

	<i>Investment Opportunity dated on: 13 Oct 2021 Fred Broom</i>
<b>Business Profile :</b>	
<b>Main Business Activity:</b>	<b><i>INVESTMENT OPPORTUNITY – EXPAND IN THE CUSTOM PRINTED FABRIC MARKET</i></b>
<b>FBI Reference Number:</b>	<b><i>Fab1107</i></b>
<b>Industry Sector:</b>	<b><i>Printing of Bespoke Fabric and Wall Papers</i></b>
<b>Business Description:</b>	<p><b>1.INTRODUCTION - Business Profile</b></p> <ul style="list-style-type: none"> <li>• The Company was established in with a view to producing custom printed textiles and wallpapers locally in South Africa and thus circumvent the drawbacks of importing and manufacturing abroad.</li> <li>• The business was started with zero capital investments. The team has organically grown the business and made a name for itself in the Design Industry as a reputable, quality driven and trustworthy company. They have worked with some of the best designers and artists in the country where their printed fabrics and wallpapers are admired consumers.</li> <li>• Textiles was once a thriving industry in South Africa, but as a result of the influx of imports and counterfeit products, the industry has been crippled.</li> <li>• Their mission is to revive the SA textile industry with digital printing being the starting point. Digital printing allows for the production of custom designs in usable formats, it gives designers a platform to showcase their work, and it allows for shorter lead times, lower minimum order requirements and quicker order processes (Especially with the advancements of the Pigment Ink Technologies available from the preferred equipment supplier).</li> </ul> <p><b>The Opportunity</b></p> <ul style="list-style-type: none"> <li>• This Investment Opportunity outlines a major expansion project aimed at establishing the business as a major stakeholder in the custom printed fabric market for South Africa and throughout Africa.</li> <li>• Subject to signing the required NDA/approval from the principal, a flow chart will be provided depicting the current business model and what points will be addressed in order to expand the business.</li> <li>• <b>With control over importing and sourcing their own fabrics for digital printing, they will:</b> <ul style="list-style-type: none"> <li>• Secure consistent supply of suitable quality base materials and prepare materials for digital printing.</li> <li>• Compete in the local and global textile markets from a price and quality perspective. (There are currently very few suitable base materials manufactured/prepared locally for digital printing that</li> </ul> </li> </ul>



- are of the requisite quality, price, and width.)
- Manage the selling prices to their customers and cater for the current market’s needs.
- Control the fabric and wallpaper options available to their customers based on the feedback and experience they have gained whilst working in the industry.
- Enable local businesses the option to digitally print locally at affordable rates to in-turn generate their own revenues.
- **With their own printing equipment, they will:**
  - Be the only wide width custom printed cotton/natural fabric producer in Africa (The machine they seek to acquire also prints onto wallpaper substrates which allows for an even more diverse product offering to the market).
  - Have control over their lead times.
  - Be able to convert digital artwork quickly and easily onto fabrics and wallpapers.
  - Control the quality of print and the prices of printed fabrics and wallpapers per metre or square metre.
  - Assist a broader target market with their digitally printed fabric or wallpaper needs.
  - Be able to service the local décor and fashion fabric and wallpaper sectors.
  - Monopolise the e-commerce market for custom printed fabric and wallpaper by setting up an automated online order system. This system will allow customers the option to upload their own artwork, print their requirements at an affordable price, and have the order shipped within 3-5 days of being placed.
  - Offer an efficient, reliable and quality-driven digital printing solution to individuals as well as large businesses. This e-commerce system/platform will allow for mass customisation as well as service larger bulk quantity orders.

***NOTE: A detailed Business Plan and comprehensive information , including Financial information, SWOT analysis etc. will be provided, Subject to signing the required Confidentiality Agreement (NDA) and the approval from the principal.***

<b>Location:</b>				
<b>Country and Province:</b>	<b>Country:</b>	<b>South Africa</b>	<b>United Kingdom</b>	<b>United States of America</b>
	<b>Province</b>	<b>Gauteng</b>	<b>Depends on new owner</b>	<b>Depends on new owner</b>
<b>City / Town:</b>	<b>Johannesburg Metropolitan Area</b>			
<b>Location:</b>	<b>Light industrial area</b>			

<b>Asking Price/Investment:</b>	Currency:																				
<b>Currency:</b>	ZAR – South African Rand	GBP – British Pound	US\$ - US Dollar																		
	Based on:	1GBP = ZAR20	1US\$ = ZAR17																		
<b>Required Investment:</b>	R 30,000,000.00	£1,500,000	\$1,765,000																		
<b>Inventory - (excluded <input type="checkbox"/> or included <input checked="" type="checkbox"/>)</b>	R 5,000,000.00	£250,000	\$295,000																		
<b>Flexibility about Price/Negotiability:</b>	<p>The required investment includes of R30 million includes CAPEX (Tooling and other assets), initial costs, start-up expenses, pre-production expenses and the required working capital . Detailed information will be provided in the Business Plan, subject to signing and NDA.</p> <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <p style="text-align: center;"><b>Breakdown of Investment Working Capital required.</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;">R's</th> </tr> </thead> <tbody> <tr> <td>Rent deposit</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Commissioning of equipment</td> <td style="text-align: right;">300,000</td> </tr> <tr> <td>Stock (fabric)</td> <td style="text-align: right;">5,000,000</td> </tr> <tr> <td>Furniture and equipment</td> <td style="text-align: right;">1,500,000</td> </tr> <tr> <td>Marketing Budget</td> <td style="text-align: right;">1,000,000</td> </tr> <tr> <td>E-Commerce Set-up</td> <td style="text-align: right;">160,000</td> </tr> <tr> <td>3 months running costs</td> <td style="text-align: right;">2,000,000</td> </tr> <tr> <td style="text-align: center;"><b>TOTAL</b></td> <td style="text-align: right; border: 1px solid black;"><b>10,010,000</b></td> </tr> </tbody> </table> </div>				R's	Rent deposit	50,000	Commissioning of equipment	300,000	Stock (fabric)	5,000,000	Furniture and equipment	1,500,000	Marketing Budget	1,000,000	E-Commerce Set-up	160,000	3 months running costs	2,000,000	<b>TOTAL</b>	<b>10,010,000</b>
	R's																				
Rent deposit	50,000																				
Commissioning of equipment	300,000																				
Stock (fabric)	5,000,000																				
Furniture and equipment	1,500,000																				
Marketing Budget	1,000,000																				
E-Commerce Set-up	160,000																				
3 months running costs	2,000,000																				
<b>TOTAL</b>	<b>10,010,000</b>																				

<b>Financial Information:</b>								
	<b>Currency:</b>				<b>Currency:</b>			
	ZAR	UK £	US \$		ZAR	UK £	US \$	
<b>Turnover/Sales: (Average 5 year forecast)</b>	<b>Annual:</b>	48,897,258	2,444,863	2,876,309	<b>Monthly ave per month:</b>	4,074,772	203,738	239,692
<b>Gross Profit %/ Mark-up %:</b>	<b>Gross Profit %</b>	31%		<b>Mark-up %</b>	46%			
<b>Owner/s Profit: EBITDA – (Average 5 year forecast)</b>	<b>Annual:</b>	7,923,819	396,190	466,107	<b>Monthly ave per month:</b>	660,318	33,016	38,842
<b>ROI % on a Total Investment of R30 million:</b>	26,4	% per annum – Based on the asking price and Average of 5 years EBIDTA						
<b>Other Information :</b>								
<b>Total Number of staff:</b>	<b>TOTAL STAFF</b>		<b>Monthly Staff:</b>		<b>Weekly Staff:</b>		<b>Commission Based</b>	
	17 to 21		11 to 13		4		2 to 4	
<b>Year Established:</b>	<b>Year Established</b>	2017		<b>In current Format</b>		2020		
<b>Ownership:</b>	<b>Sole Proprietor</b>	<b>Partnership</b>		<b>Pty Ltd</b>		<b>Close Corporation</b>		
	-	-		X		-		
<b>Potential to Relocate:</b>	<b>High</b>	Highly portable.						
	<b>Medium</b>	Relocation is possible.						
	<b>Low</b>	Relocation is possible, but not advised.						
	<b>Zero</b>	Relocation is not possible						
<b>Additional Information :</b>								
<b>DISCLAIMER REGARDING INFORMATION -</b>								
<p>1. No representation or warranty, express or implied, is given as to the accuracy or completeness of the contents of this profile.</p> <p>2. The only representations and warranties that will be made are those that may eventually be included</p>								

*in a definitive agreement to the proposed sale of the vendor's interests in the business.*

3. *Neither this profile nor any of the information contained in it, shall form the basis of any contract for such sale, nor does it constitute an offer, invitation or inducement to purchase or acquire any shares in the business or any interest in it.*

## 2. Financial Forecasts

The forecasts summarised below are based on three scenarios:

### Funding Option 1

- To secure a loan for R 30 million repayable over 5 years at a 9% interest rate with no equity to be taken up in the business.
- A notarial Bond could be registered on the equipment as security on the loan.

### Funding Option 2

- Secure a loan for R 20 million to purchase the equipment, repayable over 5 years at a 9% interest rate and a 20% equity stake taken up in the business for a R 10 million capital injection.

### Funding Option 3

- Securing a R 30 million capital injection for a 40% stake in the business. which is negotiable.

**NOTE:** The Detailed Sales and Profit forecast as provided in The Business Plan, are conservative and management believes that substantial long-term growth in sales can be achieved.

#### Extract from Forecasts based on Funding Option 2

*(Secure a loan for R 20 million to purchase the equipment, repayable over 5 years at a 9% interest and take up a negotiated equity stake for R 10 million)*

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income/Sales</b>	<b>27,750,750</b>	<b>38,411,460</b>	<b>49,136,580</b>	<b>59,217,840</b>	<b>69,969,658</b>
<u>Less:</u> Cost of Sales	19,095,360	26,281,868	33,693,542	40,657,862	48,085,555
<b>Gross Profit</b>	<b>8,655,390</b>	<b>12,129,592</b>	<b>15,443,038</b>	<b>18,559,978</b>	<b>21,884,103</b>
Gross Profit %	31.19%	31.58%	31.43%	31.34%	31.28%
<u>Less:</u> Operating Expenses	6,287,166	7,049,769	7,822,367	8,299,293	8,807,739
<b>EBIDTA</b>	<b>2,368,224</b>	<b>5,079,823</b>	<b>7,620,671</b>	<b>10,260,685</b>	<b>13,076,364</b>
% of Sales	8.53	13.22	15.51	17.33	18.69
Interest & Depreciation	4,001,238	3,726,285	3,161,980	2,432,751	1,690,356
<b>Taxable Income</b>	<b>-7,297,182</b>	<b>-9,571,645</b>	<b>-8,964,954</b>	<b>653,979</b>	<b>12,751,759</b>
<b>NPAT</b>	<b>-1,697,182</b>	<b>1,325,537</b>	<b>4,206,691</b>	<b>7,042,359</b>	<b>6,908,784</b>
Return on Sales %	-6.12	3.45	8.56	11.89	9.87

### 3. Production Overview

<b>Location of facility</b>	
<b>Size of facility</b>	Details of the Factory Layout will be provided in the Business Plan
<b>Time frame to set up factory</b>	3 months for installation – 3 months start up to full production

**NOTE: The Graphic showing the planned Factory layout will be provided in The Business Plan.**

### 4. Potential and Strategy – Post Investment

- The business will build on their current customer base.
- They will appoint Sales Representatives and Agents. These Agents or Representatives services' will be dependent on their geographical location.
- Remuneration packages, by commission only or by a combination of Basic Salaries and commissions will be managed within 5% of the turnover.
- They will focus on SEO and online marketing to ensure a strong online presence and to drive steady traffic to the e-commerce platform as one of the main points of sales.
- A strong social media presence with promotion through their artists and they will work with and utilize social media influencers in South Africa, Africa and throughout the globe to reach a broader market.
- Facilitate regular Factory visits and educational/development programmes to showcase the print process and get customers excited to support local manufacture. The development programs will be aimed at creating a stronger desire to understand more about the digital print industry and to hopefully create a greater demand for printed textiles, to in-turn create more jobs in the industry.

### 5. Target Market

- The above process flow is a basic representation of how the business acquires clients by making use of dedicated agents, sales representatives and an e-commerce platform to channel custom printed fabric or wallpaper sales to the print production line.
- A customer would have the choice of printing an exclusive / custom designed artwork OR they have the option to select a pre-existing design from their extensive design catalogue. This catalogue consists of in-house design options (designed by their graphic design team), as well as the unique content offered on the artist's platform.
- The artworks are then approved by the customer where a sample would then need to be printed for



approval in the case of large quantity orders. For e-commerce sales, samples may be requested before committing to printing larger orders or to check if customer is satisfied with the base fabric they select for print via the online shop.

- Once the sample has been approved, the order is sent to the machine for print via an automated print rip software.
- The printed fabric can then be shipped or collected by the customer from the factory dispatch.

**PROOF OF FUNDING REQUIREMENT -**

- Interested parties **MUST** be able to demonstrate that they have access to the required funds or facilities, to finance a transaction, or investment.
- In terms of the Broker's mandate, the Principal will not entertain any discussions, or consent to provide any details or documentation; or accept any offer unless ythe Potential Investor first meet this criteria. The Potential Investor will need to provide proof of these financial requirements in your initial enquiry.

**FULL DETAILS WILL ONLY BE PROVIDED BY THE APPOINTED BROKER SUBJECT TO SIGNING A CONFIDENTIALITY AGREEMENT (NDA), THAT CAN BE DOWNLOADED FROM THIS LINK.**

**Contact Fred Broom at +27 (0) 82 583 4851 E-mail enquiries@fairbro.co.za**

**Gallery/Collage:**

**Note:** The images and the content therein, are provided as examples, including those that are authorised by the Seller in terms of the level of confidentiality.

