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Investor's Business Daily

## Broker Finds Cheap Press Time For Customers' Printing Needs

Thursday October 11, 7:00 pm ET  
Jennie L. Phipps

If the press isn't running, a printer isn't making money. So it's better to have a lower-paying print job than no print job at all.

That simple, bottom-line truth is what makes print broker InnerWorkings (NasdaqGM:[INWK](#) - [News](#)) prosper.

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"About 30% of press time goes unsold," says Steven Zuccarini, InnerWorkings' CEO and president. "Printers are willing to discount prices 30% to 35% on a spot basis to fill that capacity and at least cover out-of-pocket costs. So we're buying that unused capacity at a discount rate and taking advantage of the arbitrage."

Brokering press time isn't a new-fangled job. But InnerWorkings has a put a new spin on it.

It has created a sophisticated database of printers, listing traits like equipment flexibility and job quality. The firm searches this to match each client with the best printer for its needs.

That lets the company work on the margins of the industry. Small, regional brokerages usually make their living on large, regular-run, low-margin jobs. But InnerWorkings aims at the more profitable niches, like signage.

Don't be too quick to dismiss printing as a relic of the pre-Internet age. The commercial portion of ink on substrate -- be it paper, plastic, metal, you name it -- drew \$80 billion in revenue last year in the U.S. That's about 6% over 2005,

according to trade group NAPL.

Zuccarini doubles the size of the industry to \$170 billion a year. He says this number reflects in-house printing and the publishing industry, which NAPL doesn't count.

The largest printer, with 7% market share, is indisputably R. R. Donnelley & Sons (NYSE:[RRD](#) - [News](#)). Zuccarini worked there for 25 years, the last five as president of the global solutions unit. He joined InnerWorkings in 2004.

### Small Share

However you reckon the size of the field, InnerWorkings' share is still small.

"If we do \$260 million to \$280 million this year -- which is what we've told the analysts -- we're still going to be less than a few tenths of a percent," Zuccarini says.

George Sutton, senior research analyst at Craig-Hallum Capital Group, doesn't dispute that.

"The beauty of the market is that it's enormous," he said. "As big and fragmented as printing is, (InnerWorkings) is a business that they can grow to many times its current size without having any impact on the overall market."

InnerWorkings' profit and sales have roughly doubled every year since it started operations in 2002. In the most recent quarter, profit doubled again to 8 cents a share. Revenue surged 92% to \$67.3 million.

Fortune 1,000 companies have become InnerWorkings' primary target. To reach them, the firm has snapped up five smaller regional brokerages in the last two-and-a-half years.

What it gets from these buyouts are salespeople with relationships. Zuccarini says these ties have let InnerWorkings make inroads in such major markets as Philadelphia, Los Angeles, New York and San Francisco. Buyouts have also brought deals with 21 Fortune 500 firms.

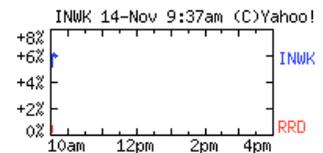
### It's All About Quality

The acquisition strategy is smart because printing is a relationship-driven business, says Franco Turrinelli, senior analyst at William Blair.

But he believes that the quality of InnerWorkings' database is the key to the firm's success.

"This isn't just about finding the lowest-cost provider for a particular job," said Turrinelli, whose firm co-managed

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InnerWorkings' IPO last year. "It is more about standardizing how print jobs are defined and ordered. So you can go back against similar print jobs and a history of individual performance to get the best combination of price, quality and reliability."

In August, InnerWorkings celebrated its first year as a public company. In the year ahead, Zuccarini is aiming at 50% organic growth per quarter, plus more buyouts.

He predicts profit this year will rise 57% to 33 cents a share, with revenue up 74% to \$280 million. Analysts polled by Thomson Financial expect 51 cents a share next year on revenue of \$418 million.

Some say the firm's biggest weakness is the relevance of its business. Shaving a few cents off a regular print job may not be worth the disruption.

"For print jobs that are standardized, they probably don't need InnerWorkings," Turrinelli says. "But there is a big piece of the overall printing market that suffers from overall inefficiency. It's around that edge that InnerWorkings finds the biggest opportunities.

"We're forecasting that they will keep getting bigger and bigger at a rate that is impressive."

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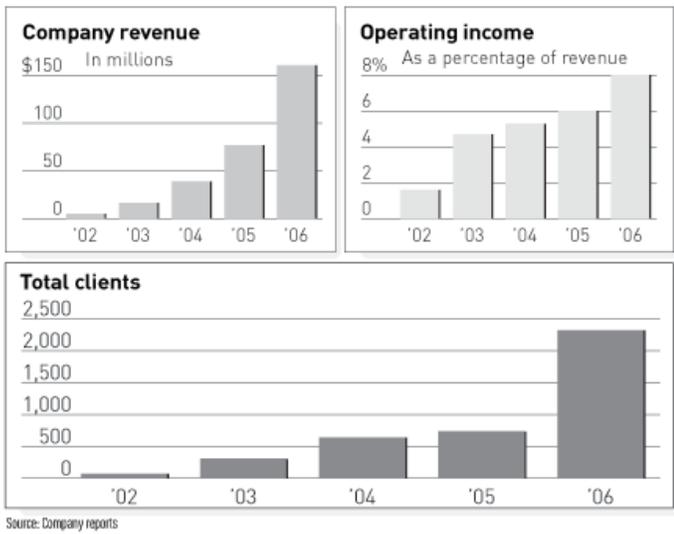
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InnerWorkings' print brokering business has proved a steady driver of growth



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