



Working Together to Create Sustainable Success

APICS Board of Directors Meeting Update

October 2011



APICS Mission

APICS builds and validates knowledge in supply chain and operations management.

We enable our community of members, affiliates and customers to lead in the global marketplace.



October Board Meeting Summary

- Discussion: High Performance Board – Quality Metrics
- Received Executive Office Report including Balanced Scorecard and Strategy Map
- Reviewed current financial reports and year end estimates
- Received and approved the 2012-2014 budget
- Received and approved motion to amend APICS Bylaws on governance changes as approved at the July board meeting
- Received and accepted the Mid Atlantic District's recommendation to appoint Maryanne Ross to replace Bill Clark as the Mid Atlantic District Manager for the remainder of the term.



October Board Meeting Summary

- Received Channel Partner Agreement Update and affirmed recommended changes to the APICS North American Chapter Agreement with the exception of deleting “APICS will limit sales of Instructor Materials in North America to Chapters only” from the draft agreement. The board has asked for additional information regarding this topic.
- Received Collaboration Committee Report and affirmed recommendations
- Received Sustainability Report and affirmed recommendations, which include establishing a Sustainability Taskforce
- Received Conference Content Subcommittee Report – Three Year Conference Content Plan
- Received 2011 Conference Local Arrangements Team Update



3rd Quarter Activities and Accomplishments

- We are ahead of all key metrics and anticipate concluding the year ahead of most if not all objectives.
- The budgets for the next three years address the strategic priorities as approved at the July Board meeting.
- Net income from operations is significantly ahead of plan, and we anticipate finishing the year considerably ahead of budget as well. Revenues are up almost 9%. Most notably, courseware is up over 9%; online/onsite revenue is up 134%; and conference and strategic alliances is up 54%.



3rd Quarter Activities and Accomplishments

- Membership has increased 5.4% with 8,114 new members recruited through August. Additionally, every category of membership has seen growth with the electronic memberships showing the largest growth.
- The release of the updated CSCP is on schedule for November 2011
- The following APICS Folio Series were released and are available on apics.org:
 - S&OP Practices and Challenges
 - Supply Chain Risk Management
 - Supply Chain Strategy
 - Supply Chain Sustainability



3rd Quarter Activities and Accomplishments

- APICS Career Packs, providing practitioners, hiring managers, and human resource professionals with information on the skills, knowledge, and experience professionals must possess were released:
 - Supply chain manager
 - Materials manager
 - Buyer/planner
 - Master scheduler
 - Distribution and logistics manager



3rd Quarter Activities and Accomplishments

- The number of certification exams is currently ahead of 2010 and is expected to exceed the budget by year-end
- We have exceeded our budget for the 2011 Annual Conference, both in number of registrations and exhibit revenues. Paid registrants attendees exceeded 1,400 compared to a budget of 1,120. Additionally, exhibits increased to 69 compared to the 2010 total of 41.
- The Manufacturing Institute has selected APICS as a partner in the NAM-Endorsed Manufacturing Skills Certification System.



Balanced Scorecard



Financial Indicators

KPI	3 Year Goal	Annual Target	YTD (Aug) Actual	Qtrly Target	Qtrly Actual	Status
NOI % (Net Operating Income)	2%	0.59%	9%	3.6%	8.7%	On/Ahead of Target
NOI (000 Omitted)	N/A	\$115	\$1,159	\$173	\$460	On/Ahead of Target
Revenue(000 Omitted)	N/A	19,796	13,289	\$4,845	\$5,271	On/Ahead of Target
Expense(000 Omitted)	N/A	19,680	12,130	\$4,671	\$4,811	On/Ahead of Target
Reserve Ratio	≥25%	12.3%	18.6%	N/A	18.6%	On/Ahead of Target
Leverage Ratio	≤1.0	2.09	1.96	N/A	1.96	On/Ahead of Target
Current Ratio	≥1.0	0.43	.71	N/A	.71	On/Ahead of Target



On/Ahead of Target	Caution	Warning
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Affiliation Indicators

KPI	3 Year Goal	Annual Target	YTD (Aug) Actual	Status (Trend)
Dues Paying Membership %	1% in 2011, 2% in 2012 3% in 2013	1%	5.4%	
Dues Paying Membership #	34,536 in 2011 34,878 in 2012 35,220 in 2013	34,536	36,042	
Social Networks	+5% Annually	19,105	26,439	
Number of Channel Partners	TBD	TBD	229 Chapters 71 IAs/AEPs	TBD

On/Ahead of Target	Caution	Warning
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Content Indicators

KPI	3 Year Goal	Annual Target	YTD (Aug) Actual	Status
Total Sales of Core Products & Services %	5% Annually	2%	16%	
CPIM Courseware Sales (000 Omitted)	\$12,797	\$4,254	\$3,160	
CSCP Courseware Sales (000 Omitted)	\$5,816	\$1,503	\$1,138	
Product Relevance	North America (NA) 80% Rest of World (ROW) 70%	77%	TBD	TBD

On/Ahead of Target

Caution

Warning





Certification Indicators

KPI	3 Year Goal	Annual Target	YTD Aug 2010	YTD Aug 2011	% Inc	Status (Trend)
Exams	3%*	28,575	15,999	17,270	7.94%	↔
CPIM – NA		10,352	6,802	6,951	2.19%	↔
CPIM – ROW		15,428	7,241	8,180	12.97%	↔
CSCP – NA		1,600	1,289	1,355	5.12%	↔
CSCP – ROW		1,195	667	784	17.54%	↔

* Based on 3% year-over-year increase based on 2010 results.





Process Indicators

KPI	2011 Target	Status (Trend)
Leverage Social Media	Develop Strategy	↔
Penetration of Corp Segments	Diversified = \$175,000 F&B = \$140,000 Electronics = \$85,000	↔
Strategic Relationships	Value from all strategic relationship totals \$500,000	↔
CPA Agreement	Perform processes to support agreements by YE 2012	Milestones intentionally delayed
Courseware Update	Minor updates to CPIM Major update to CSCP	↔

On/Ahead of Target	Caution	Warning
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Process Indicators

KPI	2011 Objective	Status (Trend)
On Line Repository	Website redesign to support repository will be complete in 2011	↔
Top 5 Job Titles	Deliver in 2011	↔
On Line Prof Comp Assess.	Define assessment domains and conduct a “proof of concept” survey.	↔ Put on Hold.
JTA	Begin development on CPIM JTA to be performed in 2012	↔
Corporate Compliance Project	Market evaluation	↔

On/Ahead of Target

Caution

Warning





Financial Report



3RD Quarter Financial Highlights

- July-August performance was at budgeted levels.
- Conference attendance is projected at 20% above budget.
- Liquidity has remained strong due to revenues and strong conference performance.



Balance Sheet Highlights

(\$000 Omitted)	August 2010	August 2011	Change Increase/ (Decrease)	Change %
Current Assets	2,336	4,107	1,771	76%
Total Assets	7,924	10,903	2,979	38%
Current Liabilities	6,212	5,805	(407)	(7%)
Total Liabilities	6,504	7,220	716	11%
Net Assets	1,420	3,683	2,263	159%
Total Liabilities & Net Assets	7,924	10,903	2,979	38%



Income Statement Highlights

(\$000 Omitted)	August 2011 YTD Actual	August 2011 YTD Budget	Variance Favorable/ (Unfavorable)
Revenue	13,289	12,217	1,072
Operating Expenses	12,130	12,232	102
Net Income from Operations	1,159	(15)	1,174
Unrealized Gain/(loss)	(85)	-	(85)
Change in Net Assets	1,074	(15)	1,089



2011 Latest Best Estimate (“LBE”)

(\$000 Omitted)	LBE 2011	Budget 2011	Variance Favorable/ (Unfavorable)
Revenue	20,612	19,797	815
Operating Expenses	19,770	19,681	(89)
Net Income from Operations	842	116	726
Unrealized Gain/(loss)	(85)	-	(85)
Change in Net Assets	757	116	641



Revenue Comparison as a % of Total

YTD August 2011 v. YTD August 2010 v. FY 2010

	Courseware	Certification	Member Services	Conferences	On-Line/On-site Training & Other	Total
August 2011 Revenue	35%	30%	24%	2%	9%	100%
August 2010 Revenue	36%	29%	27%	1%	7%	100%
Audited 2010 Revenue	32%	29%	23%	10%	6%	100%



Expense Comparison as a % of Total

YTD August 2011 v. YTD August 2010 v. FY 2010

	Employee Related	Professional Fees	Printing & Cost of Sales	Occupancy, Utilities & supplies	Governance & Conference	Depreciation & other	Total
August 2011 Expense	38%	22%	14%	11%	6%	9%	100%
August 2010 Expense	39%	20%	14%	13%	5%	9%	100%
Audited 2010 Expense	37%	20%	13%	12%	10%	8%	100%



Key Performance Indicators

(\$000 Omitted)	APICS Objectives	2008 Audit	2009 Audit	2010 Audit	YTD August 2011	Budget 2011	LBE 2011
Leverage Ratio	≤ 1.0	4.47	4.06	2.30	1.96	2.09	1.62
Current Ratio	≥ 1.0	0.33	0.31	0.48	0.71	0.43	0.51
Profit Ratio	$\geq 2.0\%$	-1.26%	-9.31%	1.2%	8.7%	0.59%	4.1%
Reserve Ratio	$\geq 25.0\%$	7.9%	8.5%	14.5%	18.6%	12.3%	18.1%



2012-2014 Budget



2012-2014 Budget Highlights

- Budget aligns directly to Board approved 2012-14 Strategic Plan.
- Budget allows for consistent investment in the organizations core products.
- Budget is cash accretive every year:
 - 2012 - \$661,639 incremental cash
 - 2013 - \$983,354 incremental cash
 - 2014 - \$1,289,728 incremental cash
- Budget shows continued revenue growth:
 - 2012 – 6%
 - 2013 – 5%
 - 2014 – 4%



Proposed Budget

(\$000 Omitted)	2010 Audit	2011 LBE	2012 Proposed Budget	2013 Projection	2014 Projection
Revenue	18,703	20,612	21,947	23,000	23,820
Expenses	18,473	19,769	21,586	22,470	23,105
NOI	230	843	361	530	715



Channel Partner Agreement



Status

July 2011

- Draft agreement accepted by Board
- Task Force concluded with thanks

August– September 2011

- Legal and staff review

October 2011

- District Managers' review
- Revised draft presented to Board



Changes to Draft

The following substantive items have been flagged for addition, deletion, or revision:

[Original] “APICS will notify Chapters twelve [12] months prior to the end of the production of an item. APICS will seek to provide a retirement path or strategy where appropriate.”

[Recommended] “APICS will notify Chapters of any products that are to be discontinued at the earliest possible time. Every attempt will be made to provide notice twelve [12] months prior to the end of production of an item. In the event a Chapter had made prior commitments to a third party regarding a retired product, APICS shall use best efforts to support Chapter needs to fulfill commitment.”

It is not always possible to plan for the end of production 12 months in advance.



Changes to Draft

[Deleted] “Both parties will seek to maintain current, accurate database records.”

This activity will remain the responsibility of APICS.



Changes to Draft

[Deleted] “APICS will limit sales of Instructor Materials in North America to Chapters only.”

Imposing such a limit would negatively impact revenue.

The board has tabled decision on this issue pending additional information from the DMC and staff. The current plan is to provide the information prior to year end.



Changes to Draft

[Sections Added]

Intellectual Property Rights: Ensures that both parties are fully aware of usage rules regarding Copyright and Trademarks.

Warranties: Confirms that both signatories have the authority to enter into the agreement; comply with governing law; does not create a conflict of interest; etc.



Changes to Draft

[Sections Added]

APICS Indemnification: Protects Chapter from any claim resulting from the sale or use of APICS materials

Limitation of Liability and No Warranty: Protects APICS from damages beyond actual cost.



Changes to Draft

[Sections Added]

Non-discrimination: Prohibits partners from engaging in discriminative business practices.

Assignment and Transfer of Rights: Clarifies that the agreement is still binding after the signatories leave their positions.



Changes to Draft

[Sections Added]

Terms and Termination: Provides a means for either party to end the relationship if necessary.

Legal Entity: Clarifies that the two parties are separate legal entities.



Changes to Draft

[Sections Added]

General: Multiple purposes, including:

- Agreement is the only binding contract between parties
- If part of the agreement is voided, the rest of the agreement will survive
- Waiver of any part does not waive any other part
- Both parties will hold the agreement confidential



Roles and Responsibilities: Implementation

District Managers:

- Communicate implementation plan to chapters
- Act as main point of contact for chapters
- Manage the project plan to complete all agreements by December 31, 2012

Staff:

- Provide support to District Managers
- Provide support to chapter leaders as necessary
- Collect and store signed agreements



Next Steps

- Execute implementation plan
 - Confirm timeline
 - Define critical dates
 - Establish communications plan
 - Provide support to chapters, as needed, to become incorporated
 - Archive signed agreements



Other Updates



APICS International Conference & Expo

Pittsburgh, PA October 23-25, 2011

Attendance: 2,082 total
1,446 paid, *goal exceeded*

Expo: 65 exhibiting companies
69 booth spaces sold

Sponsors: 4 sponsors

Future Sites:
2012 - Denver, Colorado
2013 - Orlando, Florida
2014 - Dallas, Texas



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meeting customer demand in an unpredictable world



Upcoming APICS Events



**ASIA SUPPLY CHAIN &
OPERATIONS 2012**

Two conferences in one week

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OPERATIONS PLANNING (S&OP)
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QUESTIONS?