

InfoNow enters the big leagues

Denver firm gets Nasdaq listing

By Jennifer Beauprez
Denver Post Business Writer

InfoNow Corp. hopes to ditch a stigma of being a high-risk investment when it starts trading on the Nasdaq stock market Monday.

The Denver company for the past five years has traded its shares on the "bulletin board" over-the-counter market, which often is associated with high-risk penny stocks and is snubbed by serious investors and most analysts. The company learned Tuesday that the Nasdaq approved its application to start trading on the exchange's national market.

"Being a bulletin board-listed company prevented a fairly sizable investor base from looking at the company," said Steven Lidberg, an e-commerce analyst with Pacific Crest Securities in Portland, Ore.

'Out of the Closet'

Lidberg said that because bulletin-board companies are smaller companies that are considered riskier, large institutional investors often aren't allowed to invest in them.

"Essentially, the Nasdaq listing will take us out of the closet. It's a seal of approval that we're a legitimate company," said InfoNow's president, Michael Johnson.

InfoNow will trade on the Nasdaq under the symbol "INOW." To get the listing, the company had to meet certain criteria, which include:

- A \$75 million market capitalization (shares multiplied by share price)
- 400 shareholders
- 1.1 million shares outstanding
- An opening bid price of at least \$5
- Two-year operating history

The 75-member firm offers technology to help companies overcome a growing obstacle for manufacturers: how to sell online without destroying or alienating the middlemen or existing distributors and resellers.



The Denver Post / Karl Gehring

InfoNow president Michael Johnson poses with a cardboard cutout of the mythical Maytag repairman. Maytag uses InfoNow technology on its Web site.

InfoNow's services help drive Web customers to do business with a company's partners rather than directly with the manufacturer.

Despite a growing list of Fortune 1000 customers, InfoNow has struggled to gain credibility for the past five years, Johnson said.

The company originally started in 1990 as a CD-ROM business. But after struggling financially, that business dissolved, and InfoNow re-emerged as a different business in 1996.

Opus Capital in Boulder recruited Johnson in 1996 from technology consulting firm McKinsey & Co. to run the new InfoNow.

"Everything went away from the first company, and pretty much all that was left was a shell of a company that was public but had a little bit of capital," Johnson said.

Starting out as a public company right off the bat might seem ideal, but Johnson said it proved to be a disadvantage. In addition to startup stresses, the company faced the headache of providing public and financial reports to investors. Competitors also used those financial documents against InfoNow.

Prestigious Clientele

"Competitors would fax the documents to customers," Johnson said. "And all these public documents say you're going to go out of business, so you don't get sued. We realized we had to sign up blue chip, world-class clients to get credibility, which is something pretty ambitious for a start-up."

InfoNow used creative marketing strategies to get those customers, such as sending a suitcase containing a laptop computer and a wireless phone to executives of potential clients. When a person turned the computer on, an on-screen presentation

began, concluding with an invitation to use the phone to call InfoNow for more information.

The company scored its first client after the investors who recruited Johnson bought two financially troubled companies and tried to merge them into InfoNow.

One was an Englewood network-engineering firm called Navigist and the other was Cimarron International, a Denver multimedia agency.

Neither one of the companies fit into InfoNow's business strategy, and InfoNow eventually sold both of them.

Cimarron, however, introduced InfoNow to people at Visa International, which became a crucial first customer. From there, other Fortune 1000 companies signed on with InfoNow despite its small size and low profile. The company now counts IBM, Sony, Cisco Systems and Apple Computer among its clients.

Hasn't Turned a Profit

"Once we had some major companies, more people were willing to take a bet on us," Johnson said.

"Now our greatest strength is we have some of the most prestigious technology and financial companies in the world as customers."

Although the company has yet to turn a profit, its fundamentals were good enough to lift it to the 1999 top of The Denver Post 100 ranking of Colorado public companies. Last year, the company lost \$99,000 on revenues of \$5.8 million.