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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 27, 2004

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.)
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400 Technology Square, Cambridge, Massachusetts (Address of Principal Executive Offices)	02139 (Zip Code)
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Registrant's telephone number, including area code: (617) 613-6000

N/A

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

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Exhibit Index appears on Page 4

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 27, 2004, Forrester Research, Inc. issued a press release announcing its financial results for the quarter ended September 30, 2004, 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:

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

Reorganization costs - we exclude reorganization costs in order to present a consistent basis for quarterly comparisons and to more consistently present our results of operations.

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

the Securities and Exchange Commission.

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

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Name: Warren Hadley

Title: Treasurer and Chief Financial  
Officer

Dated: October 27, 2004

Exhibit Index

Exhibit -----	Description -----	Page -----
99.1	Press Release dated October 27, 2004.	5

## Forrester Research Announces Third-Quarter 2004 Financial Results

CAMBRIDGE, Mass.--(BUSINESS WIRE)--Oct. 27, 2004--Forrester Research, Inc. (Nasdaq: FORR) today announced its third-quarter ended September 30, 2004 financial results.

## Third-Quarter Financial Performance

- Total revenues were \$33.9 million, compared with \$32.2 million for the third quarter of last year.
- On a GAAP-reported basis, which reflects an effective tax rate of 33.5 percent, Forrester reported third-quarter net income of \$3.2 million or \$0.14 per diluted share, compared with net income of \$186,000, or \$0.01 per diluted share, for the same period last year.
- On a pro forma basis, which excludes amortization of \$1.4 million of acquisition-related intangible assets, gains resulting from sales of marketable securities and non-marketable investments totaling \$1.0 million, and which reflects a pro forma effective tax rate of 35 percent, net income was \$3.4 million, or \$0.15 per diluted share, for the third quarter of 2004. This compares with pro forma net income of \$2.8 million, or \$0.12 per diluted share, for the same period in 2003, which excluded amortization of \$2.6 million of acquisition-related intangible assets, reorganization costs of \$1.2 million, costs of \$167,000 related to the integration of Giga Information Group, Inc., and a pro forma effective tax rate of 35 percent.

## Nine-Month Period Ended September 30, 2004, Financial Performance

- Total revenues were \$100.5 million, compared with \$90.7 million for the same period last year.
- On a GAAP-reported basis, which reflects an effective tax rate of 33.5 percent, Forrester reported net income of \$606,000, or \$0.03 per diluted share for the nine months ended 2004, compared to net income of \$2.1 million or \$0.09 per diluted share for the same period last year.
- On a pro forma basis, which excludes amortization of \$5.1 million of acquisition-related intangible assets, reorganization costs of \$8.8 million related primarily to office space consolidations, gains resulting from sales of marketable securities and non-marketable investments totaling \$1.0 million, and which reflects a pro forma effective tax rate of 35 percent, net income was \$8.9 million, or \$0.40 per diluted share, for the nine months ended 2004. This compares with pro forma net income of \$7.4 million, or \$0.33 per diluted share for the same period last year, which excludes amortization of \$6.1 million of acquisition-related intangible assets, reorganization costs of \$1.2 million, costs of \$938,000 related to the integration of Giga Information Group, Inc., a net loss of \$63,000 resulting from sales of marketable securities and non-marketable investments, and 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.

"The second half of the year got off to a good start in the third quarter," said George F. Colony, chairman of the board and chief executive officer. "Dollar retention significantly improved to 86 percent, up from 73 percent a year ago. Forrester's key financial metrics were positive during the third quarter: renewals and enrichment were strong, cross-sell opportunities increased, and client company retention continued on the upswing. In the fourth quarter, we will remain focused on our busiest season for renewals while attracting more new business before the end of the year."

Forrester is providing fourth-quarter and reaffirming full-year 2004 guidance as follows:

## Fourth-Quarter 2004 (GAAP):

- Total revenues of approximately \$35.0 million to \$37.0 million.

- Operating margin of approximately 8 percent to 10 percent.
- Interest income of approximately \$650,000.
- An effective tax rate of 33.5 percent.
- Diluted earnings per share of approximately \$0.10 to \$0.12.

Fourth-Quarter 2004 (Pro Forma):

Pro forma financial guidance for the fourth quarter of 2004 excludes amortization of acquisition-related intangible assets of approximately \$1.3 million, as well as all gains and impairment charges related to marketable securities and non-marketable investments.

- Pro forma operating margin of approximately 13 percent to 15 percent.
- Pro forma effective tax rate of 35 percent, which varies from our actual effective tax rate of 33.5 percent due to our tax-free interest income decreasing as a percentage of our pro forma pre-tax income.
- Pro forma diluted earnings per share of approximately \$0.15 to \$0.17.

Full-Year 2004 (GAAP):

- Total revenues of approximately \$133.0 million to \$138.0 million.
- Operating margin of approximately 0 percent to 2 percent.
- Interest income of approximately \$2.7 million to \$2.8 million.
- An effective tax rate of 33.5 percent.
- Diluted earnings per share of approximately \$0.10 to \$0.14.

Full-Year 2004 (Pro Forma):

Pro forma financial guidance for full-year 2004 excludes amortization of acquisition-related intangible assets of approximately \$6.5 million, all gains and impairment charges related to non-marketable securities, and reorganization and integration charges of approximately \$8.8 million.

- Pro forma operating margin of approximately 11 percent to 13 percent.
- Pro forma effective tax rate of 35 percent, which varies from our actual effective tax rate of 33.5 percent due to our tax-free interest income decreasing as a percentage of our pro forma pre-tax income.
- Pro forma diluted earnings per share of approximately \$0.52 to \$0.57.

Forrester is an independent technology research company that provides pragmatic and forward-thinking advice about technology's impact on business. Business, marketing, and IT professionals worldwide collaborate with Forrester to align their technology investments with their business goals. Forrester offers products and services in four major areas: Research, Data, Consulting, and Community. Established in 1983, Forrester is headquartered in Cambridge, Mass. For additional information, visit [www.forrester.com](http://www.forrester.com).

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, Forrester's financial and operating targets for the third quarter of and full-year 2004, statements about the potential success of product offerings, the ability to achieve all of the anticipated benefits from the acquisition of Giga Information Group, the amount of the charge and any cost savings related to reductions in force and associated actions, and the ability of Forrester to achieve success as the economy improves. 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, market trends, competition, 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, any cost savings related to reductions in force and associated actions, 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, 2004		Nine months ended September 30, 2004	
	2003	2003	2003	2003
	(Unaudited)		(Unaudited)	
Revenues				
Research services	\$ 23,544	\$ 23,798	\$ 69,579	\$ 68,169
Advisory services and other	10,335	8,410	30,950	22,499
Total revenues	33,879	32,208	100,529	90,668
Operating expenses				
Cost of services and fulfillment	13,266	12,525	40,782	36,380
Selling and marketing	11,036	10,749	33,701	29,523
General and administrative	4,291	3,927	11,687	10,985
Depreciation and amortization	744	1,520	2,801	5,052
Amortization of intangible assets	1,384	2,608	5,112	6,140
Reorganization costs	-	1,230	8,751	1,230
Integration costs	-	167	-	938
Total operating expenses	30,721	32,726	102,834	90,248
Income (loss) from operations	3,158	(518)	(2,305)	420
Other income, net	680	787	2,168	2,692
Gains on sales of marketable securities	678	-	678	509
Non-marketable investment gains (impairments)	313	-	370	(572)
Income before income taxes	4,829	269	911	3,049
Income tax provision	1,618	83	305	945
Net income	\$ 3,211	\$ 186	\$ 606	\$ 2,104
Diluted earnings per share	\$ 0.14	\$ 0.01	\$ 0.03	\$ 0.09
Diluted weighted average shares outstanding	22,345	22,741	22,577	22,793

Basic earnings per share	\$ 0.15	\$ 0.01	\$ 0.03	\$ 0.09
	=====	=====	=====	=====
Basic weighted average shares outstanding	21,952	22,462	22,094	22,572
	=====	=====	=====	=====
Pro forma data (1):				
Income (loss) from operations	\$ 3,158	\$ (518)	\$ (2,305)	\$ 420
Amortization of intangible assets	1,384	2,608	5,112	6,140
Reorganization costs	-	1,230	8,751	1,230
Integration costs	-	167	-	938
	-----	-----	-----	-----
Pro forma income from operations	4,542	3,487	11,558	8,728
Other income, net	680	787	2,168	2,692
	-----	-----	-----	-----
Pro forma income before income taxes	5,222	4,274	13,726	11,420
Pro forma income tax provision	1,828	1,496	4,804	3,997
	-----	-----	-----	-----
Pro forma net income	\$ 3,394	\$ 2,778	\$ 8,922	\$ 7,423
	=====	=====	=====	=====
Pro forma diluted earnings per share	\$ 0.15	\$ 0.12	\$ 0.40	\$ 0.33
	=====	=====	=====	=====
Diluted weighted average shares outstanding	22,345	22,741	22,577	22,793
	=====	=====	=====	=====

(1) The pro forma data excludes amortization of intangibles and other integration costs related to acquisitions, reorganization costs and gains and impairments related to marketable and non-marketable investments, as well as their related tax effects. This does not purport to be prepared in accordance with Generally Accepted Accounting Principles.

Forrester Research, Inc.  
Consolidated Balance Sheets

(In thousands)

	September 30, 2004	December 31, 2003
	-----	-----
	(Unaudited)	
Assets:		
Cash and cash equivalents	\$ 36,621	\$ 22,385
Marketable securities	91,779	104,348
Accounts receivable, net	25,113	40,013
Deferred commissions	5,150	5,999
Prepaid expenses and other current assets	7,325	7,079
	-----	-----
Total current assets	165,988	179,824
Property and equipment, net	6,025	8,266
Goodwill, net	56,894	57,006
Intangible assets, net	8,345	13,456
Deferred income taxes	39,709	40,159
Non-marketable investments and other assets	13,822	12,264
	-----	-----
Total assets	\$ 290,783	\$ 310,975
	=====	=====
Liabilities and stockholders' equity:		
Accounts payable	\$ 2,570	\$ 2,566
Accrued expenses	27,363	31,457
Deferred revenue	60,769	68,630
	-----	-----



Total liabilities	90,702	102,653
Preferred stock	-	-
Common stock	246	243
Additional paid-in capital	177,793	172,523
Retained earnings	67,551	66,945
Treasury stock, at cost	(44,923)	(30,300)
Accumulated other comprehensive loss	(586)	(1,089)
	-----	-----
Total stockholders' equity	200,081	208,322
	-----	-----
Total liabilities and stockholders' equity	\$ 290,783	\$ 310,975
	=====	=====

Forrester Research, Inc.  
Consolidated Statements Cash Flows

(In thousands)

	Nine months ended	
	September 30,	
	2004	2003
	-----	
	(Unaudited)	
Cash flows from operations:		
Net income	\$ 606	\$ 2,104
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	2,801	5,052
Amortization of intangible assets	5,112	6,140
Non-marketable investments (gains) impairments	(370)	572
Realized gains on sales of marketable securities	(678)	(509)
Tax benefit from stock options	256	239
Deferred income taxes	(2)	747
Non-cash reorganization costs	1,844	-
Increase in provision for doubtful accounts	224	-
Accretion of premiums on marketable securities	635	618
Changes in assets and liabilities, net of acquisition -		
Accounts receivable	15,541	9,088
Deferred commissions	849	(434)
Prepaid expenses and other current assets	(296)	2,401
Accounts payable	(116)	(1,395)
Accrued expenses	(4,025)	(4,714)
Deferred revenue	(8,770)	(16,914)
	-----	-----
Net cash provided by operating activities	13,611	2,995
Cash flows from investing activities:		
Acquisition of Giga Information Group, Inc., net of cash acquired	-	(57,027)
Purchases of property and equipment	(2,423)	(1,122)
Purchase of non-marketable investments	(2,263)	(3,150)
Decrease (increase) in other assets	842	(1,439)
Purchase of marketable securities	(107,478)	(164,338)
Proceeds from sales and maturities of marketable securities	121,623	230,641
	-----	-----
Net cash provided by investing activities	10,301	3,565
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock option plans and employee stock purchase plan	2,959	2,070
Acquisition of treasury shares	(12,623)	(6,796)
Structured stock repurchase	54	(1,793)
	-----	-----
Net cash used in financing activities	(9,610)	(6,519)
Effect of exchange rate changes on cash and cash equivalents	(66)	(178)
	-----	-----
Net increase (decrease) in cash and cash equivalents	14,236	(137)
Cash and cash equivalents, beginning of period	22,385	11,479
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Cash and cash equivalents, end of period

\$ 36,621 \$ 11,342  
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