

FORRESTER[®]

2018 Annual Report
Notice Of 2019 Annual Meeting
& Proxy Statement

To shareholders and members of the Forrester community:

Forrester had a good year in 2018. We grew revenue 6%. Agreement value grew 10% as clients expanded their Forrester portfolios. Enrichment, the amount of additional services that clients purchased as compared to the year before, grew by five points — a seven-year high for the company.

As much as I am pleased with our performance, I am more excited for what's to come. In 2018, Forrester put in place important building blocks for our future. They will allow the company to expand its reach and more effectively impact clients' performance and fortunes.

We completed our two-year transition to a new selling structure that we call the customer engagement model, or CEM. We constructed the CEM to increase renewal rates, enrichment rates, new business, and client engagement. I am happy to report that our efforts are paying off, as shown in our results. The CEM positions us for faster growth while increasing sales productivity and improving the Forrester experience.

We acquired three companies that widen our capabilities:

- ◁ GlimpzIt accelerates our ability to integrate artificial intelligence (AI) into our products — starting with the Customer Experience Analytics Engine, a key element of our Real-Time CX Cloud, the product line we are building to enable companies to monitor and improve their experiences in real time.
- ◁ FeedbackNow enables our clients to gather real-time feedback via physical devices (we call them “smiley boxes”). The FeedbackNow data will feed into the Real-Time CX Cloud.
- ◁ SiriusDecisions moves Forrester into the operations market — helping B2B companies run and align marketing, sales, and product.

Finally, we sharpened our focus on industries that are most affected by the age of the customer. In 2018, we specialized in banking, insurance, wealth management, federal government, healthcare insurance, utilities, and automotive. Our coverage will expand in 2019.

Completing the CEM, acquiring new capabilities, and focusing on specific verticals has better positioned the company to fulfill its mission:

Forrester works with business and technology leaders to create customer-obsessed strategies and operations that drive growth.

It's an ambitious charter. Our B2C and B2B clients face constant pressure from changing customers. Markets are warping, changed by clever new entrants armed with disruptive tech. Companies can't survive by fine-tuning organization and operations. They must make hard decisions that defy convention and give them the best chance to thrive in a dynamic, sometimes alien market. Our clients' challenges are diverse:

- ◁ How to design for customers that no longer fit neatly into market or segment models.
- ◁ How to develop technology at Silicon Valley speeds.
- ◁ How to build new cultures that are customer-led, insights-driven, fast, and connected.
- ◁ How to choose the right technology from the right vendor at the right time.
- ◁ How to increase innovation across the corporation in the face of a dogged status quo.
- ◁ How to address the destruction of industry lines as technology-centric players such as Amazon invade.
- ◁ How to fend off cyberattacks while maintaining easy access for customers.
- ◁ How to maintain growth in the face of Brexit, trade disputes, a fractious political climate, and the threat of a broad economic slowdown.
- ◁ How to implement standard, repeatable methodologies that are market-tested and based on hard data.

Forrester was built for these times: to help our clients understand, accept, and confront market forces that can seem foreign, overwhelming, and unrelenting.

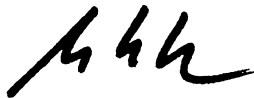
As we enter 2019, we will leverage a broader set of capabilities and opportunities:

- ◁ Adding SiriusDecisions expands Forrester's market coverage from its traditional B2C focus to encompass B2B as well.
- ◁ SiriusDecisions complements Forrester's traditional strategy coverage (guiding our clients on what to do) with operational coverage (how to do it). The strategy + operations combination is symbiotic and powerful.
- ◁ SiriusDecisions opens four new paths for revenue synergy: 1) cross-selling between Sirius and Forrester clients; 2) selling SiriusDecisions through the Forrester sales channels in EMEA and Asia; 3) selling Sirius into new vertical markets, starting with financial services and healthcare; and 4) introducing the Sirius methodology to new roles, such as customer experience professionals, IT professionals, and security and risk professionals.
- ◁ Bringing the Real-Time CX Cloud to market will extend Forrester's dominance in customer experience. It will give our clients the tools to monitor — and improve — their experiences in real time. In the age of the customer, this hyper level of awareness and responsiveness will become a critical competitive advantage.
- ◁ We will enhance our research product by delivering personalized, hyper-relevant IP to our clients — where they want it, when they want it, on whatever device they choose.
- ◁ We will build industry-driven solutions tailored to the special requirements of specific vertical markets.

Our investments and plans are driven by our passion to see our clients succeed and thrive in the new high-risk, high-reward markets they live in. We are excited to be at the center of the storm with our clients — helping them fight to overcome these extraordinary challenges.

Thank you to our clients who entrust us with their futures. And thank you to our employees who honor that trust with a tireless commitment to make our clients successful.

And finally, I want to thank our shareholders for your interest in Forrester and your investment in our opportunity and our future.



George F. Colony
Chairman and CEO

Form 10-K
2018

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2018**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number **000-21433**

Forrester Research, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)
60 Acorn Park Drive
Cambridge, Massachusetts
(Address of principal executive offices)

04-2797789
(I.R.S. Employer
Identification Number)
02140
(Zip Code)

Registrant's telephone number, including area code:
(617) 613-6000

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|-------------------------------|-------------------------------------------|
| Common Stock, \$.01 Par Value | Nasdaq Global Select Market |

Securities to be registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2018 (based on the closing price as quoted by the Nasdaq National Market as of such date) was approximately \$424,000,000.

As of March 4, 2019, 18,411,000 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement related to its 2019 Annual Stockholders' Meeting to be filed subsequently — Part III of this Form 10-K.

FORRESTER RESEARCH, INC.

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This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “intends,” “plans,” “estimates,” or similar expressions are intended to identify these forward-looking statements. Reference is made in particular to our statements about possible acquisitions, future dividends, future share repurchases, future growth rates and operating income, future financial results of SiriusDecisions, future compliance with financial covenants under our credit facility, anticipated increases in, and productivity of, our sales force and headcount, changes to our customer engagement model, and the adequacy of our cash, and cash flows to satisfy our working capital and capital expenditures. These statements are based on our current plans and expectations and involve risks and uncertainties. Important factors that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements are discussed below under “Risk Factors.” We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Item 1. *Business*

General

Forrester Research, Inc. is a global independent research, data, and advisory services firm. We work with business and technology leaders to help them develop customer-obsessed strategies that drive growth. Forrester’s unique insights are grounded in annual surveys of more than 675,000 consumers and business leaders worldwide, rigorous and objective research methodologies, and the shared wisdom of our clients. Through proprietary research and data, custom consulting, exclusive executive peer groups and events, Forrester challenges the thinking of its clients and positions them to lead change in their organizations in an era of powerful customers.

We were incorporated in Massachusetts on July 7, 1983 and reincorporated in Delaware on February 16, 1996.

Our Internet address is www.forrester.com. We make available free of charge, on or through the investor information section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

On January 3, 2019, we acquired SiriusDecisions, Inc., a privately held company based in Wilton, Connecticut with approximately 350 employees globally. SiriusDecisions helps companies worldwide by delivering actionable intelligence, transformative frameworks and expert guidance that equip executives to modernize and elevate sales, marketing and product performance. We believe that the combination of our expertise in strategy with SiriusDecisions’ focus on operational excellence will enable our clients to know what they should do, why they should do it, and how to do it. The acquisition creates several opportunities for us, including cross-selling services to our respective client bases, extending SiriusDecisions’ platform, methodologies, data, and best-practices tools into new roles, and accelerating international and industry growth. See Note 15 - *Subsequent Events*, to the financial statements. The following description of our business reflects our business as of December 31, 2018 and does not reflect the acquisition of SiriusDecisions, other than as explicitly indicated.

Industry Background

Enterprises struggle to keep up with digitally-savvy, empowered customers and maintain differentiation in a disruption-rich market. Technology changes and innovations occur at an increasingly rapid pace. Developing comprehensive and coordinated business strategies is increasingly difficult as consumers and businesses adopt new methods of buying and selling, and markets grow increasingly dynamic.

Consequently, companies and the professionals in the roles we serve must rely on external sources of independent business advice spanning a variety of areas including but not limited to customer behavior, technology investments, and business strategy. We believe there is a need for objective research, data, advisory and related services that allow our clients to see, interpret, and act to respond to complex market dynamics and the extraordinary pace of technology change.

Forrester’s® Strategy

Empowered customers are ushering in a new “Age of the Customer” that we believe will reshape the way organizations succeed and grow. Our differentiated strategy, products, and services are designed to help those enterprises satisfy their increasingly dynamic customer bases.

Driven by our strategy, we: 1) help our clients stay current with and understand their dynamic customers, 2) advise marketing and strategy executives such as Chief Marketing Officers as they seek to win those customers, and 3) work with technology management executives such as Chief Information Officers as they build systems to satisfy customers. Technology is moving from being a tool for managing and lowering operating costs to a means of generating market opportunities and revenue. Given this shift, today's technology management professionals have two agendas – a traditional back-office agenda of running internal systems, and a business technology (BT) agenda that provides the technology, systems, and processes to win, serve and retain customers. In today's market, we believe few companies will succeed that are unable to capitalize on the full value of business technologies and harness data to deliver differentiated experiences.

Importantly, the three areas where we work with our clients (understanding their customers, winning their customers, and building technology to serve their customers) are highly interrelated in the large organizations that we serve. This creates opportunities to sell add-on products and services to our existing clients. In addition, we believe our go to market strategy is unique, increasing our competitive differentiation.

Our core capabilities combine to deliver a comprehensive set of products and solutions to help our clients compete and win in the Age of the Customer. Our ability to customize our solutions to specific industries provides a powerful method to drive the success of our clients and creates significant opportunities to consistently enrich our relationships with our clients.

Forrester's Solution

We offer a broad set of products and services designed to help our clients win in the Age of the Customer. Our solutions help our clients to:

- Understand trends in consumer behavior and how to capitalize on those trends.
- Benchmark their customer experience.
- Plan strategies to improve their customer experience.
- Develop customer-obsessed cultures that drive growth.
- Assess potential new markets, competitors, products and services, and go-to-market strategies.
- Anticipate technology-driven business model shifts.
- Educate, inform, and align strategic decision-makers in their organizations.
- Navigate technology purchases and implementation challenges and optimize technology investments, particularly in the BT space.
- Capitalize on emerging technologies, especially in BT.

Our products and services focus on six market imperatives important to our clients and prospects in the Age of the Customer:

- Drive revenue with continuously improving customer experience – so that customer experience becomes a growth engine for our clients.
- Differentiate with digital – taking the critical step to enable our clients to become digital first companies.
- Accelerate growth with marketing innovation – enabling our clients to expand and excel at engaging and retaining customers.
- Use customer insights to gain a competitive advantage – enabling our clients to anticipate changing customer expectations.
- Transform IT to win, serve and retain customers – so that IT becomes a strategic point of differentiation for our clients.
- Secure customers and protect the brand – so that trust becomes an asset of our clients.

Products and Services

We offer our clients a selection of products, services, and engagement opportunities, which we have branded into five categories: Forrester Research (our core research), Forrester Connect (our peer offerings), Forrester Analytics, Forrester Consulting, and Forrester Events.

Forrester Research

Forrester’s published research and decision tools enable clients to better anticipate and capitalize on the disruptive forces affecting their businesses and organizations. We believe Forrester Research provides insights and frameworks to drive growth in a complex and dynamic market. Our primary syndicated research product, named Research, provides clients with access to our core syndicated research designed to inform their strategic decision-making. Research includes our Playbooks, a set of integrated reports, tools, and guidance for critical business initiatives, and our Reports, designed to deepen clients’ understanding of market, customer, and technology trends through data-driven reports, case studies, predictions, and strategic road maps. Our syndicated research also includes The Forrester Wave,TM our primary mechanism for evaluating enterprise technologies. The Forrester Wave provides a detailed analysis of vendors’ technologies and services based on transparent, fully accessible criteria, and measurement of characteristics weighted by us. The Forrester Wave allows clients to compare products and develop a custom shortlist based on the client’s unique requirements. Since 2017 we have also published Forrester Industry Waves, which evaluate the digital experiences of firms that serve end customers, and Forrester New Waves, which evaluate vendors in emerging markets.

Our Age of the Customer Research offering, which combines our Business Technology (BT) and Marketing and Strategy (M&S) Research offerings, is closely aligned with our strategy of addressing our clients’ and prospects’ opportunities and challenges in the Age of the Customer. In addition to the Age of the Customer Research offering, our various Research offerings include standalone BT Research and M&S Research, as well as our TI (Technology Industry) Research offering designed specifically for technology vendors. Each of our Research offerings consists of a library of cross-linked documents that interconnect our playbooks, reports, data, product rankings, best practices, evaluation tools, and research archives. Research access is provided through role-based websites that facilitate client access to research and tools that are most relevant to their professional roles, including community tools that allow interaction between and among clients and our analysts.

We also offer clients the opportunity to license electronic “reprints” of designated Research for posting to a client’s website(s) for a designated period of time to support a client’s marketing or business objectives. Electronic reprints are hosted on an on-line platform that enables interactive content and provides us with improved tracking of distribution of our intellectual property.

Research Methodology

We employ a structured methodology in our research that enables us to identify and analyze business technology trends, markets, and audiences and ensures consistent research quality and recommendations across all coverage areas. We ascertain the issues important to our clients and prospects through thousands of interactions and surveys with technology vendors and business, marketing, and technology professionals, and accordingly, the majority of our research is focused on helping our clients increase their customer focus and grow their business. We use the following primary research inputs:

- Our own proprietary data from our CX IndexTM, Consumer Technographics®, Business Technographics, and ForecastView products.
- Confidential interviews with early adopters and mainstream users of new technologies across technology, marketing, and strategy roles at end-user companies.
- In-depth interviews with business technology vendors and suppliers of related services.
- Ongoing briefings with vendors to review current positions and future directions.
- Continuous dialogue with our clients to identify business and technology opportunities in the marketplace.

Collaboration among research, product, data and consulting professionals is an integral part of our process, leading to higher-quality research and a unified perspective. Our global research and product organization supports our client base by facilitating research and product collaboration and quality, promoting a uniform client experience and improved customer satisfaction, and encouraging innovation.

Clients subscribing to our Research offerings may choose between two membership levels:

- *Member Licenses.* Member Licenses include access to the written research, as well as Inquiry with analysts, and access to Forrester Webinars. Inquiry enables clients to contact our analysts for quick feedback on projects they may have underway, to discuss ideas and models in the research, or for answers to questions about unfolding industry events. Typically, Inquiry sessions are 30-minute phone calls, scheduled upon client request, or e-mail responses coordinated through our research specialists. Forrester Webinars are Web-based conferences on selected topics of interest to particular professional roles that typically are held several times a week.
- *Reader Licenses.* Reader Licenses provide access to our written research.

Both Member and Reader clients receive access to our Customer Success Specialists, who provide additional information about our research, methodologies, coverage areas, and sources. The Customer Success Specialists are available to help clients navigate our website, find relevant information, and put clients in contact with the appropriate analyst for inquiries. Clients that subscribe for one or more Member licenses receive one ticket per order to attend a Forrester Event.

We also offer Research Share licenses that allow clients to share a designated number of published pieces of research with a designated number of persons within their organizations.

Forrester Connect

The Forrester Connect offerings are designed to help clients connect with peers and Forrester's professionals, optimize use of our products and services, and to coach executives to lead far-reaching change within their organizations.

Leadership Boards

Our Leadership Boards are exclusive peer groups for executives and other senior leaders at large organizations worldwide. Clients may participate in one or more Leadership Boards. Memberships are available to the Chief Information Officer (CIO) Group, the Chief Marketing Officer (CMO) Group and several Councils for the technology and marketing roles we cover. In addition to a Member license to access the appropriate Research offering, members of our Leadership Boards receive access to the following:

- A private forum for members to test their thinking with peers through local and national meetings, one-to-one and group peer exchanges, and virtual community activities.
- Advisors to challenge members' thinking with insights drawn from peers, our Research, and our analyst community, all designed to help members drive business growth and lead change.
- Member-generated content that includes next and best practices as well as role-specific maturity benchmark data.
- An event ticket to attend one Forrester Event.

Executive Programs

Our Executive Programs provide CMOs and CIOs with personal coaches who help the executives and their teams establish and tackle their most important initiatives. In addition to a Member license for our research offering and one ticket to attend a Forrester Event, our Executive Programs provide on-site strategy workshops, personalized research and analysis, and access to Forrester experts.

We also offer Team Access licenses that allow members of a Leadership Board or Executive Program to assign Member or Reader licenses to individuals within their extended teams to enhance collaboration and access to our Research offerings.

Training and Certification

In 2018 we launched a customer experience (CX) Training and Certification offering, which consists of a six-week online course delivered on a microlearning platform and facilitated by a Forrester course advisor, with optional live one-hour sessions with Forrester analysts. The initial course, called Foundations, enables CX practitioners and other CX proponents within our clients' organizations to learn the core skills needed to carry out a CX program aimed at driving business growth, and the certification provides professional recognition to help these individuals stand out as possessing unique skills in the growing field of CX. Participants in the program engage in hands-on activities that result in deliverables that can be put into practice immediately in their own CX programs.

Forrester Analytics

Our Analytics products and services are designed to provide fact-based customer insights to our clients. Clients can leverage our Analytics products and services or choose to have us conduct custom data analysis on their behalf. Our Analytics products and services include:

- *Forrester's Customer Experience (CX) Index.* The CX Index, which uses Forrester's rigorous customer experience methodology, is a framework for assessing and measuring the quality of customer experience for nearly 600 brands worldwide. This unique framework provides useful and actionable analysis including a customer experience score, quantitative information about the score, and the most important drivers to improve the customer experience, along with a Business Impact Simulator tool that models out potential revenue uplift to help guide clients' investments in customer experience. We offer two Forrester CX Index packages, consisting of an industry package that provides a benchmark of a particular brand's CX Index scores against its competitors and an add-on best-in-class package that offers deep insights on what distinguishes leading brands. For brands not included in our standard offering, we offer a custom survey approach to build out a CX Index score and deliver our insight recommendations. We deliver the CX Index through an easy-to-use interactive platform that allows clients to customize their CX data based on business needs.
- *Consumer Technographics.* Consumer Technographics is an ongoing quantitative research program, based on surveys of over 400,000 individuals in North America, Europe, Asia Pacific, and Latin America. Marketing and strategy professionals rely on our Consumer Technographics data and analysis for unique insights into how technology impacts their customers' purchase journey, including the way consumers select, purchase, use, and communicate about products and services. We combine respondent data sets from our Consumer Technographics surveys into multiple regional and industry offerings. We deliver Consumer Technographics through an interactive platform that provides access to the data, insights and analytic tools. Additionally, clients may have access to a Technographics data insights manager to help them use the data effectively to meet their specific business needs.
- *Business Technographics.* Business Technographics is an ongoing quantitative research program that provides comprehensive, in-depth assessments of what motivates businesses to choose certain technologies and vendors over others. The offering also measures and reports on the current information consumption patterns of key influencers for large technology purchases. We annually survey more than 70,000 business and technology executives as well as information workers at small, medium and large enterprises in North American, European, and other global markets. Our surveys reveal these firms' technology adoption, trends, budgets, business organization, decision processes, purchase plans, brand preferences, and primary influences in the purchasing process. We deliver Business Technographics through an interactive platform that provides access to the data, insights and analytic tools. Business Technographics' clients may also have access to a dedicated data insights manager to assist in utilizing appropriate data to achieve desired outcomes.
- *FeedbackNow.* Acquired in July of 2018, our FeedbackNow solution consists of devices with physical buttons and associated monitoring software that allows companies to measure, analyze, and improve customer experience. Customers of our clients can provide real-time feedback regarding their experiences by utilizing a simple system of green, yellow and red buttons. This feedback is provided to our clients instantly via the FeedbackNow platform, where it can be analyzed and used to take immediate action to improve the highlighted experiences and business operations.
- *ForecastView.* ForecastView is an ongoing data program that provides a detailed evaluation of market size, based on expert analysis and quantitative insights from our consumer and business surveys. We leverage Technographics demand-side data and supply-side metrics to help clients uncover new business opportunities. Each forecast consists of at least ten years of data: five historic, the current year and four years in the future. We offer global forecasts for e-commerce, digital marketing, mobile applications and platforms markets. ForecastView clients may also have access to ForecastView analysts to assist in utilizing appropriate data to support client business decisions.

Forrester Consulting

Our advisory and project consulting services leverage our Research, Technographics and CX Index data, as well as our proprietary consulting frameworks, to deliver focused insights and recommendations that assist clients with their challenges in developing and executing technology and business strategy, including customer experience and digital strategy, informing critical decisions and reducing business risk. Our consulting services help clients with challenges addressed in our published research, such as leading customer experience transformations, digital business transformation, and business technology transformations and modernization. We help business and technology professionals conduct maturity assessments, prioritize best practices, develop strategies, build business cases, select technology vendors, and structure organizations. We help marketing professionals at technology vendors develop content marketing strategies, create content marketing collateral, and develop sales tools. We have a dedicated consulting organization to provide professional project consulting services to our clients, utilizing our Forrester Solutions framework and best in class consulting techniques and content development tools, allowing our analysts to spend additional time on writing research and providing shorter-term advisory services.

Forrester Events

We host multiple events in various locations in North America, Europe and Asia throughout the year. Events bring together executives and other participants serving or interested in the particular subject matter or professional role(s) on which an event focuses. Event participants come together to network with their peers, meet with Forrester analysts, and hear business leaders discuss business and technology issues of interest or significance to the professionals in attendance. Forrester Events focus on business imperatives of significant interest to our clients, including succeeding in the Age of the Customer, customer experience, digital transformation, privacy and security, new technology and innovation, and marketing leadership, and provide immersive experiences to challenge clients' thinking and help clients to lead change.

Sales and Marketing

We sell our products and services through our direct sales force in various locations in North America, Europe, Asia, and Australia. Our sales organization is organized into five groups based on client size, geography and market potential. Our Premier group focuses on our largest vendor and end user clients across the globe and our Core group focuses on small to mid-sized vendor and end user clients. Our European and Asia Pacific groups focus on both end user and vendor clients in their respective geographies. Our International Business Development group sells our products and services through independent sales representatives in select international locations. We employed 528 sales personnel as of December 31, 2018 compared to 539 sales personnel employed as of December 31, 2017. We also sell select Research products directly online through our website.

In 2018, we substantially completed the work commenced in 2016 to evolve our customer engagement model to better serve and engage our clients and prospects and drive profitable growth, extending the model to our European and Asia Pacific groups. Our sales process has moved to a model where we provide different sales engagement and support levels for clients and prospects in our Premier and Core groups. We believe that our customer engagement model changes will improve client and dollar retention and enrichment and accelerate growth.

Our marketing activities are designed to enhance the Forrester brand, differentiate and promote Forrester products and solutions, improve the client experience, and drive growth. We achieve these outcomes by combining the value of analytics, content, social media, public relations, and creative and field marketing, delivering multi-channel campaigns, Forrester Events, and high-quality digital journeys.

As of December 31, 2018, our products and services were delivered to more than 2,300 client companies. No single client company accounted for more than 3% of our 2018 revenues.

Pricing and Contracts

We report our revenue from client contracts in two categories of revenue: (1) research services and (2) advisory services and events. We classify revenue from subscriptions to our Research, Leadership Boards and Executive Programs, and Analytics products and services as research services revenue. We classify revenue from Forrester Consulting, custom Forrester Analytics projects, and Forrester Events as advisory services and events revenue.

Contract pricing for annual memberships for research and/or other subscription-based products is principally a function of the number of licensed users at the client. Pricing of contracts for advisory services generally is a fixed fee for the consulting project or shorter-term advisory service. We periodically review and increase the list prices for our products and services.

We track the agreement value of contracts to purchase our services as a significant business indicator. We calculate agreement value as the total revenues recognizable from all such contracts in force at a given time (excluding contracts that consist solely of advisory and consulting services and the value of Forrester Events sponsorships included in all contracts), without regard to how much revenue has already been recognized. Agreement value increased 10% to \$266.3 million at December 31, 2018 from \$242.9 million at December 31, 2017.

Competition

We compete principally in the market for research, data, and advisory services, with an emphasis on customer behavior, customer experience, and the deployment of business technology to win, serve and retain customers. We believe that the principal competitive factors in the markets we participate in include:

- the ability to offer products and services that meet the changing needs of organizations and their executives for research, data, and advisory services;
- comprehensive global data and insights on customer behavior;
- independent analysis and opinions;
- the ability to render our services in digital forms;
- the pricing and packaging of our products and services; and
- customer service, including the quality of professional interactions with our clients.

We believe we compete favorably on these factors due to:

- our differentiated Age of the Customer strategy and portfolio of complementary Age of the Customer products and services;
- our research methodology;
- our experience with and focus on emerging technologies;
- our history of providing research and executable advice on the impact of technology on business; and
- our growing ability to deploy digital products.

Our principal direct competitors include other independent providers of research and advisory services, such as Gartner, as well as marketing agencies, general business consulting firms, survey-based general market research firms, providers of peer networking services, and digital media measurement services. In addition, our indirect competitors include the internal planning and marketing staffs of our current and prospective clients, as well as other information providers such as electronic and print publishing companies. We also face competition from free sources of information available on the Internet, such as Google. Our indirect competitors could choose to compete directly against us in the future. In addition, there are relatively few barriers to entry into certain segments of our market, and new competitors could readily seek to compete against us in one or more of these market segments. Increased competition could adversely affect our operating results through pricing pressure and loss of market share. There can be no assurance that we will be able to continue to compete successfully against existing or new competitors.

Employees

As of December 31, 2018, we employed a total of 1,432 persons, including 559 Research, Connect, Analytics, Consulting and Events staff and 528 sales personnel.

Our culture emphasizes certain key values — including client service, courage, collaboration, integrity and quality — that we believe are critical to our future growth. We promote these values through training and frequent recognition for achievement. We encourage teamwork and promote and recognize individuals who foster these values. New employees participate in a three-day training process that focuses on our Age of the Customer strategy, our products and services, corporate culture, values and goals.

Item 1A. Risk Factors

We operate in a rapidly changing and competitive environment that involves risks and uncertainties, certain of which are beyond our control. These risks and uncertainties could have a material adverse effect on our business and our results of operations and financial condition. These risks and uncertainties include, but are not limited to:

A Decline in Renewals or Demand for Our Membership-Based Research, Connect and Analytics Services. Our success depends in large part upon retaining (on both a client company and dollar basis) and enriching existing memberships for our Research, Connect, and Analytics products and services. Future declines in client retention, dollar retention, and enrichment, or failure to generate demand for and new sales of our membership-based products and services due to competition or otherwise, could have an adverse effect on our results of operations and financial condition.

Demand for Our Advisory and Consulting Services. Advisory and consulting services revenues comprised 32% of our total revenues in both 2018 and 2017. Consulting engagements generally are project-based and non-recurring. A decline in our ability to fulfill existing or generate new project consulting engagements could have an adverse effect on our results of operations and financial condition.

We may experience difficulties in integrating the operations of acquired companies into our business and in realizing the expected benefits of the acquisitions. The success of our recent acquisitions of SiriusDecisions, FeedbackNow and GlimpzIt will depend in part on our ability to realize the anticipated business opportunities from combining the operations of these companies with our business in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the transaction, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of any of these companies with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the transactions, and our business, results of operations and financial condition could be materially and adversely affected. In addition, our diligence process may have failed to identify significant problems, liabilities or other challenges, and the contractual remedies under the SiriusDecisions purchase agreement and the related representations and warranties insurance policy we purchased prior to the acquisition of SiriusDecisions may not adequately protect or compensate us, which could have an adverse effect on our results of operations and financial condition.

We have outstanding debt which could materially restrict our business and adversely affect our financial condition, liquidity and results of operations. In connection with the SiriusDecisions acquisition, we entered into a credit agreement (the "Credit Agreement") that provides for a \$125 million term loan facility and a \$75 million revolving credit facility. All of the proceeds of the term loans and \$50 million borrowed under the revolving credit facility were used to pay a portion of the purchase price of the acquisition. The debt service requirements of these credit arrangements could impair our future financial condition and operating results. In addition, the affirmative, negative and financial covenants of the Credit Agreement could limit our future financial flexibility. A failure to comply with these covenants could result in acceleration of all amounts outstanding, which could materially impact our financial condition unless accommodations could be negotiated with our lenders. No assurance can be given that we would be successful in doing so, or that any accommodations that we were able to negotiate would be on terms as favorable as those currently. The outstanding debt may limit the amount of cash or additional credit available to us, which could restrain our ability to expand or enhance products and services, respond to competitive pressures or pursue future business opportunities requiring substantial investments of additional capital.

We Have Undergone Substantial Internal Reorganizations. As part of our "Age of the Customer" strategy, we have implemented significant sales and other organizational change. Our customer engagement model has moved to a structure where we provide different sales engagement and support levels for clients and prospects in our Premier and Core groups. These changes are designed to improve our retention and enrichment rates and accelerate growth. In 2017, we substantially completed the roll-out of the new model in North America, and in 2018 we extended it to our European and Asia Pacific groups. We have incurred material expenses in connection with these actions. If the changes we are implementing do not have the desired outcomes, this could have an adverse effect on our results of operations and financial condition.

Our Business May be Adversely Affected by the Economic Environment. Our business is in part dependent on technology spending and is impacted by economic conditions. The economic environment may materially and adversely affect demand for our products and services. If conditions in the United States and the global economy were to lead to a decrease in technology spending, or in demand for our products and services, this could have an adverse effect on our results of operations and financial condition.

Our International Operations Expose Us to a Variety of Operational Risks which Could Negatively Impact Our Results of Operations. As of December 31, 2018, we have clients in approximately 60 countries and approximately 23% of our revenue comes from international sales. Our operating results are subject to the risks inherent in international business activities, including challenges in staffing and managing foreign operations, changes in regulatory requirements, compliance with numerous foreign laws and regulations, differences between U.S. and foreign tax rates and laws, fluctuations in currency exchange rates, difficulty of enforcing client agreements, collecting accounts receivable, and protecting intellectual property rights in international jurisdictions. Furthermore, we rely on local independent sales representatives in some international locations. If any of these arrangements are terminated by our representatives or us, we may not be able to replace the arrangement on beneficial terms or on a timely basis, or clients sourced by the local sales representative may not want to continue to do business with us or our new representative.

Our business could suffer as a result of the United Kingdom's decision to end its membership in the European Union. Our London office serves as our European headquarters and is our second largest location in terms of headcount. The decision of the United Kingdom to exit from the European Union (generally referred to as "Brexit") could cause disruptions to and create uncertainty surrounding both this office and our business generally, including affecting our relationships with existing and potential customers, suppliers, and employees. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. The measures could potentially disrupt some of our target markets and jurisdictions in which we operate, and adversely change tax benefits or liabilities in these or other jurisdictions. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations, as the United Kingdom determines which European Union laws to replace or replicate. Brexit also may create global economic uncertainty, which may cause our customers and potential customers to monitor their costs and reduce their budgets for our products and services. Any of these effects of Brexit, among others, could materially adversely affect our results of operations and financial condition.

Ability to Develop and Offer New Products and Services. Our future success will depend in part on our ability to offer new products and services. These new products and services must successfully gain market acceptance by anticipating and identifying changes in client requirements and changes in the technology industry and by addressing specific industry and business organization sectors. The process of internally researching, developing, launching and gaining client acceptance of a new product or service, or assimilating and marketing an acquired product or service, is risky and costly. We may not be able to introduce new, or assimilate acquired, products or services successfully. Our failure to do so would adversely affect our ability to maintain a competitive position in our market and continue to grow our business.

Loss of Key Management. Our future success will depend in large part upon the continued services of a number of our key management employees. The loss of any one of them, in particular George F. Colony, our founder, Chairman of the Board and Chief Executive Officer, could adversely affect our business.

The Ability to Attract and Retain Qualified Professional Staff. Our future success will depend in large measure upon the continued contributions of our senior management team, research and data professionals, consultants, and experienced sales and marketing personnel. Thus, our future operating results will be largely dependent upon our ability to retain the services of these individuals and to attract additional professionals from a limited pool of qualified candidates. Our future success will also depend in part upon the effectiveness of our sales leadership in hiring and retaining sales personnel and in improving sales productivity. We experience competition in hiring and retaining professionals from developers of Internet and emerging-technology products, other research firms, management consulting firms, print and electronic publishing companies and financial services companies, many of which have substantially greater ability, either through cash or equity, to attract and compensate professionals. If we lose professionals or are unable to attract new talent, we will not be able to maintain our position in the market or grow our business.

Failure to Anticipate and Respond to Market Trends. Our success depends in part upon our ability to anticipate rapidly changing technologies and market trends and to adapt our research, data, advisory services, and other related products and services to meet the changing needs of our clients. The technology and commerce sectors that we analyze undergo frequent and often dramatic changes. The environment of rapid and continuous change presents significant challenges to our ability to provide our clients with current and timely analysis, strategies and advice on issues of importance to them. Meeting these challenges requires the commitment of substantial resources. Any failure to continue to provide insightful and timely analysis of developments, technologies, and trends in a manner that meets market needs could have an adverse effect on our market position and results of operations.

We May be Subject to Network Disruptions or Security Breaches that Could Damage Our Reputation and Harm Our Business and Operating Results. We may be subject to network disruptions or security breaches caused by computer viruses, illegal break-ins or hacking, sabotage, acts of vandalism by third parties or terrorism. Our security measures or those of our third-party service providers may not detect or prevent such security breaches. Any such compromise of our information security could result in the unauthorized publication of our confidential business or proprietary information, cause an interruption in our operations, result in the unauthorized release of customer or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation or damage our reputation, which could harm our business and operating results.

Competition. We compete principally in the market for research, data and advisory services, with an emphasis on customer behavior and customer experience, and the impact of business technology on our clients' business and service models. Our principal direct competitors include other independent providers of research and advisory services, such as Gartner, as well as marketing agencies, general business consulting firms, survey-based general market research firms, providers of peer networking services, and digital media measurement services. Some of our competitors have substantially greater financial and marketing resources than we do. In addition, our indirect competitors include the internal planning and marketing staffs of our current and prospective clients, as well as other information providers such as electronic and print publishing companies. We also face competition from free sources of information available on the Internet, such as Google. Our indirect competitors could choose to compete directly against us in the

future. In addition, there are relatively few barriers to entry into certain segments of our market, and new competitors could readily seek to compete against us in one or more of these market segments. Increased competition could adversely affect our operating results through pricing pressure and loss of market share. There can be no assurance that we will be able to continue to compete successfully against existing or new competitors.

Failure to Enforce and Protect our Intellectual Property Rights. We rely on a combination of copyright, trademark, trade secret, confidentiality and other contractual provisions to protect our intellectual property. Unauthorized third parties may obtain or use our proprietary information despite our efforts to protect it. The laws of certain countries do not protect our intellectual property to the same extent as the laws of the United States and accordingly we may not be able to protect our intellectual property against unauthorized use or distribution, which could adversely affect our business.

Privacy Laws. Privacy laws and regulations, and the interpretation and application of these laws and regulations, in the U.S., Europe and other countries around the world where we conduct business are sometimes inconsistent and frequently changing. For example, the European Union General Data Protection Regulation (GDPR) became enforceable on May 25, 2018. Compliance with these laws, or changing interpretations and application of these laws, could cause us to incur substantial costs or require us to take action in a manner that would be adverse to our business.

Fluctuations in Our Operating Results. Our revenues and earnings may fluctuate from quarter to quarter based on a variety of factors, many of which are beyond our control, and which may affect our stock price. These factors include, but are not limited to:

- Trends in technology and research, data and advisory services spending in the marketplace and general economic conditions.
- The timing and size of new and renewal memberships for our products and services from clients.
- The utilization of our advisory services by our clients.
- The timing of revenue-generating events sponsored by us.
- The introduction and marketing of new products and services by us and our competitors.
- The hiring and training of new research and data professionals, consultants, and sales personnel.
- Changes in demand for our research, data and advisory services.
- Fluctuations in currency exchange rates.
- An increase in the interest rates applicable to our outstanding debt obligations.

As a result, our operating results in future quarters may be below the expectations of securities analysts and investors, which could have an adverse effect on the market price for our common stock. Factors such as announcements of new products, services, offices, acquisitions or strategic alliances by us, our competitors, or in the research, data and professional services industries generally, may have a significant impact on the market price of our common stock. The market price for our common stock may also be affected by movements in prices of stocks in general.

Taxation Risks. We operate in numerous jurisdictions around the world. A portion of our income is generated outside of the United States and is taxed at lower rates than rates applicable to income generated in the U.S. or in other jurisdictions in which we do business. Our effective tax rate in the future, and accordingly our results of operations and financial position, could be adversely affected by changes in applicable tax law or if more of our income becomes taxable in jurisdictions with higher tax rates.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was enacted in the United States. The changes included in the Act are broad and complex. The final transition impacts of the Act may differ from the estimates provided elsewhere in this report, possibly materially, due to, among other things, changes in interpretations of the Act, any legislative action to address questions that arise because of the Act, any changes in accounting standards for income taxes or related interpretations in response to the Act, or any updates or changes to estimates we have utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates and foreign exchange rates of foreign subsidiaries. Our estimated impacts of the new law are based on our current knowledge and assumptions, and recognized impacts could be materially different from current estimates based on our actual results in future periods and our further analysis of the Act.

Concentration of Ownership. Our largest stockholder is our Chairman and CEO, George F. Colony, who owns approximately 42% of our outstanding stock. This concentration of ownership enables Mr. Colony to strongly influence or effectively control matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, adoption or amendment of equity plans and approval of significant transactions such as mergers, acquisitions, consolidations and sales or purchases of assets. This concentration of ownership may also limit the liquidity of our stock. As a result, efforts by stockholders to change the direction, management or ownership of Forrester may be unsuccessful, and stockholders may not be able to freely purchase and sell shares of our stock.

Any Weakness Identified in Our System of Internal Controls by Us and Our Independent Registered Public Accounting Firm Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 Could Have an Adverse Effect on Our Business. Section 404 of the Sarbanes-Oxley Act of 2002 requires that companies evaluate and report on their systems of internal control over financial reporting. In addition, our independent registered public accounting firm must report on its evaluation of those controls. There can be no assurance that no weakness in our internal control over financial reporting will occur in future periods, or that any such weakness will not have a material adverse effect on our business or financial results, including our ability to report our financial results in a timely manner.

Item 1B. *Unresolved Staff Comments*

We have not received written comments from the Securities and Exchange Commission that remain unresolved.

Item 2. *Properties*

Our corporate headquarters building is comprised of approximately 190,000 square feet of office space in Cambridge, Massachusetts, substantially all of which is currently occupied by the Company. This facility accommodates research, data, marketing, sales, consulting, technology, and operations personnel. The lease term of this facility expires February 28, 2027.

We also rent office space in San Francisco, New York City, Dallas, McLean, Virginia, Nashville, Wilton, Connecticut (the SiriusDecisions headquarters), Amsterdam, Frankfurt, London, Paris, New Delhi, Singapore and Lausanne, Switzerland. Our San Francisco lease is for approximately 19,000 square feet, with a term that expires June 30, 2022. Our New York lease is for approximately 15,200 square feet, with an initial term until January 31, 2021. The Wilton lease is for approximately 42,000 square feet, with an initial term that expires July 31, 2020. The London lease is for approximately 17,800 square feet, with a term that expires September 24, 2021. We also lease office space on a relatively short-term basis in various other locations in North America, Europe, Asia, and Australia.

We believe that our existing facilities are adequate for our current needs and that additional facilities are available for lease to meet future needs.

Item 3. *Legal Proceedings*

We are not currently a party to any material legal proceedings.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market For Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities*

Our common stock is listed on the Nasdaq Global Select Market under the symbol "FORR". During 2017, quarterly dividends of \$0.19 per common share were declared and paid in each of the four quarters during the year. During 2018, quarterly dividends of \$0.20 per common share were declared and paid in each of the four quarters during the year. On November 27, 2018, in conjunction with the announcement of the acquisition of SiriusDecisions, Forrester announced the indefinite suspension of its quarterly dividend program beginning in fiscal year 2019. The actual declaration of any potential future dividends, and the establishment of the per share amount and payment dates for any such future dividends are subject to the discretion of the Board of Directors.

As of March 4, 2019 there were approximately 30 stockholders of record of our common stock. On March 4, 2019 the closing price of our common stock was \$49.54 per share.

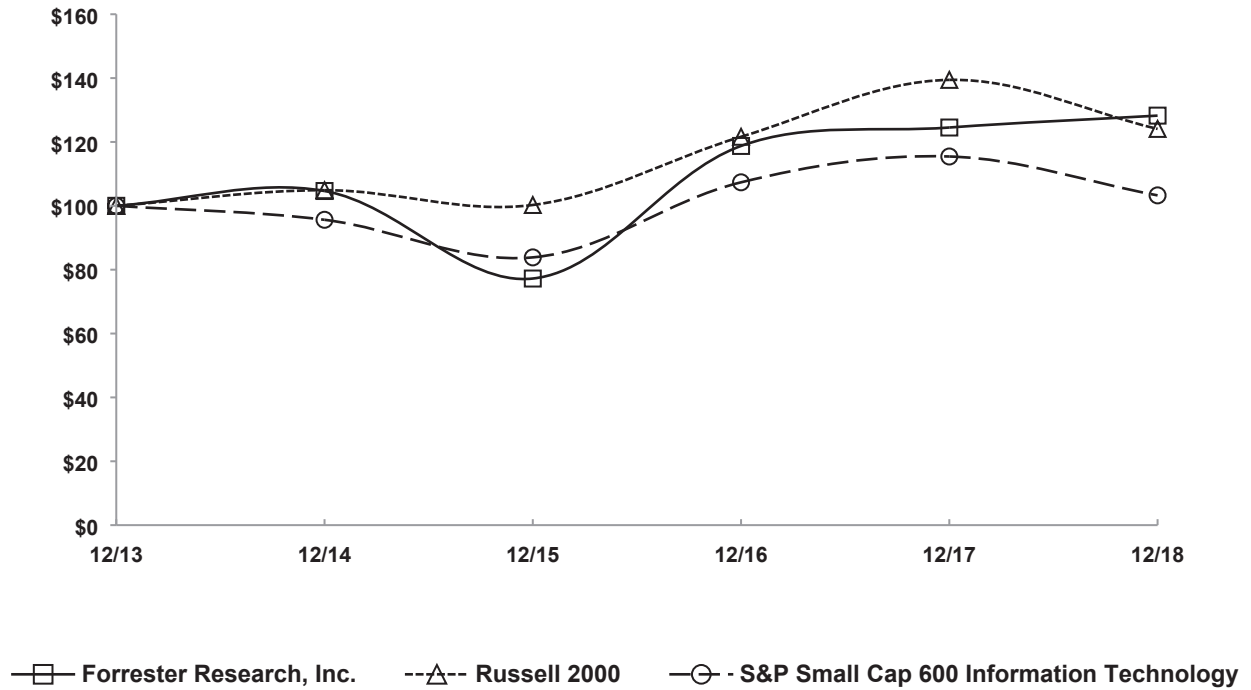
Through 2018, our Board of Directors authorized an aggregate \$535.0 million to purchase common stock under our stock repurchase program including \$50.0 million authorized in February 2018. As of December 31, 2018, we had repurchased approximately 16.3 million shares of common stock at an aggregate cost of \$474.9 million, with no repurchases in the three months ended December 31, 2018.

See "Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*", for information on our equity compensation plans.

The following graph contains the cumulative stockholder return on our common stock during the period from December 31, 2013 through December 31, 2018 with the cumulative return during the same period for the Russell 2000 and the S&P 600 Small Cap Information Technology Index, and assumes that the dividends, if any, were reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Forrester Research, Inc., the Russell 2000 Index,
and S&P Small Cap 600 Information Technology



*\$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Item 6. Selected Consolidated Financial Data

The selected financial data presented below is derived from our consolidated financial statements and should be read in connection with those statements.

| | Years Ended December 31, | | | | |
|-----------------------------------------------------|--------------------------|------------|------------|------------|------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| (In thousands, except per share amounts) | | | | | |
| Consolidated Statement of Income Data | | | | | |
| Research services | \$ 228,399 | \$ 216,471 | \$ 215,216 | \$ 210,268 | \$ 207,517 |
| Advisory services and events | 129,176 | 121,202 | 110,879 | 103,458 | 104,545 |
| Total revenues | 357,575 | 337,673 | 326,095 | 313,726 | 312,062 |
| Income from operations | 22,425 | 27,549 | 30,774 | 18,827 | 18,213 |
| Other income and gains (losses) on investments, net | 1,100 | (178) | (65) | 493 | 176 |
| Net income | \$ 15,380 | \$ 15,140 | \$ 17,651 | \$ 11,996 | \$ 10,865 |
| Basic income per common share | \$ 0.85 | \$ 0.84 | \$ 0.98 | \$ 0.67 | \$ 0.58 |
| Diluted income per common share | \$ 0.84 | \$ 0.83 | \$ 0.97 | \$ 0.66 | \$ 0.57 |
| Basic weighted average shares outstanding | 18,091 | 17,919 | 17,984 | 17,927 | 18,713 |
| Diluted weighted average shares outstanding | 18,380 | 18,240 | 18,269 | 18,143 | 19,007 |

| | As of December 31, | | | | |
|---------------------------------------------------|--------------------|------------|------------|------------|------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| (In thousands) | | | | | |
| Consolidated Balance Sheet Data | | | | | |
| Cash, cash equivalents and marketable investments | \$ 140,296 | \$ 134,123 | \$ 138,105 | \$ 101,106 | \$ 104,535 |
| Working capital | 46,108 | 41,766 | 45,962 | 15,274 | 26,298 |
| Total assets | 353,524 | 345,200 | 335,785 | 318,991 | 332,707 |
| Deferred revenue | 135,332 | 145,207 | 134,265 | 140,676 | 144,568 |
| Total liabilities | 201,924 | 204,011 | 185,749 | 191,689 | 191,105 |
| Cash dividends declared | 14,502 | 13,631 | 12,987 | 12,179 | 11,962 |

Cash dividends in 2018, 2017, 2016, 2015 and 2014 represent quarterly dividends of \$0.20, \$0.19, \$0.18, \$0.17 and \$0.16 per common share declared and paid during 2018, 2017, 2016, 2015 and 2014, respectively.

The following items impact the comparability of our consolidated data:

- On January 1, 2018, the Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers - ASC 606*, using the modified retrospective method. The reported results for 2018 reflect the application of ASC 606, while the reported results for prior years reflect the application of the prior revenue standard - ASC 605, *Revenue Recognition*. Adoption of ASC 606 had the following effects on our 2018 financial results:
 - an increase of \$1.6 million in total revenues for the year ended December 31, 2018 of which \$1.3 million related to revenues from research services revenues and \$0.3 million related to revenues from advisory services and events.
 - an increase in net income and diluted income per share for the year ended December 31, 2018 by \$1.4 million and \$0.08, respectively.
 - an increase in working capital as of December 31, 2018 of \$4.6 million.
 - a decrease in deferred revenue as of December 31, 2018 of \$14.0 million
- On December 22, 2017, the Tax Cuts and Jobs Act was enacted resulting in a decrease in the U.S. corporate tax rate from 35% to 21% for the year ended December 31, 2018 and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. As a result, we have recorded amounts related to the remeasurement of federal deferred tax assets and liabilities of \$1.2 million and the one-time transition tax of \$0.8 million, of which \$0.4 million and \$1.6 million was recognized during 2018 and 2017, respectively.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

We derive revenues from memberships of our Research, Connect and Analytics products and services, licensing electronic “reprints” of our Research, performing advisory services and consulting projects, and hosting Events. We offer contracts for our Research, Connect and Analytics products that are typically renewable annually and payable in advance. Membership revenues are recognized as revenue ratably over the term of the contract. Accordingly, a substantial portion of our billings are initially recorded as deferred revenue. Reprints include an obligation to deliver a customer-selected research document and certain usage data provided through an on-line platform, which represents two performance obligations. Billings for licensing of reprints are initially recorded as deferred revenue. We recognize revenue for the performance obligation for the research document at the time of providing access to the document. We recognize revenue for the performance obligation for the data portion of the reprint ratably over the license term. Clients purchase advisory and consulting services independently and/or to supplement their memberships to our subscription-based products. Billings attributable to advisory services and consulting projects are initially recorded as deferred revenue. Advisory service revenues, such as workshops, speeches and advisory days, are recognized when the customer receives the agreed upon deliverable. Consulting project revenues, which generally are short-term in nature and based upon fixed-fee agreements, are recognized as the services are provided. Event billings are also initially recorded as deferred revenue and are recognized as revenue upon completion of each Event.

As previously noted, on January 3, 2019, we acquired 100% of the issued and outstanding shares of SiriusDecisions, Inc., a privately held company based in Wilton, Connecticut with approximately 350 employees globally. Pursuant to the terms of the merger agreement, the Company paid \$247.3 million at closing, which included the purchase price of \$245.0 million plus estimated cash acquired, reduced by certain working capital items. Net cash paid, which accounts for the cash acquired of \$7.2 million, was \$240.1 million. We paid for the acquisition with \$175 million of debt and cash on hand. SiriusDecisions helps companies worldwide by delivering actionable intelligence, transformative frameworks and expert guidance that equip executives to modernize and elevate sales, marketing and product performance. See Note 15 - *Subsequent Events* to the financial statements for more information on the acquisition. Accordingly, this management discussion and analysis of financial condition and results of operations does not include a discussion of SiriusDecisions, other than as explicitly indicated. On or before March 21, 2019, we intend to file a Form 8-K/A that will include (1) an unaudited pro forma combined balance sheet as of December 31, 2018 showing the combination of Forrester and SiriusDecisions as if the acquisition was completed on December 31, 2018 and (2) an unaudited pro forma combined statement of income for the year ended December 31, 2018 showing the combination of Forrester and SiriusDecisions as if the acquisition was completed on January 1, 2018.

Our primary operating expenses consist of cost of services and fulfillment, selling and marketing expenses and general and administrative expenses. Cost of services and fulfillment represents the costs associated with the production and delivery of our products and services, including salaries, bonuses, employee benefits and stock-based compensation expense for all personnel that produce and deliver our products and services, including all associated editorial, travel, and support services. Selling and marketing expenses include salaries, sales commissions, bonuses, employee benefits, stock-based compensation expense, travel expenses, promotional costs and other costs incurred in marketing and selling our products and services. General and administrative expenses include the costs of the technology, operations, finance, and human resources groups and our other administrative functions, including salaries, bonuses, employee benefits, and stock-based compensation expense. Overhead costs such as facilities and annual fees for cloud-based information technology systems are allocated to these categories according to the number of employees in each group.

Deferred revenue, agreement value, client retention, dollar retention, enrichment and number of clients are metrics that we believe are important to understanding our business. We believe that the amount of deferred revenue, along with the agreement value of contracts, provide a significant measure of our business activity. We define these metrics as follows:

- *Deferred revenue* — billings in advance of revenue recognition as of the measurement date.
- *Agreement value* — the total revenues recognizable from all contracts to purchase our services in force at a given time (excluding contracts that consist solely of advisory or consulting services and the value of Event sponsorships included in all contracts), without regard to how much revenue has already been recognized. No single client accounted for more than 3% of agreement value at December 31, 2018.
- *Client retention* — the percentage of client companies with memberships expiring during the most recent twelve-month period that renewed one or more of those memberships during that same period.
- *Dollar retention* — the total dollar value of client membership contracts expiring during the most recent twelve-month period, which are renewed in whole or in part, as a percentage of the dollar value of all expiring client membership contracts during the same period.

- *Enrichment* — the percentage of the dollar value of client membership contracts renewed during the most recent twelve-month period to the dollar value of the corresponding expiring contracts.
- *Clients* — we aggregate the various divisions and subsidiaries of a corporate parent as a single client and we also aggregate separate instrumentalities of the federal, state, and provincial governments as single clients.

Client retention, dollar retention, and enrichment are not necessarily indicative of the rate of future retention of our revenue base. A summary of our key metrics is as follows (dollars in millions):

| | As of December 31, | | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|-------------------|-----------------------|----------|------------------------------------|--------------------------------------|
| | 2018 | 2017 | | |
| Deferred revenue | \$ 135.3 | \$ 145.2 | \$ (9.9) | (7%) |
| Agreement value | \$ 266.3 | \$ 242.9 | \$ 23.4 | 10% |
| Client retention | 74% | 76% | (2) | (3%) |
| Dollar retention | 88% | 88% | — | — |
| Enrichment | 101% | 96% | 5 | 5% |
| Number of clients | 2,353 | 2,409 | (56) | (2%) |

| | As of December 31, | | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|-------------------|-----------------------|----------|------------------------------------|--------------------------------------|
| | 2017 | 2016 | | |
| Deferred revenue | \$ 145.2 | \$ 134.3 | \$ 10.9 | 8% |
| Agreement value | \$ 242.9 | \$ 238.4 | \$ 4.5 | 2% |
| Client retention | 76% | 75% | 1 | 1% |
| Dollar retention | 88% | 87% | 1 | 1% |
| Enrichment | 96% | 93% | 3 | 3% |
| Number of clients | 2,409 | 2,432 | (23) | (1%) |

The financial information for FeedbackNow has not been incorporated into agreement value, retention, enrichment or client count as of December 31, 2018.

Deferred revenue at December 31, 2018 decreased 7% compared to the prior year and decreased 6% after adjusting for the effect of foreign currency fluctuations. The decrease in deferred revenue resulted from the implementation of the new revenue standard in the first quarter of 2018 that resulted in an approximate 10% reduction in deferred revenue at December 31, 2018 compared to the prior year. Under old GAAP, deferred revenue would have increased approximately 3% as contract billings exceeded revenue for the period. Agreement value at December 31, 2018 increased 10% compared to the prior year and increased 8% after adjusting for the effect of foreign currency fluctuations, representing an increase in the related contract bookings for the year and increased bundling of consulting services with our Research and Connect products.

Deferred revenue at December 31, 2017 increased 8% compared to the prior year and increased 6% after adjusting for the effect of foreign currency fluctuations, due to growth in contract bookings exceeding revenue recognized for the year. Agreement value at December 31, 2017 increased 2% compared to the prior year and increased 3% after adjusting for the effect of foreign currency fluctuations, representing an increase in the related contract bookings for the year.

Dollar retention rates increased 1 percentage point during 2017 to 88% and remained essentially flat during 2018. Client retention rates increased 1 percentage point during 2017 and then declined throughout 2018 by a total of 2 percentage points. Our enrichment metric increased by 3 percentage points during 2017 and continued to improve in each sequential quarter of 2018 resulting in a 5 percentage point improvement during 2018. Enrichment has increased in part due to an increase in our bundling of advisory and consulting services with our subscription products in the product solutions that we offer to our clients.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our policies and estimates, including but not limited to, those related to our revenue recognition, non-marketable investments,

goodwill, intangible and other long-lived assets, and income taxes. Management bases its estimates on historical experience, data available at the time the estimates are made and various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We consider the following accounting policies to be those that require the most subjective judgment or that involve uncertainty that could have a material impact on our financial statements. If actual results differ significantly from management's estimates and projections, there could be a material effect on our financial statements. This is not a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP, with no need for management's judgment in its application. For a discussion of our other accounting policies, see Note 1 of the Notes to Consolidated Financial Statements beginning on page 42.

- *Revenue Recognition.* We generate revenues from memberships to our Research, Connect and Analytics products and services, licensing electronic reprints of our Research, performing advisory services and consulting projects and hosting Events. We execute contracts that govern the terms and conditions of each arrangement. Revenues are recognized when an approved contract with a customer exists, the fees, payment terms, and rights regarding the products or services to be transferred can be identified, it is probable we will collect substantially all of the consideration for the products and services expected to be provided, and we have transferred control of the products and services to the customer. We continually evaluate customers' ability and intention to pay by reviewing factors including the customer's payment history, our ability to mitigate credit risk and experience selling to similarly situated customers.

Our contracts may include either a single promise (referred to as a performance obligation) to transfer a product or service or a combination of multiple promises to transfer products or services. We evaluate the existence of multiple performance obligations within our products and services by using judgement to determine if the customer can benefit from each contractual promise on its own or together with other readily available resources and if the transfer of each contractual promise is separately identifiable from other promises in a contract. When both criteria are met, each promise is accounted for as a separate performance obligation. Revenues from contracts that contain multiple products or services are allocated among the separate performance obligations on a relative basis according to their standalone selling prices. We obtain the standalone selling prices of our products and services based upon an analysis of standalone sales of these products and services during the year. When there is an insufficient history of standalone sales, we use judgment to estimate the standalone selling price, taking into consideration available market conditions, factors used to set list price(s), pricing of similar products, and internal pricing objectives.

The majority of our research services revenues, including our Research, Connect and Analytics subscription products, are recognized ratably over the term of the contract. Certain research services revenues, including revenues from sales of reprints, are recognized as revenue when delivered. Advisory services revenues, such as workshops, speeches and advisory days, are recognized at the point in time the customer receives the agreed upon deliverable and consulting project revenues are recognized over time as the services are provided. Event revenues are recognized upon completion of the Event. Reimbursed out-of-pocket expenses are recorded as advisory services and events revenues.

Our Research subscription products include access to all or a designated portion of our research, and depending on the type of license, unlimited phone or email analyst inquiry, and unlimited participation in Forrester Webinars, all of which are delivered throughout the contract period and are accounted for as a single performance obligation. Annual subscriptions for Leadership Boards include access to the Research offering, access to a private forum with other Leadership Board member peers, access to a Forrester advisor, member-generated content, and one Event ticket. Leadership Boards are accounted for as two performance obligations: (1) the Event ticket and (2) the remaining services that are delivered throughout the contract period. Arrangement consideration is allocated to each obligation based upon their standalone selling prices, which are determined based on standalone sales of Event tickets and the estimated selling price of the remaining services. Our Analytics subscription products include access to designated survey data products and access to a data advisor, which are delivered throughout the contract period and are accounted for as a single performance obligation. Certain of our Analytics subscription products also include advisory services and these products are accounted for as two performance obligations: (1) the subscription and data advisor and (2) the advisory services. Arrangement consideration is allocated to each obligation based upon its standalone selling price, which is determined based on standalone sales of the advisory services and the estimated selling price of the remaining Analytics services.

We are required to estimate the amount of prepaid performance obligations that will expire unused and recognize revenue for that estimate over the same period the related rights are exercised by our customers. This assessment requires judgment, including estimating the percentage of prepaid rights that will go unexercised and anticipating the impact that future changes to products, pricing and customer engagement will have on actual expirations. We update the estimates used to recognize unexercised rights on a quarterly basis.

We use judgment to determine the type of costs to obtain our contracts that can be capitalized, primarily commissions. Our revenue recognition determines the timing of commission expenses, as commissions are earned during the month a contract is signed and are deferred and recognized as expense as the related revenue is recognized. We evaluate the recoverability of deferred commissions at each balance sheet date.

- *Non-Marketable Investments.* We hold minority interests in technology-related investment funds with a book value of \$2.5 million at December 31, 2018. These investment funds are not publicly traded, and, therefore, because no established market for these securities exists, the estimate of the fair value of our investments requires significant judgment. These investments are accounted for using the equity method, and as such we record our share of the investee's operating results each period. We review the fair value of our investments on a regular basis to evaluate whether an other-than-temporary impairment in the investment has occurred. We record impairment charges when we believe that an investment has experienced a decline in value that is other-than-temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.
- *Goodwill, Intangible Assets and Other Long-Lived Assets.* As of December 31, 2018, we had \$90.1 million of goodwill and intangible assets with finite lives recorded on our Consolidated Balance Sheet. Goodwill is required to be measured for impairment at least annually or whenever events indicate that there may be an impairment. In order to determine if an impairment exists, we compare each of our reporting unit's carrying value to the reporting unit's fair value. Determining the reporting unit's fair value requires us to make estimates of market conditions and operational performance. Absent an event that indicates a specific impairment may exist, we have selected November 30th as the date to perform the annual goodwill impairment test. The annual assessment of goodwill can be based on either a quantitative or qualitative assessment, or a combination of both. We completed the annual goodwill impairment testing as of November 30, 2018 utilizing a quantitative assessment and concluded that the fair values of each of our reporting units continues to significantly exceed their respective carrying values. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our results of operations.

Intangible assets with finite lives as of December 31, 2018 consist of acquired customer relationships, acquired technology, and trade names and were valued according to the future cash flows they are estimated to produce. These assigned values are amortized on a basis which best matches the periods in which the economic benefits are expected to be realized. Tangible assets with finite lives consist of property and equipment, which are depreciated over their estimated useful lives. We continually evaluate whether events or circumstances have occurred that indicate that the estimated remaining useful life of our intangible and long-lived tangible assets may warrant revision or that the carrying value of these assets may be impaired. No such events or circumstances occurred during 2018. To compute whether intangible assets have been impaired, the estimated undiscounted future cash flows for the estimated remaining useful life of the assets are compared to the carrying value. To the extent that the future cash flows are less than the carrying value, the assets are written down to their estimated fair value.

- *Income Taxes.* We recognize deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities as well as operating loss carryforwards (from acquisitions). Such amounts are adjusted as appropriate to reflect changes in the tax rates expected to be in effect when the temporary differences reverse. We record a valuation allowance to reduce our deferred taxes to an amount we believe is more likely than not to be realized. We consider future taxable income and prudent and feasible tax planning strategies in assessing the need for a valuation allowance.

As a global company, we use significant judgment to calculate and provide for income taxes in each of the tax jurisdictions in which we operate. In the ordinary course of our business, there are transactions and calculations undertaken whose ultimate tax outcome cannot be certain. Some of these uncertainties arise as a consequence of transfer pricing for transactions with our subsidiaries and potential challenges to nexus and credit estimates. We estimate our exposure to unfavorable outcomes related to these uncertainties and record a liability based on the probability for such outcomes in accordance with current accounting guidelines.

Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome will not be different from what is reflected in our historical income tax provisions, returns, and accruals. Such differences, or changes in estimates relating to potential differences, could have a material impact on our income tax provision and operating results in the period in which such a determination is made.

Results of Operations for the years ended December 31, 2018, 2017 and 2016

The following table sets forth our Consolidated Statements of Income as a percentage of total revenues for the years noted.

| | Years Ended December 31, | | |
|------------------------------------|-----------------------------|-------|-------|
| | 2018 | 2017 | 2016 |
| Revenues: | | | |
| Research services | 63.9% | 64.1% | 66.0% |
| Advisory services and events | 36.1 | 35.9 | 34.0 |
| Total revenues | 100.0 | 100.0 | 100.0 |
| Operating expenses: | | | |
| Cost of services and fulfillment | 41.0 | 40.5 | 39.3 |
| Selling and marketing | 36.9 | 36.7 | 35.9 |
| General and administrative | 12.3 | 12.4 | 12.4 |
| Depreciation | 2.2 | 2.0 | 2.4 |
| Amortization of intangible assets | 0.3 | 0.2 | 0.3 |
| Acquisition and integration costs | 1.0 | — | — |
| Reorganization costs | — | — | 0.3 |
| Income from operations | 6.3 | 8.2 | 9.4 |
| Other income, net | 0.2 | — | 0.2 |
| Gains (losses) on investments, net | 0.1 | (0.1) | (0.2) |
| Income before income taxes | 6.6 | 8.1 | 9.4 |
| Income tax provision | 2.3 | 3.6 | 4.0 |
| Net income | 4.3% | 4.5% | 5.4% |

2018 compared to 2017

Revenues

| | 2018 | 2017 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---------------------------------------------------------------------|-----------------------|----------|------------------------------------|--------------------------------------|
| | (dollars in millions) | | | |
| Revenues | \$ 357.6 | \$ 337.7 | \$ 19.9 | 6% |
| Revenues from research services | \$ 228.4 | \$ 216.5 | \$ 11.9 | 6% |
| Revenues from advisory services and events | \$ 129.2 | \$ 121.2 | \$ 8.0 | 7% |
| Revenues attributable to customers outside of the U.S. | \$ 83.4 | \$ 77.6 | \$ 5.8 | 7% |
| Percentage of revenue attributable to customers outside of the U.S. | 23% | 23% | — | — |
| Number of clients (at end of period) | 2,353 | 2,409 | (56) | (2%) |
| Number of events | 15 | 14 | 1 | 7% |

Total revenues increased 6% during 2018 compared to 2017 and foreign currency fluctuations had an insignificant effect. The new revenue standard had the effect of increasing revenue by \$1.6 million, or 1% compared to the prior year period. Revenues from customers outside of the U.S. increased 7% during 2018 compared to the prior year and increased 6% after adjusting for the effect of foreign currency fluctuations, representing 23% of total revenues in 2018 and reflecting strong growth in the Asia Pacific region and Canada, partially offset by a low growth rate in Europe.

Research services revenues are recognized as revenue primarily on a ratable basis over the term of the contracts, which are generally twelve-month periods. Research services revenues increased 6% during 2018 compared to the prior year and increased by 5% after adjusting for the effect of foreign currency fluctuations. The increase reflects growth in our Research, Connect and Analytics products. The growth in our Analytics product was entirely due to the acquisition of FeedbackNow. The new revenue standard had the effect of increasing research services revenue by \$1.3 million, or 1% compared to the prior year period.

Revenues from advisory services and events increased 7% during 2018 compared to the prior year and increased by 6% after adjusting for the effect of foreign currency fluctuations. The increase was due to strong growth in both advisory and Events revenues,

partially offset by slower growth in consulting revenues. The increase in Events revenues was principally due to 15 Events being held in 2018 compared to 14 Events held during the prior year period, and higher sponsorship revenues in 2018 compared to the prior year. The new revenue standard had the effect of increasing advisory services and events revenue by \$0.3 million, or 0.3% compared to the prior year period.

Please refer to the “Segment Results” section below for a discussion of revenue and contribution margin results by segment.

Cost of Services and Fulfillment

| | 2018 | 2017 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|--------------------------------------------------------------------|----------|----------|------------------------------------|--------------------------------------|
| Cost of services and fulfillment (dollars in millions) | \$ 146.5 | \$ 136.9 | \$ 9.6 | 7% |
| Cost of services and fulfillment as a percentage of total revenues | 41.0% | 40.5% | 0.5 | 1% |
| Service and fulfillment employees (at end of period) | 639 | 602 | 37 | 6% |

Cost of services and fulfillment expenses increased 7% in 2018 compared to 2017 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a \$5.7 million increase in compensation and benefit costs, resulting from a 4% increase in the average number of employees, annual merit increases compared to the prior year, and \$1.1 million from the FeedbackNow acquisition, (2) a \$1.2 million increase in Event costs due primarily from 15 Events held in 2018 compared to 14 held during the prior year, (3) a \$1.0 million increase in professional services costs primarily due to an increase in costs for the digitization of our Analytics product, equipment and third-party costs related to FeedbackNow revenue, (4) a \$0.8 million increase in travel costs to support the increase in revenue, and (5) a \$0.8 million increase in software services costs, equipment and facilities costs.

Selling and Marketing

| | 2018 | 2017 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|------------------------------------------------------------------|----------|----------|------------------------------------|--------------------------------------|
| Selling and marketing expenses (dollars in millions) | \$ 131.8 | \$ 123.9 | \$ 7.9 | 6% |
| Selling and marketing expenses as a percentage of total revenues | 36.9% | 36.7% | 0.2 | 1% |
| Selling and marketing employees (at end of period) | 590 | 597 | (7) | (1%) |

Selling and marketing expenses increased 6% in 2018 compared to 2017 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a \$4.9 million increase in compensation and benefit costs resulting from an increase in the average cost per employee, annual merit increases and increased sales commission expense, (2) a \$1.3 million increase in travel and entertainment expenses primarily resulting from an increase in expense for our annual sales conference, and (3) multiple small increases including an increase in the allowance for doubtful accounts and an increase in professional services costs. We intend to increase our sales employees by approximately 3% to 5% during 2019 as compared to 2018, excluding the effect of the SiriusDecisions acquisition.

General and Administrative

| | 2018 | 2017 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|-----------------------------------------------------------------------|---------|---------|------------------------------------|--------------------------------------|
| General and administrative expenses (dollars in millions) | \$ 43.9 | \$ 41.9 | \$ 2.0 | 5% |
| General and administrative expenses as a percentage of total revenues | 12.3% | 12.4% | (0.1) | (1%) |
| General and administrative employees (at end of period) | 203 | 193 | 10 | 5% |

General and administrative expenses increased 5% in 2018 compared to 2017 and after adjusting for the effect of foreign currency fluctuations, increased 4%. The increase in dollars was primarily due to (1) a \$2.0 million increase in salaries and benefits resulting from a 4% increase in the average number of employees (primarily from the acquisition of GlimpzIt), annual merit increases,

and an increase in severance costs, and (2) a \$0.5 million increase in professional services costs due to an increase in consulting services and legal costs. These increases were partially offset by a \$0.3 million decrease in hiring and relocation costs.

Depreciation

Depreciation expense increased by \$1.3 million to \$7.9 million in 2018 as compared to \$6.6 million in 2017 primarily due to additional software assets being put into service.

Amortization of Intangible Assets

Amortization expense increased by \$0.4 million in 2018 as compared to 2017 due to the acquisitions of GlimpzIt and FeedbackNow. We expect amortization expense related to our intangible assets as of December 31, 2018 to be approximately \$0.9 million for the year ending December 31, 2019.

Acquisition and Integration Costs

During the year ended December 31, 2018, we incurred \$3.8 million of acquisition and integration costs. These costs consist of the direct and incremental costs to acquire and integrate the companies as well as certain fair value adjustments related to the acquisitions. The charges primarily consisted of accounting and tax professional fees, valuation services, legal fees, and the increase in the value of the contingent purchase price for FeedbackNow.

Income from Operations

Income from operations decreased \$5.1 million, or 19% during 2018 as compared to the prior year and decreased to 6.3% of total revenues in 2018 from 8.2% in the prior year. The contraction in income from operations as a percentage of total revenues in 2018 was primarily due to the \$3.8 million of acquisition and integration costs during 2018, which represented 1% of total revenues. In addition, cost of services and fulfillment as a percentage of total revenues increased by 50 basis points in 2018 compared to 2017, which was primarily due to the FeedbackNow acquisition.

Other Income, Net

Other income, net primarily consists of interest income on our marketable investments as well as gains and losses on foreign currency. The increase in other income, net during 2018 was due to an increase in interest income of \$0.3 million as compared to 2017.

Gains (Losses) on Investments, Net

Gains (losses) on investments, net include our share of equity method investment gains or losses from our technology-related investment funds and gains or losses from the sale of marketable securities. The increase during 2018 was due to an investment gain of \$0.6 million in 2018 recognized by the underlying funds as compared to an investment loss of \$0.6 million in the prior year.

Provision for Income Taxes

| | 2018 | 2017 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|--------------------------------------------------|--------|---------|------------------------------------|--------------------------------------|
| Provision for income taxes (dollars in millions) | \$ 8.1 | \$ 12.2 | \$ (4.1) | (33%) |
| Effective tax rate | 34.6% | 44.7% | (10.1) | (23%) |

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a modified territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. In December 2017, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Act. SAB 118 provided a measurement period of one year from the enactment date of the Act for companies to complete the accounting for the income tax effects of the Act. We have

recorded the income tax effect of the Act for the remeasurement of federal deferred tax assets and liabilities of \$1.2 million of tax expense and the one-time transition tax on the mandatory deemed repatriation of foreign earnings of \$0.8 million (based on cumulative foreign earnings of \$22.6 million), of which \$0.4 million and \$1.6 million was recognized during 2018 and 2017, respectively.

The decrease in the effective tax rate during 2018 as compared to the prior year was primarily due to the reduction in the corporate tax rate from 35% to 21% in 2018 due to the Act (as described above) and the reduction in the tax expense recognized for the implementation of the Act in 2018 as compared to 2017, as described above. In addition, 2017 included a 3.9% increase in our tax rate due to a change in our valuation allowance related to losses on investments. These decreases were partially offset by (1) an increase in non-deductible expenses during 2018 related to acquisition expenses and changes due to the Act, and (2) by a positive audit settlement in 2017 that did not recur in 2018.

2017 compared to 2016

Revenues

| | 2017 | 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---------------------------------------------------------------------|-----------------------|----------|------------------------------------|--------------------------------------|
| | (dollars in millions) | | | |
| Revenues | \$ 337.7 | \$ 326.1 | \$ 11.6 | 4% |
| Revenues from research services | \$ 216.5 | \$ 215.2 | \$ 1.3 | 1% |
| Revenues from advisory services and events | \$ 121.2 | \$ 110.9 | \$ 10.3 | 9% |
| Revenues attributable to customers outside of the U.S. | \$ 77.6 | \$ 73.9 | \$ 3.7 | 5% |
| Percentage of revenue attributable to customers outside of the U.S. | 23% | 23% | — | — |
| Number of clients (at end of period) | 2,409 | 2,432 | (23) | (1%) |
| Number of events | 14 | 14 | — | — |

Total revenues increased 4% during 2017 compared to 2016 and 3% after adjusting for the effect of foreign currency fluctuations. Revenues from customers outside of the U.S. increased 5% during 2017 compared to the prior year and remained at 5% after adjusting for the effect of foreign currency fluctuations, representing 23% of total revenues in 2017 and reflecting strong growth in the Asia Pacific region, partially offset by low growth rates in Canada and Europe.

Research services revenues increased 1% during 2017 compared to the prior year and foreign currency fluctuations had an insignificant effect on revenue growth. The increase reflects growth in our Connect and Research products partially offset by a decline in revenue in our Analytics products.

Revenues from advisory services and events increased 9% during 2017 compared to the prior year and foreign currency fluctuations had an insignificant effect on revenue growth. The increase was due to 9% growth in our consulting and advisory products and our Events business.

Please refer to the “Segment Results” section below for a discussion of revenue and contribution margin results by segment.

Cost of Services and Fulfillment

| | 2017 | 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|--------------------------------------------------------------------|----------|----------|------------------------------------|--------------------------------------|
| Cost of services and fulfillment (dollars in millions) | \$ 136.9 | \$ 128.2 | \$ 8.7 | 7% |
| Cost of services and fulfillment as a percentage of total revenues | 40.5% | 39.3% | 1.2 | 3% |
| Service and fulfillment employees (at end of period) | 602 | 602 | — | — |

Cost of services and fulfillment expenses increased 7% in 2017 compared to 2016 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a \$5.4 million increase in compensation and benefit costs, resulting from a 3% increase in the average number of employees, an increase in incentive bonus expense and annual

merit increases compared to the prior year, (2) a \$1.5 million increase in professional services costs due to an increase in outsourced fees related to consulting projects delivered, an increase in fees related to the delivery of reprints on our digital reprint platform, and an increase in costs for the digitization of our Analytics products, and (3) a \$0.8 million increase in Event expenses.

Selling and Marketing

| | 2017 | 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|------------------------------------------------------------------|----------|----------|------------------------------|--------------------------------|
| Selling and marketing expenses (dollars in millions) | \$ 123.9 | \$ 116.9 | \$ 7.0 | 6% |
| Selling and marketing expenses as a percentage of total revenues | 36.7% | 35.9% | 0.8 | 2% |
| Selling and marketing employees (at end of period) | 597 | 584 | 13 | 2% |

Selling and marketing expenses increased 6% in 2017 compared to 2016 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to a \$6.7 million increase in compensation and benefit costs resulting from a 3% increase in the average number of employees, annual merit increases, an increase in incentive bonuses and an increase in severance costs compared to the prior year.

General and Administrative

| | 2017 | 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|-----------------------------------------------------------------------|---------|---------|------------------------------|--------------------------------|
| General and administrative expenses (dollars in millions) | \$ 41.9 | \$ 40.6 | \$ 1.3 | 3% |
| General and administrative expenses as a percentage of total revenues | 12.4% | 12.4% | — | — |
| General and administrative employees (at end of period) | 193 | 192 | 1 | 1% |

General and administrative expenses increased 3% in 2017 compared to 2016 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a \$1.1 million increase in salaries and benefits resulting from a 4% increase in the average number of employees, annual merit increases, and an increase in incentive bonuses and (2) a \$0.7 million increase in stock compensation expense primarily due to the expansion of our Board of Directors in 2017. These increases were partially offset by a decrease in professional services primarily due to a decrease in legal and accounting expenses.

Depreciation

Depreciation expense decreased by \$1.2 million to \$6.6 million in 2017 as compared to \$7.8 million in 2016 due to certain equipment and software assets becoming fully depreciated.

Amortization of Intangible Assets

Amortization expense remained essentially consistent in 2017 as compared to 2016.

Reorganization Costs

During 2016, we incurred \$1.0 million of severance and related benefits costs for a reduction in our workforce implemented and completed in the first quarter of 2016, that included approximately 2% of employees across various geographies and functions. All costs under this plan were paid during 2016.

Income from Operations

Income from operations decreased \$3.2 million or 10% during 2017 as compared to the prior year and decreased to 8.2% of total revenues in 2017 from 9.4% in the prior year. The contraction in income from operations as a percentage of total revenues in 2017 was due to operating expenses increasing by 5% compared to revenue growth of only 4%. The primary cause of the operating expense increase was a 6% increase in compensation and benefits during 2017 as compared to 2016. Although our year-end headcount

increased by only 1% compared to 2016, our average headcount for the year increased by 3%. In addition to the headcount increase, we incurred an increase in incentive compensation during 2017.

Other Income, Net

The decrease in other income, net during 2017 was due to foreign currency losses of approximately \$0.6 million during the current year compared to foreign currency gains of approximately \$0.1 million during the prior year. This decrease was slightly offset by an increase in interest income of \$0.3 million as compared to 2016.

Losses on Investments, Net

Losses on investments, net include our share of equity method investment gains or losses from our technology-related investment funds and gains or losses from the sale of marketable securities. The decrease in investment losses during 2017 was due to a decrease in investment losses incurred by the underlying funds as compared to the prior year.

Provision for Income Taxes

| | 2017 | 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|--------------------------------------------------|---------|---------|------------------------------------|--------------------------------------|
| Provision for income taxes (dollars in millions) | \$ 12.2 | \$ 13.1 | \$ (0.9) | (7%) |
| Effective tax rate | 44.7% | 42.5% | 2.2 | 5% |

The increase in the effective tax rate during 2017 as compared to the prior year was primarily due to \$1.6 million of tax expense in 2017 due to the Act (as described above) which was partially offset by a \$1.3 million tax benefit in 2017 from the settlement of a tax audit.

Segment Results

The Product segment includes the costs of the product management organization that is responsible for pricing and packaging and the launch of new products. In addition, this segment includes the costs of our Analytics, Connect and Events organizations. Revenue in this segment includes all of our revenue (including Research and Connect) except for revenue from advisory services and project consulting services that are delivered by personnel in the Research and Project Consulting segments.

The Research segment includes the costs of our research personnel who are responsible for writing the research and performing the webinars and inquiries for our Research and Connect products. In addition, the research personnel deliver advisory services (such as workshops, speeches and advisory days) and a portion of our project consulting services. Revenue in this segment includes only revenue from advisory services and project consulting services that are delivered by the research personnel in this segment.

The Project Consulting segment includes the costs of the consultants that deliver the majority of our project consulting services. Revenue in this segment includes the project consulting revenue delivered by the consultants in this segment.

We evaluate reportable segment performance and allocate resources based on segment revenues and expenses. Segment expenses include the direct expenses of each segment organization and exclude selling and marketing expenses, general and administrative expenses, stock-based compensation expense, depreciation expense, adjustments to incentive bonus compensation from target amounts, amortization of intangible assets, reorganization costs, other income and gains (losses) on investments. The accounting policies used by the segments are the same as those used in the consolidated financial statements.

| | Product | Research | Project Consulting | Consolidated |
|----------------------------------------------|----------------|---------------|-----------------------|----------------|
| Year Ended December 31, 2018 | | | | |
| <i>Research services revenues</i> | | | | |
| Research | \$ 157,669 | \$ — | \$ — | \$ 157,669 |
| Connect | 50,820 | — | — | 50,820 |
| Analytics | 19,910 | — | — | 19,910 |
| Total research services revenues | <u>228,399</u> | <u>—</u> | <u>—</u> | <u>228,399</u> |
| <i>Advisory services and events revenues</i> | | | | |
| Advisory services | — | 41,086 | 478 | 41,564 |
| Consulting services | 8,649 | 10,027 | 55,465 | 74,141 |
| Events | 13,471 | — | — | 13,471 |
| Total advisory services and events revenues | <u>22,120</u> | <u>51,113</u> | <u>55,943</u> | <u>129,176</u> |
| Total segment revenues | 250,519 | 51,113 | 55,943 | 357,575 |
| Segment expenses | 50,551 | 51,129 | 27,981 | 129,661 |
| Contribution margin (loss) | 199,968 | (16) | 27,962 | 227,914 |
| Year over year revenue change | 5% | 13% | 3% | 6% |
| Year over year expense change | 12% | 5% | 10% | 9% |

| | Product | Research | Project Consulting | Consolidated |
|----------------------------------------------|----------------|---------------|-----------------------|----------------|
| Year Ended December 31, 2017 | | | | |
| <i>Research services revenues</i> | | | | |
| Research | \$ 148,935 | \$ — | \$ — | \$ 148,935 |
| Connect | 48,798 | — | — | 48,798 |
| Analytics | 18,738 | — | — | 18,738 |
| Total research services revenues | <u>216,471</u> | <u>—</u> | <u>—</u> | <u>216,471</u> |
| <i>Advisory services and events revenues</i> | | | | |
| Advisory services | — | 36,074 | 320 | 36,394 |
| Consulting services | 10,132 | 8,980 | 53,941 | 73,053 |
| Events | 11,755 | — | — | 11,755 |
| Total advisory services and events revenues | <u>21,887</u> | <u>45,054</u> | <u>54,261</u> | <u>121,202</u> |
| Total segment revenues | 238,358 | 45,054 | 54,261 | 337,673 |
| Segment expenses | 45,205 | 48,812 | 25,477 | 119,494 |
| Contribution margin (loss) | 193,153 | (3,758) | 28,784 | 218,179 |
| Year over year revenue change | 1% | 1% | 18% | 4% |
| Year over year expense change | 9% | 3% | 10% | 7% |

| | Product | Research | Project Consulting | Consolidated |
|----------------------------------------------|------------|----------|-----------------------|--------------|
| Year Ended December 31, 2016 | | | | |
| <i>Research services revenues</i> | | | | |
| Research | \$ 147,576 | \$ — | \$ — | \$ 147,576 |
| Connect | 47,291 | — | — | 47,291 |
| Analytics | 20,349 | — | — | 20,349 |
| Total research services revenues | 215,216 | — | — | 215,216 |
| <i>Advisory services and events revenues</i> | | | | |
| Advisory services | — | 34,392 | 590 | 34,982 |
| Consulting services | 9,547 | 10,239 | 45,284 | 65,070 |
| Events | 10,827 | — | — | 10,827 |
| Total advisory services and events revenues | 20,374 | 44,631 | 45,874 | 110,879 |
| Total segment revenues | 235,590 | 44,631 | 45,874 | 326,095 |
| Segment expenses | 41,528 | 47,496 | 23,141 | 112,165 |
| Contribution margin (loss) | 194,062 | (2,865) | 22,733 | 213,930 |

Product segment revenues increased 5% during 2018 compared to the prior year. Research services revenues increased 6% during 2018 compared to the prior year, reflecting growth in our Research, Connect and Analytics products. The growth in our Analytics product was entirely due to the acquisition of FeedbackNow. The new revenue standard had the effect of increasing research services revenue by \$1.3 million, or 1% during 2018 compared to the prior year period. Advisory services and events revenues, which includes Analytics consulting and Events revenues in this segment, increased \$0.2 million, or 1%, during 2018 compared to the prior year period due to a \$1.7 million increase in Events revenues that was partially offset by a \$1.5 million decrease in Analytics consulting revenues. Product segment expenses increased 12% during 2018 compared to the prior year period. The acquisition of FeedbackNow accounted for 4 percentage points, or \$1.9 million of the increase. In addition, we incurred a \$1.9 million increase in compensation and benefit costs due to an increase in headcount, annual merit increases, and incentive bonuses, and Event costs increased by \$1.1 million in 2018 due primarily to holding 15 events in 2018 compared to 14 in 2017.

Product segment revenues increased 1% during 2017 compared to the prior year. Research services revenues increased 1% during 2017 compared to the prior year, reflecting growth in our Connect and Research products partially offset by a decline in revenue in our Analytics products. Advisory services and events revenues increased \$1.5 million, or 7%, during 2017 compared to the prior year due to a \$0.9 million increase in Events revenues and a \$0.6 million increase in Analytics consulting. Product segment expenses increased 9% during 2017 compared to the prior year period due to a \$2.3 million increase in compensation and benefit costs due to an increase in headcount, annual merit increases, and incentive bonuses. In addition, Event costs increased by \$0.8 million in 2017 due to the holding of larger events, and professional services costs increased by \$0.5 million due to increased spending on the digitization of our Analytics products.

Research segment revenues increased 13% during 2018 compared to the prior year due to growth in both advisory and consulting revenues. Research segment expenses increased by 5% compared to the prior year due primarily to a \$1.8 million increase in compensation and benefit costs due an increase in headcount, annual merit increases, and incentive bonuses.

Research segment revenues increased 1% during 2017 compared to the prior year due to an increase in advisory revenues that was partially offset by a decrease in consulting revenues. The decrease in consulting revenues was due to the consultants in the Project Consulting segment delivering a greater portion of our consulting revenue. Research segment expenses increased by 3% compared to the prior year due primarily to a \$1.5 million increase in compensation and benefit costs due an increase in headcount, annual merit increases, and incentive bonuses.

Project Consulting segment revenues increased 3% during 2018 compared to the prior year as our content marketing group delivered strong revenue growth while our strategy consulting group experienced more moderate growth. Project Consulting segment expenses increased 10% during 2018 compared to the prior year due primarily due to a \$2.0 million increase in compensation and benefit costs due to an increase in headcount, annual merit increases, and incentive bonuses during 2018. We also incurred increases in professional services and travel and entertainment expenses compared to prior year.

Project Consulting segment revenues increased 18% during 2017 compared to the prior year as our content marketing group delivered strong revenue growth while our strategy consulting group experienced more moderate growth. Project Consulting segment expenses increased \$2.3 million, or 10%, during 2017 compared to the prior year due primarily to a \$1.4 million increase in

compensation and benefit costs due to an increase in headcount, annual merit increases, and incentive bonuses during 2017. There was also a \$0.8 million increase in travel and entertainment and outsource fees due to the increased delivery of consulting engagements during the year.

Liquidity and Capital Resources

We have historically financed our operations primarily through funds generated from operations. Research services revenues, which constituted approximately 64% of our revenues during 2018, are generally renewable annually and are typically payable in advance. We generated cash from operating activities of \$38.4 million and \$37.5 million during the years ended December 31, 2018 and 2017, respectively. The \$0.9 million increase in cash provided from operations during 2018 is primarily attributable to (1) a \$3.7 million increase in cash generated from the change in accounts receivable and deferred revenue, which resulted from cash collections exceeding revenue during 2018 in contrast to revenue exceeding cash collections during 2017, (2) a \$3.0 million decrease in net income combined with the effect of non-cash items, and (3) a \$0.2 million increase in cash from working capital.

During 2018, we generated \$40.0 million of cash from investing activities, consisting primarily of \$54.4 million in net sales and maturities of marketable investments as we liquidated our entire portfolio of marketable securities during December 2018 to fund the SiriusDecisions acquisition. We used \$9.3 million for the acquisitions of FeedbackNow and GlimpzIt and also used \$5.1 million for purchases of property and equipment during 2018. Property and equipment purchases during 2018 consisted primarily of software. During 2017, we used \$1.0 million of cash for investing activities, consisting primarily of \$7.9 million of purchases of property and equipment, which was partially offset by \$6.5 million in net sales and maturities of marketable investments. Property and equipment purchases during 2017 consisted primarily of software and leasehold improvements for our Nashville office.

We used \$14.0 million of cash from financing activities during 2018 primarily due to \$14.5 million for the payment of quarterly dividends, consisting of a \$0.20 per share dividend each quarter, \$9.9 million for purchases of our common stock and \$2.5 million in taxes paid related to net share settlements of restricted stock units. These uses were partially offset by \$13.0 million of proceeds received from the exercise of stock options and our employee stock purchase plan. We used \$37.6 million of cash from financing activities during 2017 primarily due to \$40.0 million for purchases of our common stock and \$13.6 million for the payment of quarterly dividends, consisting of a \$0.19 per share dividend each quarter, as well as \$2.5 million in taxes paid related to net share settlements of restricted stock units. These uses were partially offset by \$18.5 million of proceeds received from the exercise of stock options and our employee stock purchase plan. As a result of the acquisition of SiriusDecisions on January 3, 2019 and the related debt incurred to fund the acquisition, we have suspended our dividend program and plan to substantially reduce or eliminate repurchases of our common stock during 2019. We anticipate using excess cash flow during 2019 to reduce the amount outstanding on our revolving credit facility and to pay the scheduled principal payment of \$6.3 million on our term loans. We also anticipate paying approximately \$3.1 million of deferred acquisition purchase price for the FeedbackNow acquisition during 2019.

In February 2018, our Board of Directors increased our stock repurchase authorization by an additional \$50.0 million. As of December 31, 2018, our remaining stock repurchase authorization was approximately \$60.1 million.

As of December 31, 2018, we had cash and cash equivalents of \$140.3 million. This balance includes \$39.9 million held outside of the U.S. In December 2018, we repatriated approximately \$21 million of cash to the U.S. to help fund the SiriusDecisions acquisition, which required us to accrue and pay an immaterial amount of U.S. state taxes. For the remaining funds outside of the U.S., if they are needed for operations in the U.S., we would be required to accrue and pay U.S. state taxes and may be required to pay withholding taxes to foreign jurisdictions to repatriate these funds. However, our intent is to permanently reinvest these funds outside of the U.S. and our current plans do not demonstrate a need to repatriate these funds for our U.S. operations. We believe that our current cash balance and cash flows from operations will satisfy working capital, financing activities, and capital expenditure requirements for the next twelve months.

As of December 31, 2018, we had future contractual obligations as follows:

| <u>Contractual Obligations</u> | <u>Total</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>Thereafter</u> |
|--------------------------------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-------------------|
| | | | | (In thousands) | | | |
| Operating leases (1) | \$ 73,035 | \$ 12,498 | \$ 11,762 | \$ 10,145 | \$ 8,552 | \$ 7,856 | \$ 22,222 |
| Fair value of contingent consideration (2) | 4,196 | 1,759 | 2,437 | — | — | — | — |
| Acquisition holdbacks | 2,304 | 1,305 | 999 | — | — | — | — |
| Purchase commitments (3) | 12,805 | 10,291 | 2,514 | — | — | — | — |
| | <u>\$ 92,340</u> | <u>\$ 25,853</u> | <u>\$ 17,712</u> | <u>\$ 10,145</u> | <u>\$ 8,552</u> | <u>\$ 7,856</u> | <u>\$ 22,222</u> |

- (1) Operating leases comprise of future minimum rental commitments under non-cancellable property leases.
- (2) Refer to Footnote 6 – *Fair Value Measurements* for the assumptions used to estimate the future amounts owed.
- (3) Purchase commitments principally comprise of contractual commitments for software, outsourced research services and Event venues.

As of December 31, 2018, \$0.4 million of unrecognized tax benefits for uncertain tax positions and the accrual for the related interest, net of the federal benefit, was included in non-current liabilities. These amounts were not included in the table above because we are unable to make a reasonably reliable estimate of when a cash settlement, if any, will occur with a tax authority as the timing of examinations and ultimate resolutions of those examinations is uncertain.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet financing arrangements.

Recent Accounting Pronouncements

See Note 1 – *Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements including the expected dates of adoption and effects on results of operations and financial condition.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in foreign currency exchange rates. We have historically not used derivative financial instruments.

Foreign Currency Exchange. On a global level, we face exposure to movements in foreign currency exchange rates as we enter into normal business transactions that may be in currencies other than the local currency of our subsidiaries. In addition, transactions and account balances between our U.S. and foreign subsidiaries expose us to currency exchange risk. This exposure may change over time as business practices evolve and could have a material adverse effect on our results of operations. For the years ended December 31, 2018 and 2017, we incurred foreign currency exchange losses of \$0.6 million. For the year ended December 31, 2016, we incurred foreign currency exchange gains of \$0.1 million. Historically, we have not entered into any hedging agreements as we have assessed our exposure to sudden changes in foreign currency exchange rates to be insignificant. However, we may enter into hedging agreements in the future to attempt to mitigate the financial effect of future fluctuations in the euro, British pound or other foreign currencies.

Item 8. Consolidated Financial Statements and Supplementary Data

The financial statements listed in the following Index to Financial Statements are filed as a part of this 2018 Annual Report on Form 10-K.

**FORRESTER RESEARCH, INC.
INDEX TO FINANCIAL STATEMENTS**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Forrester Research, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Forrester Research, Inc. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2018.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 8, 2019

We have served as the Company's auditor since 2010.

FORRESTER RESEARCH, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

| | December 31, 2018 | December 31, 2017 |
|-------------------------------------------------------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 140,296 | \$ 79,790 |
| Marketable investments (Note 4) | — | 54,333 |
| Accounts receivable, net (Note 13) | 67,318 | 70,023 |
| Deferred commissions | 15,677 | 13,731 |
| Prepaid expenses and other current assets | 12,802 | 18,942 |
| Total current assets | 236,093 | 236,819 |
| Property and equipment, net (Note 13) | 22,005 | 25,249 |
| Goodwill (Note 3) | 85,165 | 76,169 |
| Intangible assets, net (Note 3) | 4,951 | 732 |
| Other assets | 5,310 | 6,231 |
| Total assets | <u>\$ 353,524</u> | <u>\$ 345,200</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 588 | \$ 217 |
| Accrued expenses and other current liabilities (Note 13) | 54,065 | 49,629 |
| Deferred revenue | 135,332 | 145,207 |
| Total current liabilities | 189,985 | 195,053 |
| Non-current liabilities | 11,939 | 8,958 |
| Total liabilities | 201,924 | 204,011 |
| Commitments (Note 8) | | |
| Stockholders' Equity (Note 9): | | |
| Preferred stock, \$0.01 par value | | |
| Authorized - 500 shares; issued and outstanding - none | — | — |
| Common stock, \$0.01 par value | | |
| Authorized - 125,000 shares | | |
| Issued - 22,951 and 22,432 shares as of December 31, 2018 and 2017, respectively | | |
| Outstanding - 18,320 and 18,041 shares as of December 31, 2018 and 2017, respectively | 230 | 224 |
| Additional paid-in capital | 200,696 | 181,910 |
| Retained earnings | 127,717 | 123,010 |
| Treasury stock - 4,631 and 4,391 shares as of December 31, 2018 and 2017, respectively, at cost | (171,889) | (161,943) |
| Accumulated other comprehensive loss | (5,154) | (2,012) |
| Total stockholders' equity | 151,600 | 141,189 |
| Total liabilities and stockholders' equity | <u>\$ 353,524</u> | <u>\$ 345,200</u> |

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

| | Years Ended December 31, | | |
|----------------------------------------------------|--------------------------|------------------|------------------|
| | 2018 | 2017 | 2016 |
| Revenues: | | | |
| Research services | \$ 228,399 | \$ 216,471 | \$ 215,216 |
| Advisory services and events | 129,176 | 121,202 | 110,879 |
| Total revenues | 357,575 | 337,673 | 326,095 |
| Operating expenses: | | | |
| Cost of services and fulfillment | 146,502 | 136,872 | 128,175 |
| Selling and marketing | 131,824 | 123,917 | 116,898 |
| General and administrative | 43,920 | 41,906 | 40,579 |
| Depreciation | 7,955 | 6,648 | 7,812 |
| Amortization of intangible assets | 1,162 | 781 | 831 |
| Acquisition and integration costs | 3,787 | — | — |
| Reorganization costs | — | — | 1,026 |
| Total operating expenses | 335,150 | 310,124 | 295,321 |
| Income from operations | 22,425 | 27,549 | 30,774 |
| Other income, net | 674 | 301 | 740 |
| Gains (losses) on investments, net | 426 | (479) | (805) |
| Income before income taxes | 23,525 | 27,371 | 30,709 |
| Income tax provision | 8,145 | 12,231 | 13,058 |
| Net income | \$ 15,380 | \$ 15,140 | \$ 17,651 |
| Basic income per common share | \$ 0.85 | \$ 0.84 | \$ 0.98 |
| Diluted income per common share | \$ 0.84 | \$ 0.83 | \$ 0.97 |
| Basic weighted average common shares outstanding | 18,091 | 17,919 | 17,984 |
| Diluted weighted average common shares outstanding | 18,380 | 18,240 | 18,269 |

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

| | Years Ended December 31, | | |
|--------------------------------------------------|--------------------------|------------------|------------------|
| | 2018 | 2017 | 2016 |
| Net income | \$ 15,380 | \$ 15,140 | \$ 17,651 |
| Other comprehensive income (loss), net of taxes: | | | |
| Foreign currency translation | (3,257) | 5,593 | (2,764) |
| Net change in market value of investments | 141 | (32) | 17 |
| Other comprehensive income (loss) | (3,116) | 5,561 | (2,747) |
| Comprehensive income | <u>\$ 12,264</u> | <u>\$ 20,701</u> | <u>\$ 14,904</u> |

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Treasury Stock | | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|-------------------------------------------------------------------------------|---------------------|---------------------|----------------------------------|----------------------|---------------------|---------------------|--------------------------------------------------------|----------------------------------|
| | Number of Shares | \$0.01 Par Value | | | Number of Shares | Cost | | |
| Balance, December 31, 2015 | 21,063 | \$ 211 | \$ 134,967 | \$ 117,135 | 3,311 | \$ (120,185) | \$ (4,826) | \$ 127,302 |
| Issuance of common stock under stock plans, including tax effects | 656 | 6 | 14,626 | — | — | — | — | 14,632 |
| Stock-based compensation expense | — | — | 7,976 | — | — | — | — | 7,976 |
| Repurchases of common stock | — | — | — | — | 47 | (1,791) | — | (1,791) |
| Dividends paid on common shares | — | — | — | (12,987) | — | — | — | (12,987) |
| Net income | — | — | — | 17,651 | — | — | — | 17,651 |
| Net change in marketable investments, net of tax | — | — | — | — | — | — | 17 | 17 |
| Foreign currency translation | — | — | — | — | — | — | (2,764) | (2,764) |
| Balance, December 31, 2016 | 21,719 | 217 | 157,569 | 121,799 | 3,358 | (121,976) | (7,573) | 150,036 |
| Issuance of common stock under stock plans, including tax effects | 713 | 7 | 15,972 | — | — | — | — | 15,979 |
| Cumulative effect adjustment due to adoption of new accounting pronouncements | — | — | (121) | (298) | — | — | — | (419) |
| Stock-based compensation expense | — | — | 8,490 | — | — | — | — | 8,490 |
| Repurchases of common stock | — | — | — | — | 1,033 | (39,967) | — | (39,967) |
| Dividends paid on common shares | — | — | — | (13,631) | — | — | — | (13,631) |
| Net income | — | — | — | 15,140 | — | — | — | 15,140 |
| Net change in marketable investments, net of tax | — | — | — | — | — | — | (32) | (32) |
| Foreign currency translation | — | — | — | — | — | — | 5,593 | 5,593 |
| Balance, December 31, 2017 | 22,432 | 224 | 181,910 | 123,010 | 4,391 | (161,943) | (2,012) | 141,189 |
| Issuance of common stock under stock plans, including tax effects | 519 | 6 | 10,486 | — | — | — | — | 10,492 |
| Cumulative effect adjustment due to adoption of new accounting pronouncements | — | — | — | 3,829 | — | — | (26) | 3,803 |
| Stock-based compensation expense | — | — | 8,300 | — | — | — | — | 8,300 |
| Repurchases of common stock | — | — | — | — | 240 | (9,946) | — | (9,946) |
| Dividends paid on common shares | — | — | — | (14,502) | — | — | — | (14,502) |
| Net income | — | — | — | 15,380 | — | — | — | 15,380 |
| Net change in marketable investments, net of tax | — | — | — | — | — | — | 141 | 141 |
| Foreign currency translation | — | — | — | — | — | — | (3,257) | (3,257) |
| Balance, December 31, 2018 | <u>22,951</u> | <u>\$ 230</u> | <u>\$ 200,696</u> | <u>\$ 127,717</u> | <u>4,631</u> | <u>\$ (171,889)</u> | <u>\$ (5,154)</u> | <u>\$ 151,600</u> |

The accompanying notes are an integral part of these consolidated financial statements.

FORRESTER RESEARCH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | Years Ended December 31, | | |
|-----------------------------------------------------------------------------------|--------------------------|------------------|------------------|
| | 2018 | 2017 | 2016 |
| Cash flows from operating activities: | | | |
| Net income | \$ 15,380 | \$ 15,140 | \$ 17,651 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 7,955 | 6,648 | 7,812 |
| Amortization of intangible assets | 1,162 | 781 | 831 |
| Net (gains) losses from investments | (426) | 479 | 805 |
| Deferred income taxes | 2,931 | 6,425 | 2,602 |
| Stock-based compensation | 8,300 | 8,490 | 7,976 |
| Amortization of premium (discount) on investments | (68) | 207 | 345 |
| Foreign currency (gains) losses | 603 | 632 | (81) |
| Changes in assets and liabilities, net of businesses acquired | | | |
| Accounts receivable | 2,588 | (10,327) | 7,963 |
| Deferred commissions | (1,077) | (1,679) | 1,477 |
| Prepaid expenses and other current assets | 285 | (4,146) | 861 |
| Accounts payable | 172 | (1,600) | 1,317 |
| Accrued expenses and other liabilities | 1,217 | 7,857 | 58 |
| Deferred revenue | (604) | 8,586 | (5,140) |
| Net cash provided by operating activities | <u>38,418</u> | <u>37,493</u> | <u>44,477</u> |
| Cash flows from investing activities: | | | |
| Acquisitions, net of cash acquired | (9,250) | — | — |
| Purchases of property and equipment | (5,049) | (7,861) | (4,140) |
| Purchases of marketable investments | (41,810) | (31,910) | (36,763) |
| Proceeds from maturities of marketable investments | 63,627 | 31,913 | 18,271 |
| Proceeds from sales of marketable investments | 32,568 | 6,545 | 4,815 |
| Other investing activity | — | 343 | (48) |
| Net cash provided by (used in) investing activities | <u>40,086</u> | <u>(970)</u> | <u>(17,865)</u> |
| Cash flows from financing activities: | | | |
| Dividends paid on common stock | (14,502) | (13,631) | (12,987) |
| Repurchases of common stock | (9,946) | (39,967) | (1,791) |
| Proceeds from issuance of common stock under employee equity incentive plans | 13,020 | 18,506 | 16,734 |
| Taxes paid related to net share settlements of stock-based compensation awards | (2,526) | (2,527) | (2,069) |
| Net cash used in financing activities | <u>(13,954)</u> | <u>(37,619)</u> | <u>(113)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (4,044) | 3,928 | (2,872) |
| Net increase in cash and cash equivalents | 60,506 | 2,832 | 23,627 |
| Cash and cash equivalents, beginning of year | 79,790 | 76,958 | 53,331 |
| Cash and cash equivalents, end of year | <u>\$ 140,296</u> | <u>\$ 79,790</u> | <u>\$ 76,958</u> |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for income taxes | <u>\$ 4,174</u> | <u>\$ 10,443</u> | <u>\$ 8,507</u> |

The accompanying notes are an integral part of these consolidated financial statements.

Non-cash investing activities for the year ended December 31, 2018 include \$5.7 million of consideration payable as a result of the acquisition of FeedbackNow. This amount includes \$3.4 million of contingent consideration, \$1.5 million for an indemnity holdback and \$0.8 million for the working capital adjustment. Refer to Note 2 – *Acquisitions* for further information on these amounts.

FORRESTER RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

Principles of Consolidation

Forrester Research, Inc. (“Forrester” or the “Company”) is a global independent research, data, and advisory services firm. Forrester works with business and technology leaders to help them develop customer-obsessed strategies that drive growth. Forrester’s unique insights are grounded in annual surveys of more than 675,000 consumers and business leaders worldwide, rigorous and objective research methodologies, and the shared wisdom of our clients. Through proprietary research and data, custom consulting, exclusive executive peer groups and events, Forrester challenges the thinking of its clients and positions them to lead change in their organizations in an era of powerful customers. The accompanying consolidated financial statements include the accounts of Forrester and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Business Acquisitions

In 2018, Forrester acquired SocialGlimpz, Inc. and S.NOW SA. Refer to Note 2 – *Acquisitions*, for further information on these acquisitions.

On January 3, 2019, Forrester acquired 100% of the issued and outstanding shares of SiriusDecisions, Inc., a privately-held company based in Wilton, Connecticut for \$247.3 million in cash. Refer to Note 15 – *Subsequent Events*, for further information on the acquisition.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Forrester considers the more significant of these estimates to be revenue recognition, non-marketable investments, valuation of goodwill, intangible assets and acquired assets and liabilities from business combinations, ongoing impairment reviews of goodwill and intangible assets, and income taxes. On an ongoing basis, management evaluates its estimates. Actual results could differ from these estimates.

Reclassifications

The line item “proceeds from sales and maturities of marketable investments” within the investing activities section of the statement of cash flows has changed from the prior years’ consolidated financial statements to reflect the separate presentation of proceeds from sales and maturities of marketable investments.

Adoption of New Accounting Pronouncements

The Company adopted the guidance in Accounting Standards Update (“ASU”) No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, on January 1, 2018. The new standard clarifies certain aspects of the statement of cash flows, including contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, and distributions received from equity method investees, among others. The adoption of this standard did not have a material impact on the Company’s statements of cash flows.

The Company adopted the guidance in ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*, on January 1, 2018. The new standard requires restricted cash to be included with cash and cash equivalents when reconciling the beginning and ending amounts on the statement of cash flows. The adoption of this standard did not have an impact on the Company’s statements of cash flows.

The Company adopted the guidance in ASU No. 2017-01, *Business Combinations (ASC 805) – Clarifying the Definition of a Business* on January 1, 2018. The new standard amends the current business combinations guidance by clarifying the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The adoption of the standard did not have an impact on the Company's financial position or statement of operations.

The Company elected to adopt the guidance in ASU No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, on January 1, 2018. The new standard allows but does not require, a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the "Act") enacted on December 22, 2017. The Company elected to make the reclassification adjustment as of the beginning of the period of adoption in the amount of \$26 thousand using the aggregate portfolio approach. The reclassification amount includes the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts at the date of enactment of the Act related to items remaining in accumulated other comprehensive loss.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. ASC 606 supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers products or services to customers in an amount that reflects the consideration that the company expects to receive for those products or services. ASC 606 also includes subtopic ASC 340-40, *Other Assets and Deferred Costs-Contracts with Customers*, which provides guidance on accounting for certain revenue related costs including costs associated with obtaining and fulfilling a contract.

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method. Under this method, the reported results for 2018 reflect the application of ASC 606, while the reported results for 2017 were prepared under the guidance of ASC 605, *Revenue Recognition*, which is referred to herein as the "previous guidance". The modified retrospective method requires the cumulative effect of applying the new guidance to all contracts with customers that were not completed as of January 1, 2018 to be recorded as an adjustment to retained earnings as of the adoption date. Forrester considered a contract to be complete if all the revenue was recognized in accordance with the previous guidance that was in effect before the adoption date.

The effect of adopting ASC 606 included a \$7.8 million reduction in deferred revenue, primarily related to prepaid performance obligations that are expected to expire in 2018 and 2019 that would have been recognized in 2017 under the new guidance; a decrease of \$5.5 million in prepaid expenses and other current assets related to deferred survey costs that would have been expensed as incurred in 2017 under the new guidance and the current tax impact of the cumulative effect; an increase of \$0.9 million in deferred commissions related to the capitalization of fringe benefits as incremental costs to obtain customer contracts under the new guidance; and an increase of \$0.6 million in other assets for the deferred tax effect of the cumulative effect. Retained earnings increased by \$3.8 million as a net result of these adjustments.

The following tables summarize the effect of adopting ASC 606 on the Company's financial statements during and as of the year ended December 31, 2018 (in thousands):

Consolidated Balance Sheet

| | As of December 31, 2018 | |
|--------------------------------------------|--------------------------------|--------------------------------------------------|
| | As Reported | Amounts as if Previous Guidance in Effect |
| Accounts receivable, net | \$ 67,318 | \$ 71,858 |
| Deferred commissions | 15,677 | 14,725 |
| Prepaid expenses and other current assets | 12,802 | 18,587 |
| Total current assets | 236,093 | 245,467 |
| Other assets | 5,310 | 4,748 |
| Total assets | 353,524 | 362,336 |
| Deferred revenue | \$ 135,332 | \$ 149,344 |
| Total current liabilities | 189,985 | 203,997 |
| Total liabilities | 201,924 | 215,936 |
| Retained earnings | 127,717 | 122,517 |
| Total stockholders' equity | 151,600 | 146,400 |
| Total liabilities and stockholders' equity | 353,524 | 362,336 |

Total assets were \$8.8 million less than if the previous guidance remained in effect, largely due to the following changes:

- Accounts receivable, net was lower due to the Company excluding invoices issued on cancellable contracts in excess of revenue recognized.
- Deferred commissions were higher due to the capitalization of fringe benefits costs.
- Prepaid expenses and other current assets were lower due to expensing survey costs as incurred and the current period tax effect of the adjustments.

Deferred revenue was \$14.0 million lower due to the accelerated recognition of revenue for estimated unexercised rights, which would have been deferred under the previous guidance until the right expired, and the exclusion of invoices issued on cancellable contracts in excess of revenue recognized.

Consolidated Statement of Income

| | Year Ended December 31, 2018 | |
|----------------------------------|-------------------------------------|--------------------------------------------------|
| | As Reported | Amounts as if Previous Guidance in Effect |
| Revenues: | | |
| Research services | \$ 228,399 | \$ 227,059 |
| Advisory services and events | 129,176 | 128,872 |
| Total revenues | 357,575 | 355,931 |
| Operating expenses: | | |
| Cost of services and fulfillment | 146,502 | 146,666 |
| Selling and marketing | 131,824 | 131,907 |
| Total operating expenses | 335,150 | 335,397 |
| Income from operations | 22,425 | 20,534 |
| Income before income taxes | 23,525 | 21,634 |
| Income tax provision | 8,145 | 7,652 |
| Net income | 15,380 | 13,982 |
| Basic income per common share | \$ 0.85 | \$ 0.77 |
| Diluted income per common share | \$ 0.84 | \$ 0.76 |

The \$1.6 million increase in total revenues for year ended December 31, 2018 is for estimated future unexercised customer rights that were previously recognized when they occurred. The net impact, including the tax effect, of accounting for revenue and costs to obtain and fulfill customer contracts under the new guidance increased net income and diluted net income per share for the year ended December 31, 2018 by \$1.4 million and \$0.08, respectively.

Consolidated Statement of Comprehensive Income

| | Year Ended December 31, 2018 | |
|----------------------|------------------------------|-------------------------------------------|
| | As Reported | Amounts as if Previous Guidance in Effect |
| Net income | \$ 15,380 | \$ 13,982 |
| Comprehensive income | 12,264 | 10,866 |

Consolidated Statement of Cash Flows

| | Year Ended December 31, 2018 | |
|-------------------------------------------|------------------------------|-------------------------------------------|
| | As Reported | Amounts as if Previous Guidance in Effect |
| Cash flows from operating activities: | | |
| Net income | \$ 15,380 | \$ 13,982 |
| Accounts receivable | 2,588 | (1,952) |
| Deferred commissions | (1,077) | (994) |
| Prepaid expenses and other current assets | 285 | (43) |
| Deferred revenue | (604) | 5,580 |

The impact to comprehensive income and cash flows from operating activities are driven by the consolidated balance sheet and income statement changes previously discussed.

Fair Value Measurements

The carrying amounts reflected in the Consolidated Balance Sheets for cash, cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short-term maturities. The Company has certain financial assets and liabilities recorded at fair value at each balance sheet date in accordance with the accounting standards for fair value measurements. Refer to Note 6 – *Fair Value Measurements* for the Company’s fair value disclosures.

Cash, Cash Equivalents, and Marketable Investments

Forrester considers all short-term, highly liquid investments with original maturities at the time of purchase of 90 days or less to be cash equivalents.

The Company liquidated its entire portfolio of marketable investments in December of 2018 to fund the acquisition of SiriusDecisions on January 3, 2019. Forrester previously accounted for all marketable investments as available-for-sale securities and as such, the marketable investments were carried at fair value with unrealized gains and losses (not related to credit losses) recorded in accumulated other comprehensive loss in the Consolidated Balance Sheets. Realized gains and losses on securities are included in earnings and were determined using the specific identification method. The Company conducted periodic reviews to identify and evaluate each investment that had an unrealized loss, in accordance with the meaning of other-than-temporary impairment and its application to certain investments, as required under current accounting standards. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses on available-for-sale securities that are determined to be temporary, and not related to credit loss, are recorded, net of tax, in accumulated other comprehensive loss. The determination of whether a loss is considered temporary is based in part on whether the Company intends to sell the security or whether the Company would more likely than not be required to sell the security before the expected recovery of the amortized cost basis. During the years ended December 31, 2018, 2017 and 2016, the Company did not record any other-than-temporary impairment losses on its available-for-sale securities.

Concentrations of Credit Risk

Forrester has no off-balance sheet or significant concentration of credit risk such as foreign exchange contracts, option contracts, or other foreign hedging arrangements. Financial instruments that potentially subject Forrester to concentrations of credit risk are principally cash, cash equivalents, and accounts receivable. No single customer accounted for greater than 3% of revenues or 6% of accounts receivable in any of the periods presented.

Goodwill

Goodwill is not amortized; however, it is required to be tested for impairment annually. Furthermore, testing for impairment is required on an interim basis if an event or circumstance indicates that it is more likely than not an impairment loss has been incurred. An impairment loss would be recognized to the extent that the carrying amount of goodwill exceeds its implied fair value. Absent an event that indicates a specific impairment may exist, the Company has selected November 30th as the date for performing the annual goodwill impairment test. Goodwill impairment charges have not been required for the years ended December 31, 2018, 2017 and 2016.

Impairment of Other Long-Lived Tangible and Intangible Assets

Forrester continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful life of long-lived assets and intangible assets may warrant revision or if events or circumstances indicate that the carrying value of these assets may be impaired. To compute whether assets have been impaired, the estimated undiscounted future cash flows for the estimated remaining useful life of the assets are compared to the carrying value. To the extent that the future cash flows are less than the carrying value, the assets are written down to the estimated fair value of the asset. Impairment charges have not been required for the years ended December 31, 2018, 2017 and 2016.

Non-Current Liabilities

The Company records certain liabilities that are expected to be settled over a period that exceeds one year as non-current liabilities. The Company also records as a non-current liability the portion of the deferred rent liability that is expected to be recognized over a period greater than one year. The non-current deferred rent liability at December 31, 2018 and 2017 was \$6.6 million and \$7.5 million, respectively, and results from the difference between cash payments and the straight-line recognition of rent expense under the Company's facility leases.

Foreign Currency

The functional currency of Forrester's wholly-owned subsidiaries is their respective local currency. These subsidiary financial statements are translated to U.S. dollars using period-end exchange rates for assets and liabilities and average exchange rates during the corresponding period for revenues and expenses, with translation gains and losses accumulated as a component of accumulated other comprehensive loss in the Consolidated Balance Sheets. Gains and losses related to the remeasurement of monetary assets and liabilities denominated in a currency other than an entity's functional currency are included in other income, net in the Consolidated Statements of Income. For each of the years ended December 31, 2018 and 2017, Forrester recorded \$0.6 million of foreign exchange losses in other income, net. For the year ended December 31, 2016, Forrester recorded \$0.1 million of foreign exchange gains.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows (in thousands):

| | Net Unrealized Gain (Loss) on Marketable Investments | Cumulative Translation Adjustment | Total Accumulated Other Comprehensive Income (Loss) |
|--------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------|
| Balance at December 31, 2015 | \$ (100) | \$ (4,726) | \$ (4,826) |
| Foreign currency translation before reclassification | — | (2,764) | (2,764) |
| Unrealized gain on investments, net of tax of \$(14) | 17 | — | 17 |
| Balance at December 31, 2016 | (83) | (7,490) | (7,573) |
| Foreign currency translation | — | 5,593 | 5,593 |
| Unrealized loss on investments, net of tax of \$22 | (32) | — | (32) |
| Balance at December 31, 2017 | (115) | (1,897) | (2,012) |
| Foreign currency translation | — | (3,257) | (3,257) |
| Reclassification of stranded tax effects from tax reform | (26) | — | (26) |
| Unrealized gain on investments before reclassification, net of tax of \$(4) | 12 | — | 12 |
| Reclassification adjustment for net losses realized in net income, net of tax of \$(75) | 129 | — | 129 |
| Balance at December 31, 2018 | <u>\$ —</u> | <u>\$ (5,154)</u> | <u>\$ (5,154)</u> |

Revenue

The Company recognizes revenue when a customer obtains control of promised products or services, in an amount that reflects the consideration expected to be received in exchange for those products or services. The Company follows the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies the performance obligation. Revenues are presented net of any sales or value added taxes collected from customers and remitted to the government.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of the consideration expected to be transferred is probable. The Company applies judgment in determining the customer's ability and intention to pay for services expected to be transferred, which is based on factors including the customer's payment history, management's ability to mitigate exposure to credit risk (for example, requiring payment in advance of the transfer of products or services, or the ability to stop transferring promised products or services in the event a customer fails to pay consideration when due) and experience selling to similarly situated customers. Since the transaction price is fixed and defined as part of entering into a contract, and generally does not change, variable consideration is insignificant.

Performance obligations within a contract are identified based on the products and services promised to be transferred in the contract. When a contract includes more than one promised product or service, the Company must apply judgment to determine whether the promises represent multiple performance obligations or a single, combined performance obligation. This evaluation requires the Company to determine if the promises are both capable of being distinct, where the customer can benefit from the product or service on its own or together with other resources readily available, and are distinct within the context of the contract, where the transfer of products or services is separately identifiable from other promises in the contract. When both criteria are met, each promised product or service is accounted for as a separate performance obligation. In cases where the promises are distinct, the Company is further required to evaluate if the promises are a series of products and services that are substantially the same and have the same pattern of transfer to the customer (referred to as the "series" guidance). When the Company determines that promises meet the series guidance, they are accounted for as a single, combined performance obligation. The number of performance obligations in the Company's arrangements is not different under ASC 606 than the number of separate units of accounting under previous guidance, as discussed further below.

Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation on a relative basis according to their standalone selling prices. The Company continues to determine standalone selling price based on the price at which the performance obligation is sold separately. If the Company does not have a history of selling a performance obligation, management applies judgment to estimate the standalone selling price, taking into consideration available information, including market conditions, factors considered to set list price, pricing of similar products, and internal pricing objectives. The corresponding allocated revenues are recognized as the performance obligations are satisfied, as discussed below.

Research services revenues

Research services revenues consist primarily of memberships to Research, Connect, and Analytics products. The majority of the Research revenues are annual subscriptions to our research, including access to all or a designated portion of our research and, depending on the type of license, unlimited phone or email analyst inquiry and unlimited participation in Forrester webinars, all of which are delivered throughout the contract period. The Company has concluded that the promises represent a stand ready obligation to provide a daily information service, in which the services are the same each day, every day is distinct, and the customer simultaneously receives and consumes the benefits as the Company transfers control throughout the contract period. Accordingly, these subscriptions meet the requirements of the series guidance and are each accounted for as a single performance obligation. The Company recognizes revenue ratably over time, using an output measure of time elapsed. Research revenues also include sales of electronic reprints, which are written research documents prepared by Forrester's analysts and hosted via an on-line platform. Reprints include a promise to deliver a customer-selected research document and certain usage data provided through the on-line platform, which represents two performance obligations. The Company satisfies the performance obligation for the research document by providing access to the electronic reprint and accordingly recognizes revenue at that point in time. The Company satisfies the performance obligation for the data portion of the reprint on a daily basis and accordingly recognizes revenue over time.

The majority of the Connect revenues are the Company's Leadership Board product which includes access to the Research offering, access to a private forum with other Leadership Board member peers, access to a Forrester advisor, member-generated content, and one Event ticket. The Company has concluded that all promises, other than the Event ticket, represent a stand ready obligation to provide a daily information and peer service, in which the services are the same each day, every day is distinct, and the customer simultaneously receives and consumes the benefits as the Company transfers control throughout the contract period. Accordingly, these promises meet the requirements of the series guidance and are accounted for as a single performance obligation. The Company recognizes revenue ratably over time, using an output measure of time elapsed. The Event ticket is accounted for as a separate performance obligation and is recognized when the Event occurs.

Analytics revenues are primarily annual subscriptions to access designated survey data products and typically include a data advisor, all of which are delivered throughout the contract period. For Analytics subscriptions, the Company has concluded that the promises represent a stand ready obligation to provide a daily data service, in which the services are the same each day, every day is distinct, and the customer simultaneously receives and consumes the benefits as the Company transfers control throughout the contract period. Accordingly, these subscriptions meet the requirements of the series guidance and are accounted for as a single performance obligation. The Company recognizes revenue ratably over time, using an output measure of time elapsed. Certain of the Analytics products include advisory services which are accounted for as a separate performance obligation and are recognized at the point in time the service is completed or the final deliverable is transferred to the customer.

Advisory services and events revenues

Advisory services and events revenues consists of sales of advisory services, consulting projects, and Events.

Advisory services revenues are short-term presentations or knowledge sharing sessions (which can range from one hour to two days), such as workshops, speeches and advisory days. Each is a promise for a Forrester analyst to deliver a deeper understanding of Forrester's published research and represents a single performance obligation. Revenue is recognized at the point in time the service is completed or the final deliverable is transferred to the customer.

Consulting project revenues consists of the delivery of focused insights and recommendations that assist customers with their challenges in developing and executing strategies around technology, customer experience and digital transformation. Projects are fixed-fee arrangements that are generally completed within two weeks to three months. The Company concluded that each project represents a single performance obligation as they are a single promise to deliver a customized engagement and deliverable. For the majority of these services, either practically or contractually, the work performed and delivered to the customer has no alternative use to the Company. Additionally, Forrester maintains an enforceable right to payment at all times throughout the contract. The Company utilizes an input method and recognizes revenue over time, based on hours expended relative to the total estimated hours required to

satisfy the performance obligation. This input method was chosen since it closely aligns with how control of interim deliverables is transferred to the customer throughout the engagement and is also the method used internally to price the project and assess operational performance. If the Company were to enter into an agreement where it does not have an enforceable right to payment at all times, revenue would be recognized at the point in time the project is completed.

Events revenues consist of either ticket or sponsorship sales for a Forrester-hosted event. Each is a single promise that either allows entry to, or grants the right to, promote a product or service at, a specific event. The Company concluded that each of these represents a single performance obligation. The Company recognizes revenue at the completion of the Event, which is the point in time when the customer has received the benefit(s) from attending or sponsoring the Event.

Prepaid performance obligations, including Event tickets, reprints, advisory and consulting hours, on non-cancellable contracts that the Company estimates will expire unused are recognized in proportion to the pattern of related rights exercised by the customer. This assessment requires judgment, including estimating the percentage of prepaid rights that will go unexercised and anticipating the impact that future changes to products, pricing, and customer engagement will have on actual expirations. The Company periodically updates the rates used to recognize unexercised rights.

Refer to Note 12, *Operating Segment and Enterprise Wide Reporting*, for a summary of disaggregated revenue by product category and business segment.

Contract Modifications

The Company considers a contract modification to exist when a mutually agreed upon change creates new, or updates existing, enforceable rights and obligations. ASC 606 introduced three specific methods to account for contract modifications depending on the nature of the change(s) in scope or price to the original contract. The new guidance is consistent with how the Company has historically accounted for contract modifications and as a result, does not have an impact on the Company's results of operations.

The majority of the Company's contract modifications result in additional or remaining distinct products and services and are treated on a prospective basis. Under the prospective method, the transaction price is updated to combine the unrecognized amount as of the modification date plus the additional transaction price from the modification. This amount is then re-allocated to the remaining distinct performance obligations and recognized accordingly.

Consulting services contracts can be modified to update the scope of the services purchased. Since a consulting project is a single performance obligation that is only partially satisfied at the modification date, the updated project requirements are not distinct and the modification is accounted for as part of the existing contract. The effect of the modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either an increase or decrease) on a cumulative catch-up basis. For the year ended December 31, 2018, the Company recorded an immaterial amount of cumulative catch-up adjustments.

Contract Assets and Liabilities

Accounts Receivable

Accounts receivable includes amounts billed and currently due from customers. Since the only condition for payment of our invoices is the passage of time, the Company records a receivable on the date the invoice is issued. Also included in accounts receivable are unbilled amounts resulting from revenue exceeding the amount billed to the customer, where the right to payment is unconditional. If the right to payment for services performed was conditional on something other than the passage of time, the unbilled amount would be recorded as a separate contract asset. There were no contract assets as of December 31, 2018.

The majority of the Company's contracts are non-cancellable. However, for contracts that are cancellable by the customer, the Company does not record a receivable when it issues an invoice. The Company records accounts receivable on these contracts only up to the amount of revenue earned but not yet collected.

In addition, since the majority of the Company's contracts are for a duration of one year and payment is expected within one year from the transfer of products and services, the Company does not adjust its receivables or transaction price for the effects of a significant financing component.

Deferred Revenue

The Company refers to contract liabilities as deferred revenue on the Consolidated Balance Sheets. Payment terms in the Company's customer contracts vary, but generally require payment in advance of fully satisfying the performance obligation(s). Deferred revenue consists of billings in excess of revenue recognized. Similar to accounts receivable, the Company does not record deferred revenue for invoices issued on a cancellable contract.

During the year ended December 31, 2018, the Company recognized approximately \$134.7 million of revenue related to its deferred revenue balance at January 1, 2018. To determine revenue recognized in the current period from deferred revenue at the beginning of the period, the Company first allocates revenue to the individual deferred revenue balance outstanding at the beginning of the period, until the revenue equals that balance.

Approximately \$262.6 million of revenue is expected to be recognized during the next 12 to 24 months from remaining performance obligations as of December 31, 2018.

Cost to Obtain and Fulfill Contracts

The Company capitalizes commissions paid to internal sales representatives and related fringe benefits costs that are incremental to obtaining customer contracts. These costs are included in deferred commissions on the Consolidated Balance Sheets. The judgments made in determining the amount of costs incurred include the types of costs to capitalize and whether the costs are in fact incremental. The Company elected the practical expedient to account for these costs at a portfolio level as the Company's contracts are similar in nature and the amortization model used closely matches the amortization expense that would be recognized on a contract-by-contract basis. Costs to obtain a contract are amortized to operations as the related revenue is recognized over the initial contract term. Amortization expense related to deferred commissions was \$32.2 million for the year ended December 31, 2018. The Company evaluates the recoverability of deferred commissions at each balance sheet date.

Costs to fulfill the Company's contracts, such as our survey costs for our Analytics product line, do not meet the specified capitalization criteria as defined in the guidance and as such are expensed as incurred.

Allowance for Doubtful Accounts

Forrester maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make contractually obligated payments. When evaluating the adequacy of the allowance for doubtful accounts, the Company makes judgments regarding the collectability of accounts receivable by specifically analyzing historical bad debts, customer concentrations, current economic trends, and changes in the customer payment terms. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required and if the financial condition of the Company's customers were to improve, the allowances may be reduced accordingly.

Stock-Based Compensation

The Company recognizes the fair value of stock-based compensation expense over the requisite service period of the individual grantee, which generally equals the vesting period.

The Company adopted the guidance in Accounting Standards Update ("ASU") No. 2016-09, *Compensation - Stock Compensation - Improvements to Employee Share-Based Payment Accounting*, on January 1, 2017. Under this standard, entities are permitted to make an accounting policy election to either estimate forfeitures on share-based payment awards, as previously required, or to recognize forfeitures as they occur. The Company has elected to recognize forfeitures as they occur. All income tax effects related to settlements of share-based payment awards are reported in earnings as an increase or decrease to income tax expense. All income tax-related cash flows resulting from share-based payments are reported as operating activities in the statement of cash flows and cash paid by directly withholding shares for tax withholding purposes is classified as a financing activity.

Stock-based compensation expense was recorded in the following expense categories (in thousands):

| | Years Ended December 31, | | |
|----------------------------------|--------------------------|----------|----------|
| | 2018 | 2017 | 2016 |
| Cost of services and fulfillment | \$ 4,329 | \$ 4,538 | \$ 4,431 |
| Selling and marketing | 1,065 | 717 | 1,054 |
| General and administrative | 2,906 | 3,235 | 2,491 |
| Total | \$ 8,300 | \$ 8,490 | \$ 7,976 |

The options granted under the equity incentive plan and shares subject to the employee stock purchase plan were valued utilizing the Black-Scholes model using the following assumptions and had the following fair values (no options were granted in 2017 and 2018):

| | Years Ended December 31, | | | |
|---------------------------------|------------------------------|------------------------------|------------------------|------------------------------|
| | 2018 | 2017 | 2016 | |
| | Employee Stock Purchase Plan | Employee Stock Purchase Plan | Equity Incentive Plans | Employee Stock Purchase Plan |
| Average risk-free interest rate | 1.90% | 0.90% | 1.30% | 0.32% |
| Expected dividend yield | 1.9% | 1.9% | 2.2% | 2.1% |
| Expected life | 0.5 Years | 0.5 Years | 5.0 Years | 0.5 Years |
| Expected volatility | 23% | 24% | 24% | 24% |
| Weighted average fair value | \$ 9.13 | \$ 8.36 | \$ 6.16 | \$ 6.69 |

Prior to the suspension of the quarterly dividend program in November 2018, dividend yields were based on the regular quarterly dividend program approved by the Board of Directors in February 2012. Expected volatility is based, in part, on the historical volatility of Forrester's common stock as well as management's expectations of future volatility over the expected term of the awards granted. The risk-free interest rate is based on the U.S. Treasury Constant Maturity rate with an equivalent remaining term. Where the expected term of a stock-based award does not correspond with a term for which the interest rates are quoted, Forrester uses the rate with the maturity closest to the award's expected term. The expected term calculation is based upon Forrester's historical experience of exercise patterns. The unamortized fair value of stock-based awards as of December 31, 2018 was \$17.1 million with a weighted average remaining recognition period of 2.5 years.

Depreciation and Amortization

Forrester provides for depreciation and amortization of property and equipment, computed using the straight-line method, over estimated useful lives of assets as follows:

| | Estimated Useful Life |
|-------------------------|-------------------------------------|
| Computers and equipment | 3 to 10 Years |
| Computer software | 3 to 5 Years |
| Furniture and fixtures | 7 Years |
| Leasehold improvements | Shorter of asset life or lease term |

Forrester provides for amortization of intangible assets, computed using an accelerated method according to the expected cash flows to be received from the underlying assets, over the respective lives as follows:

| | Estimated Useful Life |
|------------------------|-----------------------|
| Customer relationships | 5 to 11 Years |
| Research content | 1 to 2 Years |
| Technology | 5 to 7 Years |
| Trademarks | 8 to 9 Years |

Income Taxes

Forrester recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statements and tax basis of assets and liabilities as well as operating loss carryforwards.

Forrester's provision for income taxes is composed of a current and a deferred provision for federal, state and foreign jurisdictions. The current provision is calculated as the estimated taxes payable or refundable on tax returns for the current year. The deferred provision is calculated as the net change during the year in deferred tax assets and liabilities. Valuation allowances are provided if based on the weight of available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized.

Forrester accounts for uncertain tax positions using a "more-likely-than-not" threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity, and changes in facts or circumstances related to a tax position. The Company evaluates these tax positions on a quarterly basis. The Company also accrues for potential interest and penalties related to unrecognized tax benefits in income tax expense.

Net Income Per Common Share

Basic net income per common share is computed by dividing net income by the basic weighted average number of common shares outstanding during the period. Diluted net income per common share is computed by dividing net income by the diluted weighted average number of common shares and common equivalent shares outstanding during the period. The weighted average number of common equivalent shares outstanding has been determined in accordance with the treasury-stock method. Common stock equivalents consist of common stock issuable upon the exercise of outstanding stock options and the vesting of restricted stock units.

Basic and diluted weighted average common shares are as follows (in thousands):

| | Years Ended December 31, | | |
|----------------------------------------------------------------------------------------------------------|--------------------------|--------|--------|
| | 2018 | 2017 | 2016 |
| Basic weighted average common shares outstanding | 18,091 | 17,919 | 17,984 |
| Weighted average common equivalent shares | 289 | 321 | 285 |
| Diluted weighted average common shares outstanding | 18,380 | 18,240 | 18,269 |
| Options excluded from diluted weighted average share calculation as effect would have been anti-dilutive | 8 | 133 | 706 |

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard requires that all lessees recognize the assets and liabilities that arise from leases longer than 12 months on the balance sheet and disclose qualitative and quantitative information about its leasing arrangements. Lessor accounting is largely unchanged. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which allows for an additional adoption method and for lessors, provides a practical expedient for the separation of lease and non-lease components within a contract.

The new standard will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. The two permitted transition methods under the new standard are both modified retrospective methods. Under the first method, the standard would be applied to all leases that existed at or subsequently commenced after the beginning of the earliest comparative period presented in the financial statements, with a cumulative effect adjustment recorded at the beginning of the earliest comparative period for all leases that commenced prior to such date. Under the second method, comparative periods are not adjusted and the cumulative effect of applying the standard would be recorded at the date of initial application. The Company will adopt the standard as of January 1, 2019 utilizing the modified retrospective method in which comparative periods are not adjusted. The Company anticipates that it will not be required to record a cumulative effect adjustment upon adoption.

The Company expects the standard to have a material impact on its balance sheet as substantially all operating leases longer than 12 months will be recorded as a right-of-use (“ROU”) asset and a lease liability. Adoption of the standard will result in an approximate increase of \$50 million to \$54 million in total assets and \$58 million to \$62 million in total liabilities. The Company does not expect the standard to have a material impact on its results of operations. During 2019, ROU assets and lease liabilities for operating leases are expected to increase primarily due to the acquisition of SiriusDecisions.

Several practical expedients are permitted under the new standard. The Company expects to elect the package of practical expedients, including the related disclosure requirements, that permits the use of historical lease classification and accounting under the previous guidance for all leases that expired or existed as of the adoption date.

A key area still in process includes development of the reports for the various disclosures required during 2019. This area will be completed by the end of the first quarter of 2019.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new standard amends the current financial instrument impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The new standard will be effective for the Company on January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company’s financial position or results of operations.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment*. The new standard simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and requires that instead, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The new standard will be effective for the Company on January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company’s financial position or results of operations.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The new standard modifies the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. The standard includes changes to fair value transfers and Level 3 fair value disclosures. The new standard will be effective for the Company on January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company’s financial position or results of operations.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. The new standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The new standard will be effective for the Company on January 1, 2020. The Company is currently evaluating the potential impact that this standard may have on its financial position and results of operations.

Note 2 – Acquisitions

The Company accounts for business combinations in accordance with the acquisition method of accounting as prescribed by ASC 805, *Business Combinations*. The acquisition method of accounting requires the Company to record the assets and liabilities acquired based on their estimated fair values as of the acquisition date, with any excess of the consideration transferred over the estimated fair value of the net assets acquired, including identifiable intangible assets, to be recorded to goodwill.

GlimpzIt

On June 22, 2018, Forrester acquired substantially all of the assets of SocialGlimpz Inc. (“GlimpzIt”), an artificial intelligence and machine-learning provider based in San Francisco. The acquisition is part of Forrester’s plan to build a real-time customer experience or CX cloud solution, integrating a range of inputs to help companies monitor and improve customer experience. Forrester intends to deploy the GlimpzIt technology to extend the analytics engine in Forrester’s planned real-time CX cloud. The acquisition of GlimpzIt was determined to be an acquisition of a business under the provisions of ASC 805. The total purchase price was approximately \$1.3 million, which was paid in cash on the acquisition date, and has been allocated as \$0.7 million of goodwill and \$0.6 million of an intangible asset representing technology, which is being amortized over its estimated useful life of five years. The acquired working capital was insignificant. Forrester may also be required to pay an additional \$0.3 million in cash contingent on the

achievement of certain employment conditions by key employees, which is being recognized as compensation expense over the related service period of two years. Goodwill has been allocated to the Product segment and is expected to be deductible for income tax purposes. Goodwill is attributable to the acquired workforce as well as future synergies. The acquisition of GlimpzIt did not add a material amount of revenue or direct expenses for the year ended December 31, 2018. The results of GlimpzIt operations were not material to Forrester's consolidated results of operations for prior periods, and accordingly, no pro forma financial information has been presented.

FeedbackNow

On July 6, 2018, Forrester acquired 100% of the shares of S.NOW SA, a Switzerland-based business that operates as FeedbackNow. FeedbackNow is a maker of physical buttons and monitoring software that companies deploy to measure, analyze, and improve customer experience. The acquisition is part of Forrester's plan to build a real-time CX cloud solution. FeedbackNow provides a high-volume input source for the real-time CX cloud solution. The acquisition of FeedbackNow was determined to be an acquisition of a business under the provisions of ASC 805. The Company paid \$8.4 million on the closing date. An additional \$1.5 million is payable during a two-year period from the closing date and is subject to typical indemnity provisions from the seller. The Company is also required to pay additional purchase price based on the acquired working capital of \$0.8 million and the sellers may earn up to \$4.2 million based on the financial performance of FeedbackNow during the two-year period following the closing date.

Total Consideration Transferred

The following table summarizes the fair value of the aggregate consideration paid or payable for FeedbackNow (in thousands):

| | | |
|--------------------------------|----|---------------|
| Cash paid at close (1) | \$ | 8,425 |
| Working capital adjustment (2) | | 798 |
| Indemnity holdback (3) | | 1,485 |
| Contingent purchase price (4) | | 3,388 |
| Total | \$ | <u>14,096</u> |

- (1) The cash paid at close represents the gross contractual amount paid. Net cash paid, which accounts for the cash acquired of \$0.5 million, was \$8.0 million and is reflected as an investing activity in the Consolidated Statements of Cash Flows.
- (2) Represents the amount payable to the sellers based upon working capital as defined, which was paid to the sellers during the first quarter of 2019.
- (3) Approximately \$0.5 million and \$1.0 million of the holdback is expected to be paid during 2019 and 2020, respectively.
- (4) The acquisition of FeedbackNow includes a contingent consideration arrangement that requires additional consideration to be paid to the sellers based on the financial performance of FeedbackNow during the two-year period subsequent to the closing date. Up to \$1.7 million and \$2.5 million could be payable during 2019 and 2020, respectively, if the financial targets are met. The range of undiscounted amounts that could be payable under this arrangement is zero to \$4.2 million. This range of amounts payable has not changed since the acquisition. The provisional fair value of the contingent consideration recognized on the acquisition date, which represents purchase price, was \$3.0 million. During the fourth quarter of 2018, the Company recorded a \$0.4 million increase to the initial value of the contingent consideration representing additional purchase price, as a result of finalizing its acquisition date fair value assessment during the measurement period. This adjustment resulted in a final acquisition date fair value of \$3.4 million for the contingent consideration. The fair value was based on a Monte Carlo simulation and included significant Level 3 inputs not observable in the market including projected contract bookings, a discount rate of 23.7%, and revenue volatility of 20.8%. See further discussion in Note 6 – *Fair Value Measurements*.

Preliminary Allocation of Purchase Price

The following table summarizes the preliminary allocation of the purchase price to the fair value of the assets acquired and liabilities assumed for the acquisition of FeedbackNow (in thousands):

| | | |
|------------------------------------------|----|---------------|
| Assets: | | |
| Cash | \$ | 463 |
| Accounts receivable | | 738 |
| Prepays and other current assets | | 487 |
| Goodwill (1) | | 9,513 |
| Acquired intangible assets (2) | | 4,780 |
| Other assets | | 75 |
| Total assets | | <u>16,056</u> |
| Liabilities: | | |
| Accounts payable and accrued liabilities | | 837 |
| Contract liabilities | | 298 |
| Deferred tax liability | | 825 |
| Total liabilities | | <u>1,960</u> |
| Net assets acquired | \$ | <u>14,096</u> |

- (1) Goodwill represents the expected synergies from combining FeedbackNow with Forrester as well as the value of the acquired workforce.
- (2) All of the acquired intangible assets are finite-lived. The determination of the fair value of the finite-lived intangible assets required management judgment and the consideration of a number of factors. In determining the fair values, management primarily relied on income valuation methodologies, in particular discounted cash flow models. The use of discounted cash flow models required the use of estimates, including projected cash flows related to the particular asset; the useful lives of the particular assets; the selection of royalty and discount rates used in the models; and certain published industry benchmark data. In establishing the estimated useful lives of the acquired intangible assets, the Company relied primarily on the duration of the cash flows utilized in the valuation model. Of the \$4.8 million assigned to acquired intangible assets, \$3.0 million was assigned to the technology asset class with a useful life of 6.5 years, \$1.3 million to customer relationships with useful lives of 4.5 years to 7.5 years (with a weighted average amortization period of 6.1 years), and \$0.5 million to trade names with a useful life of 8.5 years. The weighted-average amortization period for the total acquired intangible assets is 4.8 years. Amortization of acquired intangible assets was \$0.4 million for the year ended December 31, 2018.

During the fourth quarter of 2018, the Company recognized a \$0.4 million increase to goodwill primarily as a result of finalizing the fair value assessment of the contingent purchase price during the measurement period. The allocation of the purchase price for FeedbackNow is preliminary with respect to certain working capital items. The Company expects to obtain the remainder of the information to complete the allocation of the purchase price during the first half of 2019.

The Company's financial statements include the operating results of FeedbackNow beginning on July 6, 2018, the date of acquisition. FeedbackNow's operating results and the related goodwill are being reported as part of the Company's Product segment. The goodwill is not deductible for income tax purposes. The acquisition of FeedbackNow added approximately \$1.2 million and \$1.9 million of revenue and direct expenses, respectively, for the year ended December 31, 2018. The results of FeedbackNow operations were not material to Forrester's results of operations for prior periods, and accordingly, no prior period pro forma information has been presented.

For the year ended December 31, 2018, goodwill increased by \$9.0 million with \$10.2 million of the increase attributable to the acquisitions of GlimpzIt and FeedbackNow and a \$1.2 million decrease due to foreign currency fluctuations.

The Company recognized \$1.8 million of acquisition costs during the year ended December 31, 2018. The costs primarily consisted of legal fees, regulatory costs and accounting and tax professional fees.

Note 3 - Goodwill and Other Intangible Assets

A summary of the goodwill by segment and the changes in the carrying amount of goodwill is shown in the following table (in thousands).

| | Product | Research | Project Consulting | Total |
|------------------------------|------------------|------------------|--------------------|------------------|
| Balance at January 1, 2017 | \$ 2,343 | \$ 70,850 | \$ — | \$ 73,193 |
| Translation adjustments | 95 | 2,881 | — | 2,976 |
| Balance at December 31, 2017 | 2,438 | 73,731 | — | 76,169 |
| Acquisitions | 10,178 | — | — | 10,178 |
| Translation adjustments | (98) | (1,084) | — | (1,182) |
| Balance at December 31, 2018 | <u>\$ 12,518</u> | <u>\$ 72,647</u> | <u>\$ —</u> | <u>\$ 85,165</u> |

As of December 31, 2018, the Company had no accumulated goodwill impairment losses.

During the year ending December 31, 2018, \$4.8 million and \$0.6 million of intangible assets were added as a result of the acquisitions of FeedbackNow and GlimpzIt, respectively.

A summary of Forrester's intangible assets is as follows (in thousands):

| | December 31, 2018 | | |
|--------------------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Amortizable intangible assets: | | | |
| Customer relationships | \$ 32,823 | \$ 31,604 | \$ 1,219 |
| Technology | 3,610 | 295 | 3,315 |
| Trade name | 443 | 26 | 417 |
| Total | <u>\$ 36,876</u> | <u>\$ 31,925</u> | <u>\$ 4,951</u> |

| | December 31, 2017 | | |
|--------------------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Amortizable intangible assets: | | | |
| Customer relationships | \$ 31,735 | \$ 31,003 | \$ 732 |
| Research content | 1,083 | 1,083 | — |
| Total | <u>\$ 32,818</u> | <u>\$ 32,086</u> | <u>\$ 732</u> |

Amortization expense related to intangible assets was approximately \$1.2 million, \$0.8 million and \$0.8 million during the years ended December 31, 2018, 2017 and 2016, respectively. Estimated intangible asset amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

| | |
|-------------------------------|-----------------|
| Year ending December 31, 2019 | \$ 865 |
| Year ending December 31, 2020 | 865 |
| Year ending December 31, 2021 | 865 |
| Year ending December 31, 2022 | 865 |
| Year ending December 31, 2023 | 693 |
| Thereafter | 798 |
| Total | <u>\$ 4,951</u> |

Note 4 - Marketable Investments

The Company liquidated all of its marketable investments in December of 2018 to finance the acquisition of SiriusDecisions on January 3, 2019.

The following table summarizes the Company's marketable investments, all of which are classified as available-for-sale (in thousands):

| | As of December 31, 2017 | | | |
|----------------------------|-------------------------|------------------------|-------------------------|------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Market Value |
| Federal agency obligations | \$ 1,800 | \$ — | \$ (7) | \$ 1,793 |
| Corporate obligations | 52,721 | — | (181) | 52,540 |
| Total | \$ 54,521 | \$ — | \$ (188) | \$ 54,333 |

The following table shows the gross unrealized losses and market value of Forrester's available-for-sale securities with unrealized losses that are not deemed to be other-than-temporary, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

| | As of December 31, 2017 | | | |
|----------------------------|-------------------------|-------------------|----------------------|-------------------|
| | Less Than 12 Months | | 12 Months or Greater | |
| | Market Value | Unrealized Losses | Market Value | Unrealized Losses |
| Federal agency obligations | \$ — | \$ — | \$ 1,793 | \$ 7 |
| Corporate obligations | 31,723 | 149 | 20,817 | 32 |
| Total | \$ 31,723 | \$ 149 | \$ 22,610 | \$ 39 |

Realized gains and losses are recognized into earnings at the time of the sale based on specific identification of the cost basis of each security. Realized losses on sales of the Company's available-for-sale securities were \$0.2 million for the year ended December 31, 2018 and were recorded in other income, net. Realized gains or losses on sales of the Company's available-for-sale securities were not significant for the year ended December 31, 2017.

Note 5 - Non-Marketable Investments

At December 31, 2018 and 2017, the carrying value of the Company's non-marketable investments, which were composed primarily of interests in technology-related private equity funds, was \$2.5 million and \$1.9 million, respectively, and are included in other assets in the Consolidated Balance Sheets.

The Company's investments are being accounted for using the equity method as the investments are limited partnerships and the Company has an ownership interest in excess of 5% and, accordingly, the Company records its share of the investee's operating results each period. At December 31, 2016, the Company's investments also included an investment with a book value of \$0.4 million, which was accounted for using the cost method. This investment was fully liquidated during 2017. During the year ended December 31, 2018, the Company recorded a gain from its non-marketable investments of \$0.6 million, which is included in gains (losses) on investments, net in the Consolidated Statement of Income. During the years ended December 31, 2017 and 2016, the Company recorded losses from its non-marketable investments of \$0.5 million and \$0.8 million, respectively. During the years ended December 31, 2018 and 2016, no distributions were received from the funds. During the year ended December 31, 2017, a gross distribution of \$0.4 million was received from the investment fund that the Company accounted for under the cost method.

Note 6 - Fair Value Measurements

The Company has certain financial assets and liabilities which have been classified as either Level 1, 2 or 3 within the fair value hierarchy as described below.

Level 1 — Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 — Fair value based on inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Fair value based on unobservable inputs that are supported by little or no market activity and such inputs are significant to the fair value of the assets or liabilities.

The following table represents the Company's fair value hierarchy for its financial assets and liabilities that are measured at fair value on a recurring basis (in thousands):

| | Fair Value Measurements As of December 31, 2018 | | | |
|-------------------------------|----------------------------------------------------|-------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Money market funds (1) | \$ 255 | \$ — | \$ — | \$ 255 |
| Total Assets | \$ 255 | \$ — | \$ — | \$ 255 |
| Liabilities: | | | | |
| Contingent purchase price (2) | \$ — | \$ — | \$ (4,196) | \$ (4,196) |
| Total Liabilities | \$ — | \$ — | \$ (4,196) | \$ (4,196) |

| | Fair Value Measurements As of December 31, 2017 | | | |
|----------------------------|----------------------------------------------------|------------------|-------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Money market funds (1) | \$ 492 | \$ — | \$ — | \$ 492 |
| Federal agency obligations | — | 1,793 | — | 1,793 |
| Corporate obligations (3) | — | 52,540 | — | 52,540 |
| Total Assets | \$ 492 | \$ 54,333 | \$ — | \$ 54,825 |

- (1) Included in cash and cash equivalents.
- (2) \$1.8 million is included in accrued expenses and other current liabilities and \$2.4 million is included in non-current liabilities in the Consolidated Balance Sheet.
- (3) All corporate obligations were sold in December 2018, resulting in a loss of \$0.2 million that was recorded in other income, net in the Consolidated Statements of Income. These investments were sold to fund a portion of the purchase of SiriusDecisions (refer to Note 15 – *Subsequent Events*).

During the years ended December 31, 2018 and 2017, the Company did not transfer assets or liabilities between levels of the fair value hierarchy.

Level 2 assets consist of the Company's entire portfolio of marketable investments at December 31, 2017. Level 2 assets have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, typically utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation methods, including both income and market based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, current spot rates and other industry and economic events.

Level 3 liabilities at December 31, 2018 consist entirely of the contingent purchase price related to the acquisition of FeedbackNow. Changes in the fair value of Level 3 contingent consideration for the year ended December 31, 2018 were as follows (in thousands):

| | Contingent Consideration |
|----------------------------------------------|-----------------------------|
| Acquisition of FeedbackNow (1) | \$ (3,388) |
| Fair value adjustment of FeedbackNow (2) (3) | (780) |
| Foreign exchange effect | (28) |
| Balance at December 31, 2018 | <u>\$ (4,196)</u> |

- (1) See Note 2 – *Acquisitions*, for a discussion of the fair value of the earnout as of the acquisition date.
- (2) In the period subsequent to the acquisition of FeedbackNow on July 6, 2018, the fair value of the contingent consideration increased by \$0.8 million due primarily to the achievement of contract bookings during this period. This amount was recognized as acquisition and integration costs within the Consolidated Statements of Income.

- (3) As of December 31, 2018, the significant unobservable inputs used in the Monte Carlo simulation to fair value the contingent consideration included projected contract bookings, a discount rate of 23.8%, and revenue volatility of 21.9%. Increases or decreases in the inputs would result in a higher or lower fair value measurement.

Note 7 - Income Taxes

Income before income taxes consists of the following (in thousands):

| | Years Ended December 31, | | |
|----------|--------------------------|------------------|------------------|
| | 2018 | 2017 | 2016 |
| Domestic | \$ 17,718 | \$ 20,061 | \$ 22,303 |
| Foreign | 5,807 | 7,310 | 8,406 |
| Total | <u>\$ 23,525</u> | <u>\$ 27,371</u> | <u>\$ 30,709</u> |

The components of the income tax provision are as follows (in thousands):

| | Years Ended December 31, | | |
|----------------------|--------------------------|------------------|------------------|
| | 2018 | 2017 | 2016 |
| Current: | | | |
| Federal | \$ 2,278 | \$ 2,587 | \$ 6,094 |
| State | 1,173 | 1,060 | 2,330 |
| Foreign | 1,763 | 2,159 | 2,032 |
| Total current | <u>5,214</u> | <u>5,806</u> | <u>10,456</u> |
| Deferred: | | | |
| Federal | 2,111 | 5,550 | 2,719 |
| State | 667 | 700 | 59 |
| Foreign | 153 | 175 | (176) |
| Total deferred | <u>2,931</u> | <u>6,425</u> | <u>2,602</u> |
| Income tax provision | <u>\$ 8,145</u> | <u>\$ 12,231</u> | <u>\$ 13,058</u> |

A reconciliation of the federal statutory rate to Forrester's effective tax rate is as follows:

| | Years Ended December 31, | | |
|------------------------------------------------|--------------------------|--------------|--------------|
| | 2018 | 2017 | 2016 |
| Income tax provision at federal statutory rate | 21.0% | 35.0% | 35.0% |
| Increase (decrease) in tax resulting from: | | | |
| State tax provision, net of federal benefit | 6.2 | 4.0 | 5.0 |
| Foreign tax rate differential | (0.2) | (3.4) | (4.4) |
| Stock option compensation deduction | (1.1) | 0.1 | 0.6 |
| Withholding taxes | 2.1 | 1.7 | 0.5 |
| Non-deductible expenses | 5.3 | 1.8 | 1.5 |
| Change in valuation allowance | — | 3.9 | 3.2 |
| Change in tax legislation | 1.9 | 5.8 | — |
| Audit settlements | — | (4.0) | — |
| Other, net | (0.6) | (0.2) | 1.1 |
| Effective tax rate | <u>34.6%</u> | <u>44.7%</u> | <u>42.5%</u> |

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a decrease in the corporate tax rate from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a modified territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. In December 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Act. SAB 118 provided a measurement period of one year from the enactment date of the Act for companies to complete the accounting for the income tax effects of the Act. During 2017,

the Company recorded provisional income tax for the remeasurement of federal deferred tax assets and liabilities of \$1.2 million and the one-time transition tax on the mandatory deemed repatriation of foreign earnings was \$0.4 million based on cumulative foreign earnings of \$22.6 million. The Company completed its analysis of the effect of the Act during 2018 in accordance with SAB 118 and recorded additional tax expense of \$0.4 million in the fourth quarter of 2018 relating to the one-time transition tax on the mandatory repatriation of foreign earnings.

In July 2015, the U.S. Tax Court issued an opinion in *Altera Corp. v. Commissioner* related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. The opinion invalidates part of a treasury regulation requiring stock-based compensation to be included in any qualified intercompany cost-sharing arrangement. The Company previously recorded a tax benefit based on the opinion in the case. Currently the U.S. Court of Appeals for the Ninth Circuit is reviewing the case and a final decision is yet to be issued. The Company will continue to monitor ongoing developments and potential impacts to its consolidated financial statements.

The components of deferred income taxes are as follows (in thousands):

| | <u>As of December 31,</u> | |
|--------------------------------------------|---------------------------|-----------------|
| | <u>2018</u> | <u>2017</u> |
| Non-deductible reserves and accruals | \$ 3,835 | \$ 4,936 |
| Net operating loss and other carryforwards | 7,954 | 8,528 |
| Stock compensation | 2,125 | 2,644 |
| Depreciation and amortization | 727 | 402 |
| Other assets | — | 46 |
| Gross deferred tax asset | 14,641 | 16,556 |
| Less - valuation allowance | (2,574) | (2,686) |
| Sub-total | 12,067 | 13,870 |
| Other liabilities | (1,249) | (911) |
| Goodwill and intangible assets | (6,201) | (5,677) |
| Deferred commissions | (4,479) | (3,873) |
| Net deferred tax asset | <u>\$ 138</u> | <u>\$ 3,409</u> |

As of December 31, 2018 and 2017, long-term net deferred tax assets were \$1.1 million and \$3.5 million, respectively, and are included in other assets in the Consolidated Balance Sheets. Long-term net deferred tax liabilities were \$1.0 million and \$0.1 million, respectively, at December 31, 2018 and 2017, and are included in non-current liabilities in the Consolidated Balance Sheets.

The Company considers all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of a net deferred income tax asset. Judgment is required in considering the relative impact of negative and positive evidence. In arriving at these judgments, the weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified. Although realization is not assured, based upon the Company's historical taxable income and projections of the Company's future taxable income over the periods during which the deferred tax assets are deductible and the carryforwards expire, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances, as discussed below.

As of December 31, 2018 and 2017, the Company maintained a valuation allowance of approximately \$2.6 million and \$2.7 million, respectively, primarily relating to U.S. capital losses from the Company's investment in technology-related private equity funds, and from foreign net operating loss carryforwards from an acquisition.

The Company has foreign net operating loss carryforwards of approximately \$20.8 million, which can be carried forward indefinitely. Approximately \$3.2 million of the foreign net operating loss carryforwards relate to a prior acquisition, the utilization of which is subject to limitation under the tax law of the United Kingdom.

As of December 31, 2018, the Company had U.S. federal and state capital loss carryforwards of \$6.2 million, of which \$1.6 million expires in 2020, \$1.4 million expires in 2021, and \$3.2 million expires in 2022.

The following table provides a summary of the changes in the deferred tax valuation allowance for the years ended December 31, 2018, 2017 and 2016 (in thousands):

| | 2018 | 2017 | 2016 |
|-------------------------------------------------|-----------------|-----------------|-----------------|
| Deferred tax valuation allowance at January 1 | \$ 2,686 | \$ 2,193 | \$ 1,534 |
| Additions | 74 | 1,439 | 1,256 |
| Deductions | (139) | (70) | (455) |
| Change in tax legislation | — | (954) | — |
| Translation adjustments | (47) | 78 | (142) |
| Deferred tax valuation allowance at December 31 | <u>\$ 2,574</u> | <u>\$ 2,686</u> | <u>\$ 2,193</u> |

The Act includes a mandatory one-time tax on accumulated earnings of foreign subsidiaries, and as a result, all previously unremitted earnings for which no U.S. deferred tax liability had been accrued have now been subject to U.S. tax. Notwithstanding the U.S. taxation of these amounts, the Company intends to continue to invest all of their unremitted earnings of \$13.8 million, as well as the capital in these subsidiaries, indefinitely outside of the U.S. unless there are opportunities in the future to repatriate in a tax efficient manner. The Company does not expect to incur any material, additional taxes related to such amounts.

The Company utilizes a two-step process for the measurement of uncertain tax positions that have been taken or are expected to be taken on a tax return. The first step is a determination of whether the tax position should be recognized in the financial statements. The second step determines the measurement of the tax position. A reconciliation of the beginning and ending amount of unrecognized tax benefits is summarized as follows for the years ended December 31, 2018, 2017 and 2016 (in thousands):

| | 2018 | 2017 | 2016 |
|---------------------------------------------|---------------|---------------|-----------------|
| Unrecognized tax benefits at January 1 | \$ 806 | \$ 1,774 | \$ 1,910 |
| Reductions for tax positions of prior years | — | — | (31) |
| Additions for tax positions of current year | — | — | 75 |
| Settlements | — | (986) | (163) |
| Translation adjustments | (7) | 18 | (17) |
| Unrecognized tax benefits at December 31 | <u>\$ 799</u> | <u>\$ 806</u> | <u>\$ 1,774</u> |

As of December 31, 2018, the total amount of unrecognized tax benefits totaled approximately \$0.8 million, all of which if recognized, would decrease our effective tax rate in a future period. Subsequent to December 31, 2018, the Company was notified that the U.S. Competent Authority claim was in the process of being finalized. This would result in the reversal of \$0.4 million of unrecognized tax benefits and additional tax expense of approximately \$0.5 million during 2019.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense and such amounts were not significant in the years ended December 31, 2018, 2017 and 2016. Accrued interest and penalties were insignificant at December 31, 2018 and 2017. At December 31, 2016, the Company had \$0.1 million of accrued interest and penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. and in foreign jurisdictions. Generally, the Company is no longer subject to U.S., state, local and foreign income tax examinations by tax authorities in its major jurisdictions for years before 2013, except to the extent of net operating loss and tax credit carryforwards from those years. Major taxing jurisdictions include the U.S., the Netherlands, the United Kingdom, Germany and Switzerland. As of December 31, 2018, the Company was not under any audits.

Note 8 - Commitments

As of December 31, 2018, Forrester had future contractual obligations as follows for operating leases (in thousands):

| | | |
|------------------------------|----|---------------|
| 2019 | \$ | 12,498 |
| 2020 | | 11,762 |
| 2021 | | 10,145 |
| 2022 | | 8,552 |
| 2023 | | 7,856 |
| Thereafter | | 22,222 |
| Total minimum lease payments | \$ | <u>73,035</u> |

The cost of these operating leases, including any contractual rent increases, rent concessions, and landlord incentives, are recognized ratably over the life of the related lease agreement. Aggregate rent expense was \$17.5 million, \$17.4 million and \$16.1 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Note 9 - Stockholders' Equity

Preferred Stock

Forrester has authorized 500,000 shares of \$0.01 par value preferred stock. The Board of Directors has full authority to issue this stock and to fix the voting powers, preferences, rights, qualifications, limitations, or restrictions thereof, including dividend rights, conversion rights, redemption privileges and liquidation preferences and the number of shares constituting any series or designation of such series.

Treasury Stock

Through 2018, Forrester's Board of Directors has authorized an aggregate \$535.0 million to purchase common stock under the Company's stock repurchase program including \$50.0 million authorized in February 2018. The shares repurchased may be used, among other things, in connection with Forrester's equity incentive and purchase plans. As of December 31, 2018, the Company had repurchased approximately 16.3 million shares of common stock at an aggregate cost of \$474.9 million.

Dividends

During the years ended December 31, 2018, 2017 and 2016, the Company declared and paid four quarterly dividends of \$0.20, \$0.19 and \$0.18 per share each quarter, respectively, amounting to \$0.80 per share or \$14.5 million, \$0.76 per share or \$13.6 million and \$0.72 per share or \$13.0 million, respectively.

Equity Plans

Forrester maintains the following two equity incentive plans: the Forrester Research, Inc. Amended and Restated Equity Incentive Plan (the "Equity Incentive Plan" and previously the "2006 Plan") and the 2006 Stock Option Plan for Directors, as amended (the "2006 Directors' Plan"). Upon approval of an amendment to the 2006 Plan by stockholders in 2012, no future awards under the 2006 Directors' Plan could be granted or issued. In May 2016, the stockholders of the Company approved an amendment and restatement of the Company's 2006 Plan. The amendment and restatement resulted in (1) extending the term of the plan for 10 years until May 2026, (2) increasing the number of shares issuable under the plan by 2,000,000 shares, (3) establishing a maximum amount of awards issuable under the plan to the Company's non-employee directors, and (4) changing the name of the plan to the Forrester Research, Inc. Amended and Restated Equity Incentive Plan.

The Equity Incentive Plan provides for the issuance of stock-based awards, including incentive stock options ("ISOs"), non-qualified stock options ("NSOs"), and restricted stock units ("RSUs") to purchase up to 6,350,000 shares authorized in the plan, 80,000 shares returned from the 2006 Directors' Plan and 713,275 shares returned from a prior plan. Under the terms of the Equity Incentive Plan, ISOs may not be granted at less than fair market value on the date of grant (and in no event less than par value). Options and RSUs generally vest annually over four years and options expire after 10 years. Beginning in 2017, RSUs granted to non-employee directors vest quarterly over one year. Options and RSUs granted under the Equity Incentive Plan immediately vest upon certain events, as described in the plan. As of December 31, 2018, approximately 2.5 million shares were available for future grant of awards under the Equity Incentive Plan.

The 2006 Directors' Plan provided for the issuance of options to purchase up to 450,000 shares of common stock. As of December 31, 2018, approximately 36,000 options remain outstanding and are fully vested under the 2006 Directors' Plan.

Restricted Stock Units

Restricted stock units ("RSUs") represent the right to receive one share of Forrester common stock when the restrictions lapse and the vesting conditions are met, and are valued on the date of grant based upon the value of the Company's stock on the date of grant less the present value of dividends expected to be paid during the requisite service period. Shares of Forrester's common stock will be delivered to the grantee upon vesting, subject to a reduction of shares for payment of withholding taxes. The weighted average grant date fair value for RSUs granted in 2018, 2017 and 2016 was \$43.71, \$39.73 and \$37.87, respectively. The value of RSUs vested and converted to common stock, based on the value of Forrester's common stock on the date of vesting, was \$9.1 million, \$8.7 million and \$6.6 million during 2018, 2017 and 2016, respectively.

RSU activity for the year ended December 31, 2018 is presented below (in thousands, except per share data):

| | Number of Shares | Weighted- Average Grant Date Fair Value |
|-------------------------------|---------------------|--------------------------------------------------|
| Unvested at December 31, 2017 | 509 | \$ 37.59 |
| Granted | 261 | 43.71 |
| Vested | (198) | 37.12 |
| Forfeited | (75) | 38.31 |
| Unvested at December 31, 2018 | <u>497</u> | <u>\$ 40.89</u> |

Stock Options

Stock option activity for the year ended December 31, 2018 is presented below (in thousands, except per share data and contractual term):

| | Number of Shares | Weighted - Average Exercise Price Per Share | Weighted - Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|--------------------------------------------------|---------------------|---------------------------------------------------------|----------------------------------------------------------------------|---------------------------------|
| Outstanding at December 31, 2017 | 937 | \$ 35.10 | | |
| Granted | — | — | | |
| Exercised | (319) | 34.83 | | |
| Forfeited | (35) | 34.78 | | |
| Outstanding at December 31, 2018 | <u>583</u> | <u>\$ 35.27</u> | <u>4.82</u> | <u>\$ 5,496</u> |
| Exercisable at December 31, 2018 | <u>488</u> | <u>\$ 35.40</u> | <u>4.44</u> | <u>\$ 4,545</u> |
| Vested and expected to vest at December 31, 2018 | <u>583</u> | <u>\$ 35.27</u> | <u>4.82</u> | <u>\$ 5,496</u> |

The total intrinsic value of options exercised during 2018, 2017 and 2016 was \$3.3 million, \$4.5 million and \$3.7 million, respectively.

Employee Stock Purchase Plan

In May 2018, stockholders of the Company approved an amendment to the Company's Amended and Restated Employee Stock Purchase Plan (the "Stock Purchase Plan"), which provided for an additional 400,000 shares of common stock, par value \$0.01 per share, to be granted under the plan. The Stock Purchase Plan provides for the issuance of up to 1.1 million shares of common stock and as of December 31, 2018, approximately 0.5 million shares remain available for issuance. With certain limited exceptions, all employees of Forrester whose customary employment is more than 20 hours per week, including officers and directors who are employees, are eligible to participate in the Stock Purchase Plan. Purchase periods under the Stock Purchase Plan are six months in length and commence on each successive March 1 and September 1. Stock purchased under the Stock Purchase Plan is required to be held for one year before it is able to be sold. During each purchase period the maximum number of shares of common stock that may be purchased by an employee is limited to the number of shares equal to \$12,500 divided by the fair market value of a share of

common stock on the first day of the purchase period. An employee may elect to have up to 10% deducted from his or her compensation for the purpose of purchasing shares under the Stock Purchase Plan. The price at which the employee's shares are purchased is the lower of: (a) 85% of the closing price of the common stock on the day that the purchase period commences, or (b) 85% of the closing price of the common stock on the day that the purchase period terminates.

Shares purchased by employees under the Stock Purchase Plan are as follows (in thousands, except per share data):

| <u>Purchase Period Ended</u> | <u>Shares Purchased</u> | <u>Purchase Price</u> |
|------------------------------|-------------------------|-----------------------|
| February 28, 2018 | 27 | \$ 34.43 |
| August 31, 2018 | 28 | \$ 34.21 |
| February 28, 2017 | 24 | \$ 31.03 |
| August 31, 2017 | 26 | \$ 31.71 |

Note 10 - Employee Pension Plans

Forrester sponsors several defined contribution plans for eligible employees. Generally, the defined contribution plans have funding provisions which, in certain situations, require contributions based upon formulas relating to employee wages or the level of elective participant contributions, as well as allow for additional discretionary contributions. Further, certain plans contain vesting provisions. Forrester's contributions to these plans totaled approximately \$5.0 million, \$5.2 million and \$4.3 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Note 11 – Reorganization

In the first quarter of 2016, the Company implemented and completed a reduction in its workforce of approximately 2% of its employees across various geographies and functions. The Company incurred \$1.0 million of severance and related costs for this action, all of which was paid before December 31, 2016.

Note 12 - Operating Segment and Enterprise Wide Reporting

The Product segment includes the costs of the product management organization that is responsible for pricing and packaging and the launch of new products. In addition, this segment includes the costs of the Company's Analytics, Connect and Events organizations. Revenue in this segment includes all of the Company's revenue (including Research and Connect) except for revenue from advisory services and project consulting services that are delivered by personnel in the Research and Project Consulting segments.

The Research segment includes the costs of the Company's research personnel who are responsible for writing the research and performing the webinars and inquiries for its Research and Connect products. In addition, the research personnel deliver advisory services (such as workshops, speeches and advisory days) and a portion of the project consulting services. Revenue in this segment includes only revenue from advisory services and project consulting services that are delivered by the research personnel in this segment.

The Project Consulting segment includes the costs of the consultants that deliver the majority of the Company's project consulting services. Revenue in this segment includes the project consulting revenue delivered by the consultants in this segment.

The Company evaluates reportable segment performance and allocates resources based on segment revenues and expenses. Segment expenses include the direct expenses of each segment organization and exclude selling and marketing expenses, general and administrative expenses, stock-based compensation expense, depreciation expense, adjustments to incentive bonus compensation from target amounts, amortization of intangible assets, other income and gains (losses) on investments. The accounting policies used by the segments are the same as those used in the consolidated financial statements.

The Company does not identify or allocate assets, including capital expenditures, by operating segment. Accordingly, assets are not being reported by segment because the information is not available by segment and is not reviewed in the evaluation of performance or making decisions in the allocation of resources.

In 2018, as part of the adoption of ASC 606, the Company updated its segment disclosures to present disaggregated revenue by product line within all of its reportable segments. The Company did not make any changes to the number or type of reporting segments themselves. Accordingly, the 2017 and 2016 amounts have been reclassified to conform to the current presentation.

The following tables present information about reportable segments (in thousands):

| | Product | Research | Project Consulting | Consolidated |
|-------------------------------------------------------|------------|----------|-----------------------|------------------|
| Year Ended December 31, 2018 | | | | |
| <i>Research services revenues</i> | | | | |
| Research | \$ 157,669 | \$ — | \$ — | \$ 157,669 |
| Connect | 50,820 | — | — | 50,820 |
| Analytics | 19,910 | — | — | 19,910 |
| Total research services revenues | 228,399 | — | — | 228,399 |
| <i>Advisory services and events revenues</i> | | | | |
| Advisory services | — | 41,086 | 478 | 41,564 |
| Consulting services | 8,649 | 10,027 | 55,465 | 74,141 |
| Events | 13,471 | — | — | 13,471 |
| Total advisory services and events revenues | 22,120 | 51,113 | 55,943 | 129,176 |
| Total segment revenues | 250,519 | 51,113 | 55,943 | 357,575 |
| Segment expenses | 50,551 | 51,129 | 27,981 | 129,661 |
| Contribution margin (loss) | 199,968 | (16) | 27,962 | 227,914 |
| Selling, marketing, administrative and other expenses | | | | (200,540) |
| Amortization of intangible assets | | | | (1,162) |
| Acquisition and integration costs | | | | (3,787) |
| Reorganization costs | | | | — |
| Other income and gains (losses) on investments | | | | 1,100 |
| Income before income taxes | | | | <u>\$ 23,525</u> |

| | Product | Research | Project Consulting | Consolidated |
|-------------------------------------------------------|------------|----------|-----------------------|------------------|
| Year Ended December 31, 2017 | | | | |
| <i>Research services revenues</i> | | | | |
| Research | \$ 148,935 | \$ — | \$ — | \$ 148,935 |
| Connect | 48,798 | — | — | 48,798 |
| Analytics | 18,738 | — | — | 18,738 |
| Total research services revenues | 216,471 | — | — | 216,471 |
| <i>Advisory services and events revenues</i> | | | | |
| Advisory services | — | 36,074 | 320 | 36,394 |
| Consulting services | 10,132 | 8,980 | 53,941 | 73,053 |
| Events | 11,755 | — | — | 11,755 |
| Total advisory services and events revenues | 21,887 | 45,054 | 54,261 | 121,202 |
| Total segment revenues | 238,358 | 45,054 | 54,261 | 337,673 |
| Segment expenses | 45,205 | 48,812 | 25,477 | 119,494 |
| Contribution margin (loss) | 193,153 | (3,758) | 28,784 | 218,179 |
| Selling, marketing, administrative and other expenses | | | | (189,849) |
| Amortization of intangible assets | | | | (781) |
| Acquisition and integration costs | | | | — |
| Reorganization costs | | | | — |
| Other income and gains (losses) on investments | | | | (178) |
| Income before income taxes | | | | <u>\$ 27,371</u> |

| | Product | Research | Project Consulting | Consolidated |
|-------------------------------------------------------|------------|----------|--------------------|------------------|
| Year Ended December 31, 2016 | | | | |
| <i>Research services revenues</i> | | | | |
| Research | \$ 147,576 | \$ — | \$ — | \$ 147,576 |
| Connect | 47,291 | — | — | 47,291 |
| Analytics | 20,349 | — | — | 20,349 |
| Total research services revenues | 215,216 | — | — | 215,216 |
| <i>Advisory services and events revenues</i> | | | | |
| Advisory services | — | 34,392 | 590 | 34,982 |
| Consulting services | 9,547 | 10,239 | 45,284 | 65,070 |
| Events | 10,827 | — | — | 10,827 |
| Total advisory services and events revenues | 20,374 | 44,631 | 45,874 | 110,879 |
| Total segment revenues | 235,590 | 44,631 | 45,874 | 326,095 |
| Segment expenses | 41,528 | 47,496 | 23,141 | 112,165 |
| Contribution margin (loss) | 194,062 | (2,865) | 22,733 | 213,930 |
| Selling, marketing, administrative and other expenses | | | | (181,299) |
| Amortization of intangible assets | | | | (831) |
| Acquisition and integration costs | | | | — |
| Reorganization costs | | | | (1,026) |
| Other income and gains (losses) on investments | | | | (65) |
| Income before income taxes | | | | <u>\$ 30,709</u> |

Net long-lived tangible assets by location as of December 31, 2018 and 2017 are as follows (in thousands):

| | 2018 | 2017 |
|-----------------------------------|------------------|------------------|
| United States | \$ 20,880 | \$ 23,943 |
| United Kingdom | 522 | 727 |
| Europe (excluding United Kingdom) | 83 | 163 |
| Asia Pacific | 517 | 413 |
| Other | 3 | 3 |
| Total | <u>\$ 22,005</u> | <u>\$ 25,249</u> |

Revenues by geographic destination, based on the location products and services are consumed, and as a percentage of total revenues for the years ended December 31, 2018, 2017, and 2016 are as follows (dollars in thousands):

| | 2018 | 2017 | 2016 |
|-----------------------------------|-------------|-------------|-------------|
| United States | 77% | 77% | 77% |
| Europe (excluding United Kingdom) | 8 | 9 | 8 |
| United Kingdom | 4 | 4 | 5 |
| Canada | 4 | 4 | 4 |
| Asia Pacific | 5 | 4 | 4 |
| Other | 2 | 2 | 2 |
| Total | <u>100%</u> | <u>100%</u> | <u>100%</u> |

| | 2018 | 2017 | 2016 |
|-----------------------------------|-------------------|-------------------|-------------------|
| United States | \$ 274,151 | \$ 260,077 | \$ 252,222 |
| Europe (excluding United Kingdom) | 29,741 | 28,525 | 27,061 |
| United Kingdom | 15,273 | 13,651 | 14,808 |
| Canada | 15,569 | 14,523 | 13,806 |
| Asia Pacific | 17,839 | 15,952 | 13,686 |
| Other | 5,002 | 4,945 | 4,512 |
| Total | <u>\$ 357,575</u> | <u>\$ 337,673</u> | <u>\$ 326,095</u> |

Note 13 - Certain Balance Sheet Accounts

Property and Equipment:

Property and equipment as of December 31, 2018 and 2017 is recorded at cost less accumulated depreciation and consists of the following (in thousands):

| | 2018 | 2017 |
|-----------------------------------|------------------|------------------|
| Computers and equipment | \$ 18,621 | \$ 18,570 |
| Computer software | 31,276 | 29,891 |
| Furniture and fixtures | 8,449 | 9,094 |
| Leasehold improvements | 26,610 | 26,650 |
| Total property and equipment | 84,956 | 84,205 |
| Less accumulated depreciation | (62,951) | (58,956) |
| Total property and equipment, net | <u>\$ 22,005</u> | <u>\$ 25,249</u> |

The Company incurs costs to develop or obtain internal use computer software used for its operations, and certain of these costs meeting the criteria in ASC 350 – *Internal use software* are capitalized and amortized over their useful lives. The entire balance in the computer software category above consists of these costs. Amortization of capitalized internal use software costs totaled \$4.2 million, \$2.7 million and \$3.1 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is included in depreciation in the Consolidated Statements of Income.

Accrued Expenses and Other Current Liabilities:

Accrued expenses and other current liabilities as of December 31, 2018 and 2017 consist of the following (in thousands):

| | 2018 | 2017 |
|------------------------------|------------------|------------------|
| Payroll and related benefits | \$ 35,467 | \$ 34,809 |
| Taxes | 2,991 | 3,912 |
| Other | 15,607 | 10,908 |
| Total | <u>\$ 54,065</u> | <u>\$ 49,629</u> |

Non-Current Liabilities:

Non-current liabilities as of December 31, 2018 and 2017 consist of the following (in thousands):

| | 2018 | 2017 |
|-------------------------------------------------|------------------|-----------------|
| Deferred tax liability | \$ 969 | \$ 408 |
| Deferred rent | 6,602 | 7,523 |
| Contingent consideration and indemnity holdback | 3,433 | — |
| Other | 935 | 1,027 |
| Total | <u>\$ 11,939</u> | <u>\$ 8,958</u> |

Allowance for Doubtful Accounts:

A roll-forward of the allowance for doubtful accounts as of and for the years ended December 31, 2018, 2017, and 2016 is as follows (in thousands):

| | 2018 | 2017 | 2016 |
|---------------------------------|---------------|---------------|---------------|
| Balance, beginning of year | \$ 155 | \$ 140 | \$ 153 |
| Provision for doubtful accounts | 567 | 331 | 150 |
| Write-offs | (363) | (316) | (163) |
| Balance, end of year | <u>\$ 359</u> | <u>\$ 155</u> | <u>\$ 140</u> |

Note 14 - Summary Selected Quarterly Financial Data (unaudited)

The following is a summary of selected unaudited consolidated quarterly financial data for the years ended December 31, 2018 and 2017 (in thousands, except per share data):

| | Three Months Ended | | | |
|----------------------------------------|--------------------|------------------|-----------------------|----------------------|
| | March 31, 2018 | June 30, 2018 | September 30, 2018 | December 31, 2018 |
| Total revenues | \$ 77,749 | \$ 96,353 | \$ 84,890 | \$ 98,583 |
| Income (loss) from operations | \$ (2,288) | \$ 11,027 | \$ 4,942 | \$ 8,744 |
| Net income (loss) | \$ (1,733) | \$ 7,788 | \$ 3,950 | \$ 5,375 |
| Basic income (loss) per common share | \$ (0.10) | \$ 0.43 | \$ 0.22 | \$ 0.29 |
| Diluted income (loss) per common share | \$ (0.10) | \$ 0.43 | \$ 0.21 | \$ 0.29 |

| | Three Months Ended | | | |
|---------------------------------|--------------------|------------------|-----------------------|----------------------|
| | March 31, 2017 | June 30, 2017 | September 30, 2017 | December 31, 2017 |
| Total revenues | \$ 77,194 | \$ 89,733 | \$ 80,369 | \$ 90,377 |
| Income from operations | \$ 3,136 | \$ 10,213 | \$ 6,749 | \$ 7,451 |
| Net income | \$ 3,030 | \$ 6,064 | \$ 3,953 | \$ 2,093 |
| Basic income per common share | \$ 0.17 | \$ 0.34 | \$ 0.22 | \$ 0.12 |
| Diluted income per common share | \$ 0.16 | \$ 0.34 | \$ 0.22 | \$ 0.11 |

Out of Period Adjustment

During the quarter ended June 30, 2018, the Company recorded \$1.0 million of revenue (\$0.7 million after tax) for an out-of-period correction within research services in the Consolidated Statements of Income. The error resulted from an understatement of revenue from the reprint product line of \$0.8 million (\$0.5 million after tax) during the three months ended March 31, 2018 and \$0.2 million (\$0.1 million after tax) from the year ended December 31, 2017. The Company has concluded that the error was not material to all annual financial statement periods presented.

Note 15 - Subsequent Events

On January 3, 2019, Forrester acquired 100% of the issued and outstanding shares of SiriusDecisions, Inc., a privately-held company based in Wilton, Connecticut with approximately 350 employees globally. We believe that the combination of our expertise in strategy with SiriusDecisions' focus on operational excellence will enable our clients to know what they should do, why they should do it, and how to do it. The acquisition creates several opportunities for us, including cross-selling services to our respective client bases, extending SiriusDecisions' platform, methodologies, data, and best-practices tools into new roles, and accelerating international and industry growth. The acquisition of SiriusDecisions was determined to be an acquisition of a business under the provisions of ASC 805, *Business Combinations*.

Total Consideration Transferred

Pursuant to the terms of the merger agreement, the Company paid \$247.3 million at closing, which included the purchase price of \$245.0 million plus an estimate of cash acquired and reduced by certain working capital items, which is subject to adjustment. Net cash paid, which accounts for the cash acquired of \$7.2 million, was \$240.1 million. At the time of the merger, each vested SiriusDecisions stock option was converted into the right to receive the excess of the per share merger consideration over the exercise price of such stock option. All unvested SiriusDecisions stock options were cancelled without payment of any consideration.

The initial accounting for the acquisition was not complete at the time the financial statements were issued due to the timing of the acquisition and the filing of this Annual Report on Form 10-K. As a result, disclosures required under ASC 805-10-50, *Business Combinations*, cannot be made at this time.

The Company recognized \$1.8 million of acquisition costs in the year ended December 31, 2018 related to the SiriusDecisions acquisition. The costs primarily consisted of legal fees and accounting and tax professional fees and are included in acquisition and integration costs within the Consolidated Statements of Income.

In connection with the acquisition of SiriusDecisions, the Company entered into a \$200.0 million Credit Agreement on January 3, 2019 (the “Closing Date”). The Credit Agreement provides for: (1) senior secured term loans in an aggregate principal amount of \$125.0 million (the “*Term Loans*”) and (2) a senior secured revolving credit facility in an aggregate principal amount of \$75.0 million (the “*Revolving Credit Facility*”) and, together with the Term Loans, the “*Facilities*”). On the Closing Date, the full \$125.0 million from the Term Loans and \$50.0 million of the Revolving Credit Facility were used to finance a portion of the acquisition of SiriusDecisions and to pay certain fees, costs and expenses incurred in connection with the acquisition. The Facilities are scheduled to mature on January 3, 2024.

Amounts borrowed under the Facilities bear interest, at Forrester’s option, at a rate per annum equal to either (i) the London Interbank Offering Rate (“*LIBOR*”) for the applicable interest period plus a margin that is between 1.75% and 2.50% based on Forrester’s consolidated total leverage ratio or (ii) the applicable base rate plus a margin that is between 0.75% and 1.50% based on Forrester’s consolidated total leverage ratio. In addition, the Company will pay a commitment fee equal to 0.35% per annum on the average daily unused portion of the Revolving Credit Facility, payable quarterly, in arrears, and on the date of termination or expiration of the Revolving Credit Facility. The commitment fee may decrease to 0.30% or 0.25% based on Forrester’s consolidated total leverage ratio.

The Term Loans require repayment of the outstanding principal balance in equal quarterly installments, commencing on March 31, 2019, in each year below, with the balance repayable on the maturity date, subject to customary exceptions. The amount payable in each year is set forth in the table below:

| Year | Yearly Repayment Amount |
|------------|----------------------------|
| 1 | \$ 6,250,000 |
| 2 | 9,375,000 |
| 3 | 12,500,000 |
| 4 | 12,500,000 |
| 5 | 15,625,000 |
| Thereafter | \$ 68,750,000 |

The Revolving Credit Facility does not require repayment prior to maturity, subject to customary exceptions. In addition to financing the acquisition, proceeds from the Revolving Credit Facility can also be used towards working capital and general corporate purposes. Up to \$5 million of the Revolving Credit Facility is available for the issuance of letters of credit, and any drawings under the letters of credit must be reimbursed within one business day.

The Facilities contain certain customary restrictive loan covenants, including among others, financial covenants that apply a maximum leverage ratio and minimum fixed charge coverage ratio. The negative covenants limit, subject to various exceptions, the Company’s ability to incur additional indebtedness, create liens on assets, merge, consolidate, liquidate or dissolve any part of the Company, sell assets, pay dividends or other payments in respect to capital stock, change fiscal year, or enter into certain transactions with affiliates and subsidiaries. The first covenant reporting period is March 31, 2019, and the Company expects to be in full compliance. The Facilities also contain customary events of default, representations, and warranties.

The Facilities permit the Company to borrow incremental term loans and / or increase commitments under the Revolving Credit Facility in an aggregate principal amount up to \$50.0 million, subject to approval by the administrative agent and certain customary terms and conditions.

The Facilities can be repaid early, in part or in whole, at any time and from time to time, without premium or penalty, other than customary breakage reimbursement requirements for LIBOR-based loans. The Term Loans must be prepaid with net cash proceeds of (i) certain debt incurred or issued by Forrester and its restricted subsidiaries and (ii) certain asset sales and condemnation or casualty events, subject to certain reinvestment rights.

All obligations under the Facilities are unconditionally guaranteed by each of the Company's existing and future, direct and indirect material wholly-owned domestic subsidiaries, other than certain excluded subsidiaries, and are collateralized by a first priority lien on substantially all tangible and intangible assets including intellectual property and all of the capital stock of the Company and its subsidiaries (limited to 65% of the voting equity of certain subsidiaries).

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2018.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (GAAP). Internal control over financial reporting includes those policies and procedures that: 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect material misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2018. In making its assessment, management used the criteria set forth in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission in 2013. Based on this assessment, management believes that as of December 31, 2018, the Company’s internal control over financial reporting is effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, as stated in their report, which appears on page 32 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) of the Exchange Act) that occurred during the quarter ended December 31, 2018 which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers

The following table sets forth information about our executive officers as of March 8, 2019.

| Name | Age | Position |
|------------------|-----|------------------------------------------------|
| George F. Colony | 65 | Chairman of the Board, Chief Executive Officer |
| Mack Brothers | 54 | Chief Product Officer |
| Ryan D. Darrah | 47 | Chief Legal Officer and Secretary |
| Michael A. Doyle | 63 | Chief Financial Officer |
| Kelley Hippler | 50 | Chief Sales Officer |
| Carrie Johnson | 43 | Chief Research Officer |
| Victor Milligan | 55 | Chief Marketing Officer |
| Steven Peltzman | 50 | Chief Business Technology Officer |

George F. Colony, Forrester's founder, has served as Chairman of the Board of Directors and Chief Executive Officer since the Company's inception in July 1983, and as President since September 2001 and from 1983-2000.

Mack Brothers became Forrester's Chief Product Officer in November 2018. Previously, he served as Chief Consulting Officer from May 2016 until assuming his current role. Prior to joining Forrester, he was Vice President, Industry Services and Consulting, for IHS, Inc. (now IHS Markit, Ltd.), a business intelligence and syndicated research firm, for more than five years. Mr. Brothers held leadership positions at IHS for a total of nine years, and previously was Senior Vice President, Business Development at Wood Mackenzie, Ltd.

Ryan D. Darrah began serving as Chief Legal Officer and Secretary in March 2017. Previously, he was the Assistant General Counsel and Assistant Secretary of the Company. Prior to joining the Company in 2007, Mr. Darrah served as General Counsel and Secretary of Sports Loyalty Systems, Inc. and ProfitLogic, Inc.

Michael A. Doyle began serving as the Company's Chief Financial Officer in September 2007. He also served as the Company's Treasurer from September 2007 through June 2016. Prior to joining the Company, Mr. Doyle was Chief Financial Officer of Easylink Services Corporation, a publicly traded telecommunications messaging provider, since 2004. Prior to joining Easylink, Mr. Doyle was the Chief Financial Officer for North America of Dun & Bradstreet Corporation from 2002 to 2004, and from 1997 to 2002, he held various senior financial and marketing positions with Cendant Corporation.

Kelley Hippler became Forrester's Chief Sales Officer in July 2017. Previously she served as Senior Vice President for Customer Success from November 7, 2016 to July 2017, Chief of Staff, Global Sales from January 2013 to October 2013, and Senior Vice President, Emerging Sales, from January 2012 to January 2013. Ms. Hippler joined Forrester in 1999.

Carrie Johnson became Forrester's Chief Research Officer in November 2018. Previously she served as Senior Vice President, Research from August 2015 to November 2018 and Vice President, Group Director from October 2013 to August 2015. Ms. Johnson joined Forrester in 1998.

Victor Milligan began serving as the Company's Chief Marketing Officer in December 2014. From May 2011 until joining the Company he was Chief Marketing Officer for Nexage, LLC, a provider of supply-side mobile advertising solutions. From 2008-2011, Mr. Milligan was Chief Strategy and Marketing Officer for Lavastorm Analytics, and prior to that a senior managing partner and vertical industry leader at Gartner, Inc.

Steven Peltzman joined Forrester as its Chief Business Technology Officer in September 2011. From 2001 to 2011, Mr. Peltzman was the Chief Information Officer of the Museum of Modern Art in New York City. Prior to that, Mr. Peltzman served as the Chief Technology Officer at MarketMedical.com and as the vice president of technology at Earthweb and was an officer in the United States Air Force.

Our Code of Business Conduct and Ethics covers all employees, officers and directors, including our principal executive, financial and accounting officers. A copy of our Code of Business Conduct and Ethics can be found on our web site, www.forrester.com.

We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the Company’s Code of Business Conduct and Ethics, that relates to a substantive amendment or material departure from a provision of the Code, by posting such information on our Internet website at www.forrester.com. We also intend to satisfy the disclosure requirements of the Nasdaq Stock Market regarding waivers of the Code of Business Conduct and Ethics by posting such information on our Internet website at www.forrester.com.

The remainder of the response to this item is contained in our Proxy Statement for our 2019 Annual Meeting of Stockholders (the “2019 Proxy Statement”) under the captions “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance”, all of which is incorporated herein by reference.

Item 11. *Executive Compensation*

The response to this item is contained in the 2019 Proxy Statement under the captions “Director Compensation” and “Executive Compensation” and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The response to this item is contained in the 2019 Proxy Statement under the caption “Security Ownership of Certain Beneficial Owners and Management” and is incorporated herein by reference.

The following table summarizes, as of December 31, 2018, the number of options issued under our equity incentive plans and the number of shares available for future issuance under these plans:

| Plan Category | (a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | (b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights | (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)(1)) |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by stockholders | 1,079,559 (1)\$ | 35.27 | 2,925,432 (2) |
| Equity compensation plans not approved by stockholders | N/A | N/A | N/A |
| Total | <u>1,079,559</u> | <u>\$ 35.27</u> | <u>2,925,432</u> |

- (1) Includes 496,748 restricted stock units that are not included in the calculation of the weighted average exercise price.
- (2) Includes, as of December 31, 2018, 2,460,543 shares available for issuance under our Equity Incentive Plan and 464,889 shares that are available for issuance under our Stock Purchase Plan.

The shares available under our Equity Incentive Plan are available to be awarded as restricted or unrestricted stock or stock units.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The response to this item is contained in the Company’s 2019 Proxy Statement under the captions “Information with Respect to Board of Directors”, “Certain Relationships and Related Transactions”, and “Related Person Transactions” and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The response to this item is contained in the Company’s 2019 Proxy Statement under the caption “Independent Auditors’ Fees and Other Matters” and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

a. Financial Statements. See Index on page 33.

b. Financial Statement Schedules. None.

c. Exhibits. A complete listing of exhibits required is given in the Exhibit Index that precedes the exhibits filed with this report on page 77 hereof.

Item 16. Form 10-K Summary.

Not applicable.

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1 | Agreement and Plan of Merger, dated as of November 26, 2018, by and among Forrester Research, Inc., Supernova Acquisition Corp., SiriusDecisions, Inc., the Founder Stockholders named therein, and Fortis Advisors LLC, as Stockholder Representative |
| 3.1 | Restated Certificate of Incorporation of Forrester Research, Inc. (see Exhibit 3.1 to Registration Statement on Form S-1A filed on November 5, 1996) |
| 3.2 | Certificate of Amendment of the Certificate of Incorporation of Forrester Research, Inc. (see Exhibit 3.1 to Annual Report on Form 10-K for the year ended December 31, 1999) |
| 3.3 | Certificate of Amendment to Restated Certificate of Incorporation of Forrester Research, Inc. |
| 3.4 | Amended and Restated By-Laws of Forrester Research, Inc. |
| 4 | Specimen Certificate for Shares of Common Stock, \$.01 par value, of Forrester Research, Inc. (see Exhibit 4 to Registration Statement on Form S-1A filed on November 5, 1996) |
| 10.01+ | Registration Rights and Non-Competition Agreement (see Exhibit 10.1 to Registration Statement on Form S-1 filed on September 26, 1996) |
| 10.02+ | Amended and Restated Employee Stock Purchase Plan |
| 10.03+ | Amended and Restated Equity Incentive Plan |
| 10.04+ | Stock Option Plan for Directors, as amended |
| 10.05+ | Form of Incentive Stock Option Certificate (Amended and Restated Equity Incentive Plan) |
| 10.06+ | Form of Non-Qualified Stock Option Certificate (Amended and Restated Equity Incentive Plan) |
| 10.07+ | Form of Performance-Based Stock Option Certificate (Amended and Restated Equity Incentive Plan) |
| 10.08(1)+ | Form of Performance-Based Restricted Stock Unit Award Agreement (Amended and Restated Equity Incentive Plan) |
| 10.09+ | Form of Director's Option Certificate (Stock Option Plan for Directors) |
| 10.10+ | Form of Restricted Stock Unit Award Agreement (Amended and Restated Equity Incentive Plan) |
| 10.11+ | Form of Restricted Stock Unit Award Agreement for Directors with Four-Year Vesting (Amended and Restated Equity Incentive Plan) |
| 10.12+ | Form of Restricted Stock Unit Award Agreement for Directors with One-Year Vesting (Amended and Restated Equity Incentive Plan) |
| 10.13+ | Form of Stock Option Certificate with Non-Solicitation Covenant (Amended and Restated Equity Incentive Plan) |
| 10.14+ | Form of Stock Option Certificate with Non-Solicitation and Non-Competition Covenant (Amended and Restated Equity Incentive Plan) |
| 10.15+ | Form of Restricted Stock Unit Award Agreement with Non-Solicitation Covenant (Amended and Restated Equity Incentive Plan) |
| 10.16+ | Form of Restricted Stock Unit Award Agreement with Non-Solicitation and Non-Competition Covenant (Amended and Restated Equity Incentive Plan) |
| 10.17+ | Amended and Restated Executive Cash Incentive Plan |
| 10.18+ | Employment Offer Letter from Company to Michael A. Doyle dated July 24, 2007 |
| 10.19+ | Promotion and Compensation Letter from the Company to Clifford Condon dated August 12, 2013 |

| | |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.20+ | Promotion and Compensation Letter from the Company to Clifford Condon dated August 24, 2015 |
| 10.21+ | Forrester Research, Inc. Executive Severance Plan |
| 10.22 | Lease of Premises at Cambridge Discovery Park, Cambridge, Massachusetts dated as of September 29, 2009 from BHX, LLC, as Trustee of Acorn Park I Realty Trust to the Company |
| 10.23 | First Amendment of Lease dated as of December 21, 2009 by 200 Discovery Park, LLC, successor to BHX, LLC, as Trustee of Acorn Park I Realty Trust, and the Company |
| 10.24 | Agreement Regarding Project Rights dated as of September 29, 2009, by BHX, LLC, a Massachusetts limited liability company, as Trustee of Acorn Park I Realty Trust, a Massachusetts nominee trust, and the Company |
| 10.25 | Second Amendment of Lease dated as of February 8, 2012 by 200 Discovery Park, LLC and the Company |
| 10.26 | Underlease dated July 15, 2010 among Covington & Burling LLP, Forrester Research Limited, and the Company |
| 10.27 | Agreement of Lease dated as of April 30, 2010 between RFL 160 Fifth LLC and the Company |
| 10.28 | Office Lease dated November 24, 2010 between 150 Spear Street, LLC and the Company |
| 10.29 | First Amendment to Office Lease dated as of August 2012 between 150 Spear Street, LLC and the Company |
| 10.30 | Second Amendment to Office Lease dated as of September 25, 2015 between 150 Spear Street, LLC and the Company |
| 10.31(1) | Lease dated as of March 27, 2006 between DIV Danbury 187, LLC and DIV Linden 1987, LLC and SiriusDecisions, Inc. |
| 10.32(1) | Amendment to Lease dated as of March 27, 2008 between DIV Danbury 187, LLC and DIV Linden 187, LLC and SiriusDecisions, Inc. |
| 10.33(1) | Second Amendment to Lease dated as of June 15, 2012 between DIV Danbury 187, LLC and DIV Linden 187, LLC and SiriusDecisions, Inc. |
| 10.34(1) | Third Amendment to Lease dated as of October 24, 2012 between DIV Danbury 187, LLC and DIV Linden 187, LLC and SiriusDecisions, Inc. |
| 10.35(1) | Fourth Amendment to Lease dated as of February 14, 2014 between DIV Danbury 187, LLC and DIV Linden 187, LLC and SiriusDecisions, Inc. |
| 10.36(1) | Fifth Amendment to Lease dated as of October 2, 2015 between DIV Danbury 187, LLC and DIV Linden 187, LLC and SiriusDecisions, Inc. |
| 10.37 | Credit Agreement, dated as of January 3, 2019, among the Company, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto. |
| 21(1) | Subsidiaries of the Registrant |
| 23.1(1) | Consent of PricewaterhouseCoopers LLP |
| 31.1(1) | Certification of the Principal Executive Officer |
| 31.2(1) | Certification of the Principal Financial Officer |
| 32.1(1) | Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2(1) | Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |

101.PRE XBRL Taxonomy Extension Presentation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

(1) Filed herewith.

+ Denotes management contract or compensation arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FORRESTER RESEARCH, INC.

By: /s/ GEORGE F. COLONY
 George F. Colony
 Chairman of the Board and Chief Executive Officer

Date: March 8, 2019

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Capacity In Which Signed</u> | <u>Date</u> |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------|
| <u> /s/ GEORGE F. COLONY </u> George F. Colony | Chairman of the Board and Chief Executive Officer (Principal Executive Officer) | March 8, 2019 |
| <u> /s/ MICHAEL A. DOYLE </u> Michael A. Doyle | Chief Financial Officer (Principal Financial Officer) | March 8, 2019 |
| <u> /s/ SCOTT R. CHOUINARD </u> Scott R. Chouinard | Chief Accounting Officer and Treasurer (Principal Accounting Officer) | March 8, 2019 |
| <u> /s/ YVONNE L. WASSENAAR </u> Yvonne L. Wassenaar | Member of the Board of Directors | March 8, 2019 |
| <u> /s/ ROBERT M. GALFORD </u> Robert M. Galford | Member of the Board of Directors | March 8, 2019 |
| <u> /s/ GRETCHEN TEICHGRAEBER </u> Gretchen Teichgraeber | Member of the Board of Directors | March 8, 2019 |
| <u> /s/ DAVID J. BOYCE </u> David J. Boyce | Member of the Board of Directors | March 8, 2019 |
| <u> /s/ ANTHONY J. FRISCIA </u> Anthony J. Friscia | Member of the Board of Directors | March 8, 2019 |
| <u> /s/ NEIL BRADFORD </u> Neil Bradford | Member of the Board of Directors | March 8, 2019 |
| <u> /s/ JEAN BIRCH </u> Jean Birch | Member of the Board of Directors | March 8, 2019 |

Notice Of 2019 Annual Meeting Of Stockholders
And Proxy Statement

Forrester Research, Inc.
60 Acorn Park Drive
Cambridge, Massachusetts 02140

George F. Colony
Chairman of the Board
and Chief Executive Officer

April 2, 2019

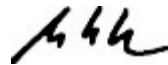
To Our Stockholders:

You are cordially invited to attend the 2019 Annual Meeting of Stockholders of Forrester Research, Inc., which will be held on Tuesday, May 14, 2019 at 10:00 a.m. Eastern Daylight Time. The Annual Meeting will be a virtual stockholder meeting, conducted via live audio webcast, through which you can submit questions and vote online. You may attend the meeting by visiting www.virtualshareholdermeeting.com/FORR2019 and entering your 16-digit control number included with these proxy materials.

On the following pages, you will find the formal notice of the Annual Meeting and our proxy statement. At the Annual Meeting you are being asked to elect eight Directors, to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019, and to approve by non-binding vote our executive compensation.

We hope that many of you will be able to attend. Thank you for your continued support and investment in Forrester.

Sincerely yours,



GEORGE F. COLONY
Chairman of the Board
and Chief Executive Officer

Forrester Research, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 14, 2019

Notice is hereby given that the 2019 Annual Meeting of Stockholders of Forrester Research, Inc. will be held at 10:00 a.m. Eastern Daylight Time on Tuesday, May 14, 2019. The annual meeting will be a virtual stockholder meeting, conducted via live audio webcast, through which you can submit questions and vote online. You may attend the meeting by visiting www.virtualshareholdermeeting.com/FORR2019 and entering your 16-digit control number included with these proxy materials. The purpose of the annual meeting will be the following:

1. To elect the eight directors named in the accompanying proxy statement to serve until the 2020 Annual Meeting of Stockholders;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019; and
3. To approve by non-binding vote our executive compensation.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Stockholders of record at the close of business on March 20, 2019 are entitled to notice of and to vote at the meeting. A list of stockholders entitled to vote at the meeting will be open to examination by any stockholder, for any purpose germane to the meeting, during normal business hours for a period of ten days before the meeting at our corporate offices at 60 Acorn Park Drive, Cambridge, Massachusetts 02140, and online during the meeting accessible at www.virtualshareholdermeeting.com/FORR2019.

If you are unable to participate in the annual meeting online, please vote your shares as provided in this proxy statement.

By Order of the Board of Directors



RYAN D. DARRAH
Secretary

Cambridge, Massachusetts
April 2, 2019

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. PLEASE VOTE YOUR SHARES OVER THE INTERNET OR BY TELEPHONE IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THE PROXY CARD, OR COMPLETE, SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE WHETHER OR NOT YOU PLAN TO PARTICIPATE IN THE MEETING ONLINE.

FORRESTER RESEARCH, INC.

Annual Meeting of Stockholders

May 14, 2019

PROXY STATEMENT

The Board of Directors of Forrester Research, Inc., a Delaware corporation, is soliciting proxies from our stockholders. The proxy will be used at our 2019 Annual Meeting of Stockholders and at any adjournments thereof. You are invited to attend the meeting to be held at 10:00 a.m. Eastern Daylight Time on Tuesday, May 14, 2019. The annual meeting will be held virtually, conducted via live audio webcast, through which you can submit questions and vote online. You may attend the meeting by visiting www.virtualshareholdermeeting.com/FORR2019. Be sure to have your 16-digit control number included with these proxy materials in order to access the annual meeting. This proxy statement was first made available to stockholders on or about April 2, 2019.

This proxy statement contains important information regarding our annual meeting. Specifically, it identifies the proposals upon which you are being asked to vote, provides information that you may find useful in determining how to vote and describes voting procedures.

We use several abbreviations in this proxy statement. We call our Board of Directors the “Board”, refer to our fiscal year which began on January 1, 2018 and ended on December 31, 2018 as “fiscal 2018,” and refer to our fiscal year ending December 31, 2019 as “fiscal 2019”. We also refer to ourselves as “Forrester” or the “Company.”

Who May Attend and Vote?

Stockholders who owned our common stock at the close of business on March 20, 2019 are entitled to notice of and to vote at the annual meeting. We refer to this date in this proxy statement as the “record date.” As of the record date, we had 18,419,705 shares of common stock issued and outstanding. Each share of common stock is entitled to one vote on each matter to come before the meeting.

How Do I Vote?

If you are a stockholder of record of our common stock:

1. *You may vote over the internet.* If you have internet access, you may vote your shares from any location in the world by following the Vote by Internet instructions on the enclosed proxy card. In addition, you may attend the annual meeting via the internet and vote during the annual meeting. Please have your 16-digit control number included with these proxy materials in order to access the annual meeting.
2. *You may vote by telephone.* You may vote your shares by following the “Vote by Phone” instructions on the enclosed proxy card.
3. *You may vote by mail.* If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided.

By voting over the internet or by telephone, or by signing and returning the proxy card according to the enclosed instructions, you are enabling the individuals named on the proxy card (known as “proxies”) to vote your shares at the meeting in the manner you indicate. We encourage you to vote in advance even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting. Your shares will be voted in accordance with your instructions. If a proxy card is signed and received by our Secretary, but no instructions are indicated, then the proxy will be voted “FOR” the election of the nominees for directors, “FOR” ratifying the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2019, and “FOR” approval of the non-binding vote on our executive compensation.

How Do I Vote if My Shares are Held in Street Name?

If you hold shares in “street name” (that is, through a bank, broker, or other nominee), the bank, broker, or other nominee, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your brokerage firm provides you. Many brokers also offer the option of voting over the internet or by telephone, instructions for which would be provided by your brokerage firm on your voting instruction form. Please follow the instructions on that form to make sure your shares are properly voted. If you hold shares in “street name” and would like to attend the annual meeting and vote online, you must contact the person in whose name your shares are registered and follow directions provided to obtain a proxy card from that person and have it available for the annual meeting.

What Does the Board of Directors Recommend?

The Board recommends that you vote FOR the election of nominees for directors identified in Proposal One, FOR ratifying the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm as described in Proposal Two, and FOR approval by non-binding vote of our executive compensation as provided in Proposal Three.

If you are a record holder and submit the proxy card but do not indicate your voting instructions, the persons named as proxies on your proxy card will vote in accordance with the recommendations of the Board of Directors. If you hold your shares in “street name”, and you do not indicate how you wish to have your shares voted, your nominee has discretion to instruct the proxies to vote on Proposal Two but does not have the authority, without your specific instructions, to vote on the election of directors or on Proposal Three, and those votes will be counted as “broker non-votes”.

What Vote is Required for Each Proposal?

A majority of the shares entitled to vote on a particular matter, present in person or represented by proxy, constitutes a quorum as to any proposal. The nominees for election of the directors at the meeting (Proposal One) who receive the greatest number of votes properly cast for the election of directors will be elected. As a result, shares that withhold authority as to the nominees recommended by the Board will have no effect on the outcome. The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and voting is required to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm (Proposal Two) and to approve the non-binding vote on our executive compensation (Proposal Three).

Shares represented by proxies that indicate an abstention or a “broker non-vote” (that is, shares represented at the annual meeting held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) will be counted as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum, but are not considered to have been voted, and have the practical effect of reducing the number of affirmative votes required to achieve a majority for those matters requiring the affirmative vote of the holders of a majority of the shares present or represented by proxy and voting (Proposals Two and Three) by reducing the total number of shares from which the majority is calculated. However, because directors are elected by a plurality vote, abstentions and broker non-votes will have no effect on the outcome on Proposal One.

May I Change or Revoke My Vote After I Return My Proxy Card or After I Have Voted My Shares over the Internet or by Telephone?

Yes. If you are a stockholder of record, you may change or revoke a proxy any time before it is voted by:

- returning to us a newly signed proxy bearing a later date;
- delivering a written instrument to our Secretary revoking the proxy; or
- attending the annual meeting via the internet and voting online. Simply attending the annual meeting will not, by itself, revoke your proxy.

If you hold shares in “street name”, you should follow the procedure in the instructions that your nominee has provided to you.

Who Will Bear the Cost of Proxy Solicitation?

We will bear the expense of soliciting proxies. Our officers and regular employees (who will receive no compensation in addition to their regular salaries) may solicit proxies. In addition to soliciting proxies through the mail, our officers and regular employees may solicit proxies personally, as well as by mail, telephone, and telegram from brokerage houses and other stockholders. We will reimburse brokers and other persons for reasonable charges and expenses incurred in forwarding soliciting materials to their clients.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on May 14, 2019

This proxy statement and our Annual Report to Stockholders are available on-line at www.proxyvote.com. These materials will be mailed to stockholders who request them.

How Can I Obtain an Annual Report on Form 10-K?

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 is available on our website at www.forrester.com/aboutus. If you would like a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, we will send you one without charge. Please contact Investor Relations, Forrester Research, Inc., 60 Acorn Park Drive, Cambridge, MA 02140, Tel: (617) 613-6000.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table and notes provide information about the beneficial ownership of our outstanding common stock as of March 8, 2019 (except as otherwise noted) by:

- (i) each person who we know beneficially owns more than 5% of our common stock;
- (ii) each of the executive officers named below in the Summary Compensation Table;
- (iii) each member of our Board of Directors; and
- (iv) our directors and executive officers as a group.

Except as otherwise indicated, each of the stockholders named in the table below has sole voting and investment power with respect to the shares of our common stock beneficially owned. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (“SEC”) and includes voting or investment power with respect to the shares. Shares subject to exercisable options and vesting restricted stock units include options that are currently exercisable or exercisable within 60 days of March 8, 2019 and shares underlying restricted stock units scheduled to vest within 60 days of March 8, 2019.

| Name of Beneficial Owner | Common Stock Beneficially Owned | | |
|------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------|
| | Shares Beneficially Owned | Shares Subject to Exercisable Options and Vesting Restricted Stock Units | Percentage of Outstanding Shares |
| George F. Colony c/o Forrester Research, Inc. 60 Acorn Park Drive Cambridge, MA 02140(1) | 7,764,198 | — | 42.2% |
| Wellington Management Group LLP c/o Wellington Management Company LLP 280 Congress Street Boston, MA 02210(2) | 1,965,275 | — | 10.7% |
| BlackRock, Inc. 55 East 52nd Street New York, NY 10022(3) | 1,499,011 | — | 8.1% |
| The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355(4) | 1,049,801 | — | 5.7% |
| Jean Birch | 2,781 | — | * |
| David Boyce | 2,582 | — | * |
| Neil Bradford | 2,502 | — | * |
| Tony Friscia | 5,158 | — | * |
| Robert Galford | 25,387 | 12,000 | * |
| Gretchen Teichgraeber | 13,548 | 24,000 | * |
| Yvonne Wassenaar | 5,158 | — | * |
| Mack Brothers | 7,677 | 10,000 | * |
| Michael Doyle | 25,423 | 85,875 | * |
| Kelley Hippler | 5,957 | 22,500 | * |
| Steven Peltzman | 8,592 | — | * |
| Directors, named executive officers, and other executive officers as a group (16 persons)(1) | 7,877,247 | 195,084 | 43.4% |

- (1) Includes 1,580 shares held by Mr. Colony’s wife as to which Mr. Colony disclaims beneficial ownership.
- (2) Beneficial ownership as of December 31, 2018, as reported in a Schedule 13G filed with the SEC on February 12, 2019, stating that Wellington Management Group LLP, Wellington Group Holdings LLP, and Wellington Investment Advisors Holdings LLP

each has shared voting power with respect to 1,514,596 shares and shared dispositive power with respect to 1,965,275 shares, and Wellington Management Company, LLP has shared voting power with respect to 1,505,416 shares and shared dispositive power with respect to 1,956,095 shares.

- (3) Beneficial ownership as of December 31, 2018, as reported in a Schedule 13G filed with the SEC on February 4, 2019, stating that BlackRock, Inc. has sole voting power with respect to 1,473,542 shares and sole dispositive power with respect to 1,499,011 shares.
 - (4) Beneficial ownership as of December 31, 2018, as reported in a Schedule 13G filed with the SEC on February 11, 2019, stating that The Vanguard Group has sole voting power with respect to 21,033 shares, shared voting power with respect to 964 shares, sole dispositive power with respect to 1,028,814 shares and shared dispositive power with respect to 20,987 shares.
- * Less than 1%

PROPOSAL ONE:

ELECTION OF DIRECTORS

Our directors are elected annually by the stockholders. The Board has nominated Jean Birch, David Boyce, Neil Bradford, George Colony, Anthony Friscia, Robert Galford, Gretchen Teichgraber and Yvonne Wassenaar to serve one-year terms that will expire at the 2020 Annual Meeting of Shareholders. These individuals all currently serve on our Board and were all elected at last year's Annual Meeting.

The proxies intend to vote each share for which a proper proxy card has been returned or voting instructions received and not revoked in favor of the nominees named above. If you wish to withhold the authority to vote for the election of any of the nominees, your voting instructions must so indicate or your returned proxy card must be marked to that effect.

It is expected that each of the nominees will be able to serve, but if any of them is unable to serve, the proxies reserve discretion to vote, or refrain from voting, for a substitute nominee or nominees.

The following section provides information about each nominee, including information provided by each nominee about his or her principal occupation and business experience for the past five years and the names of other publicly-traded companies, if any, for which he or she currently serves as a director or has served as a director during the past five years. In addition to the information presented with respect to each nominee's experience, qualifications and skills that led our Board to conclude that he or she should serve as a director, we also believe that each of the nominees has demonstrated business acumen and a significant commitment to our company, and has a reputation for integrity and adherence to high ethical standards.

NOMINEES FOR ELECTION

Jean M. Birch, age 59, became a director of Forrester in February 2018. Ms. Birch currently serves as the Chair of the Board of Papa Murphy's Holdings, Inc., a position she has held since September of 2016. She joined the PMI board in April of 2015 and, from January through July of 2017, Ms. Birch served as interim President and CEO. Ms. Birch also serves as an independent director of CorePoint Lodging, Inc., a position she has held since September 2018. At CorePoint, Ms. Birch sits on the audit and nominating and governance committees. Ms. Birch is the President and CEO of Birch Company, LLC., a small consulting practice, a position she has held since the company's formation in 2007. Ms. Birch has previously served on the board of Darden Restaurants, Inc. from 2014-2016. Additionally, she served on the board of Cosi, Inc. from 2013-2016. Prior to that, from 2009 through 2012, Ms. Birch served as President of IHOP Restaurants, Inc., a division of DineEquity, Inc. We believe Ms. Birch's qualifications to serve on our Board of Directors include her more than two decades of operating experience leading large consumer businesses and her experience as a public company board member.

David Boyce, age 51, became a director of Forrester in June 2017. Mr. Boyce is the Chief Strategy Officer of InsideSales.com, Inc., a software company offering a leading sales acceleration platform. Prior to joining InsideSales.com, Mr. Boyce was the Chief Executive Officer and Chairman of Fundly, Inc., a crowdfunding site for online fundraising from 2010 to 2013. Previously, Mr. Boyce was global VP of Strategy at Oracle from 2005 to 2010. We believe Mr. Boyce's qualifications to serve on our Board of Directors include his extensive experience as an operating executive at several software companies and his expertise in product, strategy and marketing.

Neil Bradford, age 46, became a director of Forrester in February 2018. From 2017 to March 2019, Mr. Bradford served as the Chief Executive Officer of Financial Express, Ltd., an investment ratings and fund research agency based in the United Kingdom. Prior to joining FE, Mr. Bradford was the Chief Executive Officer of Argus Media, a provider of price assessments, business intelligence and market data for the global energy and commodities markets from 2015 to 2017, where he also served as Chief Operating Officer from 2010 to 2015. In 1997, Mr. Bradford co-founded Fletcher Research Limited, a UK-based technology research

firm that was acquired by Forrester in 1999. Mr. Bradford served in executive roles with Forrester until 2006. We believe Mr. Bradford's qualifications to serve on our Board of Directors include his years of experience in the research and advisory business, having both founded and led companies in the industry, his prior experience as an executive officer of Forrester, and his perspective on European business as a UK citizen having worked for firms headquartered in London.

George F. Colony, age 65, is the founder of Forrester and since 1983, he has served as Chairman of the Board and Chief Executive Officer. He also has served as Forrester's President since September 2001, and he previously was Forrester's President from 1983 to 2000. We believe Mr. Colony's qualifications to serve on our Board of Directors and as its Chairman include his extensive experience in the research industry, including more than 30 years as our chief executive officer, and his significant ownership stake in the Company.

Anthony Friscia, age 63, became a director of Forrester in June 2017. Mr. Friscia is currently an independent business consultant. From 2014 to 2016, Mr. Friscia was the President and Chief Executive Officer of Eduventures, Inc., a research and advisory firm that provides proprietary research and strategic advice to higher education leaders. Previously, from 2011 to 2014, Mr. Friscia served as a consultant and special advisor to the President of the New School, a private university in New York City. In 1986, Mr. Friscia founded AMR Research, a provider of research and advice on global supply chain and enterprise technology to operations and IT executives, and served as its President and Chief Executive Officer until 2009. We believe Mr. Friscia's qualifications to serve on our Board of Directors include his extensive experience in business leadership and providing strategic advice to senior leaders.

Robert M. Galford, age 66, became a director of Forrester in November 1996. Since November 2007, Mr. Galford has been the managing partner of the Center for Leading Organizations, an organizational development firm he founded in Concord, Massachusetts. From 2001 to 2007, Mr. Galford was a managing partner of the Center for Executive Development, an executive education provider in Boston, Massachusetts. We believe Mr. Galford's qualifications to serve on our Board of Directors include his many years of organizational development and executive education experience, along with his more recent corporate governance experience as an instructor for the National Association of Corporate Directors.

Gretchen G. Teichgraber, age 65, became a director of Forrester in December 2005. Ms. Teichgraber is the chair of the board of Leadership Directories, Inc., a premier information services company that publishes biographical and contact data on leaders in the private and public sectors. Previously, Ms. Teichgraber was an independent consultant to digital media companies and various non-profit organizations from 2007 to 2009. From 2000 to 2007, Ms. Teichgraber was the chief executive officer of Scientific American, Inc., publisher of the science and technology magazine, Scientific American. Prior to joining Scientific American, Ms. Teichgraber served as general manager, publishing, and vice president, marketing and information services at CMP Media, Inc., a leading provider of technology news and information. We believe Ms. Teichgraber's qualifications to serve on our Board of Directors include her significant general management and marketing experience in the publishing and information services business, including on-line and print media.

Yvonne Wassenaar, age 50, became a director of Forrester in June 2017. Ms. Wassenaar is the Chief Executive Officer of Puppet, Inc., an information technology automation software company. From 2017 to 2018, Ms. Wassenaar was the Chief Executive Officer of Airware, an enterprise drone solutions company. From 2014 to 2017, Ms. Wassenaar was with New Relic, Inc., a cloud-based SaaS company, most recently as Chief Information Officer. Prior to joining New Relic, Ms. Wassenaar held senior positions at VMware, Inc. from 2010 to 2014. We believe Ms. Wassenaar's qualifications to serve on our Board of Directors include her thought leadership in the areas of cloud computing, big data analytics and business digitization and her extensive experience in senior leadership positions at technology companies.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE NOMINEES NAMED ABOVE.

Corporate Governance

We believe that good corporate governance is important to ensure that Forrester is managed for the long-term benefit of its stockholders. Based on our continuing review of the provisions of the Sarbanes-Oxley Act of 2002, rules of the Securities and Exchange Commission and the listing standards of The NASDAQ Stock Market, our Board of Directors has adopted Corporate Governance Guidelines, an amended and restated charter for the Audit Committee of the Board of Directors, and a charter for the Compensation and Nominating Committee of the Board.

Our Corporate Governance Guidelines include stock retention guidelines applicable to executive officers and directors. The guidelines require executive officers and directors of the Company to retain at least 50% of the net shares of Forrester common stock delivered to them upon the exercise or vesting of stock-based awards granted on and after January 1, 2010. Net shares are the number of shares remaining after shares are sold or netted to pay the exercise price of stock-based awards and applicable withholding taxes. For directors, the applicable withholding tax is presumed to be the minimum withholding tax applicable to an employee. These

guidelines may be waived, at the discretion of the Compensation and Nominating Committee of the Board of Directors, if compliance with the guidelines would create severe hardship or prevent an executive officer or director from complying with a court order.

We also have a written code of business conduct and ethics that applies to all of our officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer, and persons performing similar functions. You can access our Code of Business Conduct and Ethics, Corporate Governance Guidelines and our current committee charters on our website, at www.forrester.com/aboutus.

Information With Respect to Board of Directors

Board Meetings and Committees

Our Board of Directors has determined that each of the current directors, with the exception of Mr. Colony, our Chairman and Chief Executive Officer, is independent under applicable NASDAQ standards as currently in effect.

Our Board of Directors held nine meetings during fiscal 2018. Each director attended at least 75 percent of the aggregate of the meetings of the Board of Directors and of each committee of which he or she is a member. Forrester does not require directors to attend the annual meeting of stockholders. Mr. Colony, who presided at the meeting, attended the 2018 annual meeting of stockholders, as did Mr. Galford. Historically, very few stockholders have attended our annual meeting and we have not found it to be a particularly useful forum for communicating with our stockholders. The Board of Directors currently has two standing committees, the Audit Committee and the Compensation and Nominating Committee, whose members consist solely of independent directors.

Our Audit Committee consists of four members: Jean M. Birch, Chair, Neil Bradford, Tony Friscia, and Yvonne Wassenaar, each of whom, in addition to satisfying the NASDAQ independence standards, also satisfies the Sarbanes-Oxley independence requirements for audit committee membership. In addition, the Board has determined that Ms. Birch is an “audit committee financial expert” under applicable rules of the Securities and Exchange Commission, and all of the members of the Audit Committee satisfy the financial literacy standards of NASDAQ. The Audit Committee held five meetings during fiscal 2018. The responsibilities of our Audit Committee and its activities during fiscal 2018 are described in the committee’s amended and restated charter, which is available on our website at www.forrester.com/aboutus. The charter will also be made available without charge to any stockholder who requests it by writing to Forrester Research, Inc., Attn: Chief Legal Officer and Secretary, 60 Acorn Park Drive, Cambridge, MA 02140.

Our Compensation and Nominating Committee consists of three members: Robert M. Galford, Chairman, David Boyce, and Gretchen G. Teichgraeber. The Compensation and Nominating Committee held five meetings during fiscal 2018. The Compensation and Nominating Committee has authority, as specified in the committee’s charter, to, among other things, evaluate and approve the compensation of our Chief Executive Officer, review and approve the compensation of our other executive officers, administer our stock plans, and oversee the development of executive succession plans for the CEO and other executive officers. The committee also has the authority to identify and recommend to the Board qualified candidates for director. The Compensation and Nominating Committee charter is available on our website at www.forrester.com/aboutus. The charter will also be made available without charge to any stockholder who requests it by writing to Forrester Research, Inc., Attn: Chief Legal Officer and Secretary, 60 Acorn Park Drive, Cambridge, MA 02140.

Compensation Committee Interlocks and Insider Participation

No person who served during the past fiscal year as a member of our Compensation and Nominating Committee is or was an officer or employee of Forrester, or had any relationship with Forrester requiring disclosure in this proxy statement. During the past fiscal year, none of our executive officers served as a member of the board of directors of another entity, any of whose executive officers served as one of our directors.

Board Leadership Structure

At the present time, Mr. Colony serves as both Chairman of the Board and Chief Executive Officer. Mr. Colony is a significant stakeholder in Forrester, beneficially owning approximately 42% of our outstanding common stock. As such, we believe it is appropriate that he set the agenda for the Board of Directors in addition to serving as the Chief Executive Officer. We also do not believe that the size of the Company warrants the division of these responsibilities.

In 2017, the Board of Directors selected Robert Galford to act as lead independent director. In this role, Mr. Galford presides at executive sessions of the independent directors and will bear such further responsibilities as the Board as a whole may designate from time to time.

The Board's Role in Risk Oversight; Risk Considerations in our Compensation Programs

The Board's role in the Company's risk oversight process includes receiving regular reports from members of management on areas of material risk to the Company, including financial, strategic, operational, cybersecurity, legal and regulatory risks. The full Board (or the appropriate Committee in the case of risks that are under the purview of a particular Committee) receives these reports from the appropriate manager within the Company. When a committee receives such a report, the Chairman of the relevant Committee reports on the discussion to the full Board during the Committee reports portion of the next Board meeting, enabling the full Board to coordinate the risk oversight role, particularly with respect to risk interrelationships.

Our Compensation and Nominating Committee does not believe that our compensation programs encourage excessive or inappropriate risk taking. We structure our pay programs to consist of both fixed and variable compensation, with the fixed base salary portion providing steady income regardless of our stock price performance. The variable components, consisting of cash bonus and stock-based awards, and for our chief sales officer, sales commissions, are designed to reward both short and long-term performance. Targets under our bonus plans are a function of bookings and profit (described in greater detail in the Compensation Discussion and Analysis below), important financial metrics for our business. For long-term performance, we generally award restricted stock units vesting over four years. We believe that the variable elements of compensation are a sufficient percentage of overall compensation to motivate executives to produce excellent short and long-term results for the Company, while fixed base salary is also sufficiently high such that the executives are not encouraged to take unnecessary or excessive risks. In addition, our bonus plan funding metrics apply company-wide, regardless of function or client group, which we believe encourages relatively consistent behavior across the organization. While sales commissions are not capped, we cap our bonus at 1.95 times target company performance. Therefore, even if Company performance dramatically exceeds target performance, bonus payouts are limited. Conversely, we have a minimum threshold on Company performance under our executive bonus plan approved by the Compensation and Nominating Committee so that the bonus plan is not funded at performance below a certain level. We also believe that our Executive Severance Plan adopted in 2014 and described in detail below, which provides severance compensation in the event of involuntary termination of employment without cause and in connection with a change in control, promotes stability and continuity of operations.

Director Candidates

As noted above, the Compensation and Nominating Committee has responsibility for recommending nominees for election as directors of Forrester. Our stockholders may recommend individuals for this committee to consider as potential director candidates by submitting their names and background to the "Forrester Research Compensation and Nominating Committee", c/o Chief Legal Officer and Secretary, 60 Acorn Park Drive, Cambridge, MA 02140. The Compensation and Nominating Committee will consider a recommended candidate for the next annual meeting of stockholders only if biographical information and background material are provided no later than the date specified below under "Stockholder Proposals" for receipt of director nominations.

The process that the Compensation and Nominating Committee will follow to identify and evaluate candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the Compensation and Nominating Committee. Assuming that biographical and background material is provided for candidates recommended by the stockholders, the Compensation and Nominating Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members.

In considering whether to recommend any candidate for inclusion in the Board's slate of recommended director nominees, including candidates recommended by stockholders, the Compensation and Nominating Committee will apply the criteria set forth in the committee's charter and in the Corporate Governance Guidelines. These criteria include, among others, the candidate's integrity, age, experience, commitment, diligence, conflicts of interest and the ability to act in the interests of all stockholders. Although the Compensation and Nominating Committee considers as one of many factors in the director identification and nomination process diversity of race, gender and ethnicity, as well as geography and business experience, it has no specific diversity policy. The Compensation and Nominating Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. We believe that the backgrounds and qualifications of the directors, considered as a group, should provide a composite mix of experience, knowledge and abilities, including direct operating experience, that will allow the Board to fulfill its responsibilities.

In addition, our by-laws permit stockholders to nominate directors for election at an annual meeting of stockholders, other than as part of the Board's slate. To nominate a director, in addition to providing certain information about the nominee and the nominating stockholder, the stockholder must give timely notice to Forrester, which, in general, requires that the notice be received by us no less than 90 nor more than 120 days prior to the anniversary date of the preceding annual meeting of stockholders. In accordance with our by-laws, the 2020 Annual Meeting will be held on May 12, 2020.

Communications from Stockholders

The Board will give appropriate attention to communications on issues that are submitted by stockholders, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters, the Compensation and Nominating

Committee, with the assistance of the Chief Legal Officer and Secretary, will be primarily responsible for monitoring communications from stockholders and will provide copies of summaries of such communications to the other directors as deemed appropriate.

Stockholders who wish to send communications on any topic to the Board should address such communications to the Forrester Research Compensation and Nominating Committee, c/o Chief Legal Officer and Secretary, Forrester Research, Inc., 60 Acorn Park Drive, Cambridge, MA 02140.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

We have implemented an executive compensation program that rewards performance. Our executive compensation program is designed to attract, retain and motivate the key individuals who are most capable of contributing to the success of our Company and building long-term value for our stockholders. The elements of our executives' total compensation are base salary, cash incentive awards, equity incentive awards and other employee benefits. We have designed a compensation program that makes a substantial portion of executive pay variable, subject to increase when performance targets are exceeded, and subject to reduction when performance targets are not achieved.

2018 Business Results

Our financial results were strong in 2018, reflecting continued progress in our strategic shift to capitalize on the opportunity presented by the Age of the Customer. Although the Company slightly missed its organic revenue plan for the year, it exceeded its annual sales plan and exceeded or met its revenue, pro forma operating margin and pro forma earnings per share guidance for the year, with revenues increasing by 6% to \$357.6 million.

Compensation for Performance

A substantial amount of the total compensation of our executive officers is linked to our performance, both through short-term cash incentive compensation and long-term equity incentive compensation. We believe this aligns our executives' incentives with our objective of enhancing stockholder value over the longer term.

Cash Compensation. A significant portion of the current cash compensation opportunity for our executive officers is achieved through our Amended and Restated Executive Cash Incentive Plan (the "Executive Cash Incentive Plan"). As described in more detail below, payments under the plan are based on company financial performance metrics (for 2018, booked sales accounts or "bookings" and adjusted operating profit). By design, our plan pays more when we perform well and less, or nothing, when we do not.

Equity Awards. Another key component of compensation for our executive officers consists of long-term equity incentives, principally in the form of restricted stock units (RSUs). In 2018, all RSUs granted to executive officers vest over time, with 25% to vest annually over four years. We believe these awards have retention value and reflect a balance between short-term financial performance and long-term shareholder return, supporting our performance-based compensation. Consistent with past years, we did not grant equity awards in 2018 to George Colony, our Chairman and Chief Executive Officer, who is the beneficial owner of approximately 42% of our common stock.

Compensation Program Changes in 2018

Base Salary and Short-Term Cash Incentive Compensation. Based on a review of market data, and taking into account the contributions of the named executive officers and our financial performance in 2017, during its annual executive compensation review our Compensation and Nominating Committee (the "Committee") increased the base salaries of the named executive officers by an average of approximately 2.4% over 2017, while increasing the target cash incentive bonus amount of the named executive officers by an average of 3.4% over 2017, as discussed further below. The Committee also decided to set the effectiveness of the compensation adjustments at April 1, 2018, while in 2017 the applicable adjustments were made as of July 1.

Executive Cash Incentive Plan. As was the case in 2017, while the Committee approved the same performance matrix for purposes of both the Executive Cash Incentive Plan and the Forrester Employee Bonus Plan, the Committee decided to place a stronger emphasis on exceeding, rather than just meeting, the target metrics for the executive team. Accordingly, the Committee approved different percentage payouts at various performance levels for the Executive Cash Incentive Plan than the Forrester

Employee Bonus Plan, with executive officers achieving less compensation if 2018 performance were to meet or fall short of the targeted levels, and additional compensation for performance above the targeted levels.

Chief Executive Officer Bonus. In 2018, in addition to his target cash incentive bonus under the Executive Cash Incentive Plan, the Committee approved an additional potential bonus of up to \$100,000 for Mr. Colony upon achievement of certain innovation-related criteria, as discussed in more detail below.

Say on Pay Stockholder Vote. As we have done each year since 2011, in 2018 we submitted our executive compensation program to an advisory vote of our stockholders and, consistent with the results of our previous say on pay votes, it received the support of 99% of the total votes cast at our annual meeting. We pay careful attention to any feedback we receive from our stockholders about our executive compensation program, including the say on pay vote. The Committee considered this feedback when setting our executive cash compensation program and granting equity awards to executives in 2018 and will continue to consider stockholder feedback in its subsequent executive compensation decision making.

Compensation Objectives and Strategy

The primary purpose of our executive compensation program is to attract, retain and motivate the key individuals who are most capable of contributing to the success of our Company and building long-term value for our stockholders. Our principal objectives and strategy concerning our executive compensation program are as follows:

- encourage achievement of key Company values — including client service, quality, collaboration, courage and integrity — that we believe are critical to our continued growth;
- base cash compensation on individual achievement and responsibility, teamwork, and our short-term financial performance;
- align employees' incentives with our objective of enhancing stockholder value over the longer term through long-term incentives, principally in the form of RSUs; and
- emphasize individual excellence and encourage employees at all levels, as well as executive officers, to take initiative and lead individual projects that enhance our performance.

These objectives and strategy are reviewed each year by the Committee, which oversees our executive compensation program. In furtherance of these objectives, the Committee takes the following actions each year:

- reviews the performance of George Colony, our Chairman and Chief Executive Officer, including his demonstration of leadership and his overall contribution to the financial performance of the Company;
- reviews the assessment by Mr. Colony of the performance of the other executive officers against their individual and team goals;
- reviews the company-wide financial goals that are used in the calculation of the cash incentive compensation for our executives;
- reviews all components of compensation for each executive officer: base salary, short-term cash incentive compensation, and long-term equity incentive compensation;
- assesses relevant market data; and
- holds executive sessions (without our management present) as appropriate to accomplish the above actions.

Mr. Colony also plays a substantial role in the compensation process for the other executive officers, primarily by recommending annual goals for the executives reporting directly to him, evaluating their performance against those goals, and providing recommendations on their compensation to the Committee.

The Committee did not engage an independent compensation consultant in 2018 for its general executive compensation analysis because the members were comfortable relying on their independent review of the market data, surveys and other supporting information provided by management, taking into account that the Company does not offer special perquisites, deferred compensation plans, or other special executive compensation arrangements. The Committee believes it is adequately experienced to address relevant issues and discharge its responsibilities consistent with the Company's compensation objectives and philosophy.

The Committee has not historically used formal benchmarking data to establish compensation levels, but has relied instead on relevant market data and surveys to design compensation packages that it believes are competitive with other similarly situated companies or those with whom we compete for talent. While compensation surveys provide useful data for comparative purposes, the Committee believes that successful compensation programs also require the application of sound judgment and subjective determinations of individual and Company performance.

The Committee believes it is helpful to utilize data compiled from a wide array of companies and believes it important to consider comparative data from companies of comparable size and revenue, operating within a comparable industry, and located or operating within our principal geographic markets. In setting executive compensation for 2018, the Committee primarily considered data from the Radford Global Technology Survey and Radford Global Sales Survey, which included companies with annual revenues from \$200 million to \$500 million, as well as comparable companies in the geographies applicable to our executives. For each of the Company’s executive officers, the data the Committee reviewed included comparative market percentiles for base salary and total annual cash compensation opportunity (or “on-target earnings”). The Committee determined that the base salaries and on-target earnings of the named executive officers, other than Mr. Colony, were generally at or substantially near the 50th percentile of the comparative market data and, accordingly, made its decisions regarding 2018 executive compensation with the goal of maintaining that status.

Since Mr. Colony owns such a substantial percentage of our common stock, the Committee generally does not deem the available market data on chief executive officer compensation as comparable and does not place substantial weight on that data when setting his executive compensation.

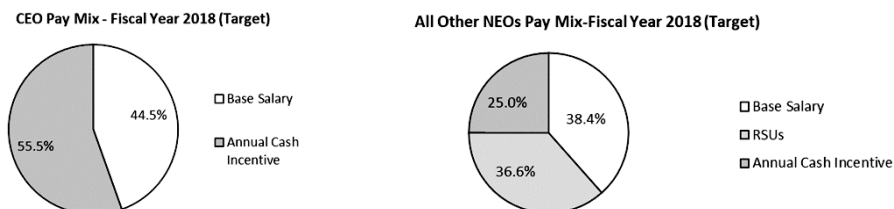
Elements of Compensation

Compensation for our named executive officers consists of the following principal components:

- base salary;
- short-term cash incentive compensation;
- long-term equity incentive compensation, principally in the form of RSUs;
- severance and change-of-control benefits; and
- other benefits available generally to all full-time employees.

We do not have an express policy for weighting different elements of compensation or for allocating between long-term and short-term compensation, but we do attempt to maintain compensation packages that will advance our overall compensation objectives. In reviewing and setting the compensation of each executive officer, we consider the individual’s position with the Company and his or her ability to contribute to achievement of strategic and financial objectives.

In 2018, as illustrated below, base salaries for our named executive officers other than Mr. Colony represented an average of approximately 38.4% of total target compensation for these individuals, while the base salary for Mr. Colony represented 44.5% of his total target compensation. Because of Mr. Colony’s significant ownership of our common stock, the Committee generally does not grant equity-based awards to him, resulting in a higher ratio of base salary to total target compensation than that of the other named executive officers.



Base Salary. The Committee approves the base salaries of our named executive officers annually by evaluating the responsibilities of their position, the experience and performance of the individual, and as necessary or appropriate, survey and market data. The base salary of a named executive officer is also considered together with the other components of his or her compensation to ensure that both the executive's total cash compensation opportunity (or "on-target earnings") and the allocation between base salary and variable compensation for the executive are in line with our overall compensation philosophy and business strategy. Additionally, the Committee may adjust base salary more frequently than annually to address retention issues or to reflect promotions or other changes in the scope or breadth of an executive's role or responsibilities.

Our goal is to pay base salaries to our named executive officers that are competitive with the base salaries of companies that are similarly situated or with which we compete to attract and retain executives, while taking into account total on-target earnings, and remaining consistent with our overall compensation objectives with respect to variable compensation. In March 2018, taking into account the market data discussed above, the respective tenures, experience and performance of the named executive officers and our financial performance in 2017, the Committee decided to increase the base salaries of Mr. Colony, Michael Doyle, our Chief Financial Officer, Kelley Hippler, our Chief Sales Officer, and Steven Peltzman, our Chief Business Technology Officer, by an average of 3.0% over 2017, with such changes effective as of April 1, 2018. Effective upon Mack Brothers' promotion from Chief Consulting Officer to Chief Product Officer as of November 1, 2018, the Committee approved a 12.8% increase in Mr. Brothers' base salary.

Short-Term Cash Incentive Compensation. A significant portion of each of our named executive officers' total annual cash compensation is dependent on our achievement of annual financial objectives set forth under our Executive Cash Incentive Plan. Payouts under the plan are made annually in arrears.

An individual named executive officer's annual bonus payout under the Executive Cash Incentive Plan is based on the following factors, which are discussed in more detail below:

- the named executive officer's target award;
- the Company's financial performance; and
- if applicable, the named executive officer's individual and/or team performance.

Effective April 1, 2018, as part of its executive compensation reviews, the Committee increased the target cash incentive bonus amounts for each of the named executive officers by an average of approximately 3.4%, taking into account the Company's financial performance in 2017, the market data discussed above, and the respective tenures, experience and performance of our named executive officers. After giving effect to these increases, the average annual target cash incentive bonus amount for our named executive officers, other than Ms. Hippler, was approximately 66.5% of that person's base salary. Ms. Hippler's 2018 target cash incentive bonus amount under our Executive Cash Incentive Plan was \$106,750, or 34.5% of her base salary, because as Chief Sales Officer, a significant portion of her target cash incentive amount was tied to sales commissions. Ms. Hippler's 2018 commission-based target cash incentive amount was set at \$200,000, or 64.7% of her base salary.

For purposes of the Executive Cash Incentive Plan, the financial performance of our Company for 2018 was measured based on booked sales accounts (referred to as "bookings") and adjusted operating profit, the same measures used by the Committee in connection with the Executive Cash Incentive Plan in 2017. The Committee selected bookings as one of the metrics because we believe that bookings provide an important measure of our current business activity and estimated future revenues. The Committee selected adjusted operating profit ("operating profit"), meaning the Company's pro forma operating profit assuming cash incentive compensation payouts under the Executive Cash Incentive Plan and the Forrester Employee Bonus Plan at target levels, as the other key metric because we believe operating profit provides a comprehensive measure of our financial performance that takes into account the importance of both revenue growth and expense management. In addition, by linking payouts under the plan to the Company's profitability, we provide our employees with the opportunity to share in our profits while assuring that payouts are only made if we achieve a satisfactory, pre-approved level of profitability, taking into account the nature of our business, planned investments to support growth of the business, and the economic environment. Our pro forma operating profit excludes amortization of acquisition-related intangible assets, reorganization costs, costs associated with acquisition activities, stock-based compensation and net gains or losses from investments. The Committee may also adjust the operating profit metric, as it deems appropriate, to include or exclude particular non-recurring items to avoid unanticipated results and to promote, and provide appropriate incentives for, actions and decisions that are in the best interests of the Company and its stockholders.

The Executive Cash Incentive Plan was structured as follows in 2018, similar in structure to that in 2017:

- A matrix for 2018 containing bookings on the x axis and operating profit on the y axis was approved by the Committee under the plan based on the Company’s 2018 operating plan approved by the Board of Directors. Minimum bookings and operating profit levels were set taking into account the Company’s recent levels of bookings and operating profit and planned investments to support growth of the business. Failure of our Company to meet either of these minimum levels would result in each executive officer being ineligible to receive any bonus payout. The minimum, target and maximum levels of bookings and operating profit under the Executive Cash Incentive Plan approved by the Committee were as follows (all dollars in thousands):

| | Bookings | Operating Profit |
|---------|------------|------------------|
| Minimum | \$ 309,528 | \$ 29,515 |
| Target | \$ 343,920 | \$ 36,894 |
| Maximum | \$ 378,312 | \$ 44,273 |

- If the Company’s target bookings and operating profit were both exactly achieved, the Executive Cash Incentive Plan allowed for the payment of 95% of a named executive officer’s target award.
- If both bookings and operating profit were above the minimum thresholds but neither exceeded the target, the bonus payout would be between 0% and 75% of the target award.
- If both bookings and operating profit were above the minimum thresholds but only operating profit exceeded the target, the bonus payout would be between 65% and 100% of the target award.
- If both bookings and operating profit were above the minimum thresholds but only bookings exceeded the target, the bonus payout would be between 40% and 125% of the target award.
- If both of the applicable target bookings and operating profit were exceeded, the plan allowed for the payment of up to 195% of a named executive officer’s target award.

The Company’s actual bookings and operating profit for 2018 were \$370.6 million and \$37.3 million, respectively, resulting in 80% of each named executive officer’s target award being payable, as is set forth in the Summary Compensation Table under the heading “Non-Equity Incentive Plan Compensation.” This illustrates the pay for performance structure of the compensation awarded to our named executive officers, as our 2018 bookings exceeded our target level but our 2018 operating profit was approximately 4% below our target level. The total cash incentive plan compensation paid to Ms. Hippler for 2018 also included commissions of \$192,835, or 96% of her targeted commissions for 2018.

In 2018, the Committee determined to offer Mr. Colony an additional potential innovation bonus of up to \$100,000 upon achievement of either the development of a new product tested by clients prior to the end of 2018 that provides a reasonable likelihood of \$25 million in net new revenue during 2019, or an acquisition that increases revenues by fifty percent, is consummated prior to the end of the first quarter of 2019, and provides a reasonable likelihood of additive revenue during 2019. The amount of the payout was to be at the discretion of the Committee based on the development and/or acquisition of new revenue-generating products or companies. Based upon our results in 2018, including the acquisitions of SiriusDecisions, FeedbackNow and GlimpzIt, the Committee elected to pay Mr. Colony the full amount of this additional bonus.

Long-term Equity Incentive Compensation. Our equity awards to executive officers historically have consisted of stock options and RSUs granted under our equity incentive plan. Beginning in 2016, the Committee revised the Company’s stock-based compensation program for executive officers to consist solely of RSUs, with the number of RSUs awarded to be calculated with reference to a specific compensation value divided by the share price of our common stock on the award date.

All stock-based compensation awards granted to our executive officers are granted by the Committee. We believe that stock-based awards help to motivate and retain executives and also align management’s incentives with long-term stock price appreciation. In general, we believe that time-based equity-based awards serve to encourage retention while further aligning the interests of executives and stockholders, as the awards have value only if the recipient continues to provide service to the Company through the vesting date, and, while the RSUs have immediate compensatory value to recipient upon vesting, increases in our share price provide significant additional compensatory value to the recipient, and decreases in the share price reduce the original compensation value of the award. Neither the Company nor our board of directors, including the Committee, has any plan, program or practice of timing equity incentive awards in coordination with the release or withholding of material non-public information.

In determining the size and nature of stock-based awards for 2018, the Committee considered the aggregate number of stock-based awards outstanding relative to the Company's total shares outstanding, the average aggregate size of stock-based awards made to executive officers of companies that are similarly situated or with which we compete to attract and retain executives, and the individuals that they believed were most likely to contribute to or influence a return to the Company's historical growth levels and improvement in the Company's operating margin. On July 24, 2018, the Committee reviewed and approved the grant of time-based RSUs to each of Messrs. Brothers, Doyle and Peltzman and Ms. Hippler, effective August 1, 2018, as part of a grant of equity-based compensation to key employees across the Company. Mr. Brothers was granted 7,454 RSUs, Mr. Doyle and Ms. Hippler were each granted 7,987 RSUs and Mr. Peltzman was granted 5,857 RSUs. The Committee determined that the RSUs would vest 25% annually over four years.

Given Mr. Colony's significant ownership of our common stock, the Committee did not grant stock options or RSUs to Mr. Colony in 2018.

Severance and Change in Control Agreements. Effective May 15, 2014, we adopted the Forrester Research, Inc. Executive Severance Plan (the "Severance Plan"), applicable to all of our executive officers, including the named executive officers. Similar to plans maintained by many other companies, our Severance Plan provides for payments and benefits to our executive officers upon a qualifying termination of employment, including in connection with a change in control. Further detail on the Severance Plan is contained below under the heading "Severance and Change-of-Control Benefits." We believe that the Severance Plan functions as a retention tool for our executive officers to remain with the Company and enable the executive officers to focus on the continuing business operations and, as applicable, the success of a potential business combination that the Board of Directors has determined to be in the best interests of the shareholders. We believe this results in stability and continuity of operations.

Other Benefits

As employees of our Company, our executive officers are eligible to participate in all Company-sponsored benefit programs on the same basis as other full-time employees, including health and dental insurance and life and disability insurance. In addition, our executive officers are eligible to receive the same employer match under our 401(k) plan as is applicable for all participating employees and to participate in our employee stock purchase plan, pursuant to which participants may elect to purchase shares of our stock on a semi-annual basis at a 15% discount based on the lower of the price of our stock at the beginning and end of each period. We do not offer any supplemental executive health and welfare or retirement programs, or provide any other supplemental benefits or prerequisites, to our executives.

Stock Retention Guidelines

In April 2010, we introduced stock retention guidelines as part of our Corporate Governance Guidelines to further align the interests of our directors and executive officers with those of our stockholders. Members of our executive team and Board of Directors are subject to these stock retention guidelines for so long as they remain an executive officer, or serve as a director, of the Company. The guidelines require executive officers and directors of the Company to retain at least 50% of the net shares of Forrester common stock delivered to them upon the exercise or vesting of stock awards granted on and after January 1, 2010. Net shares are the number of shares remaining after shares are sold or netted to pay the exercise price of equity awards and applicable withholding taxes. For directors, the applicable withholding tax is presumed to be the minimum withholding tax applicable to an employee. These guidelines may be waived, at the discretion of the Committee, if compliance with the guidelines would create severe hardship or prevent an executive officer or director from complying with a court order. Our directors and executive officers have complied in full with these guidelines since their initial adoption.

Impact of Tax and Accounting on Compensation Decisions

Section 162(m) of the Internal Revenue Code limits the deductibility of compensation in excess of \$1 million paid to any one "covered employee" (as defined by the Code, but generally including the Company's named executive officers) during any fiscal year. Under the rules in effect before 2018, compensation that qualified as "performance-based" under Section 162(m) was deductible without regard to this \$1 million limit.

The Tax Cuts and Jobs Act, which was signed into law December 22, 2017, eliminated the performance-based compensation exception under Section 162(m), effective January 1, 2018, subject to a special rule that "grandfathers" certain awards and arrangements that were in effect on or before November 2, 2017 and later not materially modified. Each individual who is a covered employee after December 31, 2016 will remain a covered employee for all future tax years. As a result, compensation previously structured with the intent of qualifying as performance-based compensation under Section 162(m) that is paid on or after January 1, 2018 may not be fully deductible, depending on the application of the special grandfather rules, and compensation paid after termination of employment to covered employees such as severance benefits will not be deductible. Moreover, from and after January 1, 2018, compensation awarded in excess of \$1,000,000 to our covered employees, including now our chief financial officer, generally will not be deductible.

Compensation amounts paid to our executive officers have largely been below this threshold. Accordingly, in many cases the Committee has not structured compensation arrangements with our executive officers to preserve the deductibility of that compensation in light of Section 162(m) and the Committee has not adopted a policy requiring all compensation to be deductible under Section 162(m). Despite the changes to Section 162(m) the Compensation Committee currently expects to structure the Company's executive compensation programs such that a significant portion of executive compensation is linked to the performance of the Company.

When determining amounts of equity awards to executives and employees under our equity incentive program, the Committee considers the compensation charges associated with the awards. We recognize compensation expense for stock-based awards based upon the fair value of the award. Grants of stock options result in compensation expense equal to the fair value of the options, which is calculated using a Black-Scholes option pricing model. Restricted stock unit awards result in compensation expense equal to the fair value of the award on the award date, which is calculated using the closing stock price of the underlying shares on the date of the award, as adjusted to reflect the absence of dividend credits prior to vesting of the restricted stock units. Stock-based compensation is recognized as an expense over the vesting period of the award.

Compensation Committee Report

The Compensation and Nominating Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management and, based on this review and discussion, recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation and Nominating Committee

Robert M. Galford, Chair
David Boyce
Gretchen G. Teichgraber

The information contained in the report above shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference in any such filing.

SUMMARY COMPENSATION TABLE

The following table shows the compensation earned by our Chief Executive Officer, our Chief Financial Officer and each of our three other most highly compensated executive officers as of December 31, 2018. We refer to these officers as the “named executive officers.”

| Name and Principal Position | Year | Salary (\$) | Bonus \$(1) | Stock Awards \$(2) | Option Awards \$(2) | Non-Equity Incentive Plan Compensation (\$) | All Other Compensation \$(3) | Total (\$) |
|--------------------------------------------------------------------------|------|----------------|----------------|--------------------------|---------------------------|------------------------------------------------------|------------------------------------|---------------|
| George F. Colony Chairman of the Board and Chief Executive Officer | 2018 | 407,500 | — | — | — | 426,000 | 17,395 | 850,895 |
| | 2017 | 400,000 | — | — | — | 340,000 | 12,852 | 752,852 |
| | 2016 | 400,000 | — | — | — | 360,000 | 12,702 | 772,702 |
| Mack Brothers(4) Chief Product Officer | 2018 | 334,785 | — | 335,389 | — | 172,308 | 9,906 | 852,388 |
| | 2017 | 326,500 | — | 358,036 | — | 172,125 | 9,756 | 866,417 |
| | 2016 | 216,667 | 25,000 | 435,672 | 124,972 | 120,000 | 6,469 | 928,779 |
| Michael A. Doyle Chief Financial Officer | 2018 | 395,106 | — | 359,371 | — | 184,725 | 13,002 | 952,204 |
| | 2017 | 382,500 | — | 358,036 | — | 189,125 | 12,852 | 942,513 |
| | 2016 | 380,000 | — | 358,455 | — | 198,000 | 12,702 | 949,157 |
| Kelley Hippler(5) Chief Sales Officer | 2018 | 306,750 | — | 359,371 | — | 278,235 | 15,116 | 959,472 |
| | 2017 | 261,346 | — | 334,164 | — | 160,295 | 4,548 | 760,353 |
| Steven Peltzman | 2018 | 347,650 | — | 263,533 | — | 116,565 | 9,330 | 737,078 |

- (1) Amount represents a one-time bonus for Mr. Brothers in connection with his hiring as Chief Consulting Officer.
- (2) These amounts represent the aggregate grant date fair value of restricted stock unit and option awards. Assumptions used in the calculation of grant date fair value of stock options are included in footnote 1 to the Company’s consolidated financial statements included in our 2018 Annual Report on Form 10-K. The grant date fair value of restricted stock units is based upon the closing price of the Company’s common stock on the date of grant, as adjusted to reflect the absence of dividend credits prior to vesting of the restricted stock units. The amounts set forth may be more or less than the value ultimately realized by the named executive officer based upon, among other things, the value of the Company’s common stock at the time of exercise of the options or vesting of the restricted stock units and whether the options or restricted stock units actually vest.
- (3) 2018 amounts include the following amounts of Company matching contributions under our 401(k) plan: Mr. Colony, \$8,250; Mr. Brothers, \$8,250; Mr. Doyle, \$8,250; Ms. Hippler, \$8,250; and Mr. Peltzman, \$8,250. Other amounts consist of group term life insurance premiums and miscellaneous other items.
- (4) Mr. Brothers became our Chief Consulting Officer on May 2, 2016 and our Chief Product Officer on November 1, 2018.
- (5) Ms. Hippler became our Chief Sales Officer on July 7, 2017.

GRANTS OF PLAN-BASED AWARDS FOR 2018

The following table sets forth information with respect to plan-based awards granted to named executive officers in 2018.

| Name | Grant Date | Committee Approval Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1) | | | All Other Stock Awards: Number of Shares of Stock (#) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards (\$)(2) |
|------------------|------------|-------------------------|----------------------------------------------------------------------|-------------|--------------|-------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------|
| | | | Threshold (\$) | Target (\$) | Maximum (\$) | | | | |
| | | | George F. Colony | — | — | | | | |
| | — | — | N/A | 100,000 | 100,000 | — | — | — | |
| Mack Brothers | — | — | 86,154 | 215,385 | 420,001 | — | — | — | |
| | 08/01/18 | 07/24/18 | — | — | — | 7,454 | — | — | 335,389 |
| Michael A. Doyle | — | — | 92,362 | 230,906 | 450,267 | — | — | — | |
| | 08/01/18 | 07/24/18 | — | — | — | 7,987 | — | — | 359,371 |
| Kelley Hippler | — | — | 42,700 | 306,750 | N/A | — | — | — | |
| | 08/01/18 | 07/24/18 | — | — | — | 7,987 | — | — | 359,371 |
| Steven Peltzman | — | — | 58,282 | 145,706 | 284,127 | — | — | — | |
| | 08/01/18 | 07/24/18 | — | — | — | 5,857 | — | — | 263,533 |

- (1) Except with respect to Mr. Colony and Ms. Hippler, consists of awards under our Executive Cash Incentive Plan, a non-equity incentive plan, with payouts thereunder made annually in arrears. Our Executive Cash Incentive Plan is described in detail, including calculation of threshold, target and maximum awards under the plan, in the Compensation Discussion and Analysis above. Actual amounts awarded are set forth in the Summary Compensation Table above. Mr. Colony's "Target" amounts include the target amount he was eligible to receive under our Executive Cash Incentive Plan of \$407,500 and a targeted additional bonus of \$100,000. Ms. Hippler's "Target" amount includes the target amount she was eligible to receive under our Executive Cash Incentive Plan of \$106,750 and target sales commissions of \$200,000. There is no cap on Ms. Hippler's "Maximum" amount because there is no cap on possible commission payments.
- (2) Assumptions used in the calculation of option awards are included in footnote 1 to the Company's consolidated financial statements included in our 2018 Annual Report on Form 10-K. The grant date fair value of restricted stock units is based upon the closing price of the Company's common stock on the date of grant, as adjusted to reflect the absence of dividend credits prior to vesting of the restricted stock units.

OUTSTANDING EQUITY AWARDS AT 2018 FISCAL YEAR-END

The following table sets forth information for the named executive officers regarding outstanding option awards and stock awards held as of December 31, 2018.

| Name | Option Awards | | | | Stock Awards | |
|------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------|------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Equity Incentive Plan | Equity Incentive Plan |
| | | | | | Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(1) |
| George F. Colony | — | — | — | — | — | — |
| Mack Brothers | — | — | — | — | 3,500(2) | 156,450 |
| | — | — | — | — | 6,760(3) | 302,172 |
| | — | — | — | — | 7,454(4) | 333,194 |
| | 10,000 | 10,000(5) | 36.83 | 5/31/2026 | — | — |
| Michael A. Doyle | — | — | — | — | 1,875(6) | 83,813 |
| | — | — | — | — | 4,642(7) | 207,497 |
| | — | — | — | — | 6,760(3) | 302,172 |
| | — | — | — | — | 7,987(4) | 357,019 |
| | 14,000 | — | 29.86 | 3/31/2020 | — | — |
| | 14,000 | — | 33.03 | 6/30/2021 | — | — |
| | 15,000 | — | 33.81 | 5/13/2022 | — | — |
| | 17,500 | — | 36.18 | 6/2/2023 | — | — |
| | 22,500 | — | 38.43 | 7/31/2024 | — | — |
| | 16,875 | 5,625(8) | 33.16 | 8/2/2025 | — | — |
| Kelley Hippler | — | — | — | — | 6,309(3) | 282,012 |
| | — | — | — | — | 7,987(4) | 357,019 |
| | 3,000 | — | 25.25 | 6/30/2019 | — | — |
| | 3,125 | — | 29.86 | 3/31/2020 | — | — |
| | 2,500 | — | 33.03 | 6/30/2021 | — | — |
| | 5,125 | — | 33.81 | 5/13/2022 | — | — |
| | 8,750 | — | 36.18 | 6/2/2023 | — | — |
| Steven Peltzman | — | — | — | — | 1,041(6) | 46,533 |
| | — | — | — | — | 3,404(7) | 152,159 |
| | — | — | — | — | 4,957(3) | 221,578 |
| | — | — | — | — | 5,857(4) | 261,808 |
| | — | 3,125(8) | 33.16 | 8/2/2025 | — | — |

- (1) The market value was calculated based on \$44.70, the closing price per share of our common stock on December 31, 2018.
- (2) Consists of time-based restricted stock units that vest as to 50% of the shares subject to the award on each of June 1, 2019 and June 1, 2020.
- (3) Consists of time-based restricted stock units that vest as to one third of the shares subject to the award on each of August 1, 2019, August 1, 2020 and August 1, 2021.
- (4) Consists of time-based restricted stock units that vest as to 25% of the shares subject to the award on each of August 1, 2019, August 1, 2020, August 1, 2021 and August 1, 2022.
- (5) Stock options become exercisable as to 5,000 shares on June 1, 2019 and 5,000 shares on June 1, 2020.
- (6) Consists of time-based restricted stock units that vest on August 3, 2019.
- (7) Consists of time-based restricted stock units that vest as to 50% of the shares subject to the award on each of August 1, 2019 and August 1, 2020.
- (8) Stock options become exercisable on August 3, 2019.

OPTION EXERCISES AND STOCK VESTED TABLE FOR 2018

The following table sets forth information for the named executive officers regarding the value realized during 2018 by the executives pursuant to option exercises and the vesting of RSUs.

| Name | Option Awards | | Stock Awards | |
|------------------|-------------------------------------------|---------------------------------|------------------------------------------|--------------------------------|
| | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| George F. Colony | — | — | — | — |
| Mack Brothers | — | — | 4,004 | 180,200 |
| Michael A. Doyle | — | — | 8,325 | 387,578 |
| Kelley Hippler | — | — | 2,104 | 98,783 |
| Steven Peltzman | 29,780 | 268,639 | 5,542 | 180,765 |

Pension Benefits

We have no defined benefit pension plans or long-term incentive plans applicable to the named executive officers.

Nonqualified Deferred Compensation

We have no nonqualified defined contribution or deferred compensation plans.

Severance and Change-of-Control Benefits

Effective May 15, 2014, our Board of Directors adopted and approved the Forrester Research, Inc. Executive Severance Plan (the “Severance Plan”), which is applicable to all of the Company’s executive officers, including the named executive officers. The Severance Plan provides for the payment of severance and other benefits to each executive officer in the event of a termination of employment with the Company without cause and also, in the case of a change in control, by an executive officer for good reason, each as defined in the Severance Plan (each, a “Qualifying Termination”). In the event of a Qualifying Termination and subject to the executive’s execution of a general release of claims against the Company, in addition to any accrued obligations such as unpaid base salary, vacation and earned bonuses, the Severance Plan provides for the following severance payments and benefits:

- In the event of a Qualifying Termination other than following a change in control:
 - continued payment of the executive officer’s base salary in installments for one year, and in the case of Mr. Colony (or any successor CEO), for 18 months, after the Qualifying Termination;
 - payment in a lump sum of an amount equal to the lesser of the executive officer’s (x) annual target bonus and, if applicable, sales commissions, as in effect on the date of the Qualifying Termination, or (y) the average of the actual bonus and, if applicable, sales commissions, earned by the executive officer under the applicable plans for the two fiscal years preceding the year of the Qualifying Termination (or for such shorter period that the executive officer was employed by the Company); and in the case of the chief executive officer, payment in a lump sum of an amount equal to one and one-half times the lesser of the chief executive officer’s (x) annual target bonus and, if applicable, sales commissions, as in effect on the date of the Qualifying Termination, or (y) the average of the actual bonus and, if applicable, sales commissions earned by the chief executive officer under the applicable plans for the two fiscal years preceding the year of the Qualifying Termination;
 - payment in cash during the 12-month period following a Qualifying Termination for executive officers other than the chief executive officer, and during the 18-month period following a Qualifying Termination for the chief executive officer, of an amount equal to the Company’s portion of the cost for medical and dental coverage under applicable Company plans; and
 - 6 months of outplacement assistance, subject to extension for an additional 6 months upon request of the executive officer and at the discretion of the Company.
- In the event of a Qualifying Termination during the 18-month period following a change in control (as defined in the Severance Plan):
 - payment in a lump sum of the executive officer’s annual base salary, and in the case of the chief executive officer, two times annual base salary;

- payment in a lump sum of an amount equal to the excess, if any, of (x) the executive officer's annual target bonus amount and/or annual target sales commission amount pro-rated as of the Qualifying Termination, over (y) the amount paid or payable for the actual bonus and/or sales commissions earned through the Qualifying Termination;
- payment of the higher of the executive officer's (x) target annual incentive opportunity, including target bonus opportunity and, if applicable, target sales commissions, or (y) the average of the actual bonus and, if applicable, sales commissions, earned by the executive under the applicable plans for the two fiscal years preceding the year of the Qualifying Termination (or such shorter period that the executive officer was employed by the Company); and in the case of the chief executive officer, the higher of two times his or her (x) target annual incentive opportunity, including target bonus opportunity and, if applicable, target sales commissions, or (y) the average of the actual bonus and, if applicable, sales commissions, earned by the chief executive officer under applicable plans for the two fiscal years preceding the year of the Qualifying Termination;
- payment in cash in a lump sum of an amount equal to 12 months for executive officers other than the chief executive officer, and 24 months for the chief executive officer, of the Company's portion of the cost for medical and dental coverage under applicable Company plans;
- 12 months of outplacement assistance; and
- without limiting an executive officer's rights under any equity plans or agreements, accelerated vesting of, or cancellation and payment of merger consideration for (net of exercise price, if any), all unvested equity and equity-based awards, with performance-based awards, if any, vesting at target level of performance.

The Severance Plan shall also reimburse each executive officer whose termination of employment results from a change of control all reasonable legal fees and expenses incurred to obtain or enforce rights or benefits under the Severance Plan if the executive officer prevails in substantial part on the material issues of the proceeding.

The Severance Plan does not provide for a gross-up payment to any of the executive officers to offset any excise taxes that may be imposed on excess parachute payments under Section 4999 ("Excise Tax") of the Internal Revenue Code of 1986, as amended. Instead, the Severance Plan provides that in the event that the severance payments and benefits described above, and any other parachute payments, would, if paid, be subject to the Excise Tax, then the severance payments and benefits under the Severance Plan will be reduced to the extent necessary so that no portion of the payments or benefits under the Severance Plan are subject to the Excise Tax, provided that there shall be no such reduction if the net amount of the payments received by the executive officer after giving effect to all applicable taxes is greater than the net amount of the payments received by the executive officer after giving effect to the reduction.

We entered into an employment offer letter on July 24, 2007 with Mr. Doyle that provides for severance benefits following a termination of his employment by the Company without Cause (as defined in the offer letter). In the event of such a termination, we must continue to pay Mr. Doyle his base salary for the 6 months following his termination, subject to his signing a separation agreement in a form acceptable to us that includes a general release of all claims. The Severance Plan provides that there will be no duplication of benefits between the Severance Plan and Mr. Doyle's employment offer letter. We have not entered into agreements providing for severance benefits with any of the other named executive officers. Each of our named executive officers other than Mr. Colony has entered into stock option and restricted stock unit grant agreements that provide for full acceleration of vesting upon a change of control of the Company, unless there is an assumption, substitution or cash-out of the options or restricted stock units in connection with the change of control.

The following table provides the details of payments that would have been paid to, or value that would have been received by, the named executive officers in connection with either a change of control, a termination of employment without cause or for good reason in connection with a change of control, or a termination of employment without cause in the absence of a change of control, in each case effective as of December 31, 2018.

| Name | Event (1) | Salary Continuation (\$) | Annual Incentive Compensation (\$) | Payment in Lieu of Medical and Dental (\$) | Outplacement Assistance (\$)(2) | Value of Accelerated Unvested Equity \$(3) | Total (\$) |
|------------------|------------------------------------|--------------------------|------------------------------------|--------------------------------------------|---------------------------------|--------------------------------------------|------------|
| George F. Colony | Change in Control | — | — | — | — | — | — |
| | Termination Upon Change in Control | 820,000 | 1,096,500 | 38,993 | 20,000 | — | 1,975,493 |
| | Not for Cause Termination | 615,000 | 525,000 | 29,245 | 10,000 | — | 1,179,245 |
| Mack Brothers | Change in Control | — | — | — | — | 870,516 | 870,516 |
| | Termination Upon Change in Control | 370,000 | 258,462 | 18,354 | 20,000 | 870,516 | 1,537,332 |
| | Not for Cause Termination | 370,000 | 146,063 | 18,354 | 10,000 | — | 544,417 |
| Michael A. Doyle | Change in Control | — | — | — | — | 1,015,414 | 1,015,414 |
| | Termination Upon Change in Control | 398,475 | 277,087 | 12,071 | 20,000 | 1,015,414 | 1,723,047 |
| | Not for Cause Termination | 398,475 | 193,563 | 12,071 | 10,000 | — | 614,109 |
| Kelley Hippler | Change in Control | — | — | — | — | 639,031 | 639,031 |
| | Termination Upon Change in Control | 309,000 | 335,265 | 19,497 | 20,000 | 639,031 | 1,322,793 |
| | Not for Cause Termination | 309,000 | 86,621 | 19,497 | 10,000 | — | 425,118 |
| Steven Peltzman | Change in Control | — | — | — | — | 718,141 | 718,141 |
| | Termination Upon Change in Control | 350,200 | 174,847 | 19,497 | 20,000 | 718,141 | 1,282,685 |
| | Not for Cause Termination | 350,200 | 121,375 | 19,497 | 10,000 | — | 501,072 |

- (1) None of the named executive officers has an agreement to receive any salary continuation, variable cash compensation, benefits continuation, acceleration of equity or gross-up in the event such named executive officer dies, becomes disabled, voluntarily terminates his or her employment with Forrester without “Good Reason” or if that named executive officer is terminated by Forrester for cause.
- (2) Estimated cost of 12 months of outplacement service in the event of a change in control and 6 months of outplacement service in the event of termination without a change in control.
- (3) Calculated using \$44.70, the closing price per share of our common stock on December 31, 2018. In the case of unvested options, calculated using the difference between \$44.70 and the exercise price of the applicable option, multiplied by the number of unvested shares. In the case of unvested restricted stock units (RSUs), calculated using \$44.70 multiplied by the number of shares underlying such unvested RSU.

Director Compensation

DIRECTOR COMPENSATION TABLE FOR 2018

The following table shows the compensation that we paid during the year ended December 31, 2018 to each of our directors, other than Mr. Colony, who was not paid additional compensation for his service as a director and whose compensation is reflected in “Executive Compensation” above.

| Name | Fees Earned or Paid in | Stock | All Other | Total |
|--------------------------|------------------------------|-------------|--------------|---------|
| | Cash | Awards | Compensation | |
| | (\$) | \$(1)(2)(3) | \$(4) | (\$) |
| Jean M. Birch | 39,750 | 147,589 | — | 187,339 |
| Dave Boyce | 35,000 | 117,736 | — | 152,736 |
| Neil Bradford | 33,750 | 147,589 | — | 181,339 |
| Tony Friscia | 35,000 | 117,736 | — | 152,736 |
| Robert M. Galford | 50,000 | 117,736 | — | 167,736 |
| George R. Hornig | 10,750 | — | 10,000 | 20,750 |
| Gretchen G. Teichgraeber | 35,000 | 117,736 | — | 152,736 |
| Yvonne Wassenaar | 35,000 | 117,736 | — | 152,736 |

- The amounts in this column reflect the aggregate grant date fair value of restricted stock unit awards for 2018. The grant date fair value of restricted stock units is based upon the closing price of the Company’s common stock on the date of grant, as adjusted to reflect the absence of dividend credits prior to vesting of the restricted stock units. The amounts set forth may be more or less than the value ultimately realized by the named director based upon, among other things, the value of the Company’s Common Stock at the time of vesting of the restricted stock units and whether such restricted stock units actually vest.
- On February 1, 2018, each of Ms. Birch and Mr. Bradford received 664 restricted stock units. On June 1, 2018, each of the directors, other than Mr. Colony and Mr. Hornig, received 2,823 restricted stock units.
- At December 31, 2018, the non-employee directors held options to purchase, and restricted stock units for, the number of shares listed next to their names below:

| Name | Number of Shares | |
|--------------------------|------------------|-------|
| | Options | RSUs |
| Jean M. Birch | — | 1,412 |
| Dave Boyce | — | 1,412 |
| Neil Bradford | — | 1,412 |
| Tony Friscia | — | 1,412 |
| Robert M. Galford | 12,000 | 4,121 |
| Gretchen G. Teichgraeber | 24,000 | 4,121 |
| Yvonne Wassenaar | — | 1,412 |

- Amount represents a donation made by the Company to the President and Fellows of Harvard College in connection with Mr. Hornig’s retirement from the Board of Directors in May of 2018.

Our non-employee directors receive an annual retainer of \$30,000 and members of each Board committee receive an additional annual retainer of \$5,000 for each committee on which they serve, with the Chairman of the Audit Committee receiving an additional \$8,000 per year and the Chairman of the Compensation and Nominating Committee receiving an additional \$5,000 per year. Our lead independent director receives an additional \$10,000 annual retainer. Each of these annual fees is payable quarterly in arrears. Members of our Board of Directors are reimbursed for their expenses incurred in connection with attending any meeting.

The Compensation and Nominating Committee of the Board of Directors has the authority under the Forrester Research, Inc. Amended and Restated Equity Incentive Plan (“Equity Incentive Plan”) to grant stock options and RSUs to non-employee directors in such amounts and on such terms as it shall determine at the time of grant. On February 1, 2018, in connection with their election to the Board of Directors, Ms. Birch and Mr. Bradford each received 664 restricted stock units, which equals the number of whole shares calculated by dividing \$30,000 by \$45.15, the closing price of the Company’s common stock on the date of award. These RSUs vested fully on June 1, 2018. On June 1, 2018, our seven non-employee directors at that time each received 2,823 restricted stock units, which equals the number of whole shares calculated by dividing \$120,000 by \$42.50, the closing price of the Company’s common stock on the date of award. These RSUs vest in full upon a change of control of the Company, unless there is an assumption, substitution or cash-out of such RSUs in connection with the change of control.

Options granted to our non-employee directors prior to our 2012 annual meeting and currently outstanding were made pursuant to our 2006 Stock Option Plan for Directors, as amended.

CEO PAY RATIO

Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires most companies with publicly traded stock in the United States to identify the median annual total compensation of their worldwide employee population (other than the chief executive officer) and to compare that amount with the annual total compensation of their chief executive officer. The pay ratio information included below is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

We identified our median employee using our total employee population as of October 1, 2018 by applying a consistently applied compensation measure across our global employee population. For our consistently applied compensation measure, we used cash compensation (base salary plus bonuses and commissions) paid in the nine months ending September 30, 2018. We used cash compensation as our consistently applied compensation measure as we believe that this measure provides a reasonably accurate depiction of total earnings for the purpose of identifying our median employee. We then calculated the median employee's total annual compensation in accordance with the requirements of the Summary Compensation Table. Earnings of our employees outside the U.S. were converted to U.S. dollars using the currency exchange rates used for organizational planning purposes, which consider historical and forecasted rates as well as other factors. We did not use any other material estimates, assumptions, adjustments or statistical sampling to determine the worldwide median employee.

Our median employee's total 2018 compensation (other than the CEO) was \$108,357. Our Chief Executive Officer's total 2018 compensation was \$850,895, as reported in the Summary Compensation Table. Accordingly, our 2018 CEO to Median Employee Pay Ratio was 7.9 to 1.

Please keep in mind that under the SEC's rules and guidance, there are numerous ways to determine the compensation of a company's median employee, including the employee population sampled, the elements of pay and benefits used, any assumptions made and the use of statistical sampling. In addition, no two companies have identical employee populations or compensation programs, and pay, benefits and retirement plans differ by country even within the same company. As such, our pay ratio may not be comparable to the pay ratio reported by other companies.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Board of Directors has appointed an Audit Committee composed of four non-employee directors: Ms. Birch (Chair), Mr. Bradford, Mr. Friscia and Ms. Wassenaar. Each of the members of the Audit Committee is “independent” as defined under the NASDAQ Stock Market listing standards. The Board has determined that Ms. Birch is an “audit committee financial expert” under applicable rules of the Securities and Exchange Commission (“SEC”), and the members of the Audit Committee satisfy the NASDAQ financial literacy standards.

The Audit Committee is responsible for providing independent oversight of Forrester’s accounting functions and internal controls. The Audit Committee oversees Forrester’s financial reporting process on behalf of the Board of Directors, reviews financial disclosures, and meets privately, outside of the presence of management, with Forrester’s internal auditor and with representatives of the independent registered public accounting firm. The Audit Committee also selects and appoints the independent registered public accounting firm, reviews the performance of the independent registered public accounting firm, and reviews the independent registered public accounting firm’s fees. The Audit Committee operates under a written charter adopted by the Board of Directors.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed Forrester’s audited financial statements for the fiscal year ended December 31, 2018 with Forrester’s management and with PricewaterhouseCoopers LLP (“PricewaterhouseCoopers”), Forrester’s independent registered public accounting firm. The Audit Committee also reviewed the report of management contained in Forrester’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC, as well as PricewaterhouseCoopers’ report included in Forrester’s Annual Report on Form 10-K related to its audit of (i) the consolidated financial statements and (ii) the effectiveness of internal control over financial reporting.

The Audit Committee has discussed with PricewaterhouseCoopers the matters required to be discussed under the rules adopted by the Public Company Accounting Oversight Board (“PCAOB”). The Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers required by the PCAOB regarding PricewaterhouseCoopers’ communications with the Audit Committee concerning independence and has discussed with PricewaterhouseCoopers their independence.

Based on the Audit Committee’s review and discussions noted above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, the inclusion of the audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 for filing with the SEC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Jean M. Birch, Chair
Neil Bradford
Tony Friscia
Yvonne Wassenaar

The information contained in the report above shall not be deemed to be “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference in any such filing.

OTHER INFORMATION

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission (“SEC”). Officers, directors and greater than 10% beneficial stockholders are required by SEC regulation to furnish to us copies of all Forms 3, 4 and 5 they file. Based solely on our review of copies of such forms which we received, we believe that all of our officers, directors, and greater than 10% beneficial owners complied on a timely basis with all filing requirements with respect to transactions during 2018, except for one report filed for Scott Chouinard, our Chief Accounting Officer, with respect to the grant of restricted stock units in 2017. On February 12, 2019, Wellington Management Group LLP filed an amendment to its previously filed Schedule 13G disclosing that its beneficial ownership as of December 31, 2018 had changed from its beneficial ownership as of December 29, 2017, though it remained in excess of 10%. Wellington Management Group LLP has not made any filing on Form 4 with respect to this change in beneficial ownership.

Certain Relationships and Related Transactions

Registration Rights and Non-Competition Agreement. At the time of our initial public offering, we entered into a registration rights and non-competition agreement with Mr. Colony which provides that if Mr. Colony’s employment with us is terminated he will not compete with us for the one year period after the date of such termination. The agreement also provides that in the event we propose to file a registration statement under the Securities Act of 1933, as amended, with respect to an offering by us for our own account or the account of another person, or both, Mr. Colony shall be entitled to include shares held by him in such a registration, subject to the right of the managing underwriter of any such offering to exclude some or all of such shares from such registration if and to the extent the inclusion of the shares would adversely affect the marketing of the shares to be sold by us. The agreement also provides that Mr. Colony may require us to register shares under the Securities Act with a fair market value of at least \$5 million, except that we are not required to effect such registration more than twice or at certain times described in the agreement. The agreement also provides that we will pay all expenses incurred in connection with such registration.

Related Person Transactions

Pursuant to its amended and restated charter, our Audit Committee has responsibility for the review and approval of all transactions between the Company and any related parties or affiliates of the Company, its officers, and directors.

Related persons can include any of our directors or executive officers, certain of our stockholders, and any of their immediate family members. In evaluating related person transactions, the committee members apply the same standards they apply to their general responsibilities as members of a committee of the board of directors and as individual directors. The committee will approve a related person transaction when, in its good faith judgment, the transaction is in the best interest of the Company. To identify related person transactions, each year we require our directors and officers to complete a questionnaire identifying any transactions with the Company in which the officer or director or their family members have an interest. In addition, our Code of Business Conduct and Ethics includes our expectation that all directors, officers and employees who may have a potential or apparent conflict of interest will notify our legal department.

The daughter of one of our executive officers is a non-officer employee of the Company within our sales organization. The Company reviewed this arrangement with the Audit Committee of the Board of Directors, noting that the compensation of the employee is within comparable market ranges for similar positions, and the Audit Committee approved this relationship.

PROPOSAL TWO:

RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2019

PricewaterhouseCoopers LLP audited our financial statements for the fiscal year ended December 31, 2018. Our Audit Committee has selected PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019. Although stockholder approval of the selection of PricewaterhouseCoopers LLP is not required by law, our Board of Directors believes that it is advisable to give stockholders an opportunity to ratify this selection.

If stockholders do not approve this proposal at the 2019 annual meeting, our Audit Committee will reconsider its selection of PricewaterhouseCoopers LLP. If stockholders do ratify this appointment, the Audit Committee, which has direct authority to engage our independent registered public accounting firm, may appoint a different independent registered public accounting firm at any time during the year if it determines that the change would be in the best interests of Forrester and our stockholders.

The Audit Committee has approved all services provided to Forrester by PricewaterhouseCoopers LLP during 2018. Representatives of PricewaterhouseCoopers LLP are expected to be present at the 2019 annual meeting. They will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from stockholders.

Independent Auditors' Fees and Other Matters

The following table presents the aggregate fees billed or expected to be billed by PricewaterhouseCoopers LLP ("PwC") and its affiliates for fiscal 2018 and fiscal 2017.

| | Fiscal 2018 | Fiscal 2017 |
|-----------------------|--------------|--------------|
| Audit Fees(1) | \$ 1,321,000 | \$ 1,105,261 |
| Audit-Related Fees(2) | 270,000 | 45,000 |
| Tax Fees(3) | 165,175 | 92,629 |
| All Other Fees(4) | 2,756 | 1,800 |
| Total Fees | \$ 1,758,931 | \$ 1,244,690 |

- (1) Audit fees are fees related to professional services rendered by PwC and its affiliates in connection with the audit of our financial statements and our internal controls over financial reporting, the reviews of our interim financial statements included in each of our quarterly reports on Form 10-Q, international statutory audits, and review of other SEC filings.
- (2) Audit-related fees are for assurance and related services by PwC and its affiliates that are reasonably related to the performance of the audit or review of our financial statements.
- (3) Tax fees are fees billed for professional services related to tax compliance and tax consulting services.
- (4) All other fees include licenses to web-based accounting and finance reference materials.

Audit Committee's Pre-Approval Policy and Procedures

The Audit Committee approves the engagement of our independent registered public accounting firm to render any audit or non-audit services. At a regularly scheduled Audit Committee meeting, management or a representative of the Company's independent registered public accounting firm summarizes the services to be provided by the firm and the fees that will be charged for the services. Thereafter, if new services or dollar amounts in excess of those pre-approved at the meeting are proposed, they are either presented for pre-approval at the next meeting of the Audit Committee or approved by the Chairman of the Audit Committee pursuant to delegated authority. At subsequent meetings, the Audit Committee is provided a listing of any newly pre-approved services since the last meeting, and an updated projection for the current year of the estimated annual fees to be paid to the firm for all pre-approved audit and permissible non-audit services.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT
THE STOCKHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF
PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2019.**

PROPOSAL THREE:

NON-BINDING VOTE ON EXECUTIVE COMPENSATION

We have implemented an executive compensation program that rewards performance. Our executive compensation program is designed to attract, retain and motivate the key individuals who are most capable of contributing to the success of our Company and building long-term value for our stockholders. The elements of our executives' total compensation are base salary, cash incentive awards, equity incentive awards, severance and change of control benefits, and other employee benefits. We have designed a compensation program that makes a substantial portion of executive pay variable, subject to increase when performance targets are exceeded, and subject to reduction when performance targets are not achieved.

We believe our executive compensation program strikes the appropriate balance between utilizing responsible, measured pay practices and providing incentives to our executives to create value for our stockholders. We believe this is evidenced by the following:

- The mix of compensation among base salary and cash incentives.
- Generally our compensation policies and practices are uniform across each of our business units and geographic regions.
- Our bonus plan for executive officers provides for multiple payout levels based on targets established and approved by our Compensation and Nominating Committee during the first quarter of the applicable plan year.
- We require that minimum threshold performance targets be achieved before any bonuses under our executive cash incentive plan are paid, and bonus payouts under our executive cash incentive plan are capped.
- We use multiple performance measures under our executive cash incentive plan, including bookings and operating profit.
- We currently grant equity-based awards to executives under our equity incentive plan subject to multi-year vesting criteria, and require that the executive remain employed through the vesting date to realize the value of these awards.

The Board endorses the Company's executive compensation program and recommends that stockholders vote in favor of the following resolution:

RESOLVED, that the stockholders approve the compensation of the Company's named executive officers as described in this proxy statement under "Executive Compensation", including the Compensation Discussion and Analysis and the tabular and narrative disclosure contained in this proxy statement.

Because the vote is non-binding, neither the Board of Directors nor the Compensation and Nominating Committee of the Board will be required to take any action as a result of the outcome of the vote on this proposal. The Compensation and Nominating Committee will carefully consider the outcome of the vote when evaluating future executive compensation arrangements.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION.

STOCKHOLDER PROPOSALS

Stockholder proposals to be considered at the Annual Meeting of Stockholders in 2020 must be received by November 29, 2019 to be considered for inclusion in our proxy materials for that meeting.

Stockholders who wish to make a proposal at the 2020 annual meeting, other than proposals included in our proxy materials, or who wish to nominate individuals for election as directors, must notify us between January 15, 2020 and February 13, 2020. If the stockholder does not notify us by February 13, 2020, the proxies will have discretionary authority to vote on a stockholder's proposal brought before the meeting.

OTHER BUSINESS

The Board of Directors has no knowledge of any other matter that may come before the annual meeting and does not, itself, currently intend to present any other such matter.

FORM 10-K

A copy of our annual report on Form 10-K for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission will be sent to stockholders without charge by writing to Forrester Research, Inc., Investor Relations, 60 Acorn Park Drive, Cambridge, Massachusetts 02140.

COMPANY INFORMATION

Board Of Directors

George F. Colony

*Chairman of the Board and
Chief Executive Officer*

Jean M. Birch

*Chair of the Board,
Papa Murphy's Holdings, Inc.*

David Boyce

*Chief Strategy Officer,
InsideSales.com, Inc.*

Neil Bradford

*Former Chief Executive Officer,
Financial Express, Ltd.*

Anthony Friscia

*Founder and Former President and CEO
AMR Research, Inc.*

Robert M. Galford

*Managing Partner, Center for
Leading Organizations*

Gretchen G. Teichgraber

*Chair of the Board,
Leadership Directories, Inc.*

Yvonne Wassenaar

*Chief Executive Officer,
Puppet, Inc.*

Executive Officers

George F. Colony

*Chairman of the Board and
Chief Executive Officer*

Mack Brothers

Chief Product Officer

Ryan D. Darrah

Chief Legal Officer and Secretary

Michael A. Doyle

Chief Financial Officer

Kelley Hippler

Chief Sales Officer

Carrie Johnson

Chief Research Officer

Sherri Kottmann

Chief People Officer

Victor Milligan

Chief Marketing Officer

Steven Peltzman

Chief Business Technology Officer

Annual Meeting

Forrester's annual meeting of stockholders will be held at 10 a.m. EDT on May 14, 2019, online at virtualshareholdermeeting.com/FORR2019.

Investor Relations

Requests for financial information should be sent to:

Investor Relations
Forrester Research, Inc.
60 Acorn Park Drive
Cambridge, MA 02140
USA

Tel: +1 617.613.6000

Fax: +1 617.613.5000

Email: investor@forrester.com

Transfer Agent

Computershare Investor Services
P.O. Box 30170
College Station, TX 77842-3170
www.computershare.com/investor

Independent Registered

Public Accounting Firm

PricewaterhouseCoopers LLP
Boston, MA

Legal Counsel

Choate Hall & Stewart LLP
Boston, MA

Stock Listing And Trading Symbol

Forrester's common stock is listed on the Nasdaq Global Select Market under the trading symbol "FORR."

Corporate Headquarters

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