

Investment Due Diligence Report

Arandia Farm & Resort - Fire Sale Acquisition

Target: Arandia College / Yolanda's Integrated Farm & Resort

Location: Magallanes, Cavite (3.3 hectares titled land)

Asking Price: ₱30,000,000 (₱20M down, ₱10M on title transfer)

Deal Type: Distressed asset - seller needs cash for debt

Analysis Date: February 9, 2026

Analyst: Verch (PE Fund Due Diligence)

Executive Summary

PROCEED WITH CAUTION - CONDITIONAL GREEN LIGHT

This is a **land-value arbitrage play** with cash-flow optionality, not a pure operating business acquisition. The land alone is worth ₱ 81-146M (2.7x-4.9x purchase price), providing exceptional downside protection. The operating business (TESDA training + livestock) generates estimated ₱3-4M EBITDA but comes with significant financial opacity and execution risk.

Key Value Drivers:

- Acquiring land at ₱900/sqm vs ₱2,500-4,500/sqm market (67-80% discount)
- Operating business covers holding costs while positioning for exit
- Multiple exit strategies (land flip, business sale, agri-tourism development)

Critical Risks:

- HIGH:** Financial normalization uncertainty - seller's numbers are unreliable
- HIGH:** Political revenue dependency (22% from senatorial vouchers)
- HIGH:** Permit transferability (TESDA accreditation, environmental)
- MEDIUM:** Environmental compliance (piggery operations)

Investment Thesis: The Asymmetric Bet

Scenario	Value	Multiple on ₱30M	Probability
Downside (land-only liquidation)	₱81-97M (zonal)	2.7-3.2x	High
Base case (land + stabilized ops)	₱113-146M (market)	3.8-4.9x	Medium
Upside (agri-tourism development)	₱150M+	5.0x+	Low-Medium

Risk-Adjusted Return: Even in a distressed liquidation scenario (land-only sale at zonal value), you're looking at 2.7x+ return. This is NOT a typical SME acquisition risk profile.

Land Valuation Breakdown

Property Specifications:

- 3.3 hectares (32,474 sqm) titled land
- 111m road frontage, cemented access
- Utilities: Meralco, municipal water, PLDT
- Classification: Agricultural (zonal shows CR/mixed-use potential)

Comparable Values:

Valuation Method	Price/sqm	Total Value	vs. Ask Price
BIR Zonal Value	₱2,500-3,000	₱81-97M	2.7-3.2x
Market Estimate	₱3,500-4,500	₱113-146M	3.8-4.9x
Entry Price	₱900-925	₱30M	Baseline

Why is seller accepting 20-33% of land value?

- Possible: True distress + lack of market knowledge + urgency
 - Concerning: Title defects, zoning restrictions, environmental liens, undisclosed easements
- Action:** Commission independent appraisal (₱50-100K cost, critical gate)

Operating Business Assessment

Revenue Sources (Seller-Provided, Normalized)

Revenue Stream	Annual Estimate	% of Total	Dependency Risk
TESDA vouchers	₱2.0M	15%	Medium (institutional)
Senatorial vouchers (Marcos)	₱2.8M	22%	HIGH - political
Livestock (pigs, goats, piglets)	₱7.7M	59%	Low (market-based)
Crops (fruits, vegetables)	₱0.45M	4%	Low
Total Reported	₱12.97M	100%	

Critical Issues with Seller Financials:

1. Revenue stated as "cumulative over multiple cycles" then "normalized annually" - which is it?
2. Senatorial vouchers (22% of revenue) tied to Sen. Aimee Marcos - transferable?
3. Livestock revenue (₱7.7M) "mixed cycles" - not clear if annual or multi-year
4. No audited financials - seller stated expenses cover "~3-year period"

Buyer's normalized view: ₱3-4M EBITDA suggests actual revenue is ₱4-5M, not ₱12.97M

Purchase Price Justification

Component	Conservative Value	Optimistic Value
Land (zonal value)	₱81,000,000	₱97,000,000
Land (market value)	₱113,000,000	₱146,000,000
Structures & improvements	₱3,000,000	₱5,000,000
Operating business (5x EBITDA)	₱15,000,000	₱20,000,000
Total Enterprise Value	₱99-116M	₱148-168M
Asking Price	₱30,000,000	₱30,000,000
Discount to value	74-85%	82-88%

At ₱30M, you're paying for 37% of land's zonal value and getting:

- The other 63% of land value (₱51M+) for free
- Operating business (₱15-20M) for free
- Structures (₱3-5M) for free

This is why the deal looks too good to be true. Verify the "catch."

Exit Strategy Matrix

Exit Option 1: Short-Hold Land Flip (12-24 months)

Parameter	Details
Target Buyer	Real estate developer, agri-tourism investor
Target Price	₱100-130M (zonal to market value)
Gross Return	3.3-4.3x
IRR (18-month hold)	80 - 120%
Execution Risk	LOW - land value is established
Catalysts	<ul style="list-style-type: none"> Market property to institutional buyers Offer seller financing to accelerate sale Package with development plans (resort concept) Target Manila-based developers expanding to Cavite
Holding Costs	<ul style="list-style-type: none"> Property tax: ₱200-300K/year (agricultural rate) Security/caretaker: ₱180K/year Maintenance: ₱100K/year Total: ₱480-580K/year Covered by minimal operations (livestock, crops)
Upside Enhancements	<ul style="list-style-type: none"> Secure commercial zoning (adds 20-30% to value) Install basic infrastructure (roads, landscaping) - ₱2-3M investment Obtain environmental clearances for future development Subdivide into 2-3 parcels for partial selldown

Recommended for: Quick capital recycling, conservative risk tolerance, limited operational capacity

Cash-on-Cash Return: 3.3-4.3x in 18 months = 180-330% absolute return

Strategy: Minimal operations to cover holding costs, focus on land marketing

Exit Option 2: Medium-Hold Business Sale (24-36 months)

Parameter	Details
Target Buyer	TESDA operator, agricultural training institution, SME investor
Target Price	₱50-70M (land + professionalized business at 5-7x EBITDA)
Gross Return	1.7-2.3x
IRR (30-month hold)	25 - 35%
Execution Risk	MEDIUM - requires operational stabilization
Value-Add Activities	Year 1: Stabilization (₱1.9M investment) <ul style="list-style-type: none"> Secure key staff, install financial controls Renew/transfer all permits Environmental remediation (piggery compliance)

	<ul style="list-style-type: none"> Achieve first 12 months of clean financials <p>Year 2: Professionalization (₱1.5M investment)</p> <ul style="list-style-type: none"> Hire external accountant, prepare audited statements Expand TESDA programs (apply for new accreditations) Secure 3-year TESDA contracts (reduce political dependency) Optimize livestock cycles for consistent cash flow <p>Year 3: Exit Prep</p> <ul style="list-style-type: none"> Document all SOPs, create operations manual Train replacement management team Market to strategic buyers (training institutions, SME funds)
EBITDA Progression	<ul style="list-style-type: none"> Year 1: ₱2.0M (stabilization, negative one-time costs) Year 2: ₱4.5M (normalized operations) Year 3: ₱5.5M (optimized, exit-ready) <p>Exit valuation:</p> <ul style="list-style-type: none"> Land: ₱130M (market value post-improvements) Business: ₱27.5M (5x ₱5.5M EBITDA) Total EV: ₱157.5M
Catalysts	<ul style="list-style-type: none"> Achieve ₱5M+ EBITDA with audited financials Secure multi-year TESDA contracts (de-risk political revenue) Expand to new revenue streams (agri-tourism pilot) Package as turnkey operation for strategic buyer

Recommended for: Operational expertise, longer hold period tolerance, value-add focused investors

Total Investment: ₱30M purchase + ₱3-4M capex = ₱33-34M all-in

3-Year IRR: 60-75% (accounting for operational improvements)

Key Risk: Business stabilization takes longer than expected, TESDA accreditation issues

Exit Option 3: Long-Hold Agri-Tourism Development (36-60 months)

Parameter	Details
Target Buyer	Hospitality group, eco-resort operator, retail investors (parcel selldown)
Target Price	₱150-200M (developed resort + ongoing operations)
Gross Return	5.0-6.7x
IRR (48-month hold)	35 - 50%
Execution Risk	HIGH - requires capex, permits, market risk
Development Plan	<p>Phase 1 (Year 1-2): ₱8-12M investment</p> <ul style="list-style-type: none"> • Obtain commercial zoning + environmental permits • Develop resort infrastructure: <ul style="list-style-type: none"> - Swimming pools using river water (₱3-5M) - Guest accommodations (10-15 rooms, ₱4-6M) - Restaurant/function hall (₱2-3M) • Landscape improvements, parking, signage <p>Phase 2 (Year 2-3): ₱10-15M investment</p> <ul style="list-style-type: none"> • Expand accommodations (20-30 rooms total) • Adventure/recreation facilities (zipline, ATV, kayaking) • Farm-to-table restaurant upgrade • Event spaces (weddings, corporate retreats) <p>Phase 3 (Year 3-4): Marketing & Operations</p> <ul style="list-style-type: none"> • Build brand, digital marketing, partnerships • Target Metro Manila weekend tourism (90min drive) • Corporate events, team buildings, school tours • Maintain TESDA training as B2B revenue stream
Revenue Model (Stabilized)	<ul style="list-style-type: none"> • Accommodations: ₱6-8M/year (70% occupancy) • Restaurant/F&B: ₱4-6M/year • Events/functions: ₱3-5M/year • TESDA training: ₱2-3M/year (existing business) • Adventure/recreation: ₱1-2M/year • Total projected revenue: ₱16-24M/year <ul style="list-style-type: none"> • Operating expenses: ₱8-12M/year (50% margin) • Projected EBITDA: ₱8-12M/year <p>Exit valuation (Year 4):</p> <ul style="list-style-type: none"> • Land (developed): ₱150M • Business: ₱40-60M (5-7x EBITDA) • Total EV: ₱190-210M
Market Validation	<ul style="list-style-type: none"> • Tagaytay resorts (60min from Manila): 80-90% weekend occupancy • Nasugbu/Batangas agri-tourism: Growing segment, ₱2-3K/night rates • Magallanes positioning: Between Manila (90min) and Tagaytay (30min) • USP: Farm experience + river access + TESDA training (unique) <p>Competitive advantages:</p> <ul style="list-style-type: none"> • 3.3 hectares (larger than typical resorts)

	<ul style="list-style-type: none"> • River frontage (swimming, kayaking, natural feature) • Existing infrastructure (training facilities, buildings) • Agricultural zoning = lower taxes during development
Key Risks	<ul style="list-style-type: none"> • HIGH: Capex overruns (₱20-30M budget → ₱30-40M actual) • HIGH: Permit delays (environmental, tourism accreditation) • MEDIUM: Market demand (tourism is discretionary spending) • MEDIUM: Execution capability (requires hospitality expertise) • MEDIUM: River water permits (DENR, water rights issues)

Recommended for: Hospitality experience, high capex tolerance, longer hold horizon, development expertise

Total Investment: ₱30M purchase + ₱20-30M development = ₱50-60M all-in

4-Year IRR: 35-50% (if execution goes to plan)

Critical Success Factors:

- Secure all permits BEFORE starting development (6-12 months pre-construction)
- Phase capex to validate market demand before full build-out
- Maintain TESDA business as cash-flow buffer during development
- Hire experienced resort manager (hospitality background required)

Exit Option 4: Hybrid - Partial Selldown (Ongoing)

Parameter	Details
Strategy	Subdivide 3.3 hectares into 3-5 parcels, sell 1-2 parcels to recover capital, hold remainder
Subdivision Plan	<p>Option A: 3-Parcel Split</p> <ul style="list-style-type: none"> • Parcel 1: 1.0 hectare (front, road access) - ₩40-50M • Parcel 2: 1.3 hectares (middle, existing buildings) - Hold • Parcel 3: 1.0 hectare (back, river access) - ₩40-50M <p>Option B: 5-Parcel Split</p> <ul style="list-style-type: none"> • 5 lots of 6,500 sqm each @ ₩3,500-4,000/sqm = ₩22-26M per lot • Sell 2 lots (₩44-52M) → recover capital • Hold 3 lots (₩66-78M value) + business for free
Costs & Timeline	<ul style="list-style-type: none"> • Geodetic survey: ₩150-200K • Subdivision approval (LGU): ₩200-300K • New title issuance (per lot): ₩50-80K each • Legal fees: ₩150-250K • Total costs: ₩600K-1M • Timeline: 6-12 months for approval + title issuance
Net Position (After Selldown)	<p>Scenario 1: Sell 1 hectare at market value</p> <ul style="list-style-type: none"> • Proceeds: ₩40-50M • Recover: ₩30M purchase price + ₩1M costs = full capital recovery • Retain: 2.3 hectares (₩73-104M value) + operating business • IRR: Infinite (zero capital at risk post-selldown) <p>Scenario 2: Sell 2 hectares at market value</p> <ul style="list-style-type: none"> • Proceeds: ₩80-100M • Net profit: ₩50-70M (1.7-2.3x return) • Retain: 1.3 hectares (₩40-58M value) + operating business • Total value: ₩130-170M from ₩30M investment
Marketing Strategy	<ul style="list-style-type: none"> • Target retail buyers (₩10-20M price point more accessible) • Offer seller financing (10-20% down, 3-5 year terms) • Market as "weekend farm lots" (agricultural lifestyle) • Maintain existing business on retained parcel (cash flow continues) • Stagger sales (sell 1 parcel, wait 6-12 months, sell next)
Execution Risk	MEDIUM - subdivision approval + market liquidity

Recommended for: Risk mitigation, capital recovery, maintaining upside optionality

Key Benefits:

- Recover 100% of capital within 12-24 months
- Retain majority of land value + business at zero cost
- Flexibility to develop retained parcels later (agri-tourism, personal use)
- Lower execution risk than full development

Best Use Case: If DD reveals higher risks (permit issues, financial opacity), this strategy provides fast capital recovery while maintaining upside through retained parcels.

Exit Strategy Comparison Matrix

Exit Strategy	Hold Period	Total Investment	Target Exit Value	Gross Return	IRR	Risk Level	Best For
Land Flip	12-24 months	₩30-31M	₩100-130M	3.3-4.3x	80-120%	LOW	Quick capital recycling, conservative risk
Business Sale	24-36 months	₩33-34M	₩150-160M	4.5-4.7x	60-75%	MEDIUM	Operational expertise, value-add focus
Agri-Tourism	36-60 months	₩50-60M	₩190-210M	3.8-4.2x	35-50%	HIGH	Hospitality experience, high capex tolerance
Partial Selldown	12-24 months	₩31M	₩130-170M	4.2-5.5x	Variable	MEDIUM	Risk mitigation, capital recovery + upside

Recommended Strategy: Hybrid Approach

Phase 1 (Months 1-6): Stabilize & Validate

- Complete DD, close acquisition at ₩28-30M
- Stabilize operations, secure permits, clean financials
- Commission subdivision study + independent appraisal
- Validate market demand (test agri-tourism with soft launch)

Phase 2 (Months 6-18): Selective Exit

If land appraisal is strong (>₩120M) + subdivision feasible:

- Subdivide into 3-5 parcels
- Sell 1-2 parcels (recover capital + profit)
- Retain 1.5-2 hectares + business (free optionality)

If business stabilizes well (₩4M+ EBITDA):

- Hold for 24-36 months, professionalize operations
- Exit as business sale to strategic buyer (₩150M+)

If agri-tourism pilot is successful:

- Phase development (₩5-10M/year capex)
- Build resort over 3-4 years, exit to hospitality group

If risks materialize (permits, financials):

- Quick land flip at zonal value (₩80-100M)
- Still 2.7-3.3x return in 12-18 months

Key Risks & Mitigation

HIGH RISKS (Deal Killers if Not Mitigated)

1. Financial Opacity - **HIGH**

Issue: Seller's revenue stated as "cumulative over multiple cycles" then "normalized annually." Expenses covering "~3-year period." No audited statements, no bank records.

Mitigation:

- Demand 3 years of bank statements (all accounts), BIR ITRs, audited financials
- Verify TESDA voucher receipts directly with TESDA regional office
- Walk the site: count livestock, inspect facilities, interview staff off-site
- Structure ₱5M holdback tied to achieving ₱3M EBITDA within first 12 months (earn-out)

2. Political Revenue Dependency - **HIGH**

Issue: ₱2.8M (22% of reported revenue) from senatorial vouchers tied to Sen. Aimee Marcos.

Mitigation:

- Confirm in writing from TESDA and senator's office that accreditation is transferable
- Discount base case - assume zero senatorial voucher revenue
- Adjusted EBITDA: ₱0.2-1.2M (still covers holding costs, land value justifies deal)

3. Permit Transferability - **MEDIUM-HIGH**

Issue: TESDA accreditation, environmental permits (piggery), building permits - transferability unclear.

Mitigation:

- Legal audit: request certified copies of ALL permits, verify transferability (budget ₱100-150K)
- TESDA direct contact: verify accreditation is facility-based, not owner-based
- SPA clause: seller responsible for permit transfer costs + penalties, buyer can walk if non-transferable
- Budget 6-18 months for permit re-application, zero revenue during this window

4. Environmental Compliance (Piggery) - **MEDIUM-HIGH**

Issue: Piggery requires Environmental Compliance Certificate (ECC), wastewater permits. Likely operating informally.

Mitigation:

- Request all environmental permits, inspect wastewater systems during DD
- If permits don't exist: discount price by ₱2-3M OR require seller to obtain ECC before closing
- Budget ₱1-2M for piggery decommissioning if environmental risk is unmanageable
- Upside: shut down piggery, pivot to agri-tourism (eliminates risk + improves land use)

Recommended Offer Structure

Offer: ₱28,000,000

Payment terms:

- ₱15M on signing (subject to DD approval)
- ₱8M on clean title transfer + TESDA accreditation confirmation
- ₱5M holdback (18-month escrow) for warranty claims

Conditions precedent:

- Clean title + zoning confirmation (no liens >₱1M, no tax arrears >₱500K)
- TESDA accreditation verified as transferable (direct written confirmation)
- Environmental audit passes OR seller remediates at cost
- Seller provides 3 years bank statements + ITRs (or accept ₱5M discount)
- Easement rights legally confirmed (survey + legal opinion)
- Independent appraisal ⳓ60M (2x purchase price minimum)

Walk-away triggers:

- Title defects >₱2M to cure
- Independent appraisal <₱60M (renegotiate to ₱20-22M)
- TESDA non-transferable + zero senatorial vouchers (loses 37% of revenue)
- Environmental violations requiring immediate shutdown

Financial Projections (Conservative Case)

3-Year Cashflow Summary

Line Item	Year 1	Year 2	Year 3
Revenue	₱4.3M	₱8.0M	₱10.0M
TESDA vouchers	₱1.5M	₱2.0M	₱2.5M
Senatorial vouchers	₱0	₱1.0M	₱1.5M
Livestock	₱2.5M	₱4.0M	₱4.5M
Crops	₱0.3M	₱0.5M	₱0.5M
Agri-tourism (pilot)	₱0	₱0.5M	₱1.0M
Operating Expenses	₱2.25M	₱3.5M	₱4.5M
EBITDA	₱2.05M	₱4.5M	₱5.5M
EBITDA Margin	48%	56%	55%
One-time Costs	₱2.4M	₱0	₱0
Net Cash Flow	-₱0.35M	₱4.5M	₱5.5M

Cumulative 3-year cash flow: ₦9.65M (32% of purchase price recovered from operations)

Exit Valuation (Year 3)

Component	Value
Land value (market appreciation)	₦130M
Business value (5x ₦5.5M EBITDA)	₦27.5M
Total Enterprise Value	₦157.5M
Purchase price + capex	₦30M + ₦3.4M = ₦33.4M
Gross Return	5.25x
3-Year IRR	73%

Bottom Line Recommendation

Investment Decision: PROCEED - TIER 2 PRIORITY

Deal-Making Factors (Pros):

- **Exceptional land value arbitrage** - 2.7-4.9x implied return on land alone
- **Downside protection** - Even worst case (liquidation at zonal value) returns 2.7x
- **Multiple exit paths** - Land flip, business sale, agri-tourism, partial sell-down
- **Seller distress** - "Fire sale for debt" suggests negotiating leverage
- **Cash-flow optionality** - If business works, covers holding costs + generates returns

Risk Factors (Cons):

- **Financial opacity** - Seller's numbers are unreliable, high normalization risk
- **Political revenue dependency** - 22% of revenue tied to senator's vouchers
- **Permit transferability** - Uncertainty on TESDA accreditation + environmental compliance
- **Environmental liability** - Piggery may have violations, ₱1-2M remediation cost
- **Operational complexity** - Inheriting business without team, 6-12 month stabilization

Net Assessment:

This is a **land play with a business hedge**, not a business acquisition. You're paying ₱30M for ₱81-146M of land. The operating business is free optionality - if it works, great (₱3-5M EBITDA). If it doesn't, you still have a 2.7x+ return on land.

Key Decision Factors:

- **If focused on capital preservation + land value:** Strong buy at ₱25-28M
- **If focused on cash-flowing business:** Higher risk, requires 6-12 months stabilization
- **If focused on IRR:** 50-70% 3-year IRR achievable with competent execution

Expected Return (Conservative):

- Exit Year 3 at ₱130M (land-led sale)
- Gross return: 3.9-4.3x on ₱30-33M all-in
- 3-year IRR: 60-75%

Next Steps (Immediate Actions):

- **Week 1:** Engage counsel (₱150K retainer), draft LOI at ₱28M with 72-hour response deadline
- **Week 2-6:** Execute DD (legal, financial, environmental, market validation) - Budget ₱500-800K
- **Week 7:** Go/No-Go decision based on DD findings
- **Week 8-10:** Closing (if approved) - ₱15M down payment, initiate 100-day plan

Budget Summary:

- Purchase price: ₱28M (negotiated from ₱30M)

- DD costs: 1500-800K
- 100-day plan: 1.9M
- Contingency: 2-3M (environmental, permits, staff)
- **Total all-in: 32-34M**

Target minimum return: 3x in 24 months (96M+) to justify risk-adjusted capital allocation

Report prepared by: Verch (PE Fund Due Diligence)

Date: February 9, 2026

Confidential: Internal use only, not for seller distribution

FINAL VERDICT: PROCEED TO DD WITH 128M OFFER

This deal has exceptional risk-adjusted returns driven by land value arbitrage. The operating business is a bonus, not the thesis. Biggest risks are financial opacity and permit transferability, both mitigable through structured DD and deal terms. Recommend moving to LOI submission within 72 hours to test seller's distress level and negotiating posture.