**IBM White Glove Events**

**Moderator:   Tim O'Brien**
**March 2, 2010**
**10:00 a.m. CT**

Operator:        Good day and welcome to today's web conference.  During today's event all participant lines have been muted to prevent background noise.  If you require technical support at anytime please press star then 0 on your touchtone phone and someone will assist you.  This event is being recorded.

There will be a question and answer session after the formal comments.  You may submit questions electronically throughout today's presentation using the question and answer feature on the web.  To do so you will first need to exit full-screen view by pressing the escape key on your keyboard.  Select the "Question and Answer" option located to the left of your screen under meeting features.  Then, simply type your question into the area provided and submit.

Please note that your web questions are private and only the presenters will see them.  We will gather your questions throughout the presentation and address them as time permits during the Q&A session.  You will also be able to ask questions verbally during the Q&A.  At that time the operator will provide instructions to queue up for the questions.

Again, today's presentation is being recorded.  There will be a demo so please use the arrows on the top of your screen to refresh your screen and to show full-screen view.  We will pause for a moment to initialize the recording.  Please stand by.

We would like to welcome everyone to today's web event titled "IBM Cognos Performance Blueprints and Action webcastStrategic Finance" powered by TM1. At this time it is my pleasure to turn the floor over to Tim O'Brien. Tim, you may go ahead.

Tim O'Brien: Great. Thank you and welcome everyone to this installment of the Performance Blueprints and Action webcastseries featuring the Strategic Finance Performance Blueprint powered by TM1. My name is Tim O'Brien and I'm pleased to be your host today for this webcast.

I wanted to chat with you all a little bit about some of the things going on in the Innovations Center that we're doing that I want to make you aware of, I think you'll get a lot of value out of. And then I will turn the control over to my colleague, Rita Vanlierop, also from the IBM Cognos Innovations Center for Performance Management. And the Innovations Center for Performance Management is a membership-based community consisting of IBM Cognos customers.

Literally around the globe we've got over 6,000 members of the Innovations Center that we bring to gather in various ways such as these webcasts, different live events that we deliver. We've got an online community. We've got linked in groups. We've also got a Twitter account. And these are all mechanisms that we employ in order to facilitate a dialogue amongst this community.

And we partner with third-party thought leaders as well that provide thought leadership and white papers research studies to this membership community that we also bring in through different webcasts as well. So there's a few webcast that we do that we bring in these third-party thought leaders and live events. Again to help facilitate dialogue around best practices across these spectrums we call performance management, business analytics and business intelligence which I'm sure you've all heard a lot of things from IBM about over the years.

So as I mentioned we do a number of live events. We do a number of webcasts. These are just a few of them. One of which you're participating in

today.  And we do this every month, each one.  So it's more than just the blueprints and options.  We do a BI strategies webcast around best practices and business intelligence and reporting and analysis-type practices.  We also do (assisted-type) best practices, an optional webcast which focuses on different best practices across this thing we call Performance Management which includes practices like planning, budgeting and forecasting, reporting and analysis, financial analytics, financial management and control.  Things like that.  We focus on a different best practice within that spectrum I just walked through.

We've also got a multimedia widget that we've deployed.   And as I mentioned all these different live events that we do, all these different webcasts and thought leadership and customer success stories, different online communities, there's a lot out there that we're doing literally on a week-to-week basis that's changing.

And so this multimedia widget, it's something you can deploy and have in the background on your desktop.  And you can filter by different types of events you may be looking for; whether they're webcasts or live events; you might be looking for performance blueprints; they're also within this widget.

Rita Vanlierop, my colleague who will soon be presenting, is going to talk a little bit more about performance blueprints.  But all of this great stuff is accessible through this portal, this widget.  So if you want to get a copy of that we'll make sure in the follow-up communications to you all that you're provided a link to download.  And it takes about a minute to download and it just runs itself, a great, great tool to stay current with the Innovations Center.

And I mentioned the online community; I wanted to make you aware of that as well.  Again follow-up communications will certainly have more detail there on how to access these great, great connectors to not only other customers but the IBM Cognos Innovations Center as well as these third-party thought leaders.

So I wanted to spend a minute talking to you about some of the research that we gleamed in the Innovations Center.  From all of the different events that

we deliver – literally I'm on a plane all over North America, I've got colleagues over in Europe doing the same in Asia-Pacific and we're meeting with customers and delivering best practices, round table, and we're learning a great deal. As I'm sure you can imagine about what's top of mind for organizations. And I just – I want to explain to you guys a little bit about business analytics, performance management and business intelligence and provide a background on why the subject is so important and why we're so passionate in the Innovations Center about helping our customers enable these solutions in their organizations.

And the theme here is that the global economy is in a "New Normal" as coined by Roger McNamee. And successful businesses, whether you're large or small, global or domestic – it's really across every industry – operate differently than they used to. And the New Normal is about business after the bubble and beyond the burst if you will. And it's about where we've arrived, where we are now, and where we're likely to stay for the next 5 years. And to win in the New Normal calls for fresh thinking and smart adaptation for a focus on relentless execution and on solid performance. Indeed, the New Normal also calls for a steadfast approach to business.

And I want to give you all a little context here. And this is clearly different than the way things used to be in business. And the focus used to be on tangible assets in the days of the old industrial economy. So think late 19th century, the majority of the 20th century, financial measurements used by companies were adequate to record investments and inventory, and property plan (that can witness) company balance sheets, and P&Ls and income statements in this era could also trap the expenses associated with these tangible assets to produce revenue in process. Yes, value is created with their tangible assets simply by transforming raw materials into finished products. That's the way things used to be.

And tangible assets are considered the goods, say of material nature that can be perceived by senses right. And you can see the raw materials – stocks, furniture, plant machines. So we're talking property plant equipment inventory. And things today have shifted from a market value measurement of these tangible assets to intangible ones.

And let me explain what I mean. And you can see from this chart what I'm talking about. And a study of the Brookings Institute in 1982 showed the tangible assets represented 62 percent of the value in the market of industrial organizations. And in 1992 the proportion lowered to 38 percent. In 2006, tangible assets now represent just 10 percent of market value. Now what does that mean? The question is, why do we still use these outdated forms of measurement? And they're typically lagging indicators. These are outdated forms of measurement and recording because all the indicators are backward-looking.

Indeed in today's economy, as validated through this chart, intangible assets become the major sources of competitive advantage and it's clear that opportunities for creating value are shifting from managing tangible assets to managing knowledge-based strategy that deploy an organization's intangible assets and these including, you can see them there on the slide.

Knowledge-based competition, the ability of organizations to develop, nurture and mobilize these intangible assets, is critical for success. However, as mentioned, financial instruments utilized in the industrial economy can't capture the value-creating activities from these intangible assets. And many organizations even in the end of the '70s operated under the central control through large functional departments and strategies could be developed at the top and implemented through a centralized command-and-control culture.

Change was incremental so managers could use slow reacting and tactical management control systems such as the budget. And such systems, however, were designed for nineteenth century and early twentieth century industrial companies and are adequate are not adequate or inadequate, excuse me, for today's dynamic, rapidly changing environment. Yet many organizations continue to use them. Best practices organizations are adopting tools such as rolling forecasts and balanced scorecards to measure and monitor performance as well as optimize their ability to predict future performance allowing them to manage their business more effectively.

Today, most organizations operate through decentralized business units and teams that are much closer to the customers than large corporate staffs. These

organizations recognize that competitive advantage comes from the intangible knowledge capabilities and relationships created by employees than from investments and physical assets and access to capital rapid.

Changes are taking place in technology competition and regulation, requiring a nimble and informed organization. And this gives everyone in the organization regardless of geography, their level or function, to be aligned with the company's goals and objectives to ensure they're making decisions that support the top line strategist that are also based on a clear and accurate view of their piece of the business. And an infrastructure is required to support the decision-making that happens across all levels, geographies or functions of the organizations. And these decision-makers are really answering three questions to be able to make their decisions. And this is what we mean when we talk about performance management. A decision maker wants to understand how they're doing, why, and what should they be doing.

How well we're doing is a way of measuring and monitoring the business. It's looking at your key performance indicators. Let's take on-time customer shipments. Let's say that on-time customer shipment is one of your key goals and objections for 2010. You're answering that first question of how are we doing. Are we above target? Are we below target? Say your target is a hundred percent on time customer shipments. If you look at your target and you're only at 89 percent, clearly you've answered that question how are we doing. Well there's something wrong. Now you want to answer that second question which is why? Why are we below target? And you want to be able to drill through in context, not go to a separate access database or a data mart or have to pick up the phone and call someone. You want to drill through on say that 89 percent of target to understand that number better. And that's through reporting and analytic solutions answering that question of why.

Once you've understood why, then, lastly, you want to know, what should we be doing to course-correct? Perhaps, there could be an opportunity that you want to exploit that you've discovered through these reporting and analytics solutions answering that question why. Whatever it may be, you might want to change course going forward to answer that third question of, what should we be doing? And that's typically done through a planning, budgeting and

forecasting and financial management consolidation system. And these together through an integrated platform provide that decision-making capability that our performance management and business intelligence and business analytics solutions can provide.

And so I hope that gave you a good sense not only of some of the feedback that we're hearing from our customer community, literally around the globe which really shaped my presentation today and some of the information I passed on to you all but also hopefully, I gave you a sense of what it is when we hear about performance management business and intelligence and business analytics. So I'm about to hand the mic over to my colleague, Rita Vanlierop to begin the blueprint presentation. But before we do that I just wanted to take a quick poll, if that's okay, and just find out what solution everybody's using. If you could answer that really quickly, it always helps us get a better understanding of our audience. And make sure we're delivering the right content to you all. And in this case given how many webcast we do on a week-to-week basis. So, thank you for answering that polling question there. And, without further ado, I'm happy to present my colleague from the IBM Cognos Innovation Center, Rita Vanlierop – Rita, you have the floor.

Rita Vanlierop: All right, than you very much, Tim.

As Tim mentioned, I've been working with Tim for quite a while. I have been with the Innovation Center for about three years now. And my main role is developing blueprints.

Before I begin, can you see my slides – Tim or anybody?

Tim O'Brien: Yes, looks great.

Rita Vanlierop: OK, just verifying.

I've been with the Innovation Center for three years, mainly developing blueprints. And in the last year, we've been highly focused on developing TM1 models of the existing blueprints.

As it happened, Strategic Finance was definitely one of the most in-demand blueprints. So we've had a lot of requests, both internally and externally, for the TM1 version of this blueprint.

Now, some of you may not be familiar with the original blueprint, which is still available on the Innovation Center website. But the capabilities and the functionality, which I will demonstrate later to you, are still available in this blueprint. It's just presented with the TM1 format.

So let's look at some of those capabilities now before we actually start our demonstration.

Part of this blueprint, like our blueprints – again, I'm going to speak an audience that I'm assuming is not necessarily familiar with what we do – is a fully functional models. The incorporate the best practices from our customers. We always work with experts; we don't just develop on the fly.

And in the case of this blueprint, for example, I was working with the ex-Treasurer of the Target Corporation. He gave us most of the input on this blueprint. He dealt with strategic long-range planning quite a bit, so we got some great feedback from him as well as others.

So with the blueprints in general, once you own the software, you can join the Innovation Center, and download the blueprints for free. And this will be one of them that will be available to the public by the end of March or early April.

So continuing, this blueprint, in particular – Strategic Planning – we like to think of it as both the starting point and the ending point in the planning process. So, typically, you could see from this diagram the CFO, the Treasurer. It's a pretty small group of users that would be developing the strategic plan. We show 10 years out, though, of course, some companies are doing three to five years. And, again, if you download that blueprint, then that is something that is entirely up to you. It's customizable as to how long you have your planning horizon for long-range planning.

But once these very high-level plans are developed, the targets are then typically rolled out to the business units. And the business units, or the

division heads, then begin to do some of the more detailed what we call bottoms-up operational planning.

Typically, this would include things like expense planning, capital planning, workforce planning. And all of these blueprints, as it happens, are either available now or will be very shortly available in the TM1 version. Again, they all exist in the current planning version, as well. And we've kept very much – the two models – both TM1 – are very consistent in what they deliver in terms of functionality.

But in this case, if you're developing a long-range plan, you would probably have some high-level numbers for total capital spending, as the manager of that particular division does his detailed capital planning for expansion of equipment. For example, he would look to his total planning to see that he sticks to his target, which was delivered in the long-range plans.

Once those lower-level or bottoms-up plans – the operational plans – are delivered, there is clearly going to be some reconciliation both ways. So, ideally, it would match first-round. But, typically – and this arrow probably should be an arrow going both ways because there may be changes to the strategic plan, or there may be changes to some of the bottoms-up plan. This is a fully normal process.

The way we look at it is that a lot of the systems are delivered from your ERP or your Excel spreadsheets, etcetera. And this is basically a flowchart of the people and areas that would be involved. So we're looking at some typical questions.

Clearly, strategic planning is a tool that would be used by the senior-level executives, the treasury department, etcetera, for the C-level audience. So we're looking for other things for operational plans to match.

But we want to answer some questions, especially in this economy. And I think that Tim really stressed that point in his presentation a little bit earlier. We know that cash has always been a key critic; particularly in this economy, it's something that most companies are very concerned with.

We also want to look at some KPIs, or how are our shareholders going to be affected. So this blueprint is going to answer that question. And, again, if a company might want to make an acquisition -- we're talking about cash – this is a huge – you know, it's not happening as frequently as it used to, but it still may make sense for companies. So they want to be able to evaluate quickly how that acquisition would affect their cash, their income statement, and if there are real synergies between the company that's being acquired so they can do their evaluations.

The other thing they want to look at is how they benchmark against other industries in their area. And those are typically KPIs and data that are easily available. So if, for example, they do make an acquisition that involves a large amount of debt, then how does that impact their credit rating and all the other KPIs? So this blueprint is going to answer some of those questions – very important questions, again, particularly in this economy.

And this blueprint, like all of our blueprints, is a continuous planning process. Again – and I think I showed you that a few slides back – there is definitely going to be some reconciliation between the top-down long-range plan and the bottoms-up plan.

So some of the dimensions we're looking at in the blueprint are acquisition dimensions. And, again, we're evaluating all our income statements. We're looking at our scenarios. We've created three scenarios, most likely best-case and worst-case. Again, the user is free to develop as many scenarios as he would like and call them whatever he would like.

And then we have synergy scenario. How would the company look in the event of an acquisition? What are the synergies?

I'm not going to spend a lot of time because, when I go through the model, I'll show you. But the TM1 application is very flexible. You can deliver either through a Web or Excel deployment. And I'm going to demonstrate the Web-based version.

There is a version in workflow control, which is important. And there is real-time consolidation. In TM1, there is real-time reporting, which is great. So as

these plans are changing, the CEO or whoever is actually just looking at the reports can quickly see the impact of any changes.

The calculations, of course, are real-time. And because the blueprints are based on rules, there is validation of the inputs. So people (can now) just, as in spreadsheets, input a number and there is no real audit for that number, integrity to that number. And, of course, the TM1 architecture is highly scalable.

We provide scenario-based forecasts. So, for example, we're providing operating and revenue and expense models. And, again, you're able to do that either at a very detailed level, where you have product lines involved, or at a high level. And these might typically come in, again, from other existing blueprints. I think I mentioned the expense-planning blueprint, which is available, but we also have a sales forecasting blueprint.

This is a typical flow for the mergers and acquisitions portion. So we're looking at the feasibilities of acquiring a company -- I'm going to demonstrate this a little bit later, too – in how to value the company, how it's impacting our cash flow, of course, and what the synergies are.

This particular square is a little different color because we do expect to actually create a very detailed M&A blueprint in the future.

Financial impact – again, you've got all your major statements – income statement, cash flow, and balance sheets. They're completely integrated and balanced. So that's the important thing. I think that people who typically do this type of planning would be doing it in spreadsheets. And I know that this has typically been a challenge, to make sure all of the statements are truly integrated.

Again, as I mentioned, we have credit and debt management. This is just a sample of our Dashboard, which I will be showing you live.

So I'm going to now start the demo.

And I just want to be sure – is everybody able to see the screen?

Tim O'Brien:     Yep, it's just coming up right now, Rita.

Rita Vanlierop:  OK, I'll wait.

Tim O'Brien:     It's still a (go) black screen.  But there we go.  You're all set.

Rita Vanlierop:  OK, so what we're looking at in this screen is the Dashboard.  And this is the BI portion of the blueprint.

This is typically the view that the CEO might have.  He's not doing the input.  It might go through the treasury group or a long-range planning group, a corporate finance director or something to that effect.  And, again, as that finance director or treasury group analyst is inputting and making changes to the long-range plans, these become immediately visible to the CEO and the executive group.

So we're looking here in graphic format at some of the things that would interest – again, this blueprint is almost complete, but I still have some data input.  But there will be some data input for best-case/worst-case etcetera.  Right now, you're seeing revenue, for example, just for the most likely.

And we have prompts here in this line graph where we can look at our net income.  So I'll just switch to that so we can take a view of that.  And while that report is running, I'll – there we go.  So this is net income again.  I still have to input some data, but once that data is available, it will show up in this graph.

Moving to the right, we have something called a waterfall chart.  So we're seeing, on the Y graph, the dollar amount and the actual impact of an acquisition on our base company, which is referred to as the core operations or the company as it exists before any acquisitions or divestitures.  We're not showing any divestitures; we just haven't made any at this point.  But the impact of this acquisition is reflected in this bar.

Moving down, we have some balance sheet information, which is, again, really important information for a CEO.  I'm going to switch this to – oh, let's

see "margins," to see if I get anything here. There we go. I apologize for the display format. My desktop is at a rather low resolution, so I'm unable to capture the whole screen as I normally would. But it makes for better viewing.

I'm going to move on to the balance sheet so we can look at some of the other reports.

So what we're looking at here is the balance sheet as it's delivered directly from the blueprint. As you can see, we're looking at current year and the next four years, we're looking at the balance, and we could also look at the change from year over year.

We also have a few little graphs on the side, showing current and non-current assets.

And, this -- first this, and then I'll just show you the income statement – is the view that we would expect the CEO to be interested in. Again, this is a real, live data view. As changes are made and saved, that view immediately changes for the CEO.

So I'm going to now go into the planning model itself. And I'm going to make sure before I start that you can see anything. Tim, are you able to see the screen with the workflow (inaudible)?

Tim O'Brien:      Yes.

Rita Vanlierop:   OK, so the way we have set up this model is just like all of the other blueprints. There are contributions and reviews as part of the workflow. The hierarchy for this particular company is corporate, belongs to the holding company. And then the legal entities here roll up into the North American Division.

Again, the hierarchy is entirely customizable. So depending on what you're looking for in a hierarchy – and this can be much larger. This blueprint, though, is typically a pretty small audience as compared, particularly, to the expense planning blueprint or our workforce planning blueprint, which would

probably involve most of the division heads throughout the company. This blueprint is typically viewed by higher-level executives and, again, some of the heads of the entities or divisions, whatever they may be.

In this case, I, as the CFO or the main analyst, have inputs. So I'm a contributor or user and can make changes to both the corporate plan as well as the plans of a legal entity. You can see that the corporate has a little yellow circle, so that means the data has begun and legal entities have not yet started their plans.

I'm going to go into corporate. We'll take a look at that.

I just want to be sure – is everybody able to – is the screen available yet?

Tim O'Brien:      Yes.

Rita Vanlierop:      OK, I don't want to talk until you guys see it.

So starting with our income statement, it's a fairly standard income statement. Again, the areas – we're looking at a 10-year forecast with totals. The areas in gray, of course, are areas that are either read-only because the data is coming in from another source or you've made them read-only. There are a couple of options here.

It's a high-level statement. I'm looking at the core operations. But I am able to select the acquisitions. And you can see this is the acquisition revenue or even the post-acquisition view. So I'm now looking at the impact of the acquisitions.

The other thing I can do is to change the dimension views. So if I wanted to look, for example, at 2010, I can see my view entirely for all the acquisitions.

And the other thing we're looking at here is our various scenarios, most likely best-case and worst-case. And, again, as I said, I really only have data in the most likely situation.

So, moving on, I'm going to look at the operating revenue next. I'm not going to go completely in order because I just wanted to show you where this information on revenue and cost is coming from.

So I have inputs -- both volume and a typical rate -- for a product. And you could see that the revenue is a calculated field. The (cogs) rate is an input field. And the cost of goods sold, again, is calculated as are the rest of the items below.

Now, I would think that, in most companies, this data would actually come from another more detailed source. Particularly for the beginning years, you would have a product line dimension, maybe, or even a product dimension itself.

Moving onto the expense, again, it's fairly high-level. And we've chosen to input – just because we're not sourcing from another but, again, it could come from a spreadsheet or could come from another blueprint, which is what we like to see. What we're looking at here is the dollars for salaries for the company. And what we can also do is to look at the actual percentage of revenue. I'm going to click the "recalculate" button. So this is the percentage of revenue for salaries, wages, etcetera. Again, those are all feeding the income statement.

One of the other things we want to look at is some of our KPIs and shareholder statistics. This is because, again, this is clearly very important to the shareholders. So we're, again, seeing the net income. We're seeing the number of shares we have outstanding, book value. And if we have any dividends, we're seeing a dividend payout ratio.

We're seeing, also, some other important performance indicators that the shareholder would be interested in – of course, earnings per share, which doesn't look that great at this point. Price earnings and the price earnings growth, as well as the share price here, aren't calculating. Again, I have to work with the data a little bit.

And, again, we have the option of looking at our scenarios here, post-acquisition and acquisition, as well as if there are divestitures.

The KPI detail, again, is offering some information on some of the key performance indicators. As you can see, this data is all fed. This data is actually being calculated even though it's in white. But it's all coming – the income statement, shareholder view, and KPI are all one cube, so you are seeing this as a white area though it is a calculated area.

Moving on, we have a KPI review, which shows a few more. Again, these KPIs – we've included what we see as most typical for most companies. However, this is another list that you certainly could modify. You can exclude some of these and include those that are important to your company. The other thing is that I know that, in some companies, these things are calculated a little bit differently than we might do them. So that's something that can easily be modified.

I'm going to move on to the balance sheet flow because a lot of the information is actually generated on the balance sheet flow.

I would describe this as a trial balance. So what you're seeing here in this example is looking at receivables. And you're looking at the balance forward for the current year, which is 2010, that we're budgeting for.

With any beginning-period receivables, the revenue, of course, is flowing from the income statement. And the cash receipts are actually calculated, as are the receivables end period. I'm going to change 2011 to 50 days, and we can see how that works. And you can see that any area in blue is actually a change. So, now, we've changed and actually have less cash than we did before, and our balances are higher for 2011. So returning to the 45 days –

Again, this is only for the core operations or the base company before anything else. So we're able to make any changes to our drivers, which is a really good way to calculate your cash flow. So if you're saying, "Look, I know this is the rate of day sales upstanding that I'm seeing, typically, for my receivables," it may be a base rate that you brought in from prior years, or, "This is the rate I would like to see." And you may have a different rate for your best and worst cases, just to look at that scenario and see what the difference is. Again, I don't have data, so I'm not going to show it to you yet.

For our inventory, we use inventory turns as our driver. And for a lot of the other things we're using days payable outstanding, for example. That's a key for cash flow control. We're saying 60. If we were to change this to 70, then we're going to see a change in our cash. So I'm going to go over to our cash flow just to show you that impact. And, again, remember that any changes, as you can see, would be in blue. We'll move to our cash flow. And you could see that, in 2011, this payment has actually – these numbers are immediately updated as we make that simple change to a driver. And the balance sheet is in balance, and the income statement reflects those changes, as do all our KPIs.

So I'll go back to the KPIs and look at 2011, when we made that change, and you can see that these numbers are highlighted in blue. They look horrible, but, nonetheless, it works. We don't have good data again yet, but we're working on that.

The other thing that we want to look at is mergers and acquisitions. That was a key part of this blueprint. Cash, again, is highly important. And we want to make sure that companies look at possible investments that would work for them.

So we started off with what we call M&A feasibility. We've allowed for three different situations here, where you can create some scenarios. Or, again, you can go to your scenarios and do the same thing within your scenario planning. Let me recalculate here.

For our situation, we have said that we own about five percent of this entity. We're interested in making a purchase to own about 50 percent, since, to truly call this an acquisition, that's what we would need to acquire. And you can see that, based on what we're saying that we would offer for that, which is the proposed offer price, we could see an actual offer share price and a premium over in market value. So this is the current market value, and this is the book value of the entity. Typically, this information is available so it's nothing strange.

You could see here that I have a drop-down for the type of valuation method that we've selected. So we have asset valuation here and MPV here. So we're looking at two different valuation methods. And in the case of our asset valuation method, we would actually be offering a lower price.

So if I move over to how these are created, you can see that I have here an actual tab that calculates all the various values that are available. So those are discounted cash flow, net present value, asset and market valuations. And, again, these are the types of things that we understand that most treasurers are looking for when they make a decision to acquire a company.

I'm just going to quickly show you the assumptions because we've built in some corporate assumptions. And I would most likely see this as a read-only-type tab. But we have our tax rates showing here, our interest rates, our cost of capital, etcetera.

The other area that I want to show you is divestitures because that is, again, a cash-generating or not situation. We're getting rid of, maybe, a product line, again. This is something where the manager, the CEO, or the CFO may say, "This is not profitable. Let's make some assumptions about that and see how that impacts our revenue." And, in this case, we're actually saying, "Let's divest of a (big staff in property)." So all of this is input. And this, again, will impact our cash flow and our cash flow management.

So looking at our cash flow management, this is where you can see that there is a lot of information here. So we're looking at the current cash situation, which is, again, flowing from our cash flow from operations, the impact of any acquisition. And in this case, our acquisition that we've selected – the Item 1 scenario, where this is what we would assume that we would offer for our acquiring company – so we're seeing immediately the amount that is needed to acquire that, and the debt. So we're saying that, of this amount -- $15 million, billion, whatever the case may be – will go to our debt cube. And that cash would be both a collection of – from the 7.5-percent series or our revolving credit line.

So, in looking at the debt cube, we have a number of different debt structures available to us. You can see here that I have a little popup that says, "Exceeds maximum." That is to say that we know we have maximum debt for each credit line available. And in this case, we've said that we want to borrow more, so you get a little automatic warning.

Lastly, I'll just quickly show you our credit rating. So, again, companies are typically rated. And what we're looking at here, which is highly important, is our coverage ratio. So we've got our pre-acquisition rating here. And again, because we've had to borrow to finance the merger in this particular scenario, you can see that our actual credit rating has gone down.

That is going to wrap it up for me. I'm ready to take some questions if…

Tim O'Brien:     Sure, Rita. You know, I think that what might help the participants in today's webcast – obviously, a lot of moving parts in this blueprint…

Rita Vanlierop:     Yes.

Tim O'Brien:     …And imagine that you're stepping into this Day One, and you've attended this webcast. How would you suggest that people go about getting their arms around this blueprint? There's so much to it. What's the process? What do you suggest?

Rita Vanlierop:     Again, if you – clearly, you're interested. You have the software. What's great about our blueprints is that it's a really quick value for you to have a quick implementation. You would download the blueprint. And you may not use all of these tabs that I'm showing, as I've got quite a bit of information here. You may be interested in strategic planning without mergers and acquisitions as part of it. You would download the blueprint, make the changes that you want or not – you know, include or exclude things, change some of your KPIs, etcetera – and just essentially start running the blueprint. It's provided to you – the model, the functionality, the algorithms are there. It's actually a pretty nice process.

Tim O'Brien:     OK, and what about the evaluation guide, typically with blueprints we provide? Is that a lot of help, too, to give you (contact)?

Rita Vanlierop:     Yeah.  No, good question.  First of all, all of our blueprints now have a little web demo up front.  When you go to the Innovation Center's site, you will see the blueprints listed – all of the functional blueprints, which this would be part of – and the web demo.  And each of them is included in the evaluation guide, which does explain in detail how to access each of the tabs and what they reflect.

I know we've gone very quickly over this, but if you read that evaluation guide, you will really have a good feel for what the blueprint is about and how it works.

Tim O'Brien:     OK, and one more question – you talked about that certain visibility, typically, within an organization is going to be at the executive level.  What if organizations wanted to deploy it more broadly?  Is there a way to secure it in such a way that perhaps you can prevent others from seeing certain dimensions, certain tabs or items within dimensions?

Rita Vanlierop:     Absolutely.  Again, this is still a work in progress, but it's almost there.  But, for example, I would assume that the legal entities would not be seeing the mergers and acquisitions tabs, (though, for sure,) they would clearly have the divestitures tab.  But they also would probably not have things like balance sheets.  So, yeah, that's absolutely controllable. The type of view they have is controllable.  Yes, absolutely.  There are a number of ways to secure it for different users.

Tim O'Brien:     Super.  And just to make note for everyone, in case you're wondering, "Why are we seeing this blueprint before it's fully published, if you will, for downloads by any customer?" – we're really giving you as Innovation Center members an early look at these blueprints.  So we try and give you guys early access to things like this.  So I hope that's beneficial to you all.  But it would explain why, perhaps in certain cases, Rita there didn't have data for some of the items within the dimensions.  But, again, we're trying to give you an early look.

Here's a question, Rita – "How does this blueprint differ from the original planning blueprint?"

I would imagine that a lot of people have that question. I've seen a couple of questions come across in (inaudible).

Rita Vanlierop: Yeah, you know, the thing with this blueprint is that, functionally, it is almost completely the same. What we've done with this is that we've streamlined it a bit. We had a little bit more detail built into our "operating revenue" tab. We had like product lines built in. And then we had a little bit more detailed "capital" tab that literally included the types of items that you're including in your capital plan.

What we've assumed for purposes of this blueprint is that people could really source the capital-planning blueprint, which is really a nice blueprint, as a feeder to this blueprint to plan their long-range capital. And they would probably source their revenue plan and even operating expense and revenue blueprints to source this blueprint.

But apart from that, most of the functionality – the KPIs – what we thought was key to strategic planning – that has all remained. So it's nice to know.

We are also going to upgrade our Dashboard. You saw a little glance of that. And, again, that was still a work in progress. But it's going to have a lot more capabilities than the original one, we think. So it's nice. This is probably something that our customers could look at if they are still running the planning blueprint, as well.

Tim O'Brien: OK, which other blueprints would integrate with this?

Rita Vanlierop: I think that the key blueprints that you would look at for this – so as you were thinking about downloading this – is the capital planning blueprint, again, is a very good blueprint to do your capital planning. That's one of our most popular blueprints.

The workforce-planning blueprint is, again, when you're doing really bottoms-up planning for your headcount, the types of positions, the salaries, your benefits, etcetera. And, again, because that feeds the expense planning blueprint, then that would certainly be part of it.

One of the other blueprints, which is not yet available in TM1 but will be, is our sales planning blueprint.

So those are the main blueprints that we would expect. There are a number of other blueprints available. But as far as TM1, those are the ones that I would certainly look at if you're looking to get just these generally functional blueprints, a really good base for any company.

Tim O'Brien: OK, great. I believe you brought this up, but the question came in – "What types of KPIs do you have? Can you add to this?" I think you mentioned it, but…

Rita Vanlierop: Yeah, I did. Again, we tried – and I'm going to just bring that up real quickly so that we can take a look at it ---

We did try to include what we considered to be the ones that are most typically used. But, again, like all of our dimensions, or one of the dimensions that you want to be able to add to and manipulate. And, again, some people calculate things like debt ratio a little bit differently. So those are things for which you would want to look at the rules and algorithms behind.

Tim O'Brien: And would these be things, Rita, that you would typically see a company put on a dashboard or a set of scorecards?

Rita Vanlierop: Yeah, and that's going to be – again, because this is a work in progress, that's one of the things that is going to be key in the Dashboard and the BI content, as well. So we haven't highlighted it as much yet because we're just, again, still working through some of these to make sure that they're operating correctly. But, yes, it will definitely be part of the Dashboard.

And that's what the CEO is probably going to look at. So that's going to be…

Tim O'Brien: Right, doubtful they'll want to get into this kind of detail…

Rita Vanlierop: Yeah, exactly.

Tim O'Brien:     OK, and here is a question – "What in particular makes this blueprint suitable for continuous planning?"

Rita Vanlierop:  I think the fact that it's long-range and high-level.  And I think, Tim, that you mentioned the rolling forecast feature.  I would imagine that most companies would want to use that.  The way TM1 works, we actually have a dimension called "Current Year-Next Year."  And you can attach an attribute where you basically say, "Current year is 2010," and, as you move on, you can change that attribute where the "Current Year-Next Year" would be 2011 and so on and so forth.  We've currently set it up at 2010.

                 You saw that attribute available, as I believe I had it here.  But this is the same dimension; we're just showing an attribute or a different view of that dimension, an actual hard-coated year.  This is a field that is easily changeable.  So it makes it ideal, really, for a rolling forecast or continuous planning process.

Tim O'Brien:     Perfect.  And here's a question – and we may have to follow up with this individual separately, but let's see, Rita, if you can answer.  "Traditionally, models that do income statement, balance sheet, and cash flow are circular by nature.  Is TM1 OK with this circularity?"

Rita Vanlierop:  It is.  And that part of it, the fact that we are – there is a lot happening behind the scenes, although, you're seeing the impact on it almost immediately.  But as you, again, are making changes – as in the example I showed you -- to your receivables, day sales outstanding, your payables day sales outstanding -- that is immediately updating your balance sheet, your cash flow, and your KPIs.  So, yes, those things are definitely part of this blueprint.

Tim O'Brien:     OK, great.  Well, I think that's all of the questions.

                 I'm going to answer another person's question, which is unrelated to blueprint.  But to let you all know how to view all of our performance blueprints – whether they're by industry or function – and the other assets I talked about at the beginning of this webcast – the live events, the webinars – we've got a number of thought leadership articles that are available to you all,

authored by people like (David Axon), (Jeremy Holt), (David Norton), (Brett Knowles), and many other that you can access.

You just simply need to go to www.IBM.com/cognos/innovation-center. If you forget or find you have lost where you wrote this down, just simply go to www.IBM.com/cognos. You'll see there in the right column, "Communities." Click on "Innovation Center," and we're right there.

Super. Anything else to add, Rita, before we wrap up?

Rita Vanlierop:     Sorry, I went on mute. No, I'm good, Tim.

Tim O'Brien:     Super.

Rita Vanlierop:     I hope this was a value. I know that we've had a lot of people asking for this in TM1. So I hope this was valuable to those people and others, as well.

Tim O'Brien:     Super. Well, Rita, thank you for your time.

And thank you to everyone for attending this installment of the "Performance Blueprints in Action" webcast series. We appreciate your time and hope that this was a valuable use of that time.

So thank you, everyone. Enjoy the rest of your days.

Operator:     This concludes today's conference call. You may now disconnect.

Speakers, hold your lines.


END