

EBITDA Adjustment Analysis

Kamel Potteries CC - Normalized Profitability

OPTION 1: FULL YEAR 2024

Reported EBITDA (2024)

Item	Amount (R)
Turnover	1,904,402.43
Less: COGS	(654,000.00)
Gross Profit	1,250,402.43
Less: Operating Expenses	(306,396.96)
Reported EBITDA	944,005.47

Owner Personal Expenses Add-Backs (Annual)

Category	Amount (R)	Notes
Personal Property Expenses	444,930.24	Properties, utilities, personal staff
Business Property Bond	226,101.12	Property NOT included in sale
Building Project Costs	182,000.00	Personal construction project
Loan Repayments	139,200.00	SARS + Car loans (personal)
Insurance & Other Personal	423,626.64	Personal insurances, credit cards
Total Add-Backs	1,415,858.00	

Adjusted EBITDA (2024)

Item	Amount (R)
Reported EBITDA	944,005.47
Add: Personal Expenses	1,415,858.00
Normalized EBITDA	2,359,863.47

Business Valuation Impact (4.3x multiple)

Valuation Basis	Amount (R)
Original Business Value (4.3x reported EBITDA)	4,059,223.52
Adjusted Business Value (4.3x normalized EBITDA)	10,147,412.92
Valuation Increase	+R6,088,189.40 (+150%)

OPTION 2: TRAILING 12 MONTHS (Sept 2024 - Aug 2025)

Reported EBITDA (Trailing 12M)

Item	Amount (R)
Turnover	1,424,615.06
Less: COGS	(654,000.00)
Gross Profit	770,615.06
Less: Operating Expenses	(306,396.96)
Reported EBITDA	464,218.10

Owner Personal Expenses Add-Backs (Annual)

Category	Amount (R)
Total Add-Backs	1,415,858.00

Adjusted EBITDA (Trailing 12M)

Item	Amount (R)
Reported EBITDA	464,218.10
Add: Personal Expenses	1,415,858.00
Normalized EBITDA	1,880,076.10

Business Valuation Impact (4.3x multiple)

Valuation Basis	Amount (R)
Original Business Value (4.3x reported EBITDA)	1,996,137.83
Adjusted Business Value (4.3x normalized EBITDA)	8,084,327.23
Valuation Increase	+R6,088,189.40 (+305%)

MONTHLY BREAKDOWN OF ADD-BACKS

Personal Expenses (Monthly: R117,988.16)

Expense Category	Monthly (R)	Annual (R)	Buyer Impact
Business Property Bond	18,841.76	226,101.12	Must negotiate lease/purchase
Personal Properties	16,135.76	193,629.12	Eliminated post-sale
Personal Staff Wages	6,000.00	72,000.00	Eliminated post-sale
Insurance & Personal	48,244.98	578,939.76	Eliminated post-sale
Building Project	15,166.66	182,000.00	Eliminated post-sale
Loan Repayments	11,600.00	139,200.00	Eliminated post-sale
Personal Utilities	2,380.00	28,560.00	Eliminated post-sale
Total Monthly	117,988.16	1,415,858.00	

KEY INSIGHTS FOR BUYER

True Business Performance

The business is actually **highly profitable** when personal expenses are removed:

2024 Performance:

- Reported EBITDA: R944,005 (50% margin on gross profit)
- Normalized EBITDA: R2,359,863 (150% increase)
- True profit margin: 124% on turnover**

Trailing 12M Performance:

- Reported EBITDA: R464,218 (61% margin on gross profit)
- Normalized EBITDA: R1,880,076 (305% increase)
- True profit margin: 132% on turnover**

Post-Sale Economics for Buyer

A new owner would have:

- **No personal property obligations:** R193,629/year savings
- **No personal staff:** R72,000/year savings
- **No personal insurance/expenses:** R578,940/year savings
- **No building project:** R182,000/year savings
- **No personal loans:** R139,200/year savings
- **Total annual savings:** R1,165,769

Critical Consideration: Business Property

- **Property bond:** R226,101/year (R18,842/month)
- **Buyer must arrange:** Lease or purchase separately
- **Market rental equivalent:** R46,895/month (R562,740/year)
- **Difference:** Buyer would pay MORE for property (R336,639/year additional)

Net Impact for Buyer

Item	Amount (R)
Add-back of personal expenses	+1,415,858
Less: Market rental (vs current bond)	-336,639
Net improvement in profitability	+1,079,219

VALUATION SUMMARY

Conservative Approach (Using Trailing 12M)

Metric	Amount (R)
Normalized EBITDA	1,880,076
Less: Market Rental Adjustment (336,639)	
Buyer's Effective EBITDA	1,543,437
Fair Business Value (4.3x)	6,636,779

Optimistic Approach (Using 2024)

Metric	Amount (R)
Normalized EBITDA	2,359,863
Less: Market Rental Adjustment (336,639)	
Buyer's Effective EBITDA	2,023,224
Fair Business Value (4.3x)	8,699,863

RECOMMENDATION

The business valuation should be based on **normalized EBITDA** with adjustment for market rental:

Fair Value Range: R6.6M - R8.7M

The buyer should understand that:

1. Current reported EBITDA is artificially low due to personal expenses
2. True business profitability is 2-3x higher than reported
3. Property arrangements add ~R337K annually vs current bond

4. Net improvement to buyer is still ~R1.1M annually

Analysis demonstrates true business profitability when owner's personal expenses are excluded
Property rental adjustment reflects market rates vs. current bond payment structure