

Forrester Research, Inc.
Consolidated Statements of Income

(Unaudited, In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenues:				
Research services	\$ 56,332	\$ 54,235	\$ 166,332	\$ 160,553
Advisory services and events	28,558	26,134	92,660	86,743
Total revenues	84,890	80,369	258,992	247,296
Operating expenses:				
Cost of services and fulfillment	34,361	32,508	107,537	100,814
Selling and marketing	31,051	29,225	96,771	90,355
General and administrative	11,192	10,083	32,871	30,672
Depreciation	1,965	1,607	6,056	4,775
Amortization of intangible assets	402	197	770	582
Acquisition and integration costs	977	—	1,306	—
Total operating expenses	79,948	73,620	245,311	227,198
Income from operations	4,942	6,749	13,681	20,098
Other income, net	319	146	472	248
Losses on investments	(17)	(772)	(62)	(997)
Income before income taxes	5,244	6,123	14,091	19,349
Income tax expense	1,294	2,170	4,086	6,302
Net income	\$ 3,950	\$ 3,953	\$ 10,005	\$ 13,047
Diluted income per common share	\$ 0.21	\$ 0.22	\$ 0.55	\$ 0.72
Diluted weighted average shares outstanding	18,433	18,051	18,353	18,212
Basic income per common share	\$ 0.22	\$ 0.22	\$ 0.55	\$ 0.73
Basic weighted average shares outstanding	18,088	17,747	18,030	17,897
Pro forma data (1):				
Income from operations	\$ 4,942	\$ 6,749	\$ 13,681	\$ 20,098
Amortization of intangible assets	402	197	770	582
Acquisition and integration costs	977	—	1,306	—
Stock-based compensation included in the following expense categories:				
Cost of services and fulfillment	1,001	1,088	3,128	3,387
Selling and marketing	261	170	752	535
General and administrative	858	920	2,311	2,501
Pro forma income from operations	8,441	9,124	21,948	27,103
Other income, net	319	146	472	248
Pro forma income before income taxes	8,760	9,270	22,420	27,351
Income tax expense GAAP	1,294	2,170	4,086	6,302
Tax effects of pro forma items (2)	1,292	1,407	2,423	3,222
Adjustment to tax expense to reflect pro forma tax rate (3)	130	131	441	1,416
Pro forma net income	\$ 6,044	\$ 5,562	\$ 15,470	\$ 16,411
Pro forma diluted income per share	\$ 0.33	\$ 0.31	\$ 0.84	\$ 0.90
Pro forma diluted weighted average shares outstanding	18,433	18,051	18,353	18,212

(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, acquisition and integration costs, 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)

	September 30, 2018	December 31, 2017
Balance sheet data:		
Cash, cash equivalents and marketable investments	\$ 144,452	\$ 134,123
Accounts receivable, net	\$ 38,552	\$ 70,023
Deferred revenue	\$ 128,435	\$ 145,207

	Nine Months Ended September 30,	
	2018	2017
Cash flow data:		
Net cash provided by operating activities	\$ 37,432	\$ 36,863
Purchases of property and equipment	\$ (3,161)	\$ (5,806)
Cash paid for acquisitions	\$ (9,250)	\$ —
Repurchases of common stock	\$ (9,946)	\$ (39,967)
Dividends paid	\$ (10,839)	\$ (10,205)

	As of September 30,	
	2018	2017
Metrics:		
Agreement value	\$ 257,500	\$ 237,800
Client retention	74%	76%
Dollar retention	88%	88%
Enrichment	100%	94%
Number of clients	2,357	2,393

	As of September 30,	
	2018	2017
Headcount:		
Total headcount	1,418	1,374
Products and advisory services staff	542	510
Sales force	519	530