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FORR.OQ - Q2 2026 Forrester Research Inc Earnings Call

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CORPORATE PARTICIPANTS

Edward Bryce Morris *Forrester Research Inc - Vice President, Corporate Development and Investor Relations*

George Colony *Forrester Research Inc - Chairman of the Board, President, Chief Executive Officer*

Chris Finn *Forrester Research Inc - Chief Financial Officer*

Christophe Favre *Forrester Research Inc - Chief Sales Officer*

Carrie Johnson *Forrester Research Inc - Chief Product Officer*

CONFERENCE CALL PARTICIPANTS

Anja Soderstrom *Sidoti & Company LLC - Equity Analyst*

Vincent Colicchio *Barrington Research Associates Inc - Analyst*

PRESENTATION

Operator

Thank you. Good afternoon and thank you for standing by. Welcome to Forrester's second-quarter 2026 conference call. (Operator Instructions)

Please be advised that today's conference is being recorded.

I would now like to turn the conference over to the Vice President of Corporate Development and Investor Relations, Ed Bryce Morris. Please go ahead.

Edward Bryce Morris - *Forrester Research Inc - Vice President, Corporate Development and Investor Relations*

Thank you, and hello everyone. Thanks for joining today's call. Earlier this afternoon, we issued our press release for the second quarter of 2026. If you need a copy, you can find one on our website in the Investors section. Here with us today to discuss our results are George Colony, Forrester's Chief Executive Officer and Chairman; and Chris Finn, Chief Financial Officer. Carrie Johnson, our Chief Product Officer; and Christophe Favre, our Chief Sales Officer, are also here with us for the Q&A section of the call.

Before we begin, I'd like to remind you that this call will contain 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. These statements are based on the company's current plans and expectations and involves risks and uncertainties that could cause future activities and results of operations to be materially different from those set forth in the forward-looking statements.

Factors that could cause actual results to differ are discussed in our reports and filings with the Securities and Exchange Commission and the company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

Lastly, consistent with previous calls, today we will be discussing our performance on an an-adjusted basis, excludes items affecting comparability. While reporting on an adjusted basis is not in accordance with GAAP, we believe that reporting numbers on this adjusted basis provides a meaningful comparison and an appropriate basis for our discussion. You can find a detailed list of items excluded from these adjusted results in our press release.

And with that, I'll hand it over to George.

George Colony - *Forrester Research Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you for joining Forrester's Q2 2026 investor call. I'll be covering the following themes before turning the call over to Chris Finn, our Chief Financial Officer: one, Forrester's second-quarter performance and our outlook for the second half of the year; two, recent AI research from Forrester; three, our flagship B2B and CX events, which were held in the second quarter; and four, an update on Forrester AI, including adoption and usage.

Trends from the first quarter continued into the second quarter as we hit our key metrics. The equity decreased 3% while retention was flat. Client retention was down 1%, but client count increased in the quarter. Total revenue decreased 10% with research revenue down 8% and non-CV businesses down 15%.

Market uncertainty drove the consulting and events declines, along with our exit of the strategy consulting business earlier in the year. Overall, our Q2 performance was aligned with our expectations with consensus beats on revenue, margin, and EPS.

Despite headwinds in our consulting and events businesses, we have confidence in attaining our plan in the second half of the year. We continue to be laser focused on achieving CV growth in 2026, and we are maintaining our revenue, margin, and EPS guidance for the full year.

AI technology continues to evolve at fast rates, stimulating our clients' need for guidance. In the quarter, we produced hundreds of new AI research frameworks, models, benchmarks, and technology blueprints. And I wanted to quickly reference a few here to give investors a window into how we are helping our clients. Forrester is creating a series of reports outlining how high-level corporate roles will be changed in the AI era.

In Q2, we released three: the AI CIO, the AI CMO, and the AI Chief Information Security Officer. The AI CIO report envisions a world in which the CIO is managing a new way to develop software and a corporate environment where tasks are performed by autonomous agents overseen by human intelligence that will be continually curating and managing outputs.

In this world, the CIO will have four new roles. One, architecting enterprise decision making. Agents will make decisions and the CIO must guarantee 24-hour availability to the company. Two, governor of autonomous systems. Agents will fail; the CIO must navigate the risk and contain the damage.

Three, economists of AI value. AI will be expensive to operate. The CIO must manage costs and calculate the trade-offs between agentic and human work. And finally, four, Boards of Directors are accustomed to deterministic reporting, AI yields probabilistic outputs, and the CIO must be continually educating the corporation on the risks and opportunities afforded by this approach.

A narrative has emerged that companies will not need CIOs and IT in the future. Our report rejects this view, asserting that agentic AI will present serious risks and vulnerabilities in large organizations. Firm but opportunistic centralized management of technology will be critical to maintain operations in companies as the Wild West of AI computing unfolds.

Another fascinating report from the quarter revealed the state of artificial intelligence within marketing agencies in the US. AI is now pervasive across US marketing agencies, with 9 of the 10 top agencies using generative AI and 50% using agentic AI for marketing execution. AI is deployed to ideate creative concepts and prep for pitches, aggregate and assemble strategic insights, and summarize media insights and reporting.

Google is the number one AI provider to the agencies, with Adobe at number two in the generative AI space and Anthropic at number two for agentic. These three vendors have displaced OpenAI. As is typical in the early days of AI, the agency industry is deploying the technology to increase productivity and drive cost efficiency, not for increased market effectiveness, creativity, and long-term brand growth for their customers.

Forrester's research remains ahead of the market, impervious to faddish narratives and unafraid to pop bubbles and take iconoclastic stands. Our clients are making multi-million-dollar decisions. They rely on Forrester's objectivity and research-based analysis to ensure that they are making the right decisions.

Turning now to events. At our B2B Summit North America in Phoenix, our largest yearly event, we explored the tectonic shifts underway in how B2B companies sell and promote their products. And Forrester calls this the go-to-market singularity. The event was a clarion call to B2B leaders across marketing, sales, customer success, and product functions to discard outmoded go-to-market practices and embrace a new, augmented, resilient, and collaborative GTM approach that will capture AI-centric customers and generate revenue growth.

Despite years of volatility driven by changing customer behavior, most B2B firms have failed to change how they engage with buyers. They are clinging to ineffective marketing practices such as mass emailing, marketing-qualified lead obsession, gated content, and siloed teams. AI is quickly destroying these practices as it transforms buyer journeys and continues to shift power away from sellers toward buyers.

Now, as the GTM singularity unfolds, B2B firms must augment sales and marketing efforts with agents, respond to customer shifts faster, and better align marketing, sales, and product groups to act in unison. A singularity change that is happening right now is what Forrester calls the visibility vacuum. SEO and search decline, customers are going dark, making it impossible to gather buying signals from customers and increasing the need to adopt some form of answer engine optimization.

The B2B Summit saw a 9% year-over-year increase of attendees. We had 1,400 attendees, 59 sponsors, and 110 sessions. We estimate the summit influenced approximately $3.5 million of contract value bookings.

Customer experience forums were held in New York City, San Francisco, and Amsterdam in the second quarter. At the forums, we unveiled Forrester's updated total experience score. The TX score debuted in 2025, a unique metric that combines the customer experience and brand experience of large companies to accurately forecast the growth potential of those firms. Added this year was a third component, employee experience, yielding a more complete view of where companies are tracking.

The TX score places companies in four groups based on our data: leading, plateauing, lagging, and churning. 2026 global total experience score rankings of 375 brands, evaluating companies across Asia Pacific, Europe, and North America in 10 vertical markets.

Looking at the US automobile market, Honda was dominant in the leader category. Tesla was plateauing, Chrysler lagging, and GM churning. Overall, 41% of the organizations measured improved their scores from 2025, while only 3% declined. The Amsterdam and New York CX forums were sold out.

Turning now to developments in Forrester AI. In Q2, we announced the Forrester AI Agent for Microsoft Copilot, enabling clients to access trusted Forrester research and guidance directly from their Microsoft workflows. This announcement follows Forrester's integration of Forrester AI into Microsoft Teams, continuing our efforts to make research available to our clients where they work. We're revolutionizing how clients engage with research and advisory firms.

By the end of Q2, we had activated hundreds of accounts to access Forrester AI from teams and Copilot. Forrester AI usage increased to new highs in the quarter, with total users up 33% in Q2 versus Q1 and up 69% year over year. Forrester AI prompts were up 58% in Q2 compared to Q1 and up 105% year over year. In Q2, Forrester AI eclipsed indexed search to become the dominant method used by Forrester Decisions clients to interact with our research database.

We continue to work on integrating Forrester AI with other platforms, including Gemini, Claude, Slack, and others. Watch this space.

I will now hand the call over to Chris Finn, our CFO, for more detailed financial analysis of the quarter. Chris?

Chris Finn - *Forrester Research Inc - Chief Financial Officer*

Thanks, George, and good afternoon everyone. In the second quarter, we saw continued momentum in our CV business. This This was exhibited in our CV bookings growth for the quarter and the ongoing stabilization of metrics. The CV decline and wallet retention were consistent with the prior quarter and in line with our expectations. Client retention dipped by 1 point but we did see an increase in client count.

Our performance in the second quarter gives us renewed confidence of hitting our CV plan for the year with the target of achieving CV growth as we exit 2026. In addition, we restarted our stock buyback program during the period and we intend to continue with repurchases throughout the remainder of the year.

Q2 saw a 3% CV decline in the quarter. This mirrors our first quarter performance and, as stated earlier, was in line with our expectations. We believe this trajectory will improve in the second half of the year as we continue to grow CV bookings.

We remain on a path for CV growth by year-end. Despite some market turbulence, we are seeing consistent demand for our products, driven by the need for trusted AI advice, continued adoption of Forrester AI, and ongoing product enhancements, making Forrester more embedded in clients' workflows.

For the total company, we generated $100.2 million in revenue compared to $111.7 million in the prior year period, which is an overall revenue decrease of 10%. In terms of our revenue breakdown for the quarter, research revenues decreased 8% compared to the second quarter of 2025, with revenue from research products down 7% and reprints down 12%.

Client retention at 77% was up 3 points from the prior year and down 1 point from the prior quarter. Client count increased by 10%. clients in the quarter to 1,770 clients supported by new business growth. While at retention of 89%, it was up 4 points from the prior year and flat from the prior quarter. Churn, downsell, and new business were all at or above expectations, while upsell was slightly below expectations and remained flat versus prior period.

We continue to see success in our AI access product. This product has delivered approximately $10 million in bookings since its launch nine months ago, and continues to gain traction in the market. We remain focused on retention improvements driven by customer success, sales, and ongoing product enhancements, and believe these will continue to pay dividends in the second half of the year. Our consulting business posted revenues of $20 million, which is down 15% compared to the prior year. The majority of the decline can be ascribed to the strategy consulting business, which we stopped actively selling earlier in the year.

We will continue to execute on our existing strategy consulting backlog over the coming quarters and exit this business by year end. The decision and exit strategy consulting allows our sales force to continue to focus on the expansion of our CV offerings. Content marketing business was down 13%, and this was partially offset by strong performance in the advisory business, which grew 21%.

And finally, regarding our events business, we held four events in the second quarter and posted revenues of $8.5 million, representing a decrease of 17% compared to the second quarter of 2025 while sponsorship and ticket revenues are impacted by the shift in our event strategy, which focuses on shorter, more intimate forms. We are receiving very positive feedback about our new events format, which prioritizes deeper in-person connection and peer networking.

Continuing down our P&L on an adjusted basis, operating expenses for the first quarter decreased by 8%, primarily driven by lower compensation costs. Headcount was down 7%, driven by the restructuring earlier in the year. However, as you look to return to CV growth, we've started to add to our sales capacity and we did see a slight increase in our sales capacity. quarter carrying headcount number.

Operating income decreased by 24% to $10.4 million, or 10.4% of revenue in the current quarter, compared to $13.7 million, or 12.2% of revenue in the second quarter of 2025. Interest expense for the quarter was $0.4 million, down from $0.7 million in the second quarter of 2025.

Finally, net income and earnings per share decreased 21% and 22% respectively compared to Q2 of last year, with net income at $7.7 million and earnings per share of $0.40 for the current quarter decreased. compared with net income of $9.8 million and earnings per share of $0.51 in the second quarter of 2025.

Looking at our capital structure, cash flow from operating activities was $25 million in the first half of the year, and capital expenditures were $18.2 million. $16.6 million of the capital expenditures are associated with the ongoing build-out of our Cambridge headquarters. And we have received $2.7 million of reimbursements from the landlord, which reported as a cash inflow from operating activities.

Free cash flow for the first half of the year, excluding the net spending on the build-out, was approximately $20.7 million. Remaining cap-back spending for the build-out will be approximately $11 million. However, we expect to receive an additional $14.5 million of reimbursements from the landlord in the second half of the year.

Our balance sheet is strong with cash at the end of the quarter of over $130 million and debt of only $35 million. We did not pay down any debt in the quarter. However, we did repurchase approximately $1 million worth of shares this quarter starting late in the period. We have over $76 million of our stock repurchase authorization intact. We plan on accelerating our stock repurchase program in the second half of the year.

Moving on to guidance, for 2026, we remain confident in our ability to execute. We are maintaining our guidance at this stage. Let me provide some additional commentary on our outlook for the year. For 2026, we continue to expect revenue to be $350 million to $360 million, or down 9% to 12% versus 2025. This guidance assumes the outlook for research to be a mid-single-digit decline, resulting to be a decline in the low 20s and events to be a decline in the mid to high teens for the year.

We still expect our operating margins to be in the range of 6% to 6.5% for 2026, and interest expenses are expected to be $2.3 million for the year, and we are guiding to a full-year tax rate of 29%. Taking all of this into account, we still expect EPS to be in the range of $0.72 to $0.82 for the full year.

We continue to execute against our goals for 2026. There is accelerated adoption of Forrester AI, we continue to focus on retention improvement initiatives, and clients are reacting positively to our new embedded product portfolio. To capitalize on this, we will continue to innovate in the second half of the year to drive CV growth by year-end.

Thank you all for taking the time today. With that, I'll hand the call back to George.

George Colony - *Forrester Research Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Chris. We met our expectations for the quarter and reiterated our guidance for the full year. Furthermore, we remain on track to deliver CV growth in the full year. The era of AI computing is driving demand for Forrester's Insights as our clients plan how they will build their private AI models for their customers, and they begin to replace their enterprise systems with a new generation of AI software.

Simultaneously, Forrester's AI capabilities are enabling us to deliver better insights faster, embedded where our clients do their work. This is an extraordinary opportunity for Forrester, and we are diligently working to leverage this moment for our clients and our investors.

So I'll now turn the call over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Anja Soderstrom, Sidoti.

Anja Soderstrom - *Sidoti & Company LLC - Equity Analyst*

Hi and thank you for taking my question. What kind of visibility do you have for that expectation of contract value growth by the year end?

Chris Finn - *Forrester Research Inc - Chief Financial Officer*

Yes, this is Chris. So it's a good question. We've seen meaningful improvement in our retention metrics this year, as we talked about on the call. We've got a continued laser focus on retention and product innovation, and we expect those improvements to continue into the second half of the year.

Pipeline continues to increase. I think the work that Christophe's been doing with the sales organization combined with, obviously, the work we've done from a product innovation standpoint with AI access and improvements that we know are coming with additional product in the back half of the launching Q3 -- all give us confidence as we go forward here.

So we continue to look at the models and run the analysis and we see upside as we move forward here and that's what gives us confidence.

Christophe, you want to talk about some of the changes?

Christophe Favre - *Forrester Research Inc - Chief Sales Officer*

Yes, we had CV grows booking in Q2 with really pockets of momentum. One of them was tech research that grew by double digits. as well as continue positive NCVI in the international markets in EMEA as well as in APAC.

Of course, there are areas of challenges, and the North American government segment was one of them. However, I see a turning point in Q3 in that segment.

Anja Soderstrom - *Sidoti & Company LLC - Equity Analyst*

Okay. And what do you anticipate to drive that turning point?

Christophe Favre - *Forrester Research Inc - Chief Sales Officer*

Yes. We expect a turning point in the government, especially in the Fed area, where we have built up a very nice pipeline in the area of AI access, as well as the overall portfolio that we have around our executive leader seats.

We've seen some very interesting opportunity there, and we'll know more by the end of Q3.

George Colony - *Forrester Research Inc - Chairman of the Board, President, Chief Executive Officer*

I was in Washington two weeks ago with clients, and the overall mood there is they're getting back to business. I mean, these are not typical times, but it is after the Doge efforts a year ago. These agencies have to get their work done. So they're getting back to work.

Anja Soderstrom - *Sidoti & Company LLC - Equity Analyst*

Okay, great. Thank you. And also in terms of the sales you said you added some head counts there. Do you anticipate to add more and how is the current work? Are they ramped or are they still building up experience?

Christophe Favre - *Forrester Research Inc - Chief Sales Officer*

Yes. We had in Q2 a small increase of headcount. However, my focus right now is about improving the productivity of the sales force as well as their performance. I will review at the end of the Q3 if we add additional growth headcounts for the back of the year.

Anja Soderstrom - *Sidoti & Company LLC - Equity Analyst*

Okay, thank you. That was all for me.

George Colony - *Forrester Research Inc - Chairman of the Board, President, Chief Executive Officer*

Anja, thank you.

Chris Finn - *Forrester Research Inc - Chief Financial Officer*

Thank you.

Operator

Vince Colicchio, Barrington Research.

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

Yes, Christophe, to be clear, so when you say a pipeline is expanded for CV, you're talking sequentially, correct?

Christophe Favre - *Forrester Research Inc - Chief Sales Officer*

I'm speaking year over year.

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

Year over year, okay.

Christophe Favre - *Forrester Research Inc - Chief Sales Officer*

We're booking growth year over year for Q2 and the pipeline as well.

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

And what sales process changes would you say are having the most impact?

Christophe Favre - *Forrester Research Inc - Chief Sales Officer*

So one is the change that we make in our go-to-market strategy, having organized the North American sales organization around six vertical industries, as well as the work we do in preparing our sales organization to take advantage of the new AI era and as well, of course, is working closely with our product organizations.

And we see a great update around our new product portfolio, especially around AI access, as well our embed solution, especially the Microsoft Copilot solutions. Because what we see is customers that want to bring forester proprietary expertise where they work. They want to have forester embedded in their tools.

They really want to make decisions to move faster with higher confidence. And Forrester is very well positioned to help them to do that and help them to take action faster.

George Colony - *Forrester Research Inc - Chairman of the Board, President, Chief Executive Officer*

You may also want to mention the balanced scorecard as a tool here.

Christophe Favre - *Forrester Research Inc - Chief Sales Officer*

Yes, we have also implemented what I call the sales force balanced scorecard in order to make the Salesforce and the sales leader more accountable of the quality of the work they do. And we look much more carefully area linked to the pipeline health as well as the pipeline performance.

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

And in terms of verticals, I know you said the Fed should improve in Q3, any change in terms of other verticals that are improving in the Q2 period?

Christophe Favre - *Forrester Research Inc - Chief Sales Officer*

Yes, we see really an uptake in the tech industry in Q2 and we believe it will continue in Q3, as well as interesting trend also in the industry and manufacturing area, where we see those B2B companies willing to transform their go-to-market strategy and as well as taking advantage of this new AI era.

George Colony - *Forrester Research Inc - Chairman of the Board, President, Chief Executive Officer*

These are companies like Siemens or Honeywell.

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

Okay. Thank you. Thank you. And as far as your integration into workflows, are you ahead of the competition in that regard? What does that look like?

Carrie Johnson - *Forrester Research Inc - Chief Product Officer*

Sure. Hi Vince, it's Carrie. We are. We are the first research company in our competitive set to have a presence in Microsoft Teams and we're the first to have an agent in AI agent and Copilot. We know from the conversations that we're having that we're on the front line of this and that's what our customers expect us to be so we'll continue to be that moving forward as well.

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

Okay, thank you.

George Colony - *Forrester Research Inc - Chairman of the Board, President, Chief Executive Officer*

Thanks, Vince.

Operator

Thank you. That concludes our Q&A session. At this time, I would like to turn the conference back to Chris Finn, Chief Financial Officer, for closing remarks.

Chris Finn - *Forrester Research Inc - Chief Financial Officer*

Yes, thanks all for joining today. Appreciate it. Any questions or follow-up, just reach out to Ed or myself. Thank you.

Operator

Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.
