

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: **10th May 2024**

Business Reference: **35467**

About the Business:

Motivated seller/price negotiable - business in the automotive parts industry

The business has good growth potential. Simple things like expanding into engine parts or creating an online store with easy shipping options would increase the turnover instantly. The only reason that the current owner has not done this is because he has not been in the country and can therefore not oversee these projects personally.

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Sector: Sales & Services

Asking Price:

R 1,850,000

Monthly Profit:

R 116,721

Asset Value:

R 891,900

Stock Value:

R 2,370,000

Yearly Net Profit :

R 1,400,651



Business Report

Fully describe the business's activities?

The business specialise in sourcing and selling loose second hand body spares for all makes of vehicles, new or old. All parts are stripped and shelved for the customer's convenience. They carry a variety of stock such as bonnets, bumpers, boot lids, doors, fenders, tail gates, mirrors, rims, canopies and lights for all makes of vehicles.

Their branches are conveniently located near the major highway routes on the East Rand.

How does the business operate on a daily basis?

All stock is sourced centrally through their salvage yard from a list of regular suppliers. Parts are cleaned, stripped and distributed to their retail stores. The Operations Manager is also the buyer. The Operations Manager as well as their small fleet of vehicles are based at the salvage yard.

Each branch is run by a senior sales person who gets the opportunity once a month to visit the salvage yard and select parts for his branch (normally about 2 truckloads). In addition to this the Manager also visits the shops on a regular basis and drop of stock that they need from time to time.

Parts are also procured through people who come into the stores to sell unwanted parts. Occasionally the business also source and supply new aftermarket body parts (pirate parts) when they cannot supply second hand parts from stock.

The owner has built up a very wide range of stock and his philosophy is "if we buy it, then no one else can", thereby creating a "monopoly" on the East Rand

All unused or obsolete stock is returned to the salvage yard and recycled centrally from the salvage yard. This includes metal (R2.80/kg collected), aluminum, plastic (R2.50/kg for (pp) collected) and cardboard boxes (R1.50/kg dropped off). Average monthly income from recycling amounts to R15 000 which is accounted for in the financials.

What Advertising/Marketing is carried out?

Marketing and advertising is done via:

- Facebook and Instagram
- A strong presence through WhatsApp vehicle and parts groups.

What competition exists?

The business mostly competes with scrapyards and spares shops selling new pirate parts. They probably have the widest selection and range of used body parts panels in Gauteng. It is commonly known in the industry that a used part is of a much higher quality than a pirate part and that it fits much better than a pirate part.

There are two competitors in Pretoria who do exactly what this business does, but they do not really affect this business due to their different geographical location.

How could the profitability of the business be improved?

Profitability can easily be improved by:

- 1 - Creating an online store with adequate shipping offerings;
- 2 - Offering a wider range of new replacement parts (pirate parts);
- 3 - Diversifying into engine parts;
- 4 - Owner presence (probably the biggest opportunity); and
- 5 - Insurance affiliations (insurance company now allows panel beaters to use used parts) .

Give a breakdown of staff/ functions/ length of service?

Most staff have been with the company for at least 6 years. All salesmen have been with the business since the stores opened. Basic functions are:

- receiving, labeling and packing stock; and
- selling of stock.

Do any have management potential?

Not really, although two of the sales people have some potential.

How involved is the Owner in running the business?

The business is currently run without constant owner input as he has been out of the country since 2017. Current owner checks in daily and approves all payments and expenses. This type of business will differentially benefit from hands-on owner involvement.

When does the current lease end?

Store 1 year lease ending 30 June 2025. Store 2 year lease ending 28 February 2025. The salvage yard operates from a plot. The landlord will be prepared to enter into a short term lease (not longer than one year) with the new owner at a monthly rental of R10 000. Provision has been made for this in the financials. According to the Seller, it would be an opportunity for the Buyer to find a suitable replacement premises that can be used as a salvage yard with a sales outlet on the same premises.

The Seller owns one of the premises from where the business operate. The Seller would be prepared to sell the premises at R3.3m (not included in the asking selling price). The premises has other tenants.

Tenants are responsible for utilities, all tenants are individually metered and billed on a monthly basis.

This building generates a monthly net income of R31 040.08

What are the trading hours?

Mondays - Thursdays 8am – 5pm
Fridays: 8am 3pm
Saturdays: 8:30am – 12:30pm
Sundays and public holidays: closed.

What are the main assets of the business?

The main assets of the business is stock and vehicles. Current stock holding is as follows (as at 31 August 2022):

Store 1 - R1 353 675
Store 2 - R1 956 335
Salvage yard - R555 250
Total - R3 865 260

There is a small fleet of vehicles valued at approximately R642,000.

Other fixed assets include:

- Shelving estimated at R100 000 per shop.
- CCTV camera system estimated at R25 000 per shop.

Strengths?

- 1 - Established reputable business on the East Rand.
- 2 - Good variety of suppliers for stock procurement.
- 3 - Knowledgeable staff with many years of experience in the industry.
- 4 - Load shedding does not really impact the business.
- 5 - Strong and growing demand for used spare parts.

Weaknesses?

- 1 - Business has been running on auto pilot for the last 5 years with insufficient expanding and diversifying due to current owner being overseas.
- 2 - General economic conditions affects business profits in general.

Opportunities?

- 1 - The business needs a owner present to take it to the next level.
- 2 - Creating an online store with adequate shipping offerings.
- 3 - Implementing a stock management system will change this business like "night & day"
- 4 - Expanding and diversifying on stock selection (engine parts, larger variety of new pirate parts).
- 5 - Attracting new suppliers.
- 6 - Insurance and panel beater affiliations (insurance company now allows panel beaters to use used parts).
- 7 - Extensive and growing stock holding.

Threats?

- 1 - Lack of oversight by new owner.
- 2 - Reduced supplier list.
- 3 - Political instability in SA.

What is the reason for the sale?

The owner relocated to another continent in 2017.