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## InnerWorkings, Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) We will take our first question from George Sutton with Craig-Hallum.

#### George Sutton - Craig-Hallum Capital Group

I understand the challenges in Q1 from a revenue perspective, but the one surprise from my perspective was actually your revenues came in a bit better than we had anticipated. Was there anything that occurred late in the quarter that might have started to improve the results that you saw for the quarter?

#### Eric Belcher

Well, as we just mentioned, the major enterprise accounts that we landed in 2008 have begun ramping quite well early in 2009. In addition, we did also receive contributions from accounts that we landed early in the quarter in 2009. So no help from the economy, but our sales force is delivering.

#### George Sutton - Craig-Hallum Capital Group

Now, you had mentioned a couple of tuck-in acquisitions in the quarter. How are those deals being structured differently than deals you might have struck a year ago?

#### Eric Belcher

Both the amount that we put down on day one and the ultimate multiple paid for the business are lower today, as you might imagine, than they were even just 6 to 12 months ago. They are being structured very conservatively. We believe with the best interest of our shareholders in mind.

#### George Sutton - Craig-Hallum Capital Group

Now I know with new contracts, you are trying to structure those a little bit differently so that you can actually take on work more quickly. Is that actually happening through the contracting process? Are you also being able to build in gain share into many of these new contracts?

#### Eric Belcher

Well, the answer on the gain share question is yes. We are able to structure some upside for our team if we perform above and beyond the original expectation. Regarding the contracts themselves,

one new element of our contracts that we've put in place in just the last several months are penalties for our customers for underperformance when their revenue doesn't materialize as planned.

So that incents our customer base to also ensure that they convert their supply chain over to the InnerWorkings solution as quickly as possible. So that's been quite helpful.

**Operator**

We'll go next to Franco Turrinelli with William Blair.

**Franco Turrinelli - William Blair & Company**

Can you talk to us, first of all, I was interested in your comments on the lower pricing and the impact that that had on revenue, but how does that affect, if at all, your ability to deliver cost savings for your customers? How does it affect your ability to capture some of those savings in your profitability?

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