

MASTER

ACCOUNTING

MASTER'S FINAL WORK

PROJECT

BUSINESS PLAN

FOR ITALIAN RESTAURANT IN PORTUGAL

MATEUS TRIGO CARNEIRO BESSA PEIXOTO

JULY – 2023

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SUPERVISION:

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RESUMO

Este trabalho final de mestrado descreve a viabilidade económica da "Singular", um restaurante italiano que está previsto abrir em 1 de janeiro de 2023. O restaurante irá oferecer pizzas, massas italianas e gelados de iogurte congelados e estará localizado em Marco de Canaveses, a uma hora de distância do Porto.

No âmbito deste trabalho, foi realizada uma extensa pesquisa de mercado na indústria de alimentos e bebidas, tanto a nível global como nacional. Com base nos dados recolhidos, o projeto que se pretende desenvolver oferecerá propostas de valor únicas, que incluem a introdução de gelados de iogurte congelados, serviços de entrega mais baratos e rápidos, e o compromisso com alimentos de qualidade. A análise de viabilidade económica fornece evidências da viabilidade económica do Singular, tendo o Valor Atual Líquido de 598.844,61 euros e uma TIR superior ao custo de oportunidade de capital.

Palavras-chave:

Plano de Negócios, Restaurante Italiano, Análise de Mercado e plano Operacional.

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ABSTRACT

This final master's thesis describes the economic viability of "Singular", an Italian restaurant that is scheduled to open on January 1, 2023. The restaurant will offer pizza, Italian pasta and frozen yogurt ice cream and will be located in Marco de Canaveses, an hour away from Porto. As part of this work, extensive market research was carried out in the food and beverage industry, both globally and nationally. Based on the collected data, the project to be developed will offer unique value propositions, which include the introduction of frozen yogurt ice cream, cheaper and faster delivery services, and the commitment to quality food. The economic viability analysis provides evidence of Singular's economic viability, with a Net Present Value of 598.844,61 euros and an internal rate of return higher than the opportunity cost of capital.

Keywords:

Business plan, Italian Restaurant, Market analysis and Operation plan.

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“Where there's a will, there's a way.”

(William Shakespeare)

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ABREVIATIONS

ASAE - *Autoridade de Segurança Alimentar e Económica*

BJ – Beta

β – Sector Risk

CAPM - Capital asset pricing model

COGS - Cost of Goods Sold

EFSA - European Food Safety Authority

ESS - External Services Supplied

EU – Europe

FCF - Free Cash-Flow

INE - *Instituto Nacional de Estatística*

IRS - *Imposto sobre o Rendimento das Pessoas Singulares*

NPV - Net Present Value

PEST - Political, Economic, Social, and Technological factors

RBT - Resource-Based Theor

RF - Risk Free Interest Rate

RJ - Risk Free Interest Rate

VAT - Value-Added Tax

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1. INTRODUCTION

This project is an exploration of the economic viability of Singular, an Italian restaurant that is set to formally launch its operations in January 2023. The restaurant will offer a variety of food and beverage items, including pizzas, Italian pastas, and frozen yoghurt ice creams. The location of the restaurant will be in Marco de Canaveses, which is situated one hour away from Portugal's second capital, Porto.

Before deciding to launch this venture, was conducted extensive research on the food and beverage industry, both on a global and national scale. The research revealed a growing trend in the market for Italian cuisine, which provided a favourable environment for the launch of a new Italian restaurant.

One of the unique characteristics of Singular is its ability to deliver high-quality food at affordable prices. The restaurant will have its own delivery bikes, which will enable it to offer faster and cheaper delivery services to its customers.

Various financial indicators used at the evaluation stage of this investment project suggest that this project is profitable and, therefore, should be undertaken. Hence, Singular is poised to become a leading Italian restaurant in the region, providing customers with a unique and unforgettable dining experience.

2. LITERATURE REVIEW

Sexton and Bowman-Upton (1991) state that the elaboration of a plan is supposed to always happen before any operational activities initiate for any new company. Mintzberg (1994) argues that formal planning helps business owners to consider different aspects of a business before they begin to carry out the operational actions required by

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the business. It is argued that identification of goals and instruments to be utilized to reach those goals ensures that the risks are mitigated, and the company strategy determined can be effectively executed (Pearce & Robinson, 1988; Wheelen & Hunger, 1998).

Business plans serve an important purpose because they define the enterprise operating strategy, regardless of whether it is a start-up or a matured enterprise looking for expansion of their business (Hormozi et al., 2002). Business planning not only has internal value but also creates value to external stakeholders (Frick, 2016). Similarly, Segal-Horn (1998) refers that business plans are a critical tool which describes the opportunity that the business holds to potential outside investors. For the entrepreneurs in the initial phase of planning of their business that are looking for potential external investors, the assembly of a business plan represents the key-element for the attainment of external capital (Fernández-Guerrero, Revuelo-Taboada, & Simón-Moya, 2012) since it intended as an additional guarantee that the external investors capital will be fully optimized in the upbringing of the business. Effective business plans are contingent upon the harmony of the three different types of planning: financial, cash/working capital and business plan itself.

Financial Plan encapsulates the process of how to attain long term investment to scale up further and how the entrepreneur plans to remunerate stakeholders. Cash/Working Capital Plan defines how the entrepreneur can yearly finance the current operating expenses. Business Plan is the architectural overview on how the entrepreneur will convert an idea into an activity, so it creates a reliable stream of revenue.

The real intrinsic value of a business plan is to be able to mitigate as much as possible potential risks. The lack of planning is correlated with the increase of risk of

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failure (Perry, 2001). This was demonstrated in a study by Shane and Delmar (2004) in their study, it was established that a causal relationship exists between risk reduction and planning (Shane & Delmar, 2004).

A business plan is a critical tool for any entrepreneur who is starting a new business venture. It provides a comprehensive roadmap that outlines the goals, strategies, and tactics required to build and grow a successful enterprise. Several authors have argued that business plans are particularly relevant for startups due to the unique challenges they realize.

One of the key benefits of a business plan is that it enables entrepreneurs to clarify their vision and articulate their goals. By defining their target market, identifying their competition, and outlining their products or services, entrepreneurs can create a clear and compelling value proposition that will resonate with customers. As noted by Spinelli and Adams (2012), "entrepreneurs must be able to clearly and persuasively communicate the nature of their business, the value it will deliver to customers, and the competitive advantage it will enjoy" (p. 30).

Another benefit of a business plan is that it provides a framework for assessing the financial viability of a start-up. By developing financial projections, entrepreneurs can estimate the costs and revenue streams associated with their business and identify potential risks and opportunities. As pointed out by Timmons and Spinelli (2009), "a well-constructed financial plan is an essential tool for managing risk and ensuring that the business is on track to achieve its objectives" (p. 99).

Creating a business plan can curb a potential impulsive negative entrepreneurial behaviour. Zinger argued that the inclination to take rapid action causes founders to make

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decisions prior to having a complete understanding (Zinger & LeBrasseur, 2003). Moreover, a business plan can also serve as a roadmap for securing funding from investors and lenders. As stated by Osterwalder and Pigneur (2010), "investors and lenders will want to see a clear and compelling business plan that demonstrates the viability of the enterprise, the potential for growth, and the ability of the entrepreneur to execute on the plan" (p. 24).

The benefits of preparing a business plan for new companies are also supported by existing theories such as Goal Setting Theory (GST) and Resource Based Theory (RBT). GST, as explained by Locke and Latham (1990), refers to the positive impact on performance because of setting goals (Locke & Latham, 1990). Researchers Locke & Latham (1990) found that individuals who set specific and difficult goals performed better than those who set general and easy goals.

Their research proved that working toward a goal improves motivation, which in turn, improves performance. Start-up business plans are important for determining strategies, but they also require the establishment of objectives from the beginning, and setting these goals facilitates effective implementation as the business progresses (Rousseau, 1997). It is also argued that planning enables objectives to be integrated into human behaviour, which further makes start-up planning essential for the success of that business as set forth by GST (Bandura, Prochaska, & Velicer, 1997).

Initially, a start-up plan provides a foundation upon which the entrepreneur can build a complete and executable idea (Nuttin, 1983). RBT asserts that a planned and purposeful start-up lowers the risk of failure by emphasizes that startups can increase their

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chances of success by intentionally creating a competitive advantage through careful planning and purposeful resource allocation.

According to Miles (2012), a well-designed business plan can significantly lower the risk of failure and enhance a business's ability to achieve its objectives. Therefore, developing a solid business plan is essential for startups looking to thrive in today's competitive marketplace. In addition to this, a startup plan identifies the necessary skills, resources, and information to achieve the chosen objectives and these can act as guidance for the entrepreneur or startup business owner when moving forward (Burstiner, 1997).

In other words, a plan that includes the objectives of a business along with the skills, resources, and information required to fulfil those objectives, creates a framework for entrepreneurial action which can help the business to flourish if executed (Shane & Delmar, 2004). This aspect of start-up business plans conform with RBT that presents the factors necessary to ensure the effectiveness of a business plan (Alvarez & Busenitz, 2001). Although traditional business plans have long been considered a crucial tool for securing funding from venture capitalists, some scholars and practitioners have challenged their relevance in today's business landscape.

For instance, Blank (2013), Gumpert (2002), and Guttman (2015) argue that venture capitalists are increasingly focusing on other factors such as the team's expertise, market research, and product development, rather than relying solely on the information provided in a traditional business plan. As such, while business plans may still be necessary in some cases, they may not be the only or even the most important consideration for venture capitalists when evaluating a startup.

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The literature on business planning for startups presents a range of views, and these views are not always consistent with each other. Gerber (2010) believes that startup plans should be concise, limited to one paragraph that outlines broad objectives without committing too much time or money. Gerber (2010) suggests that traditional business plans tend to be overoptimistic and overly ambitious, leading to unrealistic expectations. Gumpert (2002) warns that entrepreneurs often underestimate the risks of the competitive landscape, resulting in unrealistic performance projections.

On the other hand, Harrison and Thompson (1994) and Castrogiovanni (1996) argue that some successful startups did not have a formal business plan, including Microsoft, Apple, and Federal Express. This suggests that not having a formal plan may not be a barrier to success, but it may depend on other factors such as the industry, market conditions, and the experience and skill set of the entrepreneurs.

From the literature research it became clear that there are differing views among practitioners regarding the necessity and usefulness of traditional business plans for a business such as a restaurant. Some argued that they can be overly optimistic and unrealistic, while others point to successful businesses that did not have formal plans. Ultimately, whether or not to create a formal business plan for the restaurant it will depend on various factors, including the industry prospects, the market conditions (ups and downs), and author's own skill set has an entrepreneur.

3. METHODOLOGY

The elaboration of the present business plan is mainly based on the work of Mckeever (2021), which is a comprehensive and practical guide for entrepreneurs, providing step-by-step instructions on creating an effective business plan.

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Moreover, I analyse the catering sector internationally and then nationally. To do that, I utilize, several statistical websites and news from reliable sources to have a clear picture of the Portuguese state of market. To gather data for the macro and micro – environment, I use PORDATA and BPstat (from Banco de Portugal) websites to take preliminary assessments on how the catering sector is performing, and to have a more accurate perception on how key factors that influence the sustainability of the business are currently behaving and how they will prospectively behave.

Finally, I gather and analyse economic and financial data, and calculate main financial indicators to verify if the current project is profitable.

4. PROJECT JUSTIFICATION

4.1. Industry analysis

TABLE I

AVERAGE RATE (%) OF CHANGE BY INDUSTRY

Years	Agriculture, animal production, hunting, forestry, and fishing	Manufacturing Industries	Accommodation, food service, and related activities	Financial and insurance activities.	Real estate activities
2017	7,8	9	9,9	5,6	14,3
2018	5,5	4,4	0,4	9	6,4
2019	7	1,9	4,9	0,9	-1,4
2020	1,4	-8,5	-37,9	-4,9	-5,6
2021	12,3	17,3	25,9	No Info	8,8

Source: PORDATA (2022).

In the last third of the pandemic period managers got more experiment with managing during Covid-19 pandemic-time so independent pizzerias, substantially increased their profits in relation to the homologous year. A Portuguese example of this would be Ibersol (owner of Pizza hut brand) according to the newspaper “*Dinheiro vivo*” the sales form this group even surpassed the pre-pandemic levels, and in the first 6 months of 2022 the

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consolidated business volume ascended from €134,9 millions in the previous period to €242,1 millions. Besides, catering industry was making a slow recovery in 2021 from the 2020 massive hit, by analysing TABLE I, which indicates that where the sector of Accommodation, food service, and related activities had an astounding growth from -37,9% in 2019 to 25,9% in 2021. This indicates that the accommodation/food industry is surging to pre-pandemic levels of growth and sales, this idea is reinforced in the “Jornal de negócios” in 8th of June 2022 stating that more than half of the companies have already surpassed the pre-pandemic levels or are very close to surpassing.

5. PEST ANALYSIS

The PEST analysis is a framework that can help organizations identify and analyse external macro-environmental factors that may impact their business. As noted by Kotler et al. (2017), "PEST analysis involves scanning the external macro-environmental factors in the organization's environment - political, economic, social, and technological - that can affect its strategy and performance" (p. 53). By conducting a PEST analysis, organizations can gain insights into key trends, opportunities, and threats in their external environment, and use this information to inform strategic decision-making. For example, an organization may use a PEST analysis to identify emerging technologies that could disrupt their industry, or to assess the impact of changes in government regulations on their operations.

5.1. Political Factors

The first major aspect is that starting a pizzeria in a European country is always a great advantage due to the free movement of goods and free movement of capitals. This political clause is beneficial for the restaurant because the restaurant is aiming to be supplied by products from Italy.

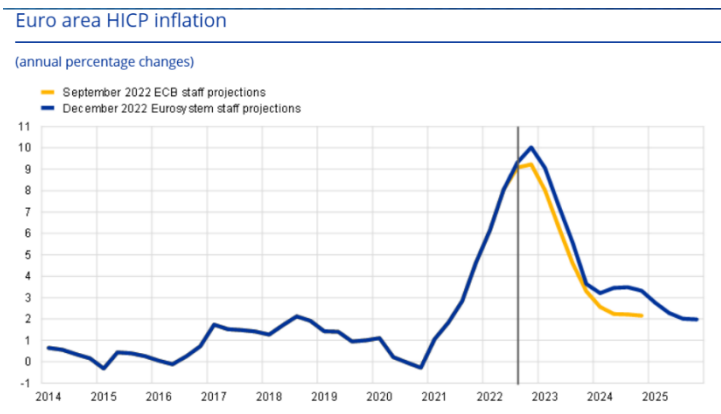
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Singular is a restaurant that evidently deals with edibles so all the production must deal with the fact that some of the foodstuff like meat must take in consideration the public-safety and well-being of the consumers so its fundamental that the legislation regarding the precautions when handling this kind of products to be properly executed. The legislation issued by the EU, Regulation (EC) No. 852/2004 of April 29, 2004, defines the general hygiene rules for foodstuffs and the Regulation (EC) No. 853/2004 of April 29, 2004, lays down specific hygiene rules applicable to foodstuffs of animal origin. Both regulations have as their main objective “to ensure a high level of consumer protection, namely in terms of food safety”. All companies in the EU food sector are subject to the same rules, to ensure the proper functioning of the internal market for products of animal origin. Decree-Laws nº 113/2006 and 223/2008 are the national diplomas that transpose the aforementioned regulations.

5.2. Economic Factors

The economical world stage is being violently shaken by a proxy war triggered by the conflict between Russian Federation and Ukraine. The EU economy had been on a path of strong recovery and growth coming out of the pandemic. But now the EU has met the growth forecast from 4% to 2.7% and has increased its forecast of the expectancy of having higher inflation.

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Source: EUROSISTEM (2022).

FIGURE 1 – Euro area annual inflation Projection.

The war and the inflation shattered many supply chains across Europe. Oliver Carroll, who is the Moscow Correspondent for The Independent. In his article, "Sanctions to war: How Russia's economy became a victim of its Ukrainian adventure" also described the issues of supply lines and the continuous demand that made the costs of many raw materials rise, this led to an increase in costs of food and other basic goods and services, such as heat, wheat, olive oil, and many other.

To fight off inflation the Central European Bank is increasing the principal interest rate, however current level of consumer price index continues to rise as shown in the FIGURE 1. So, it is expected that costs in raw materials will increase. The bank rates will also grow up due to the increase in base points of the Euribor rate.

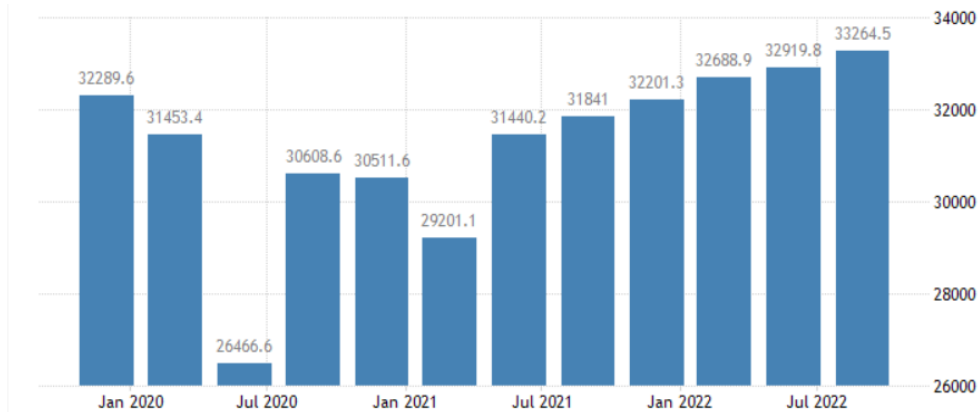
The previous two years and a half were especially felt due to a labour crisis especially felt in the segment of fast food. This crisis triggered by the pandemic, has seen pizza restaurateurs, enduring several challenges. In the first year of the pandemic the labour crisis was especially felt because for many people it felt very uneasy to work in such tight environments with almost to no ventilation, plus the fact that being a pizzaiolo

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is a low wage job, receiving the minimum salary made not worth the risk of being infected with COVID-19, this led to a great shortage of personnel.

Consequently, the labour crisis made the restaurants increase their costs in personnel expense to try to attract workers, plus the managers must take very seriously the hygiene and cleanliness of the place incurring with more expenses. This increase in costs led to many independent restaurants to close their establishments. In 2023, the independent establishments began working on good reward\incentive system or simply pay a higher wage than the minimum, to attract qualified human capital.

Finally, looking specifically at Portugal, the consumer average consumer spending in FIGURE 2 has been steadily increasing from 32.919,80 in the second quarter of 2022 to 33.264,50 in the third quarter of 2022. This data is important for businesses because the more money consumers spend in the economy, the better the businesses tend to perform.



Source: Trading Economics, STATISTICS PORTUGAL.

FIGURE 2 – Portugal Consumer Spending.

5.3. Social Factors

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TABLE II demonstrates that the average annual growth of Marco de Canaveses from 2011 to 2021 is negative, which implies that the consumer base is gradually getting smaller.

TABLE II

RATE OF AVERAGE ANNUAL 7 OF RESIDENT POPULATION (%).

Years	Variation Rate - %			
	1991	2001	2011	2021
Regions				
Baião	-0,842	-0,045	0,852	-1,561
Castelo de Paiva	-0,304	0,488	-0,355	-0,708
Celorico de Basto	-0,54	-0,481	-0,181	-1,294
Cinfães	-0,864	-0,463	-0,928	-1,406
Felgueiras	0,654	1,174	0,081	-0,389
Lousada	1,152	0,508	0,583	-0,005
Marco de Canaveses	0,426	0,857	0,195	-0,757

Source: Censos (2022).

However, TABLE III suggests that even though the overall population is declining, the migration movements are having a positive influx of new residents.

TABLE III

MIGRATORY MOVEMENTS

Resident Population														
TOTAL					Population that has not Changed Municipalities					Immigrants From Other Municipalities				
1960	1981	2001	2011	2021	1960	1981	2001	2011	2021	1960	1981	2001	2011	2021
39 270	46 131	52 149	53 450	49 451	No Info	44 242	50 434	51 826	45 748	343	510	764	656	2 782
Immigrant From Other Countries					Emigrants to Other Municipalities									
1960	1981	2001	2011	2021	1960	1981	2001	2011	2021					
23	272	331	309	558	No Info	705	517	No Info	No Info					

Source: PORDATA (2022).

Finally, the citizens of Portugal, culturally are very traditional in the sense that on a consistent basis they make gatherings with the family. And for many families are a top

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priority, so usually in Marco de Canaveses during the summer and Christmas time there are a lot of Portuguese from all around Portugal and other countries, visiting their families for holidays.

The main product of Singular, is not a typical Portuguese dish so it's rare to find that product outside of specialized restaurants that give a heavy emphasis on the manufacture of pizzas. However, several Portuguese pizzaiolos created their own recipes being the most famous ones Pizza Maritaca, Pizza Fados & Pizza Alma Portuguesa. Nevertheless, no Pizza recipe has never been made a national or even regional symbol of any region in Portugal.

5.4. Technology

Technology has a direct application in restaurants mainly through software's that make facilitate the management.

Also, technology has a big impact in Marketing since the development of social networks is nowadays the prime way a company can promote itself to the public.

6. SEGMENT ANALYSIS

6.1. Porter's Five Forces of Competitive Position Analysis

Porter's Five Forces is a strategic framework that assesses the competitive landscape of an industry based on five key forces: the threat of new entrants, bargaining power of suppliers and buyers, threat of substitutes, and intensity of competitive rivalry. For restaurants, understanding these forces is crucial to evaluate their competitive position within the food service industry. As pointed out by Lai and Wong (2018), by leveraging their strengths and addressing their weaknesses, restaurants can differentiate

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themselves from competitors, enhance customer loyalty, and increase profitability. This can involve offering unique menu items, providing exceptional service, and optimizing their supply chain management to reduce costs.

By carefully assessing the five forces and developing a strategic plan based on this analysis, restaurants can gain a competitive advantage and succeed in a highly competitive market.

6.1.1. Threat of entry of new competitors

The threat of entry of new competitors, is the highest force, because practically it does not require a large initial investment to open a restaurant, so a lot of people are tempted to accumulate savings to open a food & beverages establishment in the future. Furthermore, the fact that the product itself (Pizza) can easily be learned further enlarges the probability of new competition to show up. However, even though Pizza is an easy recipe to learn from ground, learning how to fully master such unique product takes and requires tutoring with experienced pizzaiolos.

The frozen yogurt icecreams is also a product that even though it doesn't exist the region, it surely will open in the future, independently or by franchise. The most notorious examples of franchises are *Weel*, *Lao Lao Gelado* and *Ice it*. Singular is aiming to be a first mover in the region with this product to gain a competitive advantage for the future.

Pastas are a product that suffers from the same characteristics as pizzas, it's easy to learn and manufacture so there's not a big learning curve, and a small pasta restaurant can be opened with a low initial investment.

Singular will have a small fleet of motorbikes to make the distributions. It's very hard for new competitors to have this small fleet incorporated in the operation of their

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restaurant because it requires a lot of knowhows, and because it makes the initial investment larger and riskier to make for anyone who has not made an extensive plan and market research or has background experience on the subject.

There is a lot of bureaucracy and requirements regarding the entry procedure, and it is not easy to obtain diplomas. Since the legislation is highly regulatory with regard to ensuring food safety in order to ensure public health, the prime example for this is the HACCP (Hazard Analysis and Critical Control Points) which is a food safety management system that focuses on identifying and preventing potential hazards in the food production process. In the European Union, the European Food Safety Authority (EFSA) provides guidance on HACCP implementation and monitors compliance with food safety regulations.

6.1.2. Bargaining Power of Suppliers

The suppliers of raw materials will mostly be from Italy and Portugal, but some supplying companies will also be Spanish. It is planned to use Italian companies for the flour, cheese, tomato sauce and pastas, Portuguese companies – for vegetables, drinks, and frozen yogurt icecreams and the Spanish suppliers is planned to help with rest of the ingredients\materials needed to make the operation flow.

All the supply companies Singular will work with are renowned throughout Europe the strongest names are Progelcone, Remy Picot and Seda Ibérica and they supply famous enterprises such has McDonald's, Telepizza, Burger King, etc. Most of the products Singular needs the market offers in abundancy, and by working with the aforementioned companies their supplying process are already streamlined, so occurring substantial fluctuations in the price is rather rare. However, there is one product, flour,

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that is made with wheat coming from Eastern Europe (Ukraine), this made the suppliers raise the price for products like bread and flour due to the war between Ukraine and Russia.

Besides the suppliers, there are many other suppliers in the market that can satisfy Singular's demands so the costs of changing a supplier are not high which means that it's hard for a restaurant to be fully dependent on a specific supplier, increasing the bargaining power of Singular when comparing to the suppliers.

6.1.3. Bargaining Power of Clients

The Bargaining Power of Clients is moderate-high, the reasoning behind this score is because restaurant owners hate raising menu prices, however inflationary pressure gives the restaurants little to no choice. In the USA, a report from the U.S. Department of Agriculture (USDA) showed that the Consumer Price Index for "food-away-from-home" in September 2022 was 4.7% higher than September 2020. The USDA also estimated those prices would increase between 3% and 4% in 2022.

Consumers are aware that costs in general are rising, so having transparency about the impact of inflation on the restaurant and refining the messages that underscore the value consumers receive through quality or uniqueness of these items can help consumers to justify that increased expense finally enticing them to make the ends meet by purchasing their order.

6.1.4. Threat of substitute Products

The market in the city of Marco de Canaveses does not have much competition however we believe that in the future it will have much more because the city is expanding at a rapid pace.

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To manage this threat, we want our products (Pizza and Pasta) to be heavily inspired in the Pastas & Pizzas from the Napoli's region in Italy, even going as far as to send one of our partners of the restaurant to a one-month campaign to Napoli's to fully assimilate their culture and talents and bring it back to Portugal. All this to make our product as unique as possible, decreasing the odds of a substitute product to emerge in the market.

Even though frozen yogurt can inherently be easily copied, the advantage of being a first mover in the market and offering a wide range of personalized options such as solid toppings, liquid toppings, and fruits can help establish an initial loyal consumer base. This is particularly important in the highly competitive food industry, where differentiation and unique offerings can set a brand apart from competitors and attract and retain customers. By providing a customizable experience and unique flavour combinations, a frozen yogurt business can create a strong brand identity and establish a loyal customer base from the outset.

I classify the threat of substitute products as a force of low intensity, since it's not easy to replicate products that have been fully mastered and idealized in another country with the right contacts.

6.1.5. Competition in the industry

Singular brings innovative products and services for the region benefiting of the "first movers" advantage.

The literature review helps to better establish Singular business plan when planning to tackle the competition since the plan itself shades over the RBT that asserts that "a planned and purposeful start up lowers the risk of failure through the creation of

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intentional competitive advantage, and therefore, it is vital for the success of businesses”, the delivery system as aforementioned before will be fully incorporated and not outsourced in order to avoid third party deliverers that charge an extra fee, this will decrease the final price per each delivery in relation to other restaurants.

There are no frozen yoghurts icecreams in Marco de Canaveses and no pastas restaurants so in this sense Singular will be a first mover in these three segments.

Currently there is not much competition in the region however with the potential that the region brings I strongly believe there will be far more competitors in all segments of the market.

7. SWOT ANALYSIS

SWOT analysis is a widely used tool for strategic planning in business. The acronym stands for Strengths, Weaknesses, Opportunities, and Threats. It is a structured approach to evaluate the internal and external factors that can affect an organization’s success. By identifying and analysing these factors, businesses can develop strategies to capitalize on their strengths, minimize their weaknesses, take advantage of opportunities, and mitigate threats.

According to Kim and Mauborgne (2017), SWOT analysis can help businesses assess their current position and identify their strategic goals. The strengths and weaknesses of a business are internal factors, such as the organization’s resources, processes, and capabilities. On the other hand, opportunities and threats are external factors, such as the competition, changes in the market, and technological advancements.

I decided to use the format seen in TABLE IV since I believe it’s the most appropriate to identify the key internal strengths and weaknesses, as well as external opportunities and threats that affect the business. By categorizing opportunities and

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threats based on whether they can be leveraged or defended against by the restaurant strengths, or whether they are restrictions or exacerbated problems by the restaurant weaknesses, you can develop strategies that build on your strengths and mitigate your weaknesses, allowing you to capitalize on opportunities and defend against threats. This format can help me better create a more targeted and effective strategy, enabling the make of better decisions that help grow and strengthen the restaurant.

Using a SWOT analysis with a ranking system has helped me gain a deeper understanding of my business. By assigning a numerical value to each factor, I was able to prioritize and compare them more effectively, helping me to make informed decisions on how to allocate resources and develop strategies for my restaurant.

For instance, I ranked an opportunity as having a high potential for leveraging project's strengths, which is offering unique pizza toppings that are not commonly found in other pizza places (ranked as 40). This helped prioritize resources towards developing and marketing those new menu items. On the other hand, I ranked a weakness as having a very high impact on restricting the project's opportunities, such as a lack of online presence and social media marketing (ranked as 50). This helped prioritize resources towards addressing that weakness by finding creative, low-cost marketing strategies to increase business's online presence.

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SWOT ANALYSIS												
table 1	OPPORTUNITIES	Restrictions (Table 1 + Table 2)				Leverages (Table 1 + Table 2)						
			a)	b)	c)	d)	a)	b)	c)	d)		
		a) No competition in the Pastas and Frozen Yogurt Icecreams	00 - Nul	00 - Nul	00 - Nul	50 - Very High	50 - Very High	50 - Very High	10 - Very Low	50 - Very High		
		b) Lackluster of communication ways (not a lot of transports) (1)	00 - Nul	20 - Low	00 - Nul	00 - Nul	10 - Very Low	10 - Very Low	00 - Nul	40 - High		
		c) Continuous Expansion of the County of Marco de Canaveses	30 - Medium	00 - Nul	40 - High	10 - Very Low	00 - Nul	00 - Nul	00 - Nul	00 - Nul		
	d) Near of Schools	00 - Nul	20 - Low	00 - Nul	50 - Very High	50 - Very High	20 - Low	30 - Medium	00 - Nul			
	THREATS	Problems (Table 1 + Table 2)				Defenses (Table 1 + Table 2)						
			a)	b)	c)	d)	a)	b)	c)	d)		
		a) Inflationary pressures and therefore lower purchasing power from the consumers	00 - Nul	00 - Nul	00 - Nul	00 - Nul	40 - High	30 - Medium	00 - Nul	00 - Nul		
		b) Competition	00 - Nul	50 - Very High	00 - Nul	00 - Nul	50 - Very High	50 - Very High	10 - Very Low	30 - Medium		
c) Easy to copy concepts		00 - Nul	50 - Very High	00 - Nul	00 - Nul	40 - High	50 - Very High	10 - Very Low	20 - Low			
d) Lack of labour force	00 - Nul	30 - Medium	00 - Nul	00 - Nul	00 - Nul	00 - Nul	30 - Medium	50 - Very High				
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">a) Pouco espaço para stock</td> <td style="width: 50%;">a) Marketing</td> </tr> <tr> <td>b) First ever business opening and real managing inexperience</td> <td>b) Innovative Products with High quality</td> </tr> <tr> <td>c) Non-existence of grossista to buy in large quantities</td> <td>c) Close proximity with the county institutions</td> </tr> <tr> <td>d) Limited Operation area</td> <td>d) Experience with restaurants from the partners of Singular</td> </tr> </table>				a) Pouco espaço para stock	a) Marketing	b) First ever business opening and real managing inexperience	b) Innovative Products with High quality	c) Non-existence of grossista to buy in large quantities	c) Close proximity with the county institutions	d) Limited Operation area	d) Experience with restaurants from the partners of Singular
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d) Limited Operation area	d) Experience with restaurants from the partners of Singular											
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center; vertical-align: middle;">WEAKNESSES</td> <td style="width: 50%; text-align: center; vertical-align: middle;">STRENGTHS</td> </tr> </table>				WEAKNESSES	STRENGTHS						
WEAKNESSES	STRENGTHS											
	table 2											

(1) - Considered a strength because Singular will have a Pizza Delivery System incorporated in the operation

Source: Author (2023)

TABLE IV – SWOT ANALYSIS.

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8. COMPETITIVE ANALYSIS

8.1. Main Competition

According to Porter (1980), understanding the strengths and weaknesses of competitors is essential for formulating a successful strategy. Therefore, by recognizing Pizzeria Europa as our primary competition, we can analyse their strengths and weaknesses and use that information to our advantage to succeed in the market. In TABLE V we sum up the main strong points and weak points of pizzeria Europa in relation to what Singular is.

While there are other pizza restaurants in the area, Pizzeria Europa is the most relevant competition for our restaurant for several reasons. Firstly, they have been in business for a long time and have built a loyal customer base. Secondly, their menu offerings are similar to ours, making them a direct competitor. Finally, Pizzeria Europa is a family-owned business, which means that they may not have the resources or capacity for rapid expansion or innovation. This makes them a more stable and predictable competitor to analyse and compete against. Therefore, focusing on Pizzeria Europa as our main competition allows us to develop a more targeted and effective strategy for capturing a share of the local pizza market.

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TABLE V

PIZZERIA EUROPA STRONG POINTS VS WEAK POINTS.

Strong Points	Weak Points
Loyal Costumers	No MarketShare Growth
Experienced Staff	Not price accessible for younger consumers
Excellent Product	No, new experimentations on the recipes
Very comfortable space	Home Delivery's are too expensive
Accessible prices to older consumers	Lack enticing of options for desert

Source: Author (2023).

8.2. Critical Factors for Success

After performing the market research, I concluded that there are three key success factors to prosper in this industry, quality, accessibility, and customizability.

Quality is widely recognized as the main key success factor in the restaurant industry. To ensure that we offer the best quality products in the region, we plan to send one of the partners of the restaurant to Italy to fully master the craft of pizza and pasta making, as mentioned earlier. This is necessary because the pizza industry is highly competitive, and in the future, the competition to acquire a good market share is expected to be even more intense. By learning from the best in the world, we can differentiate ourselves and offer a unique and exclusive product.

We also aim to control the freshness and quality of our raw materials. For instance, we plan to source our vegetables from local suppliers in Portugal. Although this may entail a slightly higher cost compared to other suppliers, we believe it is worth the investment to ensure the best quality for our customers. By adhering to these principles,

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we can establish a strong brand image and effectively market our pizza restaurant to the masses.

Accessibility is a critical factor for the success of our restaurant, as we are located near the county's high schools and basic schools. To cater to our student customers, we plan to offer specific combos and menus at an affordable price point. Additionally, by having our own fleet of delivery vehicles, we can provide a convenient and affordable delivery option to our customers, bringing our pizzas directly to their homes. By prioritizing accessibility, we hope to increase our customer base and establish a strong reputation in the community.

Finally, customizability is one of the key factors that sets our restaurant apart. Our three main product lines – pizzas, pastas, and frozen yogurt ice cream – are highly customizable to suit the taste of any consumer. With pizzas, customers can choose their favourite sauce and toppings. With pastas, customers can select their preferred ingredients, sauce, and type of pasta. Lastly, with frozen yogurt ice cream, customers can add any solid or liquid topping they like. This high level of customizability ensures that our restaurant caters to the individual preferences and tastes of each customer, which can help to build a loyal customer base.

9. DESCRIPTION OF THE PROJECT

9.1. Strategic goals

The first-year goal is to gain a good reputation, by acquiring various certificates from institutions such as ASAE (*Autoridade de Segurança Alimentar e Económica*) which is a Portuguese entity responsible for ensuring compliance with legislation related

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to food safety, consumer protection, and economic activity. It is an independent regulatory authority that operates under the supervision of the Ministry of Economy and Digital Transition. And finally, HACCP (already previously explained) schools, and renown certificates from academies of pizzaiolos.

Also in the first year, one of the goals is to be able to learn as quickly as possible with our mistakes, and for that to happen we must have strong control procedures in the restaurant, allowing to fulfil certain first year goals like:

- Don't overlap the costs planned in the operational Budget.
- Have a maximum of 4% impairment with food.
- Uphold the level of quality of the products.
- Have a low level of labour rotation.

A list of goals, corresponding to the company's vision has been compiled:

- Social inclusion, in the workplace.
- Fighting food waste.
- Energetic sustainability.
- Customer satisfaction with competitive and low prices.
- Sustaining a good long-term relationship with both suppliers and customers by having a transparent relationship.

9.2. Marketing strategy

Marketing Mix

A. Price: To gain traction in the “high school students market segment” we intend to make a special menu for the students by offering a special menu with affordable prices, so we can have those type of costumers on a daily basis at lunch hours.

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As aforementioned before by having our own fleet we won't need to contract third party food delivery services to have cheaper prices when people want a pizza delivered to their home place.

B. Product: The decision to fly one of the partners of singular and enrol them in Pizza Workshops in Napoli's (Italy) was so that we can have an inherently better product than the local competition and second, we will also expose and promote the fact that our chefs went to have workshops in Italy the land of pizza craftsmanship, all in order to have more demand driven by curiosity for the product.

C. Place: As per part of our marketing plan we intend to fully rip-off the benefits of the physical location of the restaurant. The fact that singular is located near the county basic schools and high schools give us a chance to approach the candidate lists of the student associations of high schools and allow us to create partnerships and support school lists in order to expand our brand.

Finally, to market our enterprise in the region we intend to sponsor and support the local cultural activities and football club.

D. Promotion: Singular's Marketing Strategy is already ongoing although still "behind the scenes". Due to the increased development and usage of social networks they currently are the "center of gravity" on how a company showcases itself to the world.

There's a humoristic Instagram page called "A Vida De Um Marcoense", that sits on more than five thousand followers. These followers are all from Marco de Canaveses, this allows us to use this page as a vehicle to introduce Singular to the region masses. Although five thousand doesn't sound like much overall its worth noticing that as aforementioned the five thousand followers are mostly all from the same County of Marco

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de Canaveses. Second even though we only have those number of followers we can reach up to more than fifty thousand views, all generated from potential customers.

In addition to the Instagram page, other advertising methods will be used to publicize the space, such as the distribution of leaflets in houses located in the area as well as the placement of advertising billboards in heavily trafficked places.

9.3. Operation plan: Equipment

Investing in quality equipment can greatly improve the efficiency and profitability of a restaurant, while also ensuring a high level of food quality for customers. As a result, it's important to choose equipment that is well-suited for the needs of the restaurant, and to properly maintain and replace equipment as needed.

The crucial assets depicted in Table VI fulfil the criteria previously established for the restaurant operation.

TABLE VI
KEY FIXED TANGIBLE ASSETS FOR THE OPERATION

Code	Equipment	Brand	Quantity	Average Price per Unit	1st Hand Average Price	2nd Hand Average Price
1	Oven	Stefano Ferrara forni 1x	1	6 000,00	7 500,00	4 500,00
2	Glass Ceramic Stovetop	Bosch	1	400,00	500,00	300,00
3	Refrigerated Display Case	Turbo Air	2	1 250,00	2 000,00	500,00
4	Electric Pasta Pot	Cuisinart	1	65,00	80,00	50,00
5	Refrigerated Storage Units Turbo Air	Turbo Air	1	2 000,00	3 000,00	1 000,00
6	Freezer cabinets	Turbo Air	2	1 400,00	2 000,00	800,00
7	Taylor machine	Taylor	1		3 000,00	N/A
8	Pizza Dough Spiral Mixer	Univex	1	1 550,00	2 000,00	1 100,00
Total				12 665,00	20 080,00	8 250,00

Source: Author (2023).

9.4. Financial Plan

The primary goal of elaborating a financial plan for a pizzeria project is to ensure its financial success by achieving profitability and managing risks effectively.

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The financial plan aims to create a comprehensive portfolio with detailed financial information that outlines the current financial situation of the project and its future financial goals. I have analysed the costs associated with running a restaurant, such as equipment, rent, and staffing, as well as projecting revenue and cash flow based on anticipated sales and marketing efforts.

9.5. Assumptions

The assumptions, presented in Appendices I and II, help build the financial statements for the restaurant. To make the most out of the predictions, the assumptions for taxation, capital expenditures, labour costs and Cost of Goods Sold (COGS) will be from 31/01/2022. In regard to Taxation, the *Auren Fiscal Guide 2022* states that the value added tax will be 23,00%, which is the value defined in by “Código do IVA” - Article 18° being a cost for the restaurant.

Also in the same *Auren Fiscal Guide 2022*, small, micro, or medium-sized businesses that carry out their activities with effective management in territories defined by regulation as "interior" are exempt from a reduced tax rate of 12,5% applicable to the first 25.000 euros of taxable collectable income, according to Article nº 41 of the *Estatuto dos Benefícios Fiscais*. When company's profits exceed 25.000 euros, the IRC rate to be applied is 20,00% according to the legislation in nº 1 of article nº 87 of Código do IRC.

According to the article nº 70 of Código do IRS titled «Mínimo de existência» the entire labor force is exempt from IRS since they equal to the minimum wage or lower. And since its exempt from the IRS, it will not be a cost for Singular. Social security contributions are required and are divided into two parts: the employee's share and the employer's share. The employee's share is typically a percentage of their gross wages or

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salary and is deducted from their paycheck. According to the relevant article, the social security contribution rates are 11,00% for employees and 23,75% for employers.

The indirect labour force, consisting of one person in the position of director who earns a salary of 863 euros per month, must pay 7.00% of IRS according to *Despacho n.º 1296-B/2023, Diário da Republica* Nº18.

The Social Security tax applied is defined in the *Código dos Regimes Contributivos do Sistema Previdencial de Segurança Social* article nº 53 titled “*Valor da Taxa Contributiva Global*” the employee's and employer share respectively 23,75% and 11,00% is typically a percentage of their gross wages or salary and is deducted from their paycheck.

With the exception of bank deposits, the restaurant won't have any no-risk assets. The increase in international prices of energy and food goods has affected other prices as well. The recovery of tourism also made some services more expensive.

According to the Bank of Portugal, commodity prices are expected to grow at a slower pace in 2023 and beyond due to reduced international pressures and measures taken by the European Central Bank. The Harmonized Consumer Price Index (HCPI) is projected to be 5.8% in 2023, 3.3% in 2024, and 2.1% in 2025. While there is no data available for the HCPI projections in 2026 and 2027, it is reasonable to assume that the HCPI will remain constant at 2.1% for these two years.

In order to calculate the Net Present Value, I had to conduct brief research to assess the market interest rates. It is important to note that the company does not depend on external financing, making the interest rates for both short-term and medium/long-term loans negligible.

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To determine the risk-free interest rate (R_f), the yield on 10-year Portuguese government bonds was used as a reference. Specifically, the monthly average for January 1st, 2022, was 0,49%, as recorded by Bank of Portugal. The market risk premium in Portugal ($R_m - R_f$) was estimated to be 9,23% based on information from Damodaran's website in 2022. The beta (β) value was also derived from Damodaran's website, specifically from the restaurant sector, to which the pizzeria belongs. According to available data, the beta value is 0,96 which represents the restaurant's sensitivity to market fluctuations. In this case, a Beta of less than 1 suggests that the restaurant's returns are expected to be slightly less volatile than the overall market. This means that the restaurant's performance may be influenced by general market movements, but to a slightly lesser extent.

The depreciation rates used were from “*Regime das Depreciações e Amortizações para Efeitos do IRC*” and specifically used “*Tabela I – Taxas Específicas*” to allocate the appropriate depreciation rates to each equipment. By doing so, I was able to accurately calculate the depreciation expenses for each equipment and comply with the tax regulations under the IRC.

10. PROVISIONAL SALES

When developing a sales forecast, it's important to consider the impact of seasonality on product demand. In the case of ice cream and the student menu, there is a clear seasonality effect during the months of June, July, and August. It estimated that, in average, the restaurant during the months of June, July, and August, when there is a seasonality effect, 78 medium pizzas, 10 family size pizzas, 68 frozen yogurts, 64 coffees, 15 pastas, and 16 drinks are sold per week. In contrast, the weekly sales for the off-season

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months were 82 medium pizzas, 10 family size pizzas, 43 frozen yogurts, 64 coffees, 15 pastas, and 16 drinks. The sales figures indicate consistent demand for pizzas, frozen yogurts, coffees, pastas, and drinks throughout the year, with slightly higher sales of pizzas during the off-season months. These sales patterns can be attributed to the fact that pizzas and pastas are regarded as convenient and quick meal options for the busy lifestyles of customers, especially those who have time constraints due to work. It was also observed that sales of frozen yogurts were higher during the months of June, July, and August, which can be attributed to the hot summer weather, as people prefer to cool down with iced desserts like frozen yogurt during this season.

10.1. Annual Growth Rate

To establish an accurate growth rate for the pizzeria, I conducted an analysis of a Statista Report and the INE database on the restaurant industry in Portugal.

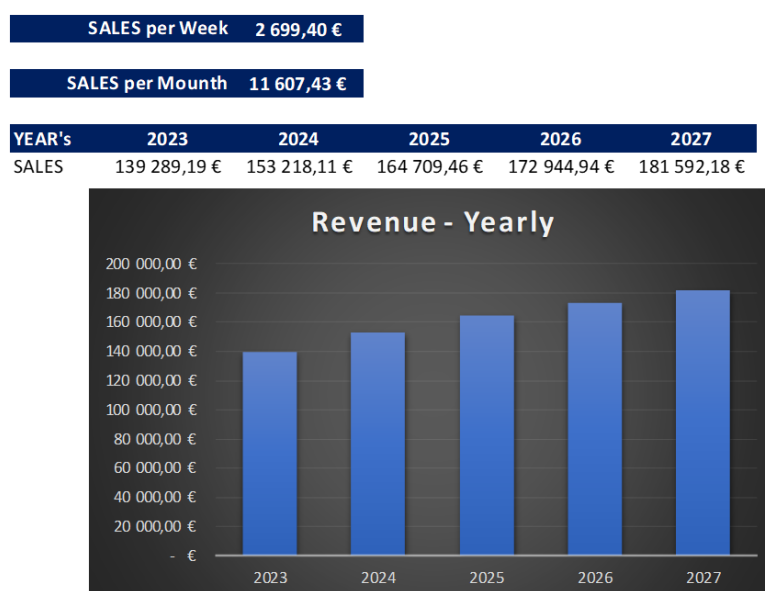
According to the data, the revenue generated by the restaurant industry in Portugal increased from around 13.5 billion euros in 2016 to 14.4 billion euros in 2017, and further increased to 15.1 billion euros in 2018, indicating a growth rate of around 7,00% between 2016 and 2017, and around 5,00% between 2017 and 2018. Between 2018 and 2019, the growth rate was approximately 2,5%, with revenue generated by the industry reaching about 15.5 billion euros in 2019.

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Based on our analysis of macroeconomic data and our marketing strategy, we anticipate that our average growth rate will likely exceed 5%. As shown in FIGURE 3, we expect to see significant increases in sales volume as a result of these new product offerings. With these factors in mind, we are confident in our ability to achieve strong revenue growth and increase our market share in the coming years.

Source: Author (2023).

FIGURE 3 – Predicted Sales per year.

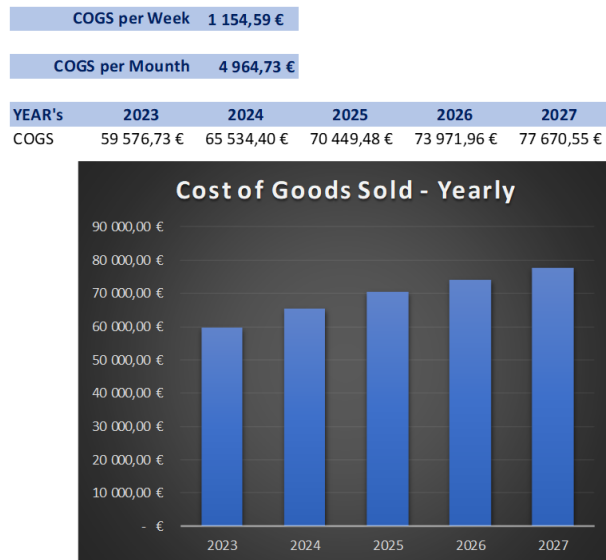


10.2. Cost of Goods Sold

To simplify the computation of COGS in FIGURE 4 I limited the scope of this study, to focus on only four specific types of pizza. According to the Associazione Verace Pizza Napoletana, an organization that certifies Neapolitan pizza makers, the Margherita, Pepperoni, and 4Queijos are among the most famous and sought-after pizzas. In addition to these classics, I have also included a Vegetarian option to accommodate those who do not eat meat. Although there are endless combinations of pizza toppings, I have selected

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these four types in order to make this project more feasible and manageable. We also compute the COGS for pastas, namely Carbonara, Alfredo, and Pesto. Same treatment was applied to the computation of COGS for frozen yogurt.



Source: Author (2023).

FIGURE 4 - Predicted Cost of Goods Sold per year.

10.3. External Services Supplied (ESS)

Regarding the company's external supplies and services (ESS) for operational activity, these can be classified into two types: fixed ESS and variable ESS. Appendix III provides an overview of the monthly ESS values for the company, including a detailed breakdown of fixed and variable ESS.

10.4. Personnel Expenditure

To ensure the quality of the products, experienced employees with experience in the sector will be required. Their salaries will be the national minimum wage. Initially, six employees two in full-time and four in part-time will be required to handle the

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expected production quantities for the first two years. The employees will receive a base salary of 760,00€/month plus the meal allowance which will be 5,48€/per working day. The employer is responsible in covering the global social security contribution of 34,75%. As the sales volume increases and the demand keep growing, an additional direct labour employee will be hired in the third year and onwards. FIGURE 5 predicts the personnel expense per year.

Total Social Security Contributions per year		Total Salary Expense per year	
2023	14 984,20	2023	43 120,00
2024	14 984,20	2024	43 120,00
2025	16 930,20	2025	48 720,00
2026	16 930,20	2026	48 720,00
2027	16 930,20	2027	48 720,00

Total Salary Expense per year	
2023	58 104,20
2024	58 104,20
2025	65 650,20
2026	65 650,20
2027	65 650,20

Source: Author (2023).

FIGURE 5 – Predicted Wage Expense per year.

10.5. Investment

The investment plan outlined forecasts a total investment of approximately 27.356,56 euros in both tangible & intangible assets (more in detail, Appendix IV). Since this is a brand-new restaurant all the investment will be applied in January. Upon examining the projected sales from 2023 to 2027, it is evident that due to sustained high demand, we will require the acquisition of new fixed tangible assets, such as a larger capacity oven, new stoves and one additional delivery Scooter to meet the increasing demand.

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The intangible fixed assets consist of the acquisition of a license for billing software, while the tangible fixed assets comprise the various purchases listed in Appendix IV.

As previously mentioned before the determination of the useful lives of these assets was based on the depreciation rates outlined in the regulatory decree “Regime das Depreciações e Amortizações para efeitos do IRC, Tabela II – Taxas Genéricas” in effect since January 1, 2015, which provide acceptable values for tax purposes.

10.6. Working Capital

To ensure effective operational management of the business, it is essential to calculate the working capital requirements. These requirements are primarily related to clients, inventory, government obligations, and suppliers. It also helps me understand the ability to meet short-term financial obligations, such as paying bills and salaries, and it also provides me with insights about the company's operational efficiency and potential for growth. Effective working capital management can help companies maintain financial stability, improve cash flow, and make informed decisions about investments and financing.

Regarding the costumers in the restaurant industry, it is common for establishments such as pizzerias to produce and serve food upon the customer's request. This production method results in a unique cash conversion cycle, where the time between when the restaurant purchases inventory and when it receives payment from customers can be significantly reduced.

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In the case of a pizzeria, the cash conversion cycle can be reduced to zero, as the restaurant produces the pizza only when a customer places an order. This means that the inventory of raw materials is minimal, and the restaurant does not have to wait for the production and sale of the pizza to receive payment from the customer.

However, while the zero receivable period may appear advantageous for the restaurant, it also presents some challenges. For example, the restaurant must ensure that it always has sufficient inventory to meet customer demand, as running out of ingredients could lead to lost sales and reduced customer satisfaction. Additionally, the restaurant must also manage its payables effectively, ensuring that it pays its suppliers on time to maintain a good business relationship and avoid any disruptions to its supply chain.

Between 2023 and 2027, I consistently maintain an average working capital necessity of -3.328, showcasing an efficient zero cash cycle that not only highlights my commitment to timely payments but also assures suppliers of my reliability in settling financial obligations.

10.7. Financing & Cash-Flow's

The initial investment of 30.000 euros, including supplementary contributions from partners, adequately covers the initial fixed and intangible assets investment of 27.356,56 euros. Furthermore, the cash-flow statements in Appendix V reveal consistently positive cash and cash equivalents at the end of each period from 2023 to 2027. This suggests that the company has sufficient funds to cover ongoing expenses such as wages, raw materials, and external services from current operations without the need for external capital infusion. Profit and Loss Statement can be observed in Appendix VI.

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11. EVALUATION INDICATORS

11.1. Analysis of the Net Present Value (NPV)

The Net Present Value (NPV) is commonly used as a financial tool for evaluating the potential profitability of an investment or a project by estimating its future cash inflows and outflows in present-day terms. It helps in decision-making by determining whether a project or investment is worth pursuing, considering the time value of money and the cost of capital. The criteria for acceptance of a project based on Net Present Value (NPV) analysis are as follows:

If the NPV is positive, the project is acceptable.

If the NPV is zero, the project may be acceptable depending on the specific circumstances and other evaluation factors.

If the NPV is negative, the project is not acceptable.

In other words, a project or investment is deemed acceptable if its NPV is greater than or equal to zero. If the NPV is negative, it indicates that the project is expected to generate losses and is therefore not viable.

I used the pre-financing approach to compute the NPV, since the capital structure consists only of equity, and the discount rate was obtained through the CAPM model:

$$R_j = R_f + \beta_j * (E[R_m] - R_f) = 0,49\% + 0,96 * 9,23\% = 9,35\%$$

Variables: R_j – Risk free interest rate ; β_j – Beta (risk indicator) ;

$$(R_m - R_f) - \text{Market Risk Premium}$$

Since the business in question has no set endpoint and has an indefinite lifespan, the calculation of the Net Present Value (NPV) relies on the assumption that cash flows will continue perpetually. However, taking into account the current economic and

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financial instability caused by the pandemic and the Ukrainian-Russian War, it is prudent to adopt a conservative approach. As such, the long-term growth rate (g) of future cash flows has been assumed to be zero ($g=0\%$). This implies that cash flows will remain constant from 2027 onwards, perpetually.

To calculate the Net present value (NPV) of the cash flows given the cash flow projections and discount rate provided in the Appendices V and VII:

$$\text{NPV} = (\text{FCFF1} / (1 + r)^1) + (\text{FCFF2} / (1 + r)^2) + (\text{FCFF3} / (1 + r)^3) + (\text{FCFF4} / (1 + r)^4) + (\text{FCFF5} / r * (1 / (1 + r)^4))$$

(Note: FCFF1, FCFF2, etc... = Free Cash Flow to Firm period 1, Free Cash Flow to Firm period 2)

The NPV is the Net Present Value r is the discount rate.

Plugging in the given values, we get:

$$\text{NPV} = (30.000) + 10.490,88 / [(1,0935)^1] + 24.370,84 / [(1,0935)^2] + 36.548,22 / [(1,0935)^3] + 52.206,39 / [(1,0935)^4] + (71.442,54 / 0,0935) * [1 / ((1 + 0,0935)^4)]$$

Solving for NPV, we get:

$$\text{NPV} = 598.844,61 \text{ euros.}$$

Therefore, the present value of the cash flows using a discount rate of 1,0935 is 598.844,61 euros.

The NPV being 598.844,61 euros means that the present value of the expected future cash flows is greater than the initial investment. In other words, the investment is expected to generate positive cash flows that are more than enough to cover the initial investment and provide a positive return.

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A positive NPV is generally considered a good indication of the potential profitability of an investment. However, it's important to keep in mind that the NPV is based on certain assumptions, such as the discount rate used and the accuracy of the cash flow projections. Therefore, it's important to perform a sensitivity analysis and consider various scenarios to assess the risks and uncertainties associated with the investment.

11.2. Analysis of the Internal Rate of Return (IRR)

The internal rate of return (IRR) is a financial metric used to determine the profitability of an investment by calculating the rate at which the net present value (NPV) of cash flows becomes zero. Typically, it is used to evaluate projects where cash flows fluctuate between positive and negative values over time.

The Appendix VII establishes an IRR of 61.34%, which suggests a remarkable financial achievement for any business, including a small pizzeria. Furthermore, the project exhibits an efficient Payback Period of 3.00089 years, highlighting the expeditious recovery of the initial investment. These financial metrics collectively underscore the project's strong financial viability.

11.3. Risk & Sensitivity analysis

When dealing with a constantly changing environment, it's important to consider the risks that can affect the assumptions made in this study. That's why risk analysis is an essential tool to obtain a more realistic estimated value and understand how the variation of critical variables can influence the decision in each analysed scenario. This allows for a more informed and accurate approach to decision-making.

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I have chosen the critical variables as private consumption, GDP growth, inflation, and unemployment rate. Private consumption affects the demand for pizzas, and GDP growth can influence private consumption, as well as overall economic conditions. Inflation can affect the prices of inputs and affect consumer behaviour, while the unemployment rate can affect disposable income and overall consumer spending. The scenarios are as follows:¹

Pessimistic scenario (10%):

The GDP only grows by 1.1% in 2023, 1.3% in 2024, and 1.5% in 2025.

The unemployment rate remains high, with 8.5% in 2023, 8.3% in 2024, and 8.1% in 2025.

Inflation rises to 7.5% in 2023, 7.8% in 2024, and 8.0% in 2025.

Private consumption grows only 1.1% in 2023, 1.3% in 2024, and 1.5% in 2025.

Realistic scenario:

The GDP grows by 2.7% in 2023, 2.4% in 2024, and 2.3% in 2025.

The unemployment rate gradually decreases to 6.8% in 2023, 6.7% in 2024, and 6.7% in 2025.

Inflation remains rises around 5.2% in 2023, 3.3% in 2024, and 3.0% in 2025.

Private consumption grows 1.6% in 2023, 1.7% in 2024, and 1.7% in 2025.

Optimistic scenario (10%):

¹ Interest rates used in different scenarios were used from <https://www.bportugal.pt/page/projecoes-economicas>, with exception of Source Private consumption grows and consumer confidence index, which were retried from <https://www.gee.gov.pt/pt/lista-publicacoes/previsoes-para-a-economia-portuguesa/10019-previsoes-para-a-economia-portuguesa-114/file>

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The GDP grows by 3.5% in 2023, 3.8% in 2024, and 4.1% in 2025.

The unemployment rate decreases rapidly to 6.5% in 2023, 6.2% in 2024, and 5.9% in 2025.

Inflation remains controlled, around 1.2% to 1.5% throughout the period.

Private consumption grows 3.5% in 2023, 3.8% in 2024, and 4.1% in 2025.

Some statistics related to private consumption in Portugal include:

Private consumption decreased by 9.9% in 2020 due to the pandemic, but it is expected to recover gradually in the coming years.

The consumer confidence index increased to -18.1 points in January 2022, compared to -22.4 points in December 2021, indicating an improvement in consumers' willingness to spend.

Sensitivity analysis is a technique used in management and finance to evaluate the impact of changes in one or more variables on a financial result or indicator, such as profit, revenue, costs, among others.

There are different methods to perform sensitivity analysis, with two of them being break-even analysis and safety margins.

Break-even analysis is the sales level at which the restaurant has neither profit nor loss. It is the point where revenues are equal to costs. From this point on, each additional sale generates profit for the company. Sensitivity analysis based on break-even involves calculating how many units must be sold to reach the break-even point and then calculating the impact of changes in variables such as selling price, variable costs, and fixed costs on the break-even point.

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Sensitivity analysis (see Appendix VIII) was conducted taking into consideration a realistic scenario, with critical project variables being independent of each other, while holding one variable constant at a time.

After analysing the financial projections of the pizza restaurant, we have identified some important insights that can help the business thrive in the coming years. The calculations showed that, by fixing the sale price, the restaurant needs to sell 1.187,96 pizzas in 2023 to achieve a net present value of zero. Additionally, the analysis showed that the restaurant could reduce its sales by approximately 86,07% without going into negative NPV.

12. BUSINESS MANAGEMENT AND CONTROL MODEL

Singular is a pizzeria restaurant that operates as a limited liability company and will be managed by two partners. To ensure effective management and control, a comprehensive annual budget plan will be developed based on best practices. To ensure continuity regular reviews of key performance indicators such as sales, customer satisfaction, and costs. To maintain quality standards and consistency in the restaurant's products and services, the management team will establish clear procedures and protocols for food preparation, delivery, and customer service. Staff training and development programs will also be implemented to ensure that the team remains knowledgeable and up to date on the latest industry trends and standards.

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13. CONCLUSIONS

In conclusion, the results of this study suggest that the opening of a pizzeria in the proposed location looks promising. Through the analysis of market trends, consumer preferences, and competitive factors, it was found that there is a strong demand for quality pizza in the area.

Furthermore, the financial projections indicate that the pizzeria has the potential to be profitable within a reasonable timeframe. The worst-case scenarios were also considered, and even in these situations, the business was projected to remain financially viable. This suggests that the business is well-positioned to weather any potential challenges and emerge as a successful venture. Regarding future research, it would be relevant to study the feasibility of expanding the pizzeria restaurant to a new location in Penafiel, given its larger population and proximity to Marco de Canaveses.

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APPENDICES

APPENDIX I – Assumptions (I)

Project Maturity		2023	2024	2025	2026	2027
Rate of Sales Growth			10,00%	7,50%	5,00%	5,00%
Inflation Rate		5,80%	3,30%	2,10%	2,10%	2,10%
Salaries						
Part-Time	400,00					
Full-Time	760,00					
Taxes						
IRS	-					
IRC (12,5% in the first 25.000k)	12,50% 20,00%					
Social Contributions (Employer)	23,75%					
Social Contributions (Employee)	11,00%					
Food allowance	5,48 € 22 days					
VAT (Standard - Continent)	23,00%					

Shareholder Equity (Initial Investment)	30 000,00
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Source: Author

APPENDIX II – Assumptions (II)

Assumptions:						
Monetary Unit:	€					
Investment Year	2023					
Year of Beginning of Activity	2023					
Project Maturity		2023	2024	2025	2026	2027
Average Receivables Period (Days)		0	0	0	0	0
Average Payable Period (Days)		36	36	36	36	36
Average Finished Products Inventory (Days)		0	0	0	0	0
Average Raw Materials Inventory (Days)		7	5	4	4	4
Operational Cycle		2	2	2	2	2
Cash Cycle		0	0	0	0	0

Source: Author

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APPENDIX III – Cost of external services per year

ESS - External Supply and Services					2023	2024	2025	2026	2027
Nº Months					12	12	12	12	12
Description	Fix/Variable	VAT Rate	Opening Expen	Average Mounthly Expense	2023	2024	2025	2026	2027
Electricity	ESS - VARIABLE	13%		300	3 808,80	4 315,37	4 729,65	5 065,45	5 425,10
Fuels	ESS - VARIABLE	6%		250	3 174,00	3 596,14	3 941,37	4 221,21	4 520,91
Water	ESS - VARIABLE	23%		400	5 078,40	5 753,83	6 306,19	6 753,93	7 233,46
Other fluids	ESS - VARIABLE	23%		50	634,80	719,23	788,27	844,24	904,18
Tools and utensils	ESS - FIX	23%							
Technical documents	ESS - FIX	23%	50		50,00				
Gifts and presents	ESS - FIX	23%	100		100,00				
Rents and leases	ESS - FIX	23%		450	5 400,00	5 400,00	5 400,00	5 400,00	5 400,00
Communications	ESS - FIX	23%		70	70,00	70,00	70,00	70,00	70,00
Insurance	ESS - FIX	N/A		235	235,00	235,00	235,00	235,00	235,00
Royalties									
Freight transport									
Travel and accommodation	ESS - FIX	23%		50	50,00	50,00	50,00	50,00	50,00
Commissions									
Fees									
Litigation and Notary									
Conservation and repairs	ESS - VARIABLE	23%		150	1 904,40	2 157,69	2 364,82	2 532,73	2 712,55
Advertising and publicity	ESS - VARIABLE	23%							
Billing Software	ESS - FIX	23%		50	600,00	600,00	600,00	600,00	600,00
Cleaning, hygiene, accomodation	ESS - VARIABLE	23%		50	634,80	719,23	788,27	844,24	904,18
Surveillance and security	ESS - FIX	23%		600	600,00				
Specialized work	ESS - VARIABLE	23%							
Other supplies	ESS - VARIABLE	23%							
TOTAL ESS - Fixed Expenditures					7 105,00	6 355,00	6 355,00	6 355,00	6 355,00
TOTAL ESS - Variable Expenditures					15 235,20	17 261,48	18 918,58	20 261,80	21 700,39
TOTAL ESS					22 340,20	23 616,48	25 273,58	26 616,80	28 055,39
VAT					4 163,74	4 334,86	4 615,88	4 843,66	5 087,62
TOTAL ESS + VAT					26 503,94	27 951,34	29 889,46	31 460,47	33 143,02

Source: Author

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APPENDIX IV – Intangible & Tangible Asset's Investment

2023			
Equipement & Machinery			
	Quantity	Unit Cost	Total Cost
Oven	1x	7 500,00 €	7 500,00 €
Glass Ceramic Stovetop	1x	500,00 €	500,00 €
Refrigerated Display Case	2x	1 000,00 €	2 000,00 €
Electric Pasta Pot	1x	80,00 €	80,00 €
Pizza unroller	1x	591,51 €	591,51 €
Dishwashing Machine	1x	288,99 €	288,99 €
Ventilation drive	2x	127,39 €	254,78 €
Refrigerated Storage Units	1x	3 000,00 €	3 000,00 €
Freezer cabinets	2x	1 000,00 €	2 000,00 €
Taylor machine	1x	3 000,00 €	3 000,00 €
Delivery Scooters	3x	300,00 €	900,00 €
Pizza Dough Spiral Mixer	1x	2 000,00 €	2 000,00 €
Furniture and utensils			
	Quantity	Unit Cost	Total Cost
Knife case	1x	120,28 €	120,28 €
Tupperware	16x	5,44 €	86,99 €
Cookware	16x	7,49 €	119,80 €
Cling film	5x	6,15 €	30,75 €
Chopping boards	3x	11,67 €	35,00 €
Food bins ("Cubas")	20x	6,76 €	135,20 €
Mop Buckets	3x	3,33 €	10,00 €
Dish towels	20x	2,00 €	40,00 €
"Guada pizzas"	100x	0,05 €	4,99 €
"Pizza shelf"	1x	24,99 €	24,99 €
Trash bins	4x	19,00 €	76,00 €
Pizza shapes	8x	8,95 €	71,60 €
Tools cabinet	2x	79,64 €	159,28 €
Pizza cutter	5x	8,24 €	41,20 €
Kitchen sink	1x	105,20 €	105,20 €
Pizza delivery bags	4x	20,00 €	80,00 €
Stainless steel sink	1x	300,00 €	300,00 €
Stainless steel countertop	1x	2 000,00 €	2 000,00 €
Instalations			
	Quantity	Unit Cost	Total Cost
Paintings	1x	500,00 €	500,00 €
Electrical Restauration	1x	100,00 €	100,00 €
Water Restauration	1x	100,00 €	100,00 €
Physical Restauration	1x	500,00 €	500,00 €
Software's			
	Quantity	Unit Cost	Total Cost
Software (12x months subscription)	12x	50,00 €	600,00 €
Total			21 064,55 €
VAT			6 292,01 €
Total + IVA			27 356,56 €
Shareholder Equity			30 000,00 €
Investment Politic			
	Capital Invested	% (Total I/FTA)	% Shareholder Cap
Equipement & Machinery	22 115,28 €	105%	74%
Furniture and utensils	3 441,28 €	16%	11%
Instalations	1 200,00 €	6%	4%
Software's	600,00 €	3%	2%

Source: Author

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APPENDIX V – Cash-Flow Statement

Description	2023	2024	2025	2026	2027
Cash-flows from operating activities					
Receipts from costumers	139 289,19	153 218,11	164 709,46	172 944,94	181 592,18
Payments to suppliers	73 837,45	80 357,92	86 281,89	90 667,68	95 298,18
Payments to employees	58 104,20	58 104,20	65 650,20	65 650,20	65 650,20
Cash generated from operations					
Payment/receipt of income tax	0	276,02	0	368,89	807,65
Other receipts/payments					
Adjustment of balances from previous years					
Cash flows from operating activities (1)	7 347,54	14 479,96	12 777,38	16 258,17	19 836,15
Cash flows from investing activities					
Payments for:					
Tangible fixed assets	26 756,66				
Intangible assets	600,00	600,00	600,00	600,00	600,00
Cash flows from investing activities (2)	27 356,66	600,00	600,00	600,00	600,00
Cash flows from financing activities					
Receipts from:					
Funds obtained					
Realization of capital and other equity instruments	30 000,00				
Other financing operations					
Cash flows from financing activities (3)	30 000,00				
Change in cash and cash equivalents (1+2±3)	9 990,88	13 879,96	12 177,38	15 658,17	19 236,15
Cash and cash equivalents at the beggining of the period	500,00	10 490,88	24 370,84	36 548,22	52 206,39
Cash and cash equivalents at the end of the period	10 490,88	24 370,84	36 548,22	52 206,39	71 442,54

Source: Author

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APPENDIX VI – Profit and Loss Statement

PnL Statement	2023	2024	2025	2026	2027
Sales and Services provided	139 289,19	153 218,11	164 709,46	172 944,94	181 592,18
Cost of Goods Sold	59 576,73	65 534,40	70 449,48	73 971,96	77 670,55
External Services Services Supply	22 340,20	23 616,48	25 273,58	26 616,80	28 055,39
Personnel Expenses	58 104,20	58 104,20	65 650,20	65 650,20	65 650,20
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	-731,94	5 963,02	3 336,20	6 705,98	10 216,04
Depreciation and Amortization Expenses/Reversals	3 754,84	3 754,84	3 754,84	3 754,84	3 754,84
Impairment of Depreciable/Amortizable Assets	-	-	-	-	-
EBIT (Earnings Before Interest and Taxes)	-4 486,78	2 208,18	-418,64	2 951,14	6 461,20
Interest and Similar Income Earned	-	-	-	-	-
Interest and Similar Expenses Incurred	-	-	-	-	-
Profit Before Tax	-4 486,78	2 208,18	-418,64	2 951,14	6 461,20
Income Tax Expenses	0	276,02	0	368,89	807,65
Net Profit for the Period	-4 486,78	1 932,16	-418,64	2 582,25	5 653,55

Source: Author

APPENDIX VII – Project Evaluation

Years	0	2023	2024	2025	2026	2027
Free Cash Flow to Firm	-30 000,00	10 490,88	24 370,84	36 548,22	52 206,39	71 442,54

Period	0	1	2	3	4	∞
Years	Beginning 2023	2023	2024	2025	2026	2027
Discounted - Cash-Flows	-30 000,00	9 593,9	20 381,3	27 951,8	36 513,1	534 404,5
Variation in Discounted Cash-Flows	-30 000,00	-20 406,1	-24,8	27 927,0	64 440,1	598 844,6

Net Present Value	598 844,61
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Actualization Rate: [$R_u = R_f + \beta u * (R_m - R_f)$]	9,35%
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R_f 0,49%

$R_m - R_f$ 9,23%

βu 0,96

Discount Factor -> 2023 - 2027 :	1,0935
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IRR	104,24%
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Payback Period	3,00089
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Source: Author

APPENDIX VIII – Sensitivity Analysis

Description	2023			2024			2025			2026			2027		
	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value	Price	Quantity	Value
Medium Size															
Pizza Margherita (Medium Size)	7.99	5 101.03	40 757.22	8.25	5 811.13	46 312.43	8.43	6 031.97	50 831.36	8.60	6 333.56	54 493.76	8.78	6 650.24	58 420.04
Pizza Pepperoni (Medium Size)	7.99	2 580.00	20 614.20	8.25	2 838.00	23 423.92	8.43	3 050.85	25 709.50	8.60	3 203.39	27 561.87	8.78	3 363.56	29 547.71
Pizza 4Cheese's (Medium Size)	13.99	427.54	5 981.32	14.45	470.30	6 796.58	14.76	505.57	7 453.76	15.07	530.85	7 997.23	15.38	557.39	8 573.43
Pizza Vegetarian (Medium Size)	13.99	363.31	5 062.57	14.45	421.65	6 093.48	14.76	453.27	6 688.06	15.07	475.93	7 169.93	15.38	499.73	7 686.52
NY Pizzas Students Menu + Frozen Yogurt + Drink															
Pizza Margherita (2 Slices - Student's Menu + Small F. Yogurt +	5.99	287.49	1 722.04	6.19	316.23	1 956.75	6.32	339.95	2 147.68	6.45	356.95	2 302.42	6.59	374.80	2 468.31
Pizza Pepperoni (2 Slices - Student's Menu + Small F. Yogurt +	5.99	162.17	971.41	6.19	178.39	1 103.81	6.32	191.77	1 211.51	6.45	201.36	1 298.80	6.59	211.42	1 392.38
Pizza 4Cheese's (2 Slices - Student's Menu + Small F. Yogurt +	5.99	0.00	0.00	6.19	0.00	0.00	6.32	0.00	0.00	6.45	0.00	0.00	6.59	0.00	0.00
Pizza Vegetarian (2 Slices - Student's Menu + Small F. Yogurt +	5.99	58.97	353.24	6.19	64.87	401.39	6.32	63.73	440.55	6.45	73.22	472.23	6.59	76.88	506.32
Family Size															
Pizza Margherita (Family Size)	13.99	560.23	7 837.60	14.45	616.25	8 905.86	14.76	662.47	9 774.85	15.07	712.16	10 728.63	15.38	765.57	11 775.48
Pizza Pepperoni (Family Size)	13.99	309.60	4 331.30	14.45	340.56	4 921.66	14.76	366.10	5 401.89	15.07	393.56	5 328.98	15.38	423.08	6 507.50
Pizza 4Cheese's (Family Size)	18.99	132.69	2 519.70	19.62	145.35	2 863.14	20.03	156.30	3 142.51	20.45	168.67	3 449.14	20.88	181.32	3 785.69
Pizza Vegetarian (Family Size)	16.99	132.69	2 254.33	17.55	145.35	2 561.60	17.92	156.30	2 811.54	18.30	168.67	3 065.88	18.68	181.32	3 366.98
Frozen yogurts															
Frozen Yogurts Small	1.49	1 532.23	2 372.42	1.54	1 751.45	2 695.78	1.57	1 882.81	2 958.82	1.60	2 024.02	3 247.53	1.64	2 175.82	3 564.41
Frozen Yogurts Medium	3.99	2 690.57	10 735.38	4.12	2 959.63	12 198.61	4.21	3 181.60	13 388.89	4.30	3 420.22	14 695.31	4.39	3 676.74	16 123.21
Frozen Yogurts Jumbo	6.99	1 444.80	10 099.15	7.22	1 589.28	11 475.67	7.37	1 708.48	12 595.40	7.53	1 836.61	13 824.40	7.69	1 974.36	15 173.32
Coffee															
Normal Coffee/Coffee	0.90	6 604.80	5 944.32	0.93	7 265.28	6 754.53	0.95	7 810.18	7 413.60	0.97	8 395.94	8 136.99	0.99	9 025.63	8 930.95
Pasta															
Pasta Carbonnara	8.99	781.37	7 024.53	9.29	859.51	7 981.97	9.48	923.97	8 760.81	9.68	993.27	9 615.65	9.88	1 067.76	10 553.90
Pasta Alfredo	12.99	309.60	4 021.70	13.42	340.56	4 569.86	13.70	366.10	5 015.77	13.99	393.56	5 505.18	14.28	423.08	6 042.35
Pasta Pesto	8.99	427.54	3 843.61	9.29	470.30	4 367.49	9.48	505.57	4 793.65	9.68	543.49	5 261.39	9.88	584.25	5 774.77
Others															
Fizzy Drinks, Water	1.50	1 695.43	2 543.14	1.55	1 864.97	2 889.77	1.58	2 004.84	3 171.74	1.62	2 155.21	3 481.23	1.65	2 316.85	3 820.91
Total Quantity (Sold)		25 682.06			28 250.26			30 369.03			32 380.63			34 529.80	
Sales			139 289.19			158 274.30			173 717.92			188 256.63			204 040.18
Fixed Costs			7 105.00			6 564.72			6 702.57			6 843.33			6 987.04
Variables Costs			74 811.93			85 528.15			91 244.80			94 234.78			99 371.97
Gross Profit			57 372.26			66 181.44			75 770.55			87 178.52			97 681.18
Contribution Margin			64 477.26			72 746.16			82 473.12			94 021.85			104 668.21
Break-Even Points (Quantity)	2023	2024	2025	2026	2027										
Total Sales Break Even Points (Quantity)	0.11	0.09	0.08	0.07	0.07										
Break-Even Points (Quantity)	2023	2024	2025	2026	2027										
Global Price per year	8.89	9.18	9.37	9.57	9.77										
Total Value Break Even Points (Sales Value)	0.98	0.83	0.76	0.70	0.65										

Source: Author