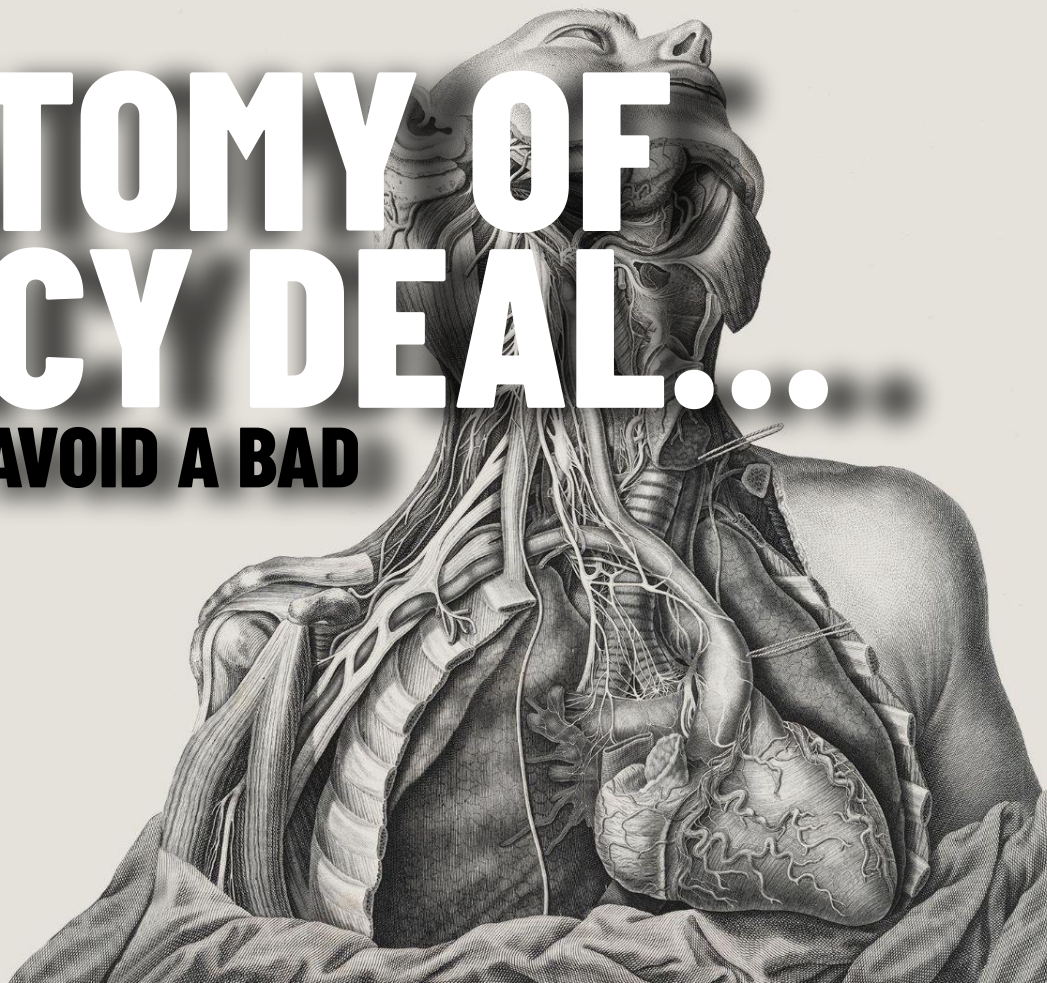


# THE ANATOMY OF AN AGENCY DEAL...

**PART TWO // HOW TO AVOID A BAD  
ONE...**





**"WE'VE HAD SOMEONE  
OFFER TO BUY US."**

# THE PROBLEM.

01

**PEOPLE SLEEPWALK INTO BAD  
TERMS**

02

**AND THINK EARN OUTS DON'T WORK**

---



A dark, atmospheric painting in a classical style. A man with a beard, wearing a light-colored robe with dark sleeves, stands in the center-left, looking towards the right. He is holding the hand of a body lying on a wooden table. The body is a man with a beard, lying face down. On the table are various tools, including a knife and a pair of forceps. In the background, on the left, is a crucifix on the wall and a human skull on a shelf. To the right, there is a window with a dark view outside. The overall mood is somber and dramatic.

**BUT WHO THE HELL ARE YOU  
TO TELL US ANYTHING?**

# I'VE BUILT THEM AND SURVIVED...



**£230K REVENUE**  
**£350K VALUATION**

**2008**



**£24M REVENUE**  
**£36m VALUATION**

**2016**



**100+ INVESTMENTS**  
**£60M+ RAISED / 4 EXITS**

**2018**

**I'VE BEEN TO THE  
DARK SIDE!**

# I WORK AS AN NED ACROSS B2B SERVICE & SAAS.



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ON**



**EVERY GOOD BUSINESS IS ACQUIRED  
IN THE END . A LOT OF DEALS DONE  
CREATE POOR OUTCOMES ...**

---

# I SPOKE IN IBIZA ABOUT HOW TO MAXIMISE ENTERPRISE VALUE

**£4.0M**

3 BIG CLIENTS  
**FOUNDER LED SALES**  
43% RETAINER BASE

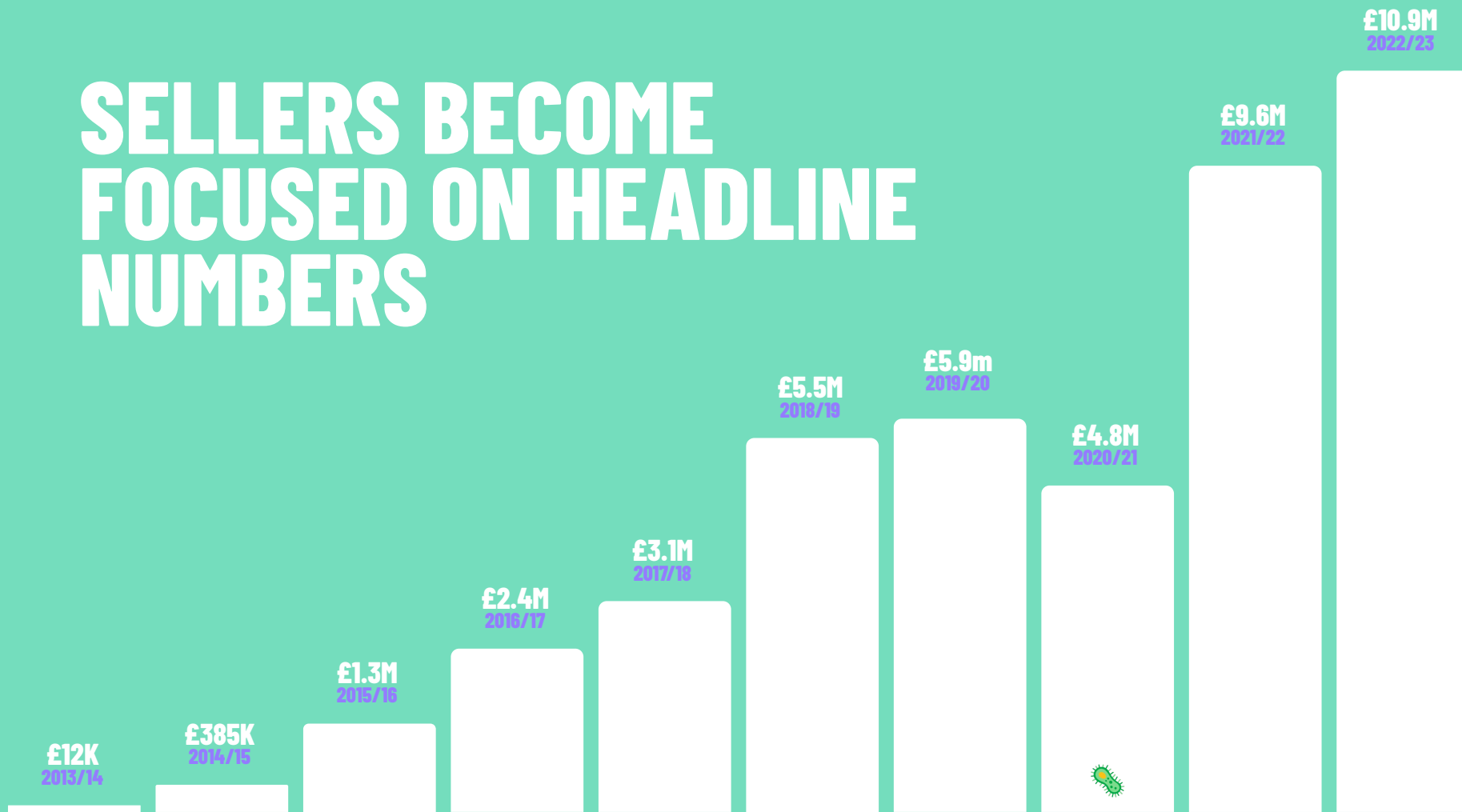
**£8.5M**

STRONG SLT  
**DIVERSE CLIENT BASE**  
67% RETAINED BASE

**BOTH HIT £1M EBITDA ON SIMILAR REVENUE**



# SELLERS BECOME FOCUSED ON HEADLINE NUMBERS



FREE GUIDE > DM ME FOR A COPY.

WHEN REALLY  
THEY SHOULD  
FOCUS ON ALL  
OF THIS...

SCALED

### Enterprise Value Optimisation Levers

Category	Optimisation Lever
Revenue Composition	Project / One time -> Recurring
Net Revenue Scale	<£3M -> >£11M
Net Revenue Growth Rate (YoY)	<10% -> >50%
Net Revenue Margin	<30% -> >40%
Net Revenue Margin Trend	Compressing -> Increasing
EBITDA Margin	<0% -> >20%
Net Revenue Retention	<90% -> >105%
Gross Revenue Retention	<75% -> >90%
Logo Retention / Churn	<70% -> >90%
Employee Retention	>25% -> <10%
Top 5 Client Concentration	>60% -> <20%
Revenue Visibility / Pipeline	Minimal Coverage -> Excessive Coverage
Market Position	< Top 10 -> Top 3
Market Size	Niche -> Massive
Client Types	Single Sector -> Sector Agnostic
Tech Capabilities	Minimal / Third-Party -> Proprietary
Data Capabilities	Commodity -> Proprietary
Service Offering	Campaign Execution -> End-To-End
Platform Focus	Single Platform Focus -> Platform Agnostic
Geography / Language Focus	Single Locale / Language -> Multi Locale / Language
Scalability	Cost Heavy -> Agile

THEY MISS THE  
MOST IMPORTANT  
BIT. **THE DETAIL**



**NEVER, **EVER** SEPARATE  
PRICE AND TERMS**

---



REAL LIFE

# SOME EXAMPLES



# A RECENT EXAMPLE...



## **BUYER 'SETS' PRICE - AND LOWBALLS**

Price is lowballed due to early stage and/or tired owner - sold on the dream of support (which is paid for @ £4k a month)



## **BUYS 10% AND IS GIFTED 5% MORE**

Buys 10% at that price and received 5% more (so 50% discount)



## **ON SALE THEY GAIN 25% MORE THROUGH OPTIONS**

End up with 40% of exit value, having been paid £4k a month throughout

**THAT MEANT THEY GAINED  
40% FOR <2X MULTIPLE ,  
HAVING PAID FOR ONLY 10%  
WHILST BEING PAID £4,000 A  
MONTH ONGOING.**



**ANOTHER...**



# OVERUSE OF 'PAPER' VALUE ON £400K EBITDA BIZ.

Paid 'only' £240k.

01

**BUSINESS SHOULD BE WORTH 4-5X**

02

**BUYER LOWBALLS BUSINESS VALUE (3X)**

03

**VALUES OWN BIZ AT 10X (£1M**

**EBITDA)**

04

**OFFERS 80% IN GROUP EQUITY**

05

**SELLER HAS ZERO CONTROL**

06

**BUYER DILUTES EQUITY OVER TIME**



# THESE ARE THE TERMS THAT SHOULD HAVE BEEN A MINIMUM REQUIREMENT...

<b>Tag-along / drag-along rights</b>	Ensure you can exit when the majority does, but cannot be dragged into a sub-market or unfair sale. <b>Push for a 75% threshold</b> , not a simple majority
<b>Liquidity horizon and longstops</b>	Ask for a roadmap. Is this a 3-year build-to-sell or a 7-year hold? Without a clear exit event, your rollover may stay illiquid indefinitely. <b>Give yourself a longstop date</b> and ability to force sale.
<b>Anti-dilution protection</b>	Prevent your share from being diluted by future capital raises unless proportionally compensated. <b>Look for weighted-average or full-ratchet mechanisms.</b>
<b>Pari passu rights in rollovers</b>	Your rollover equity should sit <b>on the same level</b> as the buyer's equity in a liquidation or exit scenario—not subordinate.

**THE ONLY MONEY YOU ARE  
GUARANTEED IS WHAT YOU  
RECEIVE ON DAY ONE. SO PAY  
LAWYERS WELL...**



REAL LIFE

**WHAT DOES GOOD LOOK  
LIKE?**



# GENERALLY HEALTHY STRUCTURE S LOOK LIKE THIS...

**01**

**FAIR VALUE BASED ON SIZE & KPIS**

**02**

**50-70% UP FRONT**

**03**

**THE REST DEFERRED OR EARN OUT  
POTENTIAL**

**04**

**EO SHOULD SEE MULTIPLE APPLIED AT THE  
END**

**05**

**IF EQUITY THEN CONTROL APPLIED**

**06**

**CLEAR LEAVER PROVISIONS...**



# LET'S LOOK AT WHO THE BUYERS ARE...

## STRATEGICS

**£250K  
EBITDA**

**OTHER AGENCIES,  
CONSULTANCIES ETC.**

## PE-BACKED ROLL UPS

**£1M EBITDA**

**GROUPS ALREADY PE  
BACKED**

## PE PLATFORM PLAYS

**£2M EBITDA**

**PRIVATE EQUITY LOOKING  
TO BUILD A NEW GROUP**

# AND WHAT & HOW THEY PAY...

Buyer Type	Capital Source	Core Objective	Typical UK Multiple
<b>Strategic Trade</b>	Cash on balance sheet of a group, consultancy, or tech platform	Fill a capability or geography gap; cross-sell fast	<b>3 - 12× EBITDA</b>
<b>Private Equity</b>	Institutional LPs (pensions, endowments, family offices)	Buy, improve, leverage, exit within 3-7 years	<b>6 - 12× EBITDA</b>
<b>Roll-up Platform</b>	PE-backed NewCo + bank debt	Arbitrage: buy small at 4-7×, sell group at 10×+	<b>4 - 7× upfront + 5-30% rollover</b>

**+ MBOs, EOTs...**

# GET IT RIGHT AND THIS IS WHAT YOU CAN EXPECT (REAL DATA)...

Year	Target (Anonymised)	Buyer Type	Headline Multiple	Notable Term
2024	<b>£3.5m EBITDA B2B agency</b>	PE Platform	<b>11.2× EBITDA (£39.2M)</b>	Large minority out day one + growth capital in. Founders maintain majority.
2025	<b>£1.1m EBITDA influencer agency</b>	PE bolt-on	<b>7.4× EBITDA (£8.14M)</b>	60% up front 40% <b>rollover equity</b>
2025	<b>£1m EBITDA CRO boutique</b>	Roll-up	<b>5.5× EBITDA (£5.5M)</b>	Founder wanted out. 75% up front. 25% deferred.

# HERE WAS OURS...



**7x APPLIED DAY ONE. 60% UP FRONT**



**3 YEAR EARN OUT WITH 3 PAYOUT DATES SET.**



**MATRIX AGREED LOOKING AT CAGR X MARGIN TO SET  
MULTIPLE AGAINST THE VALUE PAID OUT EACH YEAR  
WHAT HAD ALREADY BEEN PAID - WITH A £36M CAP.**

**MINUS**

# AND OUR LEARNINGS...



**WE SHOULD HAVE REMOVED THE UPSIDE 'CAP'.**



**OUR SHARE SCHEME WORKED BRILLIANTLY TO  
RETAIN AND MOTIVATE SENIOR TEAM**



**EVEN THE TIMELINE TO PAYMENT WAS AGREED +  
PROCESS FOR AUDITING NUMBERS TO AVOID  
ISSUES.**



# SOME EARN OUT NON NEGOTIABLE S.

## NON NEGOTIABLES

### Baseline Targets

### No Unapproved Group Charges

### Maintain “Business As Usual” Inputs

### Protect Against Client Reallocation

### Good Leaver Protection

### Clear Definitions for All Metrics

## THE DETAIL

Growth assumptions agreed by both sides

No new group costs without written agreement

Buyer must support: hiring, marketing, sales, pricing

Existing client revenue/GP must stay in the entity

If removed without cause → earn-out paid at target

Define: revenue, GP, EBITDA, adjustments, normalisation ETC

WE'VE COVERED  
A LOT TODAY  
MY **FREE BOOK**  
GIVES YOU ALL  
THE GRUESOME  
DETAILS...

---

# THE EXIT BLUEPRINT

A Practical Guide to Selling Your  
Agency for Maximum Value

SCALED





**QUESTIONS?**

# THANK YOU...



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