

Forrester Research, Inc.
Consolidated Statements of Income

(Unaudited, In thousands, except per share data)

	Three Months Ended	
	March 31,	
	2018	2017
Revenues:		
Research services	\$ 51,700	\$ 51,743
Advisory services and events	26,049	25,451
Total revenues	77,749	77,194
Operating expenses:		
Cost of services and fulfillment	34,105	31,396
Selling and marketing	33,011	30,622
General and administrative	10,739	10,170
Depreciation	1,996	1,679
Amortization of intangible assets	186	191
Total operating expenses	80,037	74,058
Income (loss) from operations	(2,288)	3,136
Other income (expense), net	(118)	9
Losses on investments	(25)	(203)
Income (loss) before income taxes	(2,431)	2,942
Income tax benefit	(698)	(88)
Net income (loss)	\$ (1,733)	\$ 3,030
Diluted income (loss) per common share	\$ (0.10)	\$ 0.16
Diluted weighted average shares outstanding	18,036	18,536
Basic income (loss) per common share	\$ (0.10)	\$ 0.17
Basic weighted average shares outstanding	18,036	18,230
 Pro forma data (1):		
Income (loss) from operations	\$ (2,288)	\$ 3,136
Amortization of intangible assets	186	191
Stock-based compensation included in the following expense categories:		
Cost of services and fulfillment	1,020	1,197
Selling and marketing	244	162
General and administrative	699	690
Pro forma income (loss) from operations	(139)	5,376
Other income (expense), net	(118)	9
Pro forma income (loss) before income taxes	(257)	5,385
Income tax benefit under GAAP	(698)	(88)
Tax effects of pro forma items (2)	528	915
Adjustment to tax expense to reflect pro forma tax rate (3)	90	1,327
Pro forma net income (loss)	\$ (177)	\$ 3,231
Pro forma diluted income (loss) per share	\$ (0.01)	\$ 0.17
Pro forma diluted weighted average shares outstanding	18,036	18,536

(1) Forrester believes that pro forma financial results provide investors with consistent and comparable information to aid in the understanding of Forrester's ongoing business, and are also used by Forrester in making compensation decisions. Our pro forma presentation excludes amortization of acquisition-related intangible assets, stock-based compensation, net gains or losses from investments, as well as their related tax effects. We also utilized an assumed tax rate of 31% in 2018 and 40% in 2017, which excludes items such as any release of reserves for uncertain tax positions established in prior years and the effect of any adjustments related to the filing of prior year tax returns. The pro forma data does not purport to be prepared in accordance with Accounting Principles Generally Accepted in the United States.

(2) The tax effect of adjusting items is based on the accounting treatment and rate for the jurisdiction of each item.

(3) To compute pro forma net income, we apply a pro forma effective tax rate of 31% in 2018 and 40% in 2017.

Forrester Research, Inc.

Key Financial Data

(Unaudited, dollars in thousands)

	March 31, 2018	December 31, 2017
Balance sheet data:		
Cash, cash equivalents and marketable investments	\$ 136,331	\$ 134,123
Accounts receivable, net	\$ 62,154	\$ 70,023
Deferred revenue	\$ 155,425	\$ 145,207

	March 31,	
	2018	2017
Cash flow data:		
Net cash provided by operating activities	\$ 7,805	\$ 19,454
Purchases of property and equipment	\$ (1,324)	\$ (1,540)
Repurchases of common stock	\$ (4,367)	\$ (21,453)
Dividends paid	\$ (3,611)	\$ (3,462)

	As of March 31,	
	2018	2017
Metrics:		
Agreement value	\$ 246,400	\$ 236,600
Client retention	75%	74%
Dollar retention	88%	87%
Enrichment	98%	94%
Number of clients	2,349	2,427

	As of March 31,	
	2018	2017
Headcount:		
Total headcount	1,379	1,375
Products and advisory services staff	524	512
Sales force	519	535