January 18, 2013

To: UNC Press Board of Governors

From: Robbie Dircks

Subject: Financial highlights for January 23, 2013 Board Meeting

Through six months, book sales for FY13 totaled $3,353,326. This represents 60% of our $5.6 million sales projection. FY13 mid-year sales are $46,000 (1.3%) greater than last year’s sales of $3,307,317. Although net sales were slightly ahead of last year after six months, December sales were lower than forecast; and, at mid-year net sales are $247,000 behind what is needed to reach the $5.6 million sales projection. January is off to a slow start, with net sales of $249,000 at mid-month vs. a monthly forecast of $675,000 (and $922,000 needed to make up for the December shortfall).

We’ve been reviewing mid-year (and early January sales) over the past two weeks in an attempt to determine the cause of the sales shortfall after such a good initial four months of the fiscal year. New title sales, for the most part, are performing as projected; however, we’re not seeing sales (reorders) of the new titles published last year and course adoption sales are lagging compared to prior years. In addition, returns are running ahead of last year by about $111,000. Our mid-year results are similar to the news we’re hearing from our colleagues at other university presses.

 Dec ’12 (FY13) Dec ’11 (FY12) Dec ’10 (FY11)

Book Sales $3,353,326 60.0% $3,307,317 61.7% $3,254,967 61.4%

Year-End Sales $5,600,000 (proj) $5,358,188 $5,406,542

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The 12/31/2012 financial report reports a net surplus (after six-months of state and endowment support) of $274,000. This is $92,000 less than the 12/31/2011 mid-year results. Cost of Sales are slightly better than budgeted (as a % of net sales) and about equal to last year in dollars.  Gross margin at 12/31/2012 was $146,000 under budget but $66,500 ahead of last year. Total departmental operating expenses were $33,000 under budget at 12/31/2012 but $170,000 greater than last year.

As a result of the downturn in sales, we are revising our FY13 sales projection from $5.6 million to $5.4 million (and possibly lower as we continue to go through the revised budget process). I’ve spent the past week or so reviewing cost of sales and departmental operating expenses and am continuing work, with feedback from the department heads, on a revised budget. I’ll review a draft of the revised budget with the Finance Committee on Wednesday morning, and also with the full Board during the meeting.

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The five-month return from the UNC Management Company was a market gain of 4.3%. As of November 30, 2012 investments totaled $15,748,232: $14,303,753 in endowment, $580,360 in Press operating reserve, and $864,119 in Journals operating reserve.

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Net sales for all Longleaf client publishers, including UNC Press, totaled $8,223,383 as of December 31, 2012. This represents 50.9% of budgeted net sales of $16.15 million; and is $306,000 less than last year. Ideally we’d like to achieve 60-62% of net sales during the first-half of the fiscal year, thus Longleaf revenue is about $140,000 under budget as only one publisher has achieved more than 60% of projected net sales after six months.  Expenses are running about $112,000 under budget (primarily fees to MV and credit card fees, which are down due to net sales being less than forecast).  Longleaf generated a mid-year surplus of $41,000, which is $31,000 less than last year.

I’ve contacted the client publishers and asked for a revised sales projection as the first step in revising the Longleaf FY13 budget.