



FIVE ESSENTIAL KEYS TO SUCCESS

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AUTHORS



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IN AGENCY M&A AS WELL AS
COMMERCIAL NEGOTIATION

Alex Harbur

- Worked in all aspects of PR / PA agency communications
- A founding partner of FischerHealth (winner of the *Holmes Report* "Healthcare Firm of the Year" & *PRWeek's* "Creative Agency of the Year". Sold to Omnicom in a successful earn out
- Designs and deploys systems to enhance performance & value
- Graduate of the University of Wisconsin holding a BS in Business Management



DAVID BOSSES IS A LEADING
EXPERT IN AGENCY EQUITY-
RELATED TRANSACTIONS

David Bosses

- Worked on 60+ M&A transactions in marketing services with expertise in equity-related transactions
- Partners with agency leaders to identify risks & opportunities while maximizing profitability
- Experienced in financial management, operations, commercial negotiations & performance analytics
- Began at Interpublic Group directing M&A activity (negotiation, financial analysis & due diligence)
- Holds a JD and MBA from Villanova

ARTICLE SUMMARY

Prosper Group will show you exactly what is required for selling your agency to a senior, insider team. Our agency M&A experts will help you structure the gradual transfer of ownership, ensure the protection of your asset, and maintain its value for the long term. At the same time, we will improve, inspire and invigorate the entire firm—and significantly elevate its market value.

ProsperGroup.net

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Find Your Path

KEY #1: MINIMIZE YOUR RISK & MAXIMIZE YOUR GAIN

THE AGENCY OWNER'S DILEMMA:

"If I sell now, I will lose control—and I may not get paid. But, if I wait, the economy or industry may not be as strong."



After years of working hard and building equity, you're considering selling your agency. But you have honest, heartfelt concerns about handing over the reins to just anyone.

Most owners tell us they really want to sell to "key employees." Yet, few agency owners see this as a realistic option. Most simply cannot fathom how they could ever:

- Sell to employees with no money
- Sell before the agency's worth more
- Sell to staff who aren't ready for management

What agency owners can understand is that there are real risks that come with transferring the agency to "insiders." Owners fear that they won't be able to maintain control or receive top dollar in order to secure their financial future.

KEY #2: MAP OUT A SOUND AGENCY TRANSFER PLAN



If you share these concerns, your instincts are valid. And, without skilled exit planning, you cannot and should not sell your agency to insiders. However, with the proper guidance of Prosper Group, we can design a sound transfer plan that meets five key criteria.

Your exit plan must:

- Be firmly rooted in your goals
- Keep you in control until goals are realized
- Maximize your financial security
- Minimize "double income taxation"
- Have an exit "Plan B" if the sale falls short

KEY #3: TAILOR A UNIQUE STRATEGIC PLAN

We'll craft milestones to help employees take gradual ownership

At Prosper Group, we will create a customized strategic plan to sell your agency. In our experience, several time-honored strategies have the proven ability to protect and maximize owner value during this process. For starters, we may structure a plan for insiders to gradually take ownership over several years.

IN A GRADUAL SALE, 3 MILESTONES MUST BE ACHIEVED:

- Meeting annual performance standards
- Eventually agreeing to commit financially to the sale
- Demonstrating competency in running the agency

For example, accounts must be retained and stay profitable, revenue must stay steady and staff turnover must remain stable. While a well-running agency can financially support the payment(s) to you, at some point the buying person/team must commit. This could take the form of signing personal guarantees for space and other assets, pledging personal assets as collateral for promised future payments or actual debt and securing a loan to buyout all owners.

Execution of an exit plan is a process. At the outset, few agency second tier leaders have the experience and knowledge required to manage an agency. So, their capability to do this must be demonstrated over time. A process for allowing the second tier team to prove themselves must be built into exit-plan timing.

KEY #4: MEET FOUR CONDITIONS FOR A SUCCESSFUL TRANSFER

1) A Healthy Cash Flow

Cash flow must be stable, consistent and capable of growing as you move forward. If not, the new team cannot support a buy-in.

2) Success over time

Transfers may take 5+ years to build the company's cash flow and management skills. As cash flow grows, so do increments of ownership. This also lets you take distributions to build wealth while simultaneously backing away from day-to-day management.

3) The will to delegate

You must be willing to eventually transfer all responsibilities to agency insiders. You can do this gradually leading up until your departure date.

4) Confidence in senior leader(s) buying the firm

An agency owner selling his/her firm to an internal leader or team is placing a great deal of trust that the leader(s) will remain committed throughout the exit process. So, we structure plans with built-in disincentives to dissuade an internal buyer from changing his/her mind after a certain point during the plan execution. It is simply too much to ask for the original owner to stop their retirement and begin running the agency again on a day-to-day basis.

KEY #5: SECURE YOUR FUTURE BEFORE LEAVING

We won't leave anything to chance regarding your retirement.



Our strategy calls for ownership transfer to start before the agency achieves its full value. Plans we design include performance standards that require a firm to grow in value (or cash flow) as a condition of gradual ownership transfer. So, the firm's value peaks when it's time for you to exit. This ensures your financial future.

With proper planning, an insider transfer can be a rewarding exit path—both financially and personally. And, Prosper Group is skilled in the design and execution of internal equity transfers. All so you can get the most out of the agency you've worked so hard to build.

LEARN HOW—
CONNECT WITH
A PARTNER
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