



# ciber

## First Quarter Financial Report

March 31, 2003



## **COMPANY OVERVIEW**

CIBER, Inc. and its subsidiaries provide information technology (IT) system integration consulting and other services and to a lesser extent, resell certain hardware and software products. Our clients consist primarily of Fortune 500 and middle market companies across most major industries and governmental agencies. We operate from 60 CIBER, 10 DigiTerra and 10 CIBER Europe offices across the United States, Canada and Europe. At March 31, 2003, we had approximately 6,000 employees.

We began operations in 1974 to assist companies in need of computer programming support. In the mid-1980s, we initiated a growth strategy that included expanding our range of computer-related services, developing a professional sales force and selectively acquiring established complementary companies. We continue to expand and modify our service offerings to address changes in customer demands and rapidly changing technology. In addition, we look to form strategic alliances with select package software and hardware vendors to stay at the leading edge of technology advances, to develop new business and to generate additional revenue.

Our principal executive offices are located at 5251 DTC Parkway, Suite 1400, Greenwood Village, CO, 80111. Our Internet address is [www.ciber.com](http://www.ciber.com). CIBER is traded on the New York Stock Exchange with the market symbol: CBR.

CIBER currently has three reportable segments, Custom Solutions, Package Solutions and CIBER Europe. The Custom Solutions segment primarily includes our CIBER custom branch offices. Our Package Solutions segment is comprised of our CIBER Enterprise Solutions Division and our subsidiary DigiTerra, Inc. CIBER Europe is made up of our ECSOFT acquisition and CIBER Solution Partners.

## **CIBER Custom Solutions**

Our CIBER custom branch operations provide IT project solutions and IT staffing in custom developed software environments. Each branch office has local leadership, sales, recruiting and delivery capabilities. Our branch office network is integral to our business strategy. Through the branch office network, we can (1) offer a broad range of consulting services on a local basis, (2) respond to changing market demands for IT services through a variety of contacts in many industries and geographic areas and (3) maintain a quality professional staff because of our nationwide reputation and our training programs. Our strategy is to leverage our long-standing staffing relationships to win strategic consulting and/or project solutions and systems integration business.

The migration toward a more solutions-based business model has resulted from our efforts to (1) create significant thought leadership in leading technologies through our National Practices, (2) establish a consultative sales methodology that enhances our ability to identify, pursue and close solutions-based business, and (3) improve our solutions delivery capability by continuing to refine our project management and delivery methodology. Our National Practices, which support the local sales and delivery functions, include: Enterprise Application Integration,



Business Intelligence, Internet Solutions, Infrastructure and Security, Wireless Integration, Outsourcing, and Managed Services.

While 70% of our operations are directed at commercial clientele, 30% of our operations have a focus on state and federal government organizations. Our State Government Practice has a number of specialty focus areas, including: health and human services; public health; law and justice, and motor vehicles, among others. Our Federal Government Practice initiatives include: defense/aerospace; outsourcing; human resource and financial management systems; and strategy and enterprise services.

### **CIBER Package Solutions**

Our CIBER Enterprise Solutions Division (CES) provides consulting services to support software from enterprise solutions vendors including Oracle, PeopleSoft and SAP. CES supports the Customer Relationship Management (CRM) offerings of these enterprise partners, and in addition, provides services for users of independent CRM software, such as Siebel and Onyx. CES is an Oracle Certified Solutions Partner, a PeopleSoft Certified Consulting Partner as well as an SAP Services Partner. CES has vertical expertise in healthcare, higher education, public sector, telecommunications and manufacturing, among others.

DigiTerra, Inc. primarily provides middle-market companies with packaged software assessment, planning and implementation services, with an emphasis on software from J. D. Edwards and Lawson, as well as several Supply Chain Management (SCM) products. DigiTerra's Technology Solutions Practice helps clients select, configure and design IT platform-related solutions and is an authorized reseller of selected hardware and software products from IBM, Hewlett-Packard, Sun Microsystems and Intermecc.

### **CIBER Europe**

CIBER Europe, a combination of newly acquired ECsoft and CIBER Solution Partners provides a broad range of business and technical consulting services to include, application development, package implementation, systems integration, and support services. CIBER Europe has operations in the United Kingdom, Scandinavia and the Netherlands. CIBER Europe strives to help their customers exploit advances in information technology so that they can gain increased competitive advantage and create new business opportunities.

IBER, Inc.  
Operating Results Analysis  
Quarter Ended March 31, 2003

	Sequential Quarters				Quarter over Quarter			
	Q4 '02		Q1 '03		Q1 '02		Q1 '03	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Company Total</b>								
Consulting Services	\$ 153,620	96.37	\$ 164,864	97.23	\$ 127,745	94.95	\$ 164,864	97.23
Other Revenue	5,783	3.63	4,691	2.77	6,790	5.05	4,691	2.77
<b>Total Revenue</b>	<b>159,403</b>	<b>100.00</b>	<b>169,555</b>	<b>100.00</b>	<b>134,533</b>	<b>100.00</b>	<b>169,555</b>	<b>100.00</b>
Gross Profit-Services	43,215	28.13	46,532	28.22	35,549	27.83	46,532	28.22
Gross Profit-Other	1,607	27.79	1,058	22.55	2,584	38.05	1,058	22.55
<b>Total Gross Profit</b>	<b>44,822</b>	<b>28.12</b>	<b>47,590</b>	<b>28.07</b>	<b>38,133</b>	<b>28.34</b>	<b>47,590</b>	<b>28.07</b>
Selling, General & Administrative Expenses	36,618	22.97	39,222	23.13	35,096	26.09	39,222	23.13
Other Charges	-	0.00	-	0.00	-	0.00	-	0.00
<b>Operating Income before amortization expense</b>	<b>8,202</b>	<b>5.15</b>	<b>8,367</b>	<b>4.93</b>	<b>3,037</b>	<b>2.26</b>	<b>8,367</b>	<b>4.93</b>
Amortization Expense	391	0.25	529	0.31	182	0.14	529	0.31
Other Income (Expense)	428	0.27	(393)	(0.23)	(180)	(0.13)	(393)	(0.23)
<b>Income Before Taxes</b>	<b>8,239</b>	<b>5.17</b>	<b>7,446</b>	<b>4.39</b>	<b>2,675</b>	<b>1.99</b>	<b>7,446</b>	<b>4.39</b>
Provision for Income Taxes	3,290	2.06	2,878	1.70	1,068	0.79	2,878	1.70
<b>Net Income</b>	<b>4,949</b>	<b>3.10</b>	<b>4,568</b>	<b>2.69</b>	<b>1,607</b>	<b>1.19</b>	<b>4,568</b>	<b>2.69</b>
<b>Performance Metrics</b>								
Ending Billable Headcount	4,750		5,100		3,940		5,100	
Overhead Employees	670		765		690		765	
Average Billing Rate	\$74.31		\$74.57		\$77.00		\$74.57	
Utilization	87.3%		89.9%		86.7%		89.9%	

Corporate/Intersegment Eliminations	Amount	%	Amount	%	Amount	%	Amount	%
	Total Revenue	\$ (817)	(0.51)	\$ (612)	(0.36)	\$ (670)	(0.50)	\$ (612)
Total Gross Profit	(103)	(0.06)	(5)	(0.00)	(207)	(0.15)	(5)	(0.00)
Selling, General & Administrative Expenses	6,157	3.86	5,115	3.02	4,767	3.54	5,115	3.02
Other Charges	-	0.00	-	0.00	-	0.00	-	0.00
<b>Operating Income before amortization expense</b>	<b>(6,260)</b>	<b>(3.93)</b>	<b>(5,119)</b>	<b>(3.02)</b>	<b>(4,974)</b>	<b>(3.70)</b>	<b>(5,119)</b>	<b>(3.02)</b>

Custom Solutions Segment	Amount	%	Amount	%	Amount	%	Amount	%
	Consulting Services	\$ 129,037	98.07	\$ 128,691	97.52	\$ 104,064	96.67	\$ 128,691
Other Revenue	2,539	1.93	3,270	2.48	3,581	3.33	3,270	2.48
<b>Total Revenue</b>	<b>131,576</b>	<b>100.00</b>	<b>131,961</b>	<b>100.00</b>	<b>107,645</b>	<b>100.00</b>	<b>131,961</b>	<b>100.00</b>
Gross Profit-Services	33,342	25.84	34,378	26.71	28,366	27.26	34,378	26.71
Gross Profit-Other	252	9.91	349	10.67	455	12.72	349	10.67
<b>Total Gross Profit</b>	<b>33,594</b>	<b>25.53</b>	<b>34,728</b>	<b>26.32</b>	<b>28,822</b>	<b>26.77</b>	<b>34,728</b>	<b>26.32</b>
Selling, General & Administrative Expenses	23,376	17.77	22,510	17.06	21,618	20.08	22,510	17.06
<b>Operating Income</b>	<b>10,218</b>	<b>7.77</b>	<b>12,218</b>	<b>9.26</b>	<b>7,204</b>	<b>6.69</b>	<b>12,218</b>	<b>9.26</b>
<b>Performance Metrics</b>								
Ending Billable Headcount	4,200		4,120		3,360		4,120	
Overhead Employees	575		575		575		575	
Average Billing Rate	\$66.31		\$66.23		\$66.74		\$66.23	
Utilization	89.3%		92.5%		90.8%		92.5%	

Package Solutions Segment	Amount	%	Amount	%	Amount	%	Amount	%
	Consulting Services	\$ 19,468	88.30	\$ 21,531	94.60	\$ 20,070	88.25	\$ 21,531
Other Revenue	2,580	11.70	1,228	5.40	2,673	11.75	1,228	5.40
<b>Total Revenue</b>	<b>22,048</b>	<b>100.00</b>	<b>22,758</b>	<b>100.00</b>	<b>22,743</b>	<b>100.00</b>	<b>22,758</b>	<b>100.00</b>
Gross Profit-Services	6,623	34.02	7,850	36.46	5,616	27.98	7,850	36.46
Gross Profit-Other	1,424	55.19	565	46.02	2,037	76.19	565	46.02
<b>Total Gross Profit</b>	<b>8,046</b>	<b>36.49</b>	<b>8,415</b>	<b>36.98</b>	<b>7,652</b>	<b>33.65</b>	<b>8,415</b>	<b>36.98</b>
Selling, General & Administrative Expenses	5,459	24.76	6,604	29.02	7,443	32.73	6,604	29.02
<b>Operating Income</b>	<b>2,587</b>	<b>11.73</b>	<b>1,811</b>	<b>7.96</b>	<b>209</b>	<b>0.92</b>	<b>1,811</b>	<b>7.96</b>
<b>Performance Metrics</b>								
Ending Headcount	440		430		500		430	
Overhead Employees	80		85		105		85	
Average Billing Rate	\$148.13		\$148.50		\$146.70		\$148.50	
Utilization	68.6%		71.7%		58.9%		71.7%	

Europe Segment	Amount	%	Amount	%	Amount	%	Amount	%
	Consulting Services	\$ 5,933	89.95	\$ 15,254	98.75	\$ 4,277	88.83	\$ 15,254
Other Revenue	663	10.05	193	1.25	538	11.17	193	1.25
<b>Total Revenue</b>	<b>6,597</b>	<b>100.00</b>	<b>15,446</b>	<b>100.00</b>	<b>4,815</b>	<b>100.00</b>	<b>15,446</b>	<b>100.00</b>
Gross Profit-Services	3,353	56.50	4,307	28.23	1,774	41.48	4,307	28.23
Gross Profit-Other	(66)	(9.97)	144	74.66	93	17.36	144	74.66
<b>Total Gross Profit</b>	<b>3,287</b>	<b>49.82</b>	<b>4,450</b>	<b>28.81</b>	<b>1,867</b>	<b>38.78</b>	<b>4,450</b>	<b>28.81</b>
Selling, General & Administrative Expenses	1,626	24.65	4,995	32.34	1,271	26.39	4,995	32.34
<b>Operating Income</b>	<b>1,660</b>	<b>25.17</b>	<b>(545)</b>	<b>(3.53)</b>	<b>597</b>	<b>12.39</b>	<b>(545)</b>	<b>(3.53)</b>
<b>Performance Metrics</b>								
Ending Headcount	110		550		80		550	
Overhead Employees	15		105		10		105	
Average Billing Rate	\$125.26		\$98.37		\$97.04		\$98.37	
Utilization	75.8%		76.2%		76.3%		76.2%	



## First Quarter Highlights

### Company Total

- **Revenue** for the quarter totaled \$169.6 million, an increase of 26.0% compared to \$134.5 million reported in the March 2002 quarter, and sequentially up 6.4% compared to the \$159.4 million reported in the December 2002 quarter. Revenue growth came mostly from our ECSOft acquisition, which closed in Q1. There was modest organic growth of approximately 1%, independent of the ECSOft acquired growth.
- **Gross profit-services** as a percentage of sales for the quarter increased by approximately 9 basis points compared to the fourth quarter of last year. The increase was due to higher utilization, but was offset by higher payroll taxes in the current quarter. Gross profit was up when compared to Q1 of last year. Utilization improved both sequentially and year over year. The Gross Profit percentage benefit associated with improved utilization was tempered somewhat by the acquired DCI revenue not reflected in Q1 of last year. DCI's margins were approximately 75 basis points lower than CIBER's average.
- **Selling, general and administrative expenses** as a percentage of sales increased slightly compared to the fourth quarter of last year and dropped by 296 basis points when compared to the first quarter of 2002. CIBER continues to look for opportunities to contain costs and leverage its' existing infrastructure. In absolute dollars, SG&A increased by \$2.6 million in the current quarter compared to the December quarter of 2002. Our acquisition of ECSOft, which closed at the end of January, added \$3 million to SG&A. So on a comparative basis SG&A actually decreased by \$400 thousand in the quarter. The decrease was in spite of several costs incurred in the quarter, namely the closing of our Oxford office in the UK, which incrementally added \$600 thousand to SG&A. We also wrote off the loss on a sublease that was entered into at the end of March, which totaled over \$500 thousand.
- **Operating Income before amortization expense** totaled \$8.4 million for the quarter, an increase of 2% compared to the \$8.2 million reported in the fourth quarter of last year and an increase of over 176% compared to \$3 million reported in the first quarter of 2002.
- **Earnings per share** GAAP Earnings Per Share (EPS) for the quarter totaled \$.07, compared to \$.08 reported in the December quarter of last year. Q1 of 2002 had EPS of \$.03, which is an increase of 133% year over year.



## CIBER Custom Solutions Segment

- **Revenue** from CIBER Custom Solutions totaled \$132.0 million for the quarter, an increase of 22.6% compared to \$107.6 million reported in the March 2002 quarter, and relatively flat sequentially compared to the \$131.6 million reported in the December 2002 quarter. Acquisitions closed in the second quarter of 2002 (DCI) and in the first quarter of 2003 (ECSoft) fueled the year over year increase.
- **Gross profit-services** as a percentage of services revenue increased from 25.8% in the fourth quarter of 2002 to 26.7% in the first quarter of 2003. Most of the increase was due to better utilization. The fourth quarter is historically a low utilization period due to holidays and vacations. Year over year, gross profit as a percentage of revenue declined by 55 basis points to 26.7% compared to 27.3% in the first quarter of 2002. The decrease was due to the lower margin business of DCI included in 2003, but not 2002.
- **Operating Income** totaled \$12.2 million for the quarter, an increase of 20% compared to the \$10.2 million reported in the fourth quarter of last year, due primarily to higher gross profit and lower SG&A costs. Operating Income grew 70% compared to the \$7.2 million of Q1 2002. This was due to the leverage gained by increasing revenues 23% while only growing SG&A 4%.
- **Billable Headcount** decreased by 2.2% during the quarter ending with 4,120 billable consultants, compared to 4,200 as of December 31st. Year over year billable headcount increased 22% from 3,360. This increase can all be attributed to our DCI acquisition.
- **Average Billing Rate** per hour for the quarter was \$66.23 compared to \$66.31 in the fourth quarter of last year. Q1 2002 had an average billing rate of \$66.74. The year over year decrease is due to slightly lower billing rates associated with the DCI acquisition.
- **Utilization** for the first quarter of 2002 was 92.5%, which is higher than the 89.3% reported for the fourth quarter of 2002 and also an improvement when compared to the 90.8% utilization realized in the first quarter of 2002. This improvement in utilization is a testament to the operating discipline of our custom solutions management team.

## CIBER Package Solutions Segment

- **Revenue** from CIBER Package Solutions totaled \$22.8 million for the quarter, a 3.2% sequential increase compared to \$22.0 million reported in the December quarter of 2002. Year over year revenue was relatively flat. Q1 2002 had revenue that totaled \$22.7 million. Improvements in rates and utilization were offset by lower headcount.
- **Gross profit-services** as a percentage of service revenue increased for the quarter by approximately 250 basis points to 36.5%, compared to 34.0% for the fourth quarter of 2002. Higher utilization resulted from better bench controls and improved project management. Year over year gross profit-services was up from 28.0% in Q1 2002. These results were due to the dramatic increase in utilization, from 58.9% last year to 71.7% this year.



- **Operating Income** totaled \$1.8 million for the quarter, compared to \$2.6 million reported in the fourth quarter of last year. Higher SG&A costs in 2003 returned to a more normal rate in Q1 after a lower than usual Q4 of last year. Compared to Q1 2002's operating income of \$209 thousand, 2003 operating income increased over 500%. That increase was due to better Gross Profit through higher rates and utilization, and better SG&A cost management.
- **Billable Headcount** decreased slightly sequentially, from 440 to 430. And year over year billable headcount dropped from 500 as headcount was reduced to be brought more in line with current demand
- **Utilization** for the quarter was 71.7%, which is higher than the 68.6% reported for the December 2002 quarter. This is mostly due to Q4 being a low utilization quarter. But the dramatic increase from 58.9% in Q1 2002 shows the significant steps that were taken to bring the bench in line with demand.
- **Average Billing Rate** per hour for the quarter was up slightly at \$148.5 compared to the fourth quarter 2002 at \$148.13. Rates continue to see stabilization. Rates are also up year over year when compared to the Q1 2002 average billing rate of \$146.70.

### **CIBER European Operations**

*The CIBER European Operations segment was formed in the first quarter of 2003 as a result of CIBER closing the acquisition of ECSoft at the end of January 2003. In addition to the operations of the former ECSoft, the CIBER European Operations segment also includes the all of CIBER's former European operations, primarily CIBER Solution Partners. The CIBER European Operations segment goes to market under the name CIBER Europe.*

- **Revenue** from CIBER Europe totaled \$15.4 million for the quarter, a 134% sequential increase compared to \$6.6 million reported in the December quarter of 2002. Year over year revenue was also up. Revenue for the first quarter of 2002 totaled \$4.8 million. Both increases were due to the closing of the ECSoft acquisition at the end of January 2003. For the quarter ECSoft contributed revenue of \$10.2 million, in line with our expectations for the quarter.
- **Gross profit-services** as a percentage of service revenue decreased for the quarter to 28.2%, compared to 56.5% for the fourth quarter of 2002. This decrease is a combination of several factors. First, in connection with the acquisition of ECSoft, CIBER's Oxford, England office was closed. In the quarter, that operation reported negative gross profit of \$400 thousand due to severance and other charges taken in the quarter. Second, the gross profit percentage in CIBER's Netherlands operation for the fourth quarter of 2002 was an unusually high 53.5%. In the first quarter of 2003 the gross profit percentage returned to a more normal, but still very strong 38.3%. The third element influencing the gross profit percentage in the quarter was the addition of ECSoft, which contributed gross profit of 29.3%.



- **Operating Income** for the quarter was actually a loss of \$545 thousand. The loss for the quarter was the combination of a loss of \$1.345 million associated with the closing of the Oxford, England office, profit from CIBER's Netherlands operation of approximately \$800 thousand and ECSOft operating at break-even.
- **Billable Headcount** increased both sequentially and year over year. In both cases it was due mostly from the ECSOft acquisition.
- **Utilization** Q1 2003 was 76.2%, up slightly from 75.8% in Q4 2002 and down slightly from Q1 2002, which was 76.3%. While ECSOft has lower billing rates, they have about the same utilization as Solution Partners.
- **Average Billing Rate** per hour for the quarter was down to \$98.37 compared to the fourth quarter 2002 of \$125.26. Year over year rates were flat, based on the Q1 2002 average billing rate of \$97.04. Rates have historically fluctuated a lot, as Solution Partners was a relatively small operation that could have dramatic rate swings as projects ended or began.



## **FORWARD LOOKING STATEMENT**

Except for the historical information and discussions contained herein, statements contained in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, as discussed in the company's filings with the Securities and Exchange Commission. CIBER and the CIBER logo are trademarks or registered trademarks of CIBER, Inc.