



OPERATIONAL SCOPING



PEMBERTON

DEFENSIBLE SCOPES TO REACH BUSINESS GOALS

It's OK to admit it ...

We give a lot away.

We are trained to be creative and make clients happy, not grow business.

We are taught to keep the business at all costs and do what you must to maintain client satisfaction.

We live in fear of losing the client.

We tell our account leaders to run and grow business, manage people, etc. But we don't teach them how.





Indefensible SOWs

When we create indefensible scopes of work, all we are really doing is handcuffing our staff, our organization and our ability to grow.



WHY IS THIS IMPORTANT?

- 1) YOUR **PROFITABILITY**
- 2) **MAXIMIZING** YOUR EVENTUAL EXIT
- 3) EMPOWERING OTHERS TO CREATE **AGENCY VALUE**
- 4) SETS **CLEAR EXPECTATIONS** FOR WHAT WE GET PAID TO DO
- 5) ENABLES US TO **PREVENT OVER-SERVICING**
- 6) AVOID LEAVING **DOLLARS AND AGENCY VALUE** ON THE TABLE

PROFITABILITY AND FORECASTING ARE STRATEGIC
IMPERATIVES WHEN IT COMES TO MAXIMIZING AGENCY
VALUE.

WHAT UNDERCUTS US? OVER-SERVICING AS A PRODUCT OF
POOR SCOPING

AS AN EXAMPLE ...

YOU AVERAGE 22% OVER-SERVICING:

- 12 MONTHS X .22 = 2.640 MONTHS OF WORKING FOR FREE
- AFTER THE SECOND WEEK OF OCTOBER, YOU ARE WORKING THE BALANCE OF THE YEAR FOR FREE

A TALE OF TWO AGENCIES

FROM A PEMBERTON STRATEGIC PARTNER

TobinLeff
M&A Advisors



The M&A Tale of Two Agencies

Agency A

- 3-year Weighted AGI Ave. 2019-2021: **\$8,417,456**
- 3-Year Weighted EBITDA Ave.: **\$1,000,097**
- Best offer: **5X** EBITDA
- Selling Price: **\$5,000,000**
- Cash at closing: **\$2,300,000**
- 3-year EBITDA earnout
- **Seller declined offers**

Agency B

- 3-year Weighted AGI Ave. 2019-2021: **\$4,786,020**
- 3-Year Weighted EBITDA Ave.: **\$1,275,640**
- Received Multiple offers in the **7X** EBITDA range
- Selling Price: **\$14,000,000**
- Cash at closing: **\$9,800,000**
- Rollover equity paid at closing: **\$4,200,000**
- **Transaction closed**



WHY DID AN AGENCY WITH AN AGI OF **\$4,786,020** SELL FOR **\$14,000,000**, AND AN AGENCY WITH AN AGI OF **\$8,417,456** NOT ATTRACT APPEALING OFFERS?

The Comparison of The Agencies' Financial Pictures

Agency A	2019	2020	2021	Forecast 2022
Total Income	19,692,772	18,273,213	15,360,943	20,000,000
Cost of Goods Sold	10,789,655	9,742,220	7,542,687	10,600,000
Adjusted Gross Income (AGI)	8,903,118	8,530,993	7,818,256	9,400,000
Expenses				
Wages	5,008,310	5,092,472	4,826,762	5,550,000
Payroll taxes	283,329	381,007	356,192	300,000
Benefits	360,951	239,153	252,004	267,000
Total Compensation	5,652,590	5,712,632	5,434,958	6,117,000
Operating Expenses	2,216,573	1,742,193	1,686,018	1,925,361
Total Expenses	7,869,163	7,454,825	7,120,976	8,042,361
Reported Net Operating Income	1,033,954	1,076,168	697,280	1,357,639
Operating Expenses Normalization	247,999	74,110	27,624	8,000
AGI Normalization	(156,846)	-	-	-
Wage Normalization	(162,200)	162,200	-	-
Adjusted Net Income	\$ 962,908	\$ 1,312,478	\$ 724,904	\$ 1,365,639
Adjusted EBITDA	\$ 1,185,157	\$ 1,477,483	\$ 943,847	\$ 1,511,139
Adjusted EBITDA as a % of AGI	13.31%	17.32%	12.07%	16.08%

Agency B	2019	2020	2021	Forecast 2022
Total Income	4,125,358	4,152,902	6,686,948	7,689,990
Cost of Goods Sold	343,220	95,407	168,520	180,000
Adjusted Gross Income (AGI)	3,782,138	4,057,495	6,518,428	7,509,990
Expenses				
Wages	1,714,204	1,800,537	2,748,610	3,122,751
Payroll taxes	133,315	136,423	188,346	232,545
Benefits	171,917	178,591	200,746	295,296
Total Compensation	2,019,436	2,115,551	3,137,702	3,650,592
Operating Expenses	760,774	597,121	890,371	876,808
Total Expenses	2,780,209	2,712,672	4,028,073	4,527,401
Reported Net Operating Income	1,001,928	1,344,822	2,490,355	2,982,590
Expense Normalization	(63,759)	(71,235)	(31,121)	4,000
Normalization of Owners' Comp	(281,086)	(281,365)	(281,619)	(296,100)
Adjusted Net Income	657,084	992,222	2,177,615	2,690,490
Adjusted EBITDA	657,084	992,222	2,177,615	2,690,490
Adjusted EBITDA as a % of AGI	17.37%	24.45%	33.41%	35.83%



ULTIMATE CULPRITS?

- 1) DEFENSIBLE SCOPING
- 2) RESOURCING

HOW WE BEGIN

DIAGNOSTIC:

HOW YOU OPERATE

HOW YOU MAKE MONEY

REVIEW OF CURRENT SOWS

ON-SITE:

REVIEW SOW ADJUSTMENTS/RECOMMENDATIONS
HOW THESE CHANGES WOULD HAVE CHANGED THE
ENGAGEMENT, REVENUE, STAFFING
WORK THE **CHAIN**

THE CHAIN

Promise, Probe
& Negotiate

Identify
Value

Express
Expectations

Organize Client's
Budget

Match Scope
to Value

Execute &
Communicate

SELLING

PRICING

ON-BOARDING

SCOPING

RESOURCING

DELIVERING

Any Changes By
Them or Us!



BREAKOUTS:

OPERATIONS/FINANCE – HOW TO UPHOLD
CLIENT SERVICE – HOW TO WRITE & MANAGE THE SCOPE

RESULTS:

DEFENSIBLE SCOPES
GREATER PROFITABILITY
ORGANIC GROWTH POSSIBILITIES
OPERATIONAL OVERSIGHT

WORKSHOP CADENCE

TIMELINE

- Once the date of the workshop is established Pemberton will submit the questionnaire and request five (5) current or past scopes of work being executed or having been executed on behalf of its clientele.
 - Please return questionnaire within 5 business days of receipt
- Pemberton requires no less than 10 business days to evaluate the questionnaire and analyze the submitted scopes of work
- The workshop, whether onsite at client location of choice or via zoom, will be conducted from 9 a.m. to 4 p.m.
- Upon the completion of the workshop the client will have 18 business days for follow-up questions, clarifying information and reasonable counsel.

WORKSHOP

The workshop will follow this agenda, driven by the chain methodology; Additionally one of the client sows will be used as an example during the course of the day in all phases:

- 9 a.m. – Questionnaire insights impacting defensible scoping and profitability; scope of work insights;
- 10 a.m. – Selling and pricing
- 11 a.m. - Proper client on-boarding
- Noon – lunchtime Q&A
- 1 p.m. – Defensible scoping
- 2 p.m. – Scope and resource alignment
- 3 p.m. – Delivering & defending the scope of work; communication needed changes/adjustments to clients



THANK YOU