

# WHAT'S YOUR MARKETING SERVICES AGENCY BUSINESS WORTH?

## Ground Rules

### 1. Profitability Is King



Your profit, or TTM EBITDA, matters most to a potential buyer.

### 2. Use Relevant Comparisons



Use similar companies to yours to estimate your value.

### 3. Get The Full Story



Look for market clearing prices and understand the structural terms of other deals



## THE GOLDEN FORMULA

$$\text{ENTERPRISE VALUE (EV)} = \text{TTM EBITDA} \times \text{MULTIPLE}$$

*\*Earnings Before Interest, Taxes, Depreciation and Amortization over the Trailing Twelve Months*

TTM EBITDA	MULTIPLE	% of EV in Earnout/Rollover
<\$1,000,000	3-4X	50%
\$1M to \$3M	4-6X	40-50%
\$3M to \$5M	6-8X	20-30%
\$5M to \$10M	8-12X	20%
\$10M to \$15M	10-15X	10-20%
>\$15M	>15X	0-10%

*This table is an estimate. Actual results will vary.*

## What Goes Into A Multiple?

### LOW END (DEALBREAKER)

### MIDDLE TIER

### HIGH END

#### GROWTH AND MARGINS

<10% Organic Growth Rate  
Net/EBIT Margins <10%

10-20% Organic Growth Rate  
Net/EBIT Margins 10-20%

>20% Organic Growth Rate  
Net/EBIT Margins >20%

#### CLIENTS AND REVENUE

Top Client Over 25% of Revenue  
Mostly Project-Based Revenue  
<20% Client Retention Y/Y  
Clients Are Mostly Unknown Brands

Top Client 10-20% of Revenue  
50/50 Mix of Project and Recurring  
50% Client Retention Y/Y  
Clients Are Mix of Unknown, SMB and Enterprise Brands

Top Client <5% of Revenue  
>80% Retainer/Recurring Revenue  
>80% Client Retention Y/Y  
Clients Are Mostly Enterprise Brands/Household Names

#### SALES AND MARKETING

Founder-Centric  
No CRM or Marketing Automation  
No Sales Commission/Bonus Program

Basic CRM and Pipeline Reporting  
Sales and Marketing Teams  
Founder Joins Sales Calls

Robust CRM and Marketing System  
Sales and Marketing Leaders & Teams  
Robust Commission/ Bonus Plan

#### FINANCE AND OPERATIONS

Lack of Systems, People Dependent  
Non-GAAP Accounting  
Inaccurate Gross Margins

Mainly Excel-Driven, Outside of Accounting  
Reviewed Financials and GAAP Accounting

Documented Systems, Core Processes and Training For All  
Robust Financial Systems  
Audited Financials

#### TEAM AND PEOPLE

Above Average Employee Turnover  
Contractors Performing Key Roles  
No Equity For Key Employees  
Limited Employee Benefits

More Than 20% Contractors  
Key Executives Have Meaningful Equity  
Basic Level of Benefits

W2 Employees In Majority of Roles  
Many Key Employees Have Equity or Deferred Compensation  
All Key Employee Salaries At Market Level