

A man in a blue suit and patterned shirt stands on a city street, smiling. The background shows a building and a blue trash can.

BUSINESS REPORT

Date: **17th May 2024**

Business Reference: **35321**

About the Business:

Gift shop in the Lowveld with a unique offering

This gift shop "" survived "" COVID and is still selling fine and unique craft and gifts to the local market and foreign tourists

Gift shop in the Lowveld with a unique offering



Sector: **Retail**

Asking Price:

R **460,000**

Monthly Profit:

R **20,840**

Asset Value:

R 120,000

Stock Value:

R 360,000

Yearly Net Profit :

R 250,075



Business Report

Fully describe the business's activities?

The business offers a curated selection of inspiring and original South African or African made products
The business is located in a trendy well known country-style shopping center

How long has the business been established?

The business was established in 2009

How long has the owner had the business?

The current owner bought the business in 2010 and has established a unique and stable business culture ever since

How does the business operate on a daily basis?

This shop sells gifts, homeware and craft to the local market and international tourists

* Craft, gifts, homeware, fashion jewelry and children's items are carefully sourced from informal crafters and small independent suppliers

* The business offers NO imported products but focuses on brand South Africa and ""Buy Local""

What Advertising/Marketing is carried out?

Online marketing via Facebook and Instagram.

What competition exists?

According to customers there is no competition in this area - this business has a unique offering and vision.
It is fondly known as the ""Go-To"" gift shop

How did the Covid-19 pandemic impact the business turnover / daily operations?

The business was hit hard by the restrictions brought by the pandemic

Turnover in 2021 dropped to 46% compared to 2020

The owner had savings available to keep afloat - and used the time to restructure aspects of the business

In the 2022 year we saw a remarkable recovery of 44% compared to 2021

Is the business VAT Registered?

The turnover of the business reached the SARS threshold of 1 million before Covid and was obliged to register. A new owner is advised to discuss this with an accountant

Are there up-to-date Management Accounts available?

Management accounts up to Feb 2023 were used in the calculations

An accurate point of sale system is used

What Balance Sheet and Income Statements are available?

All statements since 2013 are available

For this report, the AFS of 2021, 2022 as well as 2023 management accounts were used

How could the profitability of the business be improved?

The owner found that profitability could be improved through the sale of more highly priced and prestigious locally made items - and through targeting the needs of the new on-trend emerging local middle class

What is the total staff complement?

- * The business is managed by the owner (currently from abroad)
She sources the stock, liaises with suppliers and makes strategic business decisions and runs the bank accounts assisted by a bookkeeper and account
- * She is assisted by a lady who has been with the business since inception
The assistant / shop manager is very trustworthy and is able to oversee the shop and serve customers in the absence of the owner when necessary
She unfortunately does not have any further management potential
- * The seller also uses a part time assistant over weekends or in emergencies
- * The Seller can also propose a very capable and hands-on BEE partner for a minority share
This can be a strategic benefit for a new owner that can't be involved on a full time basis
This lady is currently the face of the business , and proves to be an invaluable asset to the business - her role in the running of the business is to be redefined soon

Do any receive special perks or incentives?

Access to WiFi is allowed on the premises.
Remuneration is salary based without commission.

Are they on contract?

The assistant worked on reduced time due to Covid but has resumed a permanent 5 day Employment Contract since April 2022
The current manager is working on a casual basis - but her contractual position should be revised soon

Do any have management potential?

The part time manager is 100% responsible for the day to day management of the business - she is constantly in communication with the seller who is living abroad now

How involved is the Owner in running the business?

The owner is communicating with the manager , and monitor the shop remotely
She is still advising on purchase decisions and is doing EFT payments

When does the current lease end?

The owner has recently signed a renewal on the lease for a period of 3 years until June 2025
The lease amount can be regarded as favorable - compared to alternative options
The Ownership of the Centre is currently being considered by a successful consortium who own a new on-trend shopping Centre in Nelspruit

What are the trading hours?

Weekdays - 9 to 16h30
Saturdays -9 to 16h00
Sundays and Public Holidays - 9 to 14h00
Closed on Christmas and New Years Day only

Is a copy of the lease available?

A copy of the lease is available
Escalation will be at 6%
A lease deposit will be payable by the new owner
(The existing lease would transfer in the event of the Centre ownership changing)

Describe the premises

The business is located in a well known family and tourist friendly Shopping Centre
The shop is well located at the entrance to the Centre and has a large, attractive shopfront

What are the main assets of the business?

The main asset of the business is the unique stock in inventory.
Shop fittings are appropriate for the store. There is a point-of-sale system with supportive hardware

Are any items not included in the sale?

The Suzuki SX4 as mentioned in Financial Statements is not included in the sale. It has been depreciated to Nil and transferred into private ownership

On a lighter note, the shop cat, Makhozi, who is a daily draw card and has a great following of admirers, is NOT For Sale. His well being will be discussed with the new owner. So preferably the new owner should be a cat lover.

How have the assets been valued ?

The current stock level is recorded accurately on the Point of Sale system but needs manual verification.
The shop fittings and POS system are noted at current values not replacement value

Strengths?

- * Although this business was in a vulnerable sector during COVID it has survived and recovered well
- * The business has a Customer Loyalty program of over 400 customers with their contact details recorded on Mailchimp. This program is actively supported and enjoyed by the loyal and regular customers both local and foreign.
- * The business sells " Proudly African " and Buy Local products and prides itself in building sustainable and ethical relationships with suppliers and customers
- * During the COVID period the owner realised that the local market and local tourism is more resilient and supportive than expected
- * Customer enjoyment and satisfaction is endorsed daily

Weaknesses?

- * The business does not have a strong social media presence , but does have weekly postings on Facebook and Instagram which have a reasonable following
- * There is no on-line shop - this can be considered as possible opportunities for a new owner
- * The new owner need to have a good ""feel "" for the industry

Opportunities?

- * The new Landlord will benefit the profile of the whole Shopping Centre
- * It seems like more exclusive and expensive gifts and crafts are selling well - this will give a buyer insight to the potential market
- * The return of foreign tourism
- * THIS CONCEPT CAN BE EASILY BE DUPLICATED ANYWHERE IN S.A . WHERE THE TARGET MARKET IS SIMILAR

Threats?

Hopefully COVID restrictions is a thing of the past

What is the reason for the sale?

The owner has already immigrated

Why is this a good business?

This is a fine resilient and stable business - that has survived COVID lockdown restrictions and the resulting diminished spending power

A person with a passion for beautiful, original and fine things in life will enjoy owning, spending time in and growing this business

..... and remember the cat :)

What is the price plus stock and the profit?

The business is valued and priced at R 800 000

(This includes stock at around R 350 000)

* avg profit / m for the 12 month period - R 32 000* (incl cash sales and add-backs as per seller)

* ROI - about 48%

* Payback - excellent at about 25 months