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FORR.OQ - Q2 2025 Forrester Research Inc Earnings Call

EVENT DATE/TIME: JULY 31, 2025 / 8:30PM GMT

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PRESENTATION

Operator

Good afternoon and thank you for standing by. Welcome to Forrester's second quarter 2025 conference call.

(Operator Instructions).

I would not like to turn the call over to Vice President of Corporate Development and Investor Relations, Ed Bryce Morris. Please go ahead.

Ed Bryce Morris - Forrester Research Inc - Vice President of Corporate Development

Thank you and hello everyone. Thanks for joining today's call. Earlier this afternoon, we issued our press release for the second quarter of 2025. If you need a copy, you can find one on the website in our investors section.

Here with us today to discuss our results are George Colony, Forrester's Chief Executive Officer and Chairman, and Chris Finn, Chief Financial Officer. Carrie Johnson, our Chief Product Officer, and Nate Swan, Chief Sales Officer, are also here with us for the Q&A section of the call.

Before we begin, I'd like to remind you that this call will contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as expects, believes, anticipates, intends, plans, estimates, or similar expressions are intended to identify these forward-looking statements.

These statements are based on the company's current plans and expectations. And involves risks and uncertainties that could cause future activities and results of operations to be materially different from those set forth in the forward-looking statements.

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

Lastly, consistent with our previous calls today we will be discussing our performance on an adjusted basis, which excludes items affecting comparability. While reporting on an adjusted basis is not in accordance with GAAP, we believe that reporting numbers on this adjusted basis provides a meaningful comparison and an appropriate basis for our discussion.

You'll find a detailed list of items excluded from these adjusted results in our press release. And with that, I'll hand it over to George.

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

Thank you for joining Forrester's Q2 2025 investor call. I'll be covering the following themes before turning the call over to Chris Finn, our Chief Financial Officer. 1. For your second quarter performance and our economic outlook for the second half of the year. 2. Progress on our go to market strategy. 3. A review of our key research releases. 4. An update on our 2 largest events of the year, and 5 recent changes to our AI research tool ISOLA.

In the second quarter we continued to confront ongoing instability in the economy that affected both our enterprise and vendor clients. CV and wall retention decreased by 7% and 1% respectively, while climate retention increased by 1 point Quarter over quarter to 74%.

Total revenue decreased 8%, driven by mid-single digit declines in our research and consulting businesses and ongoing challenges in our events business. Overall, our Q2 performance was a modest improvement over Q1. We exceeded consensus for revenue margin and EPS. With continued tariff, geoeconomics and political volatility, we expect the outlook for the second half to remain uncertain. Despite these factors, we are maintaining our margin and EPS guidance for the full year.

We are seeing pockets of building momentum, particularly in the government sector. In Q2, we booked several significant contracts with US state and local governments and European federal agencies. This business is being driven by competitive wins and open bidding processes and interest in using research focused generative AI applications in government. And as I noted on the previous call, the last mile of our transition is upscaling our sales organization to consistently sell, enrich and renew for your decisions. And we're making progress in 4 areas.

Number 1. Leadership. We have 5 strong executives under Nate Swan our head of sales, 2. Pipelines, the total sales pipeline continues to grow, increasing 15% from Q1 of 2025. 3. Performance management. We are moving faster to take out low performing sales reps. And finally, number, 4. Hiring. The average time to hire new reps has improved 21% as compared to Q1 and we are finding and attracting great talent in the marketplace.

Two other factors are improving the sales organization, the adoption of the fast sales methodology and the creation of standardized account plans. They will join on our Q&A in a few moments to answer any questions you may have regarding our sales motion and structure.

Fundamental to Forrester's value proposition is the company's ability to consistently create new research frameworks and models that will enable our clients to lower risk, decrease cost and win and retain more customers. Over time the company's health has been tightly correlated with our ability to originate new research and by this metric Q2 is a good quarter for Forrester, with the debut of two new research constructs.

At our B2B summit North America in Phoenix, we debuted our Buying Networks research series which outlines recent behavioural shifts in B2B customers and offers guidance for how sellers should shift to address those changes.

Our research shows that B2B organizations and go to market teams have fallen out of step with Gen Z buyers who increasingly rely on multiple complex inputs, generative AI influencers, current customers and partner opinions to make their purchase decisions.

B2B buyers must evolve their growth strategies to engage buying networks and account for the influence of generative AI sources on purchasing decisions. In the customer experience in B2C space, we unveiled a new unified metric called the total Experience score.

This data combines results from our brand experience and customer experience indices into a unified score that measures how current customers and prospective buyers perceive sellers. This research scored 412 companies across 10 vertical markets in 13 countries.

In response to the total experience score is resonating with our clients. The teams within companies that build experience and build brand are typically separated and siloed. The idea of aligning these disciplines to better drive revenue and marketing efficiency is galvanizing CMOs to rethink the way that they organize and manage their organizations.

Over the last 4 weeks, Forrester analysts have performed more than 100 total experience focused guidance sessions with clients, and the data is creating new opportunities with senior leaders. We debuted this new metric at CX Summit North America and received immediate positive response from attendees.

As one CX leader at a large US wire alert carrier said, and I'm quoting, having the total experience methodology is an immediate accelerator that we can latch onto and not just use it as a framework for monitoring our own business, but benchmarking other industries as well.

What I love about it is that it gives us a lens into the non-customer and prospect view that we so desperately need, especially in our industry. The companies that have the highest total experience scores include USAA, Lexus, First Direct Bank, Navy Federal Credit Union, Zappos, Nationwide Building Society, ING Bank and Monzo.

Turning now to events, We're continuing to address challenges in our events business focused primarily on expanding sponsorship and attendee sales. Our efforts are starting to have a positive impact on attendance. At our CX summits in North America and Europe, we had an 11% and 21% increase in on-site attendees respectively, with satisfaction scores reaching an all-time high for both summits.

Our new head of events Tavar James comes to forestry with a deep background in building successful B2B conferences. As I talked about on the Q1 call, our events business is now combined with our marketing organization, ensuring that events, product marketing, and research are aligned to drive contract value expansion.

Turning finally to a Q2 product update. We're continually refining our generative AI tool Izola to improve accuracy, functionality, and the user experience.

In the quarter, we enabled Izola to draw answers from graphics, figures, and charts embedded in our research. Previously, data points and vendor names and charts and figures like the Forester wave were inaccessible to Izola. Secondly, Izola can now be used to converse with the findings and narrative of specific reports.

This in report experience has seen fast adoption. In June, over half of total Izola prompts originated from a client that was seeking additional analysis from within a specific report. We believe that creating a more native Izola experience is central to increasing adoption and driving value for our clients.

Quarter over quarter, the number of clients using Izola has increased 22% and prompts are up 44% in the same time frame. Izola is driving engagement. As a part of the Forrester decisions experience, all clients record their top5 initiatives, and Gen AI was in the TOP 3 initiatives for ALL14 FD services. In response to this demand, Forrester's research on generative and genetic AI continues to deepen.

Between our extensive coverage of AI and Izola, we believe that we are the leading AI research company, positioning the company to be the leading adviser to our clients as they use AI to win, serve, and retain customers. I hope that this business update has been helpful for investors and now I'd like to hand the call over to Chris Vin, our CFO for more detailed analysis of the quarter. Chris.

Chris Finn - Forrester Research Inc - Chief Financial Officer

Thanks George and good afternoon, everyone. The 2nd quarter saw a continuation of the uncertainty in the marketplace, and this impacted all three lines of business. Despite this difficult operating environment, we delivered revenue, operating margin, and EPS above consensus. Furthermore, Both the research and consulting revenues, excluding the divestiture of feedback now, improved on the first quarter performance, with revenues from both businesses down 5% compared to down 11% and 7% respectively in the first quarter.

Events underperformed our revenue expectations for the quarter, and we are taking multiple steps to improve performance moving forward. We remain positive about our second half performance. However, we're tightening our revenue guidance based on the Q2 events performance and our lower outlook for both consulting and events revenue in the second half of the year. We are maintaining our margin and EPS guidance for the year.

Q2 saw a 7% CV decline. This mirrors our first quarter performance. We anticipate improved performance in the second half to come from opportunities in the government space, along with demand driven by our groundbreaking research and expanded offerings and as far as the decisions product portfolio aimed at broadening the market reach for our products. Therefore, even with the continuing uncertainty in the market, we are expecting CV to improve to a low single digit decline for the year.

For the total company we generated \$111.7 million in revenue for the quarter compared to \$121.8 million in the prior-year period which is an overall revenue decrease of 8%. In terms of our revenue breakdown for the quarter, research revenue was \$77.9 million down from \$83.7 million in 2024.

This was a decrease of 7% compared to the second quarter of 2024 with revenue from our subscription research products down 3%. Excluding the impact of feedback now, which we divested last year, research revenue declined by 5% year over year.

Client retention at 74% was up a point from the prior quarter. However, while retention was down 1 point to 85%. As seen last quarter, this degradation was driven by lower enrichment by existing clients. This directly reflects the ongoing budgetary and macroeconomic factors we have seen all year.

Our consulting business posted revenues of \$23.4 million which was down 5% compared to the prior year. The consulting product line is flat this quarter, but advisory was down compared to the prior year. We have seen a steady deceleration in the declines in the consulting business over the last year, down from size of double-digit declines in 2024 to where we are today. However, we are anticipating some headwinds for this business in the second half of the year, and this is reflected in the adjustment to the top end of our revenue guidance mentioned earlier.

One of the headwinds we're experiencing is the shift in opportunities in the US government. From our perspective, we continue to see the federal government cost cutting mandate target one-time consulting dollars or expanding opportunities on the research TV side of the business.

And finally, regarding our events business, we held 3 events in the second quarter and posted revenues of \$10.2 million representing a decrease of 23% compared to the second quarter of 2024. Despite strong satisfaction scores and increased attendance for CX events in North America and Europe, we're still seeing challenges with sponsorship revenues. We have seen conditions worsen in events from our prior outlook and have revised our outlook accordingly for the remainder of the year.

Continuing down our P&L on an adjusted basis, operating expenses for the second quarter decreased by 6%, primarily driven by lower compensation and related costs, specifically on headcount for the second quarter we were down 12% compared to the same period in 2024. We continue to monitor costs very closely with particular attention, focused on headcount, hiring, and attrition.

Operating income decreased by 24% to \$13.7 million or 12.2% of revenue in the current quarter compared to \$17.9 million or 14.7% of revenue in the second quarter of 2024. Lower operating income and margin were primarily driven by declining revenue in the quarter. Interest expense for the quarter was \$0.7 million down slightly from \$0.8 million in the second quarter of 2024.

Finally, net income and earnings per share decreased 24% and 25% respectively compared to Q2 of last year with net income at \$9.8 million and earnings per share at \$0.51 for the current quarter compared with net income of \$12.9 million in earnings per share of \$0.68 in the second quarter of 2024.

Looking at our capital structure, cash flow from marketing activities was \$23.1 million in the first half of the year, and capital expenditures were \$1.3 million. We did not pay down any debt, nor did we repurchase any shares in the quarter. We have approximately \$80 million of our stock repurchase authorization intact. Our balance sheet remains strong with cash at the end of the quarter of approximately \$135 million and debt of only \$35 million. We plan on reinstating our stock repurchase program in the second half of the year.

As mentioned earlier, we've tightened our guidance range to revenue for this year. For 2025, we now expect revenue to be \$400 to \$410 million or down 5% to 8% versus 2024. The reduction in the high end of the range by \$5 million is driven by lower potential upside in the consulting and

events businesses. The outlook for the research business remains a mid-single digit decline for the year. The consulting business is now a mid to high single digit decline. And the events business is now a decline in the 20% range.

We continue to expect our operating margins to be in the range of 8% to 9% for 2025, and interest expense is expected to be \$2.7 million. We're going to a full year tax rate of 29%. Taking all of this into account, we continue to expect EPS to be in the range of \$1.20 to \$1.35 for the full year.

The second quarter saw the ongoing uncertainty in the economy play out with clients navigating a complex operating environment. However, as George outlined, Forrester is ready to meet this uncertainty with groundbreaking research that our clients need. We provide continuous guidance to our clients as they navigate technology change and the need to swiftly deploy Gen AI in their operations and do all this while optimizing costs. We're starting to see areas of momentum emerge. We are looking to build on these in the second half of the year.

Thank you all for taking the time to join us today and with that, I'll hand the call back to George.

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

Thank you, Chris. To summarize, despite continued economic uncertainty, we are reiterating our guidance from margin and EPS. Sales continue to improve. Two important research streams originated in the quarter buying networks in our B2B marketing family, and the total experience score for our B2C personas.

These ideas further strengthen our leading position in B2B and B2C marketing. Our events business has new leadership and attendance showed growth in the quarter. Finally, for a general AI research tool IOLA continues to improve, now able to infer data and analytics from specific reports.

We continue to strive to be the leading AI research company. Thank you for joining the call, and we will now take questions.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. (Operator Instructions).

And I share our first question in the queue comes from the line of Anja Soderstrom from Sidoti. Please go ahead.

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

Hi, and thank you for taking my questions. So, I'm just curious were the challenges in the event business and the sponsorships there what kind of initiatives can you take to get that to improve?

Kerry - *Forrester Research Inc*

Hi, Anja, it's Kerry. A few things there, one of the things that we see in the sponsorship business in general is that there is good news. Companies are spending quite a bit of money on sponsorships, but there are many more events to compete with, so the things that we're looking at are.

Both on the offering and on the strategy to sell there on the offering we're looking to make sure that we have sort of more competitive different types of things outside of the booth, which is sort of how sponsorships were traditionally sold and making sure that our offerings are modern.

And then on the sponsorship sales side making that we making sure that we have folks upskilled to be able to sell those more outcome based type of experiences to vendors in the market and to articulate the value of a forrester event over the competitive events.

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

I'd say another point here, another point on you is making sure we're in the right location. We're moving actually our CX event next year from London to Amsterdam and that appears to be stimulating sponsorship interest mainly because of because of Brexit issues.

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

Okay. Interesting. And then also in terms of the multi-year deals. How's that trending that's been trending up do you still see that being the case with your customers or?

Nate Swan - *Forrester Research Inc - Chief Sales Officer*

Hi, Anja, it's Nate. Yes, we are still seeing some really good trends on a dollar under contract, in multi-year, so the sales organization is really doing a great job adopting that. We've seen all regions increasing their performance in, multi-year, and several of them are really doing much better even in 3-year contracts so the Initial was getting people into 2 year contracts.

We're now really working to get people into 3 year contracts. We have a really good value story, and we have some regions that are doing very well in that transition. So, it certainly has been a you know a big effort and the sales organization is really adopting it.

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

What percentage are we in 3 year contracts.

Nate Swan - *Forrester Research Inc - Chief Sales Officer*

That About 22% I believe is the number.

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

This is Chris, we're up approximately about 8 points on a year to year basis in you to, 72% of our contract value dollars or NFD at this point. So, It's, a multi-year. Yeah, a multi-year deals. So, yeah, so we're seeing good progress there, obviously, we're still, working to increase that and, that should start to play into, obviously a better retention number as we got 426.

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

Okay. And then just remind me where Salesforce is at now. How has, is that fully built out and fully ran and can go full throttle or are you still seeing some people being trained and might not be at full capacity yet?

Nate Swan - *Forrester Research Inc - Chief Sales Officer*

So, great question. We're, we are continuing to build out the sales force. We still have, growth head count that we are working on for the back half of this year, to hire, we have, a large majority, in fact, about 72 or 75% of our sales organization is greater than 25 months in experience so we have a good tenured sales organization. Our attrition is in line with expectations.

We have been strong on performance management over the last, really 18 months. I think we've gotten really good on the performance management side. We see really good talent in the market and we when we do have growth headcount or back attrition. We are finding good quality candidates to bring in there so feel very good about sales headcount and where that can land.

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

Okay, great.

Thank you. That was all for me.

Nate Swan - *Forrester Research Inc - Chief Sales Officer*

Thank you, Anja.

Operator

Vincent Colicchio from Barrington Research

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

Yeah, George curious last quarter you had a very strong increase in the sales pipeline if I recall correctly, and I think you were expecting, sales pipeline to increase month to month going forward. What are your current thoughts on sales pipeline? How did it do in the quarter?

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

Yeah, good question, Miss. I'm going to give it to Nate here.

Nate Swan - *Forrester Research Inc - Chief Sales Officer*

Sales pipeline was up 15% quarter over quarter, so from Q1 to Q2, so we don't actually have a pipeline challenge, Vince. I think we've got a good solid pipeline. We need to work on our conversion, and so that's really I had a second half kick-off for the sales organization today.

One of the top three initiatives that we have is managers getting involved earlier in the sales process what we call in our align phase, so making sure that we're understanding where we sit because we don't have it's not that we don't have the pipeline our conversion rates are not where we want them to be from stage to stage so we're working on trying to improve that conversion we are not seeing a slowdown in the days to close one.

We're averaging about 70 days, which is the exact same number that we were in in Q1 to get to a closed one CD deal. It's our closed loss. We are keeping deals too long in the pipeline deals that are not going to close, so that focus on accelerating, the pipeline certainly deals are moving up higher in the organization.

I think that's been consistent over the last year plus, but you know we need to make sure that we can get to those economic buyers. Who are making the decisions, and we have, great insights for them and we can show the return on Forester. So that's the other area that we're very focused on is capturing that return of value that we can deliver for them so that we can show.

This is what we're doing for an existing contract and this is how we might be able to help your organization if you're a net new contract holder so absolutely working on conversion pipeline growth is in line with where we want it to be it's that conversion where we need to get better.

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

And a follow up on the Salesforce size was the decline was that largely involuntary turnover or was there an increase in voluntary turnover?

Nate Swan - *Forrester Research Inc - Chief Sales Officer*

It's a mix of voluntary and involuntary, so we certainly do, performance management. We've stepped up in our what we call our back to green process to help coach people back into the business, when you do that, people sometimes they make the choice to decide to step out of the business. Or they don't make those plans so that is you know reasonably standard you know we've had a little bit more performance management on that side and so our head count numbers we need to catch back up to where we were before we're down slightly from where we want to be but not materially.

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

And back to what you had a topic you had mentioned earlier conversion rates, is there anything you can point to that you could do better to improve that?

Nate Swan - *Forrester Research Inc - Chief Sales Officer*

Yeah, absolutely, I think getting involved in that early stage so we say things are at stage 1, stage 2, stage 3, and stage 4 is a commit. So going through that process, we want to be involved early and make sure that we're working with buyers that can buy right and that are interested in going through the sales process.

We have great insight and advice and so if a buyer is going to sit there and not necessarily be interested in going to a to a purchase but can potentially get information they're going to lead the sales organization on and see what kind of information are you going to give to me to go through this process if we get somebody that is committed to the sales process is committed to saying yes.

I will get the funds. Yes, I can see. I will get you introduced to the organization. Yes, we are willing to go through a 6 to 8 week sales process, then you're going to have somebody that may not convert but at least is serious about the buying process and I think we need to be better at identifying that and making sure we're coaching on that. So that's what we're focused on with our leadership team, and making sure that our reps are doing a great job.

Setting up a social contract with their with their buyers that there's a commitment from both sides we forester are going to commit to delivering insight influence and trusted in in our process as a buyer we'd like you to be able to commit to making sure that you're going to give us a fair chance that you're interested in going through this process and you can see where the funds are going to go through.

We don't want to waste time on deals that that aren't closing so it it's an it's a learning motion calling in a more senior level person that we've been going through over the last couple of years we're doing a great job in the sales organization of building pipeline now we need to work on getting that pipeline converted so that's how we're focused on events.

Vincent Colicchio - *Barrington Research Associates Inc - Analyst*

Okay, that's it for me thank you.

Nate Swan - Forrester Research Inc - Chief Sales Officer

Thank you, Vince.

Operator

Thank you.

I'm sure no further questions in the queue at this time I'd like to turn the conference back to Chris Finn, Chief Financial Officer for closing remarks.

Chris Finn - Forrester Research Inc - Chief Financial Officer

Yeah, thanks everyone for joining us today. As always, any follow up questions just please reach out to myself or Ed Bryce Morris.

Thank you.

Operator

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

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