UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.**

FOR THE QUARTERLY PERIOD ENDED September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.**

COMMISSION FILE NUMBER: 000-21433

FORRESTER RESEARCH, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**04-2797789**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
60 Acorn Park Drive CAMBRIDGE, MASSACHUSETTS	**02140**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $.01 Par Value	**FORR**	**Nasdaq Global Select Market**

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 requirements 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 (§232.405 of this chapter) 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 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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by checkmark 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 Exchange Act). Yes ☐ No ☒

As of October 31, 2022, 19,052,000 shares of the registrant's common stock were outstanding.

FORRESTER RESEARCH, INC.

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PART I.

ITEM 1. FINANCIAL STATEMENTS

FORRESTER RESEARCH, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data, unaudited)

	September 30, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 98,735	$ 115,769
Marketable investments (Note 2)	20,003	18,509
Accounts receivable, net of allowance for expected credit losses of $632 and $610 as of September 30, 2022 and December 31, 2021, respectively	50,602	86,965
Deferred commissions	18,893	29,631
Prepaid expenses and other current assets	16,051	18,614
Total current assets	204,284	269,488
Property and equipment, net	25,053	28,245
Operating lease right-of-use assets	55,637	65,009
Goodwill	238,949	244,994
Intangible assets, net	52,496	62,733
Other assets	8,821	9,660
Total assets	$ 585,240	$ 680,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,069	$ 840
Accrued expenses and other current liabilities	65,247	97,800
Deferred revenue	180,758	213,696
Total current liabilities	247,074	312,336
Long-term debt	50,000	75,000
Non-current operating lease liabilities	53,539	65,038
Other non-current liabilities	20,738	23,848
Total liabilities	371,351	476,222
Commitments and contingencies (Note 5, 14)		
Stockholders' Equity (Note 12):		
Preferred stock, $0.01 par value		
Authorized - 500 shares; issued and outstanding - none	—	—
Common stock, $0.01 par value		
Authorized - 125,000 shares		
Issued - 24,352 and 24,085 shares as of September 30, 2022 and December 31, 2021, respectively		
Outstanding - 19,047 and 19,058 shares as of September 30, 2022 and December 31, 2021, respectively	244	241
Additional paid-in capital	258,341	245,985
Retained earnings	176,261	152,825
Treasury stock - 5,305 and 5,027 shares as of September 30, 2022 and December 31, 2021, respectively	(207,067)	(191,955)
Accumulated other comprehensive loss	(13,890)	(3,189)
Total stockholders’ equity	213,889	203,907
Total liabilities and stockholders’ equity	$ 585,240	$ 680,129

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, unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenues:				
Research	$ 87,038	$ 79,876	$ 262,265	$ 235,846
Consulting	37,382	37,393	115,075	116,903
Events	3,259	867	23,556	7,838
Total revenues	127,679	118,136	400,896	360,587
Operating expenses:				
Cost of services and fulfillment	52,717	49,836	166,959	149,571
Selling and marketing	44,231	41,340	133,249	123,175
General and administrative	16,448	14,383	47,897	41,895
Depreciation	2,374	2,342	6,992	6,887
Amortization of intangible assets	3,352	3,696	10,068	11,567
Integration costs	—	—	—	334
Total operating expenses	119,122	111,597	365,165	333,429
Income from operations	8,557	6,539	35,731	27,158
Interest expense	(584)	(1,056)	(1,732)	(3,251)
Other income (expense), net	346	(195)	192	(866)
Gain on investments, net	—	—	426	—
Income before income taxes	8,319	5,288	34,617	23,041
Income tax expense	2,905	766	11,181	6,220
Net income	$ 5,414	$ 4,522	$ 23,436	$ 16,821
Basic income per common share	$ 0.29	$ 0.24	$ 1.24	$ 0.88
Diluted income per common share	$ 0.28	$ 0.23	$ 1.22	$ 0.87
Basic weighted average common shares outstanding	18,958	19,134	18,939	19,107
Diluted weighted average common shares outstanding	19,139	19,388	19,192	19,351

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Net income	$ 5,414	$ 4,522	$ 23,436	$ 16,821
Other comprehensive loss, net of tax:				
Foreign currency translation	(4,971)	(1,508)	(10,813)	(3,086)
Net change in market value of investments	(54)	(4)	(147)	(4)
Net change in market value of interest rate swap	(5)	128	259	457
Other comprehensive loss	(5,030)	(1,384)	(10,701)	(2,633)
Comprehensive income	$ 384	$ 3,138	$ 12,735	$ 14,188

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash flows from operating activities:		
Net income	$ 23,436	$ 16,821
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,992	6,887
Amortization of intangible assets	10,068	11,567
Net gains from investments	(426)	—
Deferred income taxes	(3,023)	(2,157)
Stock-based compensation	11,036	7,351
Operating lease right-of-use assets amortization	8,138	8,742
Amortization of deferred financing fees	331	703
Amortization of premium on investments	48	25
Foreign currency (gains) losses	(167)	1,033
Changes in assets and liabilities:		
Accounts receivable	34,801	31,052
Deferred commissions	10,741	5,562
Prepaid expenses and other current assets	2,185	(3,394)
Accounts payable	262	64
Accrued expenses and other liabilities	(30,801)	(6,870)
Deferred revenue	(26,262)	16,132
Operating lease liabilities	(9,556)	(8,526)
Net cash provided by operating activities	37,803	84,992
Cash flows from investing activities:		
Purchases of property and equipment	(4,227)	(9,845)
Purchases of marketable investments	(22,819)	(18,549)
Proceeds from maturities of marketable investments	21,081	1,500
Other investing activity	246	44
Net cash used in investing activities	(5,719)	(26,850)
Cash flows from financing activities:		
Payments on borrowings	(25,000)	(9,375)
Repurchases of common stock	(15,112)	(10,646)
Proceeds from issuance of common stock under employee equity incentive plans	4,298	7,840
Taxes paid related to net share settlements of stock-based compensation awards	(2,975)	(3,347)
Net cash used in financing activities	(38,789)	(15,528)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(10,727)	(1,464)
Net change in cash, cash equivalents and restricted cash	(17,432)	41,150
Cash, cash equivalents and restricted cash, beginning of period	118,031	90,652
Cash, cash equivalents and restricted cash, end of period	$ 100,599	$ 131,802
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,456	$ 2,532
Cash paid for income taxes	$ 5,380	$ 7,366

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

Note 1 — Interim Consolidated Financial Statements

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for reporting on Form 10-Q. Accordingly, certain information and footnote disclosures required for complete financial statements are not included herein. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. It is recommended that these financial statements be read in conjunction with the consolidated financial statements and related notes that appear in the Forrester Research, Inc. (“Forrester”) Annual Report on Form 10-K for the year ended December 31, 2021. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the financial position, results of operations, comprehensive income, and cash flows as of the dates and for the periods presented have been included. The results of operations for the three and nine months ended September 30, 2022 may not be indicative of the results for the year ending December 31, 2022, or any other period.

Presentation of Restricted Cash

The following table summarizes the end-of-period cash and cash equivalents from the Company's Consolidated Balance Sheets and the total cash, cash equivalents and restricted cash as presented on the accompanying Consolidated Statements of Cash Flows (in thousands).

	Nine Months Ended September 30,	
	2022	2021
Cash and cash equivalents	$ 98,735	$ 129,332
Restricted cash classified in (1):		
Prepaid expenses and other current assets	—	215
Other assets	1,864	2,255
Cash, cash equivalents and restricted cash shown in statement of cash flows	$ 100,599	$ 131,802

(1) Restricted cash consists of collateral required for leased office space, and for the nine months ended September 30, 2021, also included an amount for credit card processing outside of the U.S. The short-term or long-term classification regarding the collateral for the leased office space is determined in accordance with the expiration of the underlying leases.

Adoption of New Accounting Pronouncements

The Company adopted the guidance in the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2019-12, *Income Taxes – Simplifying the Accounting for Income Taxes* on January 1, 2021. The standard provides guidance to simplify the accounting for income taxes in certain areas, changes the accounting for select income tax transactions, and makes other minor improvements. The adoption of this standard did not have a material impact on the Company’s financial position or results of operations.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Finance Reporting*. The new standard provides optional guidance for a limited period of time to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting due to the risk of cessation of the London Interbank Offered Rate (“LIBOR”). The updates apply to contracts, hedging relationships, and other transactions that reference LIBOR, or another reference rate expected to be discontinued because of reference rate reform, and as a result require a modification. An entity may elect to apply the amendments immediately or at any point through December 31, 2022. The adoption of this standard will not have a material impact on the Company’s financial position or results of operations as the Company's only interest rate swap, which is based on LIBOR, will terminate prior to the cessation of LIBOR.

Note 2 — Marketable Investments

The following table summarizes the Company's marketable investments (in thousands):

	As of September 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Corporate obligations	$ 19,234	$ —	$ (232)	$ 19,002
Federal agency obligations	1,000	1	—	1,001
Total	$ 20,234	$ 1	$ (232)	$ 20,003

	As of December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Corporate obligations	$ 18,542	$ —	$ (33)	$ 18,509
Total	$ 18,542	$ —	$ (33)	$ 18,509

Realized gains and losses on investments are included in earnings and are determined using the specific identification method. There were no realized gains or losses on marketable investments during the three and nine months ended September 30, 2022 and 2021.

The following table summarizes the maturity periods of the marketable investments in the Company's portfolio as of September 30, 2022 (in thousands).

	FY 2022	FY 2023	FY 2024	FY 2025	Total
Corporate obligations	$ 3,797	$ 11,937	$ 2,335	$ 933	$ 19,002
Federal agency obligations	—	—	1,001	—	$ 1,001
Total	$ 3,797	$ 11,937	$ 3,336	$ 933	$ 20,003

The following table shows the gross unrealized losses and market value of the Company'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 September 30, 2022			
	Less Than 12 Months		12 Months or Greater	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Corporate obligations	$ 15,007	$ 216	$ 3,995	$ 16
Total	$ 15,007	$ 216	$ 3,995	$ 16

	As of December 31, 2021			
	Less Than 12 Months		12 Months or Greater	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Corporate obligations	$ 18,509	$ 33	$ —	$ —
Total	$ 18,509	$ 33	$ —	$ —

Note 3 — Goodwill and Other Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair values of the tangible and identifiable intangible net assets acquired. Goodwill is not amortized; however, it is required to be tested for impairment annually, which requires assessment of the potential impairment at the reporting unit level. Reporting units are determined based on the components of the Company's operating segments that constitute a business for which discrete financial information is available and for which operating results are regularly reviewed by segment management. Testing for impairment is also required on an interim basis if an event or circumstance indicates it is more likely than not an impairment loss has been incurred.

The Company performed its annual impairment testing as of November 30, 2021 utilizing a qualitative assessment to determine if it was more likely than not that the fair values of each of its reporting units was less than their respective carrying values and concluded that no impairments existed. Subsequent to completing the annual test and through September 30, 2022, there were no events or circumstances that required an interim impairment test. Accordingly, as of September 30, 2022, the Company had no accumulated goodwill impairment losses. Approximately $8.0 million of goodwill is allocated to the Company's Consulting reporting unit, which had a negative carrying value as of the date of the last test.

The change in the carrying amount of goodwill for the nine months ended September 30, 2022 is summarized as follows (in thousands):

	Total
Balance at December 31, 2021	$ 244,994
Translation adjustments	(6,045)
Balance at September 30, 2022	$ 238,949

Finite-Lived Intangible Assets

The carrying values of finite-lived intangible assets are as follows (in thousands):

	September 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Customer relationships	$ 78,215	$ 32,123	$ 46,092
Technology	16,620	14,165	2,455
Trademarks	12,445	8,496	3,949
Total	$ 107,280	$ 54,784	$ 52,496

	December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Customer relationships	$ 78,364	$ 25,805	$ 52,559
Technology	16,845	13,073	3,772
Trademarks	12,478	6,076	6,402
Total	$ 107,687	$ 44,954	$ 62,733

Estimated intangible asset amortization expense for each of the five succeeding years is as follows (in thousands):

2022 (remainder)	$ 3,084
2023	11,897
2024	9,860
2025	8,862
2026	8,387
Thereafter	10,406
Total	$ 52,496

Note 4 — Debt

On December 21, 2021, the Company and certain of its subsidiaries entered into an amendment of its existing credit facility, dated as of January 3, 2019, with JPMorgan Chase Bank, N.A., as administrative agent (the "Administrative Agent"), and the lenders party thereto (the "Existing Credit Agreement" and the Existing Credit Agreement as amended by the Amendment, the "Amended Credit Agreement").

The Existing Credit Agreement was amended to, among other things, (a) increase the aggregate principal amount of revolving credit commitments (the "Revolving Credit Facility") from $75.0 million to $150.0 million and eliminate the existing term loan facility, (b) extend the scheduled maturity date of the revolving credit commitments to December of 2026, (c) reduce the applicable margin with respect to revolving loans to, at Forrester's option, (i) between 1.25% and 1.75% per annum for loans based on LIBOR and (ii) between 0.25% and 0.75% per annum for loans based on the applicable base rate, in each case, based on Forrester's consolidated total leverage ratio, (d) reduce the commitment fee applicable to undrawn revolving credit commitments to between 0.30% and 0.20% per annum based on the Company's consolidated total leverage ratio, (e) replace the minimum fixed charge coverage ratio financial covenant under the Existing Credit Agreement with a minimum consolidated interest coverage ratio of 3.50:1.00 and (f) include a covenant limiting the amount of capital expenditures made by the Company in each fiscal year.

On December 21, 2021, the Company converted the $100.0 million outstanding term loan amounts under the Existing Credit Agreement to $100.0 million outstanding on the Revolving Credit Facility as the lenders remained the same under both facilities. The Amended Credit Agreement permits the Company to 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 Company may voluntarily prepay revolving loans under the Amended Credit Agreement at any time and from time to time, without premium or penalty, other than customary breakage reimbursement requirements for LIBOR-based loans. No interim amortization payments are required to be made under the Amended Credit Agreement.

The Amended Credit Agreement provides that once LIBOR ceases to exist in 2023, the benchmark rate for the Revolving Credit Facility will automatically transfer from LIBOR to the Secured Overnight Financing Rate.

Up to $5.0 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. As of September 30, 2022, $0.8 million in letters of credit were issued under the Revolving Credit Facility.

The Company incurred $0.5 million in costs related to the issuance of the Revolving Credit Facility under the Amended Credit Agreement, which were recorded to other assets on the Consolidated Balance Sheets. These costs are being amortized on a straight-line basis over the five-year term of the Revolving Credit Facility and are included in interest expense in the Consolidated Statements of Income. The Amended Credit Agreement was accounted for as a debt modification and thus no existing debt issuance costs were written off to interest expense as a result of the modification.

Outstanding Borrowings

The following table summarizes the Company's total outstanding borrowings as of the dates indicated (in thousands):

Description:	**September 30, 2022**	**December 31, 2021**
Revolving credit facility	$ 50,000	$ 75,000

The contractual annualized interest rate as of September 30, 2022 was 4.375%, which consisted of LIBOR of 3.125% plus a margin of 1.25%. However, the Company has an interest rate swap contract that effectively converts the floating LIBOR base rates on a portion of the amounts outstanding to a fixed base rate. Refer to Note 7 – *Derivatives and Hedging* for further information on the swap.

The Company had $99.2 million of available borrowing capacity on the Revolving Credit Facility (not including the expansion feature) as of September 30, 2022. The weighted average annual effective interest rate for the three and nine months ended September 30, 2022, was 3.46% and 2.32%, respectively.

The Amended Credit Agreement contains certain customary restrictive loan covenants, including among others, financial covenants that apply a maximum leverage ratio, minimum interest coverage ratio, and maximum annual capital expenditures. 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, change fiscal year, or enter into certain transactions with affiliates and subsidiaries. The Company was in full compliance with the covenants as of September 30, 2022. The agreement also contains customary events of default, representations, and warranties.

All obligations under the Amended Credit Agreement 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's subsidiaries (limited to 65% of the voting equity of certain subsidiaries).

Note 5 — Leases

All of the Company's leases are operating leases, the majority of which are for office space. Operating lease right-of-use ("ROU") assets and non-current operating lease liabilities are included as individual line items on the Consolidated Balance Sheets, while short-term operating lease liabilities are recorded within accrued expenses and other current liabilities. Leases with an initial term of twelve months or less are not recorded on the Consolidated Balance Sheets and are not material.

The components of lease expense were as follows (in thousands):

	For the Three Months Ended September 30,	
	2022	2021
Operating lease cost	$ 3,546	$ 3,999
Short-term lease cost	214	120
Variable lease cost	1,000	1,472
Sublease income	(192)	(192)
Total lease cost	$ 4,568	$ 5,399

	For the Nine Months Ended September 30,	
	2022	2021
Operating lease cost	$ 10,798	$ 11,881
Short-term lease cost	526	306
Variable lease cost	4,013	4,187
Sublease income	(575)	(358)
Total lease cost	$ 14,762	$ 16,016

Additional lease information is summarized in the following table (in thousands, except lease term and discount rate):

	For the Nine Months Ended September 30,	
	2022	2021
Cash paid for amounts included in the measurement of operating lease liabilities	$ 9,556	$ 8,526
Operating lease ROU assets obtained in exchange for lease obligations	$ 172	$ 7,505
Weighted-average remaining lease term - operating leases (years)	5.3	6.1
Weighted-average discount rate - operating leases	4.3%	4.3%

Future minimum lease payments under non-cancelable leases and estimated future sublease cash receipts from non-cancelable arrangements as of September 30, 2022 are as follows (in thousands):

	Operating Lease Payments	Sublease Cash Receipts
2022 (remainder)	$ 4,182	$ 195
2023	16,272	606
2024	15,848	624
2025	13,934	—
2026	12,084	—
Thereafter	13,841	—
Total lease payments and estimated sublease cash receipts	76,161	$ 1,425
Less imputed interest	(9,167)	
Present value of lease liabilities	$ 66,994	

Lease balances as of September 30, 2022 are as follows (in thousands):

Operating lease ROU assets	$ 55,637
Short-term operating lease liabilities (1)	$ 13,455
Non-current operating lease liabilities	53,539
Total operating lease liabilities	$ 66,994

(1) Included in accrued expenses and other current liabilities on the Consolidated Balance Sheets.

The Company's leases do not contain residual value guarantees, material restrictions, or covenants.

Note 6 – Revenue and Related Matters

Disaggregated Revenue

The Company disaggregates revenue as set forth in the following tables (in thousands):

Revenue by Geography

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Revenues: (1)	**2022**	**2021**	**2022**	**2021**
North America	$ 107,224	$ 94,700	$ 333,709	$ 290,967
Europe	12,167	15,102	42,510	45,771
Asia Pacific	6,377	6,721	19,495	19,435
Other	1,911	1,613	5,182	4,414
Total	$ 127,679	$ 118,136	$ 400,896	$ 360,587

(1) Revenue location is determined based on where the products and services are consumed.

Contract Assets and Contract Liabilities

Accounts Receivable

Accounts receivable includes amounts billed and currently due from customers. Since the only condition for payment of the Company's invoices is the passage of time, a receivable is recorded on the date an 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 September 30, 2022 or 2021.

The majority of the Company's contracts are non-cancelable. However, for contracts that are cancelable 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 prices 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 unpaid invoices issued on a cancelable contract.

During the three months ended September 30, 2022 and 2021, the Company recognized $31.9 million and $25.0 million of revenue, respectively, related to its deferred revenue balances at the beginning of each such period. During the nine months ended September 30, 2022 and 2021, the Company recognized $171.2 million and $140.9 million of revenue, respectively, related to its deferred revenue balance at January 1 of each such period.

Approximately $380.6 million of revenue is expected to be recognized during the next 24 months from remaining performance obligations as of September 30, 2022.

Reserves for Credit Losses

The allowance for expected credit losses on accounts receivable for the nine months ended September 30, 2022 is summarized as follows (in thousands):

	Total Allowance
Balance at December 31, 2021	$ 610
Provision for expected credit losses	514
Write-offs	(492)
Balance at September 30, 2022	$ 632

When evaluating the adequacy of the allowance for expected credit losses, the Company makes judgments regarding the collectability of accounts receivable based, in part, on the Company's historical loss rate experience, customer concentrations, management's expectations of future losses as informed by current economic conditions, and changes in customer payment terms. If the expected 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. If the expected financial condition of the Company's customers were to improve, the allowances may be reduced accordingly.

Cost to Obtain Contracts

The Company capitalizes commissions paid to 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 Company accounts 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 earnings over the initial contract term, which is the same period the related revenue is recognized. Amortization expense related to deferred commissions for the three months ended September 30, 2022 and 2021 was $10.4 million and $10.0 million, respectively. Amortization expense related to deferred commissions for the nine months ended September 30, 2022 and 2021 was $32.2 million and $28.9 million, respectively. The Company evaluates the recoverability of deferred commissions at each balance sheet date and there were no impairments recorded during the nine months ended September 30, 2022 and 2021.

Note 7 — Derivatives and Hedging

The Company has a derivative contract (an interest rate swap) to mitigate the cash flow risk associated with changes in interest rates on its variable rate debt (refer to Note 4 – *Debt*). The Company accounts for its derivative contract in accordance with FASB ASC Topic 815 – *Derivatives and Hedging* ("Topic 815"), which requires all derivatives, including derivatives designated as accounting hedges, to be recorded on the balance sheet at fair value.

Interest Rate Swap

At September 30, 2022, the Company had a single interest rate swap contract, with an initial notional amount of $95.0 million. The notional amount at September 30, 2022 was $13.1 million and the swap terminates on December 31, 2022. The Company pays a base fixed rate of 1.65275% and in return receives the greater of (1) 1-month LIBOR, rounded up to the nearest 1/16 of a percent, or (2) 0.00%. The fair value of the swap on September 30, 2022 was $0.1 million (refer to Note 8 – *Fair Value Measurements* for information on determining the fair value).

The swap has been designated and accounted for as a cash flow hedge of the forecasted interest payments on the Company's debt. As long as the swap continues to be a highly effective hedge of the designated interest rate risk, changes in the fair value of the swap are recorded in accumulated other comprehensive loss, a component of equity in the Consolidated Balance Sheets. Any ineffective portion of a change in the fair value of a hedge is recorded in earnings.

As required under Topic 815, the swap's effectiveness is assessed on a quarterly basis. Since its inception, and through September 30, 2022, the interest rate swap was considered highly effective. Accordingly, the entire fair value of the swap has been recorded in accumulated other comprehensive loss. Realized gains or losses related to the interest rate swap are included as operating activities in the Consolidated Statements of Cash Flows.

Foreign Currency Forwards

The Company enters into foreign currency forward exchange contracts to mitigate the effects of adverse fluctuations in foreign currency exchange rates on transactions entered into in the normal course of business that are denominated in foreign currencies that differ from the local functional currency. These contracts generally have short durations and are recorded at fair value with both realized and unrealized gains and losses recorded in other income (expense), net in the Consolidated Statements of Income because the Company does not designate these contracts as hedges for accounting purposes.

During the nine months ended September 30, 2022, the Company entered into eleven foreign currency forward exchange contracts, all of which settled by September 30, 2022. Accordingly, as of September 30, 2022, there is no amount recorded in the Consolidated Balance Sheets for these contracts. During the nine months ended September 30, 2021, the Company entered into four foreign currency forward exchange contracts, all of which settled by September 30, 2021. Accordingly, as of September 30, 2021, there is no amount recorded in the Consolidated Balance Sheets for these contracts.

The Company's derivative counterparties are investment grade financial institutions. The Company does not have any collateral arrangements with these counterparties and the derivative contracts do not contain credit risk related contingent features. The table below provides information regarding amounts recognized in the Consolidated Statements of Income for the derivative contracts for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Amount recorded in:	**2022**	**2021**	**2022**	**2021**
Interest expense (1)	$ 25	$ (183)	$ (170)	$ (646)
Other income (expense), net (2)	(63)	(43)	(239)	(79)
Total	$ (38)	$ (226)	$ (409)	$ (725)

(1) Consists of net interest income and expense from the interest rate swap contract.
(2) Consists of net realized gains and losses on foreign currency forward contracts.

Note 8 — Fair Value Measurements

The carrying amounts reflected on the Consolidated Balance Sheets for cash, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short-term maturities. The Company's financial instruments also include its outstanding variable-rate borrowings (refer to Note 4 – *Debt*). The Company believes that the carrying amount of its variable-rate borrowings reasonably approximate their fair values because the rates of interest on those borrowings reflect current market rates of interest.

Additionally, the Company measures certain financial assets and liabilities at fair value on a recurring basis including cash equivalents, marketable investments, and its derivative contract. The fair values of these financial assets and liabilities have been classified as Level 1, 2, or 3 within the fair value hierarchy as described in the accounting standards for fair value measurements:

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):

	As of September 30, 2022		
	Level 1	Level 2	Total
Assets:			
Money market funds (1)	$ 5,348	$ —	$ 5,348
Marketable investments (2)	—	20,003	20,003
Interest rate swap (3)	—	65	65
Total Assets	$ 5,348	$ 20,068	$ 25,416

	As of December 31, 2021		
	Level 1	Level 2	Total
Assets:			
Money market funds (1)	$ 6,885	$ —	$ 6,885
Marketable investments (2)	—	18,509	18,509
Total Assets	$ 6,885	$ 18,509	$ 25,394
Liabilities:			
Interest rate swap (3)	$ —	$ (294)	$ (294)
Total Liabilities	$ —	$ (294)	$ (294)

(1) Included in cash and cash equivalents on the Consolidated Balance Sheets.
(2) Marketable investments have been initially valued at the transaction price and subsequently valued, at the end of the reporting period, 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.
(3) The Company has an interest rate swap contract that hedges the risk of variability from interest payments on its borrowings (refer to Note 4 – *Debt* and Note 7 – *Derivatives and Hedging*). The fair value of the interest rate swap is based on valuations prepared by a third-party broker. Those valuations are based on observable interest rates and other observable market data, which the Company considers Level 2 inputs.

During the nine months ended September 30, 2022, the Company did not transfer assets or liabilities between levels of the fair value hierarchy. Additionally, there have been no changes to the valuation techniques for Level 2 liabilities.

Note 9 — Income Taxes

Forrester provides for income taxes on an interim basis according to management's estimate of the effective tax rate expected to be applicable for the full fiscal year. Certain items such as changes in tax rates, tax benefits or expense related to settlements of share-based payment awards, and foreign currency gains or losses are treated as discrete items and are recorded in the period in which they arise.

Income tax expense for the nine months ended September 30, 2022 was $11.2 million resulting in an effective tax rate of 32.3% for the period. Income tax expense for the nine months ended September 30, 2021 was $6.2 million resulting in an effective tax rate of 27.0% for the period.

The Company anticipates that its effective tax rate for the full year 2022 will be approximately 32%.

Note 10 — Accumulated Other Comprehensive Loss ("AOCL")

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

	Marketable Investments	Interest Rate Swap	Translation Adjustment	Total AOCL
Balance at June 30, 2022	$ (118)	$ 52	$ (8,794)	$ (8,860)
Foreign currency translation (1)	—	—	(4,971)	(4,971)
Unrealized gain (loss) before reclassification, net of tax of $13	(54)	13	—	(41)
Reclassification to income, net of tax of $7 (2)	—	(18)	—	(18)
Balance at September 30, 2022	$ (172)	$ 47	$ (13,765)	$ (13,890)

	Marketable Investments	Interest Rate Swap	Translation Adjustment	Total AOCL
Balance at June 30, 2021	$ —	$ (492)	$ (1,447)	$ (1,939)
Foreign currency translation (1)	—	—	(1,508)	(1,508)
Unrealized loss before reclassification, net of tax of $4	(4)	(3)	—	(7)
Reclassification to income, net of tax of $(52) (2)	—	131	—	131
Balance at September 30, 2021	$ (4)	$ (364)	$ (2,955)	$ (3,323)

	Marketable Investments	Interest Rate Swap	Translation Adjustment	Total AOCL
Balance at December 31, 2021	$ (25)	$ (212)	$ (2,952)	$ (3,189)
Foreign currency translation (1)	—	—	(10,813)	(10,813)
Unrealized gain (loss) before reclassification, net of tax of $3	(147)	136	—	(11)
Reclassification to income, net of tax of $(47) (2)	—	123	—	123
Balance at September 30, 2022	$ (172)	$ 47	$ (13,765)	$ (13,890)

	Marketable Investments	Interest Rate Swap	Translation Adjustment	Total AOCL
Balance at December 31, 2020	$ —	$ (821)	$ 131	$ (690)
Foreign currency translation (1)	—	—	(3,086)	(3,086)
Unrealized loss before reclassification, net of tax of $5	(4)	(7)	—	(11)
Reclassification to income, net of tax of $(182) (2)	—	464	—	464
Balance at September 30, 2021	$ (4)	$ (364)	$ (2,955)	$ (3,323)

(1) The Company does not record tax provisions or benefits for the net changes in foreign currency translation adjustments as it intends to permanently reinvest undistributed earnings of its foreign subsidiaries.

(2) Reclassification is related to the Company's interest rate swap (cash flow hedge) and was recorded in interest expense on the Consolidated Statements of Income. Refer to Note 7 – *Derivatives and Hedging*.

Note 11 — 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 equivalent shares consist of common stock issuable on 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Basic weighted average common shares outstanding	18,958	19,134	18,939	19,107
Weighted average common equivalent shares	181	254	253	244
Diluted weighted average common shares outstanding	19,139	19,388	19,192	19,351
Options and restricted stock units excluded from diluted weighted average share calculation as effect would have been anti-dilutive	307	—	110	4

Note 12 — Stockholders' Equity

The components of stockholders' equity are as follows (in thousands):

	Three Months Ended September 30, 2022							
	Common Stock				Treasury Stock		Accumulated	
	Number of Shares	$0.01ParValue	Additional Paid-in Capital	Retained Earnings	Number of Shares	Cost	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at June 30, 2022	24,159	$ 242	$ 254,937	$ 170,847	5,305	$ (207,067)	$ (8,860)	$ 210,099
Issuance of common stock under stock plans, including tax effects	193	2	(501)	—	—	—	—	(499)
Stock-based compensation expense	—	—	3,905	—	—	—	—	3,905
Net income	—	—	—	5,414	—	—	—	5,414
Net change in interest rate swap, net of tax	—	—	—	—	—	—	(5)	(5)
Net change in marketable investments, net of tax	—	—	—	—	—	—	(54)	(54)
Foreign currency translation	—	—	—	—	—	—	(4,971)	(4,971)
Balance at September 30, 2022	24,352	$ 244	$ 258,341	$ 176,261	5,305	$ (207,067)	$ (13,890)	$ 213,889

	Three Months Ended September 30, 2021							
	Common Stock				Treasury Stock		Accumulated	
	Number of Shares	$0.01 Par Value	Additional Paid-in Capital	Retained Earnings	Number of Shares	Cost	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at June 30, 2021	23,780	$ 238	$ 237,485	$ 140,280	4,694	$ (174,562)	$ (1,939)	$ 201,502
Issuance of common stock under stock plans, including tax effects	262	2	2,021	—	—	—	—	2,023
Repurchases of common stock	—	—	—	—	170	(7,973)	—	(7,973)
Stock-based compensation expense	—	—	2,462	—	—	—	—	2,462
Net income	—	—	—	4,522	—	—	—	4,522
Net change in interest rate swap, net of tax	—	—	—	—	—	—	128	128
Net change in marketable investments, net of tax	—	—	—	—	—	—	(4)	(4)
Foreign currency translation	—	—	—	—	—	—	(1,508)	(1,508)
Balance at September 30, 2021	24,042	$ 240	$ 241,968	$ 144,802	4,864	$ (182,535)	$ (3,323)	$ 201,152

	Nine Months Ended September 30, 2022							
	Common Stock				Treasury Stock		Accumulated	
	Number of Shares	$0.01 Par Value	Additional Paid-in Capital	Retained Earnings	Number of Shares	Cost	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2021	24,085	$ 241	$ 245,985	$ 152,825	5,027	$ (191,955)	$ (3,189)	$ 203,907
Issuance of common stock under stock plans, including tax effects	267	3	1,320	—	—	—	—	1,323
Repurchases of common stock	—	—	—	—	278	(15,112)	—	(15,112)
Stock-based compensation expense	—	—	11,036	—	—	—	—	11,036
Net income	—	—	—	23,436	—	—	—	23,436
Net change in interest rate swap, net of tax	—	—	—	—	—	—	259	259
Net change in marketable investments, net of tax	—	—	—	—	—	—	(147)	(147)
Foreign currency translation	—	—	—	—	—	—	(10,813)	(10,813)
Balance at September 30, 2022	24,352	$ 244	$ 258,341	$ 176,261	5,305	$ (207,067)	$ (13,890)	$ 213,889

	Nine Months Ended September 30, 2021							
	Common Stock				Treasury Stock			
	Number of Shares	$0.01 Par Value	Additional Paid-in Capital	Retained Earnings	Number of Shares	Cost	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2020	23,648	$ 236	$ 230,128	$ 127,981	4,631	$ (171,889)	$ (690)	$ 185,766
Issuance of common stock under stock plans, including tax effects	394	4	4,489	—	—	—	—	4,493
Repurchases of common stock	—	—	—	—	233	(10,646)	—	(10,646)
Stock-based compensation expense	—	—	7,351	—	—	—	—	7,351
Net income	—	—	—	16,821	—	—	—	16,821
Net change in interest rate swap, net of tax	—	—	—	—	—	—	457	457
Net change in marketable investments, net of tax	—	—	—	—	—	—	(4)	(4)
Foreign currency translation	—	—	—	—	—	—	(3,086)	(3,086)
Balance at September 30, 2021	24,042	$ 240	$ 241,968	$ 144,802	4,864	$ (182,535)	$ (3,323)	$ 201,152

Equity Plans

Restricted stock unit activity for the nine months ended September 30, 2022 is presented below (in thousands, except per share data):

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2021	634	$ 42.45
Granted	348	50.58
Vested	(213)	41.77
Forfeited	(70)	44.94
Unvested at September 30, 2022	699	$ 46.45

Stock option activity for the nine months ended September 30, 2022 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, 2021	114	$ 35.52		
Exercised	(21)	35.29		
Forfeited	(3)	34.91		
Outstanding at September 30, 2022	90	$ 35.59	2.28	$ 126
Vested and Exercisable at September 30, 2022	90	$ 35.59	2.28	$ 126

No stock options were granted during the nine months ended September 30, 2022.

In May 2022, stockholders of the Company approved an amendment to the Company's Second Amended and Restated Employee Stock Purchase Plan, which provided for an additional 600,000 shares of Common Stock, par value $0.01 per share, to be granted under the plan.

Stock-Based Compensation

Forrester recognizes the fair value of stock-based compensation over the requisite service period of the individual grantee, which generally equals the vesting period. Stock-based compensation was recorded in the following expense categories on the Consolidated Statements of Income (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of services and fulfillment	$ 2,268	$ 1,554	$ 6,397	$ 4,389
Selling and marketing	743	372	2,128	1,220
General and administrative	894	536	2,511	1,742
Total	$ 3,905	$ 2,462	$ 11,036	$ 7,351

Forrester utilizes the Black-Scholes valuation model for estimating the fair value of shares subject to purchase under the employee stock purchase plan, which were valued using the following assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Average risk-free interest rate	3.71 %	0.05 %	3.71 %	0.05 %
Expected dividend yield	0.0 %	0.0 %	0.0 %	0.0 %
Expected life	0.5 Years	0.5 Years	0.5 Years	0.5 Years
Expected volatility	33 %	30 %	33 %	30 %
Weighted average fair value	$ 10.22	$ 11.20	$ 10.22	$ 11.20

Treasury Stock

As of September 30, 2022, Forrester's Board of Directors had authorized an aggregate $585.0 million to purchase common stock under its stock repurchase program. The shares repurchased may be used, among other things, in connection with Forrester's equity incentive and purchase plans. During the three months ended September 30, 2022, the Company did not repurchase any shares of common stock. During the nine months ended September 30, 2022, the Company repurchased approximately 0.3 million shares of common stock at an aggregate cost of approximately $15.1 million. During the three and nine months ended September 30, 2021, the Company repurchased approximately 0.2 million shares of common stock at an aggregate cost of approximately $8.0 million and $10.6 million, respectively. From the inception of the program through September 30, 2022, the Company repurchased 17.0 million shares of common stock at an aggregate cost of $510.0 million.

Note 13 — Operating Segments

The Company's chief executive officer and the chief financial officer are the chief operating decision-maker (used in determining the Company's segments). The Company operates in three segments: Research, Consulting, and Events. These segments, which are also the Company's reportable segments, are based on the management structure of the Company and how the chief operating decision maker uses financial information to evaluate performance and determine how to allocate resources. The Company's products and services are delivered through each segment as described below.

The Research segment includes the revenues from all of the Company's research products as well as consulting revenues from advisory services (such as speeches and advisory days) delivered by the Company's research organization. Research segment costs include the cost of the organizations responsible for developing and delivering these products in addition to the costs of the product management organization responsible for product pricing and packaging, and the launch of new products.

The Consulting segment includes the revenues and the related costs of the Company's project consulting organization. The project consulting organization delivers a majority of the Company's project consulting revenue and certain advisory services.

The Events segment includes the revenues and the costs of the organization responsible for developing and hosting in-person and virtual events. As of January 1, 2022, the Company realigned its events sales costs from selling and marketing expense to the Events segment as they now fall under the Events management structure. The 2021 amounts have been revised to conform to the current presentation.

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, interest and other income (expense), and gains on investments. The accounting policies used by the segments are the same as those used in the consolidated financial statements.

The Company provides information by reportable segment in the tables below (in thousands):

	Research Segment	Consulting Segment	Events Segment	Consolidated
Three Months Ended September 30, 2022				
Research revenues	$ 87,038	$ —	$ —	$ 87,038
Consulting revenues	9,015	28,367	—	37,382
Events revenues	—	—	3,259	3,259
Total segment revenues	96,053	28,367	3,259	127,679
Segment expenses	(33,058)	(14,747)	(3,377)	(51,182)
Selling, marketing, administrative and other expenses				(64,588)
Amortization of intangible assets				(3,352)
Interest expense, other income, and gains on investments				(238)
Income before income taxes				$ 8,319

	Research Segment	Consulting Segment	Events Segment	Consolidated
Three Months Ended September 30, 2021				
Research revenues	$ 79,876	$ —	$ —	$ 79,876
Consulting revenues	10,587	26,806	—	37,393
Events revenues	—	—	867	867
Total segment revenues	90,463	26,806	867	118,136
Segment expenses	(28,657)	(13,061)	(2,888)	(44,606)
Selling, marketing, administrative and other expenses				(63,295)
Amortization of intangible assets				(3,696)
Interest expense, other expense, and gains on investments				(1,251)
Income before income taxes				$ 5,288

	Research Segment	Consulting Segment	Events Segment	Consolidated
Nine Months Ended September 30, 2022				
Research revenues	$ 262,265	$ —	$ —	$ 262,265
Consulting revenues	31,126	83,949	—	115,075
Events revenues	—	—	23,556	23,556
Total segment revenues	293,391	83,949	23,556	400,896
Segment expenses	(100,135)	(43,123)	(16,179)	(159,437)
Selling, marketing, administrative and other expenses				(195,660)
Amortization of intangible assets				(10,068)
Interest expense, other income, and gains on investments				(1,114)
Income before income taxes				$ 34,617

	Research Segment	Consulting Segment	Events Segment	Consolidated
Nine Months Ended September 30, 2021				
Research revenues	$ 235,846	$ —	$ —	$ 235,846
Consulting revenues	36,160	80,743	—	116,903
Events revenues	—	—	7,838	7,838
Total segment revenues	272,006	80,743	7,838	360,587
Segment expenses	(88,791)	(38,237)	(8,383)	(135,411)
Selling, marketing, administrative and other expenses				(186,117)
Amortization of intangible assets				(11,567)
Integration costs				(334)
Interest expense, other expense, and gains on investments				(4,117)
Income before income taxes				$ 23,041

Note 14 — Contingencies

From time to time, the Company may be subject to legal proceedings and civil and regulatory claims that arise in the ordinary course of its business activities. Regardless of the outcome, litigation can have a material adverse effect on the Company because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This Quarterly Report on Form 10-Q 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 changing stakeholder expectations, product development, holding hybrid events, possible acquisitions, future dividends, future share repurchases, future growth rates, operating income and cash from operations, future deferred revenue, future compliance with financial covenants under our credit facility, future interest expense, anticipated increases in, and productivity of, our sales force and headcount, the adequacy of our cash, and cash flows to satisfy our working capital and capital expenditures, and the anticipated impact of accounting standards. 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 to differ include, among others, our ability to retain and enrich subscriptions to, and licenses of, our Research products and services, our ability to fulfill existing or generate new consulting engagements and advisory services, our ability to generate and increase demand for the Events we host, any adverse economic conditions that result in a reduction in technology spending or demand for our products and services, our ability to mitigate the adverse impact from the widespread outbreak of COVID-19 which could disrupt or restrict our ability to sell or fulfill, or reduce demand for, our products, services, and events, the risks and challenges inherent in international business activities, our ability to offer new products and services, our dependence on key personnel, our ability to attract and retain qualified professional staff, our ability to respond to business and economic conditions and market trends, the impact of our outstanding debt, competition and industry consolidation, possible variations in our quarterly operating results, concentration of our stock ownership, the possibility of network disruptions and security breaches, our ability to enforce and protect our intellectual property rights, compliance with privacy laws, taxation risks, and any weakness identified in our system of internal controls. These risks are described more completely in our Annual Report on Form 10-K for the year ended December 31, 2021. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

The extent to which the COVID-19 pandemic ultimately impacts our business, financial condition, results of operations, cash flows, and liquidity may differ from our current estimates due to inherent uncertainties regarding the duration and further spread of the outbreak, its severity, actions taken to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. All of our events during 2021 were held as virtual events. However, all of our events in the first three quarters of 2022 were held as hybrid events, consisting of both in-person and virtual experiences. We intend to hold the remainder of our events during 2022 as hybrid events.

We derive revenues from subscriptions to our Research products and services, licensing electronic "reprints" of our Research, performing consulting projects and advisory services, and hosting events. We offer contracts for our Research products that are typically renewable annually and payable in advance. Subscription products are recognized as revenue 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. We recognize revenue for the performance obligation for the data portion of the reprint ratably over the license term. We recognize revenue for the performance obligation for the research document at the time of providing access to the document. Billings for licensing of reprints are initially recorded as deferred revenue. Clients purchase consulting projects and advisory services independently and/or to supplement their access to our subscription-based products. Consulting project revenues, which are based upon fixed-fee agreements, are recognized as the services are provided. Advisory service revenues, such as speeches and advisory days, are recognized when the service is complete or the customer receives the agreed upon deliverable. Billings attributable to consulting projects and advisory services are initially recorded as deferred revenue. Events revenues consist of ticket and sponsorship sales for a Forrester-hosted event. Billings for events are also initially recorded as deferred revenue and are recognized as revenue upon completion of each event.

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, net of sublease income, and annual fees for cloud-based information technology systems are allocated to these categories according to the number of employees in each group.

Our key metrics focus on our contract value ("CV") products. We are focusing on CV products as these products are our most profitable products and historically our contracts for CV products have renewed at high rates (as measured by our client retention and wallet retention metrics). Our CV products make up essentially all of our research revenues.

We calculate CV at the foreign currency rates used for internal planning purposes each year. For comparative purposes, we have recast historical CV at the current year foreign currency rates. We have included the recast CV metric below for the nine months ended September 30, 2021, and we have also provided recast CV amounts dating back to the third quarter of 2020, on the investor relations section of our website.

Contract value, client retention, wallet retention, and number of clients are metrics that we believe are important to understanding our research business. We define these metrics as follows:

- *Contract value (CV)* — is defined as the value attributable to all of our recurring research-related contracts. Contract value is calculated as the annualized value of all contracts in effect at a specific point in time, without regard to how much revenue has already been recognized. Contract value primarily consists of subscription-based products for which revenue is recognized on a ratable basis, except for the entitlements embedded in our subscription products, such as event tickets and advisory sessions, for which the revenue is recognized when the item is utilized. Contract value also includes our reprint products, as these products are used throughout the year by our clients and are typically renewed.
- *Client retention* — represents the percentage of client companies (defined as all clients that buy a CV product) at the prior year measurement date that have active contracts at the current year measurement date.
- *Wallet retention* — represents a measure of the CV we have retained with clients over a twelve-month period. Wallet retention is calculated on a percentage basis by dividing the annualized contract value of our current clients, who were also clients a year ago, by the total annualized contract value from a year ago.
- *Clients* — is calculated at the enterprise level as all clients that have an active CV contract.

Client retention and wallet retention 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 September 30,		Absolute Increase	Percentage Increase
	2022	2021	(Decrease)	(Decrease)
Contract value	$ 353.0	$ 328.6	$ 24.4	7%
Client retention	75%	78%	(3) points	—
Wallet retention	97%	99%	(2) points	—
Number of clients	2,875	2,964	(89)	(3%)

Contract value increased 7% at September 30, 2022 compared to the prior year period. The increase in contract value was due to an increase in contract bookings for our contract value products during the trailing 12-month period. Client retention decreased by 3 percentage points and wallet retention decreased by 2 percentage points at September 30, 2022 compared to the prior year period, and decreased by 1 percentage point and 2 percentage points, respectively, compared to June 30, 2022. The decrease in our retention rates and number of clients is primarily due to a higher rate of turnover in our smaller clients due in part to current macroeconomic conditions, sales capacity constraints, and the ongoing transition of our client base to our Forrester Decisions product platform that was launched in August 2021.

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 generally accepted accounting principles 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 estimates, including but not limited to, those related to our revenue recognition, 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. Our critical accounting estimates are described in our Annual Report on Form 10-K for the year ended December 31, 2021.

Results of Operations

The following table sets forth our statement of income as a percentage of total revenues for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues:				
Research revenues	68.2 %	67.6 %	65.4 %	65.4 %
Consulting revenues	29.3	31.7	28.7	32.4
Events revenues	2.5	0.7	5.9	2.2
Total revenues	100.0	100.0	100.0	100.0
Operating expenses:				
Cost of services and fulfillment	41.3	42.2	41.6	41.5
Selling and marketing	34.6	35.0	33.2	34.2
General and administrative	12.9	12.2	11.9	11.6
Depreciation	1.9	2.0	1.8	1.9
Amortization of intangible assets	2.6	3.1	2.6	3.2
Integration costs	—	—	—	0.1
Income from operations	6.7	5.5	8.9	7.5
Interest expense	(0.5)	(0.9)	(0.4)	(0.9)
Other income (expense), net	0.3	(0.1)	—	(0.2)
Gain on investments, net	—	—	0.1	—
Income before income taxes	6.5	4.5	8.6	6.4
Income tax expense	2.3	0.7	2.8	1.7
Net income	4.2 %	3.8 %	5.8 %	4.7 %

Three and Nine Months Ended September 30, 2022 and 2021

Revenues

	Three Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2022	2021		
	(dollars in millions)			
Total revenues	$ 127.7	$ 118.1	$ 9.5	8 %
Research revenues	$ 87.0	$ 79.9	$ 7.2	9 %
Consulting revenues	$ 37.4	$ 37.4	$ —	(— %)
Events revenues	$ 3.3	$ 0.9	$ 2.4	276 %
Revenues attributable to customers outside of the U.S.	$ 25.5	$ 27.6	$ (2.1)	(8 %)
Percentage of revenue attributable to customers outside of the U.S.	20 %	23 %	(3) points	—

	Nine Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2022	2021		
	(dollars in millions)			
Total revenues	$ 400.9	$ 360.6	$ 40.3	11 %
Research revenues	$ 262.3	$ 235.8	$ 26.4	11 %
Consulting revenues	$ 115.1	$ 116.9	$ (1.8)	(2 %)
Events revenues	$ 23.6	$ 7.8	$ 15.7	201 %
Revenues attributable to customers outside of the U.S.	$ 82.9	$ 82.5	$ 0.4	(— %)
Percentage of revenue attributable to customers outside of the U.S.	21 %	23 %	(2) points	—

Total revenues increased 8% and 11% during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods, and increased by 10% and 13% when excluding the effect of changes in foreign currencies. Revenues from customers outside the U.S. decreased 8% during the three months ended September 30, 2022 and were essentially consistent for the nine months ended September 30, 2022. The decrease in revenues for the three months ended September 30, 2022 was primarily due to a decrease in revenues in the United Kingdom, Europe, and Asia Pacific region partially offset by an increase in revenues in Canada. Revenues from customers outside the U.S. remained essentially consistent during the three months ended September 30, 2022 and increased by approximately 6% during the nine months ended September 30, 2022 when excluding the effect of changes in foreign currencies.

Research revenues are recognized as revenue primarily on a ratable basis over the term of the contracts, which are generally twelve-month periods. Research revenues increased 9% and 11% during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods, and increased by 11% and 13% when excluding the effect of changes in foreign currencies. The increase in revenues was primarily due to increased contract value, which was driven by increased contract bookings over the trailing 12-month period.

Consulting revenues remained essentially consistent during the three months ended September 30, 2022 compared to the prior year period, and increased by 2% when excluding the effect of changes in foreign currencies. Consulting revenues decreased 2% during the nine months ended September 30, 2022 compared to the prior year period, and remained essentially consistent when excluding the effect of changes in foreign currencies. In both periods we have realized a decrease in delivery of advisory services by our research analysts as they shifted more of their efforts to developing and delivering our CV products, which have been essentially offset by an increase in delivery of consulting services by our consulting organization.

Events revenues increased 276% and 201% during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods. The increase in revenues during the three and nine months ended September 30, 2022 was due to an increase in both sponsorship revenues and paid ticket attendance, primarily due to the return of in-person attendance at our events.

Refer to the “Segments Results” section below for a discussion of revenues and expenses by segment.

Cost of Services and Fulfillment

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Cost of services and fulfillment (dollars in millions)	$ 52.7	$ 49.8	$ 2.9	6%
Cost of services and fulfillment as a percentage of total revenues	41%	42%	(1) point	—
Service and fulfillment employees (at end of period)	908	796	112	14%

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Cost of services and fulfillment (dollars in millions)	$ 167.0	$ 149.6	$ 17.4	12%
Cost of services and fulfillment as a percentage of total revenues	42%	42%	0 points	—

Cost of services and fulfillment expenses increased 6% during the three months ended September 30, 2022 compared to the prior year period, and increased by 8% when excluding the effect of changes in foreign currencies. The increase was primarily due to (1) a $0.8 million increase in compensation and benefit costs due to an increase in headcount, benefit costs, and merit increases, which were partially offset by lower incentive bonus costs, (2) a $0.7 million increase in stock compensation expense, (3) a $0.6 million increase in travel and entertainment expenses due to the return of in-person attendance at our events and increased general business travel, and (4) a $0.5 million increase in professional services costs primarily due to increases in contractor costs.

Cost of services and fulfillment expenses increased 12% during the nine months ended September 30, 2022 compared to the prior year period, and increased by 13% when excluding the effect of changes in foreign currencies. The increase was primarily due to (1) a $7.3 million increase in event expenses due to the return of in-person attendance at our events, (2) a $3.8 million increase in compensation and benefit costs due to an increase in headcount, benefit costs, and merit increases, which were partially offset by lower incentive bonus costs, (3) a $2.1 million increase in professional services costs primarily due to increases in survey and contractor costs, (4) a $2.0 million increase in stock compensation expense, (5) a $1.2 million increase in travel and entertainment expenses due to the return of in-person attendance at our events and increased general business travel, and (6) a $0.6 million increase in facilities costs.

Selling and Marketing

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Selling and marketing expenses (dollars in millions)	$ 44.2	$ 41.3	$ 2.9	7 %
Selling and marketing expenses as a percentage of total revenues	35 %	35 %	0 points	—
Selling and marketing employees (at end of period)	796	728	68	9 %

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Selling and marketing expenses (dollars in millions)	$ 133.2	$ 123.2	$ 10.1	8 %
Selling and marketing expenses as a percentage of total revenues	33 %	34 %	(1) point	—

Selling and marketing expenses increased 7% during the three months ended September 30, 2022 compared to the prior year period, and increased by 9% when excluding the effect of changes in foreign currencies. The increase was primarily due to (1) a $1.8 million increase in compensation and benefit costs due to an increase in headcount, commissions expense, and merit increases, which were partially offset by lower incentive bonus costs, (2) a $0.6 million increase in professional services costs primarily due to an increase in advertising costs, and (3) a $0.5 million increase in travel and entertainment expenses due to increased general business travel.

Selling and marketing expenses increased 8% during the nine months ended September 30, 2022 compared to the prior year period, and increased by 10% when excluding the effect of changes in foreign currencies. The increase was primarily due to (1) a $7.7 million increase in compensation and benefit costs due to an increase in headcount, commissions expense, benefit costs, and merit increases, which were partially offset by lower incentive bonus costs, (2) a $0.9 million increase in stock compensation expense, (3) a $0.8 million increase in professional services due to an increase in consulting and advertising costs, (4) a $0.7 million increase in travel and entertainment expenses due to increased general business travel, and (5) a $0.5 million decrease in facilities costs.

General and Administrative

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Absolute Increase (Decrease)	Percentage Increase (Decrease)
General and administrative expenses (dollars in millions)	$ 16.4	$ 14.4	$ 2.1	14 %
General and administrative expenses as a percentage of total revenues	13 %	12 %	1 point	—
General and administrative employees (at end of period)	300	239	61	26 %

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Absolute Increase (Decrease)	Percentage Increase (Decrease)
General and administrative expenses (dollars in millions)	$ 47.9	$ 41.9	$ 6.0	14 %
General and administrative expenses as a percentage of total revenues	12 %	12 %	0 points	—

General and administrative expenses increased 14% during the three months ended September 30, 2022 compared to the prior year period, and increased by 17% when excluding the effect of changes in foreign currencies. The increase was primarily due to (1) a $0.7 million increase in compensation and benefit costs due to an increase in headcount and merit increases, which were partially offset by lower incentive bonus costs, (2) a $0.4 million increase in stock compensation expense, and (3) a $0.4 million increase in professional services costs due to an increase in legal costs.

General and administrative expenses increased 14% during the nine months ended September 30, 2022 compared to the prior year period, and increased by 16% when excluding the effect of changes in foreign currencies. The increase was primarily due to (1) a $3.0 million increase in compensation and benefit costs due to an increase in headcount, benefit costs, and merit increases, which were partially offset by lower incentive bonus costs, (2) a $0.9 million increase in professional services costs due to an increase in legal and consulting costs, (3) a $0.8 million increase in stock compensation expense, and (4) a $0.6 million increase in software costs.

Depreciation

Depreciation expense remained essentially consistent during the three and nine months ended September 30, 2022 compared to the prior year periods.

Amortization of Intangible Assets

Amortization expense decreased by $0.3 million and $1.5 million during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods primarily due to certain technology intangible assets becoming fully amortized in 2021.

Interest Expense

Interest expense consists of interest on our borrowings and realized gains and losses on the related interest rate swap. Interest expense decreased by $0.5 million and $1.5 million during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods due to lower average outstanding borrowings. The benefit from lower outstanding borrowings was partially offset by an increase in the annualized interest rate as of September 30, 2022 under our credit facility to 4.375%.

Other Income (Expense), Net

Other income (expense), net primarily consists of gains and losses on foreign currency, gains and losses on foreign currency forward contracts, and interest income. Other income (expense), net increased $0.5 million and $1.1 million during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods primarily due to a decrease in foreign currency losses.

Gain on Investments, Net

Gain on investments, net primarily represents our share of equity method investment gains and losses from our technology-related investment funds. Gain on investments, net increased $0.4 million during the nine months ended September 30, 2022 compared to the prior year period. The increase was due to an increase in investment gains generated by the underlying funds.

Income Tax Expense

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Provision for income taxes (dollars in millions)	$ 2.9	$ 0.8	$ 2.1	279 %
Effective tax rate	35 %	14 %	21 points	—

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Provision for income taxes (dollars in millions)	$ 11.2	$ 6.2	$ 5.0	80 %
Effective tax rate	32 %	27 %	5 points	—

Income tax expense increased by $5.0 million during the nine months ended September 30, 2022 compared to the prior year period primarily due to the increase in income from operations. For the full year 2022, we anticipate that our effective tax rate will be approximately 32%.

Segment Results

We operate in three segments: Research, Consulting, and Events. These segments, which are also our reportable segments, are based on our management structure and how management uses financial information to evaluate performance and determine how to allocate resources. Our products and services are delivered through each segment as described below.

The Research segment includes the revenues from all of our research products as well as consulting revenues from advisory services (such as speeches and advisory days) delivered by our research organization. Research segment costs include the cost of the organizations responsible for developing and delivering these products in addition to the cost of the product management organization that is responsible for product pricing and packaging and the launch of new products.

The Consulting segment includes the revenues and the related costs of our project consulting organization. The project consulting organization delivers a majority of our project consulting revenue and certain advisory services.

The Events segment includes the revenues and the costs of the organization responsible for developing and hosting in-person and virtual events. As of January 1, 2022, we realigned our events sales costs from selling and marketing expense to the Events segment as they now fall under the Events management structure. The 2021 amounts have been revised to conform to the current presentation.

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, interest and other income (expense), and gains on investments. The accounting policies used by the segments are the same as those used in the consolidated financial statements.

	Research Segment	Consulting Segment	Events Segment	Consolidated
	(dollars in thousands)			
Three Months Ended September 30, 2022				
Research revenues	$ 87,038	$ —	$ —	$ 87,038
Consulting revenues	9,015	28,367	—	37,382
Events revenues	—	—	3,259	3,259
Total segment revenues	96,053	28,367	3,259	127,679
Segment expenses	(33,058)	(14,747)	(3,377)	(51,182)
Year over year revenue change	6%	6%	276%	8%
Year over year expense change	15%	13%	17%	15%

	Research Segment	Consulting Segment	Events Segment	Consolidated
	(dollars in thousands)			
Three Months Ended September 30, 2021				
Research revenues	$ 79,876	$ —	$ —	$ 79,876
Consulting revenues	10,587	26,806	—	37,393
Events revenues	—	—	867	867
Total segment revenues	90,463	26,806	867	118,136
Segment expenses	(28,657)	(13,061)	(2,888)	(44,606)

	Research Segment	Consulting Segment	Events Segment	Consolidated
	(dollars in thousands)			
Nine Months Ended September 30, 2022				
Research revenues	$ 262,265	$ —	$ —	$ 262,265
Consulting revenues	31,126	83,949	—	115,075
Events revenues	—	—	23,556	23,556
Total segment revenues	293,391	83,949	23,556	400,896
Segment expenses	(100,135)	(43,123)	(16,179)	(159,437)
Year over year revenue change	8%	4%	201%	11%
Year over year expense change	13%	13%	93%	18%

	Research Segment	Consulting Segment	Events Segment	Consolidated
	(dollars in thousands)			
Nine Months Ended September 30, 2021				
Research revenues	$ 235,846	$ —	$ —	$ 235,846
Consulting revenues	36,160	80,743	—	116,903
Events revenues	—	—	7,838	7,838
Total segment revenues	272,006	80,743	7,838	360,587
Segment expenses	(88,791)	(38,237)	(8,383)	(135,411)

Research segment revenues increased 6% and 8% during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods. For the three and nine months ended September 30, 2022, research product revenues within this segment increased 9% and 11%, respectively, which primarily resulted from increased contract value during the period. For the three and nine months ended September 30, 2022, consulting product revenues within this segment decreased 15% and 14%, respectively, primarily due to decreased delivery of consulting and advisory services by our research analysts as they shifted more of their efforts to developing and delivering our CV products.

Research segment expenses increased 15% and 13% during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods. The increase in expenses during the three months ended September 30, 2022 was primarily due to a $4.2 million increase in compensation and benefit costs primarily due to an increase headcount, benefit costs, and merit increases. The increase in expenses during the nine months ended September 30, 2022 was primarily due to (1) a $9.0 million increase in compensation and benefit costs primarily due to an increase headcount, benefit costs, and merit increases, (2) a $0.8 million increase in travel and entertainment expenses, and (3) a $0.7 million increase in professional services costs due to an increase in survey costs and contractor costs.

Consulting segment revenues increased 6% and 4% during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods. The increase in revenues during the three and nine months ended September 30, 2022 was primarily due to demand for our content marketing and strategy consulting offerings.

Consulting segment expenses increased 13% during both the three and nine months ended September 30, 2022 compared to the prior year periods. The increase in expenses during the three months ended September 30, 2022 was primarily due to (1) a $0.8 million increase in compensation and benefit costs primarily due to an increase headcount, benefit costs, and merit increases and (2) a $0.7 million increase in professional services primarily due to an increase in contractor costs. The increase in expenses during the nine months ended September 30, 2022 was primarily due to (1) a $2.8 million increase in compensation and benefit costs primarily due to an increase headcount, benefit costs, and merit increases and (2) a $2.0 million increase in professional services primarily due to an increase in contractor costs.

Event segment revenues increased 276% and 201% during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods. The increase in revenues was due to an increase in both sponsorship revenues and paid ticket attendance, primarily due to the return of in-person events.

Event segment expenses increased 17% and 93% during the three and nine months ended September 30, 2022, respectively, compared to the prior year periods. The increase in expenses during the three and nine months ended September 30, 2022 was primarily due to an increase in event expenses due to the return of in-person attendance at our events.

Liquidity and Capital Resources

We have historically financed our operations primarily through funds generated from operations. Research revenues, which constituted approximately 65% of our revenues during the nine months ended September 30, 2022, are generally renewable annually and are typically payable in advance. We generated cash from operating activities of $37.8 million and $85.0 million during the nine months ended September 30, 2022 and 2021, respectively. The $47.2 million decrease in cash provided from operations for the nine months ended September 30, 2022 compared to the prior year period was primarily due to 1) a $38.6 million decrease in cash generated from accounts receivable and deferred revenue due to an increase in deferred revenue during the 2021 period from client billings in excess of revenue that did not recur in the 2022 period, 2) a $23.9 million increase in cash used for accrued expenses resulting from the payout of year end incentive compensation, and 3) a $9.9 million reduction in cash used for working capital (excluding accounts receivable, deferred revenue and accrued expenses).

During the nine months ended September 30, 2022, we used cash in investing activities of $5.7 million primarily for $4.2 million of purchases of property and equipment, primarily consisting of computer software and equipment, and $1.7 million in net purchases of marketable investments. During the nine months ended September 30, 2021, we used cash in investing activities of $26.9 million primarily for $17.0 million in net purchases of marketable investments and $9.8 million for purchases of property and equipment, primarily consisting of computer software, leasehold improvements and equipment.

We used $38.8 million of cash from financing activities during the nine months ended September 30, 2022 primarily due to $25.0 million of discretionary repayments of our revolving credit facility and $15.1 million for purchases of our common stock, partially offset by $1.3 million of net proceeds from the issuance of common stock under our stock-based incentive plans. We used $15.5 million of cash in financing activities during the nine months ended September 30, 2021 primarily due to $10.6 million for purchases of our common stock, $9.4 million of repayments of our term loan, as well as $3.3 million in taxes paid related to net share settlements of restricted stock units, partially offset by $7.8 million of net proceeds from the issuance of common stock under our stock-based incentive plans. As of September 30, 2022, our remaining stock repurchase authorization was approximately $75.0 million.

On December 21, 2021, we and certain of our subsidiaries entered into an amendment of our existing credit facility, dated as of January 3, 2019, with JPMorgan Chase Bank, N.A., as administrative agent (the “Administrative Agent”), and the lenders party thereto (the “Existing Credit Agreement” and the Existing Credit Agreement as amended by the Amendment, the “Amended Credit Agreement”). The Existing Credit Agreement was amended to, among other things, (a) increase the aggregate principal amount of revolving credit commitments (the "Revolving Credit Facility") from $75.0 million to $150.0 million and eliminate the existing term loan facility, (b) extend the scheduled maturity date of the revolving credit commitments to December of 2026, (c) reduce the applicable margin with respect to revolving loans to, at Forrester’s option, (i) between 1.25% and 1.75% per annum for loans based on LIBOR and (ii) between 0.25% and 0.75% per annum for loans based on the applicable base rate, in each case, based on Forrester’s consolidated total leverage ratio, (d) reduce the commitment fee applicable to undrawn revolving credit commitments to between 0.30% and 0.20% per annum based on our consolidated total leverage ratio, (e) replace the minimum fixed charge coverage ratio financial covenant under the Existing Credit Agreement with a minimum consolidated interest coverage ratio of 3.50:1.00 and (f) include a covenant limiting the amount of capital expenditures in each fiscal year.

The Amended Credit Agreement permits an increase in 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. Additional information is provided in Note 4 – *Debt* in the Notes to Consolidated Financial Statements. The Revolving Credit Facility matures on December 21, 2026. There was a balance of $50.0 million outstanding on the facility at September 30, 2022.

The Amended Credit Agreement contains certain customary restrictive loan covenants, including among others, financial covenants that apply a maximum leverage ratio, minimum interest coverage ratio, and maximum annual capital expenditures. 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, change fiscal year, or enter into certain transactions with affiliates and subsidiaries. We were in full compliance with the covenants as of September 30, 2022 and expect to continue to be in compliance through the next 12 months.

Additional future contractual cash obligations extending over the next 12 months and beyond primarily consist of operating lease payments. We lease office space under non-cancelable operating lease agreements (refer to Note 5 – *Leases* in the Notes to Consolidated Financial Statements for additional information). The remaining duration of non-cancelable office space leases ranges from less than 1 year to 9 years. As of September 30, 2022, remaining non-cancelable lease payments are due as follows: $4.2 million in 2022, $32.1 million within 2023 and 2024, $26.0 million within 2025 and 2026, and $13.8 million beyond 2026.

In addition to the contractual cash commitments included above, we have other payables and liabilities that may be legally enforceable but are not considered contractual commitments.

As of September 30, 2022, we had cash, cash equivalents, and marketable investments of $118.7 million. This balance includes $77.5 million held outside of the U.S. If the cash outside of the U.S. is 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 and to meet our known long-term cash requirements.

Recent Accounting Pronouncements

Refer to Note 1 – *Interim Consolidated Financial Statements* 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.

Critical Accounting Policies and Estimates

For information regarding our critical accounting policies and estimates, please refer to Note 1, "Summary of Significant Accounting Policies" and Item 7, “Critical Accounting Estimates” contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. There have been no material changes to the critical accounting policies and estimates previously disclosed in that report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our assessment of our sensitivity to market risk since our presentation set forth in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report on Form 10-K for the year ended December 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined under Securities Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2022. Based upon their evaluation and subject to the foregoing, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance as of that date.

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 September 30, 2022, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be subject to legal proceedings and civil and regulatory claims that arise in the ordinary course of our business activities. Regardless of the outcome, litigation can have a material adverse effect on us because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A: Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, which could materially affect our business, financial condition or future results. The risk factors described in our Annual Report on Form 10-K remain applicable to our business. The risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Through September 30, 2022, our Board of Directors authorized an aggregate $585.0 million to purchase common stock under our stock repurchase program. During the quarter ended September 30, 2022, we did not purchase any shares of our common stock under the stock repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

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.
4.1	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)
31.1	Certification of the Principal Executive Officer. (filed herewith)
31.2	Certification of the Principal Financial Officer. (filed herewith)
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (furnished herewith)
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (furnished herewith)
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema Document. (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document. (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document. (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document. (filed herewith)
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document). (filed herewith)

SIGNATURES

Pursuant to the requirements 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/ L. CHRISTIAN FINN
L. Christian Finn
Chief Financial Officer
(Principal financial officer)

Date: November 4, 2022

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, George F. Colony, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forrester Research, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GEORGE F. COLONY

George F. Colony
Chairman of the Board and Chief Executive Officer
(Principal executive officer)

Date: November 4, 2022

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, L. Christian Finn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forrester Research, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ L. CHRISTIAN FINN
L. Christian Finn
Chief Financial Officer
(Principal financial officer)

Date: November 4, 2022

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Forrester Research, Inc. (the “Company”), does hereby certify that to the undersigned’s knowledge:

1) the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission (the “10-Q Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: November 4, 2022

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Forrester Research, Inc. (the "Company"), does hereby certify that to the undersigned's knowledge:

1) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission (the "10-Q Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the 10-Q Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ L. CHRISTIAN FINN
L. Christian Finn
Chief Financial Officer

Dated: November 4, 2022