LSEG STREETEVENTS

PRELIMINARY TRANSCRIPT

FORR.OQ - Q1 2026 Forrester Research Inc Earnings Call

EVENT DATE/TIME: MAY 06, 2026 / 8:30PM GMT

PRESENTATION

Unidentified_1

Good afternoon, and thank you for standing by. Welcome to Forrester's first-quarter 2026 conference call.

At this time, all participants are in a listen-only mode.

After the speaker's presentation, there will be a question-and-answer session.

Please be advised that today's conference is being recorded.

I would now like to turn the conference over to the Vice President of Corporate Development and Investor Relations, Ed BryceMorris. Please go ahead.

Unidentified_2

Thank you, and hello, everyone. Thanks for joining today's call.

Earlier this afternoon, we issued our press release for the first quarter 2026. If you need a copy, you can find one on the website in the Investor section.

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

Before we begin, I'd like to remind you that this call will contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1,995. Words such as expects, believes, anticipates, intends, plans, estimates, or similar expressions are intended to identify these forward-looking statements.

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

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

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

You will find a detailed list of items excluded from these adjusted results in our press release.

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

Unidentified_3

Hello and welcome to Forrester's Q1 2026 earnings call.

With me is our Chief Financial Officer, Chris Finn, who will deliver a financial report following my remarks.

I'll be covering four key themes today. One, our financial performance in Q1 of 2026.

Two, trends in the AI world and their impact on Forrester.

Three, an update on our journey to become the AI research company, including key research releases. And four, an update on our progress toward our four company initiatives.

Starting off with a summary of our financials.

In Q1, we saw continuing momentum on our key business indicators.

While retention improved by 2 points from last quarter to 89%, this metric is up 3 points from the previous year.

Client retention improved by 1 point from the prior quarter to 78%, up 5 points from the prior year.

Finally, the percentage of multi-year deals as a percentage of our total CV has reached 72%, up from 71% last quarter.

On the CV side, we saw a decline of 3%, an improvement on the 6% decline in Q4 of 2025.

Our revenue was down 5% from the prior year at $85.5 million.

Research revenue was down 2%, while consulting revenues declined by 13%.

Consulting weaknesses associated with our decision to exit the strategy consulting business in 2026.

We had strong cash flow in the quarter, delivering $19 million of free cash.

We are increasing the low end of our revenue guidance, driven by improving metrics and confidence in our business, and Chris will go into more detail shortly.

AI technology continues to shift and evolve at fast rates, presenting our clients with two challenges.

One, they will have to construct a private model that will serve their customers.

And two, they will be replacing many of their internal systems, like CRM or financials, with new software based on what Forrester calls AI computing.

The market is composed of public models built by Anthropic, OpenAI, Google, and others.

And private models deployed by Bank of America, Bloomberg, and many other large enterprises.

Forrester believes that approximately 70% of the revenue earned through AI in the future will come from private models, not public models.

Why will private models proliferate?

Data sensitivity, regulatory pressure, and intellectual property protection will increasingly push businesses to building and operating their own AI models for specific use cases across banking, insurance, and other sensitive industries.

Retaining customer trust will be a primary incentive driving the construction of these models.

The second challenge for our clients will be rebuilding internal systems using new software constructed with AI computing technologies, primarily agentic AI.

The way that our clients operate their businesses will be vastly changed over the next five years.

Now, why are these two changes relevant to Forrester?

Whenever there has been a revolution in how large companies connect to their customers, as through the advent of mobile and social.

Forrester's business in B2B marketing and B2C marketing has grown.

And when global enterprises move to a new generation of internal systems, as with cloud computing, our technology research business has historically expanded at faster rates.

Change is the gasoline that drives our model faster. And the AI wave is forcing unpredictable and relentless change on our clients. Now, this was very evident last week when we held our B2B Marketing Summit in Phoenix.

The theme of that event was the go-to-market singularity, how AI is radically shifting the rules of developing, marketing, and selling products in the B2B world.

In the first quarter, we released over 420 research reports and datasets, and I wanted to highlight two of them here.

A report entitled Accelerate Your AI Voyage found that most enterprises are struggling to turn growing AI adoption investment into measurable business impact.

One of the key factors holding businesses back is low artificial intelligence quotient, or AIQ, Forrester's measure of AI aptitude, with many employees lacking a clear understanding of how to use the technology.

Other barriers include an overemphasis on productivity-focused use cases. Difficulty measuring impact, and siloed adoption within individual functions.

This report surveyed over 1,500 AI decision-makers at firms accelerating their AI efforts.

It found that while there is an urgency to adopt AI, many businesses are paralyzed by a lack of understanding and disjointed, siloed adoption.

Forrester's AI Use Case Catalog, another report, is designed to help senior decision makers narrow their options on where AI should be applied.

It includes more than 900 use cases organized by functions, industries, and desired outcomes.

The tool allows clients to filter their specific needs to serve as a short list of use cases and pinpoint the AI opportunities that best align to their specific business goals.

So we are leading this new era by expanding our research coverage of AI.

But that is not the only way that we are seizing the moment.

LSEG DATA & ANALYTICS

As we've talked about on previous calls, we are using AI technology to improve the way that our clients use our research and services.

And I want to take this opportunity to update on our progress.

We've upgraded our AI model from the first generation, what we call Izola, to a new generation, Forrester AI.

This new version has improved capabilities. One, the model is now fully conversational, enabling clients to go deeper into our content.

Forrester AI suggests prompts leading users to comprehensive answers.

Two, we've made structural improvements to bring more transparency and depth to the responses.

Now, when our user types a prompt, Forrester AI is deploying reasoning to show how it arrived at the response, servicing the key steps and research underlying the answer.

And finally, three, Forrester AI provides responses in 197 languages.

In March, we announced that Forrester AI is certified for Microsoft Teams and is available as an app in Microsoft Marketplace.

This means that a client can use Forrester AI from within Teams. We are going where our clients work and live.

Last week, at B2B Summit in Phoenix, we announced that clients will be able to work in Microsoft Copilot, but receive analysis and answers from Forrester AI.

These answers can be integrated with a range of Microsoft tools, including emails, presentations, and documents.

We are doing this through the deployment of our Model Context Protocol server.

In addition to Teams and Copilot, we are developing integration with other models and systems, again, going where our clients work.

Client adoption of Forster AI continues to grow. Usage hit an all-time high in Q1, with overall usage up 55% year-over-year and prompt volume up 65%, reflecting growing client demand for trusted, research-based AI guidance.

Turning finally to our four key initiatives for the year.

While these are internal initiatives, I thought that investors should be informed on our progress.

They are, one, execution of the retention lifecycle, our post-sales program for ensuring that clients are engaged and getting value from our research.

From Q4 to Q1, the customer success organization accelerated clients' time to onboard. This is one factor in helping us to improve client retention numbers.

Two, expanding the product portfolio and embedding Forrester AI where clients work.

With the Teams and Copilot integrations, we are on schedule here. We are leading AI.

Three, building a culture of growth within sales.

Q1 was the first quarter under the guidance of our new Chief Sales Officer, Christophe Favre.

We have made a good start to the year with Q1 CV productivity per rep 6% higher than a year ago.

We've intensively trained the Salesforce on how to position and sell our new Forrester AI portfolio.

And finally, four, offering actionable all-seasons research.

We are building more research that our clients can apply immediately and research that is relevant even when companies are not transforming, hence all seasons.

This imperative is on track as we have created 70 initiative blueprints in Q1, step-by-step guidance on how our clients can advance their most important projects.

The year has gotten off to a good start with Forresture AI growing, more practical research in the hands of our clients, engagement with the clients accelerating, and sales continuing to focus on expanding CV.

We are turning the company back toward growth, and we've made a good start executing that pivot.

Thank you, and I'll now turn the call over to Chris. Chris.

Unidentified_4

Thanks, George, and good afternoon, everyone.

In the first quarter, we saw improvements in our key metrics, continuing the momentum that we experienced in the second-half of 2025.

Client retention and wallet retention continue to improve, and the decline in CV continues to slow.

With the improvement in our metrics and progress on our strategy of embedding our products where our clients work, we are raising the low end of our revenue guidance for the year.

In addition, we generated strong free cash flow of approximately $19 million for the quarter. Excluding our one-time headquarter CapEx of $5.4 million, free cash flow was approximately $25 million.

Q1 saw a 3% CV decline in the quarter, and based on incremental improvements over the coming quarters, we continue to expect CV to be slightly up for the year, driven by the following areas: one, client demand for trusted device to help them navigate their AI journey. Two, our continued investment to enhance the capabilities of Forester AI and three, our product strategy with AI Access and embedding Forester AI in clients' existing work environments, along with further product portfolio enhancements to come.

All of these initiatives will continue to support and drive improvement in CV performance.

These ongoing efforts are laying the foundation for sustained CV growth in the coming years.

For the total company, we generated $85.5 million in revenue compared to $89.9 million in the prior-year period, which is an overall revenue decrease of 5%. As we outlined on our Q4 call, we expect revenue to decline this year due to the bookings declines we experienced in 2025, the sunsetting of our strategy consulting business, and the reimagined events portfolio.

In terms of our revenue breakdown for the quarter.

Research revenues decreased 2% compared to the first quarter of 2025, with revenue from research products down 4%, offset with growth in reprints.

Client retention of 78% was up 1 point from the prior quarter and up 5 points from the prior year, wallet retention was up 2 points to 89% from 87% in the prior quarter and up 3 points from the prior year. We believe the retention improvements reflect the ongoing alignment and improvements across the go-to-market ecosystem of customer success, sales, and research functions as they execute on the retention lifecycle work.

Our consulting business posted revenues of $18.6 million, which was down 13% compared to the prior year.

The content marketing business was down 5%, while the advisory business was up slightly.

The majority of the decline can be ascribed to the strategy consulting business, which we stopped actively selling early in the quarter. We will continue to execute delivery on our existing strategy consulting backlog over the coming quarters and exit this business by year end.

And finally, regarding our events business, revenues were insignificant this quarter and in the prior year because we did not hold any events during these periods.

Continuing down our P&L on an adjusted basis.

Operating expenses for the first quarter decreased by 1%, primarily driven by lower real estate costs.

Headcount was down 8%, however, these savings were offset by one-time costs largely associated with a now concluded litigation.

Operating income decreased by 135% to negative $0.9 million or negative 1% of revenue in the current quarter compared to $2.5 million or 2.8% of revenue in the first quarter of 2025.

Interest expense for the quarter was $0.8 million, up from $0.7 million in the first quarter of 2025.

Finally, net income and earnings per share decreased to 135% and 136%, respectively, compared to Q1 of last year, with net income at negative $0.7 million and earnings per share at negative $0.04 for the current quarter, compared with net income of $2 million and earnings per share of $0.11 in the first quarter of 2025.

Looking at our capital structure, first quarter cash flow from operating activities was $25.6 million and capital expenditures were $6.2 million. Approximately $5.4 million of capital expenditures are associated with the one-time physical build-out of our Cambridge headquarters. Remaining cash spend for the build-out, net of reimbursements from the landlord, will be approximately $4 million to $5 million.

Our balance sheet is strong, with cash at the end of the quarter of over $145 million and debt of only $35 million. In addition, in March, we executed an extension of our credit facility, moving the maturity date to March of 2029. We did not pay down any debt, nor did we repurchase any shares in the quarter.

Moving on to guidance, for 2026, we are increasing the low to midpoint range of our revenue guidance, with the rest of our guidance remaining unchanged.

Let me provide some additional commentary on our outlook for the year.

For 2026, we now expect revenue to be $350 to $360 million, or down 9% to 12% versus 2025.

The increased confidence in the range is driven by the metric improvements previously discussed and stronger sponsorship bookings for the upcoming events. This guidance assumes the outlook for research to be a mid-single-digit decline, consulting to be a decline of the low 20s. And events to be a decline in the mid to high 10s for the year.

Despite the first quarter one-time expenses, we still expect our operating margins to be in the range of 6% to 6.5% for 2026 and interest expense to be expected to be $2.3 million for the year, and we are guiding to a full-year tax rate of 29%. Taking all of this into account, we still expect EPS to be in the range of $0.72 to $0.82 for the full year.

We are continuing to see the positive momentum we experienced as we exited 2025. The first quarter of 2026 saw significant enhancements through our Forrester AI capabilities. This included embedded access via Microsoft Teams and the launch of the Forrester AI Agent and Microsoft Copilot, public models, and custom applications as we embed Forrester AI into the places where our clients work.

In addition. Our unique research focus on key AI topics puts Forrester in a strong position to take advantage of the upcoming AI demand. We are looking to capitalize on this demand, continue our focus on execution, and use it to drive continued metric and operational performance throughout 2026.

Thank you all for taking the time today.

And with that, I'll hand the call back to George.

Unidentified_3

Thank you, Chris. To conclude, we are making steady progress on our four key initiatives for the year, including our execution of the retention lifecycle, increased product options and AI opportunities, a renewed culture of growth within sales, and actionable all-seasons research. As a result of these measures, we are seeing early but encouraging positive signs in our key metrics.

I will now turn the call over to the operator for questions.

Unidentified_1

Thank you, sir.

As a reminder, to ask a question, you will need to press *11 on your telephone.

To withdraw your question, please press *11 again.

Please stand by while we compile the Q&A roster.

And I show our first question comes from the line of Anya Soderstrom from SIDOTI. Please go ahead.

Unidentified_5

Hi, thank you for taking my question.

So first, I'm curious, even though you see contract value declined but expect that to increase in the coming quarters, what gives you confidence in that?

Unidentified_6

Sorry, can you repeat the question?

Unidentified_5

Yeah, you mentioned you expect incremental increases in the contract value in the coming quarters. What gives you confidence in that?

Unidentified_6

Yeah, from a contract value standpoint, sure, yeah, we've seen really good strong bookings this year compared to last year on the sponsorship side, and we're coming off a really great B2B event. In Phoenix, where the engagement was incredibly strong with clients. I think we had a significant increase actually. We're up 10% on attendees. And so, yes, I think all the metrics are pointing in the right direction on the events business, certainly much stronger starting this year off with events season than last year or prior years.

And so, yes, we continue to expect that momentum to move in the right direction. And once again, the way the events business works, attendees and sponsorships are sold significantly in advance. So we're seeing really good engagement there this year. And so we're really excited. And I think a lot of the changes that we made in the format, more local and customized kind of content, is really making a difference.

Unidentified_5

Okay, thank you. And then in terms of the product portfolio expansion, sort of what does your roadmap look like there for the rest of the year?

Unidentified_7

Hi, Anya. It's Carrie. Thanks for the question. We have two sort of key initiatives on the expansion of the product portfolio front. One is, as you sort of noted, providing clients with more options in the way that they buy Forrester. So AI Access was a big change that we announced last year, and we're seeing good success there, and you'll continue to see more of those types of products, both for some access options for Forrester and then also to work more closely with.

Most sort of senior analysts. So stay tuned for that and from the roadmap. The other side of the roadmap is, as you've heard, a lot of Forrester AI. We continue to have major releases of Forrester AI, as George mentioned, and also plan.

To continue to deliver on what we call our where you work strategy, which is embedding Forrester AI where clients work. So George talked about Copilot. Stay tuned for more options for our clients that work in other types of tools as we build out that roadmap throughout the year.

Unidentified_6

So there are two major initiatives here.

Unidentified_3

One is embedded, embedding AI where our clients work, as Kerry just said, and then the other one is filling out the product line, essentially more optionality. So embedded and optionality.

Unidentified_5

Okay, and as you get embedded in this system, how do you see a strong uptick in interest or how's that affecting your sales model?

Unidentified_7

Yeah, we can talk about it from a sales perspective, but I will say we launched Microsoft Teams first in March.

And that was very well received. And then the launch of Copilot has actually seen traction sort of double even that, which I think is a good testament to some clients are just finding it even on their own through things like the Microsoft Marketplace because it is such a compelling offer to really remove some of the friction in accessing Forresters, both the insights, of course, are now getting true advice alongside their actual work. So really pleased with what we're seeing so far there.

Unidentified_8

From a sales perspective, Ania, it's clear that you start to see large enterprise willing to scale intelligence across their different functions.

And Forrester has the ability with Forrester AI to get trusted advice fast.

And those organizations are looking to elevate.

Leaders confidence to act and decide in that type of uncertainty, volatility, but also opportunity with the AI revolution.

So I'm training my sales organizations to be able to sell those large enterprise-wide deals, and we see a very interesting pipeline moving forward.

Unidentified_5

Okay, thank you for that color. And also, I have a follow-up for you.

Imagine A prepared remarks, you're building a culture of growth within the sales. Can you just sort of... Talk about what kind of changes you made for the sales force to sort of motivate them more.

Unidentified_8

Yes. So, we have already some pockets of growth in the international market.

My focus, since I take my new role, has been to focus on the North American business.

And what we've done in North American business is organize North American business around six industries where Forrester has strong expertise and growth opportunities.

And what I've ensured is to really find the territories to ensure that our best reps, account manager, as well as our best new business developer. Are in front of the highest potential accounts.

The second thing that I've done is really train our sales force to leverage AI in order to improve their productivity and feel more confident when discussing some key AI changes which are taking place in the marketplace. So one, change on the territories, two, training, and. Third, building their confidence. And really, everybody is excited by the new Forrester AI roadmap that we put in place.

Unidentified_5

Okay, thank you so much. That was all for me.

Unidentified_8

Thanks, Ania.

Unidentified_1

Thanks, Ania.

Thank you. And I share our next question comes from the line of Vince Colicchio from Barrington Research. Please go ahead.

Unidentified_9

Yeah, Christophe.

What portion sort of the changes that you plan to make have started to get implemented?

And the other question is, how long before you expect your changes to bring to bear to have a meaningful impact?

Unidentified_8

So Vince, I wanted to act fast because the opportunity is in front of us.

So all the change, organizational change. That I just discussed have been put in place in the North American business.

And we put the sales technology and the market technology to add that organization grow in efficiencies.

So we can now really take advantage of the new Forester AI portfolio and we start to see pockets of growth.

In the North American business, and I will name two industries where we see that growth, one in high-tech and the second in the industry sectors. We see some good momentum here.

It's Vince George here. Christophe is not one to wait.

He's moving quite fast.

All he's speaking about is he is implementing.

Unidentified_9

Good to hear.

Next question, on the sales pipeline for CV, has that improved since last quarter?

Unidentified_8

Yes, we see consistency in the growth pipeline and we've seen acceleration in two areas. One, thanks to Forrester AI, organization are really looking at having help in adopting AI and get trusted advice faster. And so we for HR AI, we have a unique competitive edge on the marketplace.

The other one is, as I mentioned, is we start to see very large organization interested in our embed. Portfolio and the announcement we made in our partnership with Microsoft Teams as well as the Microsoft Copilot has resonated in very specific industries. So that's looking good with industries. So we saw financial services, the agencies, as well as government being interested in that type of solutions.

Unidentified_9

And George, how is AI Access performing versus expectations and is it helping to continue to bring back old clients?

Unidentified_6

Yeah, we're a little bit ahead.

You look like you want to say something.

Unidentified_7

I'm nodding him on, yeah, so AI Access has basically hit our expectations and primarily, especially on two fronts, one, new business, which is quite a motion for win-back programs of winning back former clients who are looking for more flexible price points.

But appreciated Forster's insights and advice, and Christoph can expand on that. And the other is, for us, is for expanding within existing accounts, which is the role, in fact, of launching that product as well. So pleased with it doing what we wanted it to do for our CV portfolio.

Unidentified_6

40% of reps have now sold AI access, so that's very encouraging now.

Yeah, and Vince, this is Chris. I would add on there, too, good momentum, just as a.

Percentage mix of the portfolio from a CV perspective. I mean, it's just under 5%. And in the near term here, we expect it to be approaching sort of 10% as we exit the year and get into 27.

And really happy with the fact that as we look at our CV per client, we're not seeing any kind of degradation there. CV per client has been pretty consistent. In that 160 to 162 range.

So we're really happy with that. We're not seeing cannibalization at all either.

Unidentified_9

Thanks, guys. I'll go back in the queue.

Unidentified_6

Thanks very much. Appreciate it.

Unidentified_1

Thank you.

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

Unidentified_6

Yeah, thanks, everyone, for joining today.

Just reach out to Ed or myself if you have any follow-up questions. Appreciate it.

Thank you.

Unidentified_1

Thank you. This concludes today's conference call.

Thank you for participating. You may now disconnect.