

# Kamel Potteries CC - Acquisition Due Diligence Summary

## Executive Summary

**Company:** Kamel Potteries CC  
**Registration:** 2008/306023  
**Current Owner:** Diana Margaret Buchanan  
**Potential Buyer:** Allen Van Houten  
**Business:** Pottery manufacturing, wholesale, retail & education  
**Location:** 34 Ashfield Ave, Umgeni Business Park, Durban

## Key Financial Metrics

### Revenue Performance

Year	Revenue	YoY Growth	Status
2022	R1,807,348	–	Complete
2023	R1,842,149	+1.9%	Complete
2024	R1,904,402	+3.4%	Complete
2025 (Jan–Aug)	R434,903	–51% projected	Partial

## Customer Concentration Analysis

### 2024 Top Customers

- 1. **Egg Designs** - R435,199 (30.8% market share)
- 2. **Art Culture Alliance** - R360,055 (25.5%)
- 3. **Vegmore Distribution** - R295,409 (20.9%)
- 4. **African Paper Products** - R180,000 (12.7%)
- 5. **Mathnwu Pottery** - R123,206 (8.7%)

### 2025 Changes (Jan-Aug)

- 1. **African Paper Products** - R178,777 (41.1%) ↑
- 2. **Vegmore Distribution** - R177,950 (40.9%) ↓39.7%
- 3. **Egg Designs** - R48,999 (11.3%) ↓88.7% ⚠️

**Critical Risk:** Customer concentration increased from 77% to 93% for top 3 customers

## Business Valuation Range

- **Conservative (Trailing 12M):** R6.6M
- **Optimistic (2024 basis):** R8.7M
- **EBITDA Multiple Used:** 4.3x
- **Gross Profit Margin:** 64-65%

# Bank Account & Payment Matching Status

## Primary Account

**Bank:** Absa Bank Ltd  
**Account Number:** 40-5191-0672  
**Account Type:** Business Cheque Account

## Payment Matching Progress

### ✔ Completed:

- Identified recurring card payments (Cards ending 2676, 2702)
- Matched digital payments to major customers
- Extracted payment patterns for customer segmentation

### ⚠ In Progress:

- Matching remaining bank deposits to specific POS sales
- Linking card numbers to customer profiles
- Reconciling cash deposits with daily sales

## Key Documents Reviewed

### Legal & Compliance

- ✔ Non-Disclosure Agreement (NDA)
- ✔ Company registration documents
- ✔ VAT registration (4160188837)

### Financial Records

- ✔ Bank statements (Jan 2024 - Sept 2025)
- ✔ Sales reports by product
- ✔ Customer sales analysis
- ✔ Asset register (R542,200 total value)

### Operational Documents

- ✔ Employee list (4 factory workers)
- ✔ Supplier network (9 key suppliers)
- ✔ Product catalog (600+ SKUs)

## Critical Findings

### Strengths

1. **Market Position:** 45% regional market share, 25-year legacy
2. **Profit Margins:** Exceptional 64-65% gross margin
3. **Asset Base:** Well-maintained equipment, valued at R542K

4. **Customer Base:** 3,000 active customers (though concentrated)

## Concerns

1. **Revenue Cliff:** 51% decline in 2025 - requires investigation
2. **Customer Risk:** Egg Designs dropped 88% - relationship crisis?
3. **Concentration:** 93% revenue from 3 customers in 2025
4. **Lost Accounts:** Art Culture Alliance & Mathnwu Pottery disappeared

## EBITDA Adjustments Identified

- **Personal expenses in business:** R1,415,858/year
- **Property arrangements:** R226,101/year bond vs R562,740 market rent
- **True normalized EBITDA:** R1.5M - R2.0M range

## Recommended Next Steps

### Immediate Actions (Week 1)

1. **Customer Recovery**
  - Contact Egg Designs urgently - understand 88% revenue drop
  - Reach out to Art Culture Alliance - win back lost account
  - Schedule meetings with African Paper Products & Vegmore
2. **Financial Deep Dive**
  - Complete bank-to-POS reconciliation for all 2024-2025
  - Verify EBITDA adjustments with supporting documents
  - Review monthly cash flow patterns
3. **Due Diligence Gaps**
  - Request 2025 monthly P&L statements
  - Get written confirmation of major customer contracts
  - Verify inventory levels and work in progress

### Short-term Actions (Weeks 2-4)

4. **Operational Review**
  - Physical site inspection
  - Equipment condition assessment
  - Staff interviews and capability review
5. **Market Analysis**
  - Competitor pricing comparison
  - Growth opportunities assessment
  - New customer pipeline evaluation
6. **Risk Mitigation**
  - Draft customer retention agreements
  - Negotiate transition support terms
  - Secure key employee commitments

### Critical Questions for Seller

1. What caused the Egg Designs relationship breakdown?
2. Are there signed contracts with top 3 customers?
3. What's the status of the international exclusive client mentioned?
4. Why did Art Culture Alliance and Mathnwu Pottery stop ordering?
5. What personal expenses will definitely be eliminated post-sale?

# Deal Structure Recommendations

## Proposed Terms

- **Base Purchase Price:** R5.0M (conservative)
- **Earnout Component:** Up to R2.0M based on:
  - Customer retention (min 80%)
  - Revenue recovery to R1.5M
  - EBITDA maintenance

## Protective Clauses

- 12-month seller support agreement
- 24-month non-compete (already in NDA)
- Customer introduction period
- Inventory true-up at closing

# Systems & Technology Recommendations

## Immediate Improvements Needed

1. **POS System Upgrade**
  - Add customer name capture
  - Link card numbers to profiles
  - Implement loyalty tracking
2. **Financial Management**
  - Separate personal from business expenses
  - Implement proper cost accounting
  - Monthly management accounts
3. **Customer Relationship Management**
  - CRM system implementation
  - Customer purchase history tracking
  - Automated reorder reminders

# Conclusion

The business shows solid fundamentals with concerning recent trends. The 2025 revenue decline and customer concentration pose significant risks that must be addressed before finalizing any acquisition. The normalized EBITDA suggests the business is more profitable than reported, but customer recovery is critical for value realization.

**Overall Assessment:** Proceed with caution, focus on customer retention guarantees and structure deal with significant earnout component tied to performance.

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*Document prepared: October 4, 2025*  
*Based on data through: September 2025*  
*For: Allen Van Houten (Potential Acquirer)*  
*Prepared in context of: Business acquisition due diligence*