

# Agency Acquisition Readiness Checklist

## Position Your Agency to be Sold

Buyers are concerned with four general business components that define the value of a digital agency.

- People
- Clients
- Operations
- Financials

The overall health and maturity of these components will influence the agency's purchase price multiple.

Being deficient in one component compared to others will consequently have a downward impact on an agency's overall valuation. Shoring up deficient areas can take time. It's not uncommon to hit an insurmountable wall while working to mature one or more of these components.

**When you hit a wall, contact Paul Chason.**



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### PEOPLE



- ☐ A leader has been identified and is being groomed to replace the owner/founder.
- ☐ Formal management training has been established and leaders have been assigned management roles.
- ☐ Team members clearly understand how their performance is measured and systems exist for evaluating promotions.
- ☐ Hiring pipeline is thriving with a consistent weekly flow of candidates and managers are empowered to lead the hiring process.
- ☐ Clear company vision for 1, 3, and 10 years out is communicated at least twice a year to the team.

### CLIENTS



- ☐ Sales pipeline: a proactive lead generation and new client acquisition strategy exists. Your agency isn't waiting for referrals and leads.
- ☐ 40% or more clients have done business with the agency for the last 3 years.
- ☐ No one client consumes more than 15% of annual revenue.
- ☐ Day sales outstanding (DSO) is 45 days or less. This is an indication of healthy cash flow.
- ☐ A systematized feedback loop has been established that gathers client sentiment on a quarterly schedule.

### OPERATIONS



- ☐ Processes and systems are documented and accessible to those who need access.
- ☐ At least one manager or process owner oversees the execution of each process.
- ☐ Processes are being evaluated and updated according to market conditions on a quarterly interval.
- ☐ Accountability is logically built into processes, allowing the agency to easily scale. Example: a project manager must review a salesperson's proposal before it's sent for client review.
- ☐ Single points of failure don't exist for any process.

### FINANCIALS



- ☐ 20% or more EBITDA annually for 3 consecutive years.
- ☐ Effective blended hourly rate isn't discounted over 10% less than proposed hourly rate.
- ☐ 50% or more revenue is recurring monthly.
- ☐ A consistent revenue pattern is evident. Example: revenue seasonally spikes or dips at same time yearly.
- ☐ Debt-to-equity ratio of 1 or below.
- ☐ Client contracts are transferrable or assignable to a buyer.
- ☐ Clear separation of business and personal finances.