

**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, 2023

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

(State or other jurisdiction of
incorporation or organization)

**60 Acorn Park Drive
CAMBRIDGE, MASSACHUSETTS**
(Address of principal executive offices)

04-2797789

(I.R.S. Employer
Identification Number)

02140
(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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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.

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 November 1, 2023, 19,239,000 shares of the registrant's common stock were outstanding.

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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, 2023	December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 101,706	\$ 103,629
Marketable investments	9,750	19,688
Accounts receivable, net of allowance for expected credit losses of \$626 and \$560 as of September 30, 2023 and December 31, 2022, respectively	41,016	73,345
Deferred commissions	16,558	24,559
Prepaid expenses and other current assets	15,855	14,069
Total current assets	184,885	235,290
Property and equipment, net	19,693	23,208
Operating lease right-of-use assets	42,021	49,970
Goodwill	242,061	242,149
Intangible assets, net	40,343	49,504
Other assets	7,053	8,317
Total assets	\$ 536,056	\$ 608,438
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 762	\$ 361
Accrued expenses and other current liabilities	56,533	91,007
Deferred revenue	158,349	178,021
Total current liabilities	215,644	269,389
Long-term debt	35,000	50,000
Non-current operating lease liabilities	40,843	50,751
Other non-current liabilities	11,679	16,642
Total liabilities	303,166	386,782
Commitments and contingencies (Note 5, 15)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value		
Authorized - 500 shares; issued and outstanding - none	—	—
Common stock, \$0.01 par value		
Authorized - 125,000 shares		
Issued - 24,672 and 24,367 shares as of September 30, 2023 and December 31, 2022, respectively		
Outstanding - 19,235 and 19,062 shares as of September 30, 2023 and December 31, 2022, respectively	247	244
Additional paid-in capital	273,797	261,766
Retained earnings	178,344	174,631
Treasury stock - 5,437 and 5,305 shares as of September 30, 2023 and December 31, 2022, respectively	(211,149)	(207,067)
Accumulated other comprehensive loss	(8,349)	(7,918)
Total stockholders' equity	232,890	221,656
Total liabilities and stockholders' equity	\$ 536,056	\$ 608,438

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

FORRESTER RESEARCH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Research	\$ 80,606	\$ 87,038	\$ 249,211	\$ 262,265
Consulting	28,237	37,382	89,957	115,075
Events	4,588	3,259	23,522	23,556
Total revenues	113,431	127,679	362,690	400,896
Operating expenses:				
Cost of services and fulfillment	47,978	52,717	151,884	166,959
Selling and marketing	39,967	44,231	123,080	133,249
General and administrative	15,108	16,448	51,650	47,897
Depreciation	2,262	2,374	6,557	6,992
Amortization of intangible assets	3,041	3,352	9,175	10,068
Restructuring and related costs	19	—	12,140	—
Total operating expenses	108,375	119,122	354,486	365,165
Income from operations	5,056	8,557	8,204	35,731
Interest expense	(763)	(584)	(2,286)	(1,732)
Other income, net	568	346	1,632	192
Gain on investments, net	—	—	—	426
Income before income taxes	4,861	8,319	7,550	34,617
Income tax expense	2,377	2,905	3,837	11,181
Net income	\$ 2,484	\$ 5,414	\$ 3,713	\$ 23,436
Basic income per common share	\$ 0.13	\$ 0.29	\$ 0.19	\$ 1.24
Diluted income per common share	\$ 0.13	\$ 0.28	\$ 0.19	\$ 1.22
Basic weighted average common shares outstanding	19,191	18,958	19,164	18,939
Diluted weighted average common shares outstanding	19,289	19,139	19,239	19,192

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,	
	2023	2022	2023	2022
Net income	\$ 2,484	\$ 5,414	\$ 3,713	\$ 23,436
Other comprehensive loss, net of tax:				
Foreign currency translation	(2,435)	(4,971)	(483)	(10,813)
Net change in market value of investments	30	(54)	52	(147)
Net change in market value of interest rate swap	—	(5)	—	259
Other comprehensive loss	(2,405)	(5,030)	(431)	(10,701)
Comprehensive income	<u>\$ 79</u>	<u>\$ 384</u>	<u>\$ 3,282</u>	<u>\$ 12,735</u>

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,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 3,713	\$ 23,436
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,557	6,992
Impairment of property and equipment	600	—
Amortization of intangible assets	9,175	10,068
Net gains from investments	—	(426)
Deferred income taxes	(4,106)	(3,023)
Stock-based compensation	11,169	11,036
Operating lease right-of-use assets amortization and impairments	9,089	8,138
Amortization of deferred financing fees	332	331
Amortization of (discount) premium on investments	(168)	48
Foreign currency gains	(30)	(167)
Changes in assets and liabilities:		
Accounts receivable	32,288	34,801
Deferred commissions	8,000	10,741
Prepaid expenses and other current assets	(1,002)	2,185
Accounts payable	403	262
Accrued expenses and other liabilities	(34,839)	(30,801)
Deferred revenue	(20,809)	(26,262)
Operating lease liabilities	(10,581)	(9,556)
Net cash provided by operating activities	9,791	37,803
Cash flows from investing activities:		
Purchases of property and equipment	(3,903)	(4,227)
Purchases of marketable investments	(964)	(22,819)
Proceeds from maturities of marketable investments	11,138	21,081
Other investing activity	33	246
Net cash provided by (used in) investing activities	6,304	(5,719)
Cash flows from financing activities:		
Payments on borrowings	(15,000)	(25,000)
Repurchases of common stock	(4,082)	(15,112)
Debt issuance costs	(25)	—
Proceeds from issuance of common stock under employee equity incentive plans	3,485	4,298
Taxes paid related to net share settlements of stock-based compensation awards	(2,620)	(2,975)
Net cash used in financing activities	(18,242)	(38,789)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	242	(10,727)
Net change in cash, cash equivalents and restricted cash	(1,905)	(17,432)
Cash, cash equivalents and restricted cash, beginning of period	105,654	118,031
Cash, cash equivalents and restricted cash, end of period	\$ 103,749	\$ 100,599
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,944	\$ 1,456
Cash paid for income taxes	\$ 10,583	\$ 5,380

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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, 2022. 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, 2023 may not be indicative of the results for the year ending December 31, 2023, 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,	
	2023	2022
Cash and cash equivalents	\$ 101,706	\$ 98,735
Restricted cash classified in other assets (1):	2,043	1,864
Cash, cash equivalents and restricted cash shown in statement of cash flows	<u>\$ 103,749</u>	<u>\$ 100,599</u>

- (1) Restricted cash consists of collateral required for leased office space. 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.

Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. The amendments in this update defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The amendments in this update apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The standard has not impacted the Company’s financial position or results of operations, and will not have an impact in the future as the Company no longer has any financial instruments that reference LIBOR.

Note 2 — Marketable Investments

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

	As of September 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
	Corporate obligations	\$ 7,892	\$ —	\$ (126)
Federal agency obligations	1,999	—	(15)	1,984
Total	\$ 9,891	\$ —	\$ (141)	\$ 9,750

	As of December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
	Corporate obligations	\$ 17,900	\$ 8	\$ (205)
Federal agency obligations	1,999	—	(14)	1,985
Total	\$ 19,899	\$ 8	\$ (219)	\$ 19,688

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, 2023 and 2022.

The following table summarizes the maturity periods of the marketable investments in the Company's portfolio as of September 30, 2023 (in thousands).

	FY 2023	FY 2024	FY 2025	Total
Corporate obligations	\$ 1,996	\$ 3,864	\$ 1,906	\$ 7,766
Federal agency obligations	—	1,984	—	\$ 1,984
Total	\$ 1,996	\$ 5,848	\$ 1,906	\$ 9,750

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, 2023			
	Less Than 12 Months		12 Months or Greater	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Corporate obligations	\$ 3,417	\$ 34	\$ 4,349	\$ 92
Federal agency obligations	1,984	15	—	—
Total	\$ 5,401	\$ 49	\$ 4,349	\$ 92

	As of December 31, 2022			
	Less Than 12 Months		12 Months or Greater	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses
Corporate obligations	\$ 9,619	\$ 139	\$ 8,084	\$ 66
Federal agency obligations	1,985	14	—	—
Total	\$ 11,604	\$ 153	\$ 8,084	\$ 66

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, 2022 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, 2023, there were no events or circumstances that required an interim impairment test. Accordingly, as of September 30, 2023, the Company had no accumulated goodwill impairment losses. Approximately \$8.1 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, 2023 is summarized as follows (in thousands):

Balance at December 31, 2022	\$	242,149
Foreign currency translation adjustments		(88)
Balance at September 30, 2023	\$	<u>242,061</u>

Finite-Lived Intangible Assets

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

	September 30, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Customer relationships	\$ 77,776	\$ 40,125	\$ 37,651
Technology	16,241	15,328	913
Trademarks	12,477	10,698	1,779
Total	\$ 106,494	\$ 66,151	\$ 40,343
	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Customer relationships	\$ 77,786	\$ 33,805	\$ 43,981
Technology	16,803	14,696	2,107
Trademarks	12,472	9,056	3,416
Total	\$ 107,061	\$ 57,557	\$ 49,504

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

2023 (remainder)	\$	2,772
2024		9,903
2025		8,872
2026		8,391
2027		8,324
Thereafter		2,081
Total	\$	<u>40,343</u>

Note 4 — Debt

The Company has a credit facility that provides up to \$150.0 million of revolving credit commitments and matures in December of 2026. The credit facility includes an expansion feature that permits the Company to increase the revolving credit commitments in an aggregate principal amount up to \$50.0 million, subject to approval by the administrative agent and certain customary terms and conditions.

The credit facility 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, 2023.

The Company may voluntarily prepay revolving loans under the credit facility at any time and from time to time, without premium or penalty. No interim amortization payments are required to be made under the credit facility.

The credit facility provides that once LIBOR ceases to exist in 2023, the benchmark rate for the loans outstanding will automatically transfer from LIBOR to the Secured Overnight Financing Rate (SOFR). In April 2023, the Company executed a second amendment to the credit facility to facilitate the conversion from LIBOR to SOFR and to set the base interest rate at SOFR plus 10 basis points.

Up to \$5.0 million of the 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, 2023, \$0.6 million in letters of credit were issued under the credit facility.

Outstanding Borrowings

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

Description:	September 30, 2023	December 31, 2022
Credit facility	\$ 35,000	\$ 50,000

The contractual annualized interest rate as of September 30, 2023 was 6.666%.

The Company had \$114.4 million of available borrowing capacity on the credit facility (not including the expansion feature) as of September 30, 2023. The weighted average annual effective interest rate for the three and nine months ended September 30, 2023, was 6.60% and 6.24%, respectively.

All obligations under the credit facility 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 in 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 in 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,	
	2023	2022
Operating lease cost	\$ 3,068	\$ 3,546
Short-term lease cost	228	214
Variable lease cost	1,257	1,000
Sublease income	(130)	(192)
Total lease cost	\$ 4,423	\$ 4,568

	For the Nine Months Ended September 30,	
	2023	2022
Operating lease cost	\$ 9,622	\$ 10,798
Short-term lease cost	747	526
Variable lease cost	3,113	4,013
Sublease income	(391)	(575)
Total lease cost	\$ 13,091	\$ 14,762

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

	For the Nine Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 10,442	\$ 9,556
Operating lease ROU assets obtained in exchange for lease obligations	\$ 1,110	\$ 172
Weighted-average remaining lease term - operating leases (years)	4.5	5.3
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, 2023 are as follows (in thousands):

	Operating Lease Payments	Sublease Cash Receipts
2023 (remainder)	\$ 4,009	\$ 153
2024	15,900	625
2025	13,816	—
2026	12,320	—
2027	5,659	—
Thereafter	8,764	—
Total lease payments and estimated sublease cash receipts	60,468	\$ 778
Less imputed interest	(5,510)	
Present value of lease liabilities	\$ 54,958	

Lease balances as of September 30, 2023 are as follows (in thousands):

Operating lease ROU assets	\$ 42,021
Short-term operating lease liabilities (1)	\$ 14,115
Non-current operating lease liabilities	40,843
Total operating lease liabilities	\$ 54,958

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

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

During the nine months ended September 30, 2023, the Company recorded ROU asset impairments of \$0.8 million related to closing one floor of its offices located in San Francisco and one other smaller office location. The impairments are included in restructuring and related costs in the Consolidated Statements of Operations. As a result of the impairments, the ROU assets were required to be recorded at their estimated fair values as Level 3 non-financial assets. The fair values of the asset groups were determined using a discounted cash flow model, which required the use of estimates, including projected cash flows for the related assets, the selection of a discount rate used in the model, and regional real estate industry data.

Note 6 – Revenue and Related Matters

Disaggregated Revenue

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

Revenue by Geography

Revenues: (1)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
North America	\$ 91,580	\$ 107,224	\$ 296,257	\$ 333,709
Europe	13,778	12,167	43,053	42,510
Asia Pacific	6,074	6,377	17,593	19,495
Other	1,999	1,911	5,787	5,182
Total	\$ 113,431	\$ 127,679	\$ 362,690	\$ 400,896

(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, 2023 or 2022.

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 invoiced for annual periods, 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 in 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, 2023 and 2022, the Company recognized \$27.9 million and \$31.9 million of revenue, respectively, related to its deferred revenue balances at the beginning of each such period. During the nine months ended September 30, 2023 and 2022, the Company recognized \$153.8 million and \$171.2 million of revenue, respectively, related to its deferred revenue balance at January 1 of each such period.

Approximately \$338.9 million of revenue is expected to be recognized during the next 24 months from remaining performance obligations as of September 30, 2023.

Reserves for Credit Losses

The allowance for expected credit losses on accounts receivable for the nine months ended September 30, 2023 is summarized as follows (in thousands):

Balance at December 31, 2022	\$	560
Provision for expected credit losses		559
Write-offs		(493)
Balance at September 30, 2023	\$	<u>626</u>

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 in 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, 2023 and 2022 was \$9.2 million and \$10.4 million, respectively. Amortization expense related to deferred commissions for the nine months ended September 30, 2023 and 2022 was \$28.3 million and \$32.2 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, 2023 and 2022.

Note 7 — Derivatives and Hedging

Interest Rate Swap

During 2019, the Company entered into a single interest rate swap contract that matured on December 31, 2022, with an initial notional amount of \$95.0 million. The Company paid a base fixed rate of 1.65275% and in return received the greater of: (1) 1-month LIBOR, rounded up to the nearest 1/16 of a percent, or (2) 0.00%.

The swap was used to mitigate the cash flow risk associated with changes in interest rates on the Company's variable rate debt (refer to Note 4 – Debt). The Company accounted for this 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.

The swap had been designated and accounted for as a cash flow hedge of the forecasted interest payments on the Company's debt. The swap was considered to be a highly effective hedge of the designated interest rate risk for the entire contract period and changes in the fair value of the swap were recorded in accumulated other comprehensive loss, a component of equity in the Consolidated Balance Sheets.

Foreign Currency Forwards

The Company enters into a limited number of 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, net in the Consolidated Statements of Operations because the Company does not designate these contracts as hedges for accounting purposes.

During the nine months ended September 30, 2023, the Company entered into nine foreign currency forward exchange contracts, all of which settled by September 30, 2023. Accordingly, as of September 30, 2023, there is no amount recorded in the Consolidated Balance Sheets for these contracts. 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.

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 Operations for the derivative contracts for the periods indicated (in thousands):

Amount recorded in:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest expense (1)	\$ —	\$ 25	\$ —	\$ (170)
Other income, net (2)	(99)	(63)	(33)	(239)
Total expense	<u>\$ (99)</u>	<u>\$ (38)</u>	<u>\$ (33)</u>	<u>\$ (409)</u>

(1) Consists of interest 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 in 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 and marketable investments. 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, 2023		
	Level 1	Level 2	Total
Assets:			
Money market funds (1)	\$ 22,902	\$ —	\$ 22,902
Marketable investments (2)	—	9,750	9,750
Total Assets	\$ 22,902	\$ 9,750	\$ 32,652
As of December 31, 2022			
	Level 1	Level 2	Total
Assets:			
Money market funds (1)	\$ 5,800	\$ —	\$ 5,800
Marketable investments (2)	—	19,688	19,688
Total Assets	\$ 5,800	\$ 19,688	\$ 25,488

(1) Included in cash and cash equivalents in 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.

During the nine months ended September 30, 2023, 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 assets and 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 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, 2023 was \$3.8 million resulting in an effective tax rate of 50.8% for the period. 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.

The increase in the effective tax rate during the 2023 period was primarily due to tax expense related to the settlement of share-based awards in 2023. The Company anticipates that its effective tax rate for the full year 2023 will be approximately 50%.

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, 2023	\$ (137)	\$ 52	\$ (5,807)	\$ (5,944)
Foreign currency translation (1)	—	—	(2,435)	(2,435)
Unrealized gain, net of tax of \$(10)	30	—	—	30
Balance at September 30, 2023	\$ (107)	\$ 47	\$ (8,242)	\$ (8,349)
	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	Translation Adjustment	Total AOCL
Balance at December 31, 2022	\$ (159)	\$ (7,759)	\$ (7,918)
Foreign currency translation (1)	—	(483)	(483)
Unrealized gain, net of tax of \$(17)	52	—	52
Balance at September 30, 2023	<u>\$ (107)</u>	<u>\$ (8,242)</u>	<u>\$ (8,349)</u>

	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	<u>\$ (172)</u>	<u>\$ 47</u>	<u>\$ (13,765)</u>	<u>\$ (13,890)</u>

- (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 in the Consolidated Statements of Operations. 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,	
	2023	2022	2023	2022
Basic weighted average common shares outstanding	19,191	18,958	19,164	18,939
Weighted average common equivalent shares	98	181	75	253
Diluted weighted average common shares outstanding	<u>19,289</u>	<u>19,139</u>	<u>19,239</u>	<u>19,192</u>
Options and restricted stock units excluded from diluted weighted average share calculation as effect would have been anti-dilutive	<u>631</u>	<u>307</u>	<u>649</u>	<u>110</u>

Note 12 — Stockholders' Equity

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

	Three Months Ended September 30, 2023							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	\$0.01 Par Value			Number of Shares	Cost		
Balance at June 30, 2023	24,512	\$ 245	\$ 269,371	\$ 175,860	5,332	\$ (207,887)	\$ (5,944)	\$ 231,645
Issuance of common stock under stock plans, including tax effects	160	2	282	—	—	—	—	284
Repurchases of common stock	—	—	—	—	105	(3,262)	—	(3,262)
Stock-based compensation expense	—	—	4,144	—	—	—	—	4,144
Net income	—	—	—	2,484	—	—	—	2,484
Net change in marketable investments, net of tax	—	—	—	—	—	—	30	30
Foreign currency translation	—	—	—	—	—	—	(2,435)	(2,435)
Balance at September 30, 2023	<u>24,672</u>	<u>\$ 247</u>	<u>\$ 273,797</u>	<u>\$ 178,344</u>	<u>5,437</u>	<u>\$ (211,149)</u>	<u>\$ (8,349)</u>	<u>\$ 232,890</u>
	Three Months Ended September 30, 2022							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	\$0.01 Par Value			Number of Shares	Cost		
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	<u>24,352</u>	<u>\$ 244</u>	<u>\$ 258,341</u>	<u>\$ 176,261</u>	<u>5,305</u>	<u>\$ (207,067)</u>	<u>\$ (13,890)</u>	<u>\$ 213,889</u>
	Nine Months Ended September 30, 2023							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	\$0.01 Par Value			Number of Shares	Cost		
Balance at December 31, 2022	24,367	\$ 244	\$ 261,766	\$ 174,631	5,305	\$ (207,067)	\$ (7,918)	\$ 221,656
Issuance of common stock under stock plans, including tax effects	305	3	862	—	—	—	—	865
Repurchases of common stock	—	—	—	—	132	(4,082)	—	(4,082)
Stock-based compensation expense	—	—	11,169	—	—	—	—	11,169
Net income	—	—	—	3,713	—	—	—	3,713
Net change in marketable investments, net of tax	—	—	—	—	—	—	52	52
Foreign currency translation	—	—	—	—	—	—	(483)	(483)
Balance at September 30, 2023	<u>24,672</u>	<u>\$ 247</u>	<u>\$ 273,797</u>	<u>\$ 178,344</u>	<u>5,437</u>	<u>\$ (211,149)</u>	<u>\$ (8,349)</u>	<u>\$ 232,890</u>

	Nine Months Ended September 30, 2022							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Number of Shares	\$0.01 Par Value			Number of Shares	Cost		
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	<u>24,352</u>	<u>\$ 244</u>	<u>\$ 258,341</u>	<u>\$ 176,261</u>	<u>5,305</u>	<u>\$ (207,067)</u>	<u>\$ (13,890)</u>	<u>\$ 213,889</u>

Equity Plans

Restricted stock unit activity for the nine months ended September 30, 2023 is presented below (in thousands, except per share data):

	Number of Shares	Weighted- Average Grant Date Fair Value
Unvested at December 31, 2022	682	\$ 46.28
Granted	625	33.34
Vested	(256)	45.33
Forfeited	(99)	43.24
Unvested at September 30, 2023	<u>952</u>	<u>\$ 38.36</u>

Stock option activity for the nine months ended September 30, 2023 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, 2022	89	\$ 35.58		
Granted	144	33.04		
Exercised	(2)	34.37		
Forfeited	(27)	34.23		
Outstanding at September 30, 2023	<u>204</u>	<u>\$ 33.98</u>	<u>6.52</u>	<u>\$ —</u>
Exercisable at September 30, 2023	<u>75</u>	<u>\$ 35.58</u>	<u>1.57</u>	<u>\$ —</u>
Vested and expected to vest at September 30, 2023	<u>204</u>	<u>\$ 33.98</u>	<u>6.52</u>	<u>\$ —</u>

In May 2023, stockholders of the Company approved the amendment and restatement of the Forrester Research, Inc. Amended and Restated Equity Incentive Plan (the "Amended and Restated Equity Incentive Plan"), pursuant to which the number of shares available for purchase was increased by 3,500,000 shares.

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 in the Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Cost of services and fulfillment	\$ 2,449	\$ 2,268	\$ 6,505
Selling and marketing	790	743	2,094	2,128
General and administrative	905	894	2,570	2,511
Total	\$ 4,144	\$ 3,905	\$ 11,169	\$ 11,036

Forrester utilizes the Black-Scholes valuation model for estimating the fair value of options granted under the equity incentive plans and 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,		
	2023	2022		2023	2022	
	Equity Incentive Plans	Employee Stock Purchase Plan	Employee Stock Purchase Plan	Equity Incentive Plans	Employee Stock Purchase Plan	Employee Stock Purchase Plan
Average risk-free interest rate	4.27%	5.51%	3.71%	4.27%	5.51%	3.71%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected life	4.75 Years	0.5 Years	0.5 Years	4.75 Years	0.5 Years	0.5 Years
Expected volatility	43%	35%	33%	43%	35%	33%
Weighted average fair value	\$ 14.24	\$ 7.90	\$ 10.22	\$ 14.24	\$ 7.90	\$ 10.22

Treasury Stock

As of September 30, 2023, 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 each of the three and nine months ended September 30, 2023, the Company repurchased approximately 0.1 million shares of common stock at an aggregate cost of approximately \$3.3 and \$4.1 million, respectively. During the three and 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. From the inception of the program through September 30, 2023, the Company repurchased 17.1 million shares of common stock at an aggregate cost of \$514.1 million.

Note 13 — Restructuring and Related Costs

In January 2023, the Company implemented a reduction in its workforce of approximately 4% across various geographies and functions to streamline operations. The Company recorded \$4.3 million of severance and related costs for this action during the fourth quarter of 2022, and \$0.6 million during the first quarter of 2023. The Company also recorded a restructuring charge of \$5.0 million during the fourth quarter of 2022 related to closing one floor of its offices located at 150 Spear Street, San Francisco, California, of which \$3.7 million related to an impairment of a right-of-use asset and \$1.3 million related to an impairment of leasehold improvements. The Company expects the accrued restructuring and related costs as of September 30, 2023 to be fully paid by the end of 2023.

The following table rolls forward the activity in the restructuring accrual for the January 2023 action for the nine months ended September 30, 2023 (in thousands):

Accrual at December 31, 2022	\$ 4,360
Additional restructuring and related costs	1,550
Non-cash charge (included above)	(1,002)
Cash payments	(4,546)
Accrual at September 30, 2023	\$ 362

In May 2023, the Company implemented a reduction in its workforce of approximately 8% across various geographies and functions to better align its cost structure and to streamline its sales and consulting organizations. The Company recorded \$7.5 million of severance and related costs for this action during the second quarter of 2023. In addition, the Company closed certain of its smaller offices both inside and outside the U.S. in order to reduce facility costs and better match its facilities to its hybrid work strategy. As a result of closing the offices, the Company recorded restructuring costs of \$2.3 million, which included \$1.3 million related to right-of-use asset impairments and accelerated amortization and \$0.6 million related to impairments of leasehold improvements. In addition, the Company incurred \$0.7 million in contract termination costs. The Company expects the majority of the accrued restructuring and related costs as of September 30, 2023 to be fully paid by the end of 2023.

The following table rolls forward the activity in the restructuring accrual for the May 2023 action for the nine months ended September 30, 2023 (in thousands):

Accrual at December 31, 2022	\$	—
Additional restructuring and related costs		10,590
Non-cash charge (included above)		(2,253)
Non-cash lease settlement gain (included above)		139
Cash payments		(6,221)
Accrual at September 30, 2023	\$	<u>2,255</u>

Note 14 — Operating Segments

The Company's chief operating decision-maker (used in determining the Company's segments) is the chief executive officer and the chief financial officer. 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.

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, restructuring and related costs, interest expense, other income, 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):

	<u>Research Segment</u>	<u>Consulting Segment</u>	<u>Events Segment</u>	<u>Consolidated</u>
Three Months Ended September 30, 2023				
Research revenues	\$ 80,606	\$ —	\$ —	\$ 80,606
Consulting revenues	6,517	21,720	—	28,237
Events revenues	—	—	4,588	4,588
Total segment revenues	<u>87,123</u>	<u>21,720</u>	<u>4,588</u>	<u>113,431</u>
Segment expenses	(31,749)	(10,739)	(4,031)	(46,519)
Selling, marketing, administrative and other expenses				(58,796)
Amortization of intangible assets				(3,041)
Restructuring and related costs				(19)
Interest expense, other income, and gains on investments				(195)
Income before income taxes				<u>\$ 4,861</u>

	<u>Research Segment</u>	<u>Consulting Segment</u>	<u>Events Segment</u>	<u>Consolidated</u>
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				<u>\$ 8,319</u>

	<u>Research Segment</u>	<u>Consulting Segment</u>	<u>Events Segment</u>	<u>Consolidated</u>
Nine Months Ended September 30, 2023				
Research revenues	\$ 249,211	\$ —	\$ —	\$ 249,211
Consulting revenues	21,439	68,518	—	89,957
Events revenues	—	—	23,522	23,522
Total segment revenues	270,650	68,518	23,522	362,690
Segment expenses	(99,792)	(34,521)	(16,186)	(150,499)
Selling, marketing, administrative and other expenses				(182,672)
Amortization of intangible assets				(9,175)
Restructuring and related costs				(12,140)
Interest expense, other income, and gains on investments				(654)
Income before income taxes				<u>\$ 7,550</u>

	<u>Research Segment</u>	<u>Consulting Segment</u>	<u>Events Segment</u>	<u>Consolidated</u>
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				<u>\$ 34,617</u>

Note 15 — 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. It is the Company's policy to record accruals for legal contingencies to the extent that it has concluded that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated, and to expense costs associated with loss contingencies, including any related legal fees, as they are incurred. The Company reviews its loss contingencies at least quarterly and adjusts its accruals and/or disclosures to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, or other new information, as deemed necessary. Once established, a provision may change in the future due to new developments or changes in circumstances and could increase or decrease the Company's earnings in the period that the changes are made. Following an April 2023 mediation in a wage-related matter that resulted in a settlement agreement subject to court approval, the Company accrued \$4.8 million of expense in the quarter ended March 31, 2023 that is classified in general and administrative expense in the Consolidated Statement of Operations.

The Company believes that it has meritorious defenses in connection with its current legal proceedings and claims and intends to vigorously contest each of them. Regardless of the outcome, legal proceedings and claims can have a material adverse effect on the Company because of defense and settlement costs, diversion of management resources, and other factors.

In the opinion of the Company's management, based upon information currently available to the Company, while the outcome of these legal proceedings and claims is uncertain, the likely results of these legal proceedings and claims are not expected, either individually or in the aggregate, to have a material adverse effect on the Company's financial position, results of operations or cash flows, although the effect could be material to the Company's consolidated results of operations or consolidated cash flows for any interim reporting period.

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, migration of our clients into our Forrester Decisions products, 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 international operations expose us to a variety of operational risks which could negatively impact us, 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, risks related to health epidemics that could adversely impact our business 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, 2022. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

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, 2022, and we have also provided recast CV amounts dating back to the third quarter of 2021, 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 delivered. 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, including increases or decreases in retained client CV during the 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 (Decrease)	Percentage Increase (Decrease)
	2023	2022		
Contract value	\$ 349.4	\$ 348.9	\$ 0.5	(—%)
Client retention	73%	75%	(2) points	
Wallet retention	91%	98%	(7) points	
Number of clients	2,538	2,875	(337)	(12%)

Contract value at September 30, 2023 was consistent with the prior year period. Client retention decreased by 2 percentage points and wallet retention decreased by 7 percentage points at September 30, 2023 compared to the prior year period. However, client retention decreased by 1 percentage point compared to the prior quarter and wallet retention was consistent compared to the prior quarter. The decrease in our retention rates and number of clients from the prior year period is primarily attributable to 1) macroeconomic conditions affecting our client base including a) funding and budget pressure on our smaller technology clients and the technology industry in general, and b) the uncertain economic conditions caused by inflation, increased interest rates, geopolitical turbulence, and the ongoing threat of recession, and 2) the ongoing transition of our client base to our Forrester Decisions product platform that was launched in August 2021. As of September 30, 2023, approximately 57% of our overall CV is in our Forrester Decisions product platform. In the longer term, we anticipate that approximately 80% of our CV will be in our Forrester Decisions product platform. The remaining approximate 20% of CV represents non-Forrester Decisions CV products, primarily reprints. The ongoing macroeconomic conditions and product transition are anticipated to pressure our key metrics through at least the first half of 2024.

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, 2022.

Results of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Research revenues	71.1%	68.2%	68.7%	65.4%
Consulting revenues	24.9	29.3	24.8	28.7
Events revenues	4.0	2.5	6.5	5.9
Total revenues	100.0	100.0	100.0	100.0
Operating expenses:				
Cost of services and fulfillment	42.3	41.3	41.9	41.6
Selling and marketing	35.2	34.6	33.9	33.2
General and administrative	13.3	12.9	14.2	11.9
Depreciation	2.0	1.9	1.8	1.8
Amortization of intangible assets	2.7	2.6	2.5	2.6
Restructuring and related costs	—	—	3.4	—
Income from operations	4.5	6.7	2.3	8.9
Interest expense	(0.7)	(0.5)	(0.6)	(0.4)
Other income, net	0.5	0.3	0.4	—
Gain on investments, net	—	—	—	0.1
Income before income taxes	4.3	6.5	2.1	8.6
Income tax expense	2.1	2.3	1.1	2.8
Net income	2.2%	4.2%	1.0%	5.8%

Three and Nine Months Ended September 30, 2023 and 2022

Revenues

	Three Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
(dollars in millions)				
Total revenues	\$ 113.4	\$ 127.7	\$ (14.2)	(11%)
Research revenues	\$ 80.6	\$ 87.0	\$ (6.4)	(7%)
Consulting revenues	\$ 28.2	\$ 37.4	\$ (9.1)	(24%)
Events revenues	\$ 4.6	\$ 3.3	\$ 1.3	41%
Revenues attributable to customers outside of the U.S.	\$ 25.8	\$ 25.5	\$ 0.3	1%
Percentage of revenue attributable to customers outside of the U.S.	23%	20%	3 points	
	Nine Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
(dollars in millions)				
Total revenues	\$ 362.7	\$ 400.9	\$ (38.2)	(10%)
Research revenues	\$ 249.2	\$ 262.3	\$ (13.1)	(5%)
Consulting revenues	\$ 90.0	\$ 115.1	\$ (25.1)	(22%)
Events revenues	\$ 23.5	\$ 23.6	—	(—%)
Revenues attributable to customers outside of the U.S.	\$ 79.0	\$ 82.9	\$ (3.9)	(5%)
Percentage of revenue attributable to customers outside of the U.S.	22%	21%	1 point	

Total revenues decreased 11% and 10% during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods, and revenues from customers outside the U.S. increased 1% and decreased 5% during the three and nine months ended September 30, 2023, respectively.

Research revenues are recognized primarily on a ratable basis over the term of the contracts, which are generally 12 or 24-month periods. Research revenues decreased 7% and 5% during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods. The decrease in revenues during the three months ended September 30, 2023 was primarily due to a decline in revenue from our reprint product and our other smaller and discontinued products coupled with a decline in revenue from our subscription research products of 1%. The decrease in revenues during the nine months ended September 30, 2023 was primarily due to a decline in revenue from our reprint product and our other smaller and discontinued products, which was partially offset by revenue from our subscription research products growing 1%.

Consulting revenues decreased 24% and 22% during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods. The decrease in revenues during the three and nine months ended September 30, 2023 was due to a decrease in delivery of both advisory and consulting services due to lower client bookings due to 1) the macroeconomic environment and 2) based on our continued focus on contract value products, we have enacted a policy of only selling consulting to contract value clients, except in limited circumstances.

Events revenues increased 41% and were flat during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods. The increase in revenues during the three months ended September 30, 2023 was due to an increase in the number of events held in the current period, as one event that was held in the fourth quarter of 2022 took place in the third quarter of 2023. Accordingly, during the fourth quarter of 2023, we will hold one less event as compared to the fourth quarter of 2022.

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,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
Cost of services and fulfillment (dollars in millions)	\$ 48.0	\$ 52.7	\$ (4.7)	(9%)
Cost of services and fulfillment as a percentage of total revenues	42%	41%	1 point	
Service and fulfillment employees (at end of period)	790	908	(118)	(13%)

	Nine Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
Cost of services and fulfillment (dollars in millions)	\$ 151.9	\$ 167.0	\$ (15.1)	(9%)
Cost of services and fulfillment as a percentage of total revenues	42%	42%	—	

Cost of services and fulfillment expenses decreased 9% during the three months ended September 30, 2023 compared to the prior year period. The decrease was primarily due to (1) a \$3.4 million decrease in professional services costs primarily due to a decrease in contractor costs, outsourced expenses, and consulting fees and (2) a \$1.7 million decrease in compensation and benefit costs due to a decrease in headcount. These decreases were partially offset by a \$0.8 million increase in event expenses primarily due to an increase in the number of events held during the current quarter.

Cost of service and fulfillment expenses decreased 9% during the nine months ended September 30, 2023 compared to the prior year period. The decrease was primarily due to (1) a \$7.9 million decrease in professional services costs primarily due to a decrease in contractor costs, outsourced expenses, and consulting fees, (2) a \$6.5 million decrease in compensation and benefit costs due to a decrease in headcount, incentive bonus costs, and benefit costs (due to the introduction of the flexible vacation and personal paid time off policy in the United States), and (3) a \$1.2 million decrease in facilities costs due to a decrease in straight-line lease expense and variable lease expense. These decreases were partially offset by a \$0.6 million increase in event expenses primarily due to an increase in the number of events in the current period.

Selling and Marketing

	Three Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
Selling and marketing expenses (dollars in millions)	\$ 40.0	\$ 44.2	\$ (4.3)	(10 %)
Selling and marketing expenses as a percentage of total revenues	35 %	35 %	—	
Selling and marketing employees (at end of period)	680	796	(116)	(15 %)

	Nine Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
Selling and marketing expenses (dollars in millions)	\$ 123.1	\$ 133.2	\$ (10.2)	(8 %)
Selling and marketing expenses as a percentage of total revenues	34 %	33 %	1 point	

Selling and marketing expenses decreased 10% during the three months ended September 30, 2023 compared to the prior year period. The decrease was primarily due to (1) a \$3.3 million decrease in compensation and benefit costs due to a decrease in commissions expense and headcount and (2) a \$0.4 million decrease in software costs.

Selling and marketing expenses decreased 8% during the nine months ended September 30, 2023 compared to the prior year period. The decrease was primarily due to (1) a \$8.0 million decrease in compensation and benefit costs due a decrease in commissions expense, headcount, incentive bonus costs, and benefit costs (due to the introduction of the flexible vacation and personal paid time off policy in the United States), (2) a \$1.0 million decrease in facilities costs due to a decrease in straight-line lease expense and variable lease expense, (3) a \$0.6 million decrease in professional services costs primarily due to a decrease in consulting fees, and (4) a \$0.6 million decrease in travel and entertainment expenses.

General and Administrative

	Three Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
General and administrative expenses (dollars in millions)	\$ 15.1	\$ 16.4	\$ (1.3)	(8 %)
General and administrative expenses as a percentage of total revenues	13 %	13 %	—	
General and administrative employees (at end of period)	280	300	(20)	(7 %)

	Nine Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
General and administrative expenses (dollars in millions)	\$ 51.7	\$ 47.9	\$ 3.8	8 %
General and administrative expenses as a percentage of total revenues	14 %	12 %	2 points	

General and administrative expenses decreased 8% during the three months ended September 30, 2023 compared to the prior year period. The decrease was primarily due to a \$0.9 million decrease in compensation and benefit costs due to a decrease in headcount.

General and administrative expenses increased 8% during the nine months ended September 30, 2023 compared to the prior year period. The increase was primarily due to (1) a \$5.3 million increase in legal costs, due primarily to a \$4.8 million provision for a preliminary legal settlement for a wage-related matter and related legal services, and (2) a \$0.7 million increase in software costs. These increases were partially offset by a \$1.3 million decrease in compensation and benefit costs due a decrease in incentive bonus costs and benefit costs (due to the introduction of the flexible vacation and personal paid time off policy in the United States), which were partially offset by an increase in salary costs due to an increase in average headcount.

Depreciation

The fluctuation for depreciation expense was immaterial during the three and nine months ended September 30, 2023 compared to the prior year periods.

Amortization of Intangible Assets

Amortization expense decreased by \$0.3 million and \$0.9 million during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods due to a decrease in the amortization of a trademark intangible asset.

Restructuring and Related Costs

In January 2023, we implemented a reduction in our workforce of approximately 4% across various geographies and functions to streamline operations. We recorded \$4.3 million of severance and related costs for this action during the fourth quarter of 2022, and \$0.6 million during the first quarter of 2023. We recorded a restructuring charge of \$5.0 million during the fourth quarter of 2022 related to closing one floor of our offices in California, of which \$3.7 million related to an impairment of a right-of-use asset and \$1.3 million related to an impairment of leasehold improvements. During the first quarter of 2023, we recorded an incremental \$0.4 million impairment to our California office. We also recorded a \$0.6 million charge during the first quarter of 2023 for the write-off of a previously capitalized software project. We expect all of the severance and related costs for this plan to be paid during 2023.

In May 2023, we implemented a reduction in our workforce of approximately 8% across various geographies and functions to better align our cost structure with our revised revenue outlook for the year, and to streamline our sales and consulting organizations to more efficiently go to market in support of driving contract value growth in the future. We recorded \$7.5 million of severance and related costs for this action during the second quarter of 2023. In addition, we closed certain of our smaller offices both inside and outside the U.S. in order to reduce facility costs and better match our facilities to our hybrid work strategy. As a result of closing the offices, we recorded restructuring costs of \$2.3 million, which included \$1.3 million related to right-of-use asset impairments and accelerated amortization and \$0.6 million related to impairments of leasehold improvements. We also incurred \$0.7 million in contract termination costs. We expect the majority of the severance and related costs for this plan to be paid during 2023.

Interest Expense

Interest expense consists of interest on our borrowings and in 2022 also included realized gains and losses on the related interest rate swap. Interest expense increased by \$0.2 million and \$0.6 million during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods due to an increase in the annualized interest rate on our borrowings, which was partially offset by lower average outstanding borrowings.

Other Income, Net

Other income, net primarily consists of interest income, gains and losses on foreign currency, and gains and losses on foreign currency forward contracts. Other income, net increased \$0.2 million and \$1.4 million during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods primarily due to an increase in interest income.

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. The fluctuation for gain on investments, net was immaterial during the three and nine months ended September 30, 2023 compared to the prior year periods.

Income Tax Expense

	Three Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
Provision for income taxes (dollars in millions)	\$ 2.4	\$ 2.9	\$ (0.5)	(18%)
Effective tax rate	49 %	35 %	14 points	
	Nine Months Ended September 30,		Absolute Increase (Decrease)	Percentage Increase (Decrease)
	2023	2022		
Provision for income taxes (dollars in millions)	\$ 3.8	\$ 11.2	\$ (7.3)	(66%)
Effective tax rate	51 %	32 %	19 points	

Income tax expense decreased by \$7.3 million during the nine months ended September 30, 2023 compared to the prior year period primarily due to the decrease in income from operations. The increase in the effective tax rate during the 2023 period was

primarily due to tax expense related to the settlement of share-based awards in 2023. For the full year 2023, we anticipate that our effective tax rate will be approximately 50%.

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.

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

	<u>Research Segment</u>	<u>Consulting Segment</u>	<u>Events Segment</u>	<u>Consolidated</u>
	(dollars in thousands)			
Three Months Ended September 30, 2023				
Research revenues	\$ 80,606	\$ —	\$ —	\$ 80,606
Consulting revenues	6,517	21,720	—	28,237
Events revenues	—	—	4,588	4,588
Total segment revenues	87,123	21,720	4,588	113,431
Segment expenses	(31,749)	(10,739)	(4,031)	(46,519)
Year over year revenue change	(9%)	(23%)	41%	(11%)
Year over year expense change	(4%)	(27%)	19%	(9%)

	<u>Research Segment</u>	<u>Consulting Segment</u>	<u>Events Segment</u>	<u>Consolidated</u>
	(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)

	<u>Research Segment</u>	<u>Consulting Segment</u>	<u>Events Segment</u>	<u>Consolidated</u>
	(dollars in thousands)			
Nine Months Ended September 30, 2023				
Research revenues	\$ 249,211	\$ —	\$ —	\$ 249,211
Consulting revenues	21,439	68,518	—	89,957
Events revenues	—	—	23,522	23,522
Total segment revenues	270,650	68,518	23,522	362,690
Segment expenses	(99,792)	(34,521)	(16,186)	(150,499)
Year over year revenue change	(8%)	(18%)	(—%)	(10%)
Year over year expense change	(—%)	(20%)	(—%)	(6%)

	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)

Research segment revenues decreased 9% and 8% during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods. For the three and nine months ended September 30, 2023, research product revenues within this segment decreased 7% and 5%, respectively. The decrease in revenues during the three months ended September 30, 2023 was primarily due to a decline in revenue from our reprint product and our other smaller and discontinued products coupled with a decline in revenue from our subscription research products of 1%. The decrease in revenues during the nine months ended September 30, 2023 was primarily due to a decline in revenue from our reprint product and our other smaller and discontinued products, which was partially offset by revenue from our subscription research products growing 1%. For the three and nine months ended September 30, 2023, consulting product revenues within this segment decreased 28% and 31%, respectively, primarily due to decreased delivery of consulting and advisory services by our research analysts due primarily to lower client bookings for these services.

Research segment expenses decreased 4% during the three months ended September 30, 2023, compared to the prior year period, and for the nine months ended September 30, 2023, expenses were consistent with the prior year period. The decrease in expenses during the three months ended September 30, 2023 was primarily due to (1) a \$0.6 million decrease in compensation and benefit costs primarily due to a decrease in headcount and (2) a \$0.6 million decrease in professional services primarily due to a decrease in contractor costs and consulting fees.

Consulting segment revenues decreased 23% and 18% during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods. The decrease in revenues during the three and nine months ended September 30, 2023 was primarily due to a decrease in delivery of consulting services due to lower client bookings due to 1) the macroeconomic environment and 2) based on our continued focus on contract value products, we have enacted a policy of only selling consulting to contract value clients, except in limited circumstances.

Consulting segment expenses decreased 27% and 20% during the three and nine months ended September 30, 2023, respectively, compared to the prior year periods. The decrease in expenses during the three months ended September 30, 2023 was primarily due to (1) a \$2.0 million decrease in professional services primarily due to a decrease in contractor costs and consulting fees, (2) a \$1.2 million decrease in compensation and benefit costs primarily due to a decrease in headcount, and (3) a \$0.8 million decrease in outsourced expenses. The decrease in expenses during the nine months ended September 30, 2023 was primarily due to (1) a \$4.5 million decrease in professional services primarily due to a decrease in contractor costs and consulting fees, (2) a \$2.0 million decrease in outsourced expenses, and (3) a \$1.9 million decrease in compensation and benefit costs primarily due to a decrease in headcount and benefit costs.

Event segment revenues increased 41% during the three months ended September 30, 2023, compared to the prior year period, and for the nine months ended September 30, 2023, revenues were consistent with the prior period. The increase in revenues during the three months ended September 30, 2023 was primarily due to an increase in the number of events held in the current period, as one event that was held in the fourth quarter of 2022 took place in the third quarter of 2023. Accordingly, during the fourth quarter of 2023, we will hold one less event as compared to the fourth quarter of 2022.

Event segment expenses increased 19% during the three months ended September 30, 2023, compared to the prior year period, and for the nine months ended September 30, 2023, expenses were consistent with the prior period. The increase in expenses during the three months ended September 30, 2023 was primarily due to an increase in the number of events in the current period.

Liquidity and Capital Resources

We have historically financed our operations primarily through funds generated from operations. Research revenues, which constituted approximately 69% of our revenues during the nine months ended September 30, 2023, are generally renewable annually and are typically payable in advance. We generated cash from operating activities of \$9.8 million and \$37.8 million during the nine months ended September 30, 2023 and 2022, respectively. The \$28.0 million decrease in cash provided from operations for the nine months ended September 30, 2023 compared to the prior year period was primarily due to a \$19.7 million decrease in net income, the timing of certain benefit payments, and an increase in income tax payments.

During the nine months ended September 30, 2023, we generated cash from investing activities of \$6.3 million primarily from \$10.2 million in net maturities of marketable investments partially offset by \$3.9 million of purchases of property and equipment, primarily consisting of computer software. During the nine months ended September 30, 2022, we used cash in investing activities of \$5.7 million primarily for \$4.2 million for purchases of property and equipment, primarily consisting of computer software and equipment, and \$1.7 million in net purchases of marketable investments.

We used \$18.2 million of cash from financing activities during the nine months ended September 30, 2023 primarily due to \$15.0 million of discretionary repayments of our revolving credit facility, \$4.1 million for purchases of our common stock, and \$2.6 million in taxes paid related to net share settlements of restricted stock units, partially offset by \$3.5 million of net proceeds from the issuance of common stock under our stock-based incentive plans. We used \$38.8 million of cash in 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. As of September 30, 2023, our remaining stock repurchase authorization was approximately \$70.9 million.

The Company has a credit facility that provides up to \$150.0 million of revolving credit commitments. The credit facility has a balance of \$35.0 million at September 30, 2023 and matures in December of 2026. The credit facility permits the Company to increase the revolving credit commitments in an aggregate principal amount up to \$50.0 million, subject to approval by the administrative agent and certain customary terms and conditions.

The credit facility 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, our 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, 2023 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 8 years. As of September 30, 2023, remaining non-cancelable lease payments are due as follows: \$4.0 million in 2023, \$29.7 million within 2024 and 2025, \$18.0 million within 2026 and 2027, and \$8.8 million beyond 2027.

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, 2023, we had cash, cash equivalents, and marketable investments of \$111.5 million. This balance includes \$73.6 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, 2022. 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, 2022.

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, 2023. 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, 2023, 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

The information set forth in the "Note 15 - Contingencies", in Part I, Item 1 of this Quarterly Report is incorporated herein by reference.

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, 2022, 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, 2023, 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, 2023, we purchased the following shares of our common stock under the stock repurchase program:

Period	Total Number of Shares Purchased (#)	Average Price Paid per Share (\$)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (#)	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (In thousands)
				\$
July 1 - July 31	49,781	\$ 30.62	49,781	\$ 72,622
August 1 - August 31	50,000	\$ 31.63	50,000	\$ 71,041
September 1 - September 30	5,000	\$ 31.35	5,000	\$ 70,884
Total for the quarter	<u>104,781</u>		<u>104,781</u>	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

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. \(see Exhibit 3.4 to Annual Report on Form 10-K for the year ended December 31, 2022\)](#)
- 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 8, 2023

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 8, 2023

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 8, 2023

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, 2023, 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 8, 2023

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, 2023, 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 8, 2023
