

# GOODWILL VALUATION REPORT

## KAMEL POTTERIES CC

Registration No.: 2008/306023 | VAT No.: 4160188837  
Address: 34 Ashfield Ave, Umgeni Business Park, 4001, Durban  
Valuation Date: September 28, 2025  
Prepared for: Business Sale Due Diligence  
Legal Advisor: Hanover & Tyke (Pty) Ltd

## EXECUTIVE SUMMARY

### Business Overview

Kamel Potteries CC represents a dominant force in the KwaZulu-Natal pottery industry, commanding an estimated **45% market share** with over 3,000 active customers. The business has operated successfully for 25 years, built on 55 years of owner expertise and 25 years of industry teaching experience.

### Key Value Drivers

- Market Leadership:** 45% market share in Durban/KZN region
- Exceptional Margins:** 64-65% gross profit (industry average: 35-45%)
- Customer Loyalty:** 90-95% retention rate, 80% repeat business
- Revenue Stability:** R1.85M average annual revenue with consistent growth
- Comprehensive Offering:** Full-scope pottery supplier - "everything under one roof"
- Established Legacy:** 25 years of successful operations

### Goodwill Valuation Summary

Valuation Method	Calculated Value	Weight	Weighted Value
Multiple of Gross Profit	R2,406,690	40%	R962,676
Revenue Multiple	R2,314,125	20%	R462,825
Customer Base Value	R1,500,000	20%	R300,000
Super Profit Method	R2,160,000	20%	R432,000
TOTAL GOODWILL VALUE		100%	R2,157,501

Recommended Goodwill Value: R2,160,000 (Rounded)

# 1. BUSINESS PROFILE

## 1.1 Company History & Legacy

- **Established:** 2000 (25 years of operations)
- **Owner Experience:** Diana Margaret Buchanan - 55 years in pottery, 25 years teaching
- **Industry Reputation:** Featured in multiple industry magazines
- **Business Model:** Manufacturing, wholesale, retail, and education

## 1.2 Market Position

- **Market Share:** 45% of Durban/KZN pottery market
- **Customer Base:** 3,000 active customers
- **Geographic Reach:** Primary focus on KwaZulu-Natal with international client
- **Competitive Advantage:** Most comprehensive product range in the region

## 1.3 Product & Service Offering

- Complete pottery supplies ecosystem
- Manufacturing capabilities (kilns, processing equipment)
- Educational component (workshops and training)
- Custom design services for corporate clients
- "One-stop-shop" - competitors cannot match product range

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# 2. FINANCIAL ANALYSIS

## 2.1 Revenue Performance

Year	Revenue	Growth Rate	Gross Profit (64.5%)
2022	R1,790,000	-	R1,154,550
2023	R1,824,000	+1.9%	R1,176,480
2024	R1,886,000	+3.4%	R1,216,470
3-Year Average	R1,851,300	CAGR: 2.6%	R1,194,090

## 2.2 Profitability Metrics

- **Gross Profit Margin:** 64-65% (Exceptional - Industry average: 35-45%)
- **Revenue per Customer:** R617 average
- **Repeat Business:** 80% of revenue from existing customers
- **Long-term Contracts:** R1,000,000 annual committed revenue (54% of total)

## 2.3 Working Capital Efficiency

- **Supplier Terms:** 60-day payment terms with key suppliers
  - **Customer Model:** Primarily cash/immediate payment (collection basis)
  - **Cash Flow Advantage:** Positive working capital cycle
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## 3. INTANGIBLE ASSET VALUATION

### 3.1 Customer Relationships

#### Value Components:

- 3,000 active customers × R617 average value = R1,851,000 annual revenue
- 90-95% retention rate = Lifetime value multiplier of 10-15 years
- 80% repeat business = Stable, predictable revenue stream

#### Customer Base Valuation:

- Method: 0.81x annual revenue from established customers
- Calculation:  $R1,851,000 \times 0.81 = \mathbf{R1,499,310}$

### 3.2 Brand Value & Market Position

#### Brand Equity Elements:

- 45% market share in regional market
- 25 years of established operations
- Industry teaching credentials (25 years)
- Magazine features and industry recognition
- Comprehensive product range advantage

#### Brand Valuation:

- Market leadership premium: 30% of annual revenue (increased for 25-year legacy)
- Calculation:  $R1,851,300 \times 0.30 = \mathbf{R555,390}$

### 3.3 Supplier Relationships

#### Strategic Value:

- 9 key suppliers with preferential terms
- 60-day payment terms (vs industry standard 30 days)
- International sourcing capabilities
- Exclusive regional distribution for certain products

#### Supplier Network Value:

- Working capital advantage: R308,550 (2 months float)
- Supply chain premium: **R150,000**

### 3.4 Intellectual Property & Know-How

#### Assets:

- Hundreds of proprietary designs
- Custom glaze formulations
- Manufacturing processes and techniques
- 55 years of accumulated expertise
- Training curriculum and methodologies

**IP Valuation: R200,000**

### 3.5 Digital & Marketing Assets

- E-commerce platform ([www.kamelpotteries.co.za](http://www.kamelpotteries.co.za))
- Social media presence (146 followers)
- Customer database (3,000 contacts)
- SEO positioning and online reputation

**Digital Asset Value: R50,000**

## 4. GOODWILL CALCULATION METHODS

### 4.1 METHOD 1: Multiple of Gross Profit

**Industry Standard:** 2.0-2.5x gross profit for established businesses **Calculation:**  $R1,194,090 \times 2.0 = R2,388,180$  **Premium Adjustment:** +0.75% for market leadership = **R2,406,690**

### 4.2 METHOD 2: Revenue Multiple

**Industry Standard:** 1.0-1.5x revenue for service/retail businesses **Calculation:**  $R1,851,300 \times 1.25 = R2,314,125$  *Premium for 25-year establishment*

### 4.3 METHOD 3: Customer Base Valuation

#### Calculation:

- 3,000 customers  $\times$  R500 acquisition cost = **R1,500,000**
- Adjusted for 90% retention rate

### 4.4 METHOD 4: Super Profit Method

#### Calculation:

- Expected ROI on tangible assets (R2,179,529): 12% = **R261,543**

- Actual profit (estimated): R600,000
- Super profit: R338,457
- Capitalized at 15.6%:  $R338,457 \div 0.156 = R2,160,000$

## 5. RISK ADJUSTMENTS & PREMIUMS

### 5.1 Positive Adjustments

Factor	Impact	Adjustment
25-Year Establishment	High	+18%
Market Leadership (45% share)	High	+15%
Customer Retention (90-95%)	High	+10%
Gross Margin Excellence (64%)	High	+12%
Committed Revenue (R1M)	Medium	+8%
Owner Transition Support	Medium	+5%
Total Positive Adjustments		+68%

### 5.2 Risk Factors

Factor	Impact	Adjustment
Owner Dependency	High	-15%
Limited Digital Presence	Medium	-5%
No Skilled Staff	High	-10%
Slow Growth Rate (2.6%)	Low	-3%
Customer Concentration	Medium	-5%
Total Risk Adjustments		-38%

Net Adjustment: +30%

## 6. BUSINESS SALE VALUATION

### 6.1 Total Business Value

Component	Value
Tangible Assets (per Asset Register)	R2,179,529
Goodwill Value	R2,160,000
Total Business Value	R4,339,529

### 6.2 Value Multiples

- Price/Revenue: 2.34x
- Price/Gross Profit: 3.63x

- **Asset Coverage:** 1.99x tangible assets

## 6.3 Additional Value Considerations

### Pipeline Opportunities (Not Included in Base Valuation):

- 5 tons clay order with African Paper
- International exclusive client
- 2 new retail stores committed
- Estimated additional revenue: R300,000-R400,000

### Property Lease Option:

- Favorable lease terms available at R88/m<sup>2</sup> (below market)
  - Annual rent: R704,136
  - Provides business continuity and location stability
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## 7. TRANSACTION STRUCTURE RECOMMENDATIONS

### 7.1 Purchase Price Allocation

- **Upfront Payment (70%):** R3,037,670
- **Performance Earnout (30%):** R1,301,859
  - Based on maintaining 80% of current revenue
  - 12-month measurement period
  - Protects buyer from customer loss

### 7.2 Transition Support Package

#### Included in Valuation:

- 1 month full-time consultation by Diana Buchanan
- Ongoing telephonic support (indefinite)
- Training support for government/school programs
- Customer relationship handover
- Supplier introduction and credit transfer

### 7.3 Non-Compete Agreement

- 24-month non-solicitation (as per NDA)
  - Geographic scope: KwaZulu-Natal
  - Excludes personal pottery teaching/art
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## 8. COMPARATIVE MARKET ANALYSIS

### 8.1 Industry Benchmarks

Metric	Kamel Potteries	Industry Average	Premium
Gross Margin	64-65%	35-45%	+44%
Customer Retention	90-95%	60-70%	+36%
Market Share	45%	10-15%	+200%
Revenue/Customer	R617	R250	+147%
Years Established	25	5-10	+150%

### 8.2 Recent Comparable Transactions

*Note: Limited direct comparables in pottery industry*

- Craft supply businesses: 1.8-2.5x revenue
- Specialty retailers: 0.8-1.2x revenue + inventory
- Manufacturing with retail: 2.0-3.0x gross profit
- 20+ year businesses: Premium of 15-25%

## 9. CONCLUSION & VALUATION OPINION

### 9.1 Goodwill Valuation Summary

Based on comprehensive analysis using multiple valuation methods, the goodwill value of Kamel Potteries CC is determined to be **R2,160,000**.

This valuation reflects:

- Dominant market position (45% market share)
- Exceptional profitability (64% gross margin)
- Stable customer base (90%+ retention)
- 25-year established business legacy
- Comprehensive product offering
- Established supplier relationships
- Business continuity with owner support

### 9.2 Total Enterprise Value

Component	Amount
Tangible Assets	R2,179,529
Goodwill	R2,160,000
Total Enterprise Value	R4,339,529

Component	Amount
Rounded for Negotiation	R4,350,000

### 9.3 Value Justification

The premium goodwill valuation is justified by:

- Quarter-Century Legacy:** 25 years of continuous operations
  - Market Leadership:** Few businesses achieve 45% market share
  - Margin Excellence:** 64% gross margin is exceptional
  - Revenue Quality:** 80% repeat business, R1M committed annually
  - Customer Value:** R617 per customer vs R250 industry average
  - Low Risk:** 90%+ retention, established 25 years
  - Growth Potential:** E-commerce platform underutilized, new customers in pipeline
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## 10. DISCLAIMER & ASSUMPTIONS

This valuation is based on:

- Information provided by management (not independently verified)
- Current market conditions (September 2025)
- Assumption of business continuity
- No material hidden liabilities
- Successful transition with owner support

Valuation Valid Until: December 31, 2025

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## APPENDICES

### Appendix A: Valuation Methodology Details

- Detailed calculations for each method
- Industry comparable analysis
- Risk assessment matrix

### Appendix B: Financial Projections

- 3-year revenue forecast
- Customer retention analysis
- Market growth assumptions



Appendix C: Intangible Asset Detail

- Customer list summary (confidential)
- Product range analysis
- Supplier agreement summary

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Prepared by: \_\_\_\_\_

Date: September 28, 2025

Reviewed by: Hanover & Tyke (Pty) Ltd

For: Diana Margaret Buchanan, Director

Purpose: Business Sale Valuation

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*This valuation report is confidential and subject to the Non-Disclosure Agreement. It is prepared for negotiation purposes and does not constitute a formal business appraisal.*