

Agency Profitability Optimization

Marcel Petitpas

Agency Profitability Expert



CEO & Co-Founder



The host of the



Head Strategic Coach @

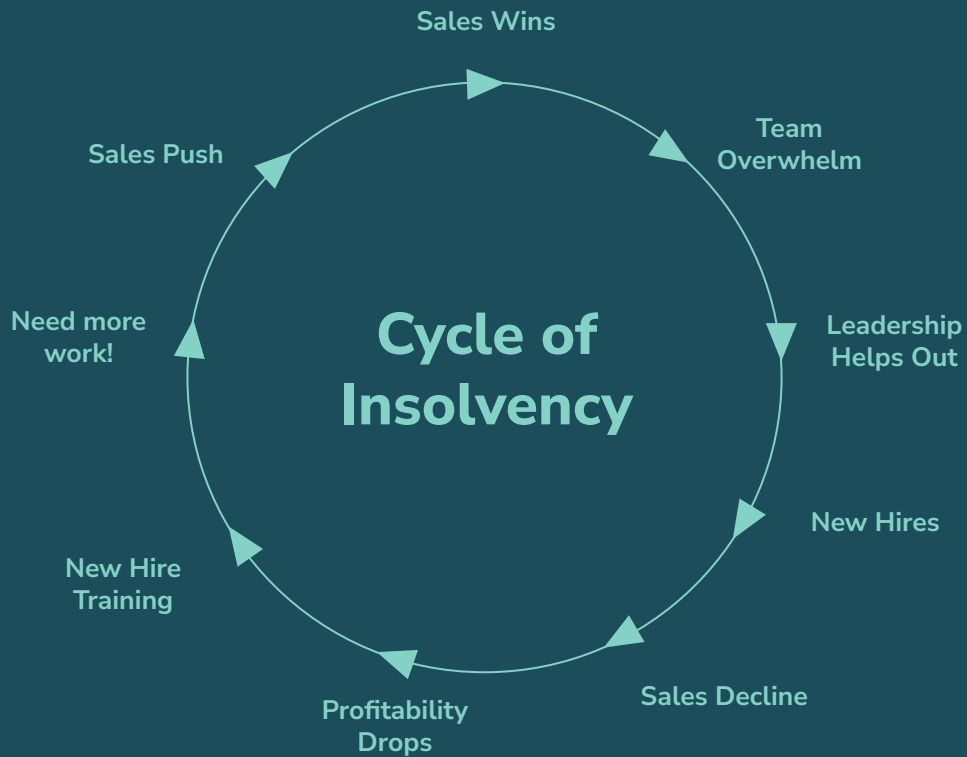


**Parakeeto helps agencies
measure & improve their
profitability.**

That's it.

As seen on:





Look familiar?

Why aren't we more profitable?

What does good look like for us?

What should we be tracking, and why?

Where do we need to focus?

The Promise



Core
Financials



Margin
Levers



Targets

Simple \neq Easy

Accurate > Precise

Management > Tax

Core Financial Metrics

The Agency Model

How Services Make a Profit



AGI

\$1,00,000

-



Delivery Cost

\$400,000

40%

-



Overhead

\$300,000

30%

=



Profit

\$300,000

30%

P&L Structure

Metric	Benchmark	Example
Revenue		\$1,500,000
Pass-Through		(\$500,000)
AGI		\$1,000,000
Delivery Costs	<50% of AGI	(\$400,000) / 40%
Delivery Profit	>50% of AGI	\$600,000 / 60%
Overhead	>30% of AGI	(\$300,000) / 30%
Operating Profit	<20% of AGI	\$300,000 / 30%

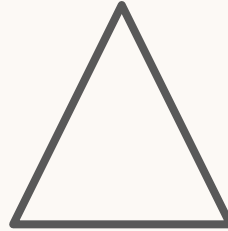
Overhead Benchmarks

Metric	Benchmark
Total Overhead	20-30% of AGI
Sales & Marketing	8-14% of AGI
Admin	8-14% of AGI
Facilities	0-6% of AGI

The Promise



Core
Financials



Margin
Levers



Targets

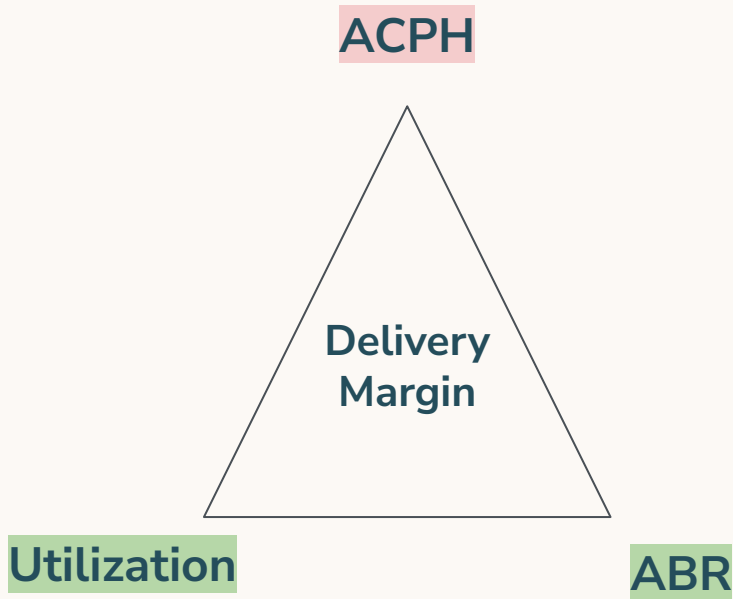


Delivery Margin Levers

Three Levers

To Increase Delivery Margin

$$\frac{\text{Delivery Margin}}{\text{AGI} - \text{Delivery Costs}} = \text{AGI}$$



ACPH

How much does our labour cost on a per-unit basis?

$$\frac{\text{Delivery Margin}}{\text{AGI} - \text{Delivery Costs}} = \text{AGI}$$

$$\frac{\text{ACPH}}{\text{Payroll}} = \text{Capacity}$$

ACPH

Example

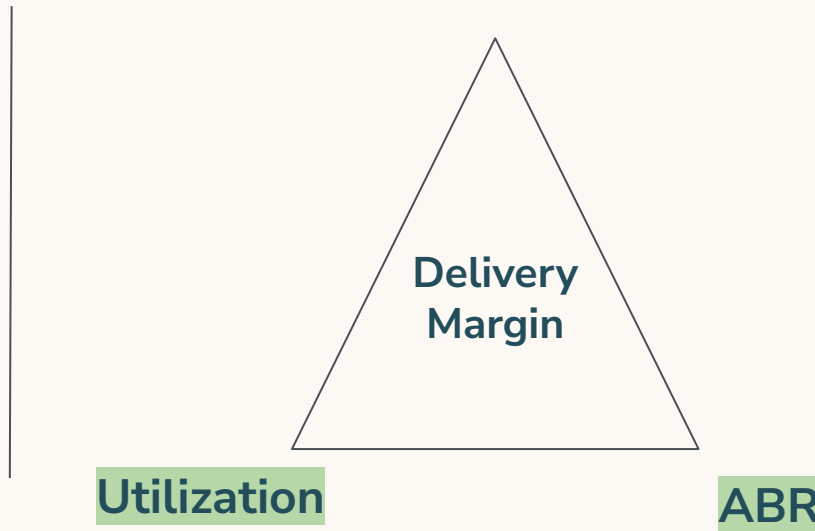
Project	Total Comp	Capacity	ACPH	Target ABR
Strategist	\$120,000	2080	\$57.69	\$192.30
Intern	\$55,000	2080	\$26.44	\$88.13
Total	\$175,000	4160	\$42.06	\$140.20

Three Levers

To Increase Delivery Margin

Delivery Margin

$$\frac{AGI - \text{Delivery Costs}}{AGI}$$



ABR

How Profitable Are we?

Delivery Margin

$\frac{AGI - \text{Delivery Costs}}{AGI}$

ABR

$\frac{AGI}{\text{Delivery Hours}}$

Earning Efficiency

Example

Project	Revenue	AGI	Hours	ABR
Website Build	\$70,000	\$50,000	500	\$100
Brand Design	\$20,000	\$15,000	100	\$150
Funnel Build	\$30,000	\$10,000	50	\$200
Total	\$120,000	\$75,000	650	\$115

Earning Efficiency

ABR & ACPH to Direct Delivery Margin

ABR - Average Cost Per Hour

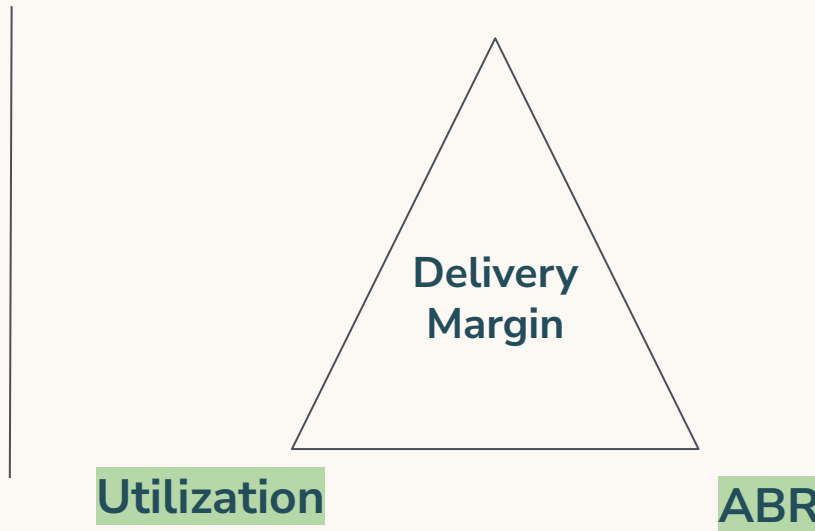
ABR

Three Levers

To Increase Delivery Margin

Delivery Margin

$$\frac{AGI - \text{Delivery Costs}}{AGI}$$



Utilization

How much of our payroll is resold at a profit?

Delivery Margin

AGI - **Delivery Costs**

AGI

Utilization

Delivery Hours

Capacity

Utilization

How Efficiently are we Deploying Capacity?

Formula:

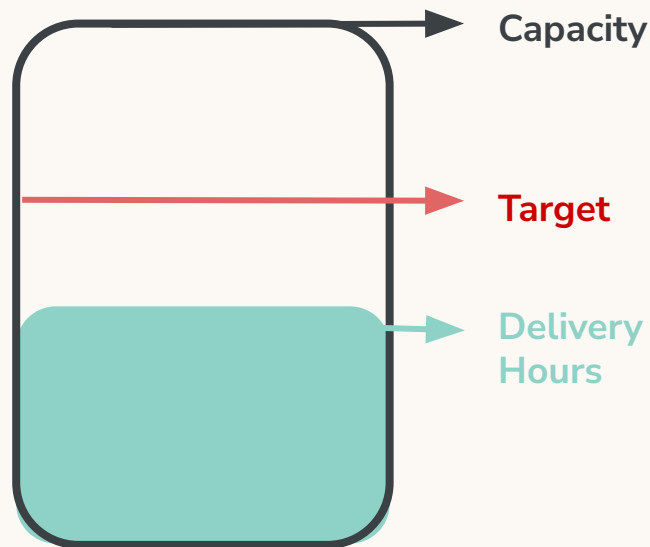
Capacity

Delivery Hours

Levers:

Lower Capacity ▼

Sell More Work ▲



Utilization

Example

Project	Capacity	Delivery Hours	Utilization
Brett	160	100	62.5%
Janine	160	120	75%
Rachelle	80	50	62.5%
Total	400	270	67.5%

Utilization

Targets

Weekly Targets

Project	Target
Pure Producers	75%+
Delivery Managers	35%+
Other	0%+
Agency Wide	65%+

Net Annual Targets

Project	Target
Pure Producers	60%+
Delivery Managers	20%+
Other	0%+
Agency Wide	50%+

The Agency Model

Example

Capacity	Delivery Costs	Overhead
100,000	\$3M	\$1.5M

The Agency Model

Example

Capacity	Delivery Costs	Overhead
100,000	\$3M	\$1,5M

Utilization	ABR	AGI	Delivery Margin	Profit
50%	\$100	\$5M	\$2M / 40%	\$500k / 10%
60%	\$100	\$6M	\$3M / 50%	\$1.5M / 25%
60%	\$125	\$7.5M	\$4.5M / 60%	\$3M / 40%

Valuation Impact

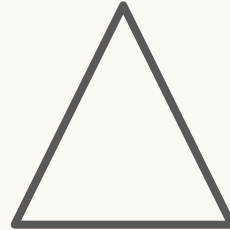
Example

EBITDA	Multiple	Valuation	% Increase
\$500k	5x	\$2.5M	
\$1.5M	5x	\$7.5M	200%
\$3M	5x	\$15M	500%

The Promise



Core
Financials



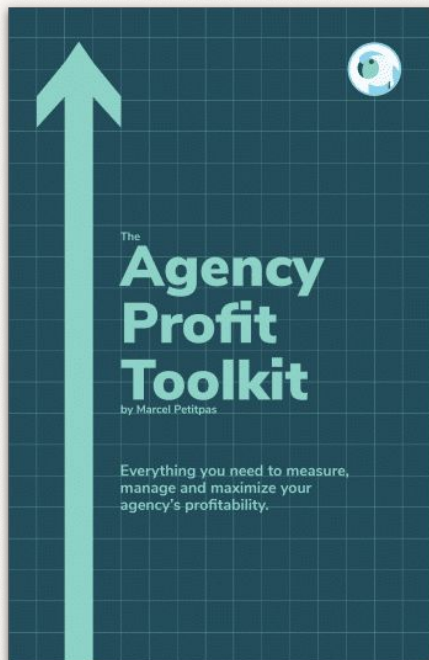
Margin
Levers



Targets



Free Stuff



parakeeto.com/toolkit