

Mastering Profit Management

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 Agency
Management
Institute

 parakeeto

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The host of the



The
**Agency
Profit**
Podcast

Strategic Coach @



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The host of the



Strategic Coach, Succession
Advisor & Educator



Parakeeto helps agencies
measure & improve their
profitability.

That's it.

AMI elevates small to mid-sized agencies by teaching them how to make the work of running a **profitable agency** easier & more systemized.

Core Financial Metrics

Gross Billings are a vanity number and
have no bearing on your profitability



AGI

The money you have to run your agency



Cost of Goods

Biggest area of confusion/error

- Printing
- Media
- Software you use for clients
- 1099/contractors
- Influencer fees
- Web hosting
- Travel/meals tied to clients
- Etc.



Overhead

Cost of doing business

- Rent
- Attorneys
- Professional development
- Car/Mileage
- Internet
- Client gifts
- Award entries
- Software (quickbooks, etc.)
- Equipment
- Credit card/bank fees
- Accountant
- Agency marketing
- Some travel
- Some meals
- Utilities
- Charitable donations
- Some subscriptions
- Association dues



The single most important KPI

AGI = 55/25/20



55%



25%



20%



What about your people?

Your generalist accountant will get this wrong

- All W2 & T4/T4A people – **AGI/People**
- Contractors in country – **GOGs**
- Contractors Intl – **COGs**
- Outsourced admin support – **AGI/overhead**
- FT employees who live in another country – **AGI/People**



Do I pay tax on all that?

And if I don't – does that affect valuation?

20% EBITA doesn't mean you pay taxes on that number.
You want to earn it, so you can invest it!

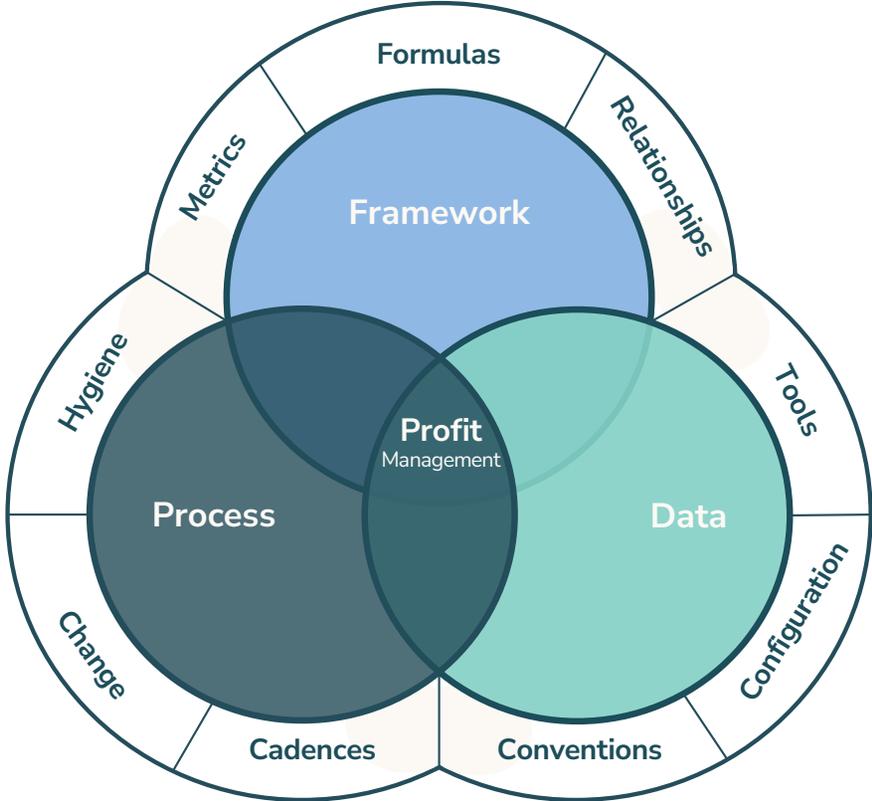
- 25% taxes (smart strategy means you can lower this)
- 25% team bonus
- 25% owner bonus/dividends
- 25% reinvestment into the agency, pass thrus, defined benefits program





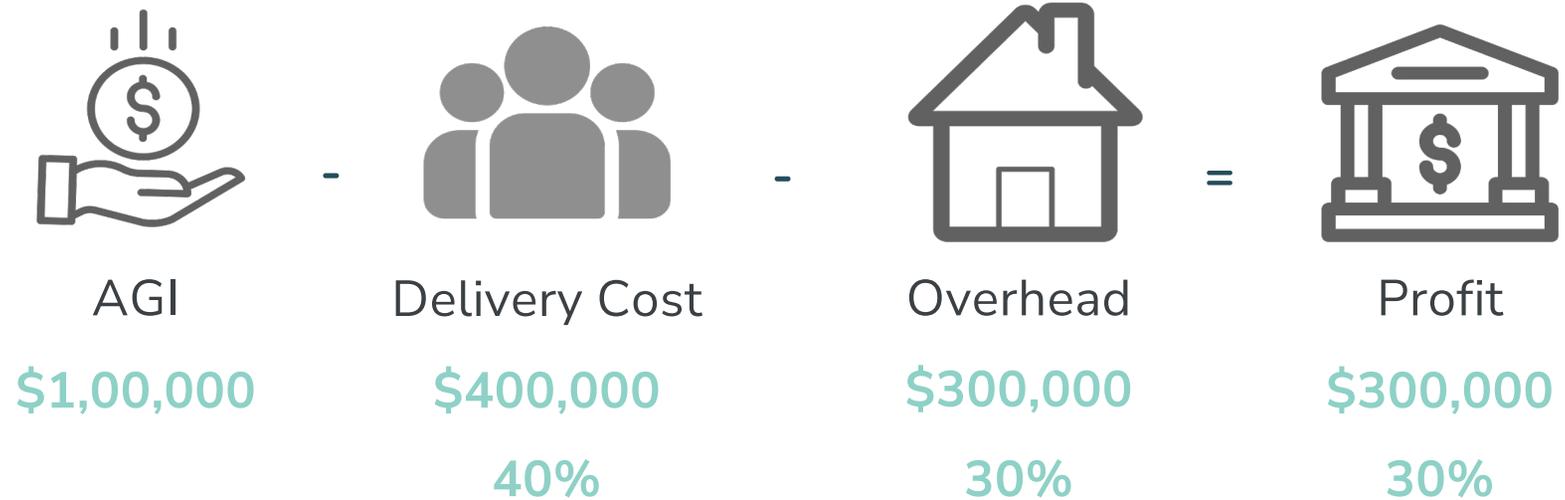
The Ingredients

Profitability Management™



The Agency Model

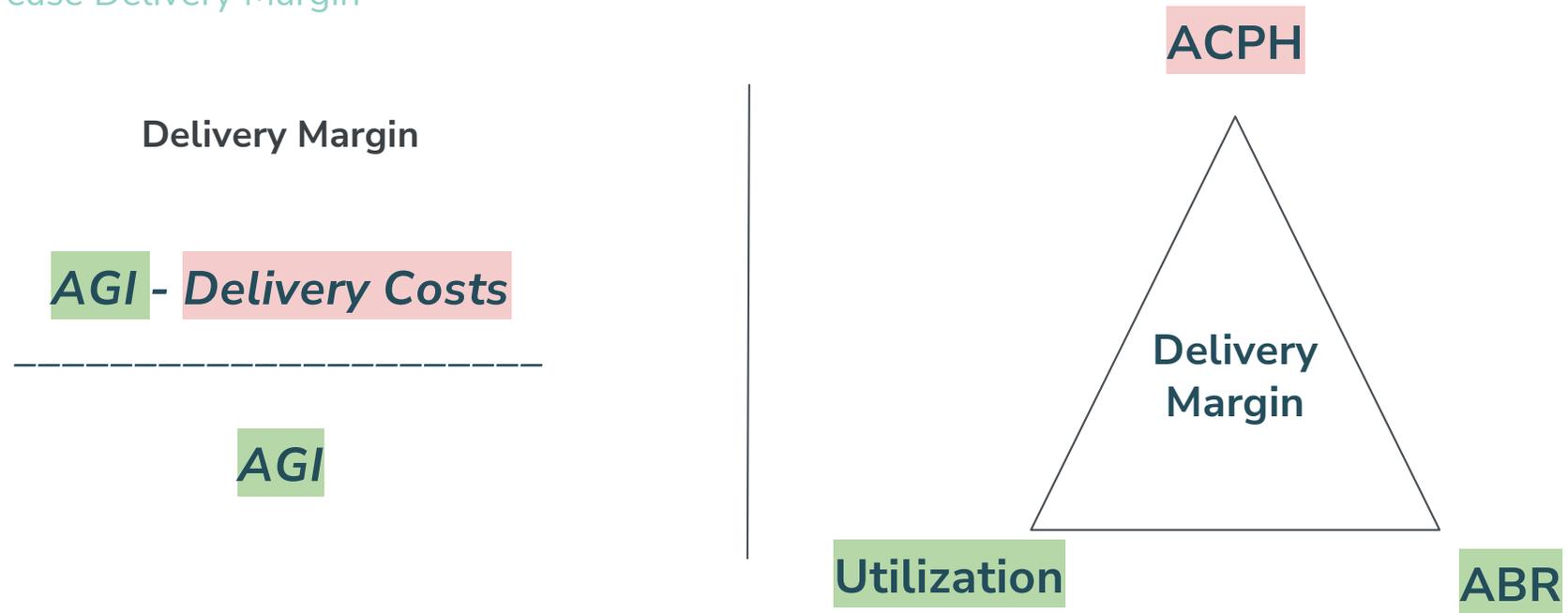
How Services Make a Profit



Delivery Margin Levers

Three Levers

To Increase Delivery Margin



ACPH

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





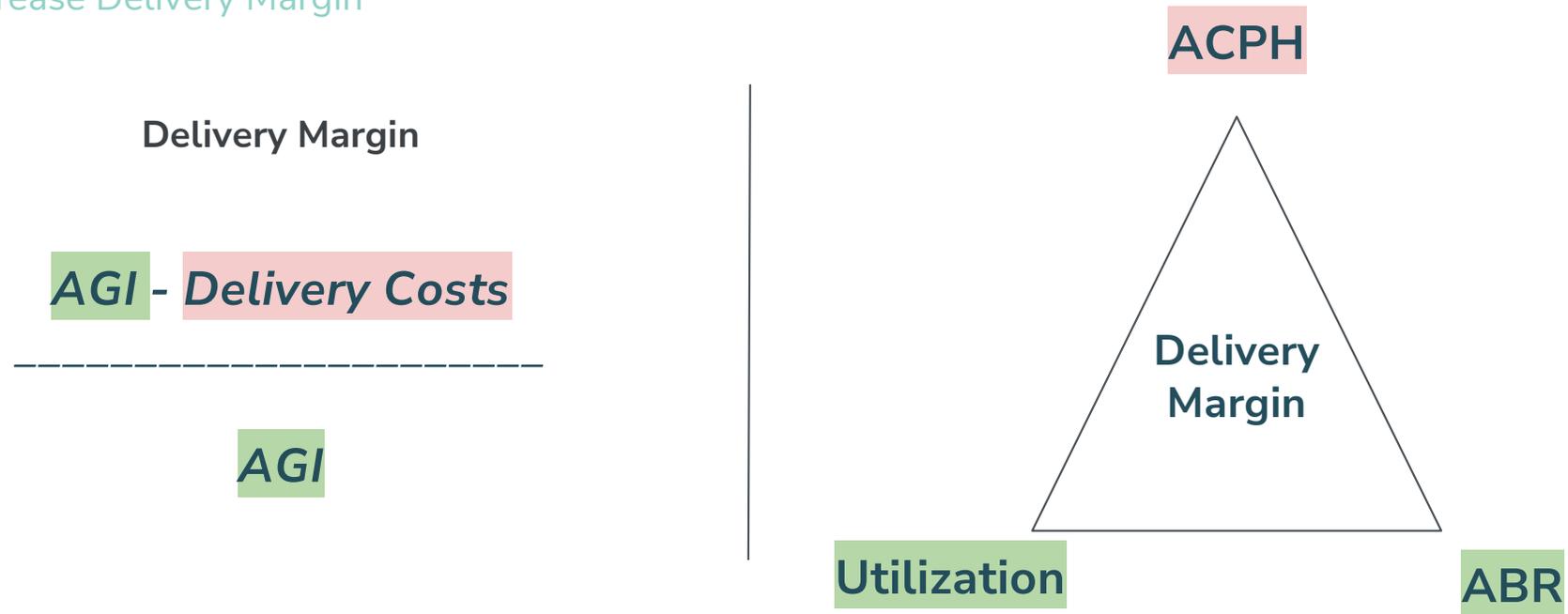
ACPH

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



ABR

How Profitable Are we?

Delivery Margin

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

AGI

ABR

AGI

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



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

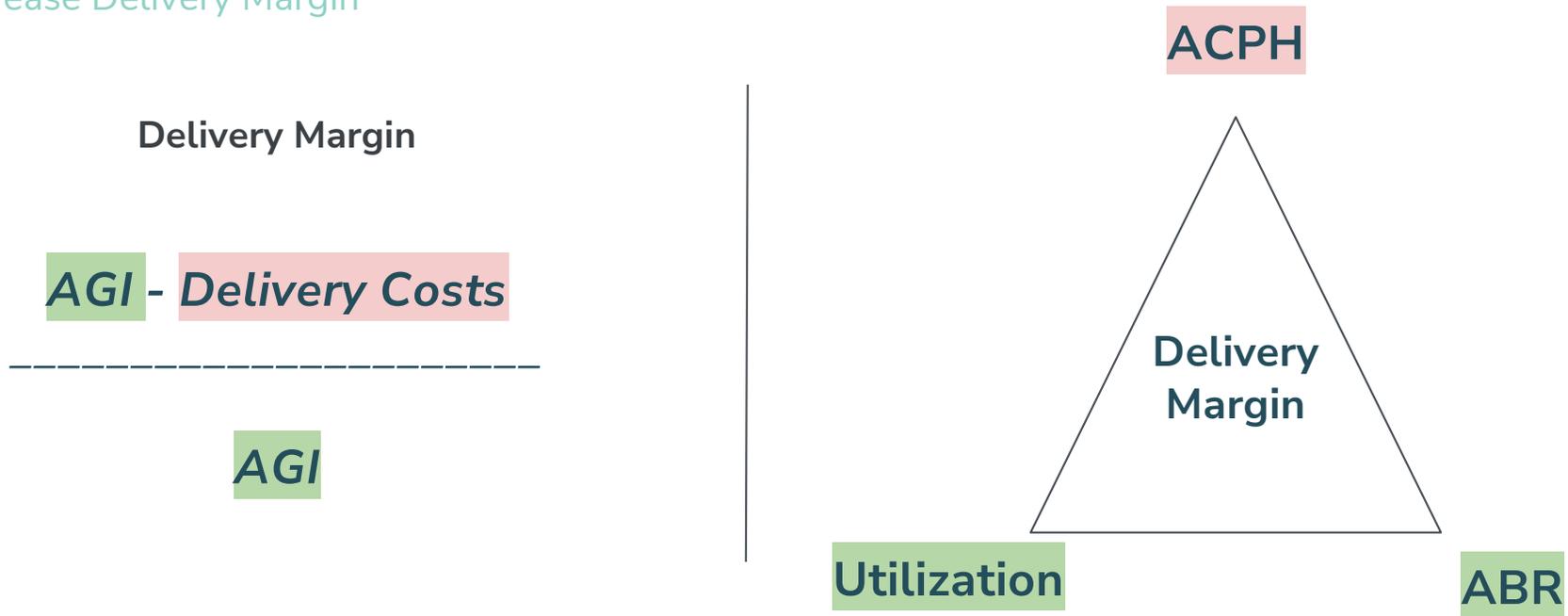
ABR & ACPH to Direct Delivery Margin

ABR - Average Cost Per Hour

ABR

Three Levers

To Increase Delivery Margin



Utilization

How much of our payroll is resold at a profit?

Delivery Margin

$AGI - \text{Delivery Costs}$

AGI

Utilization

Delivery Hours

Capacity

Utilization

How Efficiently are we Deploying Capacity?

Formula:

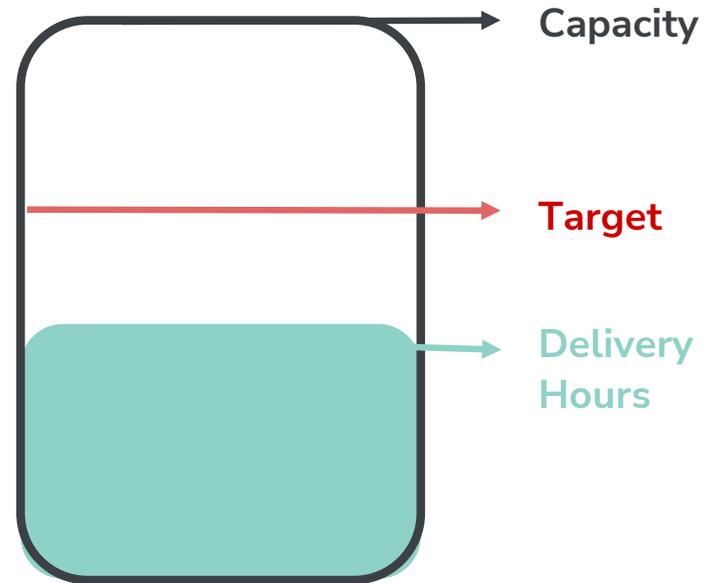
Capacity

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	6x	\$9M	260%
\$3M	7x	\$21M	740%

Pricing Hacks

We can't get it right, when it's wrong from the get go.

When we build our estimates – we have to start with the right number.

And even when we start with the right number, we have to accept that we're still wrong.



Pricing Hacks/\$175

Your hourly rate has to be \$175-200/hour

And if you can't justify that... Maybe you're selling something you shouldn't be selling.

AND... You need \$175,000 in AGI for every FTE (which means your average salary/FTE would be \$96,250)



Pricing Hacks/Drew Hack

Our estimates are always wrong.

Apply the 1.3x multiplier to protect your profit.



Utilization/Opportunity Lost

 $\times 1920^*$ $=$ 

of employees

of available hours

* 48 weeks/year at 40 hours per week



Utilization/Opportunity Lost

$$\begin{array}{r} 10 \\ \times 1920 \\ \hline 19,200 \end{array} \text{ Total possible hours}$$

Example – 10 employees



Utilization/Opportunity Lost

Goal:

75% - of all available hours are logged as billable time

60%+ of all available hours are billed to a client.

Reality for most agencies – 40% or less is billed to a client.

Note: Has to be ALL time, including non-billable team members. Typically, you can afford 1 non-billable person for every five FTEs.



Utilization/Opportunity Lost

$$\frac{8,750}{19,200} \times \frac{45.57\%}{100}$$

45.57% @ \$175 = \$1,531,250
60% @ \$175 = \$2,016,000



Agency Pricing Models



Scoping Accuracy

Scoping vs Pricing

Pricing

*What will they **pay**?*

Scoping

*What will this **cost** us?*

Core Financials

Metrics You Should See on Your P&L



Revenue

- **Pass Through Expenses** - **Delivery Expenses**



AGI
(Agency Gross
Income)

Target



Delivery
Profit

50%+
Delivery Margin



**Overhead
Spending**

20-30%



Operating
Profit

20% +



Direct Delivery Margin

How much money will we make?

Direct Delivery Margin

AGI - *Direct Delivery Costs*

AGI

Delivery Margin

Example

Project Details

Revenue	\$15,000
Pass-Through	- \$ 5,000
AGI	\$ 10,000
Direct Delivery Cost	- \$ 4,000

The Math:

$$\frac{\$10,000 - \$4,000}{\$10,000} = 60\% \text{ Direct Delivery Margin}$$

Direct Delivery Margin

How much money will we make?

Direct Delivery Margin
Target

(Profit Target + Overhead Budget)

+ 10-20% Buffer

The Math:

$$\begin{array}{l} \text{30\% Profit} + \text{30\% Overhead} \\ + \text{15\% Buffer} \end{array} = \begin{array}{l} \text{75\%} \\ \text{Direct Delivery} \\ \text{Margin} \end{array}$$

Target Price

How much money should I charge?

Target Price Formula

$$\left(\frac{\text{Direct Delivery Costs}}{1 - \text{Direct Delivery Margin Target}} \right) + \text{Pass-Through Expenses}$$

Minimum Price

Example

Project Details

Direct Delivery Cost	\$2,000
Pass-Through	\$ 10,000
Margin Target	75%

The Math:

$$\left(\frac{\$2,000}{25\%} \right) + \$10,000 = \$18,000$$

Min Price

Markup

Example

Project Details

Revenue	\$18,000
Pass-through	- \$10,000
AGI	\$8,000
Direct Delivery Cost	\$2,000
Direct Delivery Profit	\$6,000 (75%)

Price 1:

Flat Fee	\$18,000
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Price 2:

Ad Spend	\$10,000
Markup	\$2,000
Management Fee	\$6,000

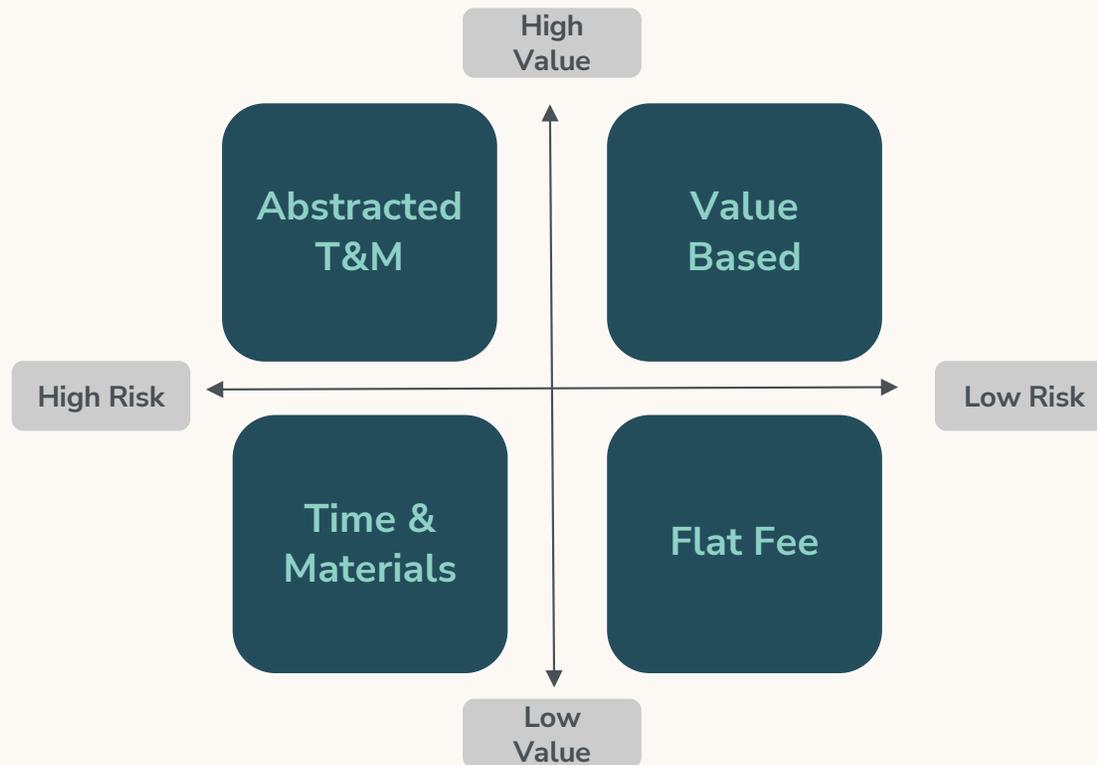
Price 3:

Estimate	\$180 x 100hrs
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Price 4:

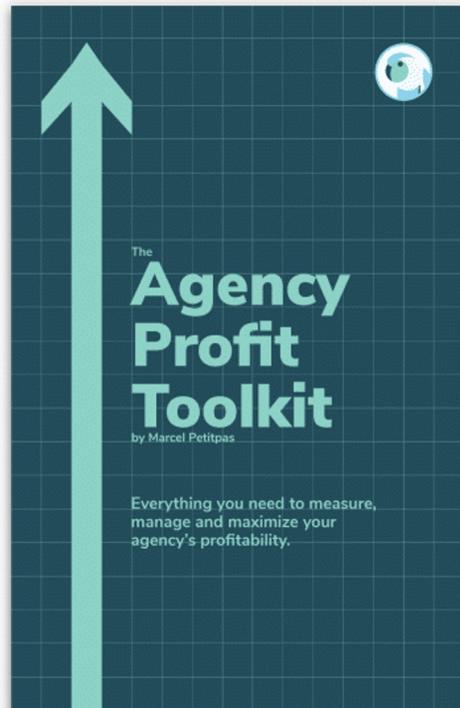
Monthly Cost	\$6,000
Duration	3 Months

The Agency Pricing Quadrant™





Free Stuff



parakeeto.com/toolkit

Free Stuff

Calculating Opportunity Lost

Step One: Start with 1,920 (40 hrs/week for 48 weeks allowing for holidays and vacations)

Step Two: Multiply 1920 X the # of FTEs in your agency
EX: I have 10 FT employees, so my number is 19,200 hours available in a year

Step Three: Multiply your total hours available by your billable rate.
EX: 19,200 x \$175 = \$3,360,000
\$3,360,000 represents the AGI my agency could earn if all of my employees spent 100% of their time on billable tasks and we were able to bill all of that time. (I know...impossible but stay with me)

Step Four: Multiply your total number of available hours by .75 and 50 to get your agency's targets.
75% of 19,200 = 14,400 (should be spent on billable tasks)
60% of 19,200 = 11,520 (should be billed to a client)

OR

Step Five: Multiply your target total number of available hours your agency's billable rate.
75% of 19,200 (14,400) = \$2,160,000 in AGI at \$175/hour
60% of 19,200 (11,520) = \$1,728,000 in AGI at \$175/hour

NOTE: Before starting to track these numbers, most agencies are billing about 40% of their total available hours.
40% of 19,200 = 11,520 hours in AGI at \$175/hour
In this example -- If the agency was only billing clients for 40% (versus the targeted 60%) of their available hours, the agency is leaving about \$682,500 on the table every year.

NOTE: The total target is that 75% of your agency's total available hours are spent on billable tasks and that you can actually bill 60% of your agency's total available hours. (In the video I said 70-75 but let's calculate it at 75%)

AMI Agency Management Institute
www.AgencyManagementInstitute.com | 774-7AGENCY

Money Matters

"The conversation about taxes alone was worth the workshop fee. I went right home and ran our numbers through your financial dashboard and I couldn't believe my eyes. I made adjustments immediately and all of a sudden — there was more money at the end of every month!"

The workshop Money Matters is built specifically for agency owners and their right-hand financial team members (CFO, Accounting Manager, Bookkeeper, etc).

When it comes to money and agencies — there's a big difference between holding company agencies of the world and you. Good news is — you can make as much money, if not more than they do — if you manage your finances right.

Registration

Money Matters

Tivoli Student Union
(Auraria Higher Education Center)
Denver, CO

October 23 & 24, 2025

Register TODAY



But you can't do it the same way they do.

Agency Quarterly Dashboard ABC Agency

All information on this tab pulls from "Data Entry"
Do not enter data on this tab

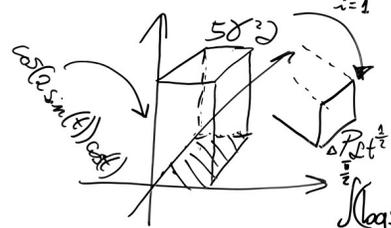
Metric	Target	3/31/25	6/30/25	9/30/23	12/31/25	2025 Total
People Expense as % of AGI	55-60%					
Overhead Expense as % of AGI	20-25%					
Net Income as % of AGI	15-25%					
Value to Owner as % of AGI	35%+					
AGI Per FTE	\$175,000/year					
Salary Cost per FTE						
AGI as % of Sales						
Current Ratio	2+					
Working Capital Ratio	1+					
Days in AR	Lower is better					
Months Cash on Hand	2+					
Debt to Equity	1.5 or less					
Debt to Working Capital	1.5 or less					
Return on Equity	Higher is better					
Effective Hourly Rate	At or above target					
Target Hourly Rate		\$ -	\$ -	\$ -	\$ -	\$ -
Realization	>80%					
Hours Written Off	Lower is better					
Revenue / Billings		-	-	-	-	-
Cost of Goods / Services		-	-	-	-	-
AGI		-	-	-	-	-
People Exp		-	-	-	-	-
Overhead		-	-	-	-	-
Total People and Overhead		-	-	-	-	-
Net Income		-	-	-	-	-

agencymanagementinstitute.com/profitability



Questions?

$\mathcal{L} = \oint E \cdot dt$
 $f(w) = \int_{-\infty}^{\infty} f(x) e^{-2\pi i x w} dx \frac{dt}{d\omega}$
 $\nabla \cdot E = 0 \quad \nabla \times E = -\frac{1}{c} \frac{\partial H}{\partial t}$
 $\nabla \cdot H = 0 \quad \nabla \times H = \frac{1}{c} \frac{\partial E}{\partial t}$
 $\nabla \cdot \Psi = H \Psi$
 $\rho \left(\frac{\partial v}{\partial t} + v \cdot \nabla v \right) = -\nabla p + \nabla \cdot T + f$
 $H = -\sum p(x) \log p(x)$
 $\frac{1}{2} G^2 S^2 \frac{\partial^2 V}{\partial S^2} + r S \frac{\partial V}{\partial S} + \frac{\partial V}{\partial t} - r \cdot V = 0$
 $TC(Q, q_i, m_i) = \sum_{i=1}^n \left[\frac{D_i}{m \cdot q_i} S_i + c_i \cdot D_i + \frac{q_i H_i^V}{2} \left(m_i \left(1 - \frac{D_i}{P_i} \right) - 1 + 2 \frac{D_i}{P_i} \right) \right]$
 $\left[\frac{d \Delta p(s, \phi)}{d \phi} \right] = \begin{bmatrix} \beta & -\beta \\ -\beta & 0 \end{bmatrix} \begin{bmatrix} \Delta p(s, \phi) \\ \Delta M(s, \phi) \end{bmatrix}$
 $\int_0^{\frac{\pi}{2}} (\log \sin x)^2 dx = \int_0^{\frac{\pi}{2}} (\log \cos x)^2 dx = \frac{\pi}{2} \left\{ \frac{\pi^2}{12} + (\log 2)^2 \right\}$



Recording, links to free stuff, contact info etc. will be emailed out this week!