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FORRESTER RESEARCH INC
Form 8-K
January 28, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported): January 28, 2004

FORRESTER RESEARCH, INC.
(Exact Name of Registrant Specified in Charter)

Delaware	000-21433	04-2797789
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

400 Technology Square, Cambridge, Massachusetts	02139
(Address of Principal Executive Offices)	(Zip Code)

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

N/A

(Former Name or Former Address, if Changed Since Last Report)

Page 1 of 5
Exhibit Index appears on Page 4

ITEM 7. Financial Statements and Exhibits.

(c) Exhibits

99.1 Press Release dated January 28, 2004.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

The information contained in this current report on Form 8-K is furnished pursuant to Item 12 of Form 8-K "Results of Operations and Financial Condition". This information and the exhibits hereto are being furnished and shall not be deemed to be "filed" for the purposes of Section 18 of, or otherwise regarded as filed under, the Securities Exchange Act of 1934, as amended. The information contained in this report shall not be incorporated by reference into any filing of Forrester Research, Inc. with the SEC, whether made before or after the date hereof, regardless of any general incorporation language in such filings.

On January 28, 2004, Forrester Research, Inc. issued a press release

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announcing its financial results for the quarter and fiscal year ended December 31, 2003, the full text of which is attached hereto as Exhibit 99.1.

Forrester believes that pro forma financial results provide investors with consistent and comparable information to aid in the understanding of Forrester's ongoing business. Our pro forma presentation excludes the following:

Amortization of acquisition-related intangibles - we exclude the non-cash effect of the amortization of acquisition-related intangibles from our pro forma results in order to more consistently present our ongoing results of operations.

Integration costs - we exclude the costs related to our acquisition of Giga Information Group, Inc., which are primarily related to orientation events and data migration, in order to present a consistent basis for quarterly comparisons.

Impairments of non-marketable securities - we have consistently excluded both one-time gains and one-time write-offs related to our investments in non-marketable securities from our pro forma results in order to keep quarter over quarter comparisons consistent.

Reorganization costs - we exclude reorganization costs in order to present a consistent basis for quarterly and annual comparisons and to more consistently present our results of operations [CONFIRM].

However, these measures should be considered in addition to, not as a substitute for, or superior to, operating income or other measures of financial performance prepared in accordance with generally accepted accounting principles as more fully discussed in the Forrester's financial statements and filings with the Securities and Exchange Commission.

-2-

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FORRESTER RESEARCH, INC.

By: /s/ WARREN HADLEY

Name: Warren Hadley
Title: Treasurer and Chief Financial Officer

Dated: January 28, 2004

-3-

Exhibit Index

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Exhibit -----	Description -----	Page -----
99.1	Press Release dated January 28, 2004.	5

-4-

Exhibit 99.1

Forrester Research Announces Fourth-Quarter And Full-Year 2003 Financial Results

CAMBRIDGE, Mass.--(BUSINESS WIRE)--Jan. 28, 2004--Forrester Research, Inc. (Nasdaq: FORR) today announced its fourth-quarter and year-end 2003 financial results, in line with its previous financial guidance.

Fourth-Quarter Financial Performance

- Total revenues were \$35.3 million, compared with \$23.5 million for the fourth quarter of 2002.
- On a GAAP-reported basis, which reflects an effective tax rate of 31 percent, Forrester reported fourth-quarter net income of \$87,000, or \$0.00 per diluted share, compared with net income of \$3.5 million, or \$0.15 per diluted share, for the same period in 2002.
- On a pro forma basis, which excludes amortization of \$2.6 million of acquisition-related intangible assets, costs of \$117,000 related to the integration of Giga Information Group, Inc. ("Giga"), reorganization costs of \$1.4 million, and impairments to certain non-marketable securities of \$1.8 million, and which reflects a pro forma effective tax rate of 35 percent, net income was \$3.9 million, or \$0.17 per diluted share, for the fourth quarter of 2003. This compares with pro forma net income of \$2.8 million, or \$0.12 per diluted share, for the same period in 2002, which excludes amortization of acquisition-related intangible assets of \$82,000 and impairments to certain non-marketable securities of \$525,000.

Full-Year 2003 Financial Performance

- Total revenues were \$126.0 million, compared with \$96.9 million for 2002.
- On a GAAP-reported basis, which reflects an effective tax rate of 31 percent, Forrester reported net income of \$2.2 million, or \$0.10 per diluted share for 2003, compared with net income of \$589,000, or \$0.02 per diluted share, for 2002.
- On a pro forma basis, which excludes amortization of \$8.8 million of acquisition-related intangible assets, costs of

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\$1.1 million related to the integration of Giga, reorganization costs of \$2.6 million, impairments to certain non-marketable securities of \$2.4 million, and which reflects a pro forma effective tax rate of 35 percent, net income was \$11.7 million, or \$0.51 per diluted share, for 2003. This compares with pro forma net income of \$11.8 million, or \$0.50 per diluted share, for 2002, which excludes the amortization of acquisition-related assets of \$328,000, reorganization charges of \$12.2 million, and impairments to certain non-marketable securities of \$4.1 million.

A reconciliation of GAAP results to pro forma results may be found in the attached financial tables.

"Forrester's fourth-quarter financial results continued to show signs of improvement and stabilization, including increases in deferred revenue and client retention rates," said George F. Colony, chairman of the board and chief executive officer. "We were particularly pleased with the progress we made during the quarter because approximately 40 percent of our contracts were up for renewal at the same time we began selling WholeView 2(TM), our unified Forrester-Giga research product. The initial response to WholeView 2 has been favorable from both clients and prospects.

"Overall, 2003 was a very busy year for Forrester," continued Colony. "After announcing and closing the acquisition of Giga early in the year, we moved quickly to integrate the research, sales, and operational groups. Based on significant client input, we developed WholeView 2 during the second half of the year, and rolled it out as technology budgets began to relax toward the end of 2003. The integration is now complete, and we believe we are well-positioned for 2004."

In connection with the integration of the December 2003 acquisition of certain assets of European distributor, GigaGroup, S.A., Forrester has reduced its European headcount by 12 employees, or approximately 2 percent of its work force. For the first quarter of 2004, Forrester expects to record a charge in the range of \$1.5 million to \$2.5 million related to this reduction in force and the consolidation of European office space. On an annualized basis, associated savings are estimated to be approximately \$2.5 million to \$3.5 million.

Forrester is providing financial guidance as follows:

First-Quarter 2004 (GAAP):

- Total revenues of approximately \$29.0 million to \$31.0 million.
- Operating margin of approximately (2) percent to (6) percent.
- Other income of approximately \$650,000 to \$750,000.
- An effective tax rate of 33.5 percent.
- Diluted earnings per share of approximately (\$0.01) to (\$0.05).

First-Quarter 2004 (Pro Forma):

Pro forma financial guidance for the first quarter of 2004 excludes amortization of acquisition-related intangible assets of approximately \$2.3 million, a reorganization charge of approximately \$1.5 million to \$2.5 million, and any impairment charges related to

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non-marketable investments.

- Pro forma operating margin of approximately 9 percent to 11 percent.
- Pro forma effective tax rate of 35 percent, which varies from our actual effective tax rate of 33.5 percent because of our tax-free interest income decreasing as a percentage of our pro forma pre-tax income.
- Pro forma diluted earnings per share of approximately \$0.09 to \$0.11.

Full-Year 2004 (GAAP):

- Total revenues of approximately \$133.0 million to \$138.0 million.
- Operating margin of approximately 4 percent to 8 percent, which assumes that no charges related to the San Francisco office lease are incurred during 2004.
- Other income of approximately \$2.7 million to \$2.9 million.
- An effective tax rate of 33.5 percent.
- Diluted earnings per share of approximately \$0.24 to \$0.29, which assumes that no charges related to the San Francisco office lease are incurred during 2004.

Full-Year 2004 (Pro Forma):

Pro forma financial guidance for full-year 2004 excludes amortization of acquisition-related intangible assets of approximately \$6.4 million, any impairment charges related to non-marketable investments, and a reorganization charge of approximately \$1.5 million to \$2.5 million.

- Pro forma operating margin of approximately 11 percent to 13 percent.
- Pro forma effective tax rate of 35 percent, which varies from our actual effective tax rate of 33.5 percent because of our tax-free interest income decreasing as a percentage of our pro forma pre-tax income.
- Pro forma diluted earnings per share of approximately \$0.52 to \$0.57, which assumes that no charges related to the San Francisco office lease are incurred during 2004.

Separately, Forrester has hired Gail Mann as its new chief legal counsel. Mann brings 25 years of legal experience to Forrester and earned her J.D., magna cum laude, from Georgetown University Law Center.

Forrester is an independent technology research company that provides pragmatic and forward-thinking advice about technology's impact on business. Business, marketing, and IT professionals worldwide collaborate with Forrester to align their technology investments with their business goals. Forrester offers products and services in four major areas: Research, Data, Consulting, and Community. In February 2003, Forrester acquired Giga Information Group. Established in 1983, Forrester is headquartered in Cambridge,

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Mass. For additional information, visit www.forrester.com.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, Forrester's financial and operating targets for the first quarter of and full-year 2004, statements about the potential success of WholeView 2 and other product offerings, the amount of the charge and any cost savings related to the reduction in force, and the ability of Forrester to achieve success as the economy improves. These statements are based on Forrester's current plans and expectations and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual future activities and results to differ include, among others, Forrester's ability to anticipate business and economic conditions, market trends, competition, the ability to attract and retain professional staff, possible variations in Forrester's quarterly operating results, risks associated with Forrester's ability to offer new products and services, the actual amount of the charge and any cost savings related to the reduction in force, and Forrester's dependence on renewals of its membership-based research services and on key personnel. Forrester undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. For further information, please refer to Forrester's reports and filings with the Securities and Exchange Commission.

The consolidated statements of income, consolidated balance sheets, and consolidated statements of cash flows are attached.

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Forrester Research, Inc.
Consolidated Statements Of Income
(In thousands, except per share data)

	Three months ended		Year ended	
	December 31,		December 31,	
	2003	2002	2003	2002
	(Unaudited)			
Revenues:				
Research services	\$24,120	\$16,153	\$92,289	\$70,955
Advisory services and other	11,211	7,356	33,710	25,981
Total revenues	35,331	23,509	125,999	96,936
Operating expenses:				
Cost of services and fulfillment	13,667	8,632	50,047	34,026
Selling and marketing	11,494	6,925	41,017	30,745
General and administrative	3,689	3,142	14,674	12,732
Depreciation and amortization	1,204	2,077	6,256	8,078
Amortization of intangible assets	2,638	82	8,778	328
Integration costs	117	-	1,055	-
Reorganization costs	1,364	-	2,594	12,170

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Total operating expenses	34,173	20,858	124,421	98,079
Income (loss) from operations	1,158	2,651	1,578	(1,143)
Other income, net	751	1,277	3,952	5,539
Impairments of non-marketable investments, net	(1,782)	(525)	(2,354)	(4,118)
Income before income tax provision (benefit)	127	3,403	3,176	278
Income tax provision (benefit)	40	(61)	985	(311)
Net income	\$87	\$3,464	\$2,191	\$589
Diluted earnings per share	\$0.00	\$0.15	\$0.10	\$0.02
Diluted weighted average shares outstanding	22,970	23,202	22,837	23,653
Basic earnings per share	\$0.00	\$0.15	\$0.10	\$0.03
Basic weighted average shares outstanding	22,505	22,992	22,555	23,189
Pro forma data (1):				
Income (loss) from operations	1,158	2,651	1,578	(1,143)
Amortization of intangible assets	2,638	82	8,778	328
Integration costs	117	-	1,055	-
Reorganization costs	1,364	-	2,594	12,170
Pro forma income from operations	5,277	2,733	14,005	11,355
Other income, net	751	1,277	3,952	5,539
Pro forma income before income taxes	6,028	4,010	17,957	16,894
Pro forma income tax provision	2,110	1,203	6,285	5,068
Pro forma net income	\$3,918	\$2,807	\$11,672	\$11,826
Pro forma diluted earnings per share	\$0.17	\$0.12	\$0.51	\$0.50
Diluted weighted average shares outstanding	22,970	23,202	22,837	23,653

- (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. Our pro forma presentation excludes amortization of intangibles and other integration costs related to acquisitions, reorganization costs, and impairments of non-marketable investments, as well as their related tax effects. This does not purport to be prepared in accordance with Generally Accepted Accounting Principles.

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Forrester Research, Inc.
 Consolidated Balance Sheets
 (In thousands)

	December 31,	
	2003	2002
Assets:		
Cash and cash equivalents	\$22,385	\$11,479
Marketable securities	104,348	183,152
Accounts receivable, net	40,013	17,791
Deferred commissions	5,999	3,524
Prepaid expenses and other current assets	7,079	5,902
Total current assets	179,824	221,848
Property and equipment, net	8,266	10,674
Goodwill, net	57,006	13,244
Intangibles assets, net	13,456	760
Deferred income taxes	40,159	21,630
Non-marketable investments and other assets	12,264	10,117
Total assets	\$310,975	\$278,273
Liabilities and stockholders' equity:		
Accounts payable	\$2,566	\$1,601
Accrued expenses	31,457	20,681
Deferred revenue	68,630	42,123
Total liabilities	102,653	64,405
Preferred stock	-	-
Common stock	243	240
Additional paid-in capital	172,523	167,935
Retained earnings	66,945	64,754
Treasury stock, at cost	(30,300)	(20,085)
Accumulated other comprehensive (loss) income	(1,089)	1,024
Total stockholders' equity	208,322	213,868
Total liabilities and stockholders' equity	\$310,975	\$278,273

Forrester Research, Inc.
 Consolidated Statements Of Cash Flows
 (In thousands)

	Year ended December 31,	
	2003	2002
Cash flows from operations:		
Net income	2,191	589
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	6,256	8,078
Amortization of intangible assets	8,778	328
Impairments of non-marketable investments	2,354	4,118
Realized gain on sales of marketable securities	(509)	-
Tax benefit from exercises of employee stock options	527	2,618
Deferred income taxes	(128)	(2,243)
Non-cash reorganization costs	-	3,629
Increase in provision for doubtful accounts	-	246
Loss on disposals of property and equipment	-	92
Amortization of premiums on marketable		

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securities	832	1,053
Changes in assets and liabilities, net of acquisitions -		
Accounts receivable	(11,044)	6,608
Deferred commissions	(2,426)	920
Prepaid expenses and other current assets	559	(70)
Accounts payable	(530)	(1,194)
Accrued expenses	(1,741)	(1,476)
Deferred revenue	(1,004)	(17,735)
Net cash provided by operating activities	4,115	5,561
Cash flows from investing activities:		
Acquisition of Giga Information Group, Inc., net of cash acquired	(57,027)	-
Acquisition of GigaGroup, S.A., net of cash acquired	(2,937)	-
Purchases of property and equipment	(1,441)	(1,031)
Purchases of non-marketable investments	(3,250)	(4,775)
Net (increase) decrease in other assets	(1,315)	61
Purchases of marketable securities	(184,151)	(261,530)
Proceeds from sales and maturities of marketable securities	263,093	266,324
Net cash provided by (used in) investing activities	12,972	(951)
Cash flows from financing activities:		
Proceeds from issuance of common stock	3,772	11,284
Acquisition of treasury stock	(8,215)	(20,085)
Structured stock repurchases	(1,708)	(2,000)
Net cash used in financing activities	(6,151)	(10,801)
Effect of exchange rate changes on cash and cash equivalents	(30)	(77)
Net increase (decrease) in cash and cash equivalents	10,906	(6,268)
Cash and cash equivalents, beginning of year	11,479	17,747
Cash and cash equivalents, end of year	22,385	11,479

CONTACT: Forrester Research, Inc.
Kimberly Maxwell, 617-613-6234
Director, Investor Relations
kmaxwell@forrester.com
or
Forrester Research, Inc.
Karyl Levinson, 617-613-6262
Director, Corporate Communications
press@forrester.com