
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of Earliest Event Reported): February 13, 2019

FORRESTER RESEARCH, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-21433
(Commission
File Number)

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

60 Acorn Park Drive
Cambridge, Massachusetts 02140
(Address of principal executive offices, including zip code)

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

N/A

(Former Name or Former Address, if Changes since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

The information contained in this current report on Form 8-K is furnished pursuant to Item 2.02 of Form 8-K “Results of Operations and Financial Condition”. This information and the exhibits hereto are being furnished and shall not be deemed to be “filed” for the purposes of Section 18 of, or otherwise regarded as filed under, the Securities Exchange Act of 1934, as amended. The information contained in this report shall not be incorporated by reference into any filing of Forrester Research, Inc. with the SEC, whether made before or after the date hereof, regardless of any general incorporation language in such filings.

On February 13, 2019, Forrester Research, Inc. issued a press release announcing its financial results for the quarter and year ended December 31, 2018.

Forrester believes that pro forma financial results provide investors with consistent and comparable information to aid in the understanding of Forrester’s ongoing business. Forrester uses pro forma financial information to manage its business, including use of pro forma financial results as the basis for setting targets for various compensation programs. Our pro forma presentation excludes the following, as well as their related tax effects:

Amortization of intangibles—we exclude the effect of the amortization of intangibles from our pro forma results in order to more consistently present our ongoing results of operations.

Gains and losses from investments—we have consistently excluded both gains and losses related to our investments in non-marketable securities and sales of marketable securities from our pro forma results in order to keep quarter-over-quarter and year-over-year comparisons consistent.

Stock-based compensation expense—we exclude stock-based compensation from our pro forma results in order to keep quarter-over-quarter and year-over-year comparisons consistent.

Acquisition and integration costs—we exclude the direct costs of acquiring and integrating companies from our pro forma results in order to keep quarter-over-quarter and year-over-year comparisons consistent.

Fair Value Adjustment of Pre-Acquisition Revenue—we exclude from adjusted revenues the non-cash fair value adjustment to pre-acquisition deferred revenue from acquired companies, in order to more consistently present our ongoing results of operations.

However, these measures should be considered in addition to, not as a substitute for, or superior to, operating income or other measures of financial performance prepared in accordance with generally accepted accounting principles as more fully discussed in our financial statements and filings with the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 [Press Release dated February 13, 2019 with respect to financial results for the quarter and year ended December 31, 2018.](#)

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 hereunto duly authorized.

FORRESTER RESEARCH, INC.

By /s/ Michael A. Doyle

Name: Michael A. Doyle

Title: Chief Financial Officer

Date: February 13, 2019

Forrester Research Reports 2018 Fourth-Quarter And Full-Year Financial Results

Cambridge, Mass., February 13, 2019 . . . Forrester Research, Inc. (Nasdaq: FORR) today announced its 2018 fourth-quarter and full-year financial results.

Fourth-Quarter Financial Performance

Total revenues were \$98.6 million for the fourth quarter of 2018, compared with \$90.4 million for the fourth quarter of 2017. Research revenues increased 11%, and advisory services and events revenues increased 6%, compared with the fourth quarter of 2017. On a constant-currency basis, research revenues increased 12%, and advisory services and events revenues increased 7%, compared with the fourth quarter of 2017.

On a GAAP basis, net income was \$5.4 million, or \$0.29 per diluted share, for the fourth quarter of 2018, compared with net income of \$2.1 million, or \$0.11 per diluted share, for the same period in 2017.

On a pro forma basis, net income was \$9.6 million, or \$0.52 per diluted share, for the fourth quarter of 2018, which reflects a pro forma effective tax rate of 31%. Pro forma net income excludes stock-based compensation of \$2.1 million, amortization of acquisition-related intangible assets of \$0.4 million, acquisition and integration costs of \$2.5 million, and net investment gains of \$0.5 million. This compares with pro forma net income of \$5.9 million, or \$0.32 per diluted share, for the same period in 2017, which reflects a pro forma tax rate of 40%. Pro forma net income for the fourth quarter of 2017 excludes stock-based compensation of \$2.1 million, amortization of acquisition-related intangible assets of \$0.2 million, and net investment gains of \$0.5 million.

“Forrester met pro forma operating margin and EPS guidance for the fourth quarter and full year of 2018,” said George F. Colony, Forrester’s chairman and chief executive officer. “We set an ambitious agenda for ourselves in 2018, and we succeeded. We completed the rollout of our customer engagement model across North America, Europe, and Asia, and we acquired three companies: SiriusDecisions, FeedbackNow, and GlimpZt. As we move into 2019, we are confident that we can successfully capitalize on these acquisitions and continue to drive growth.”

Year Ended December 31, 2018, Financial Performance

Total revenues were \$357.6 million, compared with \$337.7 million for the same period in 2017. Research revenues increased 6%, and advisory services and events revenues increased 7%, compared with 2017. On a constant-currency basis, research revenues increased 5%, advisory services and events revenues increased 6%, and overall revenue increased 6%, compared with 2017.

On a GAAP basis, net income was \$15.4 million, or \$0.84 per diluted share, for 2018, compared with net income of \$15.1 million, or \$0.83 per diluted share, for 2017.

On a pro forma basis, net income was \$25.1 million, or \$1.36 per diluted share, for 2018, which reflects a pro forma effective tax rate of 31%. Pro forma net income excludes stock-based compensation of \$8.3 million, amortization of acquisition-related intangible assets of \$1.2 million, acquisition and integration costs of \$3.8 million, and net investment gains of \$0.4 million. This compares with pro forma net income of \$22.3 million, or \$1.22 per diluted share, for 2017, which reflects a pro forma tax rate of 40%. Pro forma net income for 2017 excludes stock-based compensation of \$8.5 million, amortization of acquisition-related intangible assets of \$0.8 million, and net investment losses of \$0.5 million.

A reconciliation of GAAP results to pro forma results may be found in the attached financial tables.

2019 Guidance

Forrester is providing first-quarter 2019 financial guidance as follows:

First-Quarter 2019 (GAAP):

- Total revenues of approximately \$95.0 million to \$100.0 million.
- Operating margin of approximately (14.5)% to (12.5)%.
- Interest expense of approximately \$2.4 million.
- Other income, net of zero.
- An effective tax rate of 5% to 10%.
- Loss per share of approximately \$0.74 to \$0.80.

First-Quarter 2019 (Pro Forma):

Pro forma financial guidance for the first quarter of 2019 excludes the reduction in revenue from the fair value adjustment of pre-acquisition deferred revenue of \$4.0 million to \$5.0 million, stock-based compensation expense of \$2.6 million to \$2.8 million, amortization of acquisition-related intangible assets of \$3.0 million to \$4.0 million, acquisition and integration costs of \$3.5 million to \$4.0 million, and any investment gains or losses.

- Adjusted revenues of approximately \$100.0 million to \$105.0 million.
- Pro forma operating margin of approximately 0.5% to 2.5%.
- Pro forma effective tax rate of 31%.
- Pro forma loss per share of approximately zero to \$0.06.

Our full-year 2019 guidance is as follows:

Full-Year 2019 (GAAP):

- Total revenues of approximately \$457.0 million to \$469.0 million.
- Operating margin of approximately (1.5)% to 0.5%.
- Interest expense of approximately \$9.5 million to \$10.0 million.
- Other income, net of zero.
- An effective tax rate of 5% to 10%.
- Diluted loss per share of approximately \$0.41 to \$0.53.

Full-Year 2019 (Pro Forma):

Pro forma financial guidance for full-year 2019 excludes the reduction in revenue from the fair value adjustment of pre-acquisition deferred revenue of \$17.0 million to \$19.0 million, stock-based compensation expense of \$11.0 million to \$12.0 million, amortization of acquisition-related intangible assets of \$15.0 million to \$17.0 million, acquisition and integration costs of \$7.0 million to \$8.0 million, and any investment gains or losses.

- Adjusted revenues of \$475.0 million to \$487.0 million.
- Pro forma operating margin of approximately 10.0% to 12.0%.
- Pro forma effective tax rate of 31%.
- Pro forma diluted earnings per share of approximately \$1.55 to \$1.67.

About Forrester Research

Forrester Research is one of the most influential research and advisory firms in the world. We work with business and technology leaders to develop customer-obsessed strategies that drive growth. Forrester's unique insights are grounded in annual surveys of more than 675,000 consumers and business leaders worldwide, rigorous and objective methodologies, and the shared wisdom of our most innovative clients. Through proprietary research, data, custom consulting, exclusive executive peer groups, and events, the Forrester experience is about a singular and powerful purpose: to challenge the thinking of our clients to help them lead change in their organizations. For more information, visit forrester.com.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, Forrester's financial guidance for the first quarter of and full-year 2019, statements about the success of operational improvements, and statements about Forrester's future financial performance and financial condition. These statements are based on Forrester's current plans and expectations and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual future activities and results to differ include, among others, Forrester's ability to retain and enrich memberships for its research products and services, technology spending, Forrester's ability to respond to business and

economic conditions and market trends, the risks and challenges inherent in international business activities, competition and industry consolidation, the ability to attract and retain professional staff, Forrester's dependence on key personnel, Forrester's ability to successfully integrate businesses that it acquires, the impact of Forrester's outstanding debt obligations, the possibility of network disruptions and security breaches, and possible variations in Forrester's quarterly operating results. Financial guidance regarding shares outstanding and per-share amounts is based on certain assumptions that are subject to change, including with respect to an anticipated reduction in share repurchases subsequent to Forrester's acquisition of SiriusDecisions. While currently suspended, dividend declarations are at the discretion of Forrester's board of directors. Forrester undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. For further information, please refer to Forrester's reports and filings with the Securities and Exchange Commission.

The consolidated statements of income and the table of key financial data are attached.

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Forrester Research, Inc.
Consolidated Statements of Income

(Unaudited, In thousands, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Revenues:				
Research services	\$62,067	\$55,918	\$228,399	\$216,471
Advisory services and events	36,516	34,459	129,176	121,202
Total revenues	<u>98,583</u>	<u>90,377</u>	<u>357,575</u>	<u>337,673</u>
Operating expenses:				
Cost of services and fulfillment	38,965	36,058	146,502	136,872
Selling and marketing	35,053	33,562	131,824	123,917
General and administrative	11,049	11,234	43,920	41,906
Depreciation	1,899	1,873	7,955	6,648
Amortization of intangible assets	392	199	1,162	781
Acquisition and integration costs	2,481	—	3,787	—
Total operating expenses	<u>89,839</u>	<u>82,926</u>	<u>335,150</u>	<u>310,124</u>
Income from operations	<u>8,744</u>	<u>7,451</u>	<u>22,425</u>	<u>27,549</u>
Other income, net	202	53	674	301
Gains (losses) on investments, net	488	518	426	(479)
Income before income taxes	<u>9,434</u>	<u>8,022</u>	<u>23,525</u>	<u>27,371</u>
Income tax provision	4,059	5,929	8,145	12,231
Net income	<u>\$ 5,375</u>	<u>\$ 2,093</u>	<u>\$ 15,380</u>	<u>\$ 15,140</u>
Diluted income per common share	<u>\$ 0.29</u>	<u>\$ 0.11</u>	<u>\$ 0.84</u>	<u>\$ 0.83</u>
Diluted weighted average shares outstanding	<u>18,459</u>	<u>18,322</u>	<u>18,380</u>	<u>18,240</u>
Basic income per common share	<u>\$ 0.29</u>	<u>\$ 0.12</u>	<u>\$ 0.85</u>	<u>\$ 0.84</u>
Basic weighted average shares outstanding	<u>18,274</u>	<u>17,983</u>	<u>18,091</u>	<u>17,919</u>
Pro forma data (1):				
Income from operations	\$ 8,744	\$ 7,451	\$ 22,425	\$ 27,549
Amortization of intangible assets	392	199	1,162	781
Acquisition and integration costs	2,481	—	3,787	—
Stock-based compensation included in the following expense categories:				
Cost of services and fulfillment	1,201	1,151	4,329	4,538
Selling and marketing	313	182	1,065	717
General and administrative	595	734	2,906	3,235
Pro forma income from operations	<u>13,726</u>	<u>9,717</u>	<u>35,674</u>	<u>36,820</u>
Other income, net	202	53	674	301
Pro forma income before income taxes	13,928	9,770	36,348	37,121
Income taxes under GAAP	4,059	5,929	8,145	12,231
Tax effects of pro forma items (2)	601	(654)	3,024	2,568
Adjustment to tax expense to reflect pro forma tax rate (3)	(342)	(1,367)	99	49
Pro forma net income	<u>\$ 9,610</u>	<u>\$ 5,862</u>	<u>\$ 25,080</u>	<u>\$ 22,273</u>
Pro forma diluted income per share	<u>\$ 0.52</u>	<u>\$ 0.32</u>	<u>\$ 1.36</u>	<u>\$ 1.22</u>
Pro forma diluted weighted average shares outstanding	<u>18,459</u>	<u>18,322</u>	<u>18,380</u>	<u>18,240</u>

- (1) Forrester believes that pro forma financial results provide investors with consistent and comparable information to aid in the understanding of Forrester's ongoing business, and are also used by Forrester in making compensation decisions. Our pro forma presentation excludes amortization of acquisition-related intangible assets, stock-based compensation, acquisition and integration costs and net gains or losses from investments, as well as their related tax effects. We also utilized an assumed tax rate of 31% in 2018 and 40% in 2017, which excludes items such as the tax effect of the Tax Cuts and Jobs Act of 2017, any release of reserves for uncertain tax positions established in prior years and the effect of any adjustments related to the filing of prior year tax returns. The pro forma data does not purport to be prepared in accordance with Accounting Principles Generally Accepted in the United States.
- (2) The tax effect of adjusting items is based on the accounting treatment and rate for the jurisdiction of each item.
- (3) To compute pro forma net income, we apply a pro forma effective tax rate of 31% for the 2018 periods and 40% for the 2017 periods.

Forrester Research, Inc.**Key Financial Data**

(Unaudited, dollars in thousands)

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Balance sheet data:		
Cash, cash equivalents and marketable investments	\$ 140,296	\$ 134,123
Accounts receivable, net	\$ 67,318	\$ 70,023
Deferred revenue	\$ 135,332	\$ 145,207
	<u>Year Ended December 31,</u> <u>2018</u>	<u>2017</u>
Cash flow data:		
Net cash provided by operating activities	\$ 38,419	\$ 37,493
Purchases of property and equipment	\$ (5,050)	\$ (7,861)
Cash paid for acquisitions	\$ (9,250)	\$ —
Repurchases of common stock	\$ (9,946)	\$ (39,967)
Dividends paid	\$ (14,502)	\$ (13,631)
	<u>As of December 31,</u> <u>2018</u>	<u>2017</u>
Metrics:		
Agreement value	\$ 266,300	\$ 242,900
Client retention	74%	76%
Dollar retention	88%	88%
Enrichment	101%	96%
Number of clients	2,353	2,409
	<u>As of December 31,</u> <u>2018</u>	<u>2017</u>
Headcount:		
Total headcount	1,432	1,392
Products and advisory services staff	559	515
Sales force	528	539