

Visory

# The Creative Agency *Financial Playbook*

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Benchmarks, metrics, and levers for agencies  
between \$500K and \$10M

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# The Creative Agency Equation

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Every creative agency faces hundreds of small moments each year. Some are risks, some are opportunities. How you respond to those moments is what separates thriving agencies from ones barely getting by.

After years of working with creative agencies across Australia, New Zealand, and the US, we have identified four financial pillars that drive the health of every agency. We call it the **Creative Agency Equation**.

## Efficient Growth

Adding new revenue in a sustainable, cost-effective way

## Profitable Clients

How much money you make or lose servicing each client

## Net Profit

What you keep after all costs - the true measure of value

## Cash Flow

The lifeblood - your ability to pay bills, invest, and sleep at night

## Where This Comes From

These are not theoretical benchmarks pulled from a textbook. They come from working hands-on with hundreds of creative agencies - rebuilding their financial reporting, analyzing their margins, and helping them make better decisions with clearer data.

This playbook was developed by **Dev Bijlani** and **Jordan Bevans** at Visory. Dev leads Visory's US growth strategy and brings experience spanning sales leadership, go-to-market execution, and agency operations. Jordan, Co-Founder & COO of Visory, is a CPA with over 15 years of experience scaling professional services businesses. Before Visory, Jordan led a **\$50M revenue business unit from 2% to 40% EBITDA margin**. Today, Visory works exclusively with creative agencies to turn financial chaos into clarity and free cash flow.

**A note on benchmarks:** *These numbers reflect patterns across hundreds of creative agencies. Your numbers may look different depending on your business model, ICP, service mix, and operational structure - and that is perfectly okay. A design studio running 90% project work will look very different from an SEO agency built on retainers, and both can be thriving businesses. Use these as directional guideposts, not rigid rules.*

**A note on financial structure:** *These benchmarks assume your financials are set up correctly - direct costs in the right buckets, revenue recognized properly, and overhead separated from cost of delivery. Most agencies we work with do not have this right when we first meet them. If your GPM looks unusually high or low, the issue may not be performance - it may be how your books are structured.*

## How to Read the Benchmark Tables

	Tier 1	Tier 2	Tier 3
Revenue	\$500K - \$1.5M	\$1.5M - \$5M	\$5M - \$10M
Headcount	4 - 10	10 - 25	25 - 50
Stage	Founder-led	Building the team	Scaling operations



PILLAR 1

## Efficient Growth

New revenue solves a lot of problems, but the counter-intuitive truth is it can do more harm than good when not considered alongside other metrics.

An agency growing 30% year-over-year while bleeding cash and burning out their team is not winning - they are building a more expensive problem. Growth must be efficient. You measure this by looking at how much value you generate relative to what you spend acquiring and retaining customers.

### Key Metrics

Metric	\$500K-\$1.5M (4-10)	\$1.5M-\$5M (10-25)	\$5M-\$10M (25-50)
Revenue Growth (YoY)	15 - 30%	10 - 25%	8 - 20%
Client Churn (annual)	15 - 25%	10 - 20%	8 - 15%
Client Lifespan	4 - 7 years	5 - 10 years	7 - 12 years
CAC	\$1K - \$5K	\$5K - \$15K	\$10K - \$25K
LTV	\$35K - \$100K	\$100K - \$400K	\$250K - \$750K+
LTV:CAC Ratio	5:1+	5:1+	5:1+

**On CAC:** Many smaller agencies believe their CAC is close to zero because they grow through reputation and referrals. But the founder time spent on sales calls, proposals, networking, and relationship building is all acquisition cost. If you are not tracking it, you are not seeing the full picture.

## Levers to Improve

- **ICP Discipline:** Know who you win with, who is profitable, and focus your energy there
- **Value-Based Pricing:** Implement tiered service packages with minimum engagement thresholds
- **Account Expansion:** Invest in account management and repricing for existing clients - retention and expansion beat new acquisition
- **Referral Programs:** Build structured programs with real incentives - your best clients are your best salespeople
- **Social Proof & Content:** Use case studies and content marketing to shorten the cycle and reduce CAC
- **Revenue Tracking:** Track by type (retainer vs project) and set targets appropriate to your model
- **Client Reviews:** Run quarterly experience reviews to surface upsell opportunities and catch churn early



PILLAR 2

## Profitable Clients (*GPM*)

Gross profit margin is the single most important metric for understanding how profitably you service your clients.

$$\text{GROSS PROFIT MARGIN \%} = (\text{REVENUE} - \text{DIRECT COSTS}) / \text{REVENUE}$$

Direct costs include billable employee salaries, contractor fees, delivery software, and materials for client work. Many agencies have these buried in the wrong places in their financials, which means they cannot accurately see how profitably they are serving clients.

### Key Metrics

Metric	\$500K-\$1.5M (4-10)	\$1.5M-\$5M (10-25)	\$5M-\$10M (25-50)
Gross Profit Margin	45 - 65%	50 - 70%	50 - 70%
Utilization	75 - 85%	70 - 80%	65 - 75%
Billable Utilization	65 - 75%	60 - 70%	55 - 65%
Revenue per Employee	\$120K - \$160K	\$140K - \$180K	\$160K - \$220K

GPM Range	What It Means
<b>Below 40%</b>	Struggling - likely over-servicing, underpricing, or high contractor costs. Not sustainable.
<b>40 - 50%</b>	Average - can work if overhead is lean, but leaves little room for error or investment.
<b>50 - 60%</b>	Great - healthy balance between cost control and service quality.
<b>60 - 70%</b>	Amazing - shows pricing power, delivery efficiency, and resource discipline.

# Why GPM Matters

Weak GPM	Strong GPM
Cash flow problems and difficulty making payments	Cash buffers to invest and weather slow periods
Team turnover - cannot pay competitive salaries	Flexibility to hire and retain great talent
Growth stalls - no margin to invest in sales	Profit from delivery fuels your growth engine

## Levers to Improve

- **AI & Automation:** Standardize delivery with templates, workflows, and AI-powered tools
- **Higher-Margin Services:** Sell higher-margin work and transition clients who are not a fit to a new home
- **Pricing Audits:** Review rates quarterly and kill unprofitable revenue lines
- **Utilization:** Improve through better resource planning and project management
- **Resource Mix:** Contractors for demand spikes, full-time hires for consistent workload
- **Scope Control:** Track scope creep with project-level margin reporting and enforce change orders
- **Margin Culture:** Tie team incentives to project margins - make margin awareness part of the culture



PILLAR 3

# Net Profit

Revenue is vanity. Profit is sanity. This is your true measure of how much value the business creates.

$$\text{NET PROFIT MARGIN} = \text{GPM} - \text{OVERHEAD-TO-REVENUE RATIO (approximately)}$$

There are only two ways to improve net profit - increase your gross margin or reduce your overhead. Most agencies focus on the revenue line when they should be looking at both sides.

## Key Metrics

Metric	\$500K-\$1.5M (4-10)	\$1.5M-\$5M (10-25)	\$5M-\$10M (25-50)
Net Profit Margin	20 - 35%	15 - 30%	15 - 30%
Overhead-to-Revenue Ratio	15 - 25%	25 - 35%	25 - 40%
Owner's Comp (% of rev)	15 - 25%	8 - 15%	5 - 10%
Sales & Marketing (% of rev)	2 - 5%	5 - 10%	8 - 15%

NPM Range	What It Means
<b>Below 10%</b>	Common early on but requires tight cash management. Some months will be negative.
<b>10 - 20%</b>	Solid - the agency is beginning to invest with some confidence.
<b>20 - 30%</b>	Healthy - generating consistently positive free cash flow.
<b>30%+</b>	Strong and efficient. Make sure you are not under-investing in growth or your team.

**Math check:** For a \$3M agency with 60% GPM and 30% overhead, NPM is roughly 30% (\$900K). With 50% GPM and 35% overhead, NPM drops to 15% (\$450K). Small swings create massive differences in what you take home.

## Levers to Improve

- **Zero-Based Budgeting:** Justify every dollar each quarter rather than defaulting to last year plus 10%
- **Headcount Alignment:** Review contractor vs FTE value regularly and align to net profit targets
- **Discretionary Controls:** Tie discretionary spend to measurable business outcomes
- **Expense Forecasting:** Forecast quarterly so cost creep does not catch you off guard
- **Outsource Non-Billable:** Keep the team lean by outsourcing bookkeeping, HR, and IT
- **Benchmark Accountability:** Use profitability benchmarks to set targets - what gets measured gets managed



#### PILLAR 4

## Cash Flow

Revenue is vanity. Profit is sanity. Cash is reality. Even profitable agencies fail because they run out of cash.

Cash flow measures the actual movement of money in and out of your business - including items not on your P&L like capital purchases, accounts receivable, and owner draws. A \$3M agency with a healthy 17% net profit margin (\$500K) can still have only \$145K in free cash after outstanding invoices and equipment purchases.

### Key Metrics

Metric	\$500K-\$1.5M (4-10)	\$1.5M-\$5M (10-25)	\$5M-\$10M (25-50)
Debtor Days	15 - 30 days	25 - 45 days	30 - 60 days
Cash Reserve (OPEX+Payroll)	1 - 2 months	2 - 3 months	3 - 6 months
AR as % of Revenue	6 - 12%	8 - 15%	10 - 18%
Quick Ratio	1.0 - 1.5	1.2 - 2.0	1.5 - 2.5

### Free Cash Flow Targets by Goal

Your Goal	FCF Margin	What This Looks Like
Grow	0 - 10%	Reinvesting into hiring, marketing, tools
Lifestyle	10 - 25%	Withdrawals without stunting operations
Maximize	15 - 30%	Lean operations focused on efficiency
Exit prep	15 - 25%+	Steady cash that gives buyers confidence

## Levers to Improve

- **Invoice Upfront:** Invoice retainers in advance and use milestone billing for large projects
- **Accelerate Collections:** Incentivize early payment and implement automated AR reminders or direct debit
- **Cash Buffer:** Maintain at least 2 months of OPEX + Payroll - build toward 3+
- **AP/AR Reviews:** Review together regularly - chase late payers aggressively
- **13-Week Forecast:** Implement a rolling cash flow forecast so you see problems before they arrive
- **Terms & Idle Cash:** Negotiate payment terms before signing; put idle cash in interest-bearing accounts
- **Tax Strategy:** Work with your accountant on deductions, R&D credits, and proactive planning
- **Exit Mindset:** Run your business as if it is being sold tomorrow - clean financials attract buyers

# Putting It All Together

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The four pillars are deeply connected. Strong growth without strong margins creates an expensive machine that burns cash. Great margins without growth means you are leaving opportunity on the table. And even the most profitable agency can fail if it does not manage its cash.



= Maximizing Free Cash Flow & Net Profit for Business Owners

## Key Formulas

**Gross Profit Margin** =  $(\text{Revenue} - \text{Cost of Delivery}) / \text{Revenue} \times 100$

**Net Profit Margin** =  $(\text{Gross Profit} - \text{Operating Expenses}) / \text{Revenue} \times 100$

**LTV** =  $\text{Avg Revenue per Client} \times \text{GPM} / \text{Annual Churn Rate}$

**LTV:CAC** =  $\text{Customer Lifetime Value} / \text{Customer Acquisition Cost}$

**Free Cash Flow** =  $\text{Net Profit} + \text{Depreciation} - \text{AR Growth} + \text{AP Growth} - \text{CapEx} - \text{Owner Draws}$

## See It In Action

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This is not just theory. Here is what happened when a \$2.6M creative agency applied these principles with Visory.

# From Chaos to Clarity: How a Creative Agency Added \$325K in Net Profit

## The Situation

A \$2.6M agency came to Visory with inaccurate financial reporting that had the founder in analysis paralysis. Unprofitable clients were dragging down margins, the cost base was bloated, and there was limited team accountability.

## The Results



Revenue stayed flat. The entire \$325K improvement came from pulling the right levers.

## The Key Interventions

- **Financial Clarity:** Rebuilt bookkeeping and implemented clean GPM reporting by client
- **Client GPM Analysis:** Offboarded low-margin clients - improved gross profit by \$290K
- **Zero-Based Budgeting:** Cut ~\$30K in non-essential expenses from the ground up
- **Staff Performance:** Leaner, more aligned team drove GPM uplift to ~51%
- **Service Expansion:** Added services for high-margin clients at minimal acquisition cost
- **Cash Optimization:** Moved idle funds to interest-bearing accounts (~\$5K additional income)

**The takeaway:** *This agency did not need to win more clients or grow revenue to transform their financial position. They needed clarity, discipline, and the confidence to make hard decisions. Every lever maps back to the four pillars in this playbook.*

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*The difference between a good agency and a great one often comes down to financial clarity and operational consistency. That's where we come in.*

**- Jordan Bevans, CGO & Co-Founder, Visory**

## Want to know where your agency stands?

Book a free consultation with our business performance partners. We will walk through your numbers, benchmark your agency, and identify the highest-impact levers for your situation.

[Book Your Free Consultation](#)

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