Aspen Technology Reports Fourth Quarter and Fiscal Year 2002 Financial Results

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CAMBRIDGE, Mass., Aug 15, 2002 /PRNewswire-FirstCall via COMTEX/ --

Company anticipates operating profit in quarter ending December 2002

Aspen Technology, Inc. (Nasdaq: AZPN) today reported financial results for its fourth quarter and fiscal year ended June 30, 2002.

(Photo: http://www.newscom.com/cgi-bin/prnh/20000811/ASPENLOGO)

Total revenues for the fourth quarter were $84.0 million, with license revenues totaling $37.4 million and services revenues totaling $46.6 million. For the quarter ending June 30, 2002, the company reported a pro forma net loss of $11.7 million, or $0.34 per share. The pro forma loss excludes restructuring charges, the charges for in-process R&D, the write-down of certain equity investments, the reduction in value of the deferred tax asset, and the dilutive impact from the accretion of the preferred stock discount and dividend. On a Generally Accepted Accounting Principles (GAAP) basis, the company reported a fourth quarter loss of $60.0 million, or $1.72 per share.

For the full fiscal year ending June 30, 2002, AspenTech recorded total revenues of $320.6 million, compared with $326.9 million reported in fiscal 2001. In fiscal 2002, the company recorded a pro forma net loss of $37.3 million, or $1.14 per share, excluding restructuring charges, the charges for in-process R&D, the write-down of certain equity investments, the reduction in value of the deferred tax asset, and the dilutive impact from the accretion of the preferred stock discount and dividend. On a Generally Accepted Accounting Principles (GAAP) basis, the company reported a loss of $83.5 million, or $2.56 per share for fiscal year 2002.

"We have taken aggressive actions intended to return us to operating profitability and positive cash flow by the end of this calendar year," said Larry Evans, Chairman and CEO. "In the near-term, we have cut expenses to breakeven at quarterly revenue of $88 million. We have also sharpened our focus on two core product lines: Engineering and Supply Chain Manufacturing. This streamlined approach will enable us to better match revenue and spending until the IT spending environment strengthens, while maintaining our key customer support and development activities.

"We have also made significant changes in our sales and product development leadership and improved our organizational efficiency. We believe this will add more predictability to our financial results, while allowing us to develop and market our solutions more rapidly and efficiently. AspenTech's reputation for technical excellence and process industry expertise has never been stronger, and in the year ahead we are committed to delivering financial results that reflect this valuable industry leadership."

For the first quarter of fiscal 2003, which ends September 30, 2002, AspenTech expects total expenses, including cost of revenues, will total approximately $88 million, compared with total revenues of approximately $84 million. This expense run rate represents a reduction of approximately 14 percent, or $14 million, from fourth quarter fiscal 2002 spending levels, adjusted to include a full quarter of Hyprotech expenses and excluding restructuring and other charges. These anticipated reductions will result from the mandatory furlough program, temporary salary cuts, hiring freeze, and discretionary spending controls recently implemented in July, as well as headcount reductions and other actions taken in the fourth quarter that will fully take effect in the September quarter. For the second fiscal quarter of fiscal 2003, AspenTech believes it will record total revenues of approximately $92 million, with total expenses of approximately $88 million. For fiscal year 2003, the company expects revenues to range between $380 and $385 million, with total expenses of approximately $361 million.

During the fourth quarter of fiscal 2002, AspenTech signed 11 license transactions of approximately $1 million or greater. The company signed substantial license agreements with BASF, Celanese, Degussa, Muller, PPG Industries and Philips Petroleum.

As previously announced, the company will be holding a conference call to discuss its financial results, business outlook, and related corporate and financial matters at 4:45 p.m. EST on Thursday, August 15, 2002. Interested parties may listen to a live Webcast of the call by logging on to AspenTech's website: http://www.aspentech.com and clicking on the "Webcast" link under the Investor Relations section of the site. A replay of the call will be archived on AspenTech's website for ten days and will also be available via telephone beginning at 8:00 p.m. EST on August 15, 2002, by dialing 719-457-0820 and entering in confirmation code 150110.

About AspenTech

Aspen Technology, Inc. is a leading supplier of enterprise software and services to the process industries, enabling its customers to increase their margins and optimize their business performance. AspenTech's engineering solutions, incorporating Hyprotech's technologies, help companies design and improve their plants and processes, maximizing returns throughout their operational life. AspenTech's supply chain manufacturing solutions allow companies to run their plants and supply chain more profitably, from customer demand through to the delivery of the finished product. Over 1,200 leading companies rely on AspenTech's software every day to drive improvements across their most important engineering and operational processes. AspenTech's customers include: Air Liquide, AstraZeneca, Bayer, BASF, BP, ChevronTexaco, Dow Chemical, DuPont, ExxonMobil, GlaxoSmithKline, Lyondell Equistar, Merck, Mitsubishi Chemical, Shell and Unilever. For more information, visit www.aspentech.com.

Paragraphs, 4, 5, 6 and 7 of this press release contain forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve factors that may cause AspenTech's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Specifically, by way of example and without limitation, some of the statements in the third, fourth, fifth and sixth paragraphs are forward-looking statements and their achievement is subject to a number of factors including: AspenTech's lengthy sales cycle which makes it difficult to predict quarterly operating results; fluctuations in AspenTech's quarterly operating results; AspenTech's dependence on customers in the cyclical chemicals, petrochemicals and petroleum industries; AspenTech's dependence on key employees; intense competition; AspenTech's dependence on systems integrators and other strategic partners; and other risk factors described from time to time in AspenTech's periodic reports filed with the Securities and Exchange Commission. AspenTech cannot guarantee any future results, levels of activity, performance, or achievements. Moreover, neither AspenTech nor anyone else assumes responsibility for the accuracy and completeness of any forward-looking statements. AspenTech undertakes no obligation to update any of the forward-looking statements after the date of this press release.

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ASPEN TECHNOLOGY, INC.
CONSOLIDATED CONDENSED BALANCE SHEET
(Dollars in thousands)

	June 30, 2002	June 30, 2001
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	$52,120	$67,638
Accounts receivable and unbilled services, net	125,987	116,389
Current portion of long-term installments receivable, net	40,404	31,094
Deferred tax asset	2,929	3,252
Prepaid expenses and other current assets	18,699	17,591
Total current assets	240,139	235,964
Long-term installments receivable, net	68,318	43,428
Equipment and leasehold improvements, net	50,803	43,276
Computer software development costs, net	13,810	8,539
Intangible assets, net	125,363	43,964
Purchased intellectual property, net	27,626	-
Deferred tax asset	15,576	15,686
Other assets	6,708	15,737
Total assets	$548,343	$406,594
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$5,334	$2,539
Obligation subject to common stock settlement	11,100	-
Accounts payable and accrued expenses	94,987	62,959
Unearned revenue	20,983	18,711
Deferred revenue	38,624	24,341
Total current liabilities	171,028	108,550
Long-term debt, less current maturities	92,135	88,149
Obligation subject to common stock settlement	1,810	-
Deferred revenue, less current portion	9,548	8,190
Deferred tax liability	15,003	-
Other liabilities	5,031	635
Total stockholders' equity	253,788	201,070
Total liabilities and stockholders' equity	$548,343	$406,594

ASPEN TECHNOLOGY, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Twelve Months Ended June 30, 2002	Twelve Months Ended June 30, 2001
REVENUES:				
Software licenses	$37,363	$40,012	$133,913	$147,448
Services	46,589	47,973	186,691	179,476
Total revenues	83,952	87,985	320,604	326,924
EXPENSES:				
Cost of software licenses	3,167	3,151	11,830	11,856
Cost of services	29,600	30,695	119,972	114,595
Selling and marketing	30,629	31,846	115,225	113,608
Research and development	19,045	18,763	74,458	68,913
General and administrative	10,638	8,189	34,258	30,643
Restructuring charges	13,941	6,969	16,083	6,969
Charges for in-process research and development	14,900	2,300	14,900	9,915
Total costs and expenses	121,920	101,913	386,726	356,499
Income (loss) from operations	(37,968)	(13,928)	(66,122)	(29,575)
Other income (expense), net	(388)	650	(893)	669
Write-off of investment	(8,923)	-	(8,923)	(5,000)
Interest income, net	178	878	1,177	4,799
Income (loss) before provision for (benefit from) income taxes	(47,101)	(12,400)	(74,761)	(29,107)
Provision for (benefit from) income taxes	10,703	(3,720)	2,404	(8,732)
Net income (loss)	(57,804)	(8,680)	(77,165)	(20,375)
Accretion of preferred stock discount and dividend (1)	(2,161)	-	(6,301)	-
Net income (loss) applicable to common stockholders	$(59,965)	$(8,680)	$(83,466)	$(20,375)
Basic and diluted earnings (loss) per share:				
Net income (loss) per share	$(1.66)	$(0.28)	$(2.37)	$(0.68)
Accretion of preferred stock discount and dividend	(0.06)	-	(0.19)	-
Net income (loss) per share applicable to common stockholders (2)	$(1.72)	$(0.28)	$(2.56)	$(0.68)
Weighted average shares outstanding - basic and diluted	34,829	30,572	32,625	29,941

Pro Forma before Charges for In Process R&D, Write-off of Investments, Amortization of Goodwill, Restructuring Charges, Preferred Stock Discount and Dividend Accretion, and Valuation on Deferred Tax

Asset:

Net income (loss)	$(11,741)	$1,232	$(37,259)	$3,633
Diluted earnings (loss) per share	$(0.34)	$0.04	$(1.14)	$0.12

(1) The twelve months ending June 30, 2002 include a preferred stock dividend of $3.5 million that was incurred during the quarter ended March 31, 2002, primarily due to a beneficial conversion feature embedded in the Series B preferred stock. This dividend was not included in our March 31, 2002 financial results.

(2) The three months and twelve months ending June 30, 2001 include $0.6 million and $2.1 million of amortization of goodwill respectively, while 2002 results do not include any amortization of goodwill to comply with FASB 142.

Supplemental information - Reconciliation of net income (loss) to pro forma net income (loss)

	Three Months Ended		Twelve Months Ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Net income (loss)	$(59,965)	$(8,680)	$(83,466)	$(20,375)
Adjustments to net loss:				
Write-off of acquired in-process research and development	14,900	2,300	14,900	9,915
Write-off of investment	8,923	-	8,923	5,000
Amortization of goodwill	-	643	-	2,124
Restructuring charge	13,941	6,969	16,083	6,969
Preferred stock discount and dividend accretion	2,161	-	6,301	-
Valuation of deferred tax asset	8,299	-	-	-
Pro forma net income (loss)	$(11,741)	$1,232	$(37,259)	$3,633

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