
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported): October 25, 2006

FORRESTER RESEARCH, INC.

(Exact Name of Registrant Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

000-21433
(Commission
File Number)

04-2797789
(I.R.S. Employer
Identification No.)

400 Technology Square, Cambridge, Massachusetts
(Address of Principal Executive Offices)

02139
(Zip Code)

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

N/A

(Former Name or Former Address, if Changed Since Last Report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

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

On October 25, 2006, Forrester Research, Inc. issued a press release announcing its financial results for the quarter ended September 30, 2006, the full text of which is attached hereto as Exhibit 99.1.

Forrester believes that pro forma financial results provide investors with consistent and comparable information to aid in the understanding of Forrester’s ongoing business. Our pro forma presentation excludes the following, as well as their related tax effects:

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

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

Non-cash stock-based compensation expense — we exclude the stock-based compensation impact of APB Opinion 25 and SFAS 123R from our pro forma results in order to keep quarter over quarter and year over year comparisons consistent.

Gains from the sale of discontinued operations and income or loss from discontinued operations.

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

ITEM 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release dated October 25, 2006

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FORRESTER RESEARCH, INC.

By: /s/ WARREN HADLEY

Name: Warren Hadley

Title: Treasurer and Chief Financial
Officer

Dated: October 25, 2006

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Forrester Research Reports Third-Quarter 2006 Financial Results

CAMBRIDGE, Mass., October 25, 2006 . . . Forrester Research, Inc. (Nasdaq: FORR) today announced its third quarter ended September 30, 2006 financial results.

Third-Quarter Financial Performance

- Total revenues were \$44.1 million, compared with \$39.0 million for the third quarter of last year. Revenue related to the Ultimate Consumer Panel business, which was sold during the third quarter, is included as a component of income from discontinued operations for both periods.
- On a GAAP-reported basis, Forrester reported net income of \$5.3 million or \$0.22 per diluted share, compared with net income of \$2.6 million, or \$0.12 per diluted share, for the same period last year.
- On a pro forma basis, net income was \$6.0 million, or \$0.26 per diluted share, for the third quarter of 2006, which excludes non-cash stock-based compensation of \$2.5 million, amortization of \$474,000 of acquisition-related intangible assets, net non-marketable investment gains of \$98,000, gains from the sale of the discontinued operations of \$1.4 million, and income from discontinued operations of \$51,000 and which reflects a pro forma effective tax rate of 37 percent. This compares with pro forma net income of \$4.2 million, or \$0.19 per diluted share, for the same period in 2005, which excludes non-cash stock-based compensation of \$729,000, amortization of \$786,000 of acquisition-related intangible assets, non-marketable investment gains of \$241,000, and \$82,000 of losses from discontinued operations and reflects a pro forma effective tax rate of 35 percent.

Nine-Month Period Ended September 30, 2006 Financial Performance

- Total revenues were \$132.5 million, compared with \$110.7 million for the same period last year. Revenue related to the Ultimate Consumer Panel business, which was sold during the third quarter, is included as a component of income from discontinued operations for both periods.
- On a GAAP-reported basis, Forrester reported net income of \$10.7 million, or \$0.47 per diluted share, for the nine months ended September 30, 2006, compared with net income of \$7.8 million, or \$0.36 per diluted share, for the same period last year.
- On a pro forma basis, net income was \$15.0 million, or \$0.66 per diluted share, for the nine months ended September 30, 2006, which excludes non-cash stock-based compensation of \$6.0 million, amortization of \$1.6 million of acquisition-related intangible assets, net non-marketable investment gains of \$305,000, gains from the sale of discontinued operations of \$1.4 million, and income from discontinued operations of \$300,000 and which reflects a pro forma effective tax rate of 37 percent. This compares with pro forma net income of \$10.4 million, or \$0.47 per diluted share, for the same period last year, which excludes non-cash stock-based compensation of \$1.0 million, amortization of \$2.7 million of acquisition-related intangible assets, and marketable and non-marketable investment gains of \$2.0 million, and \$314,000 of losses from discontinued operations, and which reflects a pro forma effective tax rate of 35 percent.

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

“Our business remains strong and we are on a path to achieve our full-year guidance,” said George F. Colony, chairman of the board and chief executive officer. “During the third quarter, we again performed well against

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key indicators, including client retention, operating margin, and EPS, while we continue on track to meet this year's revenue goal for our syndicated research and Forrester Leadership Boards business."

Forrester is providing fourth-quarter 2006 financial guidance as follows:

Fourth-Quarter 2006 (GAAP):

- Total revenues of approximately \$47 million to \$50 million.
- Operating margin of approximately 11 percent to 13 percent.
- Other income of approximately \$1.7 million.
- An effective tax rate of 48 percent.
- Diluted earnings per share of approximately \$0.18 to \$0.22.

Fourth-Quarter 2006 (Pro Forma):

Pro forma financial guidance for the fourth quarter of 2006 excludes amortization of acquisition-related intangible assets of approximately \$0.5 million, non-cash stock-based compensation expense of \$2.0 million to \$2.5 million, and any gains or impairment charges related to non-marketable investments.

- Pro forma operating margin of approximately 17 percent to 19 percent.
- Pro forma effective tax rate of 37 percent.
- Pro forma diluted earnings per share of approximately \$0.27 to \$0.29.

Forrester is providing full-year 2006 guidance as follows:

Full-Year 2006 (GAAP):

- Total revenues of approximately \$179 million to \$182 million.
- Operating margin of approximately 10 percent to 11 percent.
- Other income of approximately \$5.7 million.
- An effective tax rate of 48 percent.
- Diluted earnings per share of approximately \$0.65 to \$0.70.

Full-Year 2006 (Pro Forma):

Pro forma financial guidance for full-year 2006 excludes non-cash stock-based compensation expense of \$8.0 million to \$8.5 million, amortization of acquisition-related intangible assets of approximately \$2.1 million, gains on sale of discontinued operations of \$1.4 million, and income from discontinued operations of \$0.3 million, as well as gains or impairment charges related to marketable and non-marketable investments.

- Pro forma operating margin of approximately 15 to 16 percent.
- Pro forma diluted earnings per share of approximately \$0.93 to \$0.95.
- An effective tax rate of 37 percent.

Forrester Research (Nasdaq: FORR) is an independent technology and market research company that provides pragmatic and forward-thinking advice about technology's impact on business and consumers. For 23 years, Forrester has been a thought leader and trusted advisor, helping global clients lead in their markets through its research, consulting, events, and peer-to-peer executive programs. For more information, visit www.forrester.com.

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This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, Forrester's financial and operating targets for the fourth quarter of and full-year 2006. These statements are based on Forrester's current plans and expectations and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual future activities and results to differ include, among others, Forrester's ability to anticipate business and economic conditions, technology spending, market trends, competition, industry consolidation, the ability to attract and retain professional staff, possible variations in Forrester's quarterly operating results, risks associated with Forrester's ability to offer new products and services, and Forrester's dependence on renewals of its membership-based research services and on key personnel. Forrester undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. For further information, please refer to Forrester's reports and filings with the Securities and Exchange Commission.

The consolidated statements of income, consolidated balance sheets, and consolidated statements of cash flows are attached.

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Forrester Research, Inc.
Consolidated Statements of Income

(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	(Unaudited)		(Unaudited)	
Revenues				
Research services	\$ 29,690	\$ 24,586	\$ 84,280	\$ 71,058
Advisory services and other	14,384	14,008	48,245	39,629
Total revenues	44,074	38,594	132,525	110,687
Operating expenses				
Cost of services and fulfillment	17,444	15,231	54,691	44,442
Selling and marketing	14,509	12,675	44,348	37,556
General and administrative	5,764	4,843	16,890	13,361
Depreciation	947	859	2,747	2,615
Amortization of intangible assets	474	786	1,598	2,742
Total operating expenses	39,138	34,394	120,274	100,716
Income from continuing operations	4,936	4,200	12,251	9,971
Other income, net	1,652	722	3,936	2,226
Realized gains on sales of securities and non-marketable investments, net	98	241	305	2,021
Income from continuing operations before income taxes	6,686	5,163	16,492	14,218
Income tax provision	2,828	2,523	7,513	6,150
Income from continuing operations	3,858	2,640	8,979	8,068
Discontinued operations				
Income (loss) from discontinued operations, net of taxes	51	(82)	300	(314)
Gain on sale of discontinued operations, net of taxes	1,399	—	1,399	—
Net income	\$ 5,308	\$ 2,558	\$ 10,678	\$ 7,754
Diluted income per share from continuing operations	\$ 0.16	\$ 0.12	\$ 0.40	\$ 0.37
Diluted income (loss) per share from discontinued operations	\$ 0.06	\$ (0.00)	\$ 0.07	\$ (0.01)
Diluted income per share from net income	\$ 0.22	\$ 0.12	\$ 0.47	\$ 0.36
Diluted weighted average shares outstanding	23,417	21,931	22,684	21,872
Basic income per share from continuing operations	\$ 0.17	\$ 0.12	\$ 0.41	\$ 0.38
Basic income (loss) per share from discontinued operations	\$ 0.06	\$ (0.00)	\$ 0.08	\$ (0.01)
Basic income per share from net income	\$ 0.23	\$ 0.12	\$ 0.49	\$ 0.37
Basic weighted average shares outstanding	22,637	21,287	21,937	21,470
Pro forma data (1):				
Income from continuing operations	\$ 4,936	\$ 4,200	\$ 12,251	\$ 9,971
Amortization of intangible assets	474	786	1,598	2,742
Non-cash stock-based compensation included in the following expense categories:				
Cost of services and fulfillment	1,065	400	2,639	559
Selling and marketing	722	158	1,709	221
General and administrative	732	171	1,694	239
Pro forma income from continuing operations	7,929	5,715	19,891	13,732
Other income, net	1,652	722	3,936	2,226
Pro forma income before income taxes	9,581	6,437	23,827	15,958
Pro forma income tax provision	3,545	2,253	8,816	5,585
Pro forma net income	\$ 6,036	\$ 4,184	\$ 15,011	\$ 10,373
Pro forma diluted earnings per share	\$ 0.26	\$ 0.19	\$ 0.66	\$ 0.47

Diluted weighted average shares outstanding

23,417

21,931

22,684

21,872

-
- (1) Forrester believes that pro forma financial results provide investors with consistent and comparable information to aid in the understanding of Forrester's ongoing business. Our pro forma presentation excludes amortization of intangibles, non-cash stock-based compensation expense and gains or impairments of non-marketable investments, gains from sales of securities and gains and income from discontinued operations as well as their related tax effects. This does not purport to be prepared in accordance with Accounting Principles Generally Accepted in the United States.

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Forrester Research, Inc.
Consolidated Balance Sheets

(In thousands)

	September 30, 2006 (Unaudited)	December 31, 2005
Assets:		
Cash and cash equivalents	\$ 31,622	\$ 48,538
Available-for-sale securities	159,934	83,730
Accounts receivable, net	29,902	52,177
Deferred commissions	7,132	8,940
Prepaid expenses and other current assets	7,129	5,126
Total current assets	235,719	198,511
Property and equipment, net	5,453	5,771
Goodwill, net	53,323	53,034
Intangible assets, net	1,965	3,530
Deferred income taxes	37,462	36,941
Non-marketable investments and other assets	13,703	13,915
Total assets	\$ 347,625	\$ 311,702
Liabilities and stockholders' equity:		
Accounts payable	\$ 2,003	\$ 1,716
Accrued expenses	31,619	24,569
Deferred revenue	74,939	86,663
Total liabilities	108,561	112,948
Preferred stock	—	—
Common stock	275	254
Additional paid-in capital	234,061	192,206
Retained earnings	93,103	82,425
Treasury stock, at cost	(85,834)	(73,527)
Accumulated other comprehensive loss	(2,541)	(2,604)
Total stockholders' equity	239,064	198,754
Total liabilities and stockholders' equity	\$ 347,625	\$ 311,702

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Forrester Research, Inc.
Consolidated Statements Cash Flows

(In thousands)

	<u>Nine months ended September 30,</u>	
	<u>2006</u>	<u>2005</u>
	(Unaudited)	
Cash flows from continuing operations:		
Income from continuing operations	8,979	8,283
Adjustments to reconcile net income to net cash provided by operating activities —		
Depreciation	2,747	2,615
Amortization of intangible assets	1,598	2,742
Non-cash stock-based compensation	6,043	1,019
Excess tax benefits from non-cash stock-based compensation	(616)	(1,243)
Non-marketable investments gains, net	(260)	(532)
Realized gain on sale of marketable securities	—	(1,489)
Deferred income taxes	(679)	504
Increase in provision for doubtful accounts	150	100
Accretion of premiums on marketable securities	631	829
Changes in assets and liabilities -		
Accounts receivable	22,111	8,657
Deferred commissions	1,789	514
Prepaid expenses and other current assets	(1,821)	(844)
Accounts payable	342	(1,767)
Accrued expenses	7,037	1,852
Deferred revenue	(12,363)	(2,572)
Net cash provided by continuing operations	35,688	18,668
Net cash provided by discontinued operations	1,725	16
Net cash provided by operating activities	37,413	18,684
Cash flows from investing activities:		
Purchases of property and equipment	(2,348)	(2,376)
Purchase of non-marketable investments	(300)	(300)
Proceeds from non-marketable investments	380	516
Decrease in other assets	403	788
Purchase of marketable securities	(465,362)	(179,612)
Proceeds from sales and maturities of marketable securities	388,916	185,776
Net cash (used in) provided by investing activities	(78,311)	4,792
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock option plans and employee stock purchase plan	35,216	7,201
Excess tax benefits from non-cash stock-based compensation	616	1,243
Acquisition of treasury shares	(12,307)	(16,258)
Net cash provided by (used in) financing activities	23,525	(7,814)
Effect of exchange rate changes on cash and cash equivalents	457	(522)
Net (decrease) increase in cash and cash equivalents	(16,916)	15,140
Cash and cash equivalents, beginning of period	48,538	37,328
Cash and cash equivalents, end of period	\$ 31,622	\$ 52,468

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