

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: **18th May 2024**

Business Reference: **35937**

About the Business:

## **Board manufacturer. Assets only due to power restrictions**

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Products of chip boards utilized in manufacturing of coffins and retail outlets. Well maintained assets available for acquisition

# Board manufacturer. Assets only due to power restrictions



Sector: **Manufacturing**

Asking Price:

R **35,000,000**

Monthly Profit:

R **0**

Asset Value:

R **35,000,000**

Stock Value:

R **0**

Yearly Net Profit :

R **0**



# Business Report

## Fully describe the business's activities?

This chip board manufacturer is located in the Midlands and was established in 2007. It has international markets as well as a growing RSA market. The owner has reopened production, but only on a daily basis of 8 hours per day, for 6 days per week. The business was closed due to load shedding affecting production and not being able to keep up with orders received. Some of the staff have been re-employed for the daily shifts.

## How does the business operate on a daily basis?

The production line runs on an 8 hour a day shift for 6 days a week. Sawdust waste, off cuts and log pulp is utilized as the main ingredients for the chip board products. There is a complete chipboard line production from start to finished goods. Includes a six head sanding line, a foiling line and a melamine line. The assets are well maintained and are in good working order.

## What Advertising/Marketing is carried out?

Website was the only advertising and marketing platform utilized other than regular social media that advertised "specials" etc.

## What competition exists?

Large industrial companies, in and around the cities are in competition, but were more expensive than the products supplied from this supplier.

## How could the profitability of the business be improved?

Due to the load shedding "easing" the business has returned to the proper trading status that it was in during the recovery in 2021. The factory is open for business again and production is back on track.

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

All staff were paid retrenchment packages as at 14 May 2023. There is therefore no liability on the company as at this date. Some of these retrenched staff have been re-employed.

### Do any have management potential?

No

### How involved is the Owner in running the business?

The owner is very involved in the business, and is receiving orders from some of his loyal clients that supported him before. This will increase as he markets his range of products to his previous database of clients. New clients are always welcome and the owner will embark on a new marketing drive.

### When does the current lease end?

No Lease as the factory is on the family farm.

### What are the trading hours?

The business operates on a normal daily shift of 8 hours per day.

### What are the main assets of the business?

Main assets are vehicles, and factory equipment such as machines utilized in the chip board production lines.

### Strengths?

The business was in a growth phase prior to heavy load shedding, which destroyed all production schedules, resulting in the owner having to close down the business and to retrench all the staff. The business has now been re-opened and is back in production. Some of the staff have been re-employed.

### Weaknesses?

The business had 16 years of stability and growth, and the owner is very confident that these levels of production and profitability can be achieved once again, as long as the load shedding does not disrupt the working hours to the same extent as it was earlier this year.

## Opportunities?

There are other chip board manufacturing businesses in RSA and there are also international (Zambia and Malawi) clients that can be approached and marketed to again.

## Threats?

The loss of staff livelihoods was a worrying factor as there are few opportunities in the region for them to be re-employed. Some of the staff have now been re-employed and are working again, and this is a positive sign that the business will grow once more, thus creating new job opportunities.

## What is the reason for the sale?

Load shedding created a production loss as the machinery could not sustain perpetual stoppages. The business has now re-opened and production is back on track. The owner will consider potential buyers who will assist in the development of this enterprise. There is scope to once again reach the high level of production and profitability.

## Why is this a good business?

This business was extremely profitable and it was in an upward development phase, which created new "jobs" for the locals. Load shedding was a disaster. The owner has decided to re-open and to work only on a day shift. It will achieve previous levels of production in time and at this stage it is an ideal acquisition opportunity.