together we lead

2015–2016 ANNUAL REPORT

Because what is known must be shared.®

OCLC®

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“As a library cooperative like no other, we come together to lead the way.”

Skip Prichard

OCLC President and Chief Executive Officer

Dear colleagues,

OCLC members and staff come together as a community to make breakthroughs happen today and to shape a shared future for libraries. We leverage a shared history, knowledge and community in order to make positive changes on behalf of those we serve.

Together, we identify challenges that cross institutional and national boundaries. Together, we find better solutions. Together, we increase access to information for all.

In FY16 we took on some big challenges. We advanced our shared mission. We undertook the largest technical upgrade in our history. We strengthened member engagement. We improved customer service. We saw a steady improvement in our financial results. And, we became the fastest-growing library services platform provider in the world.

It would not be unreasonable for most organizations to set a five-year time frame for goals of this scope. We achieved them in one. It was critical to move with urgency and purpose because this work will get us to a better future, faster, together. As a library cooperative like no other, we come together to lead the way.

Delivering on our mission

We have come together as OCLC because what is known must be shared. We fundamentally believe that access to knowledge is vital to the people, communities and causes that libraries serve.

In the past year, we introduced an online Community Center where members can better share and gain knowledge about OCLC services. More than 4,000 library leaders and staff participated in OCLC member events held around the world. More than 170,000 social media engagements occurred through OCLC social media outlets, including our new OCLC *Next* blog. We studied and implemented shared print programs. We attracted more publishers and partners to work with the cooperative. And we continued to add many national catalogs, unique local collections and important academic resources to WorldCat. All of these achievements are possible only because thousands of OCLC member libraries make an ongoing commitment to sharing.

FY16 HIGHLIGHTS INCLUDE

North Rhine-Westphalian Library Service Centre begins adding 19 million records to WorldCat

Leading publishers worldwide sign partnership agreements

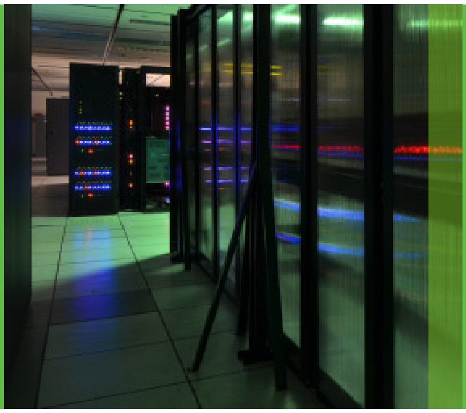
The National Library of the Netherlands signs long-term agreement with OCLC

Members connect and collaborate through the OCLC Community Center

Advancing our technology platform

OCLC libraries have always been technology leaders. Working together gives us access to platforms and technologies unavailable to single institutions. That cooperation is more important than ever as we keep pace with users' expectations. To meet that challenge head on, in FY16 we implemented the largest technology investment in our cooperative's history.

We now share a global technology foundation second to none in the library information environment. As one of the highest-performing infrastructures available today, it will support us far into the future. We have added capacity, strengthened our security and advanced our recovery capabilities. This investment will provide libraries with faster access to data, greater reliability and increased system performance. And it will allow OCLC to lead the way, scaling services that can support more libraries, more upgrades, more applications and more end users.



FY16 HIGHLIGHTS INCLUDE

"Snowflake elimination" speeds software development

APIs knock on library doors 3 million times every day

Bibliographic metadata transformed into actionable knowledge

Extending our shared services

WorldCat is the backbone of our work together as a cooperative, and as of 30 June, it had grown to 380 million records and 2.4 billion holdings around the world. Together, we expanded WorldCat by about 35 million records and 160 million holdings in FY16, and we marked the 45th anniversary of WorldCat. WorldCat continues to offer greater visibility for libraries and users with linked data and Unicode enhancements.

WorldShare Management Services (WMS) also reached a significant milestone: it has been five years since launch, and together we've achieved an unparalleled adoption rate by libraries around the world. More than 500 libraries spanning 17 countries and six continents have selected WMS, making it the fastest-growing library services platform in history.

We made major product strides in interlibrary loan and increased the Unicode capabilities of our metadata services. And we made the decision, based on member feedback, to continue to deliver full-featured WorldCat searching in a new version of FirstSearch, still separate from WorldCat Discovery.

FY16 HIGHLIGHTS INCLUDE

The OCLC community celebrates 45 years of WorldCat

WorldShare Management Services turns five

WorldShare Interlibrary Loan database surfaces trends

Members guide strategy of FirstSearch, WorldCat Discovery

Exploring our shared opportunities

To keep pace with changing technology and user expectations, and to play a larger role in our communities and on our campuses, we must continually look forward, monitoring trends and user perceptions.

In FY16, we conducted studies and programs that explored the importance of putting the library in the life of the user. This is an ongoing theme that we believe is vital to the future of successful library services. We also looked at system-wide perspectives in cooperative management of library collections and new modes of support for research processes technologies. OCLC invests significantly in research, and we share it openly to benefit all libraries.

FY16 HIGHLIGHTS INCLUDE

The Library in the Life of the User supports user-centered library services

OCLC Research explores the foundation for a research data management program

Linked data pilot launched with seven leading libraries

Knight News Challenge award granted to promote collaboration between public libraries and Wikipedia

Ensuring our future

In FY16, our revenues from library services were consistent. Several services, such as WorldShare Management Services and Sustainable Collection Services, experienced significant growth. Others remained flat or showed some decline. We improved our financial results and narrowed the negative return on our operations by reducing millions of dollars in expenses and carefully managing costs. We continued to invest in our technology infrastructure to advance the delivery of our cloud-based services. This will ensure that OCLC is prepared to meet member needs well into the future.

FY16 HIGHLIGHTS INCLUDE

Bill Rozek joins OCLC as Chief Financial Officer

Printed catalog cards give way to online resources

Northern Territory Library in Australia selects WMS

University of Sheffield chooses Sustainable Collection Services to manage print resources

Strengthening our community

I begin my fourth year at OCLC more confident and energized than ever before. We have shifted resources from infrastructure projects to product development. We are on a journey together to transform our cooperative to have even greater impact. Some of this transformation is readily visible. If you've been to our global headquarters recently for a user group session, a member meeting, a Global Council meeting or just for a visit, you've seen some changes to our 35-year-old facility. In FY16, we made significant renovations to the public areas and corporate library within our headquarters to enhance our culture of delivering with speed, accountability and excellence.

Much of the transformation, however, occurs below the surface and positions us for stronger delivery and impact not just today, but into the future. We have improved our infrastructure, strengthened our leadership and advanced our shared purpose. We continue to shift our culture, giving us a future-focused foundation that supports ongoing evolution and delivery.

As I travel and speak with librarians, I am continually impressed by how open we are to exploration and reinvention. Librarians often lead the way in adopting the new tools of our digital age—but always with an eye on maintaining our core values of cooperation, sharing and service.

Thank you for your leadership throughout our FY16 journey. I hope to see or hear from you in FY17.

Respectfully,

Skip Prichard

OCLC President and
Chief Executive Officer

For additional FY16 highlights, please visit these online resources:

News releases at oc.lc/newsreleases

Next blog at oc.lc/next

Youtube channel at oc.lc/youtube

OCLC Research at oc.lc/research

together
we move forward

"As libraries, and as a library cooperative, we continue to evolve. That is the key to our collective future and shared success."

Sandy Yee

Dean of University Libraries & School of Library and Information Science, Wayne State University, Chair, OCLC Board of Trustees

Our cooperative, our future

Collaboration and sharing are core to our community. OCLC members and staff come together to share knowledge in as many ways as possible because we know that, collectively, we can have a greater impact. As a cooperative, we help library users across our communities achieve breakthroughs by fueling research, improving learning and driving innovation.

In FY16, our global membership grew by 52 libraries to 16,964. We expanded into seven new countries—Kenya, Lesotho, Nicaragua, Palestine, Sri Lanka, Tunisia and Vietnam—bringing our global community to 122 countries. Our membership is diverse as well, ranging from rural school and public libraries to the largest government and research libraries.

We found new ways to work together, collaborate and grow, both as individuals and institutions. We came together to elect new representatives to Global Council and our board. We met at member forums and community meetings to discuss challenges, share best practices and improve our services. We celebrated the 45th anniversary of WorldCat and the 500th library to choose WorldShare Management Services. At Regional Council meetings, we explored industry-wide topics and heard from thought leaders from around the globe. We launched a new blog, published important new research and printed the last catalog card. We shared stories of breakthroughs that demonstrate the power of library cooperation. It was a great year.

Watch the video at: oc.lc/membervideo

A year in pictures

OCLC members elected 23 delegates to Global Council, including 13 first-time delegates.

34,659,586 new records

New records added to WorldCat by OCLC members in FY16.

On 1 October 2015, the final catalog card was printed at OCLC's Dublin headquarters, marking the end of an era for the service.

Global Council elected Madeleine Lefebvre (Chief Librarian, Ryerson University, Canada) and Jacques Malschaert (Managing Director of Bibliotheekservice Fryslân, the Netherlands) to the OCLC Board of Trustees.

More than 500 libraries spanning 17 countries and six continents have selected WorldShare Management Services.

oc.lc/wms500video

300 people from 32 countries met in Madrid, Spain, for the EMEA Regional Council meeting, 1–2 March 2016.

Ginny Steel (University Librarian, UCLA, USA) was elected as Global Council Vice President/ President-Elect.

280 people from 22 countries explored "The Power of Worldwide Cooperation" at the Asia Pacific Regional Council meeting in Melbourne, Australia, 3–4 December 2015.

The National Taiwan University shares a story about the power of library cooperation.

oc.lc/rekidaihoanvideo

1,503,531 records

WorldCat records enriched by members in FY16.

45th WorldCat®

Members celebrated the 45th anniversary of WorldCat.

oc.lc/worldcat45video

OCLC members toured four local libraries at the Asia Pacific Regional Council meeting in Australia.

1,442 librarians attended 25 Member Forums held across North America.

WorldShare Management Services user groups held meetings in Australia, the UK and the US to share learnings and best practices.

More than 2,250 librarians attended OCLC-hosted programs during American Library Association conferences.

3,000,000 hours

Copy cataloging with WorldCat saved OCLC libraries a significant amount of time in FY16.

Librarians from across Europe, the Middle East and Africa discussed OCLC services and research during 12 EMEA membership events.

Global Council members gathered to discuss challenges, trends and solutions.

Members took selfies at the EMEA Regional Council in Madrid.

The Americas Regional Council held meetings at three Member Forums in FY16.

250 librarians from the OCLC Research Library Partnership met in Chicago and Melbourne.

Eight new libraries joined the OCLC Research Libraries Partnership last year.

The 2016 IFLA/OCLC Fellows were Željko Dimitrijević, Serbia; Shaharima Parvin, Bangladesh; Penninah Musangi, Kenya; Rhea Jade Nabusan, Philippines; and Idowu Adegbilero-Iwari, Nigeria.

The OCLC Board of Trustees met five times in FY16.

June Abbas, Nancy Bolt, Robert Newlen, Tina Baich, Giao Luong Baker and Paige Andrew (not present) won OCLC-sponsored awards for innovation and professional excellence.

More than 200 librarians attended an OCLC event at the Public Library Association Conference.

263 members attended the OCLC Dutch Contact Day 15 October 2015.

7,398 unique users from 2,791 unique institutions shared 5,200 forum posts and replies and made 360 enhancement requests on the online Community Center last year.

At EMEA customer days in Germany, the Netherlands and the UK, more than 800 librarians met to discuss OCLC research, services and community activities.

We learned how libraries in Montana used digital archives to share cultural traditions and make breakthroughs with today's generations.

oc.lc/montanamemoryvideo

OCLC staff provided training and demonstrations at national, regional and local events.

The Asia Pacific Regional Council represents 1,716 unique institution members from countries in Asia and Australia.

Global Council delegates met to represent member libraries from across the globe.

The cooperative's new blog, OCLC *Next*, debuted 8 February 2016.

The University of KwaZulu-Natal realized new efficiencies with a cooperative, cloud-based library system.

oc.lc/kwazulunatalvideo

One of the inaugural IFLA/OCLC Fellows reflected on how collaboration has empowered her career.

oc.lc/iflafellowvideo

At the EMEA Regional Council Meeting in Madrid, Spain, members explored the "Selfie Generation."

together
we build

Ensuring our future

As a nonprofit global library cooperative, we have a goal to achieve an operating income over time that ranges between 2% and 4% of revenues. This approach ensures that OCLC remains financially sound and supports the necessary capital investments required to meet the needs of our membership. Historically, we have achieved this goal with revenues in line with the cost to deliver services, plus interest and dividend income from our investment portfolio.

In recent years, we have experienced operating losses from delivery of services to our members. (See Operating results before portfolio activity in the Summary of consolidated activities table on the next page). These losses result from restrained price increases combined with heavy strategic investment into new services, as well as technology upgrades, facility renovations and related staff resource realignment. Dividend and interest income from our investment portfolio, which is considered in the annual operating plan, has enabled us to partially offset these operating losses.

Unlike other library services organizations, we reinvest all of our income into building new products and programs rather than distributing funds to shareholders or business owners. Our revenue stream from library services and the investment portfolio provide a stable cash flow that allows for strategic capital investments while supporting the long-term viability of OCLC.

Summary of consolidated activities

Amount in $ millions

		FY16	FY15
Operating activities	Library service revenues	$203.4	$202.8
	Operating loss before portfolio activity	($10.0)	($13.1)
Investing activities	Investment portfolio activity		
	Dividends and interest income	$7.2	$7.8
	Net realized gains	$0.2	$7.7
	Net contribution	($2.6)	$2.4

Revenues from library services in FY16 remained stable compared to last year. WorldShare Management Services and Sustainable Collections Services experienced significant growth, which offset a decline in some of our more mature service offerings.

Although we had negative operating results before portfolio activity in FY16, our financial results improved over the previous year, reflecting the impact of significantly reducing expenses and carefully managing costs on an ongoing basis. We continued to invest in our technology to support libraries by funding the largest upgrade of our technical infrastructure in our history. These investments are expected to support revenue growth in our core library services in the coming years and enable OCLC to return to our historical operating income targets of 2–4% of revenues.

Net contribution after investment portfolio activity for FY16 was a loss of $2.6 million. Although a decrease from the prior year, this loss was largely due to a reduction in realized gains from the portfolio. Portfolio gains vary from year to year based on general investment market conditions. We continue to prudently invest our portfolio while maintaining a solid financial foundation that permits appropriate spending in key areas addressing the critical needs of the membership.

Report of the Audit Committee

The Audit Committee, consisting entirely of independent trustees, assists the Board of Trustees in its oversight of our financial reporting process, and is responsible for, among other things, reviewing with Deloitte & Touche LLP, independent auditors, the scope and results of its audit engagement.

For additional information, please visit these online resources:

Audit committee report at oc.lc/fy16auditreport

Audited financial statements at oc.lc/fy16financialreport

The OCLC investment portfolio

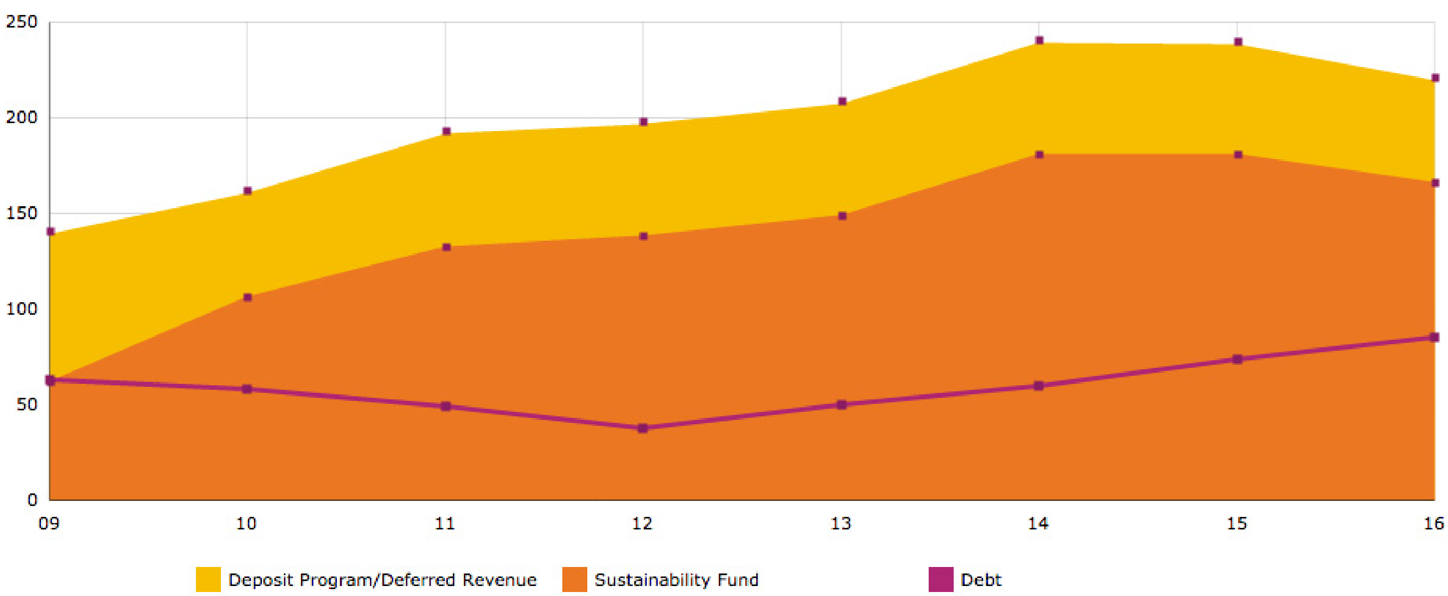
Our investment portfolio was valued at $228.0 million on 30 June 2016, decreasing from $238.5 million in the prior year. The reduction resulted from the liquidation of selected investments to fund the largest technology investment in OCLC's history and a major renovation of our Kilgour headquarters facility as well as supporting operating cash requirements.

The investment portfolio includes OCLC's Sustainability Fund and $19.1 million in advance subscription payments entrusted to OCLC. The Sustainability Fund is managed similarly to an endowment and supports OCLC's continuity while providing financial flexibility and permitting us to focus on long-term objectives and commitments to our membership. The Sustainability Fund generates a stable source of dividend and interest income to fund operations and facilitates OCLC's ability to borrow at competitive interest rates. It also provides additional liquidity to fund major capital investments.

At the end of FY16, OCLC's outstanding debt was $85.7 million compared to $73.8 million last year. This increase reflects a new $30 million financing completed in April 2016, the proceeds of which were used to support significant investments in OCLC's technology infrastructure and facility renovations.

Investment portfolio & debt composition

Amount in $ millions end of fiscal year

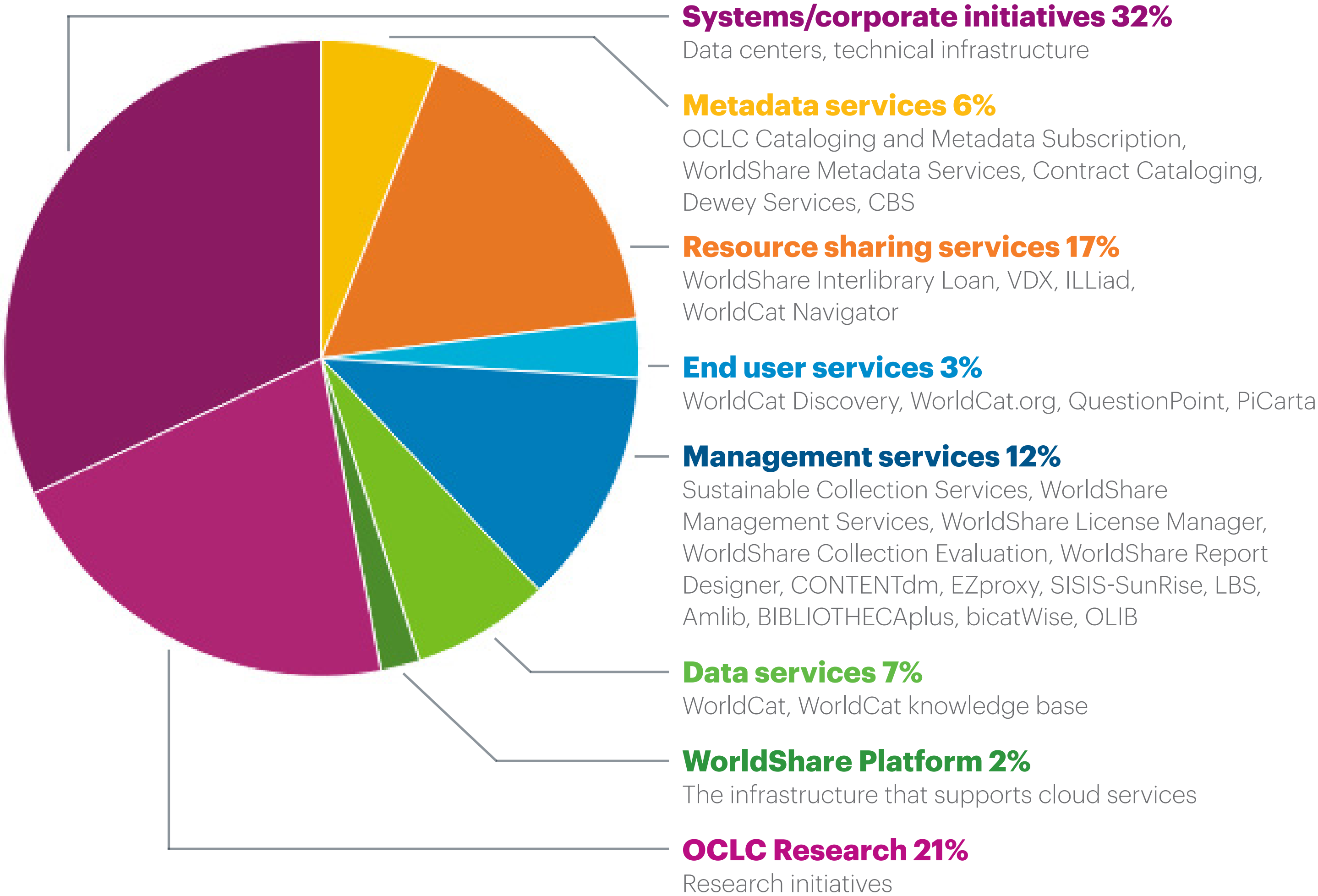


Investing toward our future

OCLC invests its resources to address requirements identified by the membership. This model allows us to invest in focused technology, research and development to meet library needs well into the future. As shown in the chart below, we continued to invest in a variety of areas and specific initiatives that are critical to our member libraries (amount shown includes expensed research and development plus capitalized development). During the past five years, these expenditures have exceeded $170 million.

FY16 research & development expenditures

Total $29.7 million



Together we lead.

Thank you for your interest in OCLC and your contributions to the cooperative in FY16. If you have any questions or comments about this annual report, please send an email to annualreport@oclc.org.

For additional information, please visit:

Next, the OCLC blog at oc.lc/next

News and events at oc.lc/news

Stories from our members at oc.lc/stories

Products and services information at oc.lc/services

Work from OCLC Research at oc.lc/research

Visit **oclc.org** or contact **annualreport@oclc.org** to learn more.

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ISSN 1044-3800
215681-WWAE 1610