

Company building network of toner cartridge sellers

Former home-warranty CEO Brinker sees potential in helping small independents

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SANTA ROSA – Longtime Santa Rosa businessman Dan Brinker and a team of executives have set out to conquer the toner cartridge distribution market.

Three years of market research and software design have brought American TonerServ – or ATS – to the second phase of its effort to unite small independent operations under one Web-enabled roof.

ATS has made two acquisitions since June. The company intends to identify and acquire or partner with 12 more companies during the next year, eventually establishing a presence in all major metropolitan markets across the country, said Mr. Brinker, president and CEO.

ATS plans to employ about 100 in Santa Rosa.

Mr. Brinker served for eight years as president of American Home Shield in Santa Rosa, the nation's largest home warranty company. During his tenure, revenues rose from \$7 million to \$120 million, and the company was acquired by Service Master.

"Our market studies showed us the independent toner cartridge market is struggling to survive," Mr. Brinker said. "The small shops don't have the capitalization to grow and compete against the big OEM competitors, who hold about 75 percent of the market," he said.

According to imaging industry analyst Lyra Research, more than 71 million toner cartridges and 114 million ink cartridges were sold in North America in 2004, three quarters of them manufactured by OEMs.

Currently worth about \$30 billion, the toner market is projected to grow by 19 percent during the next few years to a value of about \$50 billion in 2009. The overall revenues for digital color, the fastest-growing segment of the industry, are expected to reach \$146 billion in the same time period.

Because of lower prices charged by the after-market for rebuilt cartridges, margins

are slimmer for non-OEMs, which comprise 25 percent of the market but command about 20 percent of the revenues.

Seeking 5 percent of after-market

"Our plan calls for folding in, by acquisition or partnerships, less than 5 percent of



American TonerServ's Chief Operating Officer Aaron Brinker, President and CEO Dan Brinker and CFO Ryan Vice

the after-market, and by doing so help it survive and grow," said Mr. Brinker.

"We've provided all the back-end business functions: billing, accounting, order taking, fulfillment, collections and customer service calls, all Web-based. Our network of providers are free to concentrate on selling the service, and are no longer limited geographically."

In July of this year, ATS completed its first acquisition, Computech Printer Solutions Inc. in Reno, formerly of Santa Rosa.

"For us, ATS couldn't have come along at a better time," said Computech Printer Solutions founder Jon Myers.

"It was partner or perish. I'd been in the industry 15 years, built my company to 22 employees. But the cost of doing business, and just the day-to-day burden of doing business was driving me out.

"My wife and I outsourced everything we could, and pared down our staff to just the two of us and moved the company to Nevada, and we still struggled. But we'd built

something of value; we couldn't bring ourselves to just walk away from it."

They were exactly the kind of independent operation ATS had in mind, bringing hundreds of customers and a pair of knowledgeable, enthusiastic marketers.

"In this industry, the best dollar spent is spent on marketing, and that's exactly what I'm doing now," said Mr. Myers, who was not only able to maintain all of his previous customers, but add to them.

ATS acquired a second small company last month, and has grown its network to about 7,000 customers. ATS has access to several remanufacturing facilities, and warehouses in Los Angeles and Memphis.

The company has revenues of close to \$2 million now. A 5 percent market share, which ATS has set its sights on achieving, would generate revenues of over \$200 million by 2010.

ATS currently employs eight at its Santa Rosa headquarters. In five years, it'll have about 100 employees in Santa Rosa, with a network of sellers located around the country, according to CFO Ryan Vice.

Bill Robotham, executive partner with the accounting firm Pisenti & Brinker, and Thomas Hakel, formerly CEO of Accerra Corporation and a long-time North Bay financial consultant, have been named to the ATS board of directors.

ATS recently began trading on the over-the-counter bulletin board under the symbol ASVP.

For more information, visit www.americantonerserv.com.

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