

Putting Finance in Place to Drive Agency Growth

Case Study

At a glance

- UK-based Digital Marketing & Communications agency sought to grow by acquisition
- Temporarily without a Chief Financial Officer (CFO), the agency lacked the Finance transparency necessary to secure funding
- EFM Ireland was approached initially by the agency's corporate finance advisors to re-introduce financial discipline, clarity, and oversight
- The remit expanded to cover due diligence on the companies targeted for acquisition
- The agency was able to successfully obtain finance for a £10 million "buy and build" strategy that saw it significantly grow its business

Background

When a high-profile player in Digital Marketing & Communications spanning the UK and USA decided to pursue a strategy of acquisition to grow its business, there was one major obstacle – the vital Finance underpinnings were not in place to enable the business to secure the necessary funding.

The CFO had departed some months previously and the business had struggled to find a suitable successor. Although a junior Finance team was attempting to hold the fort, the reality was that vital Finance processes, systems, outputs, and communication were lagging far behind where they should be, and were not painting a trustworthy picture.

This was making it impossible for the advisory firm seeking the debt funding for the agency's expansion to be sure of the agency's overall financial position, and to present it convincingly and compellingly, in turn, to potential funders.

At the advisory firm's request, EFM Ireland's Kevin Kelly was brought in to act as interim CFO. Working closely with the agency's own accountants, his mission was to restore order and oversight to the agency's Finance processes, reintroduce discipline to critical month-end reporting, and improve the quality of the management information (MI) supplied to the Board and its decision-makers.

This led to Kevin being kept on to support the due diligence process involved in assessing the viability of the companies earmarked for acquisition, and to advise on the subsequent group financial structure, turning what was initially a three-month assignment into an 18-month project.

Challenge

Kevin faced multiple challenges in his interim CFO role, some financial, some cultural, and some educational.

A highly respected brand for creative services, the agency was often not comfortable dealing with prosaic financial realities, and there was a tendency to hand tasks off rather than ensure their completion – "abdication rather than delegation", as Kevin puts it.

There was also an absence of the kind of understanding of finances and financial analysis that, in a more conventionally commercial environment, would typically be the norm amongst the leadership team.

Sales, for example, were routinely the only factor considered as an indicator of the business's financial performance – insufficiently rigorous in any circumstances, but especially so when the business was contemplating acquisitions that would significantly scale up the complexity of its accounting.

Many different Finance systems and tools were also in use by the agency, with little or no integration between them, which necessitated much manual manipulation of data in Excel spreadsheets. In addition, access privileges and security had not been managed effectively, creating a risk that some functions, data, journals, and audit trails could be interacted with unwittingly by those not qualified or authorised to do so.

What all this meant, in practice, was that an agency that was on the cusp of an expansion that it clearly had sufficient talent, reputation, and credibility to achieve, was falling at a fence of its own making.



Solutions

Kevin immediately set to work introducing discipline around financial processes, strengthening financial oversight, communicating the financials to its leadership and advisory firm, and generally putting the business in a stronger position to be scrutinised by potential funders.

He reinstated month-end processes and reporting, and ensured they were carried out unfailingly. He took on the preparation and presentation of group management accounts, cashflow modelling, and forecasting, and articulated the importance of metrics other than sales – margins, staffing levels, wage bills, and many more.

Kevin also worked closely with internal stakeholders to understand roles and responsibilities, where the costs were coming from, and what could be done to lower them – by obtaining competitive quotes from multiple suppliers, for instance.

Having managed, in three short months, to put the agency's Finance function back on an even keel, and deliver a set of figures both the advisory firm and potential funders could trust, Kevin then carried out due diligence on the four companies the agency had potentially lined up for acquisition, working hand-in-glove with the advisory firm.

Benefits

Kevin's work enabled the agency to successfully obtain funding for its acquisition programme, and to acquire three businesses that added value, breadth, and reach to the agency's offering.

The acquisitions brought one of the UK's top public affairs consultants onto the agency's staff, in addition to numerous other experts.

Kevin also laid the foundations for a successful handover to a permanent CFO, who inherited orderly processes, informative reporting, and financial clarity.

All of this was achieved through EFM Ireland's highly cost-effective outsourced model, which enables businesses to pay only for the hours they need, but is also flexible enough for them to extend the engagement if required.

As Kevin puts it, this is “the difference between a Big Four consultancy who'll charge the earth but hand a lot of the work to juniors, and the EFM Ireland model, where you pay only for the time you use and get a seasoned Finance professional who'll work shoulder to shoulder with your internal team.”

For more information on how EFM Ireland's experienced Finance professionals can take the pain and cost out of managing your business's finances, and smooth its passage to growth, get in touch today.

