

KAMEL POTTERIES - FINAL EBITDA CONCLUSION

DUE DILIGENCE - ACTUAL TRANSFERABLE EARNINGS

Report Date: October 22, 2025

Analysis Period: October 2024 - September 2025

EXECUTIVE SUMMARY - THE BOTTOM LINE

Actual Transferable EBITDA: R568,100

Recommended Business Value: R2,000,000 - R2,500,000

Primary Valuation: R2,272,400 (4.0x EBITDA)

EBITDA CALCULATION - FINAL

Starting Point: Xero Net Profit R126,511 Add Back: Interest Expense R167,184 Add Back: Depreciation R0 ----- Base EBITDA (As-Reported) R293,695 MEMO ADJUSTMENTS: Remove: FinFlood Rental Income (R1,141,451) Add Back: Owner A Personal Expenses R1,415,856 ----- NORMALIZED EBITDA (Transferable) R568,100

BREAKDOWN OF ADJUSTMENTS

1. RENTAL INCOME EXCLUSION: -R1,141,451

Detail	**Amount**
Property: 5 Shaffer Street	Not in sale
Tenant: FinFlood Pty Ltd	R95,121/month
Annual Income	R1,141,451
Impact: Removed from buyer P&L	**(R1,141,451)**

2. OWNER DRAWINGS ADDED BACK: +R1,415,856

Personal Expense	**Monthly**	**Annual**
Entertainment	R31,973	R383,676
Travel (Personal)	R35,086	R421,032
Personal Vehicle	R24,156	R289,872
Home Office	R16,497	R197,964
Other Personal	R10,276	R123,312
Total Added Back	**R117,988**	**R1,415,856**

VALUATION MATRIX

EBITDA Multiple	**Business Value**	**Likelihood**	**Buyer Type**
3.0x	R1,704,300	10%	Distressed buyer
3.5x	R1,988,350	20%	Bargain hunter
4.0x	**R2,272,400**	**40%**	**Fair market buyer**
4.5x	R2,556,450	20%	Strategic buyer
5.0x	R2,840,500	10%	Synergy buyer

KEY METRICS SUMMARY

Metric	**Value**	**Assessment**
Normalized Revenue	R9,303,610	Actual sales only
Normalized EBITDA	R568,100	After all adjustments
EBITDA Margin	6.1%	Below industry (10-15%)
Monthly EBITDA	R47,342	Average per month
Payback Period	4.0 years	At R2.27M price

CRITICAL FACTORS FOR BUYER

Red Flags ■

1. **Customer Concentration:** 93% from 3 customers
2. **VAT Liability:** R560,000 outstanding
3. **Low Margins:** 6.1% vs 10-15% industry

4. **High Owner Drawings:** R1.4M annually

Green Flags ■

1. **Established Business:** 20+ years operating
2. **Stable Revenue:** R9.3M core sales
3. **Asset Light:** Minimal capex required
4. **Growth Potential:** Untapped markets

DEAL STRUCTURE RECOMMENDATIONS

Option 1: Cash Purchase

- Price: R2,000,000 - R2,272,400
- Payment: 100% at closing
- Risk: Buyer assumes all

Option 2: Earnout Structure

- Upfront: R1,500,000 (65%)
- Earnout: R500,000 - R772,400 (35%)
- Condition: Maintain R500K+ EBITDA
- Period: 12-24 months

Option 3: Vendor Finance

- Down Payment: R800,000 (35%)
- Vendor Loan: R1,472,400 (65%)
- Terms: 5 years @ prime + 2%
- Security: Business assets

WORKING CAPITAL REQUIREMENTS

Item	**Amount**	**Notes**
Cash Operating Needs	R300,000	1 month operations
VAT Settlement	R560,000	Must be cleared
Inventory Buffer	R450,000	2 months stock

Item	**Amount**	**Notes**
Total WC Required	**R1,310,000**	Additional to purchase

POST-ACQUISITION PRIORITIES

Immediate (0-3 months):

1. Secure customer contracts
2. Settle VAT liability
3. Implement cost controls
4. Stabilize operations

Short-term (3-6 months):

1. Reduce expenses by 10%
2. Negotiate supplier terms
3. Implement pricing strategy
4. Improve cash collection

Medium-term (6-12 months):

1. Diversify customer base
2. Launch online sales
3. Automate production
4. Expand product range

FINAL RECOMMENDATION

For Seller:

- **Ask Price:** R2,500,000
- **Accept Above:** R2,000,000
- **Structure:** Prefer cash or majority cash

For Buyer:

- **Offer:** R1,800,000 - R2,000,000
- **Maximum:** R2,272,400 (4x EBITDA)
- **Structure:** Earnout or vendor finance preferred

Deal Sweet Spot: R2,100,000 - R2,200,000

- Fair to both parties
- Reflects risks and opportunities
- Allows for working capital needs

CONCLUSION

The actual transferable EBITDA of **R568,100** represents the true earnings potential of Kamel Potteries after removing non-transferable rental income and adding back personal expenses.

At a valuation of **R2.0M - R2.5M**, the business offers:

- Reasonable return on investment (22-28% EBITDA yield)
- Established operations with growth potential
- Manageable risk profile with mitigation strategies

Critical Success Factors:

1. Maintain existing customer relationships
2. Implement immediate cost reductions
3. Resolve VAT liability promptly
4. Focus on margin improvement

CERTIFICATION

This EBITDA conclusion is based on:

- ✓ Detailed review of Xero accounts
- ✓ Verification of all adjustments
- ✓ Market comparable analysis
- ✓ Risk-adjusted valuation methodology

Prepared for: Due Diligence Completion

Status: FINAL - READY FOR NEGOTIATION

This document represents the final normalized EBITDA for business valuation purposes.