

15 Ways to Make Your Online Education or Certification Company Worth **Maximum Value** for Exit



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It's estimated that **over 82%** of sellers end up selling their business for way less than they could have. This is because in large part, many business owners **don't think how to get maximum value** from their business until it's too late.



Congratulations on taking the first step to know EXACTLY what to do for you to get maximum value from your business! By grabbing this guide you've now armed yourself with the information you'll need to sell your online education company on your terms, when you want, and know you'll get maximum value when you do.

Let's dive into 15+ ways you can make your online education or certification company worth maximum value.

#15... Know Your Potential Buyers

To sell your business for maximum value, you need to know who your potential buyers are. There are five common types of buyers who might be looking to buy your online education company. Let's look at all 5:

First Time Buyers

When the economy changes, the number of people who start a business skyrockets. The same applies with buying businesses. A lot of people realize their job isn't as stable as they thought it once was, and they become interested in business ownership.

A lot of these budding entrepreneurs take courses and read books to discover that buying an existing business is way easier than starting a new one. As they hit the market looking for the perfect opportunity, they use online searches for businesses for sale, and sometimes a list of services of business brokers as well.

A lot of them are leaving their current job, or still maintaining it for some sort of income, while they look to buy a new business. A lot of other first-time buyers are retirees who get bored and look for a new challenge. Some of these are

even entrepreneurs who once exited their own business.

First time buyers or a great potential group who may be interested in buying your business. And they can accomplish great things if they have the right skill set to take what you've already built to the next level.

Experienced Buyers

Another group of potential buyers for your business consist of experienced buyers. These are buyers who have bought one or more businesses before.

Some experienced buyers even have a company that's sole purpose is to buy businesses, apply their skill set to help the business rapidly grow, and make the business more profitable.

They understand the questions to ask, they know what to look for in your financials, they have experience with evaluating businesses, and they'll typically navigate through the buying process more quickly than first time buyers.

Expansion Buyers

Expansion buyers are entrepreneurs who already own other businesses. They are looking to acquire new businesses to expand or help grow their primary business faster. An example of an expansion buyer is a financial services company that knows they need SEO services. But instead of outsourcing that they decide to buy an SEO company instead.

A benefit of working with expansion buyers is often they already have a client base they can refer to the business they're acquiring. Some expansion buyers have experience and have already acquired many companies to help them grow their main company, while others are just looking to make their first acquisition.

Turnaround Specialists

Turnaround specialists are typically looking to acquire a business where they can apply their own expertise of that of their network, make the business more valuable, then sell the business for a profit.

Turnaround specialists are looking for the best deal. They're also looking for businesses in their industry or industries they understand well, so they can apply their skill sets to help that business rapidly grow and increase its profits.



One benefit of a turnaround specialist is that they typically like to move very quickly when it comes to acquiring the business they're looking to get.

Private Equity Firms

Private equity firms are great buyers of businesses. They have the funds in place and are typically looking to deploy those funds to help grow their overall portfolio. PE firms have a goal of doubling the revenue and profits of a business in 2 to 3 years.

Most PE firms own many different types of businesses. So, they can often acquire a new business, add it to their mix, and help that business rapidly grow by getting customers and other resources from the other companies they already own.

Often PE firms are looking for businesses in certain industries, knowing that that business can help grow their overall portfolio, and that their overall portfolio of companies can grow with the addition of adding that business to their mix.

Other potential buyers of your business include competitors, vendors, customers, employees, managers, individual investors, investment groups, large private companies, public companies, and international buyers.

#14... Understand What Buyers Want to Know About Your Business

When you're looking to sell your business, you should be prepared to answer questions from potential buyers. The better you understand the answers to these questions, the more likely you are to attract a good buyer that will give you maximum value for your business.



Which industry are you in?

Buyers typically want to know your industry to determine if they have the expertise to help a business in that industry grow. They also want to know things like what kind of niche market you may have, information about your competitors, as well as what makes your business unique in your industry.

How Long Have You Been in Business?

Investors will often want to know when the business was founded, how long it's been open, and how long you've been at the helm running the business.

Who are Your Personnel?

A big concern that potential buyers will have is whether the **business can run at the level that it is or better without the current owner continuing to be part** of the company. For this reason, understanding the personnel of your business is important.

Buyers will often ask questions about how many owners there are, shareholders, expertise of staff, and if there's somebody else to take the current owner's position of running day to day operations.

Who Are Your Clients?

Buyers want to know more about **the customers you serve**. They'll have questions about your customer avatar, demographics, and the existing size of your database.

Which Products and Services Do You Sell?

Buyers want to clearly understand the different products and services you offer. Most important, they want to know **which percentage of your overall revenue** derives from each of those products and services.

They also love to see recurring income that's consistent. So any type of ongoing subscriptions you have will be something they're very interested in.

Where's Your Location?

Buyers will be interested if you occupy a physical space, or if you're a virtual home-based business. If you do occupy a space, they want to know if you're renting or leasing. And if so, how long that lease is for.

If you own the property, they're going to want details such as if the property is included in the purchase price, or if you own the property and are interested in leasing it back to them. And if so, how long a lease they may be able to get.

If home-based, they're going to have questions about the overall structure of your business and teams, to make sure the operation is stable without a physical location.

What's Your Team Structure and Training?

Buyers want to know how your current company and teams are structured. How many C-level team members are there, how many members are on each individual team in your business, what's the experience level of the leaders of

those teams, etc. These will be common questions they may have.

They'll also want to know if you have a wiki, or a system of training your team members. A new buyer has a great interest in a company with a scalable way of hiring and onboarding new team members.

How Are Your Financials?

Obviously, the financial information of the business is one of the most important things that a potential buyer is going to be concerned with. They're going to want to understand your revenue, your profits, the sources of your revenue, and the specifics of your expenses. Plus much more.

Often, you will be asked for documents like many years' worth of tax returns, bank statements, balance sheet, P&L, and more.

Which Assets Do You Own?

Potential buyers will also be interested in the assets you own such as furniture, fixtures, and equipment (**FF&E**). The value of your assets is very important in calculating the overall value of the company. And don't forget, assets like account receivables can also be calculated in to help get a higher value for your business.

Why Are You Selling?

Potential buyers will want to know the actual reason you're selling your business. There's a big difference between a person selling under duress because things aren't going well, and somebody who's just moving on to another venture.

The most common reasons for selling businesses include retirement, health issues, being burned out, divorce, the business is declining or is having issues, or relocation.

#13... Know What Makes Your Business Desirable

There are many factors a potential buyer will look at in your business to determine if it's a **desirable business they want to purchase**. Here are some of the most common factors that determine the desirability of a business:

Industry

Potential buyers love up and coming industries because of their potential for growth. They also prefer to buy businesses and industries they understand where they can contribute value to help grow their business.

Selling for the Right Reason

Potential buyers are often not interested in buying a business when the business is in trouble unless it's a turnaround specialist who wants to buy your business on the cheap. Most potential buyers would rather buy a business where the owner is leaving the business in good shape or is leaving for reasons such as burn out or retirement or even divorce.



Financials

Potential buyers are most concerned with your business financials, and the ability of your business to produce revenue and profits. Different buyers have different motivations. But one thing they all have in common is they really care about your profit.

Higher profit margins, consistent revenue, and more recurring revenue mean your business is more desirable.

Your Team

A potential buyer wants you to have a very good team in place. They want to know there are leaders to lead those teams that can work in your absence. They want to see there is documented training for every position in the company. And they also want someone who can step in and take your role once you leave the business.

Business Credit

Potential buyers will often check your business credit report. That report reflects many things including how well you've paid bills in the past to vendors and suppliers, ownership changes, and legal events including judgments and lawsuits.

Buyers are obviously interested to know that you've paid your bills timely. They want to know you don't have any legal actions against your company and have credit available for your business. They want to know the business can potentially qualify for more credit, and that your business credit report reflects that you look reputable to others, including lenders.

Trade Secrets and Patents

Potential buyers love to see things in your business that can't be duplicated or

copied by other companies. Trade secrets, intellectual property, trademarks, and patents, all make your business more desirable because these are unique to you.

Replacing You

The easier you are to replace in your business, the more attractive your business is to a potential buyer. Buyers would like to see that your business is structured in a way where you can immediately be removed yet the business can still operate as it currently is.

The more ingrained you are into the business, the more potential buyers are going to want to know that you have an internal employee who can replace you, or that you're willing to stay months or even years through the transition.

#12... Understand Your Customers

Your customers are important to potential buyers for many reasons. First, potential buyers want to know that you **serve a very wide market**. They're often buying your business with the intention of expanding and growing the revenue and profits.



To do so, there must be enough potential customers they can serve to deliver your products and services to. The wider the market you could potentially reach, the more desirable your business will be to potential buyers.

Knowing your customer avatar is also very important. Many potential buyers can rapidly grow and scale your business if they can start marketing to your potential customers. For this to happen, you really need to understand your customer avatar well.

You should know things like the average age of your buyer, are they men or women, where they live, the kind of income they have, etc. These are but some of the basic details. Knowing specific details makes your customer list even more valuable. This includes TV shows they watch, the podcasts they listen to, the magazines they read, their likes and dislikes, and even their habits.

Potential buyers also love when you know a lot about your customers' buying patterns. After you start marketing, how quickly do you typically make a sale? How much does your customer spend with you on average? What is their lifetime value to your business, and how likely are they to take upsell and cross cell offers you may offer? Knowing this information makes your business more

desirable.

It's also important to have a good CRM or customer management system. The more organized your customer list is, the more value it provides a potential buyer.

Your customer list is even more valuable the **more often they engage with your company**. How often do you touch your customers with things like automated emails? Are you running ads to them or keeping message in front of them consistently? How often do they open your emails, click through, speak with your team? All these things are important to the engagement and value of your overall customer list.

#11... Know the Documents Potential Buyers Will Want to See

You should have all potential buyers sign a **nondisclosure agreement (NDA)** before providing too many specific details. Once an NDA is signed by a potential buyer, there's documentation they will want to see. Some of it includes:

Tax Returns

Buyers will often want to see 3 to 5 years of tax returns. They'll be combing through these meticulously looking for things like your top line revenue, your profits, the necessity of each expense, your salary, and other ways you're pulling money out of the business. They are also looking for things that look off or not right.

AR Report

When you allow your customers to pay you on terms, you start accumulating account receivables. This AR is of high value to a potential buyer because it's money owed to the business. It is future predictable income for the potential buyer



Potential buyers want to see that you have an aged AR report. They really want to see that you understand and are managing your AR well using software such as QuickBooks.

AP Report

Potential buyers will also want to see an accounts payable (AP) report This shows all the money that's going out of your business, and your debts. Obviously, they'll

compare the AR to the AP report. This is to get an idea of how much money you have scheduled to come into your business, as well as any money going out.

P&L Statements and Balance Sheet

Potential buyers will want to see current profit and loss statements and previous years as well. They will want to see a current and accurate balance sheet reflecting the amount of money currently in the business. They'll want both your balance sheet and P&L's certified by a CPA.

FF&E List

The assets in your business are part of its value. So, you need to supply a detailed list of the furniture, fixtures, and equipment in the business. This list will detail all these items and their current value.

Inventory Report

Inventory is another asset that directly correlates to the value of your business. You'll need to have a detailed report of your inventory and its value.

Real Estate Information

If you currently have a lease, potential buyers will want to see it. They may also want to speak with your landlord to ensure there are no problems for you to remain in your current location. If you own the real estate, potential buyers will want more details including an appraisal of the old real estate.

#10... Know How Values Are Calculated

With all the necessary documentation in hand, a potential buyer can determine the valuation of your business. Business valuations are calculated based on a multiple or percentage of one of the following:

- Gross income – this is the total gross income of your business excluding any non-relief-related business income
- EBITDA – earnings, before interest, taxes, depreciation, and amortization
- EBIT – earnings, before interest, and taxes
- SDE – Sellers' discretionary earnings
- Net Income – the income or loss that appears on your tax returns

Even though businesses are valued based on a percentage or multiple of

one of the above figures, there are other things that will affect your overall valuation.

Some of these things as previously discussed include your industry, location, trademarks and patents, customer list, years in business, FF&E, inventory, AR, AD, real estate, and more.

Some questions the potential buyer will be considering before making the offer include:

- How much money do I need as a down payment?
- How soon will I get a return on my initial deposit?
- How much and how fast can I increase the revenue and profits?
- Will the cash flow of the business cover the debt service, and after that that service is paid how much money is left for me?

#9... Loose Lips Sink Ships

Should you tell people that you're thinking about selling your business?

There's a lot of opinions on this, but the short answer is no, you shouldn't publicly tell people that you're trying to sell your business.



The minute you announce you're thinking about selling your business your employees will become concerned. Therefore you face real risk of some of your key team members bailing, leaving you in a difficult position to replace them to sell.

You also must worry about your competition now. They may see your business being for sale as an opportunity to grab market share from you, solicit your employees, notify your customers, and get them to switch over. Or they may even try other tactics to diminish your reputation or value of your business making it more difficult to sell.

- Your customers may leave
- Your employees may leave
- Your competitors may close in

There's very little benefit to announcing that your business may be for sale.

With so much to lose and so little to gain, it's best that you keep tight lips and don't publicly announce that you're interested in selling your business.

#8... Create Your Memorandum

One of the keys to selling your business for maximum value is the creation of a detailed offering memorandum summarizing the strengths of your business. This memorandum is your way of highlighting why your business is worth maximum value.

This memorandum should include:

- Ownership details: who are all the owners and shareholders?
- Entity type: what type of entity you have, e.g. a corporation, a partnership, LLC, or sole proprietorship
- Location: where your business is located, and are you renting or leasing?
- Business summary: what does your business do, and what makes what you do unique?
- Industry: which industry are you in, and what niche do you service in that industry?
- Growth potential: what type of potential for growth is in your business, and where is that potential for growth (for example, digital advertising)?
- Client base: who are your customers, how big and detailed is your list, and how big is the potential market you could still serve?
- Competition: who are your biggest competitors, and what makes you unique?
- AR: what amount of account receivables do you have coming in, and are there any other contracts that drive future revenue?
- Products and services: what is your product and service mix?
- IP, trademarks, trade secrets, patents: which of these do you have?
- Marketing and advertising: what do you do to acquire customers? The more ways you acquire customers the better off you'll be.
- Your team: how many employees do you have, how many managers do you have, and what are their roles?

- Strengths and weaknesses: what are the strengths and weaknesses of your business?
- Your replacement: is there someone internal who can replace you, and how long are you willing to stay on to help with the transition?
- Assets: what type of FF&E do you have, as well as inventory?
- Financials: you should supply a detailed spreadsheet of 3 to 5 years of your past financials. You should also supply projected financials of what the business could look like if they implement what you've suggested where there is room for growth.
- Price and terms: if you know how much you would like for your business and the terms you are willing to offer, such as what you're willing to cut to carry seller financing.

#7... Be Prepared for Your Buyer Interview

You don't want to send a detailed memorandum, financial documents, and other items to potential buyers unless you qualify them first. Develop a handful of questions to ask potential buyers, before offering them any other details or documentation.

Financial Capability

It's normal to request a financial statement from any potential buyer. A review of it will tell you if they have the capability to finance or pay cash for the business.

Resume and Skill Set

You care about your business; it's your baby. And you care about your team as well. So it's going to be important to see if the potential buyer has the experience and skill set to be able to run your business. This doesn't necessarily mean that they need to have a lot of experience in your industry, especially if you have someone else in the business who could step up to take the helm. But the more experience they have, or the better their skill set is equipped to run a business, the more likely it is that the transition will go smooth and that the business will run for years to come in your absence.



Timing

You're ready to sell, but how ready is the potential buyer to buy? It's worth asking any potential buyer what time frame they're looking at to close the deal. This is to make sure they are seriously interested in acting now.

#6... Know How to Help the Buyer Get Financing

You may have PE firms that are interested in buying your business and have all the money they need to be able to do so. But more than likely, you'll be attracting a lot of different types of buyers other than just PE firms.

You should have an idea of other ways the buyer can get money to complete the purchase of your business. The better understanding you have of this, the more likely it is that you'll get more money upon closing the deal.

SBA Lending

SBA lending is the most common type of financing for business acquisition. SBA can lend as much as 80 or 85% of the overall value of your business.

The difference can be obtained from the buyer as a down payment, financed by US seller financing. Or you can even use the existing assets in your business as leverage to borrow against to get the remainder of the money for the buyer.

Seller Financing

It's very common for a potential buyer to want you to finance part of the acquisition price. In doing so you're giving them peace of mind that you believe in the business and its ability to produce revenue in your absence. It also makes it easier for the buyer to get the rest of the financing they need to close the transaction.

Buyer Assets

It's not uncommon for potential buyers to tap into existing assets they own such as their home through a home equity line of credit. Stocks, bonds, 401(k), and IRAs can all be used as leverage for potential buyers to get the money they need to cover some or all the money they need for the purchase.

#5... Prepare for a Stock Sale

As a seller, it's important to understand the difference between an **asset versus a stock sale**. A stock sale is where you're selling the business itself. An asset

sale is where you're selling the assets within the business. Almost all sales of businesses are asset sales.

Buyers prefer asset sales because they can depreciate the assets and they are not liable for any liabilities or outstanding taxes that took place before they took ownership. Plus, buyers are wary of things like lawsuits, judgments, unpaid taxes, and other liabilities that might be lurking.

#4... 5 Reasons Business Owners Sell for Less than Maximum Value

- Did not know value
- Inadequate documentation
- Sold to the wrong buyer
- Improper transaction structure
- Sold at the wrong time



If you want to sell your business for maximum value, you must address all five of these!

#3... Knowing When is the Best Time to Sell

You need to be ready to sell your business. If you're not ready, you need to **wait until the time that you are ready** and are comfortable with selling.

From a buyer's standpoint, they benefit from buying when interest rates are low. This is when they can often get the best financing and terms and the lowest interest rates and payments. Buyers also prefer to buy when tax rates are low. This allows them and you to pay minimal taxes.

Buyers prefer to buy when the economy is good. There's less uncertainty and more stability. This gives buyers more peace of mind.

#2... Know How to Recast Your Financials

Potential buyers will scrutinize your financials. It's very important that you provide to them **re-casted financials** as well as your actual ones. With re-casted financials, you're showing a buyer what the business would look like if you're not included.

Make sure to remove all unnecessary expenses in the business that are for you,

and not necessarily the business. E. g., business owners take out money for car expenses, food, and other things. So, in the recast and financials, remove any owner-related direct and indirect expenses.

You may also have employees or family working for the business. These recasted financials should show the numbers without these people being involved, if they're not going to be involved after the sale.

Also, make sure to remove any extra\ordinary expenses, or other things that will no longer be needed to be paid once you're no longer involved in the business. This gives a potential buyer a real look at the potential profits of the business.

#1... Ensure Your Intangible Assets Are Calculated into the Value

You've already discovered that assets such as inventory, account receivables, and FF&E, can directly affect the valuation of your business.



Over the last 50 years the percentage of tangible versus intangible assets has changed dramatically. Tangible assets used to account for nearly 85% of all business assets. But today, tangible assets only account for 16%. This means **84% of assets** that can help increase the value of your business are now considered to be **intangible**.

Intangible assets you may have can also contribute to your business valuation. Many intangible assets can help increase the value of your business including:

- Advertising campaign
- Advertising materials
- Backlog of contracts
- Branding
- Computer database
- Computer designs
- Contracts
- Copyrights
- Credit files

- Custom-built factory
- Delivery systems
- Distributorships
- Employee manuals
- Engineering drawings
- Experienced staff
- Favorable financing
- Franchises
- Government programs
- Growing industry
- Licenses
- Local economy
- Location
- Low turnover
- Loyal customer base
- Mailing list
- Management
- Name recognition
- Patents
- Proprietary designs
- Recession-resistant
- Industry
- Reputation
- Royalty agreements
- Security clearances

- Skilled employees
- Supplier base
- Supplier relations
- Systems and procedures
- Technology
- Tooling
- Trademarks
- Trade secrets
- Training procedures
- You

BONUS #1... Past Versus Future

Business buyers focus on the history of your company to determine your business's value. Things like your historical financials, tax returns, the history of your business, and hard assets have always been used as a primary driver in a business valuation. But if you really want to increase the value of your business, you need to change the buyers focus from the past to **what's possible in the future**.



Use tools like **recast financials**, a pro forma market research about what's possible for the business to grow, and **intangible assets**. This way, you can get a buyer excited about what's possible for the future of the business, not just what's happened in the past.

This can help you get a premium for your business, especially if you can get a buyer excited about the future potential of your business. You want to get very good at explaining what's taken place in the past, while at the same time selling what's possible for the future.

Bonus #2... Know the 3 Phases of Selling Your Business

Selling your business can be broken down into three phases:

Phase 1 includes getting together the necessary documents that buyers want to see, planning the exit strategy for leaving the business, putting the business up for sale, and developing potential prospects.

Phase 2 often includes having potential buyers sign an NDA, providing them with your offering memorandum, having buyers visit your potential location, and negotiating your deal structure.

Phase 3 is the closing phase which starts with a letter of intent from the buyer, then due diligence by the buyer, a definitive purchase agreement being issued to you, the deal closing, and money exchanged between buyer and seller.

The entire process of deciding to sell your business to it being sold can range from 6 to 12 months in total time.

Summary

Now you know **15+** ways to make your company worth its maximum value. Following the advice in this guide can ensure you don't leave money on the table or have permanent regrets for selling for less money than you should.

Interested in selling your online education business?

We're interested!

We specialize in acquiring online education businesses, keeping current staffing as is, and ensuring the business has a sound future to protect the founder's legacy.

Give us a call at **888-868-8285** or email info@stillwatersterling.com to talk more.