

“Positioning” Your Training Company for Sale: Questions to Ask First

by Anver S. Suleiman

How you position your training company for sale is the most important decision you will make to achieve maximum value. Questions to consider include:

1. Are you selling to a public company or a private company? Public companies are driven heavily by multiples of EBITDA, not revenue, not share of market, not uniqueness of product line, not talent... all important... but not the deal/valuation drivers. **Recommendation:** *Position your company properly for your audience. Look at opportunities for “recasting” e.g., owners perks, one-time developmental expenses that didn’t pan out, proper accrual accounting in accordance with GAAP.*
2. Are you selling to a company in the training business... or one looking to get in? **Recommendation:** *Again, know your audience. Talk to existing businesses about synergy and opportunities. To those knew to the training business... talk about growth, leverage, and why your company is right for them.*
3. Are you selling to a consolidator (new or existing)? **Recommendation:** *Most consolidators are not experienced training people. They are financially driven. Be sure that you are joining a group that has a plan that you subscribe to. A credible plan.*
4. Are you selling for cash or stock? **Recommendation:** *Set some goals for yourself. Work with your lawyer. Consider protection (floors, minimums). Look for timing issues and likely value. Cash is always worth more to the seller than stock. Stock involves risk. An experienced advisor/lawyer/accountant is a must here.*
5. Are you selling to a company who buys based on history or the future? **Recommendation:** *To the extent that you are selling on future performance (an earn out) be sure you understand your level of control and the relationship with the buyer during the earn out including funding, what counts toward the earn out, what flexibility you have on what you might be able to do, the decisions you make, etc. AND, if the buyer wants to buy on history vs. the future, remember the buyer is using history to predict the future... it is up to you to convince the buyer what the future will be. Consider telling this buyer that you will talk to them a year from now, but that in the meantime you will continue talking to other buyers.*
6. Does the buyer want you and your people? Just you? Your key people? No one? **Recommendation:** *If the buyer wants you and/or your key people, think it through. Who goes? Who stays? Why? What terms? Think of your people, the buyer and yourself... and recognize the trade-offs. Position sensitively. Communicate clearly. Understand where the buyer is coming from and you will get maximum value. And be sure your key people are involved and informed early on.*
7. Are you, by chance, selling to a non-profit? **Recommendation:** *Get the best legal and accounting advice you can. Understand that you are moving to a new culture, a new environment. With plusses and minuses. New opportunities. Explore the issues with the buyer. Change is exciting when properly managed/anticipated.*

8. Are you selling to a company that believes they can use your company to better serve a marketplace they currently serve? **Recommendation:** *Help the buyer think this through. Show them the opportunities. Show them the synergy. The savings. The new sales. Show them the benefits to them, and to you.*
9. Are you selling to a company that already has made similar acquisitions, or is this their first? **Recommendation:** *If they have made other similar acquisitions... study them. Learn about their experiences, positive and negative. Show how your company represents an even greater opportunity. If this is their first, brainstorm... first internally, then with the acquirer. Look for opportunity while addressing the problems.*
10. Are you selling a flat growth history? Rapid growth? Going down hill? **Recommendation:** *If you are not growing, be prepared to explain that to the buyer... consider not selling at this point. Nobody wants to buy a company going down hill. Have a credible story to tell. And show how/why it will be different when you are acquired.*
11. Have you made a list of your most valuable assets? And looked at them as a buyer might? **Recommendation:** *Do it. It will help you communicate with buyers. It will help you realize where the leverage/opportunity is. People, customers, product, database, systems, position in the market. Think about the buyer... and what you would value as a buyer.*
12. Where is the real leverage for the growth and profitability of your company? **Recommendation:** *The answer here, though different for different buyers, will ultimately determine how much a buyer will bid. Tailor your communication to each buyer prospect.*
13. Who is your competition... and how are you unique? **Recommendation:** *Make a list of your key competitors (some may be "parts" of other companies) and show how you are better, faster, cheaper, more expensive, different. And then make a separate overall list of your unique features that a buyer will say, "Yes, that has extra value".*

How you answer each of these questions (and a dozen other) will impact the way your company should be positioned for maximum valuation and greatest likelihood of a successful transaction. You can't be all thing to all people, but you can think this through in advance, and prepare for most-likely scenarios.

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