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MISTAKES TO AVOID WHEN SELLING YOUR COMPANY

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As Americans we are lucky to be part of the most dynamic economy in the world. Opportunity thrives here and the capacity to succeed is unparalleled. Every day hundreds, even thousands, of new successful businesses are launched, keeping the nation's economy primed with entrepreneurial spirit.

While opportunities exist for entrepreneurs, those individuals who have achieved the American dream – building and owning a successful business - often make mistakes when selling their companies.

The following are some of the biggest and most common mistakes individuals make when selling their companies:

1. **Not being prepared**: The buyer is always trying to put the pieces of the puzzle together. Any documents, which are not accurately prepared and provided in a timely fashion, will increase the anxiety of the buyer. An increase in this anxiety level may reduce the price that they are willing to pay. This is why it is very important to take some extra time at the beginning of the process, to make sure that all the necessary documents are ready and properly prepared.

2. **Not understanding the process**: The seller of a company must be comfortable providing a potential buyer with confidential information. This does not mean that at the first meeting the seller needs to divulge all trade secrets to the potential buyer. However, it is important that the seller or his representative be able to discuss the realities of the company's operation. It is imperative that before discussing the opportunity with a potential buyer, they have executed a buyer's warranty and confidentiality agreement.
   I advise my sellers to review the financial qualifications of each buyer and his or her ability to manage the company should they buy it.

3. **Time**: Under the best of circumstances the process of selling a company takes time. If time is not properly managed, the transaction may fall apart or take much longer than necessary. We recommend that experts be engaged to assist in managing this process. At Kensington, we work very hard to ensure deals are not lost due to unnecessary delays.

4. **Not having a marketing plan to sell your company**: Selling a company without a plan is like operating a company without a marketing or advertising program. Many companies are successful without them, but one would assume that they would be much more successful if they had an effective marketing plan in place.

5. **Not addressing the problems at the beginning of the process**: Every company is different, even if they are compared to a similar company in the same industry. Both the company's strengths and weaknesses must be investigated and managed before the company is brought to market. The Kensington Company works to find solutions to the company's specific challenges. If problems are not addressed a lower selling price may result.

6. **The current owner unwilling to look at the company realistically**: Frequently, an owner of a company may be "living in the past." For example, there may have been a time when an industry was consolidating and the multiples being paid for acquiring companies were much higher. Sellers must be aware of the current market and industry trends.

7. **Not having accurate adjusted financials**: It is imperative that sellers have readjusted financial statements, including the owner's cash flow. (Adjusted Seller's Discretionary Earnings). This should be prepared for the past three years and it must be verifiable during the due diligence process.