

## **CJW Manufacturing – The Opportunity**

CJW Manufacturing Limited was established 51/2 years ago by its current owners Alon Sclosberg and Johav David. Its original founders privately own the Company and in the FY to 31<sup>st</sup> December 2002 had a turnover of £4.2 million per annum with EBITA of £342,408. In the year to 2001 operating profit was £479,549. The reason for the current shareholders' desire to sell is due to the poor health of Alon Schlosberg who has undergone major heart surgery. The founders have agreed to a period of handover and through their long-term association and can be relied upon to be available to act in an advisory role when required in the future. In addition Alon Schlosberg has agreed to continue to act as either a non-executive director or consultant to the company in the capacity of head of design for the foreseeable future.

## **CJW Manufacturing – The Company**

Alon Sclosberg and Johav David had previously founded and operated a business sourcing and distributing gold rings and chains prior to establishing CJW Manufacturing in 1996. The jewellery industry has undergone a dramatic transformation in the last 7 years and Alon and Johav were quick to spot the opportunity and switch from their previous business to establish CJW. Previously jewellery had been manufactured in traditional designs and a pattern of purchase was established amongst female purchasers to collect a set of jewellery and accessories, which included a Diamond Solitaire ring, a solitaire diamond pendant, a pair of diamond earrings and engagement and wedding rings again in traditional style. The existence of sources of smaller diamonds and zirconium and the skilled labour in India amongst other places unused to such traditional constraints of design led to the beginnings of a flow of unusual designs using smaller diamonds in more avant-garde and fashionable designs. Coupled with the lower cost of the materials and more importantly the skilled labour in India this jewellery was available at prices previously unseen in the UK, Europe and USA. CJW was established and through it the founders have created a constantly evolving range of designs at prices previously unheard of in the UK.

The core proposition for CJW Manufacturing's business is: -

**'The company provides fashionable diamond set jewellery at competitive prices coupled with excellence in quality and customer service on which customers have come to rely. As such CJW have become leaders in their niche of the fashion jewellery industry in the UK.'**

## **Manufacturing - CJWs Competitive Advantage**

Having first sourced product line to their own design from a variety of different factories in India CJW eventually provided the seed capital to a known management team to set up a factory with a supply of highly skilled labour in Mumbai, India. This strategy has proven to be a master stroke it provides a long term working relationship with a management team and labour force able to meet the demands of innovation as CJW experiment with new designs as well as the ability to manufacture to the quality, price and delivery deadlines demanded by the UK customer base. The partnership has proven to be highly successful not only enabling CJW to concentrate their efforts on the key added-value tasks of design, sales and marketing in their home base over time its has also reduced the need to travel to brief the factory as there is an established rapport and understanding amongst all members of the respective managements teams.

## **Products and Services**

### **Diamonds sets**

CJW have a range of 1,500 lines of which the major proportion are diamond set jewellery. This includes rings, bracelets, crosses and pendants.

## **Sourcing and supply of Certified Diamonds**

CJW source diamonds and supply these to their customer base. Smaller diamonds are cut in India and larger ones are cut in Israel or Belgium.

## **Staff**

In addition the company employ 2 salesmen who visit customers in wholesale and retail outlets throughout the UK. In addition there are two customer services staff and one member of staff responsible for It who is beginning to develop sales activity through the internet on sites such as e-bay, which is an auction site.

The Company takes stands at two shows per year at which CJW sell directly from the stand. At one show last years show the company sold £400,000 in 4-5 days.

In addition the company employs one full-time bookkeeper and one stock controller.

## **Premises and stock**

The company occupy two retail units of approximately 700 sq ft operated primarily as showrooms/offices and storage owned by the founders. The premises are smart and functional and there seems to be no reason not to continue to operate the business from these premises. It is been agreed a new lease will be created on favourable terms to allow the company to continue to operate from these premises. The company has one safe, and one strong room, which also act as the display area for the stock. The stock comprises very small items bagged and labelled, which are arranged following the sequence in the company catalogue. In this way the stock items can be found when a customer makes reference to the item they wish to purchase form the catalogue.

Stock is valued in the balance sheet on the basis of cost less 25%. This is a convention used to allow for any write-off or re-working of stock. There is approximately £200,000 of stock out of the premises with salesmen or agents at any one time; the rest is stored in the strong room or safe. Stock valuation is in sterling valued at spot prices for gold when manufactured.

## **Valuation of stock**

With stock at current values of £567,000 in the books but the request that full value is obtained for the stock the priced to be paid for stock will be 20% higher than the reported figure to represent a true valuation. Even with stock of £680,000 and sales at £4.5m with a 20% gross margin, this stock represents a stock turn of 5.76 or 2 months stock on average.

## **Company valuation**

We have agreed with the current owners that the company could be acquired for £0.6m plus stock at valuation.

**Dimitri Constantinou**