

FORRESTER RESEARCH INC
Form 10-Q
August 09, 2012
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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 June 30, 2012

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)

60 Acorn Park Drive

CAMBRIDGE, MASSACHUSETTS
(Address of principal executive offices)

04-2797789
(I.R.S. Employer
Identification Number)

02140
(Zip Code)

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

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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting 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

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 August 6, 2012, 22,418,000 shares of the registrant's common stock were outstanding.

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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)

| | June 30, 2012 | December 31, 2011 |
|--|------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 87,663 | \$ 81,047 |
| Marketable investments (Note 3) | 148,777 | 136,991 |
| Accounts receivable, net | 47,545 | 81,378 |
| Deferred commissions | 9,370 | 12,010 |
| Prepaid expenses and other current assets | 24,934 | 25,935 |
| Total current assets | 318,289 | 337,361 |
| Long-term marketable investments (Note 3) | 9,686 | 9,565 |
| Property and equipment, net | 48,840 | 50,448 |
| Goodwill | 71,388 | 71,543 |
| Intangible assets, net | 9,029 | 10,317 |
| Other assets | 11,689 | 8,344 |
| Total assets | \$ 468,921 | \$ 487,578 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 982 | \$ 1,223 |
| Accrued expenses and other current liabilities | 28,775 | 30,153 |
| Deferred revenue | 134,550 | 147,887 |
| Total current liabilities | 164,307 | 179,263 |
| Non-current liabilities | 17,444 | 17,580 |
| Total liabilities | 181,751 | 196,843 |
| Commitments | | |
| Stockholders Equity (Note 7): | | |
| Preferred stock, \$.01 par value | | |
| Authorized - 500 shares, issued and outstanding - none | | |
| Common stock, \$.01 par value | | |
| Authorized - 125,000 shares | | |
| Issued - 31,255 and 30,962 as of June 30, 2012 and December 31, 2011, respectively | | |
| Outstanding - 22,530 and 22,747 as of June 30, 2012 and December 31, 2011, respectively | 313 | 310 |
| Additional paid-in capital | 382,494 | 373,591 |
| Retained earnings | 109,256 | 104,662 |
| Treasury stock- 8,725 and 8,215 as of June 30, 2012 and December 31, 2011, respectively, at cost | (198,052) | (181,000) |
| Accumulated other comprehensive loss | (6,841) | (6,828) |

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| | | |
|--|------------|------------|
| Total stockholders' equity | 287,170 | 290,735 |
| Total liabilities and stockholders' equity | \$ 468,921 | \$ 487,578 |

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

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FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data, unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | |
| Research services | \$ 51,072 | \$ 47,341 | \$ 100,832 | \$ 91,888 |
| Advisory services and other | 28,021 | 26,109 | 48,521 | 47,304 |
| Total revenues | 79,093 | 73,450 | 149,353 | 139,192 |
| Operating expenses: | | | | |
| Cost of services and fulfillment | 29,828 | 28,024 | 56,766 | 53,522 |
| Selling and marketing | 26,267 | 26,009 | 51,400 | 51,474 |
| General and administrative | 8,645 | 8,330 | 18,256 | 17,248 |
| Depreciation | 2,255 | 945 | 4,248 | 1,915 |
| Amortization of intangible assets | 586 | 526 | 1,200 | 1,219 |
| Reorganization costs | 51 | | 1,394 | |
| Total operating expenses | 67,632 | 63,834 | 133,264 | 125,378 |
| Income from operations | 11,461 | 9,616 | 16,089 | 13,814 |
| Other income (expense), net | 130 | 4 | 539 | (105) |
| Gains on investments, net | 84 | 58 | 143 | 640 |
| Income before income taxes | 11,675 | 9,678 | 16,771 | 14,349 |
| Income tax provision | 3,906 | 4,208 | 5,821 | 5,968 |
| Net income | \$ 7,769 | \$ 5,470 | \$ 10,950 | \$ 8,381 |
| Basic income per common share | \$ 0.34 | \$ 0.24 | \$ 0.48 | \$ 0.37 |
| Diluted income per common share | \$ 0.34 | \$ 0.24 | \$ 0.47 | \$ 0.36 |
| Basic weighted average common shares outstanding | 22,583 | 22,684 | 22,660 | 22,698 |
| Diluted weighted average common shares outstanding | 23,023 | 23,203 | 23,098 | 23,227 |
| Cash dividends declared per common share | \$ 0.14 | \$ | \$ 0.28 | \$ |

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

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FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Net income | \$ 7,769 | \$ 5,470 | \$ 10,950 | \$ 8,381 |
| Other comprehensive income (loss), net of taxes: | | | | |
| Cumulative translation adjustments | (1,013) | 627 | (332) | 2,891 |
| Changes in market value of investments: | | | | |
| Unrealized gain, net of taxes of \$26 and \$94 for the three months ended June 30, 2012 and 2011, and \$166 and \$3 for the six months ended June 30, 2012 and 2011 | 17 | 205 | 333 | 208 |
| Less: reclassification adjustment for net gains realized in net income, net of taxes of \$2 for the three months ended June 30, 2012, and \$10 and \$3 for the six months ended June 30, 2012 and 2011 | (1) | | (14) | (4) |
| Net change in market value of investments | 16 | 205 | 319 | 204 |
| Other comprehensive income (loss) | (997) | 832 | (13) | 3,095 |
| Comprehensive income | \$ 6,772 | \$ 6,302 | \$ 10,937 | \$ 11,476 |

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

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FORRESTER RESEARCH, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, unaudited)

| | Six Months Ended June 30, | |
|---|--------------------------------------|-------------|
| | 2012 | 2011 |
| Cash flows from operating activities: | | |
| Net income | \$ 10,950 | \$ 8,381 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 4,248 | 1,915 |
| Amortization of intangible assets | 1,200 | 1,219 |
| Net gains from investments | (143) | |