

**WE MAKE**  
**MARKETING**  
**HAPPEN**

**2013 ANNUAL REPORT**

**Marketing execution doesn't  
always get the focus it deserves.**

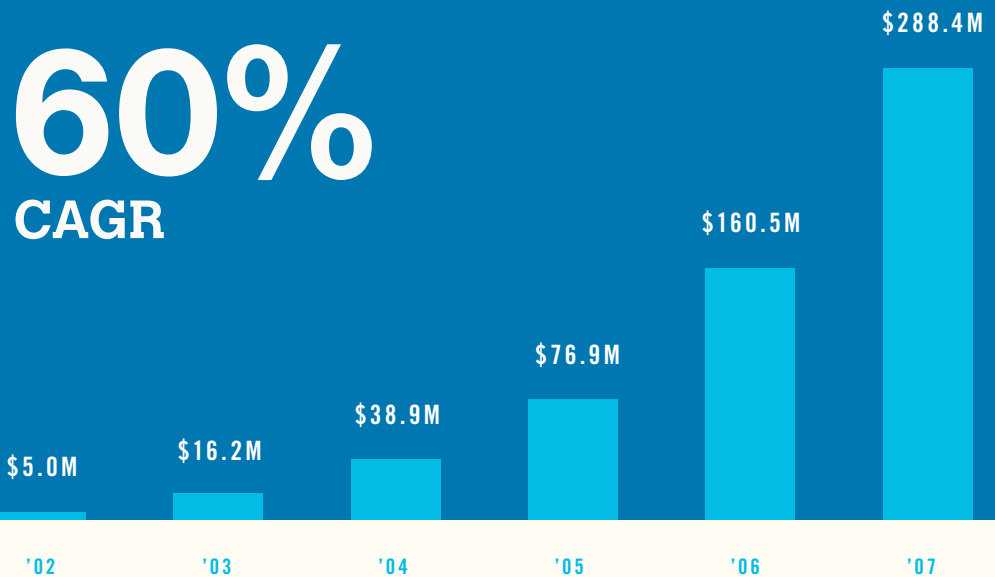
**The design, sourcing, production,  
delivery, and installation of brand  
messages, across continents and  
formats, and the technologies that  
drive efficiency and impact...  
this is our specialty.**

**WE MAKE MARKETING HAPPEN.**

## Strong Revenue Performance.

InnerWorkings has increased its revenue from \$5M in 2002 to \$891M in 2013, representing a compound annual growth rate of 60 percent.

**60%**  
**CAGR**



# \$891M

## 2013 REVENUE



# The InnerWorkings Difference

**TECHNOLOGY**

**SCALE**

**CREATIVITY**

**EXPERTISE**

**Innovative Technology.**

VALO™, our new multi-currency, multi-language technology platform, powers smarter marketing execution by applying leverage, visibility, and transparency to the full production cycle.

**Global Footprint.**

We power brand growth across borders and formats to remove the complexities associated with global marketing execution.

**Creative Problem Solving.**

Just as we disrupted the print industry with a new model for results, today we're pioneering a smarter, more powerful approach to total marketing execution—across materials and formats. Our creativity fuels our impact.

**Capabilities and Vertical Expertise.**

With more than 1,500 experts around the world, we bring deep domain expertise across the design, production and fulfillment spectrum.

# Technology

**STRATEGIC SOURCING.  
PROJECT MANAGEMENT.  
BRAND STEWARDSHIP.**

VALO™, our new technology platform, is available in 18 languages and 28 different currencies to optimize marketing spend and power accountability for today's multi-national brands.

We utilize the platform to produce, monitor, analyze, and execute all aspects of our clients' marketing efforts. Through VALO™, competition and transparency drive every purchase decision.

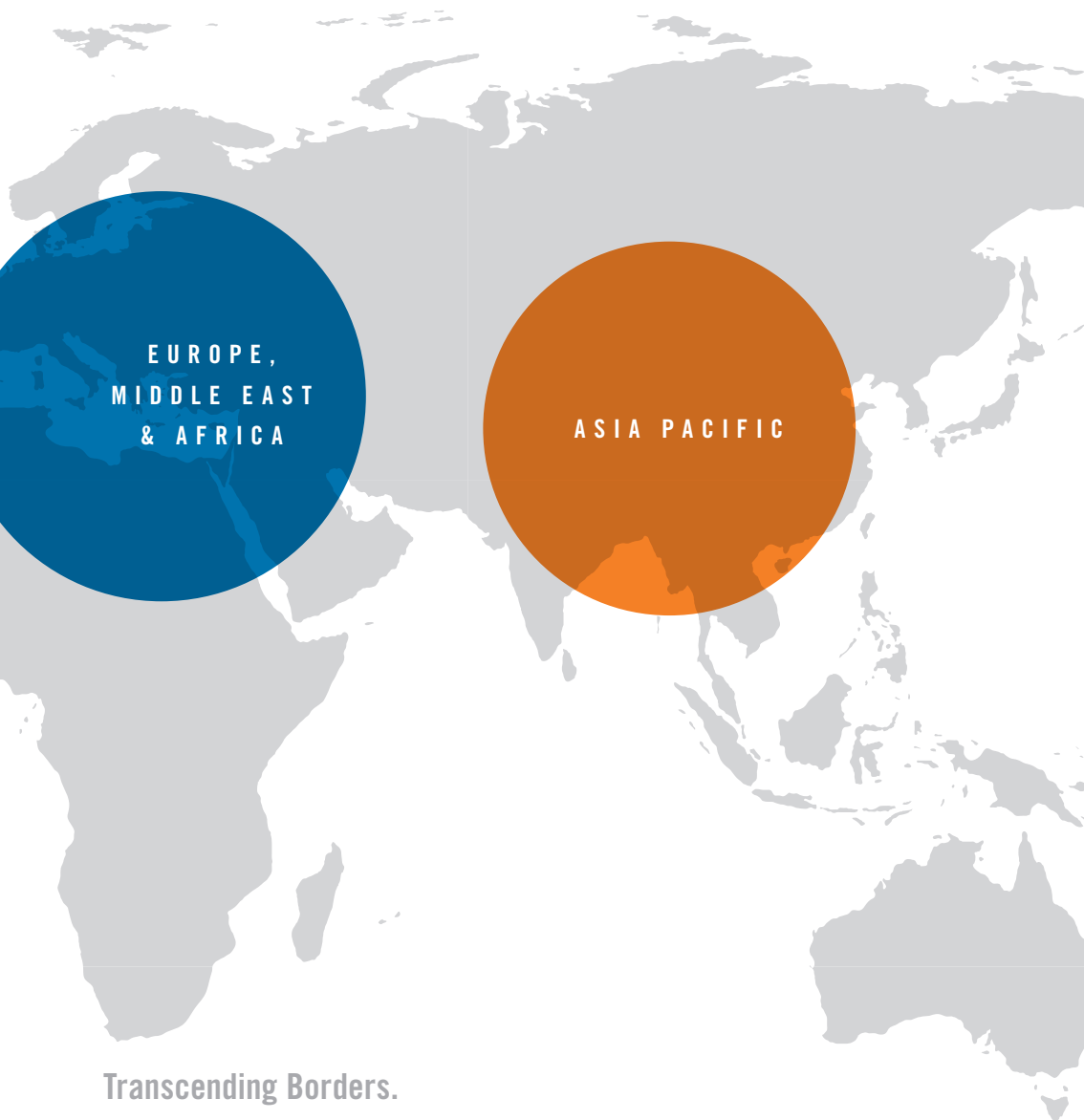


**VALO™**



# Scale





## **Transcending Borders.**

With offices in over 30 countries and a database with more than 10,000 suppliers, we're positioned to support our clients' brands around the world.

# Creativity

## BRINGING BIG IDEAS TO MARKET

Around the globe, we are in the business of executing on our clients' big ideas. We bring deep specialization and experience leading multinational companies across a wide range of industries.

And our client results speak for themselves. . .

Working with InnerWorkings was one of my personal highlights of the past year. It is always a pleasure when you meet a group of people that share a common DNA with a strong focus on results and customer satisfaction.

—UNILEVER

**Energizer**

”



What I appreciate about our relationship with InnerWorkings is that they work hard, they're smart, and they're part of our brand.

—L'ORÉAL

**Scotts**

GANNETT

**IHG**  
InterContinental  
Hotels Group

**Mondelēz**  
International

Creating efficiencies inside our field-driven culture was no easy task. InnerWorkings invested time and care to understand local needs, and to deliver programs that improved value in the field and at corporate. Our brands are stronger than ever thanks to their innovation, execution, and expertise.

—SERVICEMASTER

**MORNINGSTAR**

”  
JAMES GRANT & SONS

**VANS**

**Party City**  
THE DISCOUNT PARTY SUPER STORE

**THE NORTH FACE**

**MCKESSON**  
Empire

InnerWorkings' suite of capabilities both complements and extends the talent of our own marketing organization. Their track record for innovation and scale will enable us to deliver breakthrough brand experiences across geographies, channels, and formats.

—ENERGIZER

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WINNERS

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## Expertise

WITH MORE THAN 1,500 EMPLOYEES—INCLUDING OVER 250 LOCATED ONSITE WITH OUR CLIENTS—WE TAKE PRIDE IN DRIVING INNOVATION, IMPACT, AND EXCELLENCE IN EXECUTION.

Through our CEO Circle Award, each year we celebrate the contributions of employees who excel in delivering value to our customers and our organization.

1. JON GINGERY/ROCKAWAY, NJ
2. MIKE KOSTECKI/SAN FRANCISCO, CA
3. PAM VANDOME/SOLIHULL, UK
4. JEFF SMITH/CINCINNATI, OH
5. MANDY VILLA/HONOLULU, HI
6. ERIK CHIN/CHICAGO, IL
7. PETRA DENISON/NEW YORK, NY
8. GUSTAVO COSTA VICTER/SÃO PAULO, BRAZIL
9. MARIA HERNANDEZ/LIMA, PERU
10. MARION MALLET/PARIS, FRANCE
11. COLLEEN MILHAUSEN/SAN FRANCISCO, CA

**THROUGHOUT 2013, WE  
OVERCAME CHALLENGES AND  
EXCELLED TO NEW HEIGHTS  
AS OUR UNIQUE APPROACH TO  
OUTSOURCED MARKETING  
EXECUTION CONTINUED TO  
DRIVE VALUE, INNOVATION  
AND BRAND IMPACT FOR OUR  
CLIENTS AROUND THE WORLD.**

**ERIC BELCHER / PRESIDENT & CEO**



**MY FELLOW SHAREHOLDERS** / InnerWorkings continues to disrupt and redefine the marketing supply chain, and I'm proud of our accomplishments in 2013. The year included a few challenges that impacted our results, yet we still delivered double-digit revenue growth, setting the company up nicely for strong future performance.

**DRIVING NEW GROWTH** Our core enterprise business continued to perform at a high level, winning nearly \$80 million of new business during the year. In addition to welcoming an impressive roster of new clients, we expanded into new global markets with a number of our existing clients. As a result, our Latin America region generated over 50 percent of organic revenue growth, while our Europe and Middle East region realized nearly 20 percent. Our relatively new global platform is a true differentiator for us, and we expect it will create many more opportunities for shareholder value creation moving forward.

During the year, we also meaningfully expanded our capabilities through the acquisitions of DB Studios and EYELEVEL. As a result, InnerWorkings is now one of the world's leading providers of permanent brand display fixtures for the retail environment. This capability has already helped us win major new client agreements, and it will play an important role in both new and existing client growth strategies going forward.



We also re-engineered our approach to the middle market. After determining that our customer acquisition strategy could not be profitably scaled by relying primarily on an inside sales team, we entered into a strategic alliance with a Fortune 500 company that serves small and medium-sized companies through hundreds of retail locations across the United States. This new long-term contractual arrangement provides us access to a meaningful supply of new customers at the moment they're seeking to make a purchase, and allows us to leverage our powerful technology platform, best-in-class pricing, and broad supplier network for small and medium-sized companies.

**QUICK ADJUSTMENTS** Alongside these great accomplishments, we encountered a few challenges during 2013. We lost the majority of spending from our then-largest customer last year, triggered by that company selling most of its assets to a private equity firm. This was an isolated event and, consistent with our company's outstanding track record of client satisfaction and retention, we continue to serve the customer under the assets that weren't part of the sale.

We also were challenged by leadership and performance issues within Productions Graphics, the business headquartered in France that we acquired in 2011. We replaced management with new seasoned leaders and we are confident in our future throughout the European region, where we continue to expand with many of our multi-national clients.

**LOOKING AHEAD** We enter 2014 with a lot of momentum. With a focus on execution of our core enterprise business, I expect us to have an excellent year and return to our pattern of delivering on our targets. We have outstanding new client prospects around the globe, we are rolling out our powerful new global technology platform, and we have the best talent in our industry.

We continue to deliver breakthrough brand experiences for some of the world's most well-known companies across formats, experiences and geographies. We expect to drive profitability and shareholder value as a result of these impactful capabilities.

On behalf of all of us at InnerWorkings, I'd like to thank you for your continued support.

My regards /

*Eric Belcher*

13%

Revenue Growth

\$77M

New Enterprise Business

\$39M

Adjusted Operating Cash Flow

## CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2011	2012	2013
	(as restated)	(as restated)	
Revenue	\$632,313,722	\$789,585,041	\$890,959,963
Cost of goods sold	484,931,838	612,026,494	688,933,899
Gross profit	147,381,884	177,558,547	202,026,064
<b>Operating expenses:</b>			
Selling, general and administrative expenses	115,818,065	146,123,614	183,443,438
Depreciation and amortization	10,171,758	10,790,452	13,663,859
Change in fair value of contingent consideration	(1,701,529)	(27,688,774)	(31,330,567)
Preference claim settlement charge	950,000	1,099,386	—
VAT settlement charge	—	1,485,088	—
Goodwill impairment charge	—	—	37,908,000
Restructuring and other charges	—	—	4,321,862
Income (loss) from operations	22,143,590	45,748,781	(5,980,528)
<b>Other income (expense):</b>			
Gain on sale of investment	3,948,082	1,196,196	—
Interest income	182,050	66,489	75,931
Interest expense	(2,251,010)	(2,438,234)	(2,954,339)
Other, net	—	94,411	(357,341)
Total other income (expense)	1,879,122	(1,081,138)	(3,235,749)
Income (loss) before taxes	24,022,712	44,667,643	(9,216,277)
Income tax expense (benefit)	7,406,686	5,873,621	(555,928)
Net income (loss)	\$ 16,616,026	\$ 38,794,022	\$ (8,660,349)
Basic earnings (loss) per share	\$ 0.36	\$ 0.79	\$ (0.17)
Diluted earnings (loss) per share	\$ 0.34	\$ 0.76	\$ (0.17)

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## CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	2009	Years Ended December 31,			2013
		2010	2011	2012	
(in thousands, except per share amounts)					
Revenue	\$400,447	\$482,212	\$632,314	\$789,585	\$890,960
Cost of goods sold	301,672	366,200	484,932	612,026	688,934
Gross profit	98,775	116,012	147,382	177,559	202,026
Selling, general and administrative expenses	81,288	91,796	115,818	146,124	183,443
Depreciation and amortization	8,031	9,009	10,172	10,790	13,664
Change in fair value of contingent consideration	—	—	(1,702)	(27,689)	(31,331)
Preference claim settlement charge	—	—	950	1,099	—
VAT settlement charge	—	—	—	1,485	—
Goodwill impairment charge	—	—	—	—	37,908
Restructuring and other charges	—	—	—	—	4,322
Income (loss) from operations	9,456	15,207	22,144	45,750	(5,980)
Gain on sale of investments	746	3,578	3,948	1,196	—
Interest income	412	151	182	66	76
Interest expense	(1,478)	(1,928)	(2,251)	(2,438)	(2,954)
Other, net	(119)	(49)	—	94	(357)
Total other income (expense)	(439)	1,752	1,879	(1,082)	(3,235)
Income (loss) before income taxes	9,017	16,959	24,023	44,668	(9,215)
Income tax expense (benefit)	2,708	5,749	7,407	5,874	(556)
Net income (loss)	\$ 6,309	\$ 11,210	\$ 16,616	\$ 38,794	\$ (8,659)

### Net income (loss) per share of common stock:

Basic	\$ 0.14	\$ 0.25	\$ 0.36	\$ 0.79	\$ (0.17)
Diluted	\$ 0.13	\$ 0.24	\$ 0.34	\$ 0.76	\$ (0.17)

### Shares used in per share calculations:

Basic	45,535	45,704	46,428	48,811	50,875
Diluted	47,157	47,582	48,818	51,240	50,875

## OTHER FINANCIAL DATA

	Years Ended December 31,		
	2011	2012	2013
(in thousands)			
Income (loss) from operations	(as restated) \$22,144	(as restated) \$ 45,749	(as restated) \$ (5,981)
Depreciation and amortization	10,172	10,791	13,664
Stock-based compensation expense	3,976	6,193	4,733
Change in fair value of contingent consideration	(1,702)	(27,689)	(31,330)
Preference claim charge	950	1,099	—
VAT settlement charge	—	1,485	—
Payments to former owner of Productions Graphics, net of cash recovered	(402)	(411)	2,624
Goodwill impairment charge	—	—	37,908
Restructuring and other charges	—	—	4,322
Legal fees in connection with patent infringement	—	—	961
Adjusted EBITDA <sup>1</sup>	\$35,138	\$ 37,217	\$ 26,901

<sup>1</sup> Adjusted EBITDA is considered a non-GAAP financial measure under SEC regulations and is not equivalent to any measure of performance required to be reported under GAAP. This data should not be considered an indicator of our overall financial performance and liquidity. The Adjusted EBITDA definition we use may not be comparable to similarly titled measures reported by other companies.

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	Years Ended December 31,		
	2011	2012	2013
	(as restated)	(as restated)	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Net income (loss)	\$ 16,616,026	\$ 38,794,022	\$ (8,660,349)
Depreciation and amortization	10,171,758	10,790,452	13,663,859
Stock-based compensation expense	3,976,187	6,192,870	4,733,031
Deferred income taxes	749,876	(995,218)	(652,395)
Gain on sale of investment	(3,948,082)	(1,196,196)	—
Bad debt provision	2,414,710	1,681,942	1,285,326
Excess tax benefit from exercise of stock awards	(1,144,344)	(6,666,884)	2,618,779
Change in fair value of contingent consideration liability	(1,701,529)	(27,688,774)	(31,330,567)
Goodwill impairment charge	—	—	37,908,000
Reduction of prepaid commissions	—	—	3,939,974
Other operating activities	255,949	533,842	238,778
Change in assets, net of acquisitions:			
Accounts receivable and unbilled revenue	(25,406,527)	(14,846,005)	(4,843,040)
Inventories	(2,854,634)	(3,089,909)	(1,383,994)
Prepaid expenses and other	(2,635,853)	(13,077,541)	2,331,672
<b>Change in liabilities, net of acquisitions:</b>			
Accounts payable	27,451,575	14,818,713	29,642,545
Accrued expenses and other	3,885,424	4,160,421	(12,120,684)
Net cash provided by operating activities	\$ 27,830,536	\$ 9,411,735	\$ 37,370,935
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(8,182,832)	(11,823,646)	(12,226,083)
Payments for acquisitions, net of cash acquired	(14,782,797)	(1,127,954)	(19,300,864)
Payments to seller for acquisitions closed prior to 2009	(12,247,533)	(3,000,000)	—
Proceeds from sale of marketable securities	3,952,172	1,213,501	—
Other investing activities	—	31,566	—
Net cash used in investing activities	\$ (31,260,990)	\$ (14,706,533)	\$ (31,526,947)

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CASH FLOWS FROM FINANCING ACTIVITIES	Years Ended December 31,		
	2011	2012	2013
	(as restated)	(as restated)	
Net borrowings from revolving credit facility and short-term debt	\$ 12,600,000	\$ 5,000,000	\$ 4,000,000
Payments of contingent consideration	(2,314,362)	(7,178,407)	(7,297,803)
Proceeds from exercise of stock options	354,584	5,458,981	2,005,114
Excess tax benefit from exercise of stock awards	1,144,345	6,666,884	(2,618,779)
Payment of debt issuance costs	—	(356,700)	(325,240)
Other financing activities	(31,217)	(7,270)	(410,750)
Net cash provided by (used in) financing activities	11,753,350	9,583,488	(4,647,458)
Effect of exchange rate changes on cash and cash equivalents	(362,783)	(289,176)	190,601
Increase in cash and cash equivalents	7,960,113	3,999,514	1,387,131
Cash and cash equivalents, beginning of period	5,259,272	13,219,385	17,218,899
Cash and cash equivalents, end of period	\$ 13,219,385	\$ 17,218,899	\$ 18,606,030
<b>ADJUSTED OPERATING CASH FLOWS</b>			
Net cash provided by operating activities	27,830,536	9,411,735	37,370,935
Excess tax benefit from exercise of stock awards*	1,144,344	6,666,884	(2,618,779)
Cash paid for settlement of preference claim	—	—	900,000
Prepayment (refund) of VAT assessment in United Kingdom**	—	3,604,866	(2,166,664)
Cash payment to former owner of Productions Graphics	—	1,124,705	5,395,019
Adjusted net cash provided by operating activities <sup>1</sup>	\$ 28,974,880	\$ 20,808,190	\$ 38,880,511

\*Represents a U.S. tax deduction in an amount equal to the excess of the market price of the stock on the date of exercise over exercise price.

\*\*Represents a payment made to Her Majesty's Revenue and Customs for VAT assessments in the U.K. and the refund of the prepayment less the final assessment.

<sup>1</sup> Adjusted net cash provided by operating activities is considered a non-GAAP financial measure under SEC regulations and is not equivalent to any measure of performance required to be reported under GAAP. This data should not be considered an indicator of our overall financial performance and liquidity. The Adjusted net cash provided by operating activities definition we use may not be comparable to similarly titled measures reported by other companies.

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## CONSOLIDATED BALANCE SHEETS

ASSETS	December 31,	
	2012	2013
	(as restated)	
<b>Current assets:</b>		
Cash and cash equivalents	\$ 17,218,899	\$ 18,606,030
Accounts receivable	142,104,621	173,569,905
Unbilled revenue	30,798,230	25,746,546
Inventories	18,362,282	26,473,732
Prepaid expenses	16,028,013	11,746,965
Deferred income taxes	1,513,414	1,119,333
Other current assets	21,247,531	22,408,692
Total current assets	247,272,990	279,671,203
Property and equipment, net	17,078,384	23,724,750
<b>Intangibles and other assets:</b>		
Goodwill	212,796,422	251,228,698
Intangible assets, net	36,396,865	56,575,534
Deferred income taxes	413,244	2,319,515
Other assets	822,275	1,147,078
	250,428,806	311,270,825
<b>Total assets</b>	<b>\$514,780,180</b>	<b>\$614,666,778</b>

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LIABILITIES AND STOCKHOLDERS' EQUITY	December 31,	
	2012	2013
	(as restated)	
<b>Current liabilities:</b>		
Accounts payable-trade	\$122,367,817	\$166,154,959
Current portion of contingent consideration	7,795,489	16,718,516
Due to seller	3,000,000	—
Other liabilities	6,793,796	15,818,791
Accrued expenses	14,890,150	20,206,268
Total current liabilities	154,847,252	218,898,534
Revolving credit facility	65,000,000	69,000,000
Deferred income taxes	3,961,281	9,061,535
Contingent consideration, net of current portion	46,702,335	70,613,945
Other long-term liabilities	1,317,255	1,651,190
Total liabilities	271,828,123	369,225,204
<b>Stockholders' equity:</b>		
Common stock, par value \$0.0001 per share	6,074	6,140
Additional paid-in capital	198,117,936	202,042,296
Treasury stock at cost	(67,071,323)	(62,312,101)
Accumulated other comprehensive income	272,921	2,777,000
Retained earnings	111,626,449	102,928,239
Total stockholders' equity	242,952,057	245,441,574
<b>Total liabilities and stockholders' equity</b>	<b>\$514,780,180</b>	<b>\$614,666,778</b>

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## BOARD OF DIRECTORS

### **JACK M. GREENBERG**

Chairman of the Board  
Retired Chairman and CEO,  
McDonald's Corporation

### **ERIC D. BELCHER**

President and Chief Executive Officer,  
InnerWorkings

### **CHARLES K. BOBRINSKOY**

Vice Chairman and Director of Research,  
Ariel Investments

### **DAVID FISHER**

Chief Executive Officer,  
Enova International, Inc.

### **DAN FRIEDBERG**

President and Chief Executive Officer,  
Sagard Capital Partners

### **J. PATRICK GALLAGHER JR.**

Chairman and CEO,  
Arthur J. Gallagher & Co.

### **JULIE M. HOWARD**

Chief Executive Officer,  
Navigant Consulting, Inc.

### **LINDA S. WOLF**

Retired Chairman and CEO,  
Leo Burnett Worldwide

## COMMITTEES

### **AUDIT COMMITTEE**

Charles K. Bobrinsky (Chair)  
David Fisher  
Julie M. Howard  
Linda S. Wolf

### **COMPENSATION COMMITTEE**

J. Patrick Gallagher Jr. (Chair)  
Charles K. Bobrinsky  
David Fisher  
Jack M. Greenberg  
Julie M. Howard  
Linda S. Wolf

### **NOMINATING & CORPORATE GOVERNANCE COMMITTEE**

Linda S. Wolf (Chair)  
J. Patrick Gallagher Jr.  
Jack M. Greenberg  
Julie M. Howard

## EXECUTIVE OFFICERS

### **ERIC D. BELCHER**

President and Chief Executive Officer

### **JOSEPH M. BUSKY**

Chief Financial Officer

### **JOHN D. EISEL**

Chief Operating Officer

### **RONALD C. PROVENZANO**

General Counsel

## SHAREHOLDER INFORMATION

### **CORPORATE HEADQUARTERS**

InnerWorkings, Inc.  
600 W. Chicago Avenue  
Suite 850  
Chicago, IL 60654  
312.642.3700

### **AUDITOR**

Ernst & Young LLP  
Chicago, IL

### **ANNUAL MEETING**

InnerWorkings' shareholders are invited to attend our annual meeting, which will be held on June 13, 2014, at 11:00 a.m. (CT) at our Corporate Headquarters.

### **COMMON STOCK**

The common stock of InnerWorkings, Inc. is traded on the NASDAQ Global Market under the symbol "INWK."

### **TRANSFER AGENT**

American Stock Transfer and  
Trust Company, LLC  
Shareholder Services  
6201 15th Avenue  
Brooklyn, NY 11219  
Phone: 800.937.5449  
[www.amstock.com](http://www.amstock.com)



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CHICAGO, IL 60654  
INWK.COM



LISTED ON NASDAQ® UNDER THE SYMBOL  
"INWK"