         -           Selling and marketing         234         239         943         1,123         - </td <td>Diluted income per share</td> <td>\$ 0.18</td> <td>\$ 0.26</td> <td>\$ 0.89</td> <td>\$ 0.82</td>	Diluted income per share	\$ 0.18	\$ 0.26	\$ 0.89	\$ 0.82
Pro forma data (1):         Income from operations         \$2,543         22,372         22,478         22,645           Pro forma data (1):         Income from operations         \$ 7,070         \$ 9,067         \$ 30,750         \$ 32,420           Amortization of intangible assets         905         539         3,620         2,290           Duplicate lease costs         487         -         875         -         2,290           Duplicate lease costs         487         -         875         -         2,290         -         8,541           Reorganization costs              -              2,300              -              5,441           Acquisitions costs (credits)              -              -              -              -              -              -              -              -              -              -              -              -              -              -              -	Diluted weighted average shares outstanding	23,134	22,678	23,063	22,884
Pro forma data (1):         Income from operations         \$ 7,070         \$ 9,067         \$ 30,750         \$ 32,420           Amortization of intangible assets         905         539         3,620         2,290           Duplicate lease costs         487         -         875         -           Reorganization costs         -         2,300         -         5,441           Acquisitions costs (credits)         256         -         (70)         -           Stock-based compensation included in the following expense categories:         507         480         2,094         2,961           Cost of services and fulfillment         507         480         2,094         2,961           Selling and marketing         234         239         943         1,123           General and administrative         447         471         1,837         2,027           Pro forma income from operations         9,906         13,096         40,049         46,262           Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma income tax provision         3,951         5,284         16,519	Basic income per share	\$ 0.18	\$ 0.26	\$ 0.91	\$ 0.83
Income from operations         \$ 7,070         \$ 9,067         \$ 30,750         \$ 32,420           Amortization of intangible assets         905         539         3,620         2,290           Duplicate lease costs         487         -         875         -           Reorganization costs         -         2,300         -         5,441           Acquisitions costs (credits)         256         -         (70)         -           Stock-based compensation included in the following expense categories:         875         875         875         -           Cost of services and fulfillment         507         480         2,094         2,961         2,961         8,961         8,961         1,123         1,123         1,123         1,123         2,027         1,123         2,027 <td>Basic weighted average shares outstanding</td> <td>22,543</td> <td>22,372</td> <td>22,478</td> <td>22,645</td>	Basic weighted average shares outstanding	22,543	22,372	22,478	22,645
Amortization of intangible assets         905         539         3,620         2,290           Duplicate lease costs         487         -         875         -           Reorganization costs         -         2,300         -         5,441           Acquisitions costs (credits)         256         -         (70)         -           Stock-based compensation included in the following expense categories:         -         -         (70)         -           Cost of services and fulfillment         507         480         2,094         2,961           Selling and marketing         234         239         943         1,123           General and administrative         447         471         1,837         2,027           Pro forma income from operations         9,906         13,096         40,049         46,262           Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma net income         \$ 5,926         7,927         \$ 24,779         \$ 29,135           Pro forma diluted income per share         \$ 0.26         0.35         1.07         \$ 1.27	Pro forma data (1):				
Amortization of intangible assets         905         539         3,620         2,290           Duplicate lease costs         487         -         875         -           Reorganization costs         -         2,300         -         5,441           Acquisitions costs (credits)         256         -         (70)         -           Stock-based compensation included in the following expense categories:         -         -         (70)         -           Cost of services and fulfillment         507         480         2,094         2,961           Selling and marketing         234         239         943         1,123           General and administrative         447         471         1,837         2,027           Pro forma income from operations         9,906         13,096         40,049         46,262           Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma net income         \$ 5,926         7,927         \$ 24,779         \$ 29,135           Pro forma diluted income per share         \$ 0.26         0.35         1.07         \$ 1.27	Income from operations	\$ 7,070	\$ 9,067	\$ 30,750	\$ 32,420
Reorganization costs         -         2,300         -         5,441           Acquisitions costs (credits)         256         -         (70)         -           Stock-based compensation included in the following expense categories:         Stock-based compensation included in the following expense categories:         507         480         2,094         2,961           Selling and marketing         234         239         943         1,123           General and administrative         447         471         1,837         2,027           Pro forma income from operations         9,906         13,096         40,049         46,262           Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma income tax provision         3,951         5,284         16,519         19,424           Pro forma net income         \$ 5,926         7,927         24,779         29,135           Pro forma diluted income per share         \$ 0.26         0.35         1.07         1.27	Amortization of intangible assets	905	539	3,620	2,290
Acquisitions costs (credits)       256       -       (70)       -         Stock-based compensation included in the following expense categories:       507       480       2,094       2,961         Cost of services and fulfillment       507       480       2,094       2,961         Selling and marketing       234       239       943       1,123         General and administrative       447       471       1,837       2,027         Pro forma income from operations       9,906       13,096       40,049       46,262         Other income (loss), net       (29)       115       1,249       2,297         Pro forma income before income taxes       9,877       13,211       41,298       48,559         Pro forma income tax provision       3,951       5,284       16,519       19,424         Pro forma net income       \$ 5,926       7,927       24,779       29,135         Pro forma diluted income per share       \$ 0.26       0.35       1.07       1.27	Duplicate lease costs	487	-	875	-
Stock-based compensation included in the following expense categories:           Cost of services and fulfillment         507         480         2,094         2,961           Selling and marketing         234         239         943         1,123           General and administrative         447         471         1,837         2,027           Pro forma income from operations         9,906         13,096         40,049         46,262           Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma income tax provision         3,951         5,284         16,519         19,424           Pro forma net income         \$ 5,926         7,927         24,779         29,135           Pro forma diluted income per share         \$ 0.26         0.35         1.07         1.27	Reorganization costs	-	2,300	-	5,441
following expense categories:         Cost of services and fulfillment       507       480       2,094       2,961         Selling and marketing       234       239       943       1,123         General and administrative       447       471       1,837       2,027         Pro forma income from operations       9,906       13,096       40,049       46,262         Other income (loss), net       (29)       115       1,249       2,297         Pro forma income before income taxes       9,877       13,211       41,298       48,559         Pro forma income tax provision       3,951       5,284       16,519       19,424         Pro forma net income       \$ 5,926       7,927       \$ 24,779       \$ 29,135         Pro forma diluted income per share       \$ 0.26       0.35       1.07       \$ 1.27	Acquisitions costs (credits)	256	-	(70)	-
Cost of services and fulfillment         507         480         2,094         2,961           Selling and marketing         234         239         943         1,123           General and administrative         447         471         1,837         2,027           Pro forma income from operations         9,906         13,096         40,049         46,262           Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma income tax provision         3,951         5,284         16,519         19,424           Pro forma net income         \$ 5,926         7,927         24,779         29,135           Pro forma diluted income per share         \$ 0.26         0.35         1.07         1.27	Stock-based compensation included in the				
Selling and marketing         234         239         943         1,123           General and administrative         447         471         1,837         2,027           Pro forma income from operations         9,906         13,096         40,049         46,262           Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma income tax provision         3,951         5,284         16,519         19,424           Pro forma net income         \$ 5,926         7,927         24,779         29,135           Pro forma diluted income per share         \$ 0.26         0.35         1.07         1.27	following expense categories:				
General and administrative         447         471         1,837         2,027           Pro forma income from operations         9,906         13,096         40,049         46,262           Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma income tax provision         3,951         5,284         16,519         19,424           Pro forma net income         \$ 5,926         7,927         24,779         29,135           Pro forma diluted income per share         \$ 0.26         0.35         1.07         1.27	Cost of services and fulfillment	507	480	2,094	2,961
Pro forma income from operations         9,906         13,096         40,049         46,262           Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma income tax provision         3,951         5,284         16,519         19,424           Pro forma net income         \$ 5,926         7,927         24,779         29,135           Pro forma diluted income per share         \$ 0.26         0.35         1.07         1.27	Selling and marketing	234	239		1,123
Other income (loss), net         (29)         115         1,249         2,297           Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma income tax provision         3,951         5,284         16,519         19,424           Pro forma net income         \$ 5,926         \$ 7,927         \$ 24,779         \$ 29,135           Pro forma diluted income per share         \$ 0.26         \$ 0.35         \$ 1.07         \$ 1.27	General and administrative	 447_	 471	 1,837	 2,027
Pro forma income before income taxes         9,877         13,211         41,298         48,559           Pro forma income tax provision         3,951         5,284         16,519         19,424           Pro forma net income         \$ 5,926         7,927         \$ 24,779         \$ 29,135           Pro forma diluted income per share         \$ 0.26         \$ 0.35         \$ 1.07         \$ 1.27	Pro forma income from operations	9,906	13,096	40,049	46,262
Pro forma income tax provision         3,951         5,284         16,519         19,424           Pro forma net income         \$ 5,926         \$ 7,927         \$ 24,779         \$ 29,135           Pro forma diluted income per share         \$ 0.26         \$ 0.35         \$ 1.07         \$ 1.27	Other income (loss), net	 (29)	 115	 1,249	 2,297
Pro forma net income         \$ 5,926         \$ 7,927         \$ 24,779         \$ 29,135           Pro forma diluted income per share         \$ 0.26         \$ 0.35         \$ 1.07         \$ 1.27	Pro forma income before income taxes	9,877	13,211	41,298	48,559
Pro forma diluted income per share         \$ 0.26         \$ 0.35         \$ 1.07         \$ 1.27	Pro forma income tax provision	 3,951	 5,284	16,519	19,424
	Pro forma net income	\$ 5,926	\$ 7,927	\$ 24,779	\$ 29,135
Diluted weighted average shares outstanding 23,134 22,678 23,063 22,884	Pro forma diluted income per share	\$ 0.26	\$ 0.35	\$ 1.07	\$ 1.27
	Diluted weighted average shares outstanding	 23,134	22,678	23,063	22,884

<sup>(1)</sup> Forrester believes that pro forma financial results provide investors with consistent and comparable information to aid in the understanding of Forrester's ongoing business. Our pro forma presentation excludes amortization of acquisition-related intangible assets, duplicate lease costs, reorganization costs, costs or (credits) associated with acquisition activities, stock-based compensation and net gains or losses from investments, as well as their related tax effects. The pro forma data does not purport to be prepared in accordance with Accounting Principles Generally Accepted in the United States.

## Forrester Research, Inc.

## **Consolidated Balance Sheet and Cash Flow Data**

(Unaudited, In thousands)					
		December 31,			
		2010	2009		
Balance sheet data:					
Cash, cash equivalents and marketable investments	\$2	16,034	\$259,792		
Accounts receivable, net	\$ 7	73,574	\$ 67,436		
Deferred revenue	\$13	31,521	\$117,888		
		Year ended			
		December 31,			
		2010	2009		
A 1 M 1 .					

### Cash flow data:

Net cash provided by operating activities \$ 38,657 \$ 43,099 Cash used for acquisitions \$ (1,660) \$ (5,592) Purchases of property and equipment Repurchases of common stock Dividend paid on common stock

\$ (13,426) \$ (4,284) \$ (21,345) \$ (20,399) \$ (68,414) \$

# SOURCE: Forrester Research, Inc.

Forrester Research, Inc. Michael Doyle, +1 617-613-6000 Chief Financial Officer mdoyle@forrester.com Karyl Levinson, +1 617-613-6262

Vice President, Corporate Communications

press@forrester.com