



Position Close Update: InnerWorkings (INWK)

InnerWorkings Inc. (INWK: \$6.50/share) – Closing Short Position – down 36% vs. S&P up 66%

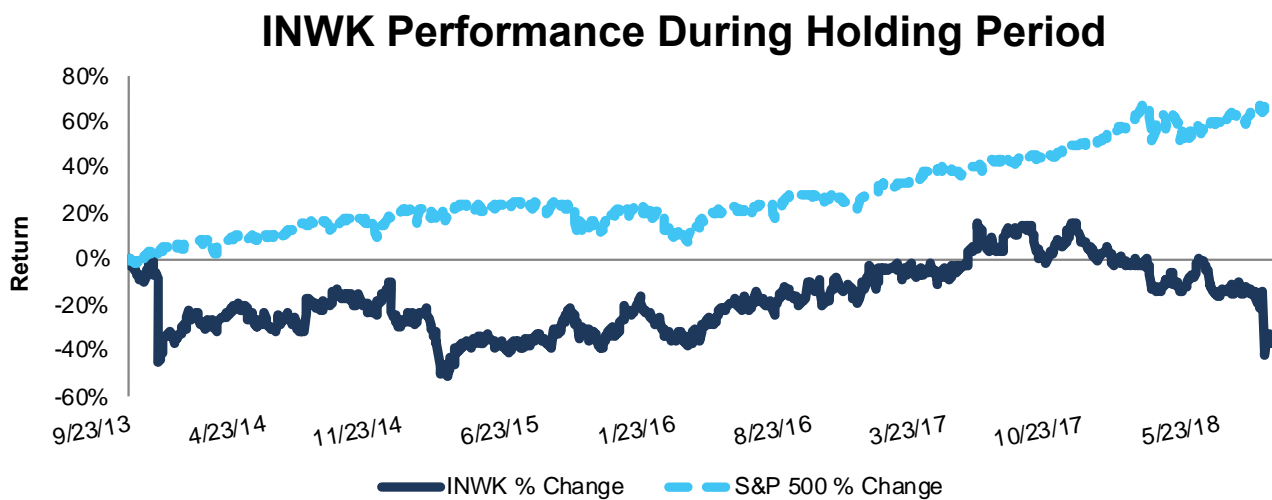
InnerWorkings Inc. was originally selected as a [Danger Zone pick on 9/23/13](#). At the time of the report, the stock received a Very Unattractive rating. Our short thesis highlighted INWK’s value destroying roll-up strategy, declining economic earnings, misaligned executive incentives, and an overvalued stock price.

During the 1,786-day holding period, INWK outperformed as a short position, falling 36% compared to a 66% gain for the S&P 500.

INWK was upgraded to Neutral on 8/1/18 after we parsed its latest 10-Q filing. While INWK’s fundamentals remain weak (bottom-quintile ROIC and negative [economic earnings](#)), the growth expectations implied by its valuation have become less unrealistic after the large price decline. The stock now has a price-to-economic book value ([PEBV](#)) ratio of 1.7 and a [growth appreciation period](#) of less than one year. As a result, we are closing this position.

We hope readers were able to protect their portfolios from this stock while it fell in a strongly rising market.

Figure 1: INWK vs. S&P 500 – Price Return: Successful Short Call



Sources: New Constructs, LLC and company filings

Note: Gain/Decline performance analysis excludes transaction costs and dividends.

This article originally published on [August 15, 2018](#).

Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.

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