



FISCAL ADVOCATE

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Benchmarking Numbers

Agenda

- Introduction
- Holy Grail Metrics
- The CPR Score
- Cash
- Profit Margin
- Revenue Growth
- Key Takeaways

Rise's Growth

Revenue Trend (2004 - 2019)



- Double or Triple Digit Growth Every Year
- 2009 was our * Year

How We Did This

- Data Driven Approach to Decision Making
- Understand Benchmark Numbers
- Funded Groups Strategically
- Constantly Assessed Impact



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The CPR Score

CPR Score

CPR SCORE ?



CPR Trend View



Cash Ratio

1.61



Profit - EBITDA

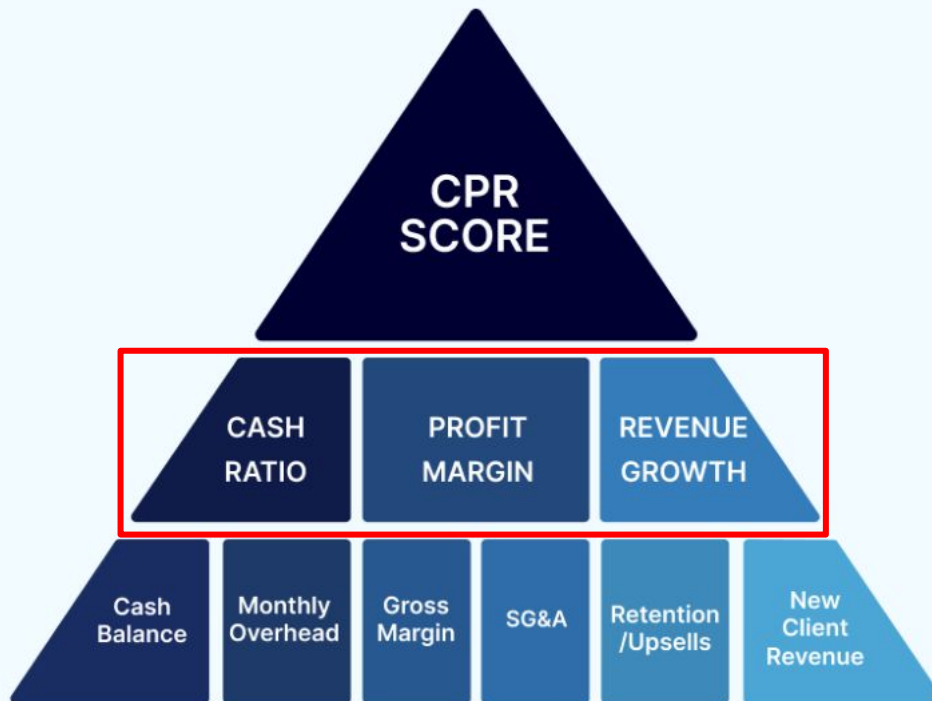
10.51%



Revenue Growth

0.76%

A Math Problem





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The Holy Grail Metrics

Standard Metrics

The Holy Grail Metrics

20%
Revenue Growth

20%
Profit/Revenue

The Rule of 40





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Cash

Cash Management



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Is Cash *Actually* King?

Why Cash is Not Growing? F|A

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→ The Culprit:

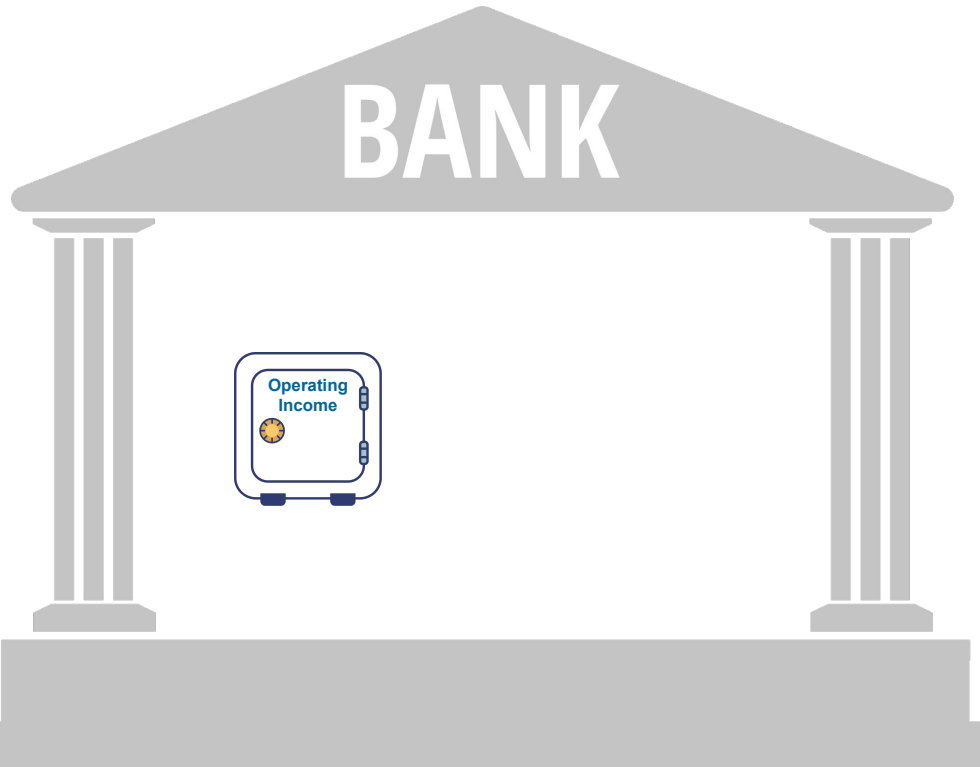
- Operating Cash Flow: EBITDA Negative
- Financing Cash Flow: Owner's Distributions

Use of Cash

BANK



Use of Cash



A stylized gray icon of a classical bank building with two columns and a triangular pediment. The word "BANK" is written in large white letters across the pediment.

BANK



Operating Income

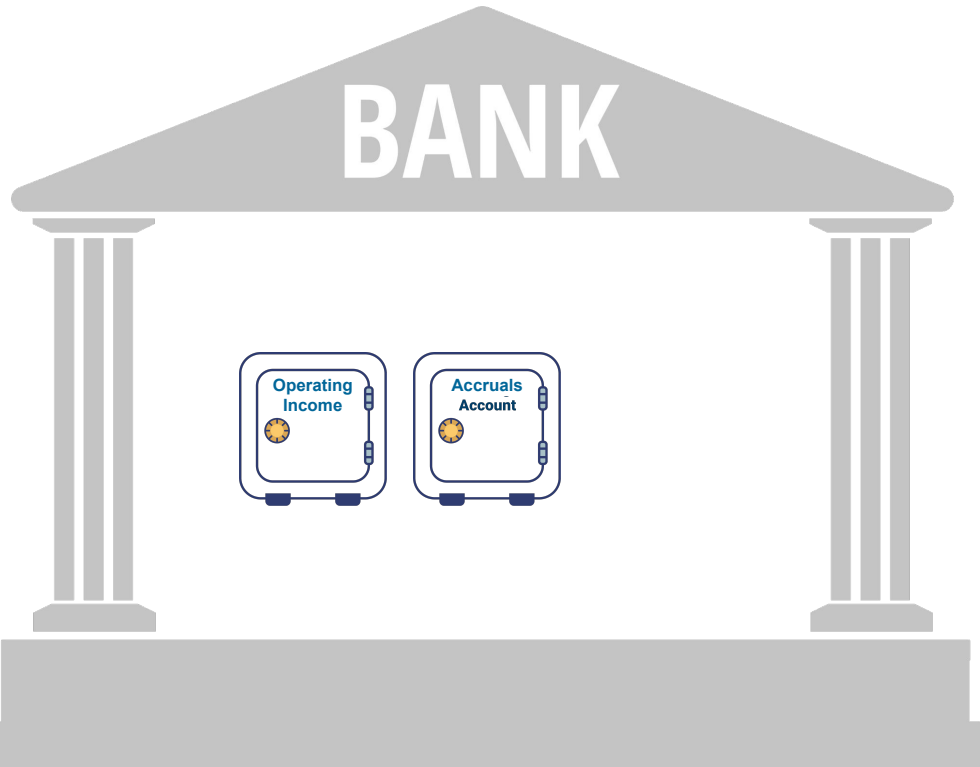
- Minimum of 2 Payrolls
- Ability to Pay Employees and Operating Expenses

Use of Cash



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A stylized illustration of a classical bank building with a triangular pediment and two columns. The word 'BANK' is written in large white letters on the pediment. Inside the building, there are two blue-outlined boxes representing accounts. The left box is labeled 'Operating Income' and the right box is labeled 'Accruals Account'. Both boxes have a small orange clock icon and a vertical bar on the right side.

BANK

Operating
Income

Accruals
Account

Accruals Account

- Taxes
- Bonuses
- Sales Commission
- Deferred Compensation
- Other Accrued Expenses

Use of Cash

BANK



Savings Account

- Target: 2x to 6x Monthly Expenses
- Safety Reserve:
 - Retained vs. Project
 - Customer Concentration
 - Major Capital Improvements
 - Pipeline
 - Growth Rate
 - Potential Partner Exit Strategy
- Investment Fund

Cash = Opportunity

REDMOND, Wash., and MOUNTAIN VIEW, Calif. — June 13, 2016 — Microsoft Corp. (Nasdaq: MSFT) and LinkedIn Corporation (NYSE: LNKD) on Monday announced they have entered into a definitive agreement under which ***Microsoft will acquire LinkedIn for \$196 per share in an all-cash transaction valued at \$26.2 billion***, inclusive of LinkedIn's net cash. LinkedIn will retain its distinct brand, culture and independence. Jeff Weiner will remain CEO of LinkedIn, reporting to Satya Nadella, CEO of Microsoft. Reid Hoffman, chairman of the board, co-founder and controlling shareholder of LinkedIn, and Weiner both fully support this transaction. The transaction is expected to close this calendar year.

Cash = Opportunity



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**DIGITAL MARKETING
AGENCY**

FOR SALE

ANNUAL NET INCOME:

330k

Cash Strategy Key Takeaways



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- Create the Right Cash Management Infrastructure
- Set a Cash Savings Target
- Determine Changes Necessary to Grow Cash



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Profit Margin

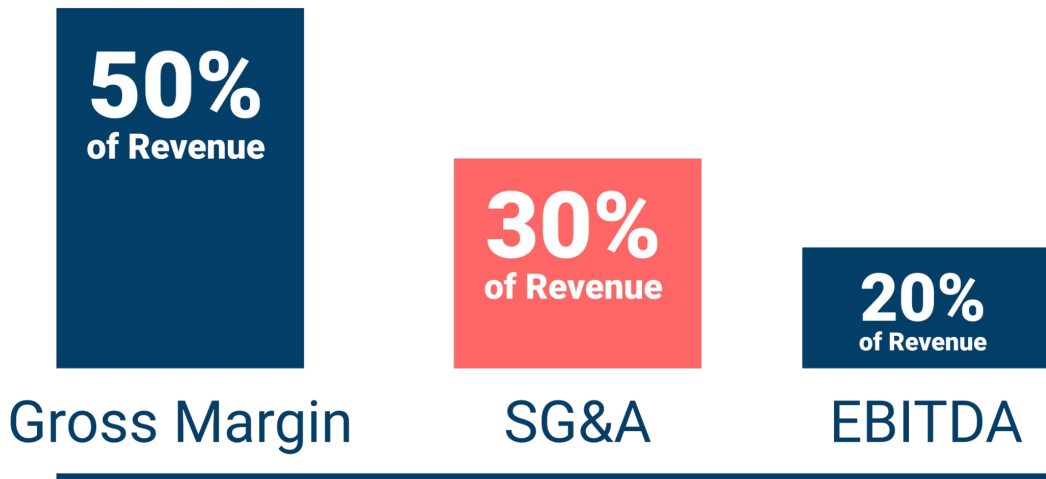
Standard Agency Metrics



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Agency Metrics



Benchmark Numbers



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- **Gross Margin: 50%**
- **SG&A:**
 - **Sales & Marketing: 8%**
 - **Operations & Finance: 15%**
 - **Executive: 7%**
 - **Total: 30%**
- **Research & Development: 5%**

Gross Margin Obsessed



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- Company 1:
 - Revenue: \$25 Million
 - Gross Margin: 30%
 - Investment Available: \$7.5 Million
- Company 2
 - Revenue: \$25 Million
 - Gross Margin: 50%
 - Investment Available: \$12.5 Million

Calculating Gross Margin



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- **Net Revenue**
 - Remove All Pass-Through Revenue
 - Only True Fees to the Company
- **Cost of Goods Sold**
 - All Expenses Related to Client Work
 - Employees
 - Tools/Technology
 - Client Travel & Entertainment
- **Gross Margin**
 - Net Revenue - Cost of Goods Sold
 - Look at it as a % of Revenue
 - The Most Important Metric

Income Statement Structure



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- Well Organized Revenue
- Gross Margin is Calculated Properly
- All SG&A are Grouped in These Categories
 - Executive
 - Sales/Marketing
 - Operations/Finance
 - Research & Development

Income Statement Structure

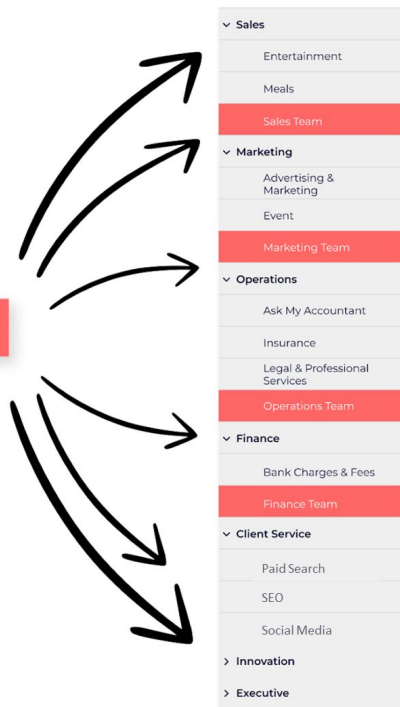


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JUNE

TOTAL WAGES \$141,922.88



Profit Margin Key Takeaways



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- Become Gross Margin Obsessed
- Organize Your Income Statement
- Live by Benchmarks



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Revenue Growth

Target Revenue Growth



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The Holy Grail Metrics

20%

Revenue Growth

20%

Profit/Revenue

What to Fund



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- Sales & Marketing: > 8%
- Research & Development: > 5%

Ways to Fund Growth



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- Gross Margin Improvement
- Lower Targets
 - Operations/Finance
 - Executive
- Private Equity Approach

Gross Margin Obsessed



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 - Gross Margin: 50%
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Target Improvements

- **Operations/Finance: 15%**
 - Finance: 5%
 - HR: 4.5%
 - General Admin: 4%
 - Corporate IT: 1%
 - Legal: 0.5%
- **Executive: 7%**
 - CEO Compensation
 - # of Executive Leaders
 - Ancillary Exec Benefits

Investment Opportunities F|A

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Private Equity

15%

S&P 500

10%

Nasdaq

13%

I TARGETED LESS THAN 20%
OF EBITDA FOR MANY YEARS TO INVEST IN GROWTH:

- ◉ Multiple expansion
- ◉ Top line revenue growth
- ◉ Focused on improvements to EBITDA down the road

Funding Alone Does Not Mean Results

How Effective Are Your Investments

Results



Activity

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Revenue Growth Key Takeaways



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- Need to Fund Growth
- Most Effective Way is Gross Margin Improvements
- Funding Alone Does Not Guarantee Results
- Stay Committed to The Investments



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Key Takeaways

Key Takeaways

- **Least Amount of KPIs**
 - Cash
 - Profit Margin
 - Revenue Growth
- **Budget for Data Driven Decision Making**
- **Live by The Benchmarks**
- **Have The Emotional Strength**

World-Class Financial Performance For **Marketing Agencies.**

Thank You!

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