

FORRESTER RESEARCH, INC.
Form 10-K
March 08, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

or

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

For the transition period from to

Commission File Number 000-21433

Forrester Research, Inc.

(Exact name of registrant as specified in its charter)

Delaware	04-2797789
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification Number)
60 Acorn Park Drive	02140
Cambridge, Massachusetts	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code:

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(617) 613-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.01 Par Value	Nasdaq Global Select Market

Securities to be registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 requirement for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2018 (based on the closing price as quoted by the Nasdaq National Market as of such date) was approximately \$424,000,000.

As of March 4, 2019, 18,411,000 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement related to its 2019 Annual Stockholders' Meeting to be filed subsequently — Part III of this Form 10-K.

FORRESTER RESEARCH, INC.

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This Annual Report on Form 10-K 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 possible acquisitions, future dividends, future share repurchases, future growth rates and operating income, future financial results of SiriusDecisions, future compliance with financial covenants under our credit facility, anticipated increases in, and productivity of, our sales force and headcount, changes to our customer engagement model, and the adequacy of our cash, 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. Important factors that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements are discussed below under “Risk Factors.” We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Item 1. Business

General

Forrester Research, Inc. is a global independent research, data, and advisory services firm. We work with business and technology leaders to help them develop customer-obsessed strategies that drive growth. Forrester’s unique insights are grounded in annual surveys of more than 675,000 consumers and business leaders worldwide, rigorous and objective research methodologies, and the shared wisdom of our clients. Through proprietary research and data, custom consulting, exclusive executive peer groups and events, Forrester challenges the thinking of its clients and positions them to lead change in their organizations in an era of powerful customers.

We were incorporated in Massachusetts on July 7, 1983 and reincorporated in Delaware on February 16, 1996.

Our Internet address is www.forrester.com. We make available free of charge, on or through the investor information section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

On January 3, 2019, we acquired SiriusDecisions, Inc., a privately held company based in Wilton, Connecticut with approximately 350 employees globally. SiriusDecisions helps companies worldwide by delivering actionable intelligence, transformative frameworks and expert guidance that equip executives to modernize and elevate sales, marketing and product performance. We believe that the combination of our expertise in strategy with SiriusDecisions’ focus on operational excellence will enable our clients to know what they should do, why they should do it, and how to do it. The acquisition creates several opportunities for us, including cross-selling services to our respective client bases, extending SiriusDecisions’ platform, methodologies, data, and best-practices tools into new roles, and accelerating international and industry growth. See Note 15 - Subsequent Events, to the financial statements. The following description of our business reflects our business as of December 31, 2018 and does not reflect the acquisition of SiriusDecisions, other than as explicitly indicated.

Industry Background

Enterprises struggle to keep up with digitally-savvy, empowered customers and maintain differentiation in a disruption-rich market. Technology changes and innovations occur at an increasingly rapid pace. Developing comprehensive and coordinated business strategies is increasingly difficult as consumers and businesses adopt new

methods of buying and selling, and markets grow increasingly dynamic.

Consequently, companies and the professionals in the roles we serve must rely on external sources of independent business advice spanning a variety of areas including but not limited to customer behavior, technology investments, and business strategy. We believe there is a need for objective research, data, advisory and related services that allow our clients to see, interpret, and act to respond to complex market dynamics and the extraordinary pace of technology change.

Forrester's® Strategy

Empowered customers are ushering in a new “Age of the Customer” that we believe will reshape the way organizations succeed and grow. Our differentiated strategy, products, and services are designed to help those enterprises satisfy their increasingly dynamic customer bases.

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Driven by our strategy, we: 1) help our clients stay current with and understand their dynamic customers, 2) advise marketing and strategy executives such as Chief Marketing Officers as they seek to win those customers, and 3) work with technology management executives such as Chief Information Officers as they build systems to satisfy customers. Technology is moving from being a tool for managing and lowering operating costs to a means of generating market opportunities and revenue. Given this shift, today's technology management professionals have two agendas – a traditional back-office agenda of running internal systems, and a business technology (BT) agenda that provides the technology, systems, and processes to win, serve and retain customers. In today's market, we believe few companies will succeed that are unable to capitalize on the full value of business technologies and harness data to deliver differentiated experiences.

Importantly, the three areas where we work with our clients (understanding their customers, winning their customers, and building technology to serve their customers) are highly interrelated in the large organizations that we serve. This creates opportunities to sell add-on products and services to our existing clients. In addition, we believe our go to market strategy is unique, increasing our competitive differentiation.

Our core capabilities combine to deliver a comprehensive set of products and solutions to help our clients compete and win in the Age of the Customer. Our ability to customize our solutions to specific industries provides a powerful method to drive the success of our clients and creates significant opportunities to consistently enrich our relationships with our clients.

Forrester's Solution

We offer a broad set of products and services designed to help our clients win in the Age of the Customer. Our solutions help our clients to:

- Understand trends in consumer behavior and how to capitalize on those trends.
- Benchmark their customer experience.
- Plan strategies to improve their customer experience.
- Develop customer-obsessed cultures that drive growth.
- Assess potential new markets, competitors, products and services, and go-to-market strategies.
 - Anticipate technology-driven business model shifts.
- Educate, inform, and align strategic decision-makers in their organizations.
- Navigate technology purchases and implementation challenges and optimize technology investments, particularly in the BT space.
 - Capitalize on emerging technologies, especially in BT.

Our products and services focus on six market imperatives important to our clients and prospects in the Age of the Customer:

- Drive revenue with continuously improving customer experience – so that customer experience becomes a growth engine for our clients.
- Differentiate with digital – taking the critical step to enable our clients to become digital first companies.
- Accelerate growth with marketing innovation – enabling our clients to expand and excel at engaging and retaining customers.
- Use customer insights to gain a competitive advantage – enabling our clients to anticipate changing customer expectations.
- Transform IT to win, serve and retain customers – so that IT becomes a strategic point of differentiation for our clients.
- Secure customers and protect the brand – so that trust becomes an asset of our clients.

Products and Services

We offer our clients a selection of products, services, and engagement opportunities, which we have branded into five categories: Forrester Research (our core research), Forrester Connect (our peer offerings), Forrester Analytics, Forrester Consulting, and Forrester Events.

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Forrester Research

Forrester's published research and decision tools enable clients to better anticipate and capitalize on the disruptive forces affecting their businesses and organizations. We believe Forrester Research provides insights and frameworks to drive growth in a complex and dynamic market. Our primary syndicated research product, named Research, provides clients with access to our core syndicated research designed to inform their strategic decision-making. Research includes our Playbooks, a set of integrated reports, tools, and guidance for critical business initiatives, and our Reports, designed to deepen clients' understanding of market, customer, and technology trends through data-driven reports, case studies, predictions, and strategic road maps. Our syndicated research also includes The Forrester Wave,TM our primary mechanism for evaluating enterprise technologies. The Forrester Wave provides a detailed analysis of vendors' technologies and services based on transparent, fully accessible criteria, and measurement of characteristics weighted by us. The Forrester Wave allows clients to compare products and develop a custom shortlist based on the client's unique requirements. Since 2017 we have also published Forrester Industry Waves, which evaluate the digital experiences of firms that serve end customers, and Forrester New Waves, which evaluate vendors in emerging markets.

Our Age of the Customer Research offering, which combines our Business Technology (BT) and Marketing and Strategy (M&S) Research offerings, is closely aligned with our strategy of addressing our clients' and prospects' opportunities and challenges in the Age of the Customer. In addition to the Age of the Customer Research offering, our various Research offerings include standalone BT Research and M&S Research, as well as our TI (Technology Industry) Research offering designed specifically for technology vendors. Each of our Research offerings consists of a library of cross-linked documents that interconnect our playbooks, reports, data, product rankings, best practices, evaluation tools, and research archives. Research access is provided through role-based websites that facilitate client access to research and tools that are most relevant to their professional roles, including community tools that allow interaction between and among clients and our analysts.

We also offer clients the opportunity to license electronic "reprints" of designated Research for posting to a client's website(s) for a designated period of time to support a client's marketing or business objectives. Electronic reprints are hosted on an on-line platform that enables interactive content and provides us with improved tracking of distribution of our intellectual property.

Research Methodology

We employ a structured methodology in our research that enables us to identify and analyze business technology trends, markets, and audiences and ensures consistent research quality and recommendations across all coverage areas. We ascertain the issues important to our clients and prospects through thousands of interactions and surveys with technology vendors and business, marketing, and technology professionals, and accordingly, the majority of our research is focused on helping our clients increase their customer focus and grow their business. We use the following primary research inputs:

- Our own proprietary data from our CX IndexTM, Consumer Technographics®, Business Technographics, and ForecastView products.
 - Confidential interviews with early adopters and mainstream users of new technologies across technology, marketing, and strategy roles at end-user companies.
 - In-depth interviews with business technology vendors and suppliers of related services.
 - Ongoing briefings with vendors to review current positions and future directions.
 - Continuous dialogue with our clients to identify business and technology opportunities in the marketplace.
- Collaboration among research, product, data and consulting professionals is an integral part of our process, leading to higher-quality research and a unified perspective. Our global research and product organization supports our client base by facilitating research and product collaboration and quality, promoting a uniform client experience and improved customer satisfaction, and encouraging innovation.

Clients subscribing to our Research offerings may choose between two membership levels:

Member Licenses. Member Licenses include access to the written research, as well as Inquiry with analysts, and access to Forrester Webinars. Inquiry enables clients to contact our analysts for quick feedback on projects they may have underway, to discuss ideas and models in the research, or for answers to questions about unfolding industry events. Typically, Inquiry sessions are 30-minute phone calls, scheduled upon client request, or e-mail responses coordinated through our research specialists. Forrester Webinars are Web-based conferences on selected topics of interest to particular professional roles that typically are held several times a week.

Reader Licenses. Reader Licenses provide access to our written research.

Both Member and Reader clients receive access to our Customer Success Specialists, who provide additional information about our research, methodologies, coverage areas, and sources. The Customer Success Specialists are available to help clients navigate our website, find relevant information, and put clients in contact with the appropriate analyst for inquiries. Clients that subscribe for one or more Member licenses receive one ticket per order to attend a Forrester Event.

We also offer Research Share licenses that allow clients to share a designated number of published pieces of research with a designated number of persons within their organizations.

Forrester Connect

The Forrester Connect offerings are designed to help clients connect with peers and Forrester's professionals, optimize use of our products and services, and to coach executives to lead far-reaching change within their organizations.

Leadership Boards

Our Leadership Boards are exclusive peer groups for executives and other senior leaders at large organizations worldwide. Clients may participate in one or more Leadership Boards. Memberships are available to the Chief Information Officer (CIO) Group, the Chief Marketing Officer (CMO) Group and several Councils for the technology and marketing roles we cover. In addition to a Member license to access the appropriate Research offering, members of our Leadership Boards receive access to the following:

- A private forum for members to test their thinking with peers through local and national meetings, one-to-one and group peer exchanges, and virtual community activities.
- Advisors to challenge members' thinking with insights drawn from peers, our Research, and our analyst community, all designed to help members drive business growth and lead change.
- Member-generated content that includes next and best practices as well as role-specific maturity benchmark data.
- An event ticket to attend one Forrester Event.

Executive Programs

Our Executive Programs provide CMOs and CIOs with personal coaches who help the executives and their teams establish and tackle their most important initiatives. In addition to a Member license for our research offering and one ticket to attend a Forrester Event, our Executive Programs provide on-site strategy workshops, personalized research and analysis, and access to Forrester experts.

We also offer Team Access licenses that allow members of a Leadership Board or Executive Program to assign Member or Reader licenses to individuals within their extended teams to enhance collaboration and access to our Research offerings.

Training and Certification

In 2018 we launched a customer experience (CX) Training and Certification offering, which consists of a six-week online course delivered on a microlearning platform and facilitated by a Forrester course advisor, with optional live one-hour sessions with Forrester analysts. The initial course, called Foundations, enables CX practitioners and other CX proponents within our clients' organizations to learn the core skills needed to carry out a CX program aimed at driving business growth, and the certification provides professional recognition to help these individuals stand out as possessing unique skills in the growing field of CX. Participants in the program engage in hands-on activities that result in deliverables that can be put into practice immediately in their own CX programs.

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Forrester Analytics

Our Analytics products and services are designed to provide fact-based customer insights to our clients. Clients can leverage our Analytics products and services or choose to have us conduct custom data analysis on their behalf. Our Analytics products and services include:

Forrester's Customer Experience (CX) Index. The CX Index, which uses Forrester's rigorous customer experience methodology, is a framework for assessing and measuring the quality of customer experience for nearly 600 brands worldwide. This unique framework provides useful and actionable analysis including a customer experience score, quantitative information about the score, and the most important drivers to improve the customer experience, along with a Business Impact Simulator tool that models out potential revenue uplift to help guide clients' investments in customer experience. We offer two Forrester CX Index packages, consisting of an industry package that provides a benchmark of a particular brand's CX Index scores against its competitors and an add-on best-in-class package that offers deep insights on what distinguishes leading brands. For brands not included in our standard offering, we offer a custom survey approach to build out a CX Index score and deliver our insight recommendations. We deliver the CX Index through an easy-to-use interactive platform that allows clients to customize their CX data based on business needs.

Consumer Technographics. Consumer Technographics is an ongoing quantitative research program, based on surveys of over 400,000 individuals in North America, Europe, Asia Pacific, and Latin America. Marketing and strategy professionals rely on our Consumer Technographics data and analysis for unique insights into how technology impacts their customers' purchase journey, including the way consumers select, purchase, use, and communicate about products and services. We combine respondent data sets from our Consumer Technographics surveys into multiple regional and industry offerings. We deliver Consumer Technographics through an interactive platform that provides access to the data, insights and analytic tools. Additionally, clients may have access to a Technographics data insights manager to help them use the data effectively to meet their specific business needs.

Business Technographics. Business Technographics is an ongoing quantitative research program that provides comprehensive, in-depth assessments of what motivates businesses to choose certain technologies and vendors over others. The offering also measures and reports on the current information consumption patterns of key influencers for large technology purchases. We annually survey more than 70,000 business and technology executives as well as information workers at small, medium and large enterprises in North American, European, and other global markets. Our surveys reveal these firms' technology adoption, trends, budgets, business organization, decision processes, purchase plans, brand preferences, and primary influences in the purchasing process. We deliver Business Technographics through an interactive platform that provides access to the data, insights and analytic tools. Business Technographics' clients may also have access to a dedicated data insights manager to assist in utilizing appropriate data to achieve desired outcomes.

FeedbackNow. Acquired in July of 2018, our FeedbackNow solution consists of devices with physical buttons and associated monitoring software that allows companies to measure, analyze, and improve customer experience. Customers of our clients can provide real-time feedback regarding their experiences by utilizing a simple system of green, yellow and red buttons. This feedback is provided to our clients instantly via the FeedbackNow platform, where it can be analyzed and used to take immediate action to improve the highlighted experiences and business operations.

ForecastView. ForecastView is an ongoing data program that provides a detailed evaluation of market size, based on expert analysis and quantitative insights from our consumer and business surveys. We leverage Technographics demand-side data and supply-side metrics to help clients uncover new business opportunities. Each forecast consists of at least ten years of data: five historic, the current year and four years in the future. We offer global forecasts for e-commerce, digital marketing, mobile applications and platforms markets. ForecastView clients may also have access to ForecastView analysts to assist in utilizing appropriate data to support client business decisions.

Forrester Consulting

Our advisory and project consulting services leverage our Research, Technographics and CX Index data, as well as our proprietary consulting frameworks, to deliver focused insights and recommendations that assist clients with their

challenges in developing and executing technology and business strategy, including customer experience and digital strategy, informing critical decisions and reducing business risk. Our consulting services help clients with challenges addressed in our published research, such as leading customer experience transformations, digital business transformation, and business technology transformations and modernization. We help business and technology professionals conduct maturity assessments, prioritize best practices, develop strategies, build business cases, select technology vendors, and structure organizations. We help marketing professionals at technology vendors develop content marketing strategies, create content marketing collateral, and develop sales tools. We have a dedicated consulting organization to provide professional project consulting services to our clients, utilizing our Forrester Solutions framework and best in class consulting techniques and content development tools, allowing our analysts to spend additional time on writing research and providing shorter-term advisory services.

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Forrester Events

We host multiple events in various locations in North America, Europe and Asia throughout the year. Events bring together executives and other participants serving or interested in the particular subject matter or professional role(s) on which an event focuses. Event participants come together to network with their peers, meet with Forrester analysts, and hear business leaders discuss business and technology issues of interest or significance to the professionals in attendance. Forrester Events focus on business imperatives of significant interest to our clients, including succeeding in the Age of the Customer, customer experience, digital transformation, privacy and security, new technology and innovation, and marketing leadership, and provide immersive experiences to challenge clients' thinking and help clients to lead change.

Sales and Marketing

We sell our products and services through our direct sales force in various locations in North America, Europe, Asia, and Australia. Our sales organization is organized into five groups based on client size, geography and market potential. Our Premier group focuses on our largest vendor and end user clients across the globe and our Core group focuses on small to mid-sized vendor and end user clients. Our European and Asia Pacific groups focus on both end user and vendor clients in their respective geographies. Our International Business Development group sells our products and services through independent sales representatives in select international locations. We employed 528 sales personnel as of December 31, 2018 compared to 539 sales personnel employed as of December 31, 2017. We also sell select Research products directly online through our website.

In 2018, we substantially completed the work commenced in 2016 to evolve our customer engagement model to better serve and engage our clients and prospects and drive profitable growth, extending the model to our European and Asia Pacific groups. Our sales process has moved to a model where we provide different sales engagement and support levels for clients and prospects in our Premier and Core groups. We believe that our customer engagement model changes will improve client and dollar retention and enrichment and accelerate growth.

Our marketing activities are designed to enhance the Forrester brand, differentiate and promote Forrester products and solutions, improve the client experience, and drive growth. We achieve these outcomes by combining the value of analytics, content, social media, public relations, and creative and field marketing, delivering multi-channel campaigns, Forrester Events, and high-quality digital journeys.

As of December 31, 2018, our products and services were delivered to more than 2,300 client companies. No single client company accounted for more than 3% of our 2018 revenues.

Pricing and Contracts

We report our revenue from client contracts in two categories of revenue: (1) research services and (2) advisory services and events. We classify revenue from subscriptions to our Research, Leadership Boards and Executive Programs, and Analytics products and services as research services revenue. We classify revenue from Forrester Consulting, custom Forrester Analytics projects, and Forrester Events as advisory services and events revenue.

Contract pricing for annual memberships for research and/or other subscription-based products is principally a function of the number of licensed users at the client. Pricing of contracts for advisory services generally is a fixed fee for the consulting project or shorter-term advisory service. We periodically review and increase the list prices for our products and services.

We track the agreement value of contracts to purchase our services as a significant business indicator. We calculate agreement value as the total revenues recognizable from all such contracts in force at a given time (excluding contracts that consist solely of advisory and consulting services and the value of Forrester Events sponsorships

included in all contracts), without regard to how much revenue has already been recognized. Agreement value increased 10% to \$266.3 million at December 31, 2018 from \$242.9 million at December 31, 2017.

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Competition

We compete principally in the market for research, data, and advisory services, with an emphasis on customer behavior, customer experience, and the deployment of business technology to win, serve and retain customers. We believe that the principal competitive factors in the markets we participate in include:

- the ability to offer products and services that meet the changing needs of organizations and their executives for research, data, and advisory services;
- comprehensive global data and insights on customer behavior;
- independent analysis and opinions;
- the ability to render our services in digital forms;
- the pricing and packaging of our products and services; and
- customer service, including the quality of professional interactions with our clients.

We believe we compete favorably on these factors due to:

- our differentiated Age of the Customer strategy and portfolio of complementary Age of the Customer products and services;
- our research methodology;
- our experience with and focus on emerging technologies;
- our history of providing research and executable advice on the impact of technology on business; and
- our growing ability to deploy digital products.

Our principal direct competitors include other independent providers of research and advisory services, such as Gartner, as well as marketing agencies, general business consulting firms, survey-based general market research firms, providers of peer networking services, and digital media measurement services. In addition, our indirect competitors include the internal planning and marketing staffs of our current and prospective clients, as well as other information providers such as electronic and print publishing companies. We also face competition from free sources of information available on the Internet, such as Google. Our indirect competitors could choose to compete directly against us in the future. In addition, there are relatively few barriers to entry into certain segments of our market, and new competitors could readily seek to compete against us in one or more of these market segments. Increased competition could adversely affect our operating results through pricing pressure and loss of market share. There can be no assurance that we will be able to continue to compete successfully against existing or new competitors.

Employees

As of December 31, 2018, we employed a total of 1,432 persons, including 559 Research, Connect, Analytics, Consulting and Events staff and 528 sales personnel.

Our culture emphasizes certain key values — including client service, courage, collaboration, integrity and quality — that we believe are critical to our future growth. We promote these values through training and frequent recognition for achievement. We encourage teamwork and promote and recognize individuals who foster these values. New employees participate in a three-day training process that focuses on our Age of the Customer strategy, our products and services, corporate culture, values and goals.

Item 1A. Risk Factors

We operate in a rapidly changing and competitive environment that involves risks and uncertainties, certain of which are beyond our control. These risks and uncertainties could have a material adverse effect on our business and our results of operations and financial condition. These risks and uncertainties include, but are not limited to:

A Decline in Renewals or Demand for Our Membership-Based Research, Connect and Analytics Services. Our success depends in large part upon retaining (on both a client company and dollar basis) and enriching existing memberships for our Research, Connect, and Analytics products and services. Future declines in client retention, dollar retention, and enrichment, or failure to generate demand for and new sales of our membership-based products and services due to competition or otherwise, could have an adverse effect on our results of operations and financial condition.

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Demand for Our Advisory and Consulting Services. Advisory and consulting services revenues comprised 32% of our total revenues in both 2018 and 2017. Consulting engagements generally are project-based and non-recurring. A decline in our ability to fulfill existing or generate new project consulting engagements could have an adverse effect on our results of operations and financial condition.

We may experience difficulties in integrating the operations of acquired companies into our business and in realizing the expected benefits of the acquisitions. The success of our recent acquisitions of SiriusDecisions, FeedbackNow and GlimpzIt will depend in part on our ability to realize the anticipated business opportunities from combining the operations of these companies with our business in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the transaction, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of any of these companies with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the transactions, and our business, results of operations and financial condition could be materially and adversely affected. In addition, our diligence process may have failed to identify significant problems, liabilities or other challenges, and the contractual remedies under the SiriusDecisions purchase agreement and the related representations and warranties insurance policy we purchased prior to the acquisition of SiriusDecisions may not adequately protect or compensate us, which could have an adverse effect on our results of operations and financial condition.

We have outstanding debt which could materially restrict our business and adversely affect our financial condition, liquidity and results of operations. In connection with the SiriusDecisions acquisition, we entered into a credit agreement (the "Credit Agreement") that provides for a \$125 million term loan facility and a \$75 million revolving credit facility. All of the proceeds of the term loans and \$50 million borrowed under the revolving credit facility were used to pay a portion of the purchase price of the acquisition. The debt service requirements of these credit arrangements could impair our future financial condition and operating results. In addition, the affirmative, negative and financial covenants of the Credit Agreement could limit our future financial flexibility. A failure to comply with these covenants could result in acceleration of all amounts outstanding, which could materially impact our financial condition unless accommodations could be negotiated with our lenders. No assurance can be given that we would be successful in doing so, or that any accommodations that we were able to negotiate would be on terms as favorable as those currently. The outstanding debt may limit the amount of cash or additional credit available to us, which could restrain our ability to expand or enhance products and services, respond to competitive pressures or pursue future business opportunities requiring substantial investments of additional capital.

We Have Undergone Substantial Internal Reorganizations. As part of our "Age of the Customer" strategy, we have implemented significant sales and other organizational change. Our customer engagement model has moved to a structure where we provide different sales engagement and support levels for clients and prospects in our Premier and Core groups. These changes are designed to improve our retention and enrichment rates and accelerate growth. In 2017, we substantially completed the roll-out of the new model in North America, and in 2018 we extended it to our European and Asia Pacific groups. We have incurred material expenses in connection with these actions. If the changes we are implementing do not have the desired outcomes, this could have an adverse effect on our results of operations and financial condition.

Our Business May be Adversely Affected by the Economic Environment. Our business is in part dependent on technology spending and is impacted by economic conditions. The economic environment may materially and adversely affect demand for our products and services. If conditions in the United States and the global economy were to lead to a decrease in technology spending, or in demand for our products and services, this could have an adverse effect on our results of operations and financial condition.

Our International Operations Expose Us to a Variety of Operational Risks which Could Negatively Impact Our Results of Operations. As of December 31, 2018, we have clients in approximately 60 countries and approximately 23% of our revenue comes from international sales. Our operating results are subject to the risks inherent in international business activities, including challenges in staffing and managing foreign operations, changes in regulatory requirements, compliance with numerous foreign laws and regulations, differences between U.S. and foreign tax rates and laws, fluctuations in currency exchange rates, difficulty of enforcing client agreements, collecting accounts receivable, and protecting intellectual property rights in international jurisdictions. Furthermore, we rely on local independent sales representatives in some international locations. If any of these arrangements are terminated by our representatives or us, we may not be able to replace the arrangement on beneficial terms or on a timely basis, or clients sourced by the local sales representative may not want to continue to do business with us or our new representative.

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Our business could suffer as a result of the United Kingdom's decision to end its membership in the European Union. Our London office serves as our European headquarters and is our second largest location in terms of headcount. The decision of the United Kingdom to exit from the European Union (generally referred to as "Brexit") could cause disruptions to and create uncertainty surrounding both this office and our business generally, including affecting our relationships with existing and potential customers, suppliers, and employees. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. The measures could potentially disrupt some of our target markets and jurisdictions in which we operate, and adversely change tax benefits or liabilities in these or other jurisdictions. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations, as the United Kingdom determines which European Union laws to replace or replicate. Brexit also may create global economic uncertainty, which may cause our customers and potential customers to monitor their costs and reduce their budgets for our products and services. Any of these effects of Brexit, among others, could materially adversely affect our results of operations and financial condition.

Ability to Develop and Offer New Products and Services. Our future success will depend in part on our ability to offer new products and services. These new products and services must successfully gain market acceptance by anticipating and identifying changes in client requirements and changes in the technology industry and by addressing specific industry and business organization sectors. The process of internally researching, developing, launching and gaining client acceptance of a new product or service, or assimilating and marketing an acquired product or service, is risky and costly. We may not be able to introduce new, or assimilate acquired, products or services successfully. Our failure to do so would adversely affect our ability to maintain a competitive position in our market and continue to grow our business.

Loss of Key Management. Our future success will depend in large part upon the continued services of a number of our key management employees. The loss of any one of them, in particular George F. Colony, our founder, Chairman of the Board and Chief Executive Officer, could adversely affect our business.

The Ability to Attract and Retain Qualified Professional Staff. Our future success will depend in large measure upon the continued contributions of our senior management team, research and data professionals, consultants, and experienced sales and marketing personnel. Thus, our future operating results will be largely dependent upon our ability to retain the services of these individuals and to attract additional professionals from a limited pool of qualified candidates. Our future success will also depend in part upon the effectiveness of our sales leadership in hiring and retaining sales personnel and in improving sales productivity. We experience competition in hiring and retaining professionals from developers of Internet and emerging-technology products, other research firms, management consulting firms, print and electronic publishing companies and financial services companies, many of which have substantially greater ability, either through cash or equity, to attract and compensate professionals. If we lose professionals or are unable to attract new talent, we will not be able to maintain our position in the market or grow our business.

Failure to Anticipate and Respond to Market Trends. Our success depends in part upon our ability to anticipate rapidly changing technologies and market trends and to adapt our research, data, advisory services, and other related products and services to meet the changing needs of our clients. The technology and commerce sectors that we analyze undergo frequent and often dramatic changes. The environment of rapid and continuous change presents significant challenges to our ability to provide our clients with current and timely analysis, strategies and advice on issues of importance to them. Meeting these challenges requires the commitment of substantial resources. Any failure to continue to provide insightful and timely analysis of developments, technologies, and trends in a manner that meets market needs could have an adverse effect on our market position and results of operations.

We May be Subject to Network Disruptions or Security Breaches that Could Damage Our Reputation and Harm Our Business and Operating Results. We may be subject to network disruptions or security breaches caused by computer viruses, illegal break-ins or hacking, sabotage, acts of vandalism by third parties or terrorism. Our security measures

or those of our third-party service providers may not detect or prevent such security breaches. Any such compromise of our information security could result in the unauthorized publication of our confidential business or proprietary information, cause an interruption in our operations, result in the unauthorized release of customer or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation or damage our reputation, which could harm our business and operating results.

Competition. We compete principally in the market for research, data and advisory services, with an emphasis on customer behavior and customer experience, and the impact of business technology on our clients' business and service models. Our principal direct competitors include other independent providers of research and advisory services, such as Gartner, as well as marketing agencies, general business consulting firms, survey-based general market research firms, providers of peer networking services, and digital media measurement services. Some of our competitors have substantially greater financial and marketing resources than we do. In addition, our indirect competitors include the internal planning and marketing staffs of our current and prospective clients, as well as other information providers such as electronic and print publishing companies. We also face competition from free sources of information available on the Internet, such as Google. Our indirect competitors could choose to compete directly against us in the

future. In addition, there are relatively few barriers to entry into certain segments of our market, and new competitors could readily seek to compete against us in one or more of these market segments. Increased competition could adversely affect our operating results through pricing pressure and loss of market share. There can be no assurance that we will be able to continue to compete successfully against existing or new competitors.

Failure to Enforce and Protect our Intellectual Property Rights. We rely on a combination of copyright, trademark, trade secret, confidentiality and other contractual provisions to protect our intellectual property. Unauthorized third parties may obtain or use our proprietary information despite our efforts to protect it. The laws of certain countries do not protect our intellectual property to the same extent as the laws of the United States and accordingly we may not be able to protect our intellectual property against unauthorized use or distribution, which could adversely affect our business.

Privacy Laws. Privacy laws and regulations, and the interpretation and application of these laws and regulations, in the U.S, Europe and other countries around the world where we conduct business are sometimes inconsistent and frequently changing. For example, the European Union General Data Protection Regulation (GDPR) became enforceable on May 25, 2018. Compliance with these laws, or changing interpretations and application of these laws, could cause us to incur substantial costs or require us to take action in a manner that would be adverse to our business.

Fluctuations in Our Operating Results. Our revenues and earnings may fluctuate from quarter to quarter based on a variety of factors, many of which are beyond our control, and which may affect our stock price. These factors include, but are not limited to:

- Trends in technology and research, data and advisory services spending in the marketplace and general economic conditions.
- The timing and size of new and renewal memberships for our products and services from clients.
- The utilization of our advisory services by our clients.
- The timing of revenue-generating events sponsored by us.
- The introduction and marketing of new products and services by us and our competitors.
- The hiring and training of new research and data professionals, consultants, and sales personnel.
- Changes in demand for our research, data and advisory services.
- Fluctuations in currency exchange rates.
- An increase in the interest rates applicable to our outstanding debt obligations.

As a result, our operating results in future quarters may be below the expectations of securities analysts and investors, which could have an adverse effect on the market price for our common stock. Factors such as announcements of new products, services, offices, acquisitions or strategic alliances by us, our competitors, or in the research, data and professional services industries generally, may have a significant impact on the market price of our common stock. The market price for our common stock may also be affected by movements in prices of stocks in general.

Taxation Risks. We operate in numerous jurisdictions around the world. A portion of our income is generated outside of the United States and is taxed at lower rates than rates applicable to income generated in the U.S. or in other jurisdictions in which we do business. Our effective tax rate in the future, and accordingly our results of operations and financial position, could be adversely affected by changes in applicable tax law or if more of our income becomes taxable in jurisdictions with higher tax rates.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was enacted in the United States. The changes included in the Act are broad and complex. The final transition impacts of the Act may differ from the estimates provided elsewhere in this report, possibly materially, due to, among other things, changes in interpretations of the Act, any legislative action to address questions that arise because of the Act, any changes in accounting standards for income taxes or related interpretations in response to the Act, or any updates or changes to estimates we have utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates and foreign

exchange rates of foreign subsidiaries. Our estimated impacts of the new law are based on our current knowledge and assumptions, and recognized impacts could be materially different from current estimates based on our actual results in future periods and our further analysis of the Act.

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Concentration of Ownership. Our largest stockholder is our Chairman and CEO, George F. Colony, who owns approximately 42% of our outstanding stock. This concentration of ownership enables Mr. Colony to strongly influence or effectively control matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, adoption or amendment of equity plans and approval of significant transactions such as mergers, acquisitions, consolidations and sales or purchases of assets. This concentration of ownership may also limit the liquidity of our stock. As a result, efforts by stockholders to change the direction, management or ownership of Forrester may be unsuccessful, and stockholders may not be able to freely purchase and sell shares of our stock.

Any Weakness Identified in Our System of Internal Controls by Us and Our Independent Registered Public Accounting Firm Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 Could Have an Adverse Effect on Our Business. Section 404 of the Sarbanes-Oxley Act of 2002 requires that companies evaluate and report on their systems of internal control over financial reporting. In addition, our independent registered public accounting firm must report on its evaluation of those controls. There can be no assurance that no weakness in our internal control over financial reporting will occur in future periods, or that any such weakness will not have a material adverse effect on our business or financial results, including our ability to report our financial results in a timely manner.

Item 1B. Unresolved Staff Comments

We have not received written comments from the Securities and Exchange Commission that remain unresolved.

Item 2. Properties

Our corporate headquarters building is comprised of approximately 190,000 square feet of office space in Cambridge, Massachusetts, substantially all of which is currently occupied by the Company. This facility accommodates research, data, marketing, sales, consulting, technology, and operations personnel. The lease term of this facility expires February 28, 2027.

We also rent office space in San Francisco, New York City, Dallas, McLean, Virginia, Nashville, Wilton, Connecticut (the SiriusDecisions headquarters), Amsterdam, Frankfurt, London, Paris, New Delhi, Singapore and Lausanne, Switzerland. Our San Francisco lease is for approximately 19,000 square feet, with a term that expires June 30, 2022. Our New York lease is for approximately 15,200 square feet, with an initial term until January 31, 2021. The Wilton lease is for approximately 42,000 square feet, with an initial term that expires July 31, 2020. The London lease is for approximately 17,800 square feet, with a term that expires September 24, 2021. We also lease office space on a relatively short-term basis in various other locations in North America, Europe, Asia, and Australia.

We believe that our existing facilities are adequate for our current needs and that additional facilities are available for lease to meet future needs.

Item 3. Legal Proceedings

We are not currently a party to any material legal proceedings.

Item 4. Mine Safety Disclosures
Not applicable.

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PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Our common stock is listed on the Nasdaq Global Select Market under the symbol "FORR". During 2017, quarterly dividends of \$0.19 per common share were declared and paid in each of the four quarters during the year. During 2018, quarterly dividends of \$0.20 per common share were declared and paid in each of the four quarters during the year. On November 27, 2018, in conjunction with the announcement of the acquisition of SiriusDecisions, Forrester announced the indefinite suspension of its quarterly dividend program beginning in fiscal year 2019. The actual declaration of any potential future dividends, and the establishment of the per share amount and payment dates for any such future dividends are subject to the discretion of the Board of Directors.

As of March 4, 2019 there were approximately 30 stockholders of record of our common stock. On March 4, 2019 the closing price of our common stock was \$49.54 per share.

Through 2018, our Board of Directors authorized an aggregate \$535.0 million to purchase common stock under our stock repurchase program including \$50.0 million authorized in February 2018. As of December 31, 2018, we had repurchased approximately 16.3 million shares of common stock at an aggregate cost of \$474.9 million, with no repurchases in the three months ended December 31, 2018.

See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters", for information on our equity compensation plans.

The following graph contains the cumulative stockholder return on our common stock during the period from December 31, 2013 through December 31, 2018 with the cumulative return during the same period for the Russell 2000 and the S&P 600 Small Cap Information Technology Index, and assumes that the dividends, if any, were reinvested.

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Item 6. Selected Consolidated Financial Data

The selected financial data presented below is derived from our consolidated financial statements and should be read in connection with those statements.

	Years Ended December 31,				
	2018	2017	2016	2015	2014
(In thousands, except per share amounts)					
Consolidated Statement of Income Data					
Research services	\$228,399	\$216,471	\$215,216	\$210,268	\$207,517
Advisory services and events	129,176	121,202	110,879	103,458	104,545
Total revenues	357,575	337,673	326,095	313,726	312,062
Income from operations	22,425	27,549	30,774	18,827	18,213
Other income and gains (losses) on investments, net	1,100	(178)	(65)	493	176
Net income	\$15,380	\$15,140	\$17,651	\$11,996	\$10,865
Basic income per common share	\$0.85	\$0.84	\$0.98	\$0.67	\$0.58
Diluted income per common share	\$0.84	\$0.83	\$0.97	\$0.66	\$0.57
Basic weighted average shares outstanding	18,091	17,919	17,984	17,927	18,713
Diluted weighted average shares outstanding	18,380	18,240	18,269	18,143	19,007

	As of December 31,				
	2018	2017	2016	2015	2014
(In thousands)					
Consolidated Balance Sheet Data					
Cash, cash equivalents and marketable investments	\$140,296	\$134,123	\$138,105	\$101,106	\$104,535
Working capital	46,108	41,766	45,962	15,274	26,298
Total assets	353,524	345,200	335,785	318,991	332,707
Deferred revenue	135,332	145,207	134,265	140,676	144,568
Total liabilities	201,924	204,011	185,749	191,689	191,105
Cash dividends declared	14,502	13,631	12,987	12,179	11,962

Cash dividends in 2018, 2017, 2016, 2015 and 2014 represent quarterly dividends of \$0.20, \$0.19, \$0.18, \$0.17 and \$0.16 per common share declared and paid during 2018, 2017, 2016, 2015 and 2014, respectively.

The following items impact the comparability of our consolidated data:

On January 1, 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers - ASC 606, using the modified retrospective method. The reported results for 2018 reflect the application of ASC 606, while the reported results for prior years reflect the application of the prior revenue standard - ASC 605, Revenue Recognition. Adoption of ASC 606 had the following effects on our 2018 financial results:

- oan increase of \$1.6 million in total revenues for the year ended December 31, 2018 of which \$1.3 million related to revenues from research services revenues and \$0.3 million related to revenues from advisory services and events.
- oan increase in net income and diluted income per share for the year ended December 31, 2018 by \$1.4 million and \$0.08, respectively.

- oan increase in working capital as of December 31, 2018 of \$4.6 million.

- oa decrease in deferred revenue as of December 31, 2018 of \$14.0 million

On December 22, 2017, the Tax Cuts and Jobs Act was enacted resulting in a decrease in the U.S. corporate tax rate from 35% to 21% for the year ended December 31, 2018 and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. As a result, we have recorded amounts related to the remeasurement of federal deferred tax assets and liabilities of \$1.2 million and the one-time transition tax of \$0.8 million, of which \$0.4 million and \$1.6 million was recognized during 2018 and 2017, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Overview

We derive revenues from memberships of our Research, Connect and Analytics products and services, licensing electronic "reprints" of our Research, performing advisory services and consulting projects, and hosting Events. We offer contracts for our Research, Connect and Analytics 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. Reprints include an obligation to deliver a customer-selected research document and certain usage data provided through an on-line platform, which represents two performance obligations. Billings for licensing of reprints are initially recorded as deferred revenue. We recognize revenue for the performance obligation for the research document at the time of providing access to the document. We recognize revenue for the performance obligation for the data portion of the reprint ratably over the license term. Clients purchase advisory and consulting 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.

As previously noted, on January 3, 2019, we acquired 100% of the issued and outstanding shares of SiriusDecisions, Inc., a privately held company based in Wilton, Connecticut with approximately 350 employees globally. Pursuant to the terms of the merger agreement, the Company paid \$247.3 million at closing, which included the purchase price of \$245.0 million plus estimated cash acquired, reduced by certain working capital items. Net cash paid, which accounts for the cash acquired of \$7.2 million, was \$240.1 million. We paid for the acquisition with \$175 million of debt and cash on hand. SiriusDecisions helps companies worldwide by delivering actionable intelligence, transformative frameworks and expert guidance that equip executives to modernize and elevate sales, marketing and product performance. See Note 15 - Subsequent Events to the financial statements for more information on the acquisition. Accordingly, this management discussion and analysis of financial condition and results of operations does not include a discussion of SiriusDecisions, other than as explicitly indicated. On or before March 21, 2019, we intend to file a Form 8-K/A that will include (1) an unaudited pro forma combined balance sheet as of December 31, 2018 showing the combination of Forrester and SiriusDecisions as if the acquisition was completed on December 31, 2018 and (2) an unaudited pro forma combined statement of income for the year ended December 31, 2018 showing the combination of Forrester and SiriusDecisions as if the acquisition was completed on January 1, 2018.

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, 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 to purchase our services in force at a given time (excluding contracts that consist solely of advisory or consulting services and the value of Event sponsorships included in all contracts), without regard to how much revenue has already been recognized. No single client accounted for more than 3% of agreement value at December 31, 2018.

• **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.

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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 single clients.

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 December 31, 2018		2017		Absolute Increase (Decrease)	Percentage Increase (Decrease)	
Deferred revenue	\$135.3	\$145.2	\$ (9.9)	(7	%)	
Agreement value	\$266.3	\$242.9	\$ 23.4		10	%	
Client retention	74	% 76	%	(2)	(3	%)
Dollar retention	88	% 88	%	—		—	
Enrichment	101	% 96	%	5		5	%
Number of clients	2,353	2,409	(56)	(2	%)	

	As of December 31, 2017		2016		Absolute Increase (Decrease)	Percentage Increase (Decrease)	
Deferred revenue	\$145.2	\$134.3	\$ 10.9		8	%	
Agreement value	\$242.9	\$238.4	\$ 4.5		2	%	
Client retention	76	% 75	%	1		1	%
Dollar retention	88	% 87	%	1		1	%
Enrichment	96	% 93	%	3		3	%
Number of clients	2,409	2,432	(23)	(1	%)	

The financial information for FeedbackNow has not been incorporated into agreement value, retention, enrichment or client count as of December 31, 2018.

Deferred revenue at December 31, 2018 decreased 7% compared to the prior year and decreased 6% after adjusting for the effect of foreign currency fluctuations. The decrease in deferred revenue resulted from the implementation of the new revenue standard in the first quarter of 2018 that resulted in an approximate 10% reduction in deferred revenue at December 31, 2018 compared to the prior year. Under old GAAP, deferred revenue would have increased approximately 3% as contract billings exceeded revenue for the period. Agreement value at December 31, 2018 increased 10% compared to the prior year and increased 8% after adjusting for the effect of foreign currency fluctuations, representing an increase in the related contract bookings for the year and increased bundling of consulting services with our Research and Connect products.

Deferred revenue at December 31, 2017 increased 8% compared to the prior year and increased 6% after adjusting for the effect of foreign currency fluctuations, due to growth in contract bookings exceeding revenue recognized for the year. Agreement value at December 31, 2017 increased 2% compared to the prior year and increased 3% after adjusting for the effect of foreign currency fluctuations, representing an increase in the related contract bookings for the year.

Dollar retention rates increased 1 percentage point during 2017 to 88% and remained essentially flat during 2018. Client retention rates increased 1 percentage point during 2017 and then declined throughout 2018 by a total of 2

percentage points. Our enrichment metric increased by 3 percentage points during 2017 and continued to improve in each sequential quarter of 2018 resulting in a 5 percentage point improvement during 2018. Enrichment has increased in part due to an increase in our bundling of advisory and consulting services with our subscription products in the product solutions that we offer to our clients.

Critical Accounting Policies and Estimates

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,

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goodwill, intangible and other long-lived assets, and income taxes. Management bases its estimates on historical experience, data available at the time the estimates are made and various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We consider the following accounting policies to be those that require the most subjective judgment or that involve uncertainty that could have a material impact on our financial statements. If actual results differ significantly from management's estimates and projections, there could be a material effect on our financial statements. This is not a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP, with no need for management's judgment in its application. For a discussion of our other accounting policies, see Note 1 of the Notes to Consolidated Financial Statements beginning on page 42.

Revenue Recognition. We generate revenues from memberships to our Research, Connect and Analytics products and services, licensing electronic reprints of our Research, performing advisory services and consulting projects and hosting Events. We execute contracts that govern the terms and conditions of each arrangement. Revenues are recognized when an approved contract with a customer exists, the fees, payment terms, and rights regarding the products or services to be transferred can be identified, it is probable we will collect substantially all of the consideration for the products and services expected to be provided, and we have transferred control of the products and services to the customer. We continually evaluate customers' ability and intention to pay by reviewing factors including the customer's payment history, our ability to mitigate credit risk and experience selling to similarly situated customers.

Our contracts may include either a single promise (referred to as a performance obligation) to transfer a product or service or a combination of multiple promises to transfer products or services. We evaluate the existence of multiple performance obligations within our products and services by using judgement to determine if the customer can benefit from each contractual promise on its own or together with other readily available resources and if the transfer of each contractual promise is separately identifiable from other promises in a contract. When both criteria are met, each promise is accounted for as a separate performance obligation. Revenues from contracts that contain multiple products or services are allocated among the separate performance obligations on a relative basis according to their standalone selling prices. We obtain the standalone selling prices of our products and services based upon an analysis of standalone sales of these products and services during the year. When there is an insufficient history of standalone sales, we use judgment to estimate the standalone selling price, taking into consideration available market conditions, factors used to set list price(s), pricing of similar products, and internal pricing objectives.

The majority of our research services revenues, including our Research, Connect and Analytics subscription products, are recognized ratably over the term of the contract. Certain research services revenues, including revenues from sales of reprints, are recognized as revenue when delivered. Advisory services revenues, such as workshops, speeches and advisory days, are recognized at the point in time the customer receives the agreed upon deliverable and consulting project revenues are recognized over time as the services are provided. Event revenues are recognized upon completion of the Event. Reimbursed out-of-pocket expenses are recorded as advisory services and events revenues.

Our Research subscription products include access to all or a designated portion of our research, and depending on the type of license, unlimited phone or email analyst inquiry, and unlimited participation in Forrester Webinars, all of which are delivered throughout the contract period and are accounted for as a single performance obligation. Annual subscriptions for Leadership Boards include access to the Research offering, access to a private forum with other Leadership Board member peers, access to a Forrester advisor, member-generated content, and one Event ticket. Leadership Boards are accounted for as two performance obligations: (1) the Event ticket and (2) the remaining services that are delivered throughout the contract period. Arrangement consideration is allocated to each obligation based upon their standalone selling prices, which are determined based on standalone sales of Event tickets and the estimated selling price of the remaining services. Our Analytics subscription products include access to designated

survey data products and access to a data advisor, which are delivered throughout the contract period and are accounted for as a single performance obligation. Certain of our Analytics subscription products also include advisory services and these products are accounted for as two performance obligations: (1) the subscription and data advisor and (2) the advisory services. Arrangement consideration is allocated to each obligation based upon its standalone selling price, which is determined based on standalone sales of the advisory services and the estimated selling price of the remaining Analytics services.

We are required to estimate the amount of prepaid performance obligations that will expire unused and recognize revenue for that estimate over the same period the related rights are exercised by our customers. This assessment requires judgment, including estimating the percentage of prepaid rights that will go unexercised and anticipating the impact that future changes to products, pricing and customer engagement will have on actual expirations. We update the estimates used to recognize unexercised rights on a quarterly basis.

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We use judgment to determine the type of costs to obtain our contracts that can be capitalized, primarily commissions. Our revenue recognition determines the timing of commission expenses, as commissions are earned during the month a contract is signed and are deferred and recognized as expense as the related revenue is recognized. We evaluate the recoverability of deferred commissions at each balance sheet date.

Non-Marketable Investments. We hold minority interests in technology-related investment funds with a book value of \$2.5 million at December 31, 2018. These investment funds are not publicly traded, and, therefore, because no established market for these securities exists, the estimate of the fair value of our investments requires significant judgment. These investments are accounted for using the equity method, and as such we record our share of the investee's operating results each period. We review the fair value of our investments on a regular basis to evaluate whether an other-than-temporary impairment in the investment has occurred. We record impairment charges when we believe that an investment has experienced a decline in value that is other-than-temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment's current carrying value, thereby possibly requiring an impairment charge in the future.

Goodwill, Intangible Assets and Other Long-Lived Assets. As of December 31, 2018, we had \$90.1 million of goodwill and intangible assets with finite lives recorded on our Consolidated Balance Sheet. Goodwill is required to be measured for impairment at least annually or whenever events indicate that there may be an impairment. In order to determine if an impairment exists, we compare each of our reporting unit's carrying value to the reporting unit's fair value. Determining the reporting unit's fair value requires us to make estimates of market conditions and operational performance. Absent an event that indicates a specific impairment may exist, we have selected November 30th as the date to perform the annual goodwill impairment test. The annual assessment of goodwill can be based on either a quantitative or qualitative assessment, or a combination of both. We completed the annual goodwill impairment testing as of November 30, 2018 utilizing a quantitative assessment and concluded that the fair values of each of our reporting units continues to significantly exceed their respective carrying values. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our results of operations.

Intangible assets with finite lives as of December 31, 2018 consist of acquired customer relationships, acquired technology, and trade names and were valued according to the future cash flows they are estimated to produce. These assigned values are amortized on a basis which best matches the periods in which the economic benefits are expected to be realized. Tangible assets with finite lives consist of property and equipment, which are depreciated over their estimated useful lives. We continually evaluate whether events or circumstances have occurred that indicate that the estimated remaining useful life of our intangible and long-lived tangible assets may warrant revision or that the carrying value of these assets may be impaired. No such events or circumstances occurred during 2018. To compute whether intangible assets have been impaired, the estimated undiscounted future cash flows for the estimated remaining useful life of the assets are compared to the carrying value. To the extent that the future cash flows are less than the carrying value, the assets are written down to their estimated fair value.

Income Taxes. We recognize deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities as well as operating loss carryforwards (from acquisitions). Such amounts are adjusted as appropriate to reflect changes in the tax rates expected to be in effect when the temporary differences reverse. We record a valuation allowance to reduce our deferred taxes to an amount we believe is more likely than not to be realized. We consider future taxable income and prudent and feasible tax planning strategies in assessing the need for a valuation allowance.

As a global company, we use significant judgment to calculate and provide for income taxes in each of the tax jurisdictions in which we operate. In the ordinary course of our business, there are transactions and calculations undertaken whose ultimate tax outcome cannot be certain. Some of these uncertainties arise as a consequence of transfer pricing for transactions with our subsidiaries and potential challenges to nexus and credit estimates. We estimate our exposure to unfavorable outcomes related to these uncertainties and record a liability based on the probability for such outcomes in accordance with current accounting guidelines.

Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome will not be different from what is reflected in our historical income tax provisions, returns, and accruals. Such differences, or changes in estimates relating to potential differences, could have a material impact on our income tax provision and operating results in the period in which such a determination is made.

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Results of Operations for the years ended December 31, 2018, 2017 and 2016

The following table sets forth our Consolidated Statements of Income as a percentage of total revenues for the years noted.

	Years Ended					
	December 31,					
	2018	2017	2016			
Revenues:						
Research services	63.9 %	64.1 %	66.0 %			
Advisory services and events	36.1	35.9	34.0			
Total revenues	100.0	100.0	100.0			
Operating expenses:						
Cost of services and fulfillment	41.0	40.5	39.3			
Selling and marketing	36.9	36.7	35.9			
General and administrative	12.3	12.4	12.4			
Depreciation	2.2	2.0	2.4			
Amortization of intangible assets	0.3	0.2	0.3			
Acquisition and integration costs	1.0	—	—			
Reorganization costs	—	—	0.3			
Income from operations	6.3	8.2	9.4			
Other income, net	0.2	—	0.2			
Gains (losses) on investments, net	0.1	(0.1)	(0.2)			
Income before income taxes	6.6	8.1	9.4			
Income tax provision	2.3	3.6	4.0			
Net income	4.3 %	4.5 %	5.4 %			

2018 compared to 2017

Revenues

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)
	(dollars in millions)			
Revenues	\$357.6	\$337.7	\$ 19.9	6 %
Revenues from research services	\$228.4	\$216.5	\$ 11.9	6 %
Revenues from advisory services and events	\$129.2	\$121.2	\$ 8.0	7 %
Revenues attributable to customers outside of the U.S.	\$83.4	\$77.6	\$ 5.8	7 %
Percentage of revenue attributable to customers outside of the U.S.	23 %	23 %	—	—
Number of clients (at end of period)	2,353	2,409	(56)	(2 %)

Number of events	15	14	1	7	%
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Total revenues increased 6% during 2018 compared to 2017 and foreign currency fluctuations had an insignificant effect. The new revenue standard had the effect of increasing revenue by \$1.6 million, or 1% compared to the prior year period. Revenues from customers outside of the U.S. increased 7% during 2018 compared to the prior year and increased 6% after adjusting for the effect of foreign currency fluctuations, representing 23% of total revenues in 2018 and reflecting strong growth in the Asia Pacific region and Canada, partially offset by a low growth rate in Europe.

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 6% during 2018 compared to the prior year and increased by 5% after adjusting for the effect of foreign currency fluctuations. The increase reflects growth in our Research, Connect and Analytics products. The growth in our Analytics product was entirely due to the acquisition of FeedbackNow. The new revenue standard had the effect of increasing research services revenue by \$1.3 million, or 1% compared to the prior year period.

Revenues from advisory services and events increased 7% during 2018 compared to the prior year and increased by 6% after adjusting for the effect of foreign currency fluctuations. The increase was due to strong growth in both advisory and Events revenues,

partially offset by slower growth in consulting revenues. The increase in Events revenues was principally due to 15 Events being held in 2018 compared to 14 Events held during the prior year period, and higher sponsorship revenues in 2018 compared to the prior year. The new revenue standard had the effect of increasing advisory services and events revenue by \$0.3 million, or 0.3% compared to the prior year period.

Please refer to the “Segment Results” section below for a discussion of revenue and contribution margin results by segment.

Cost of Services and Fulfillment

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)	
Cost of services and fulfillment (dollars in millions)	\$146.5	\$136.9	\$ 9.6	7	%
Cost of services and fulfillment as a percentage of total					
revenues	41.0 %	40.5 %	0.5	1	%
Service and fulfillment employees (at end of period)	639	602	37	6	%

Cost of services and fulfillment expenses increased 7% in 2018 compared to 2017 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a \$5.7 million increase in compensation and benefit costs, resulting from a 4% increase in the average number of employees, annual merit increases compared to the prior year, and \$1.1 million from the FeedbackNow acquisition, (2) a \$1.2 million increase in Event costs due primarily from 15 Events held in 2018 compared to 14 held during the prior year, (3) a \$1.0 million increase in professional services costs primarily due to an increase in costs for the digitization of our Analytics product, equipment and third-party costs related to FeedbackNow revenue, (4) a \$0.8 million increase in travel costs to support the increase in revenue, and (5) a \$0.8 million increase in software services costs, equipment and facilities costs.

Selling and Marketing

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)	
Selling and marketing expenses (dollars in millions)	\$131.8	\$123.9	\$ 7.9	6	%
Selling and marketing expenses as a percentage of total					
revenues	36.9 %	36.7 %	0.2	1	%
Selling and marketing employees (at end of period)	590	597	(7)	(1	%)

Selling and marketing expenses increased 6% in 2018 compared to 2017 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a \$4.9 million increase in compensation and benefit costs resulting from an increase in the average cost per employee, annual merit increases and increased sales commission expense, (2) a \$1.3 million increase in travel and entertainment expenses primarily resulting from an increase in expense for our annual sales conference, and (3) multiple small increases including an

increase in the allowance for doubtful accounts and an increase in professional services costs. We intend to increase our sales employees by approximately 3% to 5% during 2019 as compared to 2018, excluding the effect of the SiriusDecisions acquisition.

General and Administrative

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)
General and administrative expenses (dollars in millions)	\$43.9	\$41.9	\$ 2.0	5 %
General and administrative expenses as a percentage of				
total revenues	12.3 %	12.4 %	(0.1)	(1 %)
General and administrative employees (at end of period)	203	193	10	5 %

General and administrative expenses increased 5% in 2018 compared to 2017 and after adjusting for the effect of foreign currency fluctuations, increased 4%. The increase in dollars was primarily due to (1) a \$2.0 million increase in salaries and benefits resulting from a 4% increase in the average number of employees (primarily from the acquisition of GlimpzIt), annual merit increases,

and an increase in severance costs, and (2) a \$0.5 million increase in professional services costs due to an increase in consulting services and legal costs. These increases were partially offset by a \$0.3 million decrease in hiring and relocation costs.

Depreciation

Depreciation expense increased by \$1.3 million to \$7.9 million in 2018 as compared to \$6.6 million in 2017 primarily due to additional software assets being put into service.

Amortization of Intangible Assets

Amortization expense increased by \$0.4 million in 2018 as compared to 2017 due to the acquisitions of GlimpzIt and FeedbackNow. We expect amortization expense related to our intangible assets as of December 31, 2018 to be approximately \$0.9 million for the year ending December 31, 2019.

Acquisition and Integration Costs

During the year ended December 31, 2018, we incurred \$3.8 million of acquisition and integration costs. These costs consist of the direct and incremental costs to acquire and integrate the companies as well as certain fair value adjustments related to the acquisitions. The charges primarily consisted of accounting and tax professional fees, valuation services, legal fees, and the increase in the value of the contingent purchase price for FeedbackNow.

Income from Operations

Income from operations decreased \$5.1 million, or 19% during 2018 as compared to the prior year and decreased to 6.3% of total revenues in 2018 from 8.2% in the prior year. The contraction in income from operations as a percentage of total revenues in 2018 was primarily due to the \$3.8 million of acquisition and integration costs during 2018, which represented 1% of total revenues. In addition, cost of services and fulfillment as a percentage of total revenues increased by 50 basis points in 2018 compared to 2017, which was primarily due to the FeedbackNow acquisition.

Other Income, Net

Other income, net primarily consists of interest income on our marketable investments as well as gains and losses on foreign currency. The increase in other income, net during 2018 was due to an increase in interest income of \$0.3 million as compared to 2017.

Gains (Losses) on Investments, Net

Gains (losses) on investments, net include our share of equity method investment gains or losses from our technology-related investment funds and gains or losses from the sale of marketable securities. The increase during 2018 was due to an investment gain of \$0.6 million in 2018 recognized by the underlying funds as compared to an investment loss of \$0.6 million in the prior year.

Provision for Income Taxes

	2018	2017	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Provision for income taxes (dollars in millions)	\$8.1	\$12.2	\$ (4.1)	(33)%

Effective tax rate 34.6% 44.7% (10.1) (23 %)

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a modified territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. In December 2017, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Act. SAB 118 provided a measurement period of one year from the enactment date of the Act for companies to complete the accounting for the income tax effects of the Act. We have

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recorded the income tax effect of the Act for the remeasurement of federal deferred tax assets and liabilities of \$1.2 million of tax expense and the one-time transition tax on the mandatory deemed repatriation of foreign earnings of \$0.8 million (based on cumulative foreign earnings of \$22.6 million), of which \$0.4 million and \$1.6 million was recognized during 2018 and 2017, respectively.

The decrease in the effective tax rate during 2018 as compared to the prior year was primarily due to the reduction in the corporate tax rate from 35% to 21% in 2018 due to the Act (as described above) and the reduction in the tax expense recognized for the implementation of the Act in 2018 as compared to 2017, as described above. In addition, 2017 included a 3.9% increase in our tax rate due to a change in our valuation allowance related to losses on investments. These decreases were partially offset by (1) an increase in non-deductible expenses during 2018 related to acquisition expenses and changes due to the Act, and (2) by a positive audit settlement in 2017 that did not recur in 2018.

2017 compared to 2016

Revenues

	2017	2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)	
	(dollars in millions)				
Revenues	\$337.7	\$326.1	\$ 11.6	4	%
Revenues from research services	\$216.5	\$215.2	\$ 1.3	1	%
Revenues from advisory services and events	\$121.2	\$110.9	\$ 10.3	9	%
Revenues attributable to customers outside of the U.S.	\$77.6	\$73.9	\$ 3.7	5	%
Percentage of revenue attributable to customers outside of the U.S.	23 %	23 %	—	—	
Number of clients (at end of period)	2,409	2,432	(23)	(1	%)
Number of events	14	14	—	—	

Total revenues increased 4% during 2017 compared to 2016 and 3% after adjusting for the effect of foreign currency fluctuations. Revenues from customers outside of the U.S. increased 5% during 2017 compared to the prior year and remained at 5% after adjusting for the effect of foreign currency fluctuations, representing 23% of total revenues in 2017 and reflecting strong growth in the Asia Pacific region, partially offset by low growth rates in Canada and Europe.

Research services revenues increased 1% during 2017 compared to the prior year and foreign currency fluctuations had an insignificant effect on revenue growth. The increase reflects growth in our Connect and Research products partially offset by a decline in revenue in our Analytics products.

Revenues from advisory services and events increased 9% during 2017 compared to the prior year and foreign currency fluctuations had an insignificant effect on revenue growth. The increase was due to 9% growth in our

consulting and advisory products and our Events business.

Please refer to the “Segment Results” section below for a discussion of revenue and contribution margin results by segment.

Cost of Services and Fulfillment

	2017	2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)	
Cost of services and fulfillment (dollars in millions)	\$136.9	\$128.2	\$ 8.7	7	%
Cost of services and fulfillment as a percentage of total					
revenues	40.5 %	39.3 %	1.2	3	%
Service and fulfillment employees (at end of period)	602	602	—	—	

Cost of services and fulfillment expenses increased 7% in 2017 compared to 2016 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a \$5.4 million increase in compensation and benefit costs, resulting from a 3% increase in the average number of employees, an increase in incentive bonus expense and annual

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merit increases compared to the prior year, (2) a \$1.5 million increase in professional services costs due to an increase in outsourced fees related to consulting projects delivered, an increase in fees related to the delivery of reprints on our digital reprint platform, and an increase in costs for the digitization of our Analytics products, and (3) a \$0.8 million increase in Event expenses.

Selling and Marketing

	2017	2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)	
Selling and marketing expenses (dollars in millions)	\$123.9	\$116.9	\$ 7.0	6	%
Selling and marketing expenses as a percentage of total					
revenues	36.7 %	35.9 %	0.8	2	%
Selling and marketing employees (at end of period)	597	584	13	2	%

Selling and marketing expenses increased 6% in 2017 compared to 2016 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to a \$6.7 million increase in compensation and benefit costs resulting from a 3% increase in the average number of employees, annual merit increases, an increase in incentive bonuses and an increase in severance costs compared to the prior year.

General and Administrative

	2017	2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)	
General and administrative expenses (dollars in millions)	\$41.9	\$40.6	\$ 1.3	3	%
General and administrative expenses as a percentage of					
total revenues	12.4 %	12.4 %	—	—	
General and administrative employees (at end of period)	193	192	1	1	%

General and administrative expenses increased 3% in 2017 compared to 2016 and foreign currency fluctuations had an insignificant effect on the growth rate. The increase in dollars was primarily due to (1) a \$1.1 million increase in salaries and benefits resulting from a 4% increase in the average number of employees, annual merit increases, and an increase in incentive bonuses and (2) a \$0.7 million increase in stock compensation expense primarily due to the expansion of our Board of Directors in 2017. These increases were partially offset by a decrease in professional services primarily due to a decrease in legal and accounting expenses.

Depreciation

Depreciation expense decreased by \$1.2 million to \$6.6 million in 2017 as compared to \$7.8 million in 2016 due to certain equipment and software assets becoming fully depreciated.

Amortization of Intangible Assets

Amortization expense remained essentially consistent in 2017 as compared to 2016.

Reorganization Costs

During 2016, we incurred \$1.0 million of severance and related benefits costs for a reduction in our workforce implemented and completed in the first quarter of 2016, that included approximately 2% of employees across various geographies and functions. All costs under this plan were paid during 2016.

Income from Operations

Income from operations decreased \$3.2 million or 10% during 2017 as compared to the prior year and decreased to 8.2% of total revenues in 2017 from 9.4% in the prior year. The contraction in income from operations as a percentage of total revenues in 2017 was due to operating expenses increasing by 5% compared to revenue growth of only 4%. The primary cause of the operating expense increase was a 6% increase in compensation and benefits during 2017 as compared to 2016. Although our year-end headcount

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increased by only 1% compared to 2016, our average headcount for the year increased by 3%. In addition to the headcount increase, we incurred an increase in incentive compensation during 2017.

Other Income, Net

The decrease in other income, net during 2017 was due to foreign currency losses of approximately \$0.6 million during the current year compared to foreign currency gains of approximately \$0.1 million during the prior year. This decrease was slightly offset by an increase in interest income of \$0.3 million as compared to 2016.

Losses on Investments, Net

Losses on investments, net include our share of equity method investment gains or losses from our technology-related investment funds and gains or losses from the sale of marketable securities. The decrease in investment losses during 2017 was due to a decrease in investment losses incurred by the underlying funds as compared to the prior year.

Provision for Income Taxes

	2017	2016	Absolute Increase (Decrease)	Percentage Increase (Decrease)
Provision for income taxes (dollars in millions)	\$12.2	\$13.1	\$ (0.9)	(7 %)
Effective tax rate	44.7%	42.5%	2.2	5 %

The increase in the effective tax rate during 2017 as compared to the prior year was primarily due to \$1.6 million of tax expense in 2017 due to the Act (as described above) which was partially offset by a \$1.3 million tax benefit in 2017 from the settlement of a tax audit.

Segment Results

The Product segment includes the costs of the product management organization that is responsible for pricing and packaging and the launch of new products. In addition, this segment includes the costs of our Analytics, 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 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 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.

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We evaluate reportable segment performance and allocate resources based on segment revenues and expenses. Segment expenses include the direct expenses of each segment organization and exclude selling and marketing expenses, general and administrative expenses, stock-based compensation expense, depreciation expense, adjustments to incentive bonus compensation from target amounts, amortization of intangible assets, reorganization costs, other income and gains (losses) on investments. The accounting policies used by the segments are the same as those used in the consolidated financial statements.

	Product	Research	Project Consulting	Consolidated
Year Ended December 31, 2018				
Research services revenues				
Research	\$ 157,669	\$ —	\$ —	\$ 157,669
Connect	50,820	—	—	50,820
Analytics	19,910	—	—	19,910
Total research services revenues	228,399	—	—	228,399
Advisory services and events revenues				
Advisory services	—	41,086	478	41,564
Consulting services	8,649	10,027	55,465	74,141
Events	13,471	—	—	13,471
Total advisory services and events revenues	22,120	51,113	55,943	129,176
Total segment revenues	250,519	51,113	55,943	357,575
Segment expenses	50,551	51,129	27,981	129,661
Contribution margin (loss)	199,968	(16)	27,962	227,914
Year over year revenue change	5 %	13 %	3 %	6 %
Year over year expense change	12 %	5 %	10 %	9 %

	Product	Research	Project Consulting	Consolidated
Year Ended December 31, 2017				
Research services revenues				
Research	\$ 148,935	\$ —	\$ —	\$ 148,935
Connect	48,798	—	—	48,798
Analytics	18,738	—	—	18,738
Total research services revenues	216,471	—	—	216,471
Advisory services and events revenues				
Advisory services	—	36,074	320	36,394
Consulting services	10,132	8,980	53,941	73,053
Events	11,755	—	—	11,755
Total advisory services and events revenues	21,887	45,054	54,261	121,202
Total segment revenues	238,358	45,054	54,261	337,673
Segment expenses	45,205	48,812	25,477	119,494
Contribution margin (loss)	193,153	(3,758)	28,784	218,179
Year over year revenue change	1 %	1 %	18 %	4 %
Year over year expense change	9 %	3 %	10 %	7 %

Year Ended December 31, 2016	Project			Consolidated
	Product	Research	Consulting	
Research services revenues				
Research	\$ 147,576	\$ —	\$ —	\$ 147,576
Connect	47,291	—	—	47,291
Analytics	20,349	—	—	20,349
Total research services revenues	215,216	—	—	215,216
Advisory services and events revenues				
Advisory services	—	34,392	590	34,982
Consulting services	9,547	10,239	45,284	65,070
Events	10,827	—	—	10,827
Total advisory services and events revenues	20,374	44,631	45,874	110,879
Total segment revenues	235,590	44,631	45,874	326,095
Segment expenses	41,528	47,496	23,141	112,165
Contribution margin (loss)	194,062	(2,865)	22,733	213,930

Product segment revenues increased 5% during 2018 compared to the prior year. Research services revenues increased 6% during 2018 compared to the prior year, reflecting growth in our Research, Connect and Analytics products. The growth in our Analytics product was entirely due to the acquisition of FeedbackNow. The new revenue standard had the effect of increasing research services revenue by \$1.3 million, or 1% during 2018 compared to the prior year period. Advisory services and events revenues, which includes Analytics consulting and Events revenues in this segment, increased \$0.2 million, or 1%, during 2018 compared to the prior year period due to a \$1.7 million increase in Events revenues that was partially offset by a \$1.5 million decrease in Analytics consulting revenues. Product segment expenses increased 12% during 2018 compared to the prior year period. The acquisition of FeedbackNow accounted for 4 percentage points, or \$1.9 million of the increase. In addition, we incurred a \$1.9 million increase in compensation and benefit costs due to an increase in headcount, annual merit increases, and incentive bonuses, and Event costs increased by \$1.1 million in 2018 due primarily to holding 15 events in 2018 compared to 14 in 2017.

Product segment revenues increased 1% during 2017 compared to the prior year. Research services revenues increased 1% during 2017 compared to the prior year, reflecting growth in our Connect and Research products partially offset by a decline in revenue in our Analytics products. Advisory services and events revenues increased \$1.5 million, or 7%, during 2017 compared to the prior year due to a \$0.9 million increase in Events revenues and a \$0.6 million increase in Analytics consulting. Product segment expenses increased 9% during 2017 compared to the prior year period due to a \$2.3 million increase in compensation and benefit costs due to an increase in headcount, annual merit increases, and incentive bonuses. In addition, Event costs increased by \$0.8 million in 2017 due to the holding of larger events, and professional services costs increased by \$0.5 million due to increased spending on the digitization of our Analytics products.

Research segment revenues increased 13% during 2018 compared to the prior year due to growth in both advisory and consulting revenues. Research segment expenses increased by 5% compared to the prior year due primarily to a \$1.8 million increase in compensation and benefit costs due an increase in headcount, annual merit increases, and incentive bonuses.

Research segment revenues increased 1% during 2017 compared to the prior year due to an increase in advisory revenues that was partially offset by a decrease in consulting revenues. The decrease in consulting revenues was due to the consultants in the Project Consulting segment delivering a greater portion of our consulting revenue. Research segment expenses increased by 3% compared to the prior year due primarily to a \$1.5 million increase in compensation and benefit costs due an increase in headcount, annual merit increases, and incentive bonuses.

Project Consulting segment revenues increased 3% during 2018 compared to the prior year as our content marketing group delivered strong revenue growth while our strategy consulting group experienced more moderate growth. Project Consulting segment expenses increased 10% during 2018 compared to the prior year due primarily due to a \$2.0 million increase in compensation and benefit costs due to an increase in headcount, annual merit increases, and incentive bonuses during 2018. We also incurred increases in professional services and travel and entertainment expenses compared to prior year.

Project Consulting segment revenues increased 18% during 2017 compared to the prior year as our content marketing group delivered strong revenue growth while our strategy consulting group experienced more moderate growth. Project Consulting segment expenses increased \$2.3 million, or 10%, during 2017 compared to the prior year due primarily to a \$1.4 million increase in

compensation and benefit costs due to an increase in headcount, annual merit increases, and incentive bonuses during 2017. There was also a \$0.8 million increase in travel and entertainment and outsource fees due to the increased delivery of consulting engagements during the year.

Liquidity and Capital Resources

We have historically financed our operations primarily through funds generated from operations. Research services revenues, which constituted approximately 64% of our revenues during 2018, are generally renewable annually and are typically payable in advance. We generated cash from operating activities of \$38.4 million and \$37.5 million during the years ended December 31, 2018 and 2017, respectively. The \$0.9 million increase in cash provided from operations during 2018 is primarily attributable to (1) a \$3.7 million increase in cash generated from the change in accounts receivable and deferred revenue, which resulted from cash collections exceeding revenue during 2018 in contrast to revenue exceeding cash collections during 2017, (2) a \$3.0 million decrease in net income combined with the effect of non-cash items, and (3) a \$0.2 million increase in cash from working capital.

During 2018, we generated \$40.0 million of cash from investing activities, consisting primarily of \$54.4 million in net sales and maturities of marketable investments as we liquidated our entire portfolio of marketable securities during December 2018 to fund the SiriusDecisions acquisition. We used \$9.3 million for the acquisitions of FeedbackNow and GlimpzIt and also used \$5.1 million for purchases of property and equipment during 2018. Property and equipment purchases during 2018 consisted primarily of software. During 2017, we used \$1.0 million of cash for investing activities, consisting primarily of \$7.9 million of purchases of property and equipment, which was partially offset by \$6.5 million in net sales and maturities of marketable investments. Property and equipment purchases during 2017 consisted primarily of software and leasehold improvements for our Nashville office.

We used \$14.0 million of cash from financing activities during 2018 primarily due to \$14.5 million for the payment of quarterly dividends, consisting of a \$0.20 per share dividend each quarter, \$9.9 million for purchases of our common stock and \$2.5 million in taxes paid related to net share settlements of restricted stock units. These uses were partially offset by \$13.0 million of proceeds received from the exercise of stock options and our employee stock purchase plan. We used \$37.6 million of cash from financing activities during 2017 primarily due to \$40.0 million for purchases of our common stock and \$13.6 million for the payment of quarterly dividends, consisting of a \$0.19 per share dividend each quarter, as well as \$2.5 million in taxes paid related to net share settlements of restricted stock units. These uses were partially offset by \$18.5 million of proceeds received from the exercise of stock options and our employee stock purchase plan. As a result of the acquisition of SiriusDecisions on January 3, 2019 and the related debt incurred to fund the acquisition, we have suspended our dividend program and plan to substantially reduce or eliminate repurchases of our common stock during 2019. We anticipate using excess cash flow during 2019 to reduce the amount outstanding on our revolving credit facility and to pay the scheduled principal payment of \$6.3 million on our term loans. We also anticipate paying approximately \$3.1 million of deferred acquisition purchase price for the FeedbackNow acquisition during 2019.

In February 2018, our Board of Directors increased our stock repurchase authorization by an additional \$50.0 million. As of December 31, 2018, our remaining stock repurchase authorization was approximately \$60.1 million.

As of December 31, 2018, we had cash and cash equivalents of \$140.3 million. This balance includes \$39.9 million held outside of the U.S. In December 2018, we repatriated approximately \$21 million of cash to the U.S. to help fund the SiriusDecisions acquisition, which required us to accrue and pay an immaterial amount of U.S. state taxes. For the remaining funds outside of the U.S., if they are needed for operations in the U.S., we would be required to accrue and pay U.S. state taxes and may be required to pay withholding taxes to foreign jurisdictions to repatriate these funds. However, our intent is to permanently reinvest these funds outside of the U.S. and our current plans do not demonstrate a need to repatriate these funds for our U.S. operations. We believe that our current cash balance and cash flows from operations will satisfy working capital, financing activities, and capital expenditure requirements for the next twelve months.

As of December 31, 2018, we had future contractual obligations as follows:

Contractual Obligations	Total	2019	2020	2021	2022	2023	Thereafter
	(In thousands)						
Operating leases (1)	\$73,035	\$12,498	\$11,762	\$10,145	\$8,552	\$7,856	\$22,222
Fair value of contingent consideration (2)	4,196	1,759	2,437	—	—	—	—
Acquisition holdbacks	2,304	1,305	999	—	—	—	—
Purchase commitments (3)	12,805	10,291	2,514	—	—	—	—
	\$92,340	\$25,853	\$17,712	\$10,145	\$8,552	\$7,856	\$22,222

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- (1) Operating leases comprise of future minimum rental commitments under non-cancellable property leases.
- (2) Refer to Footnote 6 – Fair Value Measurements for the assumptions used to estimate the future amounts owed.
- (3) Purchase commitments principally comprise of contractual commitments for software, outsourced research services and Event venues.

As of December 31, 2018, \$0.4 million of unrecognized tax benefits for uncertain tax positions and the accrual for the related interest, net of the federal benefit, was included in non-current liabilities. These amounts were not included in the table above because we are unable to make a reasonably reliable estimate of when a cash settlement, if any, will occur with a tax authority as the timing of examinations and ultimate resolutions of those examinations is uncertain.

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

See Note 1 – Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements including the expected dates of adoption and effects on results of operations and financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in foreign currency exchange rates. We have historically not used derivative financial instruments.

Foreign Currency Exchange. On a global level, we face exposure to movements in foreign currency exchange rates as we enter into normal business transactions that may be in currencies other than the local currency of our subsidiaries. In addition, transactions and account balances between our U.S. and foreign subsidiaries expose us to currency exchange risk. This exposure may change over time as business practices evolve and could have a material adverse effect on our results of operations. For the years ended December 31, 2018 and 2017, we incurred foreign currency exchange losses of \$0.6 million. For the year ended December 31, 2016, we incurred foreign currency exchange gains of \$0.1 million. Historically, we have not entered into any hedging agreements as we have assessed our exposure to sudden changes in foreign currency exchange rates to be insignificant. However, we may enter into hedging agreements in the future to attempt to mitigate the financial effect of future fluctuations in the euro, British pound or other foreign currencies.

Item 8. Consolidated Financial Statements and Supplementary Data

The financial statements listed in the following Index to Financial Statements are filed as a part of this 2018 Annual Report on Form 10-K.

FORRESTER RESEARCH, INC.

INDEX TO FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Forrester Research, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Forrester Research, Inc. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the

Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

March 8, 2019

We have served as the Company's auditor since 2010.

FORRESTER RESEARCH, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	December 31, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 140,296	\$79,790
Marketable investments (Note 4)	—	54,333
Accounts receivable, net (Note 13)	67,318	70,023
Deferred commissions	15,677	13,731
Prepaid expenses and other current assets	12,802	18,942
Total current assets	236,093	236,819
Property and equipment, net (Note 13)	22,005	25,249
Goodwill (Note 3)	85,165	76,169
Intangible assets, net (Note 3)	4,951	732
Other assets	5,310	6,231
Total assets	\$ 353,524	\$345,200
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 588	\$217
Accrued expenses and other current liabilities (Note 13)	54,065	49,629
Deferred revenue	135,332	145,207
Total current liabilities	189,985	195,053
Non-current liabilities	11,939	8,958
Total liabilities	201,924	204,011
Commitments (Note 8)		
Stockholders' Equity (Note 9):		
Preferred stock, \$0.01 par value		
Authorized - 500 shares; issued and outstanding - none	—	—
Common stock, \$0.01 par value		
Authorized - 125,000 shares		
Issued - 22,951 and 22,432 shares as of December 31, 2018 and 2017, respectively		
Outstanding - 18,320 and 18,041 shares as of December 31, 2018 and 2017, respectively	230	224
Additional paid-in capital	200,696	181,910
Retained earnings	127,717	123,010
Treasury stock - 4,631 and 4,391 shares as of December 31, 2018 and 2017, respectively, at cost	(171,889)	(161,943)
Accumulated other comprehensive loss	(5,154)	(2,012)
Total stockholders' equity	151,600	141,189
Total liabilities and stockholders' equity	\$ 353,524	\$345,200

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)

	Years Ended December 31,		
	2018	2017	2016
Revenues:			
Research services	\$228,399	\$216,471	\$215,216
Advisory services and events	129,176	121,202	110,879
Total revenues	357,575	337,673	326,095
Operating expenses:			
Cost of services and fulfillment	146,502	136,872	128,175
Selling and marketing	131,824	123,917	116,898
General and administrative	43,920	41,906	40,579
Depreciation	7,955	6,648	7,812
Amortization of intangible assets	1,162	781	831
Acquisition and integration costs	3,787	—	—
Reorganization costs	—	—	1,026
Total operating expenses	335,150	310,124	295,321
Income from operations	22,425	27,549	30,774
Other income, net	674	301	740
Gains (losses) on investments, net	426	(479)	(805)
Income before income taxes	23,525	27,371	30,709
Income tax provision	8,145	12,231	13,058
Net income	\$15,380	\$15,140	\$17,651
Basic income per common share	\$0.85	\$0.84	\$0.98
Diluted income per common share	\$0.84	\$0.83	\$0.97
Basic weighted average common shares outstanding	18,091	17,919	17,984
Diluted weighted average common shares outstanding	18,380	18,240	18,269

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Years Ended December 31,		
	2018	2017	2016
Net income	\$15,380	\$15,140	\$17,651
Other comprehensive income (loss), net of taxes:			
Foreign currency translation	(3,257)	5,593	(2,764)
Net change in market value of investments	141	(32)	17
Other comprehensive income (loss)	(3,116)	5,561	(2,747)
Comprehensive income	\$12,264	\$20,701	\$14,904

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock Number of Shares	\$0.01 Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock Number of Shares	Cost	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 2015	21,063	\$ 211	\$ 134,967	\$ 117,135	3,311	\$(120,185)	\$ (4,826)	\$ 127,302
Issuance of common stock under stock plans, including tax effects	656	6	14,626	—	—	—	—	14,632
Stock-based compensation expense	—	—	7,976	—	—	—	—	7,976
Repurchases of common stock	—	—	—	—	47	(1,791)	—	(1,791)
Dividends paid on common shares	—	—	—	(12,987)	—	—	—	(12,987)
Net income	—	—	—	17,651	—	—	—	17,651
Net change in marketable investments, net of tax	—	—	—	—	—	—	17	17
Foreign currency translation	—	—	—	—	—	—	(2,764)	(2,764)
Balance, December 31, 2016	21,719	217	157,569	121,799	3,358	(121,976)	(7,573)	150,036
Issuance of common stock under stock plans, including tax effects	713	7	15,972	—	—	—	—	15,979
Cumulative effect adjustment due to adoption of new accounting pronouncements	—	—	(121)	(298)	—	—	—	(419)
Stock-based compensation expense	—	—	8,490	—	—	—	—	8,490
	—	—	—	—	1,033	(39,967)	—	(39,967)

Repurchases of common stock								
Dividends paid on common shares	—	—	—	(13,631)	—	—	—	(13,631)
Net income	—	—	—	15,140	—	—	—	15,140
Net change in marketable investments,								
net of tax	—	—	—	—	—	—	(32)	(32)
Foreign currency translation	—	—	—	—	—	—	5,593	5,593
Balance, December 31, 2017	22,432	224	181,910	123,010	4,391	(161,943)	(2,012)	141,189
Issuance of common stock under								
stock plans, including tax effects	519	6	10,486	—	—	—	—	10,492
Cumulative effect adjustment due to								
adoption of new accounting								
pronouncements	—	—	—	3,829	—	—	(26)	3,803
Stock-based compensation expense	—	—	8,300	—	—	—	—	8,300
Repurchases of common stock	—	—	—	—	240	(9,946)	—	(9,946)
Dividends paid on common shares	—	—	—	(14,502)	—	—	—	(14,502)
Net income	—	—	—	15,380	—	—	—	15,380
Net change in marketable investments,								
net of tax	—	—	—	—	—	—	141	141
Foreign currency translation	—	—	—	—	—	—	(3,257)	(3,257)
Balance, December 31, 2018	22,951	\$ 230	\$ 200,696	\$ 127,717	4,631	\$(171,889)	\$ (5,154)	\$ 151,600

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	\$15,380	\$15,140	\$17,651
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,955	6,648	7,812
Amortization of intangible assets	1,162	781	831
Net (gains) losses from investments	(426)	479	805
Deferred income taxes	2,931	6,425	2,602
Stock-based compensation	8,300	8,490	7,976
Amortization of premium (discount) on investments	(68)	207	345
Foreign currency (gains) losses	603	632	(81)
Changes in assets and liabilities, net of businesses acquired			
Accounts receivable	2,588	(10,327)	7,963
Deferred commissions	(1,077)	(1,679)	1,477
Prepaid expenses and other current assets	285	(4,146)	861
Accounts payable	172	(1,600)	1,317
Accrued expenses and other liabilities	1,217	7,857	58
Deferred revenue	(604)	8,586	(5,140)
Net cash provided by operating activities	38,418	37,493	44,477
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(9,250)	—	—
Purchases of property and equipment	(5,049)	(7,861)	(4,140)
Purchases of marketable investments	(41,810)	(31,910)	(36,763)
Proceeds from maturities of marketable investments	63,627	31,913	18,271
Proceeds from sales of marketable investments	32,568	6,545	4,815
Other investing activity	—	343	(48)
Net cash provided by (used in) investing activities	40,086	(970)	(17,865)
Cash flows from financing activities:			
Dividends paid on common stock	(14,502)	(13,631)	(12,987)
Repurchases of common stock	(9,946)	(39,967)	(1,791)
Proceeds from issuance of common stock under employee equity incentive plans			
	13,020	18,506	16,734
Taxes paid related to net share settlements of stock-based compensation awards			
	(2,526)	(2,527)	(2,069)
Net cash used in financing activities	(13,954)	(37,619)	(113)
Effect of exchange rate changes on cash and cash equivalents	(4,044)	3,928	(2,872)
Net increase in cash and cash equivalents	60,506	2,832	23,627
Cash and cash equivalents, beginning of year	79,790	76,958	53,331

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Cash and cash equivalents, end of year	\$ 140,296	\$ 79,790	\$ 76,958
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	\$ 4,174	\$ 10,443	\$ 8,507

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

Non-cash investing activities for the year ended December 31, 2018 include \$5.7 million of consideration payable as a result of the acquisition of FeedbackNow. This amount includes \$3.4 million of contingent consideration, \$1.5 million for an indemnity holdback and \$0.8 million for the working capital adjustment. Refer to Note 2 – Acquisitions for further information on these amounts.

FORRESTER RESEARCH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

Principles of Consolidation

Forrester Research, Inc. (“Forrester” or the “Company”) is a global independent research, data, and advisory services firm. Forrester works with business and technology leaders to help them develop customer-obsessed strategies that drive growth. Forrester’s unique insights are grounded in annual surveys of more than 675,000 consumers and business leaders worldwide, rigorous and objective research methodologies, and the shared wisdom of our clients. Through proprietary research and data, custom consulting, exclusive executive peer groups and events, Forrester challenges the thinking of its clients and positions them to lead change in their organizations in an era of powerful customers. The accompanying consolidated financial statements include the accounts of Forrester and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Business Acquisitions

In 2018, Forrester acquired SocialGlimpz, Inc. and S.NOW SA. Refer to Note 2 – Acquisitions, for further information on these acquisitions.

On January 3, 2019, Forrester acquired 100% of the issued and outstanding shares of SiriusDecisions, Inc., a privately-held company based in Wilton, Connecticut for \$247.3 million in cash. Refer to Note 15 – Subsequent Events, for further information on the acquisition.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Forrester considers the more significant of these estimates to be revenue recognition, non-marketable investments, valuation of goodwill, intangible assets and acquired assets and liabilities from business combinations, ongoing impairment reviews of goodwill and intangible assets, and income taxes. On an ongoing basis, management evaluates its estimates. Actual results could differ from these estimates.

Reclassifications

The line item “proceeds from sales and maturities of marketable investments” within the investing activities section of the statement of cash flows has changed from the prior years’ consolidated financial statements to reflect the separate presentation of proceeds from sales and maturities of marketable investments.

Adoption of New Accounting Pronouncements

The Company adopted the guidance in Accounting Standards Update (“ASU”) No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, on January 1, 2018. 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 adoption of this standard did not have a material impact on the Company’s statements of cash flows.

The Company adopted the guidance in ASU No. 2016-18, Statement of Cash Flows: Restricted Cash, on January 1, 2018. The new standard requires restricted cash to be included with cash and cash equivalents when reconciling the beginning and ending amounts on the statement of cash flows. The adoption of this standard did not have an impact on the Company’s statements of cash flows.

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The Company adopted the guidance in ASU No. 2017-01, Business Combinations (ASC 805) – Clarifying the Definition of a Business on January 1, 2018. The new standard amends the current business combinations guidance by clarifying the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The adoption of the standard did not have an impact on the Company's financial position or statement of operations.

The Company elected to adopt the guidance in ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, on January 1, 2018. The new standard allows but does not require, a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the “Act”) enacted on December 22, 2017. The Company elected to make the reclassification adjustment as of the beginning of the period of adoption in the amount of \$26 thousand using the aggregate portfolio approach. The reclassification amount includes the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts at the date of enactment of the Act related to items remaining in accumulated other comprehensive loss.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, Revenue from Contracts with Customers (ASC 606). ASC 606 supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers products or services to customers in an amount that reflects the consideration that the company expects to receive for those products or services. ASC 606 also includes subtopic ASC 340-40, Other Assets and Deferred Costs-Contracts with Customers, which provides guidance on accounting for certain revenue related costs including costs associated with obtaining and fulfilling a contract.

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method. Under this method, the reported results for 2018 reflect the application of ASC 606, while the reported results for 2017 were prepared under the guidance of ASC 605, Revenue Recognition, which is referred to herein as the “previous guidance”. The modified retrospective method requires the cumulative effect of applying the new guidance to all contracts with customers that were not completed as of January 1, 2018 to be recorded as an adjustment to retained earnings as of the adoption date. Forrester considered a contract to be complete if all the revenue was recognized in accordance with the previous guidance that was in effect before the adoption date.

The effect of adopting ASC 606 included a \$7.8 million reduction in deferred revenue, primarily related to prepaid performance obligations that are expected to expire in 2018 and 2019 that would have been recognized in 2017 under the new guidance; a decrease of \$5.5 million in prepaid expenses and other current assets related to deferred survey costs that would have been expensed as incurred in 2017 under the new guidance and the current tax impact of the cumulative effect; an increase of \$0.9 million in deferred commissions related to the capitalization of fringe benefits as incremental costs to obtain customer contracts under the new guidance; and an increase of \$0.6 million in other assets for the deferred tax effect of the cumulative effect. Retained earnings increased by \$3.8 million as a net result of these adjustments.

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The following tables summarize the effect of adopting ASC 606 on the Company's financial statements during and as of the year ended December 31, 2018 (in thousands):

Consolidated Balance Sheet

	As of December 31, 2018	
	Amounts as if Previous Guidance in	
	As Reported	Effect
Accounts receivable, net	\$67,318	\$71,858
Deferred commissions	15,677	14,725
Prepaid expenses and other current assets	12,802	18,587
Total current assets	236,093	245,467
Other assets	5,310	4,748
Total assets	353,524	362,336
Deferred revenue	\$135,332	\$149,344
Total current liabilities	189,985	203,997
Total liabilities	201,924	215,936
Retained earnings	127,717	122,517
Total stockholders' equity	151,600	146,400
Total liabilities and stockholders' equity	353,524	362,336

Total assets were \$8.8 million less than if the previous guidance remained in effect, largely due to the following changes:

- Accounts receivable, net was lower due to the Company excluding invoices issued on cancellable contracts in excess of revenue recognized.
- Deferred commissions were higher due to the capitalization of fringe benefits costs.
- Prepaid expenses and other current assets were lower due to expensing survey costs as incurred and the current period tax effect of the adjustments.

Deferred revenue was \$14.0 million lower due to the accelerated recognition of revenue for estimated unexercised rights, which would have been deferred under the previous guidance until the right expired, and the exclusion of invoices issued on cancellable contracts in excess of revenue recognized.

Consolidated Statement of Income

	Year Ended December 31, 2018	
	Amounts as if Previous Guidance in	
	As Reported	Effect
Revenues:		
Research services	\$228,399	\$227,059
Advisory services and events	129,176	128,872
Total revenues	357,575	355,931
Operating expenses:		
Cost of services and fulfillment	146,502	146,666
Selling and marketing	131,824	131,907
Total operating expenses	335,150	335,397
Income from operations	22,425	20,534
Income before income taxes	23,525	21,634
Income tax provision	8,145	7,652
Net income	15,380	13,982
Basic income per common share	\$0.85	\$0.77
Diluted income per common share	\$0.84	\$0.76

The \$1.6 million increase in total revenues for year ended December 31, 2018 is for estimated future unexercised customer rights that were previously recognized when they occurred. The net impact, including the tax effect, of accounting for revenue and costs to obtain and fulfill customer contracts under the new guidance increased net income and diluted net income per share for the year ended December 31, 2018 by \$1.4 million and \$0.08, respectively.

Consolidated Statement of Comprehensive Income

	Year Ended December 31, 2018	
	Amounts as if Previous Guidance in	
	As Reported	Effect
Net income	\$15,380	\$13,982
Comprehensive income	12,264	10,866

Consolidated Statement of Cash Flows

	Year Ended December 31, 2018	
	Amounts as if Previous Guidance in	
	As Reported	Effect
Cash flows from operating activities:		
Net income	\$15,380	\$13,982
Accounts receivable	2,588	(1,952)
Deferred commissions	(1,077)	(994)
Prepaid expenses and other current assets	285	(43)
Deferred revenue	(604)	5,580

The impact to comprehensive income and cash flows from operating activities are driven by the consolidated balance sheet and income statement changes previously discussed.

Fair Value Measurements

The carrying amounts reflected in the Consolidated Balance Sheets for cash, cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short-term maturities. The Company has certain financial assets and liabilities recorded at fair value at each balance sheet date in accordance with the accounting standards for fair value measurements. Refer to Note 6 – Fair Value Measurements for the Company’s fair value disclosures.

Cash, Cash Equivalents, and Marketable Investments

Forrester considers all short-term, highly liquid investments with original maturities at the time of purchase of 90 days or less to be cash equivalents.

The Company liquidated its entire portfolio of marketable investments in December of 2018 to fund the acquisition of SiriusDecisions on January 3, 2019. Forrester previously accounted for all marketable investments as available-for-sale securities and as such, the marketable investments were carried at fair value with unrealized gains and losses (not related to credit losses) recorded in accumulated other comprehensive loss in the Consolidated Balance Sheets. Realized gains and losses on securities are included in earnings and were determined using the specific identification method. The Company conducted periodic reviews to identify and evaluate each investment that had an unrealized loss, in accordance with the meaning of other-than-temporary impairment and its application to certain investments, as required under current accounting standards. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses on available-for-sale securities that are determined to be temporary, and not related to credit loss, are recorded, net of tax, in accumulated other comprehensive loss. The determination of whether a loss is considered temporary is based in part on whether the Company intends to sell the security or whether the Company would more likely than not be required to sell the security before the expected recovery of the amortized cost basis. During the years ended December 31, 2018, 2017 and 2016, the Company did not record any other-than-temporary impairment losses on its available-for-sale securities.

Concentrations of Credit Risk

Forrester has no off-balance sheet or significant concentration of credit risk such as foreign exchange contracts, option contracts, or other foreign hedging arrangements. Financial instruments that potentially subject Forrester to concentrations of credit risk are principally cash, cash equivalents, and accounts receivable. No single customer accounted for greater than 3% of revenues or 6% of accounts receivable in any of the periods presented.

Goodwill

Goodwill is not amortized; however, it is required to be tested for impairment annually. Furthermore, testing for impairment is required on an interim basis if an event or circumstance indicates that it is more likely than not an impairment loss has been incurred. An impairment loss would be recognized to the extent that the carrying amount of goodwill exceeds its implied fair value. Absent an event that indicates a specific impairment may exist, the Company has selected November 30th as the date for performing the annual goodwill impairment test. Goodwill impairment charges have not been required for the years ended December 31, 2018, 2017 and 2016.

Impairment of Other Long-Lived Tangible and Intangible Assets

Forrester continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful life of long-lived assets and intangible assets may warrant revision or if events or circumstances indicate that the carrying value of these assets may be impaired. To compute whether assets have been impaired, the estimated undiscounted future cash flows for the estimated remaining useful life of the assets are compared to the carrying value. To the extent that the future cash flows are less than the carrying value, the assets are written down to the estimated fair value of the asset. Impairment charges have not been required for the years ended December 31, 2018, 2017 and 2016.

Non-Current Liabilities

The Company records certain liabilities that are expected to be settled over a period that exceeds one year as non-current liabilities. The Company also records as a non-current liability the portion of the deferred rent liability that is expected to be recognized over a period greater than one year. The non-current deferred rent liability at December 31, 2018 and 2017 was \$6.6 million and \$7.5 million, respectively, and results from the difference between cash payments and the straight-line recognition of rent expense under the Company's facility leases.

Foreign Currency

The functional currency of Forrester's wholly-owned subsidiaries is their respective local currency. These subsidiary financial statements are translated to U.S. dollars using period-end exchange rates for assets and liabilities and average exchange rates during the corresponding period for revenues and expenses, with translation gains and losses accumulated as a component of accumulated other comprehensive loss in the Consolidated Balance Sheets. Gains and losses related to the remeasurement of monetary assets and liabilities denominated in a currency other than an entity's functional currency are included in other income, net in the Consolidated Statements of Income. For each of the years ended December 31, 2018 and 2017, Forrester recorded \$0.6 million of foreign exchange losses in other income, net. For the year ended December 31, 2016, Forrester recorded \$0.1 million of foreign exchange gains.

Accumulated Other Comprehensive Loss

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

	Net Unrealized Gain (Loss) on Marketable Investments	Cumulative Translation Adjustment	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2015	\$ (100)	\$ (4,726)	\$ (4,826)
Foreign currency translation before reclassification	—	(2,764)	(2,764)
Unrealized gain on investments, net of tax of \$(14)	17	—	17
Balance at December 31, 2016	(83)	(7,490)	(7,573)
Foreign currency translation	—	5,593	5,593
Unrealized loss on investments, net of tax of \$22	(32)	—	(32)
Balance at December 31, 2017	(115)	(1,897)	(2,012)
Foreign currency translation	—	(3,257)	(3,257)
Reclassification of stranded tax effects from tax reform	(26)	—	(26)
Unrealized gain on investments before reclassification, net of tax of \$(4)	12	—	12
Reclassification adjustment for net losses realized in net income, net of tax of \$(75)	129	—	129
Balance at December 31, 2018	\$ —	\$ (5,154)	\$ (5,154)

Revenue

The Company recognizes revenue when a customer obtains control of promised products or services, in an amount that reflects the consideration expected to be received in exchange for those products or services. The Company follows the five-step model prescribed under ASC 606: (i) identify contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies the performance obligation. Revenues are presented net of any sales or value added taxes collected from customers and remitted to the government.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of the consideration expected to be transferred is probable. The Company applies judgment in determining the customer's ability and intention to pay for services expected to be transferred, which is based on factors including the customer's payment history, management's ability to mitigate exposure to credit risk (for example, requiring payment in advance of the transfer of products or services, or the ability to stop transferring promised products or services in the event a customer fails to pay consideration when due) and experience selling to similarly situated customers. Since the transaction price is fixed and defined as part of entering into a contract, and generally does not change, variable consideration is insignificant.

Performance obligations within a contract are identified based on the products and services promised to be transferred in the contract. When a contract includes more than one promised product or service, the Company must apply judgment to determine whether the promises represent multiple performance obligations or a single, combined performance obligation. This evaluation requires the Company to determine if the promises are both capable of being distinct, where the customer can benefit from the product or service on its own or together with other resources readily available, and are distinct within the context of the contract, where the transfer of products or services is separately identifiable from other promises in the contract. When both criteria are met, each promised product or service is accounted for as a separate performance obligation. In cases where the promises are distinct, the Company is further required to evaluate if the promises are a series of products and services that are substantially the same and have the same pattern of transfer to the customer (referred to as the “series” guidance). When the Company determines that promises meet the series guidance, they are accounted for as a single, combined performance obligation. The number of performance obligations in the Company’s arrangements is not different under ASC 606 than the number of separate units of accounting under previous guidance, as discussed further below.

Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation on a relative basis according to their standalone selling prices. The Company continues to determine standalone selling price based on the price at which the performance obligation is sold separately. If the Company does not have a history of selling a performance obligation, management applies judgment to estimate the standalone selling price, taking into consideration available information, including market conditions, factors considered to set list price, pricing of similar products, and internal pricing objectives. The corresponding allocated revenues are recognized as the performance obligations are satisfied, as discussed below.

Research services revenues

Research services revenues consist primarily of memberships to Research, Connect, and Analytics products. The majority of the Research revenues are annual subscriptions to our research, including access to all or a designated portion of our research and, depending on the type of license, unlimited phone or email analyst inquiry and unlimited participation in Forrester webinars, all of which are delivered throughout the contract period. The Company has concluded that the promises represent a stand ready obligation to provide a daily information service, in which the services are the same each day, every day is distinct, and the customer simultaneously receives and consumes the benefits as the Company transfers control throughout the contract period. Accordingly, these subscriptions meet the requirements of the series guidance and are each accounted for as a single performance obligation. The Company recognizes revenue ratably over time, using an output measure of time elapsed. Research revenues also include sales of electronic reprints, which are written research documents prepared by Forrester's analysts and hosted via an on-line platform. Reprints include a promise to deliver a customer-selected research document and certain usage data provided through the on-line platform, which represents two performance obligations. The Company satisfies the performance obligation for the research document by providing access to the electronic reprint and accordingly recognizes revenue at that point in time. The Company satisfies the performance obligation for the data portion of the reprint on a daily basis and accordingly recognizes revenue over time.

The majority of the Connect revenues are the Company's Leadership Board product which includes access to the Research offering, access to a private forum with other Leadership Board member peers, access to a Forrester advisor, member-generated content, and one Event t