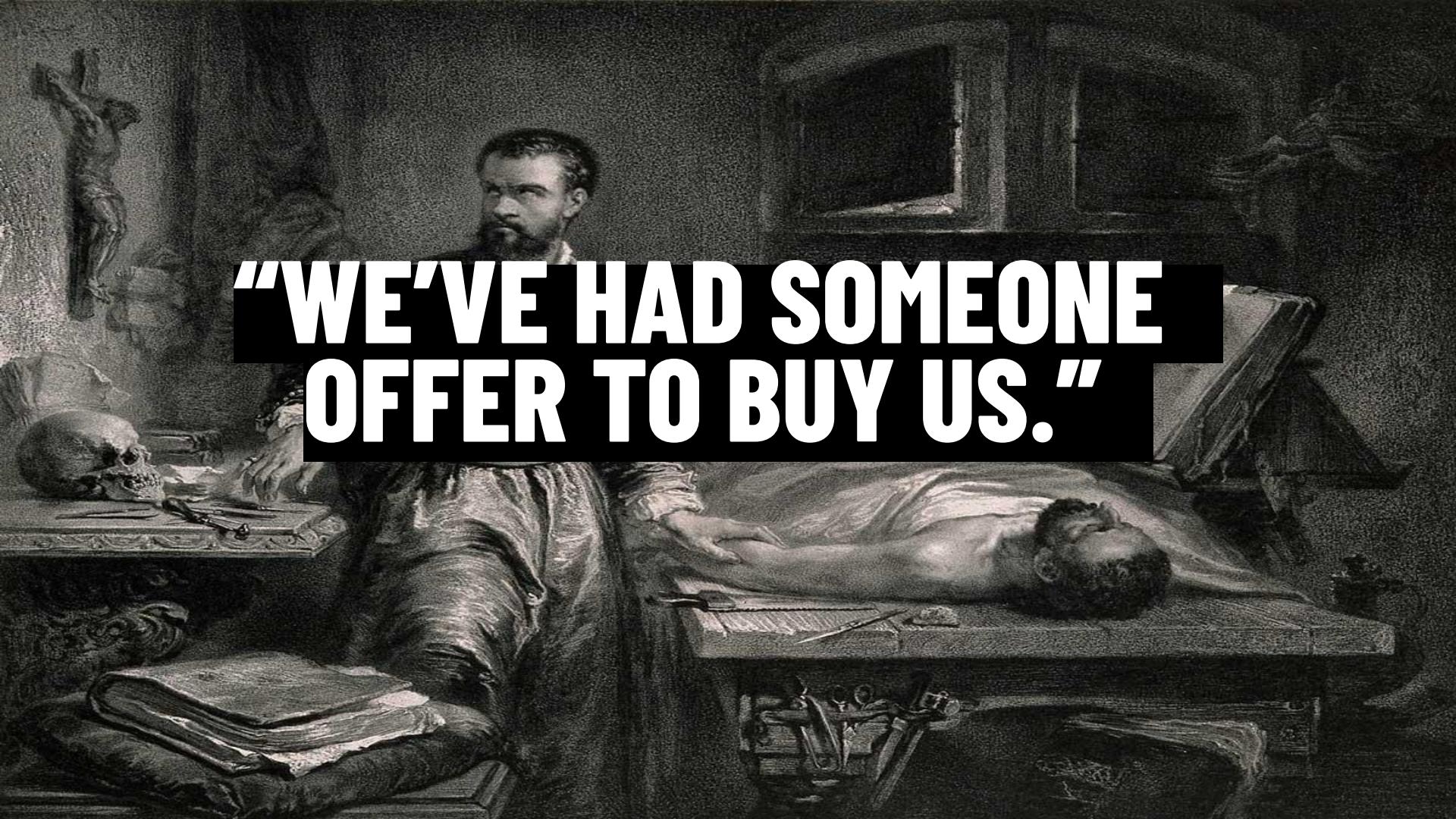


THE ANATOMY OF AN AGENCY DEAL...

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





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

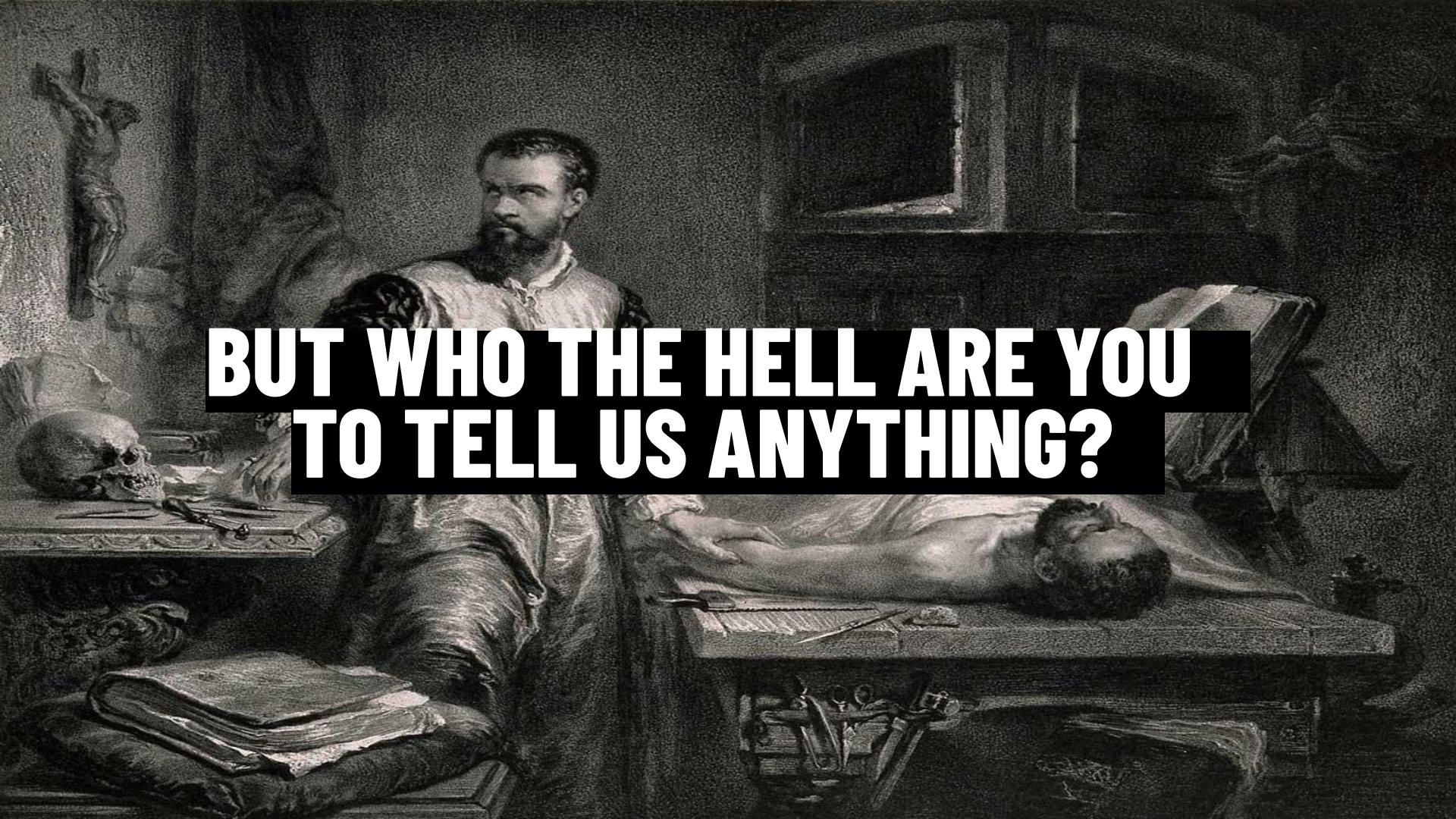
THE PROBLEM.

01

**PEOPLE SLEEPWALK INTO BAD
TFRMS**

02

AND THINK EARN OUTS DON'T WORK

A dark, dramatic illustration. In the center, a man with a beard and short hair, wearing a light-colored tunic, sits at a desk, looking towards the right. Behind him is a crucifix on a wall. On the desk in front of him is a skull, some papers, and a pair of compasses. To his right, a dead body lies on a table, with a hand reaching out from under a sheet. The background is a dark, cluttered study with books and a window. The overall mood is somber and mysterious.

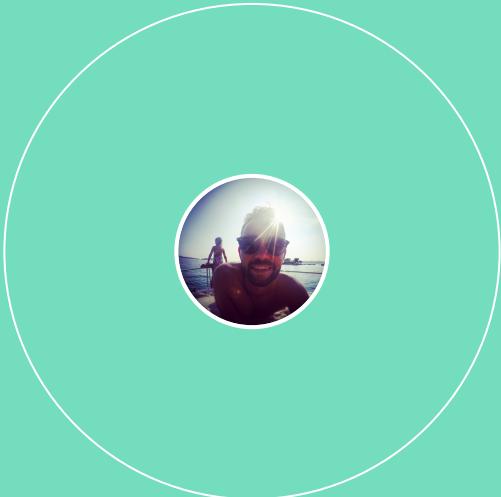
**BUT WHO THE HELL ARE YOU
TO TELL US ANYTHING?**

I'VE BUILT THEM AND SURVIVED...



**£230K REVENUE
£350K VALUATION**

2008



**£24M REVENUE
£36m VALUATION**

2016

I'VE BEEN TO THE DARK SIDE!



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

2018

I WORK AS AN NED
ACROSS B2B
SERVICE & SAAS.



SIMON PENSON



SIMON.PENSON@SCALED.CO.UK

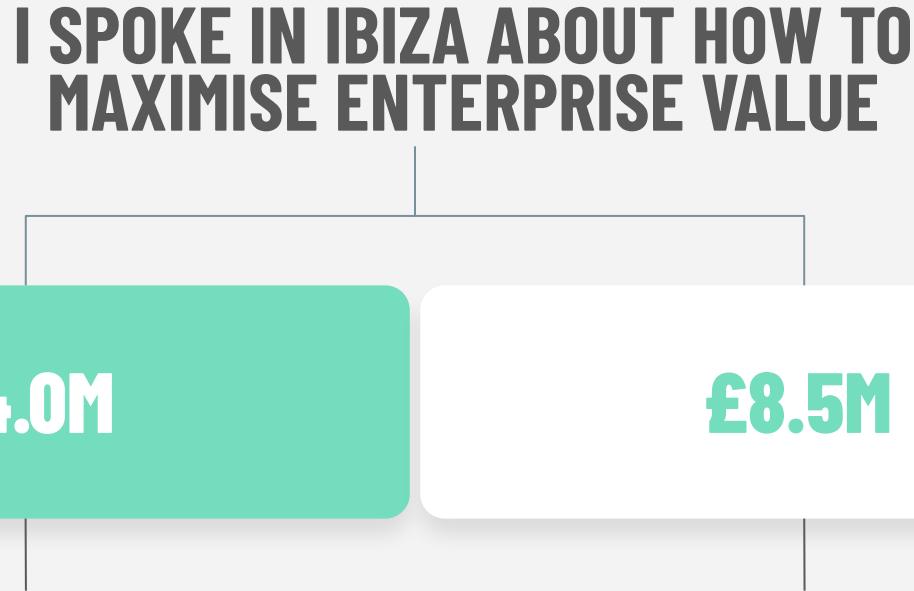


**LINKEDIN.COM/IN/SIMONPENS
ON**



**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



```
graph TD; A[I SPOKE IN IBIZA ABOUT HOW TO MAXIMISE ENTERPRISE VALUE] --> B[£4.0M]; A --> C[£8.5M]; B --> D[3 BIG CLIENTS  
FOUNDER LED SALES  
43% RETAINER BASE]; C --> E[STRONG SLT  
DIVERSE CLIENT BASE  
67% RETAINED BASE];
```

£4.0M

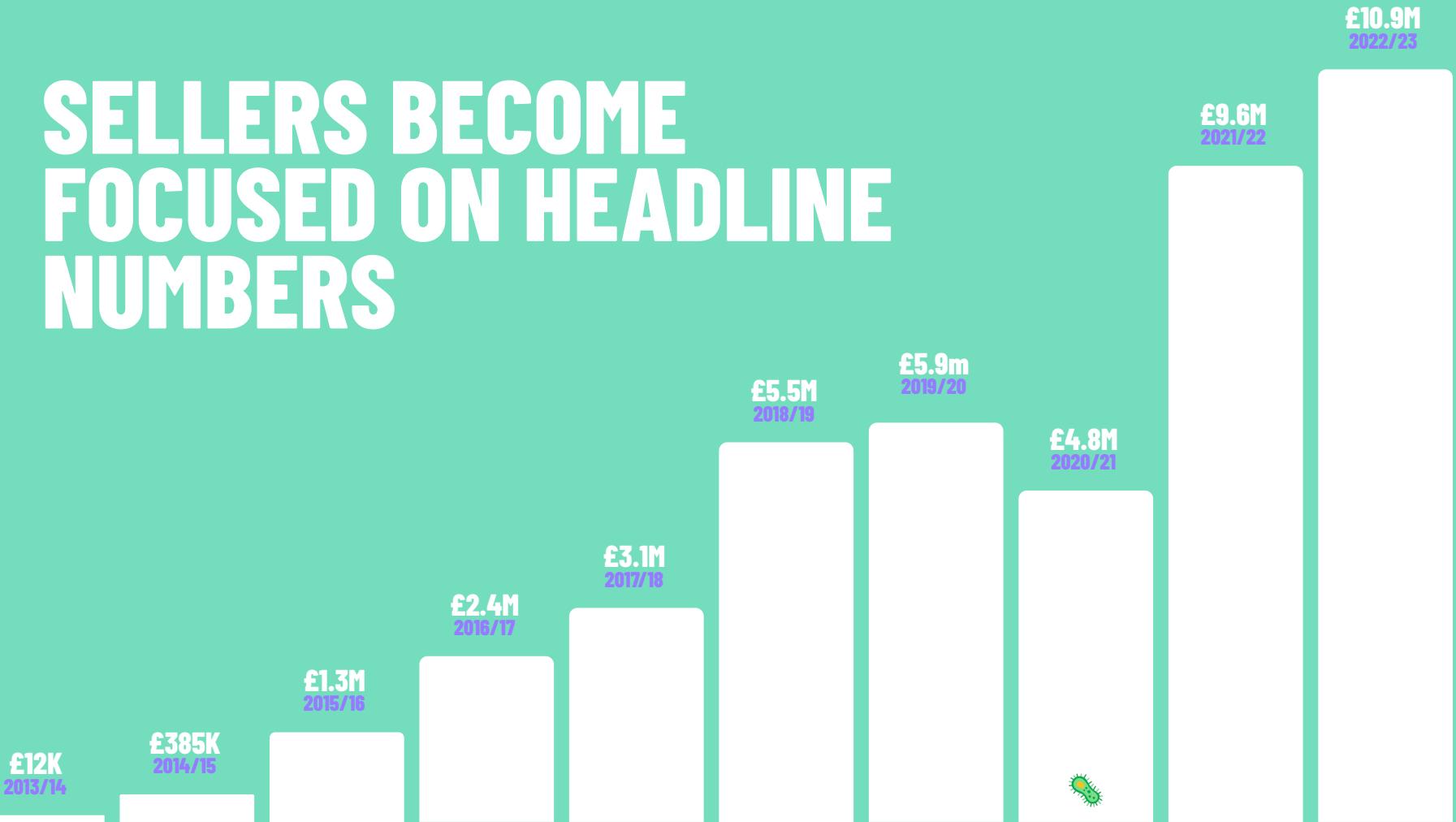
3 BIG CLIENTS
FOUNDER LED SALES
43% RETAINER BASE

£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.**

A close-up photograph of a person's forearm and hand. The hand is positioned vertically, with the index finger pointing directly downwards towards the bottom center of the frame. The skin tone is a light brown, and the hand is slightly hairy.

ANOTHER...

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

Paid 'only' £240k.

- 01 BUSINESS SHOULD BE WORTH 4-5X EBITDA**
- 02 BUYER LOWBALLS BUSINESS VALUE (3X EBITDA)**
- 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...

Tag-along / drag-along rights	Ensure you can exit when the majority does, but cannot be dragged into a sub-market or unfair sale. Push for a 75% threshold , not a simple majority
Liquidity horizon and longstops	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. Give yourself a longstop date and ability to force sale.
Anti-dilution protection	Prevent your share from being diluted by future capital raises unless proportionally compensated. Look for weighted-average or full-ratchet mechanisms.
Pari passu rights in rollovers	Your rollover equity should sit on the same level 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
Strategic Trade	Cash on balance sheet of a group, consultancy, or tech platform	Fill a capability or geography gap; cross-sell fast	3 - 12× EBITDA
Private Equity	Institutional LPs (pensions, endowments, family offices)	Buy, improve, leverage, exit within 3-7 years	6 - 12× EBITDA
Roll-up Platform	PE-backed NewCo + bank debt	Arbitrage: buy small at 4-7×, sell group at 10×+	4 - 7× upfront + 5-30% rollover

+ MBOs, EOTs...

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

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

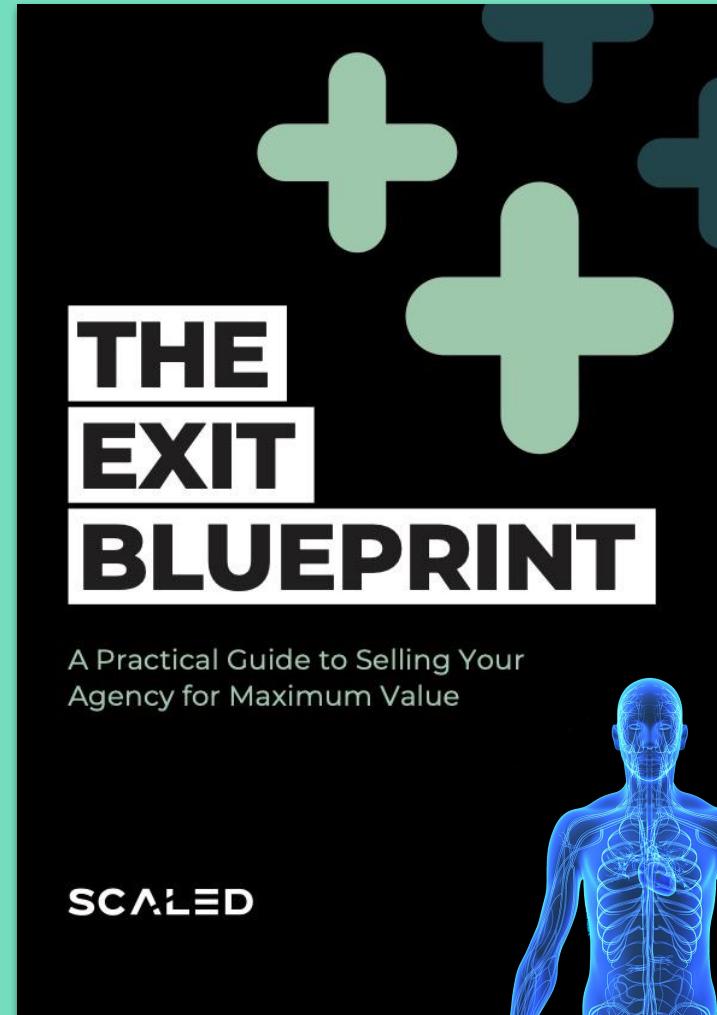


EVEN THE TIMELINE TO PAYMENT WAS AGREED + PROCESS FOR AUDITING NUMBERS TO AVOID ISSUES.

SOME EARN OUT NON NEGOTIABLES.

NON NEGOTIABLES	THE DETAIL
Baseline Targets	Growth assumptions agreed by both sides
No Unapproved Group Charges	No new group costs without written agreement
Maintain “Business As Usual” Inputs	Buyer must support: hiring, marketing, sales, pricing
Protect Against Client Reallocation	Existing client revenue/GP must stay in the entity
Good Leaver Protection	If removed without cause → earn-out paid at target
Clear Definitions for All Metrics	Define: revenue, GP, EBITDA, adjustments, normalisation ETC

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





QUESTIONS?

THANK YOU...



SIMON PENSON



SIMON.PENSON@SCALED.CO.UK



**LINKEDIN.COM/IN/SIMONPENS
ON**

