

Forrester Research, Inc.
Consolidated Statements of Income

(Unaudited, In thousands, except per share data)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-----------------|----------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | |
| Research services | \$ 55,918 | \$ 54,218 | \$ 216,471 | \$ 215,216 |
| Advisory services and events | 34,459 | 29,228 | 121,202 | 110,879 |
| Total revenues | 90,377 | 83,446 | 337,673 | 326,095 |
| Operating expenses: | | | | |
| Cost of services and fulfillment | 36,058 | 32,746 | 136,872 | 128,175 |
| Selling and marketing | 33,562 | 29,408 | 123,917 | 116,898 |
| General and administrative | 11,234 | 10,220 | 41,906 | 40,579 |
| Depreciation | 1,873 | 1,830 | 6,648 | 7,812 |
| Amortization of intangible assets | 199 | 204 | 781 | 831 |
| Reorganization costs | - | - | - | 1,026 |
| Total operating expenses | 82,926 | 74,408 | 310,124 | 295,321 |
| Income from operations | 7,451 | 9,038 | 27,549 | 30,774 |
| Other income, net | 53 | 366 | 301 | 740 |
| Gains (losses) on investments | 518 | 334 | (479) | (805) |
| Income before income taxes | 8,022 | 9,738 | 27,371 | 30,709 |
| Income tax provision | 5,929 | 3,948 | 12,231 | 13,058 |
| Net income | \$ 2,093 | \$ 5,790 | \$ 15,140 | \$ 17,651 |
| Diluted income per common share | \$ 0.11 | \$ 0.31 | \$ 0.83 | \$ 0.97 |
| Diluted weighted average shares outstanding | 18,322 | 18,572 | 18,240 | 18,269 |
| Basic income per common share | \$ 0.12 | \$ 0.32 | \$ 0.84 | \$ 0.98 |
| Basic weighted average shares outstanding | 17,983 | 18,248 | 17,919 | 17,984 |
| Pro forma data (1): | | | | |
| Income from operations | \$ 7,451 | \$ 9,038 | \$ 27,549 | \$ 30,774 |
| Amortization of intangible assets | 199 | 204 | 781 | 831 |
| Reorganization costs | - | - | - | 1,026 |
| Stock-based compensation included in the following expense categories: | | | | |
| Cost of services and fulfillment | 1,151 | 1,290 | 4,538 | 4,431 |
| Selling and marketing | 182 | 359 | 717 | 1,054 |
| General and administrative | 734 | 596 | 3,235 | 2,491 |
| Pro forma income from operations | 9,717 | 11,487 | 36,820 | 40,607 |
| Other income, net | 53 | 366 | 301 | 740 |
| Pro forma income before income taxes | 9,770 | 11,853 | 37,121 | 41,347 |
| Income taxes under GAAP | 5,929 | 3,948 | 12,231 | 13,058 |
| Tax effects of pro forma items (2) | (654) | 101 | 2,568 | 2,649 |
| Adjustment to tax expense to reflect pro forma tax rate (3) | (1,367) | 692 | 49 | 832 |
| Pro forma net income | \$ 5,862 | \$ 7,112 | \$ 22,273 | \$ 24,808 |
| Pro forma diluted income per share | \$ 0.32 | \$ 0.38 | \$ 1.22 | \$ 1.36 |
| Pro forma diluted weighted average shares outstanding | 18,322 | 18,572 | 18,240 | 18,269 |

(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, reorganization costs and net gains or losses from investments, as well as their related tax effects. We also utilized an assumed tax rate of 40% in both 2017 and 2016, which excludes items such as the tax effect of the Tax Cuts and Jobs Act of 2017, 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 40% to each quarter and period presented.

Forrester Research, Inc.**Key Financial Data**

(Unaudited, dollars in thousands)

| | December 31, 2017 | December 31, 2016 |
|---|----------------------|----------------------|
| Balance sheet data: | | |
| Cash, cash equivalents and marketable investments | \$ 134,123 | \$ 138,105 |
| Accounts receivable, net | \$ 70,023 | \$ 58,812 |
| Deferred revenue | \$ 145,207 | \$ 134,265 |

| | Year Ended December 31, | |
|---|----------------------------|-------------|
| | 2017 | 2016 |
| Cash flow data: | | |
| Net cash provided by operating activities | \$ 37,493 | \$ 44,477 |
| Purchases of property and equipment | \$ (7,861) | \$ (4,140) |
| Repurchases of common stock | \$ (39,967) | \$ (1,791) |
| Dividends paid | \$ (13,631) | \$ (12,987) |

| | As of December 31, | |
|-------------------|-----------------------|------------|
| | 2017 | 2016 |
| Metrics: | | |
| Agreement value | \$ 242,900 | \$ 238,400 |
| Client retention | 76% | 75% |
| Dollar retention | 88% | 87% |
| Enrichment | 96% | 93% |
| Number of clients | 2,409 | 2,432 |

| | As of December 31, | |
|-------------------------------|-----------------------|-------|
| | 2017 | 2016 |
| Headcount: | | |
| Total headcount | 1,392 | 1,378 |
| Research and consulting staff | 515 | 520 |
| Sales force | 539 | 523 |