

Charles River Associates Announces Fourth-Quarter and Fiscal 2002 Financial Results; Revenues Climb 25 Percent in the Quarter and 19 Percent for the Year

BOSTON--(BUSINESS WIRE)--Jan. 15, 2003--Charles River Associates Incorporated (Nasdaq: CRAI), an internationally known leader in providing economic, financial and management consulting services, today reported financial results for the fourth quarter and fiscal year ended November 30, 2002.

Revenue for the fourth quarter of fiscal 2002 increased 25 percent to \$36.4 million, compared with revenues of \$29.2 million for the fourth quarter of fiscal 2001. Due to the timing of CRA's fiscal year end, the Company's 2002 fiscal year contained 53 weeks. As a result, CRA's fourth quarter consisted of 13 weeks rather than the normal 12 weeks.

Net income for the fourth quarter of fiscal 2002 was \$2.3 million, or \$0.25 per share on a diluted basis, compared with net income of \$1.9 million, or \$0.21 per share on a diluted basis, for the fourth quarter of fiscal 2001.

Revenues for fiscal 2002 (53 weeks) increased 19 percent to \$130.7 million from \$109.8 million in fiscal 2001 (52 weeks). Net income for fiscal 2002 increased 13 percent to \$8.4 million, or \$0.91 per share on a diluted basis, from \$7.4 million, or \$0.81 per share on a diluted basis, in fiscal 2001.

Comments on the Fourth Quarter

"CRA's fourth quarter revenue growth of 25 percent and net income growth of 19 percent exceeded our guidance and resulted from several factors," said James C. Burrows, CRA's president and CEO. "We achieved strong results this quarter in our Finance, Competition, Aerospace & Defense, Pharmaceuticals, Transportation, Electric Utilities, and Metals practices. Within our Chemical & Petroleum practice, our integration of the Arthur D. Little staff progressed ahead of schedule. Nearly all of our international practices factored in our growth in the fourth quarter, with London and Mexico City making the most significant contributions. We benefited also from an extra week of operations that resulted from the timing of our fiscal year. Our revenue stream is diversified, both across industry sectors and markets; this will continue to be an important objective for CRA.

"We continued to make progress with our expense-control initiatives by bringing SG&A as a percentage of revenue in the fourth quarter down to the low end of our long-term expectation of mid- to high-20s. Excluding our NeuCo subsidiary, SG&A declined from 26.6 percent in the fourth quarter of 2001 to 25.5 percent in the fourth quarter of 2002. During the fourth quarter, as we continued our integration of the ADL staff, we experienced a corporate utilization average of 69 percent. As a result of a loss incurred by NeuCo, CRA's operating margin declined to 9.7 percent from 13.2 percent in the fourth quarter a year ago. Excluding NeuCo, CRA's operating margins increased to 11.0 percent from 10.6 percent quarter over quarter," said Burrows.

Comments on Fiscal Year 2002

"Overall, CRA enjoyed another solid year in fiscal 2002, despite an extremely difficult business environment," said Burrows. "After a disappointing first quarter, we took the steps necessary to return CRA to historical growth rates, and finished the year with revenue and earnings growth within our target range.

"The highlight of the year was CRA's late second-quarter acquisition of the North American and U.K. operations of ADL's Chemicals & Energy practice. With the acquisition of the ADL personnel and intellectual property we added highly regarded staff and services to our core business consulting base and positioned CRA for growth in those segments of the market experiencing significant demand. We also took advantage of opportunities to add highly respected consultants with strategic, organizational, and performance improvement skills to our worldwide staff, bolstering our presence in international markets and further enhancing our growth potential," Burrows said.

2003 Outlook

"In fiscal 2003, our focus will be on raising utilization rates and boosting margins, as well as on continuing to invest in our core practices, including Finance, Electric Utilities, and Antitrust/Competition. In addition, we have completed the integration of the ADL staff and expect to ramp our service offerings in the Chemicals & Petroleum markets. Our new Aerospace & Defense practice, which we formed in 2001, has done well in 2002 and has bright prospects for 2003. NeuCo continues to have a large backlog and strong pipeline of prospective contracts, which should enable NeuCo to resume its growth and to operate profitably, although the timing of revenue generation will be dependent on the signing of those contracts. Taking into account these factors, as well as our projection that utilization will increase to the mid-70s by the end of the year, we expect revenue and earnings growth in fiscal 2003 to be in the range of 15-20 percent," concluded Burrows.

To listen to a live audio Webcast of CRA's fourth-quarter fiscal 2002 financial results conference call, visit the Company's Web page at www.crai.com. The conference call begins at 10:00 a.m. ET today.

About CRA

Founded in 1965, Charles River Associates is an economics, finance, and business consulting firm that works with businesses, law firms, accounting firms, and governments in providing a wide range of services. CRA combines economic and financial analysis with expertise in litigation and regulation support, business strategy and planning, market and demand forecasting, policy analysis, and engineering and technology management. CRA is distinguished by a corporate philosophy of providing responsive, top-quality consulting; an interdisciplinary team approach; unsurpassed economic, financial, and other analytic skills; and pragmatic business insights. In addition to its corporate headquarters in Boston and international offices in Brussels, London, Melbourne, Mexico City, Toronto, and Wellington, CRA also has U.S. offices in College Station, Houston, Los Angeles, Oakland, Palo Alto, Philadelphia, Salt Lake City, and Washington, D.C. More information about the Company can be found on its Web site at www.crai.com.

Statements in this press release concerning the future business, operating results, and financial condition of the Company and statements using the terms "anticipates," "believes," "expects," "should," or similar expressions, are "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based upon management's current expectations and are subject to a number of factors and uncertainties. Information contained in these forward-looking statements is inherently uncertain and actual performance and results may differ materially due to many important factors. Such factors that could cause actual results to differ materially from any forward-looking statements made by the Company include, among others, dependence on key personnel, attracting and retaining qualified consultants, dependence on outside experts, utilization rates, risks inherent in international operations, NeuCo's performance, management of new offices, dependence on growth of the Company's business consulting practice, the ability of the Company to successfully integrate new consultants into its practice, intense competition, and professional liability. Further information on these and other potential factors that could affect the Company's financial results is included in the Company's

filings with the Securities and Exchange Commission. The Company cannot guarantee any future results, levels of activity, performance or achievement. The Company undertakes no obligation to update any of its forward-looking statements after the date of this press release.

The consolidated statements of income and consolidated balance sheets are attached.

CHARLES RIVER ASSOCIATES INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Twelve Weeks Ended Nov. 24, 2001	Thirteen Weeks Ended Nov. 30, 2002	Fifty-two Weeks Ended Nov. 24, 2001	Fifty-three Weeks Ended Nov. 30, 2002
Revenues	\$29,179	\$36,445	\$109,804	\$130,690
Costs of services	17,473	23,118	65,590	80,659
Gross profit	11,706	13,327	44,214	50,031
Selling, general and administrative	7,849	9,786	31,556	36,600
Income from operations	3,857	3,541	12,658	13,431
Interest and other income, net	122	181	1,045	337
Income before provision for income taxes and minority interest	3,979	3,722	13,703	13,768
Provision for income taxes	(1,744)	(1,619)	(5,848)	(5,879)
Income before minority interest	2,235	2,103	7,855	7,889
Minority interest	(320)	179	(416)	547
Net income	\$1,915	\$2,282	\$7,439	\$8,436
Net income per share:				
Basic	\$0.21	\$0.25	\$0.82	\$0.93
Diluted	\$0.21	\$0.25	\$0.81	\$0.91
Weighted average number of shares outstanding:				
Basic	9,108	9,023	9,107	9,047
Diluted	9,337	9,226	9,218	9,283

CHARLES RIVER ASSOCIATES INCORPORATED
CONSOLIDATED BALANCE SHEETS
(In thousands)

	November 24, 2001	November 30, 2002
Assets		
Cash, cash equivalents and short-term investments	\$23,628	\$18,998
Accounts receivable and unbilled, net	37,265	41,906
Other current assets	2,286	3,902
Total current assets	63,179	64,806
Property and equipment, net	7,569	9,397
Goodwill and intangible assets, net	18,966	26,476
Long-term investments	3,433	5,348
Other assets	3,743	3,142
Total assets	\$96,890	\$109,169
Liabilities and stockholders' equity		
Current liabilities	\$22,070	\$27,097
Long-term liabilities	4,818	3,714
Total liabilities	26,888	30,811
Total stockholders' equity	70,002	78,358

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