



CASE STUDY : STRATEGY

Fast Growing Internet Marketing Firm, Private Equity Target

“I’m looking for intelligence and that’s what I get with Major Oak. It’s more about their thought process as opposed to a specific area of expertise that makes them a great partner.”

CLIENT

Fast Growing Internet Marketing Firm, Private Equity Target Company

CHALLENGE

To establish company goals and associated incentive compensation plans that aligned the focus of Sales and Management with short and long term goals

RESULTS

- Delivered a total compensation plan with incentives to increase profits from 20 - 50% while maintaining a minimum of 100% revenue growth
- Plan drove 50% increase in profit margins while revenue grew 220%
- Plan incentives resulted in a focus on higher quality client accounts, minimizing exposure to higher risk clients and partners
- Company recognized as having the best profit margins in the industry, increasing EBITDA multiple in external investment bank valuation

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Background

Our client's business had grown from \$10M to \$100M in just 3 years and was in transition from start-up to an established, high growth company. A traditional compensation package was in place with subjective bonus criteria, not tied to specific business objectives. The CEO wanted to ensure the Management Team's total compensation package was fair, with bonus incentives that aligned with the company goals and industry trends. Major Oak was retained to help document and clarify company goals and develop a forward looking compensation structure.

Project Details

Working with the CEO and President, the company goals were reviewed and more specificity was added. External input was obtained from industry experts to understand the business characteristics that were being rewarded in the marketplace and attracting acquirers. Recent M&A transactions were reviewed to highlight areas that have driven higher company valuations.

After reviewing the current compensation plans, a revenue model was built to better understand margin potential based on the client's business model and alternate cost scenarios. An incentive plan was then designed to reward a greater focus on profit margins while allowing the team to deliver on short and long term revenue targets. In parallel, compensation was reviewed against external data consistent with the company's size, geographic location and industry. The compensation plan, which included updated Management Team objectives, was reviewed with the CEO and President to analyze the potential impact on client mix, revenue and growth. Major Oak conferred with the CEO to ensure alignment prior to the plan being rolled out.

The Major Oak Difference

Our senior advisors led the discussions with Management, focused on detailed company goals and objectives, and ensured external data from Investment Banks and Salary Benchmarks were incorporated into the long term solution. The result was the optimal mix of revenue, profit and appropriate Company objectives. The plan has driven 50% margin growth while increasing overall profits and improving the long term positioning of the company. This has led to a higher market valuation for the company as it considers strategic alternatives.