KAMEL POTTERIES

## Complete Financial Analysis & Valuation Report

Analysis Period: 2024-2025 YTD (January - September)

# EXECUTIVE SUMMARY

**Valuation Range:** R11,000,000 - R14,000,000  
**Normalized EBITDA (Annualized):** R2,957,000  
**Market Position:** 33.3% market share - Foremost ceramic supplier in South Africa  
**Critical Risk:** 93% customer concentration in top 3 accounts

# 1. SALES DATA VERIFICATION

## External Files vs Xero Reconciliation

### 2024 Sales Analysis

|  |  |
| --- | --- |
| Source | Amount (R) |
| KAMELSALES2024.pdf (Product Sales Only) | 1,115,709 |
| Top Customers 2024 (Wholesale Accounts) | 1,428,294 |
| Xero P&L Sales 2024 | 1,995,629 |

**Difference: R567,335** (likely POS retail sales not included in customer reports)

### 2025 Sales Analysis (January - September)

|  |  |
| --- | --- |
| Source | Amount (R) |
| KAMELSALES2025.pdf (Through Sep 28) | 1,115,709 |
| Top Customers 2025 (Jan-Aug) | 434,903 |
| Xero P&L Sales 2025 | 1,266,542 |

**Difference: R831,639** (significant POS/cash sales not tracked in customer accounts)

# 2. TOP CUSTOMERS ANALYSIS - CRITICAL FINDINGS

## 2024 Top 3 Customers (77% of wholesale revenue)

|  |  |  |
| --- | --- | --- |
| Customer | Revenue (R) | % of Wholesale |
| Egg Designs | 435,199 | 30.8% |
| Art Culture Alliance | 360,055 | 25.5% |
| Vegmore Distribution | 295,409 | 20.9% |

## 2025 Top 3 Customers (93% of wholesale revenue - INCREASED RISK)

**⚠ WARNING: Customer concentration increased from 77% to 93%**

|  |  |  |
| --- | --- | --- |
| Customer | Revenue (R) | % of Wholesale |
| African Paper Products | 178,777 | 41.1% |
| Vegmore Distribution | 177,950 | 40.9% |
| Egg Designs | 49,000 | 11.3% |

**CRITICAL:** Egg Designs declined 88.7% (R435,000 → R49,000)

### Lost Customers - Major Revenue Impact

**• Art Culture Alliance Foundation:** R360,000 → R0 (LOST)  
**• Mathnwu Pottery:** R123,000 → R0 (LOST)  
**• Total Lost Revenue:** R483,000 annually

# 3. COMPLETE EBITDA CALCULATION

## Analysis Period: January - September 2025 (9 months)

### Depreciation Analysis

Building Improvements:  
• December 2024: R376,522  
• September 2025: R845,942  
**• Increase:** R469,420 (major capital investment in 2025)  
  
Depreciation Estimates:  
• 2024 Annual: ~R111,678  
• 2025 (9 months): ~R83,759

### EBITDA Calculation Table

|  |  |  |
| --- | --- | --- |
| Line Item | Amount (R) | Notes |
| Reported Net Profit | 1,126,511 | Per P&L |
| Add: Interest Expense | 203,358 | From P&L |
| Add: Depreciation | 83,759 | Estimated 9mo |
| **Core EBITDA** | **1,413,628** |  |
| OWNER ADD-BACKS: |  |  |
| Owner Medical/Personal | 8,000 | Per handover |
| Personal Expenses | 796,428 | R88,492/mo × 9 |
| **NORMALIZED EBITDA (9mo)** | **2,218,056** | **Annualized: R2,957,000** |

# 4. KEY VALUATION METRICS

## Revenue Mix (2025)

|  |  |  |
| --- | --- | --- |
| Revenue Stream | Amount (R) | Percentage |
| Sales | 1,266,542 | 52% |
| Rental Income | 1,141,451 | 47% |
| Other | 45,651 | 1% |

**Note:** Strong recurring rental income base provides revenue stability

## Asset Position

**• Cash:** R652,000 (healthy liquidity position)  
**• Fixed Assets:** R848,000 (R469,000 added in 2025)  
**• Debt:** R68,000 loan only (minimal leverage)  
**• Owner Drawings:** R1,290,000 (demonstrates strong cash generation)

## Market Position

**• Market Share:** 33.3% in Durban manufacturing/supply  
**• Industry Status:** "Foremost supplier in South Africa for ceramic arts & crafts"  
**• Competition:** 80% of market is retail-focused (limited manufacturing competition)

# 5. DUE DILIGENCE RED FLAGS

**🚩 Customer Loss:** R483,000 annual revenue from 2 lost major customers  
  
**🚩 Customer Concentration:** 93% of wholesale revenue from only 3 customers (very high risk)  
  
**🚩 Gross Margin Decline:** 83% (2024) → 75% (2025) - investigate COGS increase  
  
**🚩 Wholesale Revenue Decline:** R1,428,294 (2024) → R434,903 (2025 8-month trend) = -70% decline  
  
**🚩 Financial Statement Discrepancy:** R1,130,000 P&L profit vs R777,000 equity increase on balance sheet

# 6. VALUATION SUMMARY

## Multiple Approach (4-6x EBITDA)

|  |  |
| --- | --- |
| Metric | Value (R) |
| Normalized EBITDA (Annualized) | 2,957,000 |
| At 4.3x Multiple | 12,715,100 |
| At 5.0x Multiple | 14,785,000 |

## Valuation Adjustments

**Negative Adjustments:**• Customer concentration risk: -10% to -15%  
  
**Positive Adjustments:**• Dominant market position: +5% to +10%

**SUGGESTED VALUATION RANGE: R11,000,000 - R14,000,000**

# 7. IMMEDIATE BUYER ACTIONS REQUIRED

## Customer Relationship Due Diligence

**Priority Actions:**□ Interview African Paper Products & Vegmore (represent 81% of current revenue)  
□ Investigate reasons for Egg Designs 88.7% revenue decline  
□ Negotiate and secure customer retention agreements  
□ Assess customer contract terms and renewal dates

## Sales Reconciliation

**Required Analysis:**□ Bank statement review to verify R1,995,629 total sales (2024)  
□ POS system audit for R831,639 unexplained sales (2025)  
□ Cash handling procedures review  
□ Revenue recognition policy verification

## Property/Lease Clarification

**Critical Items:**□ Clarify R18,842/month property bond in personal add-backs  
□ Determine if property is owned or leased  
□ Negotiate lease terms or purchase agreement  
□ Obtain property valuation if owned

## Working Capital Requirements

**Financial Obligations:**□ VAT payable: R560,000 (develop settlement plan)  
□ Analyze impact of R1,290,000 owner drawings  
□ Calculate true working capital requirements  
□ Review creditor payment terms and aging

*Document prepared for internal due diligence purposes*