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FORR.OQ - Q3 2022 Forrester Research Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 02, 2022 / 8:30PM GMT

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to Forrester's third quarter conference call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to turn the conference over to Vice President of Investor Relations, Tyson Seely. Please go ahead.

Tyson Seely

Thank you, and hello, everyone. Thanks for joining today's call. Earlier this afternoon, we issued our press release for the third quarter of 2022. If you need a copy, you can find one on our website in the Investors section.

I'm joined this afternoon by our Chairman of the Board and CEO, George Colony; and Forrester's Chief Financial Officer, Chris Finn. George will open the call this afternoon, and Chris will follow with a financial update. We'll then go into Q&A. We also have Carrie Johnson, Chief Product Officer; and our Interim Chief Sales Officer, Elizabeth Addlesberger with us today for the Q&A portion 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 involve 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 can find a detailed list of items excluded from these adjusted numbers in our press release.

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

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

Thank you, Tyson, and thanks to all of you for joining Forrester's Q3 investor call.

Today, I want to cover 2 topics: our performance in Q3 and our continued transition to the Forrester Decisions research platform.

Across our business, we saw good results in the quarter. We remain confident in our ability to deliver on our annual commitments to investors in a challenging macroeconomic and geopolitical environment.

In the third quarter, Forrester's revenue grew 8% year-over-year, which was impacted by a 2-point foreign currency headwind. Margin increased and earnings per share is up 39% year-over-year.

Wallet and client retention are at 97% and 75%, respectively. Net contract value increase, or NCVI, is up 7% overall, down 3 percentage points compared to Q2. The Ukraine war and energy uncertainty have contributed to a slowdown in our European business (inaudible) had the slowest NCVI growth of our 3 global regions.

While overall NCVI growth has slowed, Forrester Decisions CV continued to expand at healthy rates, driven partially by a strong off-cycle enrichment for this new product. We are reiterating our revenue guidance for 2022. Given ongoing expense management, we've raised margin and EPS guidance for the fourth quarter, and we continue to drive free cash flow.

Chris will provide more details in a few moments.

Turning to our products. Job 1 in 2022 has been transitioning clients to Forrester Decisions, and this effort is on plan. The new platform has been available to our clients for 15 months, and it is on pace to be 1/3 of our CV by year-end.

Now there are 4 reasons why this transition is important. Number one, when clients move to Forrester Decisions, they graduate to larger contracts; two, wallet retention for Forrester Decisions is running higher than legacy products. With 16 different services, it is a powerful enrichment engine. Three, clients perceive enhanced value in Forrester Decisions through embedded benchmarks, certification models, frameworks and guidance sessions. And finally, four, Forrester Decisions includes vision, strategy and execution research.

The latter will be highly relevant to companies as they look to sharpen their operations in uncertain economic times, making the product stickier. So as an example of the strong execution focus of Forrester Decisions, we released planning guides in the third quarter. These are specific recommendations to help each of the 16 different executives we serve build their budgets for the upcoming year. And here are some highlights.

Our surveys are showing that executives are overly optimistic about their proposed spending increases for 2023, and we are urging more restraint and financial discipline.

While budgets will be generally curtailed, spending in customer insight technology, cybersecurity and sales productivity tools should be protected. Tech executives should use this opportunity to optimize their software contracts, public cloud agreements and digital innovation outsourcing contracts.

And finally, company should continue to spend on select emerging tech. Examples include edge intelligence, (inaudible) bots, which optimize software development and customer privacy technology. With the ongoing success of the new platform, we are accelerating transitions, and we'll no longer be selling new legacy research contracts as of January 1, 2023.

The product continues to attract important new companies in the quarter, a leading U.S. sports brand, a global software provider and a leading SaaS company, all signed multimillion dollar, multiyear Forrester Decisions contracts.

Turning now to our Events business. Q3 was headlined by our flagship Technology and Innovation North American Forum, which reached record levels across all key metrics and was the largest technology event ever hosted by Forrester.

Overall revenue for the event was up 120% year-over-year and attendance was up 41%, including a triple (inaudible) level attendance numbers. Event sponsorship grew 162% with strong renewals for the coming year.

Forrester Events continue to recover from the pandemic and are on track to beat 2019 revenue. So to conclude, over our decades of operation, Forrester has managed through many recessions and economic downturns. We have proven stewards of spending plans and assets in difficult economic times, and those disciplines will serve us well in this moment.

I have confidence in our people to once again cope with macroeconomic adversity and emerge from these challenging times in a position of strength. Despite the market challenges, we will remain aggressive in the coming quarters.

At present, we are ramping a record number of sales reps, which will grow CV in 2023 and 2024. As I mentioned earlier, Forrester Decisions is helping us push deeper with existing clients, and we believe that it will help us win new clients in our $80 billion total available market.

I remain excited about the company's future driven by the many opportunities opened up by Forrester Decisions. And with that, I will now turn the call over to Chris for a detailed financial update. Chris?

L. Christian Finn - *Forrester Research, Inc. - CFO*

Thanks, George, and thank you, everyone, for joining us this afternoon. As George discussed, we had good third quarter financial results with revenue coming in line with our guidance and margins and EPS exceeding the guide from our last call.

Given the margin and EPS beat this quarter and our continued ability to manage costs in the P&L, we are raising our margin and bottom line targets for the balance of the year. I'll discuss this in more detail in a few moments.

While our third quarter financial performance was good, there are certainly areas we continue to focus on to drive execution across the business through the end of the year and into the future.

Before getting into the specifics of the quarter, let me touch quickly at a high level on what drove these results and the areas we remain laser-focused on going forward.

I'll start with the positives. I want to reiterate George's comments that we are very pleased with the transition we are seeing in the Forrester Decisions. Through the third quarter, Forrester Decisions now makes up over 25% of our CV approaching $100 million of contribution.

Given these numbers, we continue to be confident in having 1/3 of CV in the Forrester Decisions platform by year-end. Further, we continue to make progress on hiring within the sales organization. Through the third quarter, our sales headcount is up 8% on a year-over-year basis.

Given these uncertain times, the management team has done a terrific job of proactively managing the P&L. I'd like to thank the entire Forrester team for their continued work to deliver on our financial commitments to all our stakeholders, while also delivering top-tier research, consulting and advisory services and event experiences to our clients.

With that said, we are facing a few headwinds, some of which are out of our control and some of which we're addressing within our business. We have seen declines from the previous quarter in our key metrics, such as our CV growth rate, client retention and wallet retention as we are seeing higher attrition in our legacy business.

The turnover that is driving these numbers is largely in our smaller clients as our larger clients continue to embrace Forrester Decisions. For those clients that have transitioned, we're seeing stronger enrichment in their account spend. However, given the difficult selling environment, where we are seeing longer sales cycles and budgetary constraints within clients, we continue to implement initiatives to combat these issues.

These include tighter alignment within customer success, sales and marketing and additional resources within the sales force. We have work to do to close out the year, but I'm confident in the Forrester team and the commitments we are putting out today.

Let me now turn to some of the specific results for the third quarter. As previously mentioned, we delivered CV growth of 7% in the quarter and overall revenue growth of 8%, driven by our Research and Events businesses.

Specifically, for the total company, we generated $127.7 million in revenue compared to $118.1 million in the prior year period, an 8% year-over-year increase, as I just mentioned. This includes an approximate 2 percentage point headwind from FX.

Research revenues increased 9% compared to the third quarter of 2021 as a result of the growth in CV. However, as I mentioned previously, client retention and wallet retention were down from the prior quarter. Specifically, client retention declined 1 point versus the prior quarter to 75% and wallet retention was down 2 points to 97%.

Regarding these declines, which may continue in the short term, there are 3 specific areas to call out. One, our sales headcount continues to build. As we mentioned last quarter, we exited Q2 with our highest number of ramping reps, some of whom continue to ramp over the third quarter.

Two, we continue to transition clients to Forrester Decisions, and this creates some churn in our legacy base, as we've discussed before, but as mentioned upfront, the clients that we transition spend more with us. Three, macroeconomic issues, specifically the threat of a recession and the war in Europe have created a headwind for us as it has for many other companies.

With that said, we are dealing with these challenges. And while some of them may persist in the near term, we have confidence in our long-term growth potential that will be powered by the Forrester Decisions platform.

Our Consulting business posted revenues of $37.4 million, which were flat compared to the prior year. As we mentioned last quarter, this continued to be driven by a combination of our analysts shifting a portion of their focus to delivering on our CV business and the overall macroeconomic environment.

And finally, for our Events business, although Q3 is traditionally a light quarter for us, the business posted revenues of $3.3 million, representing an increase of 276% compared to the third quarter of 2021. This growth was driven by continued hybrid approach to in-person events with the additional option of virtual attendance.

Continuing down our P&L on an adjusted basis, operating expenses for the third quarter increased by 6% due to higher headcount and increased compensation costs. Specifically on headcount for the third quarter, we were up 14% compared to the same period in 2021.

Operating income increased by 25% to $15.8 million or 12.4% of revenue in the current quarter compared to $12.7 million or 10.7% of revenue in the third quarter of 2021. Interest expense for the quarter was $0.6 million as compared to $1.1 million in the third quarter of 2021. This reduction was driven by lower outstanding debt.

Finally, net income increased 38% and earnings per share increased 39% compared to Q3 of last year, with net income at $10.9 million and EPS at $0.57 for the current quarter compared with net income of $7.9 million and earnings per share of $0.41 in the third quarter of 2021.

Looking at our capital structure, year-to-date cash flow and operating activities was $37.8 million and capital expenditures were $4.2 million, resulting in $118.7 million of cash and investments as we exited the third quarter.

There were no debt payments or stock buybacks this quarter, leaving us with $50 million of outstanding debt and approximately $75 million of our stock repurchase authorization intact.

I'll now walk you through what we are expecting over the final quarter of the year as well as some high-level thoughts as we start to look at 2023. Let me start with the fourth quarter.

Starting with the top line. For fourth quarter revenue, we continue to expect that FX will be an approximately 1% to 2% headwind for the business with an insignificant effect on operating margin. In our Research business, for the fourth quarter, we now expect flat to low single-digit growth given the slowdown in CV that we have seen. This will lead to full year growth in the business of high single digits.

For our Consulting business, we expect revenue growth to be essentially flat in both the fourth quarter and for the full year. Finally, for our Events business, we expect fourth quarter revenues to increase by approximately 30% to 40% compared to the previous year, and we expect Event revenues for the full year to increase by approximately 130% to 140% compared to 2021.

Putting all those factors together, for the full business, we expect total revenue of approximately $134 million to $144 million in the fourth quarter. And for the full year, we continue to expect total revenue to be $535 million to $545 million.

In terms of other guidance, in the fourth quarter of 2022, we expect our operating margin to be 6% to 8% and have raised our full year operating margin by 50 basis points to be 12% to 13% given ongoing cost controls. We continue to expect interest expense of $2.5 million for the year.

In the fourth quarter and for the full year of 2022, we continue to expect an effective tax rate of 30%. Finally, for the fourth quarter, we expect our adjusted EPS to be in the range of $0.28 to $0.38.

Given the upside on our EPS in the third quarter and our ability to manage the P&L, we now expect full year adjusted EPS to be in the range of $2.30 to $2.40, which is an increase of $0.05 on both the top and bottom end of the range compared to our previous guide.

Looking beyond Q4 and into 2023, we continue to expect many of the macroeconomic headwinds to remain. These include continued concerns about COVID's impact as we head into the winter months, the ongoing war in Europe, an increased interest rate environment and currency headwinds.

Given all these factors, we believe there is a strong likelihood of a recession in 2023. Despite these challenges, the increase in our sales headcount and the success we are seeing with the Forrester Decisions platform gives us optimism in our long-term growth expectations.

We have confidence in our Forrester Decisions product and the value it can help drive for our clients. This has led us to accelerate the migration plans for our legacy products to Forrester Decisions. And as George mentioned, we have announced the end-of-sale dates for our legacy products. This acceleration may cause some additional pressure on our key metrics in the coming quarters.

However, we strongly believe that a faster transition of our client base to the Forrester Decisions platform will enhance our growth in the long term.

To summarize, while we are likely to see uneven performance in our P&L due to the combination of the macroeconomic environment and our accelerated transition of clients to our new product platform, we remain confident in the long-term value we will drive to our customers and shareholders.

We will provide more commentary on our outlook for 2023 on our Q4 earnings call. Finally, while we have provided quarterly guidance for some time, this will be our last quarter doing so. When we report our Q4 results and our outlook for 2023, we will pivot to only providing guidance on a yearly basis. This is meant to match our long-term focus on running the business.

With that said, we will continue to provide commentary on anything that we're seeing that may affect upcoming quarters.

With that, I'll hand the call back over to George for closing remarks.

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

Thanks, Chris. As Chris and I discussed in this call, the transition to Forrester Decisions remains on track and the company is ready to manage through the recession.

And as a side note, there is unparalleled interest in the Chief Sales Officer position. We are excited about finding a leader who can take the company into its next era of growth.

Since you won't have another earnings call until next year, I'd like to take this moment to wish all of you and your families safe and happy holidays. I also want to thank the entire Forrester team for their hard work and passion.

Forrester rights are dedicated to our clients, and that means that our clients are dedicated to Forrester. Thank you for listening to the call, and we will now take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Andrew Nicholas with William Blair.

Andrew Owen Nicholas - *William Blair & Company L.L.C., Research Division - Analyst*

Last quarter, you -- last quarter, you cited a few different reasons for CV growth slowing. I think it was sales attrition and some slowness in hiring new reps, it seems like -- correct me if I'm wrong, but it seems like that has abated a little bit in your own plan in terms of quota-carrying headcount.

But I also just wanted to ask on the other 2. You talked about lower conversion rates and a bit higher than normal seat holder turnover. Have those dynamics moderated at all? Are they any worse today than they were last quarter? Have they improved? Just trying to get a sense for what's going on under the hood on those 3 aspects.

L. Christian Finn - *Forrester Research, Inc. - CFO*

Yes. Thanks, Andrew. It's Chris. It's a good question. Yes, in terms of the slowdown in the key metrics, so as you noted in the prepared remarks, [specifically] on client retention and wallet retention, but we think that they're going to continue to decline in the short term due to those macroeconomic issues along with the accelerated transition of the legacy base over the FD platform, but we expect retention to remain in the low 70s -- mid to low 70s in the near term with a long-term target still obviously the 80-plus percent.

And then finally, we expect to [trailing] through the largest part of the [client] transition by the end of '23, with at least 2/3 of our CV in the FD platform as we enter '24.

And you're right on the sales headcount front, I think we are through the bulk of those capacity constraint issues with the hiring. We are right now at about 85% of our sales force is essentially ramped. So we [sell] some ramp reps, but we're through the bulk of it.

And so it's really been around the client transition over to FD that we've seen the issues along with some of the macroeconomic challenges where we've seen elongated sales cycles, especially in Europe as well as just some pressure in that market, certainly internationally with the war in Europe.

Andrew Owen Nicholas - *William Blair & Company L.L.C., Research Division - Analyst*

Understood. In terms of third quarter results, obviously, and even full year guidance looks like despite maintaining revenue outlook, you are coming in a bit higher on margins.

It seems like I think in your release, you talked about your ability to manage costs. Can you speak a bit to the primary areas of cost savings relative to your expectations heading into the quarter? I just want to get a sense for where you're cutting back and whether or not you have any concerns about that impeding growth in future years.

L. Christian Finn - *Forrester Research, Inc. - CFO*

Yes, it's a good question. We are -- essentially since Q2, we have started to tighten our belt here, looking at the outlook on the economy and then some of the slowdown in the key metrics. Obviously, it's been around areas like T&E, also on noncritical headcount as well, we pull back on hiring.

This was an investment year for us, including we're still making investments in areas to help scale the business for the long term. But certainly, we've been able to tighten our belt in a few areas in order to control the margins and obviously, (inaudible) and be able to continue to throw out cash and profitability that we always have.

And look, we'll continue to do that, and we're going to monitor the outlook on the economy, we're going to continue to monitor our expense base very closely as we move forward in conjunction with how the top line is moving.

Andrew Owen Nicholas - *William Blair & Company L.L.C., Research Division - Analyst*

Great. And then if I could add one more question and then I'll get back in the queue. In terms of client retention or even wallet retention, are there any industries, in particular, that are underperforming the rest or others that are standouts? Just interested there.

And then I think you mentioned Europe being the primary drag in terms of geographical dispersion in performance. But if there's any other color there that you could provide that would be helpful, too.

L. Christian Finn - *Forrester Research, Inc. - CFO*

Yes. Yes, I'll make a comment and then maybe Carrie can chime in as well. But it's really been around the small tech clients where we've seen some of that pressure around retention rates and obviously wallet retention. But once again, just to emphasize, as the larger clients are transitioned over to FD, we've seen improved retention rates there and obviously great enrichment as well. So that's been working excellent for us. And Carrie, do you want to comment on?

Carrie Johnson Fanlo - *Forrester Research, Inc. - Chief Product Officer*

Yes. I'll just say -- Andrew, it's Carrie. Just to sort of echo that. It is sort of a tale of 2 retentions on that front. When customers convert, the rates are actually higher than we expected. They're running what we would want to see and is really a fueling growth for us.

And then, yes, it's on the -- some of the smaller [tech,] maybe single products kind of (inaudible) funding dries up and we see some challenges there.

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

One of the private equity and venture funding (inaudible).

Operator

Our next question comes from Anja Soderstrom with Sidoti.

Anja Marie Theresa Soderstrom - *Sidoti & Company, LLC - Senior Equity Research Analyst*

Congratulations on the good quarter. In terms of -- just a follow-up on the client retention. It seems like you are having [easier] time retaining the larger clients and the smaller -- you said it was smaller tech clients that you saw a higher -- do you have better (inaudible) expansion opportunity with the larger ones?

Carrie Johnson Fanlo - *Forrester Research, Inc. - Chief Product Officer*

It's Carrie. Thanks for the question. That is the primary strategy around Forrester Decisions that gives us a platform of 16 services to enrich our contract base. And again, very pleased with the results here already of the midyear contract enrichment as we see customers get into Forrester Decisions and quickly start adding new seats for their teams and for their peers.

So yes, to answer your question, that is where we're seeing the growth. And also, we have a lot of growth in front of us there once we've converted customers to the new platform.

L. Christian Finn - *Forrester Research, Inc. - CFO*

Yes. And I'd just add to, Anja, too. We've done it, as we talked on the remarks, we're approaching $100 million of contribution to our 25% of CV in FD today. And this was the design of the product (inaudible) take advantage of the cross-sell, upsell opportunities with the way the product is designed and across the (inaudible) key areas and 16 plus personas.

So we're very happy with the enrichment that we're seeing there. And our expectation is that we're going to continue to take advantage of that as we move forward and grow that FD base.

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

And as you know, Anja, our primary clients are what we call 1B+ companies, companies with more than $1 billion of revenue. The reason we go there is because they have all 16 of those executives on staff. So again, that's where the (inaudible).

Anja Marie Theresa Soderstrom - *Sidoti & Company, LLC - Senior Equity Research Analyst*

Okay. And also, in terms of hiring a new Head of Sales, how do you -- how is that coming along? And what opportunities do you see there in sort of maybe what that person brings on that Kelley didn't have, that might be a positive for you?

L. Christian Finn - *Forrester Research, Inc. - CFO*

Yes. Thanks, Anja. Yes. So we are deep in the process around the CSO search. We've seen, as George noted in the remarks, in great interest from the market and the candidates that we've spoken to so far are really good.

We're focused on candidate that has specific experience in growing CV, [AR] models, managing the scale, doubling businesses to $1 billion. Clearly, it's [a good role] for us for the (inaudible) organization as we look to unlock the full potential of the Forrester Decisions platform in the marketplace and get to that 2/3 of our CV in FD by the end of next year.

And so we do anticipate to have someone in the role by Q1 or in Q1 rather. And as soon as we have news there, we'll be happy to announce it. And I think we're looking for someone who essentially has scaled businesses like ours with experience, specifically in AR model, CV models.

And they understand our market, they understand how cross-sell, upsell works. They understand how to do solution selling and are really focused on driving a well-disciplined sales organization driven by metrics and insight.

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

And Kelley was excellent, she got us here. We're just looking for something to take us through the next phase of growth. But [we'll be in a] double size of the sales force in the next 4 years. So this is -- we're going into a new territory for us. And again, we have very -- a lot of interest from -- in the job and some very good candidates. So we're very excited about this.

Anja Marie Theresa Soderstrom - *Sidoti & Company, LLC - Senior Equity Research Analyst*

Okay. And how do you -- just in general, given (inaudible) How has the environment developed within that (inaudible)?

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

The environment for hiring you're asking?

Anja Marie Theresa Soderstrom - *Sidoti & Company, LLC - Senior Equity Research Analyst*

Yes.

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

Yes, I think it's (inaudible) absolutely.

L. Christian Finn - *Forrester Research, Inc. - CFO*

Yes. Yes. Definitely. Our attrition rates are down to approximately 13%. We are definitely seeing better candidate flow. And we are definitely improving on the hiring front and our time to hire is actually getting better as well.

Operator

Our next question comes from Vincent Colicchio with Barrington.

Vincent Alexander Colicchio - *Barrington Research Associates, Inc., Research Division - MD*

Yes. Good quarter, guys. Curious, any sense for your exposure to small tech clients, I assume there's some overlap with new economy clients. If we look at -- included new economy and small tech clients together, sort of how large is your exposure there? And how concerned should we be about funding issues on that side?

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

Vincent, you said small tech companies in what sense?

Vincent Alexander Colicchio - *Barrington Research Associates, Inc., Research Division - MD*

I'm saying that -- I'm curious how much exposure you have to new economy type of clients, VC-funded companies. I assume there's some overlap with small tech. So if you combine those 2 groups together, how large is your exposure?

L. Christian Finn - *Forrester Research, Inc. - CFO*

Yes. So we certainly have exposure there. I wouldn't characterize it as material in any way. But certainly, in the small tech clients, I mean, they definitely from (inaudible) perspective, there's definitely some exposure there. And we're seeing -- those are the stories that come into the sales organization where we're kind of losing some business. But I wouldn't characterize it as material. George, any thought...?

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

Yes. We don't have a lot of (inaudible) crypto companies in our portfolio or even (inaudible) fintechs. I mean, this is -- these are companies who are building technology for large corporation. So again, there are some or few in our shore, but it's mainly small tech companies.

Vincent Alexander Colicchio - *Barrington Research Associates, Inc., Research Division - MD*

Can you frame at this point, maybe a range for sales force growth expectations for '23?

L. Christian Finn - *Forrester Research, Inc. - CFO*

Yes. So let's start with this year. We're going to grow double digits this year for (inaudible) and going into next year, but we're in the process of doing our planning scenarios. And I would expect that we will have sales growth next year. I won't guarantee that it's in the double-digit range.

We have to see how our scenarios play out and get through this quarter and see how the macroeconomic situation there is. But we will definitely (inaudible) the [sales organization] issue for sure.

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

I think the new Head of Sales, Vince, will have a lot of opportunity to improve productivity. Yes. And so that I think we have some very good capacity there, which we could tap into.

We will definitely grow next year, but probably not at the same rate.

L. Christian Finn - *Forrester Research, Inc. - CFO*

Yes. Yes. That's correct.

Vincent Alexander Colicchio - *Barrington Research Associates, Inc., Research Division - MD*

And then on the sales cycles slowing, would you say it's a meaningful change versus last quarter? And I'm curious, did it worsen as the quarter progressed by month?

George F. Colony - *Forrester Research, Inc. - Founder, Chairman, CEO & President*

I think that's been a long term. Obviously, that's really been the 3-quarter trends. It didn't just pop up in Q3. This has been ongoing throughout the year.

Operator

And I'm not showing any further questions at this time. I'd like to turn the call back to management for any closing remarks.

Tyson Seely

Thanks, everyone, this is Tyson, for joining us this evening on the call. Myself and Chris and the team can be available for follow-up calls. So please reach out to me if you'd like. Thank you for calling in today.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.
