

KAMEL POTTERIES - ACTION ITEMS & NEXT STEPS

Date: October 21, 2025

Status: P&L; Normalization Complete | Due Diligence Pending

IMMEDIATE ACTIONS REQUIRED

1. Xero Configuration (Manual)

- ☐ Create Tracking Category "Valuation Adjustments"
- Option 1: "Normalized Operations"
- Option 2: "Owner Personal"
- Option 3: "Owner Property"
- ☐ Apply tracking to historical transactions if needed
- ☐ Generate tracked P&L; reports

2. Critical Verifications

- ☐ **Customer Seasonality Validation**
- Pull Q4 2024 sales data from Xero
- Confirm if Q4 represents 50%+ of annual wholesale
- Interview Egg Designs about 2025 Q4 orders
- Get written confirmation from African Paper Products & Vegmore
- ☐ **Sales Reconciliation**
- Bank statement review for R831,639 unexplained 2025 sales
- POS system audit
- Cash handling procedures review

3. Property Matters

- ☐ **Lease Agreement Drafting**
- Property: 11 Ypsilanti Ave
- Current rental income: R126,828/month
- Define terms for buyer to lease post-sale
- Clarify R18,842/month bond obligation

4. Financial Documentation

- ☐ **Working Capital Statement**
- VAT liability plan (R560,000)
- Creditor aging analysis
- Inventory valuation
- Receivables collection schedule

DUE DILIGENCE CHECKLIST

Financial Review

- ☒ P&L; Normalization complete
- ☒ EBITDA adjustments documented
- ☐ Balance Sheet reconciliation
- ☐ Cash flow analysis
- ☐ 3-year historical comparison

Operational Review

- ☐ Customer contracts review
- ☐ Supplier agreements
- ☐ Employee contracts
- ☐ Lease agreements
- ☐ Insurance policies

Tax & Compliance

- ☐ VAT reconciliation
- ☐ PAYE status
- ☐ Company tax returns (3 years)
- ☐ Annual returns filed
- ☐ BEE compliance

REVISED VALUATION FRAMEWORK

Current Status

Normalized Annual EBITDA: R494,060

Previous Estimate: R2,957,408 (-83%)

Valuation Scenarios

| Scenario | Multiple | Value | Assumptions |
|------------------|----------|------------|----------------------|
| **Distressed** | 2.5x | R1,235,150 | Quick sale, as-is |
| **Conservative** | 3.0x | R1,482,180 | Verified seasonality |
| **Base Case** | 4.0x | R1,976,240 | Customer retention |
| **Optimistic** | 5.0x | R2,470,300 | Growth potential |

Key Value Drivers

1. Customer retention agreements (critical)
2. Lease terms on property
3. Working capital adjustments
4. Seller financing terms

NEGOTIATION STRATEGY

For Seller

Reality Check Required:

- Business barely profitable without rental income
- Original R11-14M valuation unrealistic
- Consider seller financing to bridge gap

For Buyer

Leverage Points:

- Minimal operational profit
- Customer concentration risk
- Required working capital
- Property lease needed

Offer Structure Suggestion:

- Base price: R1.5M
- Earnout: Up to R500k based on customer retention

- Seller financing: 30% over 2 years
- Working capital adjustment

TIMELINE

| Week | Action | Responsible |
|------------|-----------------------|--------------|
| **Week 1** | Customer interviews | Buyer |
| | Property lease draft | Legal |
| | Bank reconciliation | Accountant |
| **Week 2** | Due diligence review | Buyer team |
| | Valuation negotiation | Both parties |
| | Legal structure | Attorneys |
| **Week 3** | Purchase agreement | Legal |
| | Financing arrangement | Banks/Seller |
| | Transition planning | Operations |
| **Week 4** | Closing conditions | All parties |
| | Final walkthrough | Buyer |
| | Transfer completion | Attorneys |

CONTACT FOR QUESTIONS

Next Steps:

1. Review all documents in /Users/rain-c/Documents/kamel/docs/
2. Schedule buyer-seller meeting with normalized numbers
3. Engage valuation specialist if needed
4. Begin customer due diligence immediately

Critical Success Factor: Customer retention is paramount given minimal operational margins.

End of documentation package