# 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, 2017**

**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** | **04-2797789** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification Number)** |
| **60 Acorn Park Drive<br>CAMBRIDGE, MASSACHUSETTS** | **02140** |
| **(Address of principal executive offices)** | **(Zip Code)** |

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by checkmark 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 3, 2017 17,975,000 shares of the registrant’s common stock were outstanding.

FORRESTER RESEARCH, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORRESTER RESEARCH, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data, unaudited)

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 79,960 | $ 76,958 |
| Marketable investments (Note 3) | 54,019 | 61,147 |
| Accounts receivable, net | 39,481 | 58,812 |
| Deferred commissions | 9,146 | 12,052 |
| Prepaid expenses and other current assets | 15,817 | 14,467 |
| Total current assets | 198,423 | 223,436 |
| Property and equipment, net | 26,128 | 23,894 |
| Goodwill | 75,815 | 73,193 |
| Intangible assets, net | 927 | 1,464 |
| Other assets | 13,095 | 13,798 |
| Total assets | $ 314,388 | $ 335,785 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable | $ 613 | $ 1,806 |
| Accrued expenses and other current liabilities | 36,838 | 41,403 |
| Deferred revenue | 132,929 | 134,265 |
| Total current liabilities | 170,380 | 177,474 |
| Non-current liabilities | 8,788 | 8,275 |
| Total liabilities | 179,168 | 185,749 |
| Stockholders' Equity (Note 7): | | |
| Preferred stock, $0.01 par value | | |
| Authorized - 500 shares; issued and outstanding - none | — | — |
| Common stock, $0.01 par value | | |
| Authorized - 125,000 shares | | |
| Issued - 22,293 and 21,719 shares as of September 30, 2017 and December 31, 2016, respectively | | |
| Outstanding - 17,902 and 18,361 shares as of September 30, 2017 and December 31, 2016, respectively | 223 | 217 |
| Additional paid-in capital | 175,218 | 157,569 |
| Retained earnings | 124,343 | 121,799 |
| Treasury stock - 4,391 and 3,358 shares as of September 30, 2017 and December 31, 2016, respectively, at cost | (161,943) | (121,976) |
| Accumulated other comprehensive loss | (2,621) | (7,573) |
| Total stockholders' equity | 135,220 | 150,036 |
| Total liabilities and stockholders' equity | $ 314,388 | $ 335,785 |

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data, unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | |
| Research services | $ 54,235 | $ 52,727 | $ 160,553 | $ 160,998 |
| Advisory services and events | 26,134 | 24,700 | 86,743 | 81,651 |
| Total revenues | 80,369 | 77,427 | 247,296 | 242,649 |
| Operating expenses: | | | | |
| Cost of services and fulfillment | 32,508 | 29,889 | 100,814 | 95,429 |
| Selling and marketing | 29,225 | 27,751 | 90,355 | 87,490 |
| General and administrative | 10,083 | 10,086 | 30,672 | 30,359 |
| Depreciation | 1,607 | 1,941 | 4,775 | 5,982 |
| Amortization of intangible assets | 197 | 208 | 582 | 627 |
| Reorganization costs | — | — | — | 1,026 |
| Total operating expenses | 73,620 | 69,875 | 227,198 | 220,913 |
| Income from operations | 6,749 | 7,552 | 20,098 | 21,736 |
| Other income, net | 146 | 229 | 248 | 374 |
| Losses on investments, net | (772) | (1,085) | (997) | (1,139) |
| Income before income taxes | 6,123 | 6,696 | 19,349 | 20,971 |
| Income tax provision | 2,170 | 3,584 | 6,302 | 9,110 |
| Net income | $ 3,953 | $ 3,112 | $ 13,047 | $ 11,861 |
| Basic income per common share | $ 0.22 | $ 0.17 | $ 0.73 | $ 0.66 |
| Diluted income per common share | $ 0.22 | $ 0.17 | $ 0.72 | $ 0.65 |
| Basic weighted average common shares outstanding | 17,747 | 18,062 | 17,897 | 17,896 |
| Diluted weighted average common shares outstanding | 18,051 | 18,435 | 18,212 | 18,168 |
| Cash dividends declared per common share | $ 0.19 | $ 0.18 | $ 0.57 | $ 0.54 |

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, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Net income | $ 3,953 | $ 3,112 | $ 13,047 | $ 11,861 |
| Other comprehensive income (loss), net of taxes: | | | | |
| Foreign currency translation | 1,601 | (120) | 4,905 | (68) |
| Net change in market value of investments | 23 | (48) | 47 | 72 |
| Other comprehensive income (loss) | 1,624 | (168) | 4,952 | 4 |
| Comprehensive income | $ 5,577 | $ 2,944 | $ 17,999 | $ 11,865 |

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, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 13,047 | $ 11,861 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 4,775 | 5,982 |
| Amortization of intangible assets | 582 | 627 |
| Net losses from investments | 997 | 1,139 |
| Deferred income taxes | (921) | (413) |
| Stock-based compensation | 6,423 | 5,731 |
| Amortization of premium on investments | 171 | 267 |
| Foreign currency losses | 444 | 98 |
| Changes in assets and liabilities | | |
| Accounts receivable | 20,140 | 31,078 |
| Deferred commissions | 2,906 | 3,890 |
| Prepaid expenses and other current assets | (979) | 2,322 |
| Accounts payable | (1,208) | 133 |
| Accrued expenses and other liabilities | (6,041) | (10,101) |
| Deferred revenue | (3,473) | (14,309) |
| Net cash provided by operating activities | 36,863 | 38,305 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (5,806) | (3,334) |
| Purchases of marketable investments | (27,430) | (35,555) |
| Proceeds from sales and maturities of marketable investments | 34,458 | 20,086 |
| Other investing activity | 200 | (49) |
| Net cash provided by (used in) investing activities | 1,422 | (18,852) |
| Cash flows from financing activities: | | |
| Dividends paid on common stock | (10,205) | (9,696) |
| Repurchases of common stock | (39,967) | — |
| Proceeds from issuance of common stock under employee equity incentive plans | 13,866 | 9,987 |
| Taxes paid related to net share settlements of stock-based compensation awards | (2,511) | (2,069) |
| Net cash used in financing activities | (38,817) | (1,778) |
| Effect of exchange rate changes on cash and cash equivalents | 3,534 | (870) |
| Net increase in cash and cash equivalents | 3,002 | 16,805 |
| Cash and cash equivalents, beginning of period | 76,958 | 53,331 |
| Cash and cash equivalents, end of period | $ 79,960 | $ 70,136 |

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

## Note 1 — Interim Consolidated Financial Statements

*Basis of Presentation*

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted 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 accounting principles generally accepted in the United States of America. 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, 2016. 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, 2017 may not be indicative of the results for the year ending December 31, 2017, or any other period.

*Fair Value Measurements*

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short-term maturities. See Note 3 – Marketable Investments - for the fair value of the Company's marketable investments.

*Adoption of New Accounting Pronouncements*

The Company adopted the guidance in Accounting Standards Update ("ASU") No. 2016-09, *Compensation - Stock Compensation - Improvements to Employee Share-Based Payment Accounting*, on January 1, 2017. Under this standard, entities are permitted to make an accounting policy election to either estimate forfeitures on share-based payment awards, as previously required, or to recognize forfeitures as they occur. The Company has elected to recognize forfeitures as they occur and the impact of that change in accounting policy has been recorded as a $0.2 million cumulative effect adjustment to increase retained earnings as of January 1, 2017.

Additionally, ASU No. 2016-09 requires that all income tax effects related to settlements of share-based payment awards be reported in earnings as an increase or decrease to income tax expense. Previously, income tax effects at settlement of an award were reported as an increase (or decrease) to additional paid-in capital to the extent that those benefits were greater than (or less than) the income tax effects reported in earnings during the award's vesting period. The requirement to report those income tax effects in earnings has been applied on a prospective basis to settlements occurring on or after January 1, 2017, and the impact of applying this guidance resulted in a $0.3 million tax benefit for the three and nine months ended September 30, 2017. Application of this guidance may result in fluctuations in the Company's effective tax rate depending on how many options are exercised, how many restricted stock units vest and the volatility of the Company's stock price.

ASU 2016-09 also requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. In addition, the standard requires that cash paid by directly withholding shares for tax withholding purposes be classified as a financing activity in the statement of cash flows. For the nine months ended September 30, 2017, the Company reflected $2.5 million of tax withholding in financing activities. The Company has elected to apply the changes in cash flow classification on a retrospective basis resulting in an increase in operating cash flows, with a corresponding decrease in financing cash flows, of $2.4 million for the nine months ended September 30, 2016, as compared to the amounts previously reported.

The Company elected to early adopt the guidance in ASU No. 2016-16, *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*, on January 1, 2017. The guidance in this standard eliminates for all intra-entity sales of assets other than inventory, the exception under existing standards that permits the tax effects of intra-entity asset transfers to be deferred until the transferred asset is sold to a third party or otherwise recovered through use. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs and any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. As a result, the Company has recorded a $0.5 million cumulative effect adjustment to reduce retained earnings as of January 1, 2017.

**Note 2 — Accumulated Other Comprehensive Income (Loss)**

The components of accumulated other comprehensive income (loss) are as follows (in thousands):

| | Net Unrealized Gain (Loss) on Marketable Investments | Cumulative Translation Adjustment | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|
| Balance at January 1, 2017 | $ (83) | $ (7,490) | $ (7,573) |
| Foreign currency translation | — | 4,905 | 4,905 |
| Unrealized gain on investments, net of tax of $29 | 47 | — | 47 |
| Balance at September 30, 2017 | $ (36) | $ (2,585) | $ (2,621) |

| | Net Unrealized Gain (Loss) on Marketable Investments | Cumulative Translation Adjustment | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|
| Balance at July 1, 2017 | $ (59) | $ (4,186) | $ (4,245) |
| Foreign currency translation | — | 1,601 | 1,601 |
| Unrealized gain on investments, net of tax of $14 | 23 | — | 23 |
| Balance at September 30, 2017 | $ (36) | $ (2,585) | $ (2,621) |

| | Net Unrealized Gain (Loss) on Marketable Investments | Cumulative Translation Adjustment | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|
| Balance at January 1, 2016 | $ (100) | $ (4,726) | $ (4,826) |
| Foreign currency translation | — | (68) | (68) |
| Unrealized gain on investments, net of tax of $46 | 72 | — | 72 |
| Balance at September 30, 2016 | $ (28) | $ (4,794) | $ (4,822) |

| | Net Unrealized Gain (Loss) on Marketable Investments | Cumulative Translation Adjustment | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|
| Balance at July 1, 2016 | $ 20 | $ (4,674) | $ (4,654) |
| Foreign currency translation | — | (120) | (120) |
| Unrealized loss on investments, net of tax of $(33) | (48) | — | (48) |
| Balance at September 30, 2016 | $ (28) | $ (4,794) | $ (4,822) |

**Note 3 — Marketable Investments**

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

| | As of September 30, 2017 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Market Value |
| Federal agency obligations | $ 1,800 | $ — | $ (4) | $ 1,796 |
| Corporate obligations | 52,277 | 7 | (61) | 52,223 |
| Total | $ 54,077 | $ 7 | $ (65) | $ 54,019 |

| | As of December 31, 2016 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Market Value |
| Federal agency obligations | $ 1,800 | $ — | $ (7) | $ 1,793 |
| Corporate obligations | 59,481 | 2 | (129) | 59,354 |
| Total | $ 61,281 | $ 2 | $ (136) | $ 61,147 |

Realized gains and losses on investments are included in earnings and are determined using the specific identification method. Realized gains or losses on the sale of the Company's marketable investments were not material in the three and nine months ended September 30, 2017 and 2016.

The following table summarizes the maturity periods of the marketable investments in the Company's portfolio as of September 30, 2017 (in thousands).

| | FY 2017 | FY 2018 | FY 2019 | Total |
|---|---|---|---|---|
| Federal agency obligations | $ — | $ 1,796 | $ — | $ 1,796 |
| Corporate obligations | 4,000 | 28,559 | 19,664 | 52,223 |
| Total | $ 4,000 | $ 30,355 | $ 19,664 | $ 54,019 |

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, 2017 | | | |
|---|---|---|---|---|
| | Less Than 12 Months | | 12 Months or Greater | |
| | Market Value | Unrealized Losses | Market Value | Unrealized Losses |
| Federal agency obligations | $ - | $ — | $ 1,796 | $ 4 |
| Corporate obligations | 25,039 | 30 | 17,640 | 31 |
| Total | $ 25,039 | $ 30 | $ 19,436 | $ 35 |

| | As of December 31, 2016 | | | |
|---|---|---|---|---|
| | Less Than 12 Months | | 12 Months or Greater | |
| | Market Value | Unrealized Losses | Market Value | Unrealized Losses |
| Federal agency obligations | $ 1,793 | $ 7 | $ — | $ — |
| Corporate obligations | 53,647 | 129 | — | — |
| Total | $ 55,440 | $ 136 | $ — | $ — |

***Fair Value***

The Company measures certain financial assets at fair value on a recurring basis, including cash equivalents and available-for-sale securities. The fair values of these financial assets 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 (cash equivalents and investments) measured at fair value on a recurring basis (in thousands):

| | As of September 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds (1) | $ 763 | $ — | $ — | $ 763 |
| Federal agency obligations | — | 1,796 | — | 1,796 |
| Corporate obligations | — | 52,223 | — | 52,223 |
| Total | $ 763 | $ 54,019 | $ — | $ 54,782 |

| | As of December 31, 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds (1) | $ 2,522 | $ — | $ — | $ 2,522 |
| Federal agency obligations | — | 1,793 | — | 1,793 |
| Corporate obligations | — | 59,354 | — | 59,354 |
| Total | $ 2,522 | $ 61,147 | $ — | $ 63,669 |

(1) Included in cash and cash equivalents.

Level 2 assets consist of the Company's entire portfolio of marketable investments. Level 2 assets have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, typically 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.

**Note 4 — Non-Marketable Investments**

At September 30, 2017 and December 31, 2016, the carrying value of the Company's non-marketable investments, which were composed primarily of interests in technology-related private equity funds, was $1.5 million and $2.8 million, respectively, and is included in other assets in the Consolidated Balance Sheets.

The Company's investments at September 30, 2017 are being accounted for using the equity method as the investments are limited partnerships and the Company has an ownership interest in excess of 5% and, accordingly, the Company records its share of the investee's operating results each period. Losses from non-marketable investments were $0.8 million and $1.0 million during the three and nine months ended September 30, 2017. Losses from non-marketable investments were $1.1 million and $1.2 million during the three and nine months ended September 30, 2016. Losses are included in Losses on investments, net in the Consolidated Statements of Income. At December 31, 2016, the Company's investments also included an investment with a book value of $0.4 million, which was accounted for using the cost method. This investment was fully liquidated during the three months ended March 31, 2017. During the three months ended September 30, 2017, no distributions were received from the funds. During the nine months ended September 30, 2017, distributions of $0.4 million were received from the funds. During the nine months ended September 30, 2016, no distributions were received from the funds.

**Note 5 — Reorganization**

In the first quarter of 2016, the Company implemented a reduction in its workforce of approximately 2% of its employees across various geographies and functions. The Company recorded $1.0 million of severance and related costs for this action during the three months ended March 31, 2016. All costs under this plan were paid during 2016.

**Note 6 — 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 options and vesting of restricted stock units when dilutive.

Basic and diluted weighted average common shares are as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Basic weighted average common shares outstanding | 17,747 | 18,062 | 17,897 | 17,896 |
| Weighted average common equivalent shares | 304 | 373 | 315 | 272 |
| Diluted weighted average common shares outstanding | 18,051 | 18,435 | 18,212 | 18,168 |
| Share based awards excluded from diluted weighted average share calculation as effect would have been anti-dilutive | 27 | 82 | 177 | 910 |

**Note 7 — Stockholders' Equity**

*Equity Plans*

Stock option activity for the nine months ended September 30, 2017 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, 2016 | 1,540 | $ 34.35 | | |
| Granted | — | — | | |
| Exercised | (385) | 32.32 | | |
| Forfeited | (73) | 34.44 | | |
| Outstanding at September 30, 2017 | 1,082 | $ 35.07 | 6.01 | $ 7,332 |
| Exercisable at September 30, 2017 | 771 | $ 34.92 | 5.36 | $ 5,340 |
| Vested and expected to vest at September 30, 2017 | 1,082 | $ 35.07 | 6.01 | $ 7,332 |

Restricted stock unit activity for the nine months ended September 30, 2017 is presented below (in thousands, except per share data):

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested at December 31, 2016 | 539 | $ 35.50 |
| Granted | 241 | 39.58 |
| Vested | (205) | 35.28 |
| Forfeited | (51) | 36.01 |
| Unvested at September 30, 2017 | 524 | $ 37.42 |

*Stock-Based Compensation*

Forrester recognizes the fair value of stock-based compensation in net income 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 thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Cost of services and fulfillment | $ 1,088 | $ 1,077 | $ 3,387 | $ 3,141 |
| Selling and marketing | 170 | 272 | 535 | 695 |
| General and administrative | 920 | 622 | 2,501 | 1,895 |
| Total | $ 2,178 | $ 1,971 | $ 6,423 | $ 5,731 |

Forrester utilizes the Black-Scholes valuation model for estimating the fair value of 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, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Average risk-free interest rate | 0.96% | 0.47% | 0.81% | 0.47% |
| Expected dividend yield | 1.9% | 2.0% | 1.9% | 2.0% |
| Expected life | 0.5 Years | 0.5 Years | 0.5 Years | 0.5 Years |
| Expected volatility | 26% | 26% | 24% | 25% |
| Weighted average fair value | $ 8.50 | $ 7.52 | $ 8.32 | $ 7.75 |

*Dividends*

In the nine months ended September 30, 2017, the Company declared and paid dividends of $10.2 million consisting of a $0.19 per share dividend in each of the first three quarters of 2017. In the nine months ended September 30, 2016, the Company declared and paid dividends of $9.7 million consisting of a $0.18 per share dividend in each of the first three quarters of 2016. In October 2017, the Company declared a dividend of $0.19 per share payable on December 20, 2017 to shareholders of record as of December 6, 2017.

*Treasury Stock*

As of September 30, 2017, Forrester's Board of Directors had authorized an aggregate $485.0 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. In the three and nine months ended September 30, 2017, the Company repurchased approximately 0.1 and 1.1 million shares, respectively, of common stock at an aggregate cost of approximately $3.5 million and $40.0 million, respectively. The Company did not repurchase shares of common stock in the nine months ended September 30, 2016. From the inception of the program through September 30, 2017, Forrester repurchased 16.1 million shares of common stock at an aggregate cost of $464.9 million.

**Note 8 — 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 and tax benefits or expense related to settlements of share-based payment awards 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, 2017 was $6.3 million resulting in an effective tax rate of 32.6% for the period. Income tax expense for the nine months ended September 30, 2016 was $9.1 million resulting in an effective tax rate of 43.4% for the period. The decrease in the effective tax rate during the nine months ended September 30, 2017 compared to the prior year period was primarily due to the recognition of a $1.3 million benefit from the settlement of a tax audit in the first quarter of 2017 and the recognition of approximately $0.3 million of windfall tax benefits from the settlement of options and restricted stock units during the third quarter of 2017. In addition, in 2016 an additional $0.6 million of tax expense was incurred due to a valuation allowance on a capital loss generated from one of the Company's investments. For the full year 2017, the Company anticipates that its effective tax rate will be approximately 35%.

**Note 9 — Operating Segments**

The Research segment includes the costs of the Company's research personnel who are responsible for writing the research and performing the webinars and inquiries for the Company's Research and Connect products. In addition, the research personnel deliver advisory services (such as workshops, speeches and advisory days) and a portion of the Company's project consulting services. Revenue in this segment includes only revenue from advisory services and project consulting services that are delivered by the research personnel in this segment.

The Product segment includes the costs of the product management organization that is responsible for product pricing and packaging and the launch of new products. In addition, this segment includes the costs of the Company's Data, Connect and Events organizations. Revenue in this segment includes all revenue for the Company (including Research and Connect) except for revenue from advisory services and project consulting services that are delivered by personnel in the Research and Project Consulting segments.

The Project Consulting segment includes the costs of the consultants that deliver the majority of the Company's project consulting services. Revenue in this segment includes the project consulting revenue delivered by the consultants in this segment.

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, certain client support expenses, general and administrative expenses, stock-based compensation expense, depreciation expense, adjustments to incentive bonus compensation from target amounts, amortization of intangible assets, reorganization costs, other income, and losses on investments. The accounting policies used by the segments are the same as those used in the consolidated financial statements.

In the first quarter of 2017, the Company modified its internal reporting for the Research and Project Consulting segments to reflect the transfer of revenue and direct costs related to a small consulting team in Asia Pacific from Research to Project Consulting, and to remove from both Research and Project Consulting certain client support activities that are now included within selling, marketing, administrative and other expenses in the table below. Accordingly, the 2016 amounts have been reclassified to conform to the current presentation.

| | Product | Research | Project Consulting | Consolidated |
|---|---|---|---|---|
| **Three Months Ended September 30, 2017** | | | | |
| Research services revenues | $ 54,235 | $ — | $ — | $ 54,235 |
| Advisory services and events revenues | 3,353 | 10,379 | 12,402 | 26,134 |
| Total segment revenues | 57,588 | 10,379 | 12,402 | 80,369 |
| Segment expenses | 9,764 | 11,953 | 6,443 | 28,160 |
| Contribution margin (loss) | 47,824 | (1,574) | 5,959 | 52,209 |
| Selling, marketing, administrative and other expenses | | | | (45,263) |
| Amortization of intangible assets | | | | (197) |
| Reorganization costs | | | | — |
| Other income and losses on investments | | | | (626) |
| Income before income taxes | | | | $ 6,123 |

| | Product | Research | Project Consulting | Consolidated |
|---|---|---|---|---|
| **Three Months Ended September 30, 2016** | | | | |
| Research services revenues | $ 52,727 | $ — | $ — | $ 52,727 |
| Advisory services and events revenues | 2,333 | 10,330 | 12,037 | 24,700 |
| Total segment revenues | 55,060 | 10,330 | 12,037 | 77,427 |
| Segment expenses | 8,884 | 11,586 | 5,522 | 25,992 |
| Contribution margin (loss) | 46,176 | (1,256) | 6,515 | 51,435 |
| Selling, marketing, administrative and other expenses | | | | (43,675) |
| Amortization of intangible assets | | | | (208) |
| Reorganization costs | | | | — |
| Other income and losses on investments | | | | (856) |
| Income before income taxes | | | | $ 6,696 |

| | Product | Research | Project Consulting | Consolidated |
|---|---|---|---|---|
| **Nine Months Ended September 30, 2017** | | | | |
| Research services revenues | $ 160,553 | $ — | $ — | $ 160,553 |
| Advisory services and events revenues | 15,714 | 32,279 | 38,750 | 86,743 |
| Total segment revenues | 176,267 | 32,279 | 38,750 | 247,296 |
| Segment expenses | 32,788 | 36,510 | 18,886 | 88,184 |
| Contribution margin (loss) | 143,479 | (4,231) | 19,864 | 159,112 |
| Selling, marketing, administrative and other expenses | | | | (138,432) |
| Amortization of intangible assets | | | | (582) |
| Reorganization costs | | | | — |
| Other income and losses on investments | | | | (749) |
| Income before income taxes | | | | $ 19,349 |

| | Product | Research | Project Consulting | Consolidated |
|---|---|---|---|---|
| **Nine Months Ended September 30, 2016** | | | | |
| Research services revenues | $ 160,998 | $ — | $ — | $ 160,998 |
| Advisory services and events revenues | 14,191 | 33,244 | 34,216 | 81,651 |
| Total segment revenues | 175,189 | 33,244 | 34,216 | 242,649 |
| Segment expenses | 30,306 | 36,026 | 17,465 | 83,797 |
| Contribution margin (loss) | 144,883 | (2,782) | 16,751 | 158,852 |
| Selling, marketing, administrative and other expenses | | | | (135,463) |
| Amortization of intangible assets | | | | (627) |
| Reorganization costs | | | | (1,026) |
| Other income and losses on investments | | | | (765) |
| Income before income taxes | | | | $ 20,971 |

**Note 10 — Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes all existing revenue recognition requirements, including most industry specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The guidance also includes enhanced disclosure requirements which are intended to help financial statement users better understand the nature, amount, timing and uncertainty of revenue being recognized and the related cash flows. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, which clarifies certain aspects of identifying performance obligations and licensing implementation guidance. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers: Narrow Scope Improvements and Practical Expedients*, which relates to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, noncash consideration and the presentation of sales and other similar taxes collected from customers. In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements: Revenue from Contracts with Customers*, which clarifies several topics including, certain types of transactions that are outside the scope of the new standard, disclosure requirements and balance sheet considerations.

The new standard will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The Company has determined that it will adopt the standard utilizing the modified retrospective method.

In 2016, Forrester established a formal program and cross-functional implementation team to identify, design and implement changes to its accounting systems and policies, business processes and internal controls to support recognition and disclosures under the new standard. The Company believes that it has essentially completed its assessment of how the new standard will affect the Company's revenue recognition for all of its products and services, and will complete its accounting system and business process changes by the end of 2017.

The Company does not anticipate that the standard will have a material impact on its results of operations. The number of performance obligations in the Company's arrangements will not be different under the new standard than under current guidance. Determining standalone selling prices and allocating contract consideration on multiple element arrangements will follow a similar process as the Company's current methodologies of establishing fair value / estimated selling price for our goods and services or allocating total contract consideration under the relative selling price method. Additionally, the timing of revenue recognition will remain substantially unchanged for most products. Subscription based research services revenues will continue to be recognized over time, using the new standard's output method of time elapsed, as Forrester's clients receive and consume the benefits of our services as we transfer control throughout the contract period. Advisory, reprint and events revenues will continue to be recognized at the point in time as control is transferred to the customer, which will generally be when the client has physical possession of the good(s) or upon completion of the service(s). The Company expects that most of its consulting contracts will continue to be recognized over time, while some contracts may be required to be recognized at a point in time upon completion of the project.

The following changes are anticipated under the new standard:

- The Company will no longer record accounts receivable and deferred revenue on its balance sheet when it issues an invoice to a customer for a contract that is cancellable by the customer. For contracts that are cancellable, the Company will only record accounts receivable up to the amount of revenue earned but not yet collected. This change will have the effect of reducing the amount of accounts receivable and deferred revenue on the balance sheet compared to amounts recorded based on current accounting standards. The majority of the Company's contracts are non-cancellable; however, the Company has not yet determined the effect of this change on its balance sheet.
- The timing of revenue recognition for prepaid performance obligations that are expected to expire unused, which may include event tickets, reprints and advisory hours, will change from recognition at the time of expiration under the current standard to recognition in proportion to the pattern of related rights exercised by the customer. The Company currently expects this change to primarily affect the timing of revenue within the quarters of 2018 but does not expect it to have a material effect on the Company's results of operations for the full year of 2018.

Key areas still in process include the evaluation of costs to fulfill contracts and completion and testing of new functionality of the Company's existing software systems that is being implemented as part of this project. The adoption program and all remaining activities, including updates to the Company's systems, processes, policies and controls, are expected to be completed by the end of 2017. In addition, report development and testing for disclosure requirements in 2018 will be completed in the first quarter of 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard requires that all lessees recognize the assets and liabilities that arise from leases on the balance sheet and disclose qualitative and quantitative information about its leasing arrangements. The new standard will be effective for the Company on January 1, 2019. The adoption of this standard is expected to have a material impact on the Company's financial position as virtually all leases will be recorded on the balance sheets as a right-of-use asset and a lease liability. The Company is currently evaluating the potential impact that this standard may have on its results of operations.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new standard amends the current financial instrument impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The new standard will be effective for the Company on January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company's financial position or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. The new standard clarifies certain aspects of the statement of cash flows, including contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, and distributions received from equity method investees, among others. The new standard will be effective for the Company on January 1, 2018. The adoption of this standard is not expected to have a material impact on the Company's statements of cash flows upon adoption.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment*. The new standard simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and requires that instead, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The new standard will be effective for the Company on January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company's financial position or results of operations.

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 our plans for anticipated increases in, and productivity of, our sales force and headcount, future growth rates, future tax rates, future operating cash flows, future dividends, future share repurchases and the adequacy of our cash, marketable investments and cash flows to satisfy our working capital and capital expenditures. These statements are based on our 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, our ability to retain and enrich memberships for our research, data and leadership board products and services, our ability to fulfill existing or generate new project consulting engagements, the impact of our evolving customer engagement model, technology spending, the risks and challenges inherent in international business activities, our ability to offer new products and services, our dependence on key personnel, our ability to realize anticipated benefits from internal reorganizations, the ability to attract and retain qualified professional staff, our ability to respond to business and economic conditions and market trends, the possibility of network disruptions and security breaches, competition and industry consolidation, our ability to enforce and protect our intellectual property rights, compliance with privacy laws, possible variations in our quarterly operating results, taxation risks, concentration of our stock ownership 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, 2016. 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 memberships to, and sales of, our Research, Connect and Data products and services, performing advisory services and consulting projects, and hosting events. We offer contracts for our Research, Connect and Data products that are typically renewable annually and payable in advance. Membership revenues are recognized as revenue ratably over the term of the contract. Accordingly, a substantial portion of our billings are initially recorded as deferred revenue. Clients purchase advisory services independently and/or to supplement their memberships to our subscription-based products. Billings attributable to advisory services and consulting projects are initially recorded as deferred revenue. Advisory service revenues, such as workshops, speeches and advisory days, are recognized when the customer receives the agreed upon deliverable. Consulting project revenues, which generally are short-term in nature and based upon fixed-fee agreements, are recognized as the services are provided. Event billings 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 and annual fees for cloud-based information technology systems are allocated to these categories according to the number of employees in each group.

Deferred revenue, agreement value, client retention, dollar retention, enrichment and number of clients are metrics that we believe are important to understanding our business. We believe that the amount of deferred revenue, along with the agreement value of contracts to purchase research and advisory services, provide a significant measure of our business activity. We define these metrics as follows:

- **Deferred revenue** — billings in advance of revenue recognition as of the measurement date.
- **Agreement value** — the total revenues recognizable from all contracts in force at a given time (but not including advisory-only contracts), without regard to how much revenue has already been recognized.
- **Client retention** — the percentage of client companies with memberships expiring during the most recent twelve-month period that renewed one or more of those memberships during that same period.
- **Dollar retention** — the total dollar value of client membership contracts expiring during the most recent twelve-month period, which are renewed in whole or in part, as a percentage of the dollar value of all expiring client membership contracts during the same period.
- **Enrichment** — the percentage of the dollar value of client membership contracts renewed during the most recent twelve-month period to the dollar value of the corresponding expiring contracts.

- **Clients** — we aggregate the various divisions and subsidiaries of a corporate parent as a single client and we also aggregate separate instrumentalities of the federal, state, and provincial governments as a single client.

Client retention, dollar retention, and enrichment 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, 2017 | As of September 30, 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| Deferred revenue | $ 132.9 | $ 126.2 | $ 6.7 | 5% |
| Agreement value | $ 237.8 | $ 241.1 | $ (3.3) | (1%) |
| Client retention | 76% | 76% | — | — |
| Dollar retention | 88% | 88% | — | — |
| Enrichment | 94% | 95% | (1) | (1%) |
| Number of clients | 2,393 | 2,482 | (89) | (4%) |

Deferred revenue at September 30, 2017 increased 5% compared to the prior year. The increase in deferred revenue is a result of contract billings in excess of revenue recognized due to an increase in contract bookings. Agreement value decreased 1% at September 30, 2017 compared to the prior year and after adjusting for the effect of foreign currency fluctuations, remained essentially flat compared to the prior year. Client retention rate and dollar retention rate both increased 1% compared to the prior quarter and were essentially flat compared to the prior year period. Enrichment rate, although essentially consistent with the prior quarter, declined 1% compared to the prior year period.

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 accounting principles generally accepted 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 policies and estimates, including but not limited to, those related to our revenue recognition, non-marketable investments, goodwill and other intangible assets, and income taxes. Management bases its estimates on historical experience, data available at the time the estimates are made and various other 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 other critical accounting policies and estimates are described in our Annual Report on Form 10-K for the year ended December 31, 2016.

**Results of Operations**

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | |
| Research services | 67.5% | 68.1% | 64.9% | 66.4% |
| Advisory services and events | 32.5 | 31.9 | 35.1 | 33.6 |
| Total revenues | 100.0 | 100.0 | 100.0 | 100.0 |
| Operating expenses: | | | | |
| Cost of services and fulfillment | 40.4 | 38.6 | 40.8 | 39.3 |
| Selling and marketing | 36.4 | 35.8 | 36.5 | 36.1 |
| General and administrative | 12.6 | 13.0 | 12.4 | 12.5 |
| Depreciation | 2.0 | 2.5 | 2.0 | 2.5 |
| Amortization of intangible assets | 0.2 | 0.3 | 0.2 | 0.2 |
| Reorganization costs | — | — | — | 0.4 |
| Income from operations | 8.4 | 9.8 | 8.1 | 9.0 |
| Other income, net | 0.2 | 0.3 | 0.1 | 0.1 |
| Losses on investments, net | (1.0) | (1.5) | (0.4) | (0.5) |
| Income before income taxes | 7.6 | 8.6 | 7.8 | 8.6 |
| Income tax provision | 2.7 | 4.6 | 2.5 | 3.7 |
| Net income | 4.9% | 4.0% | 5.3% | 4.9% |

***Three and Nine Months Ended September 30, 2017 and 2016***

***Revenues***

| | Three Months Ended September 30, | | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (dollars in millions) | | | |
| Revenues | $ 80.4 | $ 77.4 | $ 3.0 | 4% |
| Revenues from research services | $ 54.2 | $ 52.7 | $ 1.5 | 3% |
| Revenues from advisory services and events | $ 26.1 | $ 24.7 | $ 1.4 | 6% |
| Revenues attributable to customers outside of the U.S. | $ 19.2 | $ 17.4 | $ 1.8 | 10% |
| Percentage of revenue attributable to customers outside of the U.S. | 24% | 22% | 2 | 9% |
| Number of events | 3 | 3 | — | — |

| | Nine Months Ended September 30, | | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (dollars in millions) | | | |
| Revenues | $ 247.3 | $ 242.6 | $ 4.7 | 2% |
| Revenues from research services | $ 160.6 | $ 161.0 | $ (0.4) | — |
| Revenues from advisory services and events | $ 86.7 | $ 81.7 | $ 5.0 | 6% |
| Revenues attributable to customers outside of the U.S. | $ 55.7 | $ 55.4 | $ 0.3 | 1% |
| Percentage of revenue attributable to customers outside of the U.S. | 23% | 23% | — | — |
| Number of events | 9 | 10 | (1) | (10%) |

Total revenues increased 4% and 2% during the three and nine months ended September 30, 2017 respectively, compared to the prior year periods. After adjusting for the effect of foreign currency fluctuations, the revenue increase was 3% during the three months ended September 30, 2017 and remained at 2% for the nine months ended September 30, 2017. Revenues from customers outside the U.S. increased 10% and 1% during the three and nine months ended September 30, 2017, respectively, compared to the prior year periods and increased 8% and 2%, respectively, after adjusting for the effects of foreign currency fluctuations. Revenues from customers outside of the U.S. represented 24% of total revenues for the three months ended September 30, 2017 and after adjusting for the effect of foreign currency fluctuations, represented 23% of total revenues compared to 22% in the prior year period. The increase in the percentage of revenues attributable to customers outside of the U.S. during the three months ended September 30, 2017 was principally due to an increase in revenues in Canada and the Asia Pacific region. Revenues from customers outside of the U.S. represented 23% of total revenues during the nine months ended September 30, 2017 and remained essentially flat compared to the prior year period, reflecting growth in revenues in the Asia Pacific region that was offset by a decline in revenues in Europe. There was no material effect of foreign currency fluctuations on revenues from customers outside of the U.S. as a percent of total revenues during the nine months ended September 30, 2017.

Research services revenues are recognized as revenue primarily on a ratable basis over the term of the contracts, which are generally twelve-month periods. Research services revenues increased 3% during the three months ended September 30, 2017 and was essentially flat during the nine months ended September 30, 2017, compared to the prior year periods. Currency fluctuations had the effect of increasing revenue growth by 1% in the three months ended September 30, 2017 and had an insignificant effect in the nine months ended September 30, 2017. The increase in revenues for the three months ended September 30, 2017 was primarily driven by an increase in revenue for our Reprints and Connect products. During the nine months ended September 30, 2017, a decline in revenue for our Data products and a slight decline in revenue for our Research products was offset by an increase in revenue for our Reprints and Connect products.

Revenues from advisory services and events increased 6% during both the three and nine months ended September 30, 2017 compared to the prior year periods and increased 5% and 6%, respectively, after adjusting for the effect of foreign currency fluctuations. The increase in revenues for the three months ended September 30, 2017 was principally due to increases in both advisory and events revenues, that was partially offset by a slight decline in consulting revenues. The increase in revenues for the nine months ended September 30, 2017 was principally due to growth in consulting and events revenues. Events revenues increased 158% and 14% during the three and nine months ended September 30, 2017, respectively, compared to the prior year periods. The increase in events revenues during the three months ended September 30, 2017 was primarily due to revenue from a new event held in the U.S. during the current year period that exceeded the decline in revenue resulting from the discontinuation of a small event in the Asia Pacific region. The increase in events revenues during the nine months ended September 30, 2017 was due an increase in sponsorship revenues that offset having held one less event in the Asia Pacific region in the current year compared to the prior year.

Please 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, 2017 | Three Months Ended September 30, 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| Cost of services and fulfillment (dollars in millions) | $ 32.5 | $ 29.9 | $ 2.6 | 9% |
| Cost of services and fulfillment as a percentage of total revenues | 40.4% | 38.6% | 1.8 | 5% |
| Service and fulfillment employees (at end of period) | 593 | 571 | 22 | 4% |

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| Cost of services and fulfillment (dollars in millions) | $ 100.8 | $ 95.4 | $ 5.4 | 6% |
| Cost of services and fulfillment as a percentage of total Revenues | 40.8% | 39.3% | 1.5 | 4% |

Cost of services and fulfillment expenses increased 9% during the three months ended September 30, 2017 compared to the prior year period and after adjusting for the effect of foreign currency fluctuations, increased 8%. The increase in dollars was primarily due to (1) a $1.4 million increase in compensation and benefit costs, resulting principally from an increase in employees compared to the prior year period and annual merit increases, (2) a $0.3 million increase in event expenses and (3) a $0.5 million increase in professional services costs.

Cost of services and fulfillment expenses increased 6% during the nine months ended September 30, 2017 compared to the prior year period and after adjusting for the effect of foreign currency fluctuations, increased 7%. The increase in dollars was primarily due to (1) a $2.8 million increase in compensation and benefit costs, resulting principally from an increase in employees compared to the prior year period and annual merit increases, (2) a $1.0 million increase in event expenses and (3) a $0.7 million increase in professional services costs.

*Selling and Marketing*

| | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| Selling and marketing expenses (dollars in millions) | $ 29.2 | $ 27.8 | $ 1.4 | 5% |
| Selling and marketing expenses as a percentage of total revenues | 36.4% | 35.8% | 0.6 | 2% |
| Selling and marketing employees (at end of period) | 589 | 572 | 17 | 3% |

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| Selling and marketing expenses (dollars in millions) | $ 90.4 | $ 87.5 | $ 2.9 | 3% |
| Selling and marketing expenses as a percentage of total revenues | 36.5% | 36.1% | 0.4 | 1% |

Selling and marketing expenses increased 5% during the three months ended September 30, 2017 compared to the prior year period. The increase in dollars was primarily due to a $1.5 million increase in compensation and benefit costs, resulting from an increase in sales employees, annual merit increases, and an increase in incentive bonuses compared to the prior year period. There was no material effect of foreign currency fluctuations on selling and marketing expenses during the three months ended September 30, 2017.

Selling and marketing expenses increased 3% during the nine months ended September 30, 2017 compared to the prior year period and after adjusting for the effect of foreign currency fluctuations, increased 4%. The increase in dollars was primarily due to a $3.4 million increase in compensation and benefit costs, resulting from an increase in sales employees, annual merit increases, an increase in incentive bonuses and an increase in severance costs compared to the prior year period. This increase was partially offset by a $0.8 million decrease in travel and entertainment expenses primarily resulting from a reduction in expense for our annual sales conference.

Subject to the business environment, we expect our sales headcount to increase by 3% to 6% in 2017 as compared to the year ended December 31, 2016.

*General and Administrative*

| | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| General and administrative expenses (dollars in millions) | $ 10.1 | $ 10.1 | $ — | — |
| General and administrative expenses as a percentage of total revenues | 12.6% | 13.0% | (0.4) | (3%) |
| General and administrative employees (at end of period) | 192 | 189 | 3 | 2% |

| | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 | Absolute Increase (Decrease) | Percentage Increase (Decrease) |
|---|---|---|---|---|
| General and administrative expenses (dollars in millions) | $ 30.7 | $ 30.4 | $ 0.3 | 1% |
| General and administrative expenses as a percentage of total revenues | 12.4% | 12.5% | (0.1) | (1%) |

General and administrative expenses remained essentially flat during the three months ended September 30, 2017 compared to the prior year period primarily due to a $0.5 million decrease in professional services expense that was offset by (1) a $0.3 million increase in stock compensation expense and (2) a $0.1 million increase in compensation and benefits costs. There was no material effect of foreign currency fluctuations on general and administrative expenses during the three months ended September 30, 2017.

General and administrative expenses increased 1% during the nine months ended September 30, 2017 compared to the prior year period and after adjusting for the effect of foreign currency fluctuations, increased 2%. The increase in dollars was primarily due to (1) a $0.8 million increase in compensation and benefit costs resulting from an increase in headcount and annual merit increases compared to the prior year period, (2) a $0.6 million increase in stock compensation costs and (3) a $0.2 million increase in hiring and relocation expense. These increases were partially offset by a $1.4 million decrease in professional services expense.

***Depreciation***

Depreciation expense decreased by $0.3 million and $1.2 million during the three and nine months ended September 30, 2017, respectively, compared to the prior year periods primarily due to certain equipment and software assets becoming fully depreciated.

***Amortization of Intangible Assets***

Amortization expense remained essentially consistent during the three and nine months ended September 30, 2017 compared to the prior year periods.

***Reorganization Costs***

During the nine months ended September 30, 2016, we incurred $1.0 million of severance and related benefits costs for a reduction in our workforce of approximately 2% of employees across various geographies and functions. All costs under this plan were paid during 2016.

***Other Income, Net***

Other income, net primarily consists of interest income on our investments as well as gains and losses on foreign currency. The decrease in other income, net of $0.1 million during the three months ended September 30, 2017 compared to the prior year period is primarily due to an increase in foreign currency losses. The decrease in other income, net of $0.1 million during the nine months ended September 30, 2017 compared to the prior year period is primarily due to an increase in foreign currency losses of $0.3 million that was partially offset by an increase in interest income of $0.2 million.

***Losses on Investments, Net***

Losses on investments, net primarily represents our share of equity method investment gains and losses from our technology-related investment funds. The decrease in investment losses during the three and nine months ended September 30, 2017 is primarily due to a decrease in investment losses incurred by the underlying funds as compared to the prior year periods.

***Provision for Income Taxes***

| | Three Months Ended September 30, | | Absolute Increase | Percentage Increase |
|---|---|---|---|---|
| | **2017** | **2016** | **(Decrease)** | **(Decrease)** |
| Provision for income taxes (dollars in millions) | $ 2.2 | $ 3.6 | $ (1.4) | (39%) |
| Effective tax rate | 35.4% | 53.5% | (18.1) | (34%) |

| | Nine Months Ended September 30, | | Absolute Increase | Percentage Increase |
|---|---|---|---|---|
| | **2017** | **2016** | **(Decrease)** | **(Decrease)** |
| Provision for income taxes (dollars in millions) | $ 6.3 | $ 9.1 | $ (2.8) | (31%) |
| Effective tax rate | 32.6% | 43.4% | (10.8) | (25%) |

Income tax expense for the nine months ended September 30, 2017 was $6.3 million resulting in an effective tax rate of 32.6% for the period. Income tax expense for the nine months ended September 30, 2016 was $9.1 million resulting in an effective tax rate of 43.4% for the period. The decrease in the effective tax rate during the nine months ended September 30, 2017 compared to the prior year period was due primarily to the recognition of a $1.3 million benefit from the settlement of a tax audit in the first quarter of 2017 and the recognition of approximately $0.3 million of windfall tax benefits from the settlement of options and restricted stock units during the third quarter of 2017. In addition, in 2016 an additional $0.6 million of tax expense was incurred due to a valuation allowance on a capital loss generated from one of our investments. For the full year 2017, we anticipate that our effective tax rate will be approximately 35%.

***Segment Results***

The Research segment includes the costs of our research personnel who are responsible for writing the research and performing the webinars and inquiries for our Research and Connect products. In addition, the research personnel deliver advisory services (such as workshops, speeches and advisory days) and a portion of our project consulting services. Revenue in this segment includes only revenue from advisory services and project consulting services that are delivered by the research personnel in this segment.

The Product segment includes the costs of the product management organization that is responsible for pricing, packaging and the launch of new products. In addition, this segment includes the costs of our Data, Connect and Events organizations. Revenue in this segment includes all of our revenue (including Research and Connect) except for revenue from advisory services and project consulting services that are delivered by personnel in the Research and Project Consulting segments.

The Project Consulting segment includes the costs of the consultants that deliver the majority of our project consulting services. Revenue in this segment includes the project consulting revenue delivered by the consultants in this segment.

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, certain client support expenses, general and administrative expenses, stock-based compensation expense, depreciation expense, adjustments to incentive bonus compensation from target amounts, amortization of intangible assets, reorganization costs, other income, and losses on investments. The accounting policies used by the segments are the same as those used in the consolidated financial statements.

In the first quarter of 2017, we modified our internal reporting for the Research and Project Consulting segments to reflect the transfer of revenue and direct costs related to a small consulting team in Asia Pacific from Research to Project Consulting, and to remove from both Research and Project Consulting certain client support activities that are now included within selling, marketing, administrative and other expenses in the table below. Accordingly, the 2016 amounts have been reclassified to conform to the current presentation.

| | Product | Research | Project Consulting | Consolidated |
|---|---|---|---|---|
| **Three Months Ended September 30, 2017** | | | | |
| Research services revenues | $ 54,235 | $ — | $ — | $ 54,235 |
| Advisory services and events revenues | 3,353 | 10,379 | 12,402 | 26,134 |
| Total segment revenues | 57,588 | 10,379 | 12,402 | 80,369 |
| Segment expenses | 9,764 | 11,953 | 6,443 | 28,160 |
| Contribution margin (loss) | 47,824 | (1,574) | 5,959 | 52,209 |
| Year over year revenue change | 5% | — | 3% | 4% |
| Year over year expense change | 10% | 3% | 17% | 8% |

| | Product | Research | Project Consulting | Consolidated |
|---|---|---|---|---|
| **Three Months Ended September 30, 2016** | | | | |
| Research services revenues | $ 52,727 | $ — | $ — | $ 52,727 |
| Advisory services and events revenues | 2,333 | 10,330 | 12,037 | 24,700 |
| Total segment revenues | 55,060 | 10,330 | 12,037 | 77,427 |
| Segment expenses | 8,884 | 11,586 | 5,522 | 25,992 |
| Contribution margin (loss) | 46,176 | (1,256) | 6,515 | 51,435 |

| | Product | Research | Project Consulting | Consolidated |
|---|---|---|---|---|
| **Nine Months Ended September 30, 2017** | | | | |
| Research services revenues | $ 160,553 | $ — | $ — | $ 160,553 |
| Advisory services and events revenues | 15,714 | 32,279 | 38,750 | 86,743 |
| Total segment revenues | 176,267 | 32,279 | 38,750 | 247,296 |
| Segment expenses | 32,788 | 36,510 | 18,886 | 88,184 |
| Contribution margin (loss) | 143,479 | (4,231) | 19,864 | 159,112 |
| Year over year revenue change | 1% | (3%) | 13% | 2% |
| Year over year expense change | 8% | 1% | 8% | 5% |

| | Product | Research | Project Consulting | Consolidated |
|---|---|---|---|---|
| **Nine Months Ended September 30, 2016** | | | | |
| Research services revenues | $ 160,998 | $ — | $ — | $ 160,998 |
| Advisory services and events revenues | 14,191 | 33,244 | 34,216 | 81,651 |
| Total segment revenues | 175,189 | 33,244 | 34,216 | 242,649 |
| Segment expenses | 30,306 | 36,026 | 17,465 | 83,797 |
| Contribution margin (loss) | 144,883 | (2,782) | 16,751 | 158,852 |

Product segment revenues increased 5% and 1% during the three and nine months ended September 30, 2017, respectively, compared to the prior year periods. Research services revenues increased 3% during the three months ended September 30, 2017 and remained essentially flat during the nine months ended September 30, 2017 compared to the prior year periods. The increase in research services revenues for the three months ended September 30, 2017 was principally driven by an increase in revenues for our Reprints and Connect products. During the nine months ended September 30, 2017 a decline in revenues for our Data products and a slight decline in revenues for our Research products were offset by an increase in revenues for our Reprints and Connect products. Advisory services and events revenues, which is comprised of data consulting and events revenues in this segment, increased 44% and 11% during the three and nine months ended September 30, 2017, respectively, compared to the prior year periods. The increase in advisory services and events revenues during the three months ended September 30, 2017 was primarily due to a $0.4 million increase in data consulting revenues and a $0.7 million increase in Events revenues. The increase in Events revenues was primarily due to revenue from a new event held in the U.S. during the current year period that exceeded the decline in revenue resulting from the discontinuation of a small event in the Asia Pacific region. The increase in advisory services and events revenues during the nine months ended September 30, 2017 was primarily due to a $0.8 million increase in data consulting revenues and a $1.0 million increase in Events revenues. The increase in Events revenues was due to an increase in sponsorship revenues that offset having held one less event in the Asia Pacific region in the current year compared to the prior year. Product segment expenses increased 10% and 8% during the three and nine months ended September 30, 2017, respectively, compared to the prior year periods primarily due to an increase in compensation and benefit costs due to an increase in employees and an increase in events expenses driven by increased attendance at the events.

Research segment revenues remained essentially flat during the three months ended September 30, 2017 and declined 3% during the nine months ended September 30, 2017, compared to the prior year periods. During the three months ended September 30, 2017 an increase in advisory revenues was essentially offset by a decrease in consulting revenues. The decline in revenues during the nine months ended September 30, 2017 was principally due to a decrease in consulting revenues that was partially offset by a slight increase in advisory revenues. Research segment expenses increased 3% and 1% during the three and nine months ended September 30, 2017, respectively, compared to the prior year periods. The increase in expenses during the three and nine months ended September 30, 2017 was primarily due to an increase in compensation and benefit costs of $0.5 million and $0.8 million, respectively, compared to the prior year periods.

Project Consulting segment revenues increased 3% and 13% during the three and nine months ended September 30, 2017, respectively, compared to the prior year periods due primarily to growth in our content marketing group, that was partially offset by a decline in revenue from our strategic consulting group. We expect revenue growth rates to be at a single digit level for the fourth quarter of the year. Project Consulting expenses increased 17% and 8% during the three and nine months ended September 30, 2017, respectively, compared to the prior year periods. The increase in expenses during the three months and nine months ended September 30, 2017 was primarily due to an increase in compensation and benefit costs of $0.5 million and $1.0 million, respectively, compared to the prior year periods.

**Liquidity and Capital Resources**

We have historically financed our operations primarily through funds generated from operations. Memberships for research services, which constituted approximately 65% of our revenues during the nine months ended September 30, 2017, are generally renewable annually and are typically payable in advance. We generated cash from operating activities of $36.9 million and $38.3 million during the nine months ended September 30, 2017 and 2016, respectively. The $1.4 million decrease in cash provided from operations for the nine months ended September 30, 2017 was primarily attributable to a $1.7 million decrease in cash generated from working capital. The decrease in cash from working capital was primarily due to increases in cash used for income taxes and cash used for accounts payable that were partially offset by a decrease in the use of cash for accrued salary expense resulting from a change in the timing of payroll payments. We expect cash from operating activities for the full year 2017 to be in the range of $37.0 to $41.0 million.

During the nine months ended September 30, 2017 we generated $1.4 million of cash from investing activities, consisting primarily of $7.0 million in net proceeds from sales and maturities of marketable investments that was partially offset by $5.8 million of purchases of property and equipment. Property and equipment purchases during 2017 consisted primarily of computer equipment, software and leasehold improvements for our new office location in Nashville. During the nine months ended September 30, 2016, we used $18.9 million of cash from investing activities, consisting primarily of $15.5 million in net purchases of marketable investments and $3.3 million of purchases of property and equipment. Property and equipment purchases during 2016 consisted primarily of computer equipment and software.

We used $38.8 million of cash from financing activities during the nine months ended September 30, 2017 primarily due to the use of $40.0 million for purchases of our common stock and $10.2 million for the payment of dividends, at $0.19 per share in each of the first three quarters of 2017 as well as $2.5 million in taxes paid related to net share settlements of restricted stock units, which were partially offset by $13.9 million of proceeds from the exercise of stock options and our employee stock purchase plan. We used $1.8 million of cash from financing activities during the nine months ended September 30, 2016 primarily for the payment of dividends totaling $9.7 million, at $0.18 per share in each of the first three quarters of 2016, as well as $2.1 million in taxes paid related to net share settlements of restricted stock units, which was partially offset by $10.0 million of proceeds from the exercise of stock options and our employee stock purchase plan.

As of September 30, 2017 our remaining stock repurchase authorization was approximately $20.1 million. We plan to repurchase our common stock as market conditions warrant.

As of September 30, 2017, we had cash and cash equivalents of $80.0 million and marketable investments of $54.0 million. These balances include $61.6 million held outside of the U.S. If these funds outside of the U.S. are needed for operations in the U.S., we would be required to accrue and pay U.S. taxes 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 do not currently have a line of credit and do not presently anticipate the need to access a line of credit in the foreseeable future except in the case of a significant acquisition. We believe that our current cash balance, marketable investments, and cash flows from operations will satisfy working capital, financing activities, and capital expenditure requirements for the next twelve months.

**Contractual Obligations**

There have been no material changes to the contractual obligations table as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

**Off-Balance Sheet Arrangements**

We do not maintain any off-balance sheet financing arrangements.

**Recent Accounting Pronouncements**

See Note 1 and Note 10 of 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.

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, 2016.

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, 2017. 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) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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, 2016, 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, 2017, our Board of Directors authorized an aggregate $485.0 million to purchase common stock under our stock repurchase program. During the quarter ended September 30, 2017, we purchased the following shares of our common stock under the stock repurchase program:

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share | Maximum Dollar Value that May Yet be Purchased Under the Stock Repurchase Program (In thousands) |
|---|---|---|---|
| July 1 - July 30 | 32,065 | $ 39.69 | |
| August 1 - August 31 | 26,468 | $ 39.82 | |
| September 1 - September 30 | 30,359 | $ 40.01 | |
| | 88,892 | | $ 20,100 |

(1) All purchases of our common stock were made under the stock repurchase program first announced in 2001.

ITEM 6. EXHIBITS

| | |
|---|---|
| 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 | XBRL Instance Document. (filed herewith) |
| 101.SCH | XBRL Taxonomy Extension Schema. (filed herewith) |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase. (filed herewith) |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase. (filed herewith) |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase. (filed herewith) |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase. (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/ Michael A. Doyle
Michael A. Doyle
Chief Financial Officer
(Principal financial officer)

Date: November 7, 2017

Exhibit Index

| Exhibit No. | Document |
|---|---|
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| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase. (filed herewith) |

**Exhibit 31.1**

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 7, 2017

**Exhibit 31.2**

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael A. Doyle, 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/ MICHAEL A. DOYLE

Michael A. Doyle
Chief Financial Officer
(Principal financial officer)

Date: November 7, 2017

**Exhibit 32.1**

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, 2017, 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 7, 2017

**Exhibit 32.2**

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, 2017, 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/ MICHAEL A. DOYLE
Michael A. Doyle
Chief Financial Officer

Dated: November 7, 2017