

FORRESTER RESEARCH, INC.

Form 10-Q

May 10, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE QUARTERLY PERIOD ENDED March 31, 2018

OR

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

COMMISSION FILE NUMBER: 000-21433

FORRESTER RESEARCH, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of

incorporation or organization)

04-2797789

(I.R.S. Employer

Identification Number)

60 Acorn Park Drive

CAMBRIDGE, MASSACHUSETTS 02140

(Address of principal executive offices) (Zip Code)

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

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

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

As of May 7, 2018 17,984,000 shares of the registrant’s common stock were outstanding.

FORRESTER RESEARCH, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORRESTER RESEARCH, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data, unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$82,073	\$79,790
Marketable investments (Note 3)	54,258	54,333
Accounts receivable, net	62,154	70,023
Deferred commissions	14,722	13,731
Prepaid expenses and other current assets	18,641	18,942
Total current assets	231,848	236,819
Property and equipment, net	24,487	25,249
Goodwill	76,900	76,169
Intangible assets, net	559	732
Other assets	6,942	6,231
Total assets	\$340,736	\$345,200
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$353	\$217
Accrued expenses and other current liabilities	35,260	49,629
Deferred revenue	155,425	145,207
Total current liabilities	191,038	195,053
Non-current liabilities	8,403	8,958
Total liabilities	199,441	204,011
Stockholders' Equity (Note 8):		
Preferred stock, \$0.01 par value		
Authorized - 500 shares; issued and outstanding - none	—	—
Common stock, \$0.01 par value		
Authorized - 125,000 shares		
Issued - 22,514 and 22,432 shares as of March 31, 2018 and December 31, 2017, respectively		
Outstanding - 18,017 and 18,041 shares as of March 31, 2018 and December 31, 2017, respectively	225	224
Additional paid-in capital	186,335	181,910
Retained earnings	121,495	123,010
	(166,310)	(161,943)

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Treasury stock - 4,497 and 4,391 shares as of March 31, 2018 and December 31, 2017, respectively, at cost

Accumulated other comprehensive loss	(450)	(2,012)
Total stockholders' equity	141,295	141,189
Total liabilities and stockholders' equity	\$340,736	\$345,200

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(In thousands, except per share data, unaudited)

	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, net	(25)	(203)
Income (loss) before income taxes	(2,431)	2,942
Income tax benefit	(698)	(88)
Net income (loss)	\$(1,733)	\$3,030
Basic income (loss) per common share	\$(0.10)	\$0.17
Diluted income (loss) per common share	\$(0.10)	\$0.16
Basic weighted average common shares outstanding	18,036	18,230
Diluted weighted average common shares outstanding	18,036	18,536
Cash dividends declared per common share	\$0.20	\$0.19

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, unaudited)

	Three Months Ended March 31,	
	2018	2017
Net income (loss)	\$(1,733)	\$3,030
Other comprehensive income (loss), net of taxes:		
Foreign currency translation	1,703	790
Net change in market value of investments	(115)	17
Other comprehensive income	1,588	807
Comprehensive income (loss)	\$(145)	\$3,837

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

FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$(1,733)	\$3,030
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	1,996	1,679
Amortization of intangible assets	186	191
Net losses from investments	25	203
Deferred income taxes	93	(257)
Stock-based compensation	1,963	2,049
Amortization of premium on investments	25	61
Foreign currency losses	387	215
Changes in assets and liabilities		
Accounts receivable	7,921	3,839
Deferred commissions	(122)	(235)
Prepaid expenses and other current assets	(5,454)	138
Accounts payable	133	(1,485)
Accrued expenses and other liabilities	(14,890)	(11,512)
Deferred revenue	17,275	21,538
Net cash provided by operating activities	7,805	19,454
Cash flows from investing activities:		
Purchases of property and equipment	(1,324)	(1,540)
Purchases of marketable investments	(11,604)	(11,503)
Proceeds from sales and maturities of marketable investments	11,500	12,200
Other investing activity	—	184
Net cash used in investing activities	(1,428)	