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Investment Feasibility Analysis in Financial Aspects of Startup Business In Lifestyle Combining Barbershop And Coffee shop Over PT. Jeeva Work Corporation

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PT. Jeeva Works Corporation is a private company in hair cut style for man (Barbershop) and coffee shop especially men who are increasingly happy to be stylish and more aware of their appearance by choosing stylish hairstyles. In addition to lifestyle-related to the appearance of hair, the phenomenon of enjoying coffee at a coffee shop is currently also a part of the lifestyle. Harapan Indah, Bekasi was chosen as an initial location (company home base) after seeing the potential business of the existing Barbershop. The population of men aged in this area between 15 to 54 with 142.300 customers in 2020 on barbershop market share over 52.65% or 74.921 people. In addition, a potential Barbershop combined with coffee shop's potential is also promising in this region. There are coffee shops and coffee enthusiast communities that to support PT. Jeeva Work with continue to grow. The company seized this opportunity by establishing a premium barbershop business which is provide technology to select hair models in menu form with re-modeling applications and provides rapid registration technology by developing an online registration application equipped with coffee shop facilities under Jeeva Barber Coffee brand. In this work, we purpose to analyze a level of investment feasibility. As an initial step, the preparation of the company's, the cash flow was carried out. After that, an investment feasibility analysis was carried out by calculating and analyzing the parameters used which were ROI, P, BEP, PP, and IRR. The results of calculations and analysis of ROI, NPV, BEP, PP, and IRR on the company's investment plan of 6.9 billion shows that the investment is feasible to run. ROI in the 5th year reached 55.16% > the target of 35%. The NPV calculated with WACC was 10.97%, showing a positive value, 2 years 5 months BEP < maximal target in BEP 3 years, 1st investment PP for 2 years 5 months and second investment for 2 years 1 month as expected < 3 years, IRR of 48.81% > minimum interest rate expected by investors of 13.13%.

Keywords: ROI, NPV, BEP, PP, and IRR

1. INTRODUCTION

Having an attractive appearance has become to important requirement due to met by everyone, both women and men. In the past, men often thought that outward appearance is not important. However, men are aware of their appearance. A neat and attractive appearance has become a lifestyle for a man. Thus, the barbershop business is a business that has the potential to seize these opportunities [1]. The PT. Jeeva Works Corporation aims to enliven this business to answer the public expectation especially for men who are increasingly happy to be a stylish and more aware of their appearance by choosing a stylish hairstyle. In addition, the lifestyle-related to the appearance of hair is a phenomenon of enjoying coffee at a coffee shop is currently a part of the lifestyle [2]. Harapan Indah, Bekasi was chosen as the initial location of the company after seeing the business potential of the Barbershop in Harapan Indah and its surroundings. The population of men aged 15 to 54 reaches 142,300 in 2020 with a barbershop market share of 52.65% or 74,921 people. In addition to Barbershop's potential, the coffee shop's potential is also promising in this region. There are

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a coffee shop and coffee enthusiast that continue to grow. The existing market potential is an opportunity for the company. The company seized this opportunity by establishing a premium barbershop business that provides technology in the choice of hair models in the form of re-modeling applications and providing rapid registration technology and online booking by developing an online registration application. Moreover, it is also equipped with coffee shop facilities, under the Jeeva Barber Coffee brand. The company seized this opportunity by establishing a barbershop business that is equipped with coffee shop facilities under the Jeeva Barber Coffee brand. The capital that will be invested to establish 10 outlets amounts to 6.9 billion Rupiah. The investment is carried out in stages over a period of 5 years where there will be 2 outlets in the first year, 3 new outlets in the third year, and 5 new outlets in the fifth year [3]. Before making an investment decision, an analysis needs to be done to determine feasibility level of planned investment from a financial aspect. It is useful to investigate the feasibility to guarantee a achievement of the expected rate of return in the future. Investment is a capital expenditure to expect return or yield in the future. The decision on investment is generally based on investor consideration of expected return and the risks to be faced. The relationship between risk and return is directly proportional. If the return is high, the risk will also be high. Investment feasibility analysis can be understood as an action taken to determine the prospects of an investment project that underlies the decision to accept or reject the investment. The results of the investment analysis will be a consideration for investors in making a decision on investment plans. A method is needed to assess the feasibility of investment to identify the prospects of an investment plan. Later, the prospect of an investment plan will be used as a basis for making decisions on whether to accept or reject the investment to avoid unprofitable investments [4].

2. METHODOLOGY

The investment analysis process was carried out following the financial planning framework. Before the investment feasibility analysis was carried out, income planning, cost planning, capital needs planning, and funding sources planning were conducted during the investment period. The financial planning flow chart is presented in Figure 1. The analytical method was used to calculate the parameters commonly used to determine the feasibility of investment such as Return on Investment (ROI), Net Present Value (NPV), BEP, PP, and IRR.

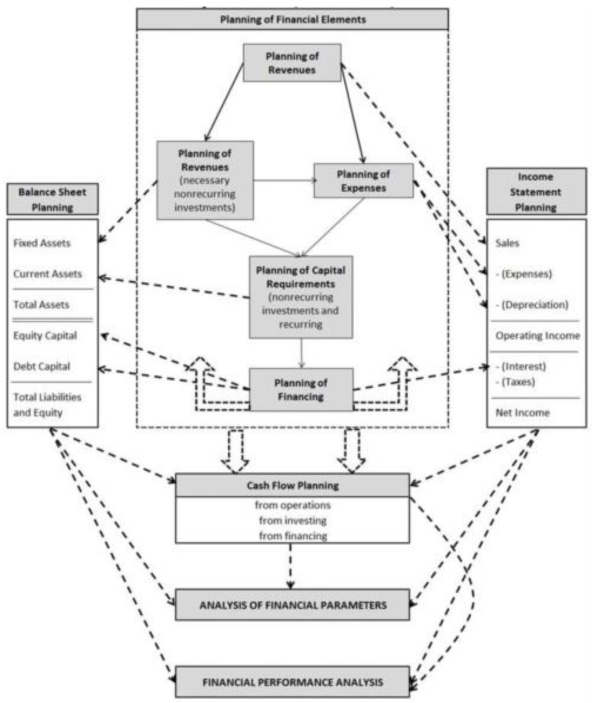

Figure 1. Financial Frameworks [5]

3. RESULT AND DISCUSSION

Calculation parameters to measure the feasibility of investment were made based on financial statements that had been previously prepared. Here, in the year 0 (2020) is a preoperative phase for investment phase 1 while year 3 (2023) is a preoperative phase for investment phase 2, and year 5 (2025) is a preoperative stage for investment phase3. Preoperational expenditure both operating expenditure and capital expenditure in the preoperative stage were recorded by financial statements of subsequent years. After preparing the cash flow plan, the financial feasibility was performed using the ROI, NPV, BEP, PP, and IRR parameters. Return on investment is the result of the number of assets used by the company or a measure of management efficiency. Return on investment shows the results of all assets under control regardless of funding sources. ROI was calculated using the following formula:

$$\text{ROI} = \text{Farming after tax} / \text{Asset} \quad (1)$$

In this study, the parameter was used to assess ROI to achievement target expected by investors. If the value is above the expected target, then the investment plan is feasible. Meanwhile, if the value is below the target, the investment is not feasible. The results of the ROI calculation and achievement targets are listed in table I below.

Table I. ROI of PT. Jeeva Works Corporation

PT. JEEVA WORKS CORPORATION RETURN ON INVESTMENT (ROI) Date : 31 December					
Easiness	Year 1	Year 2	Year 3	Year 4	Year 5
Earning After Tax	592.08 5.050	136.259.3 24	550.619.4 56	1.566.031. 366	4.179.959. 330
Asset	1.007.9 13.950	1.144.173. 274	3.104.792 733	3.787.808. 420	7.577.788. 098
Return on Investment	- 58.74%	11.91%	18.09%	41.34%	55.15%
Target ROI	10%	15%	20%	25%	35%

The net present value is difference between the present value of incoming cash flows and the present value of cash outflows at a specified period. This net present value estimates the present value of a business, asset, or investment based on expected future cash inflows and cash outflows adjusted for the interest rate and initial purchase price. The net present value uses the initial purchase price and the time value of money to calculate the value of an asset. Thus, it can be said that the net present value is the present value of the assets reduced by the initial purchase price. An investment will be received if a positive NPV value is obtained. NPV is the result of the sum of PV expenditure for investment and PV revenue from investment returns. The formula of NPV calculation is as follow:

$$NPV = C0 + (C1/(1+r)) \quad (2)$$

The interest rate used to calculate NPV was WACC (Weighted Average Cost of Capital). The WACC calculation was related to the concept of capital cost. Thus it was calculated using the level of bank debt costs of 10.5%, paid-up capital costs of 13.13% and company cash costs of 6.0%. Calculations made WACC of 10.97%. Table II below visualizes the results of the NPV calculation for 5 years.

Table II. NPV of PT Jeeva Works Corporation

Interest : 10.97%		
Year	Net Cash Flow	Present Value
0	(1.460.284.543)	(1.460.284.543)
1	401.998.972	362.267.457
2	258.221.730	209.701.457
3	1.543.717.402	1.129.745.947
4	919.950.022	606.710.564
5	3.046.874.840	1.810.824.109
	NPV	2.658.964.949

The breakeven point is a certain amount of products or services that have to sell each period to make the company's operational activities not to suffer from losses. If the company can sell more than the breakeven point of sale, the company can start making a profit.

The parameter used to assess the BEP was the target period for achieving the BEP expected by investors. If the period is below the expected target period, then the investment plan is feasible. Meanwhile, if the period is above the target, then the investment is not feasible. BEP calculation results and achievement targets are listed in table III.

Table III. BEP of PT Jeeva Works Corporation

Interest : 48.81%		
Year	**Net Cash Flow**	**Present Value**
0	(1.460.284.543)	(1.460.284.543)
1	401.998.972	270.137.906
2	258.221.730	116.605.001
3	1.543.717.402	468.440.444
4	919.950.022	187.591.438
5	3.046.874.840	417.508.755
	NPV	0.00
	IRR	48.81%

The payback period is the period required to return the value of the investment that has been issued. It is also called the Return period calculated using proceeds or net cash flows. PP shows the comparison between "initial investment" and proceeds. Here, the parameter used to assess PP was the target period for achieving PP expected by investors. If the period is below the expected target period, then the investment plan is feasible. Meanwhile, if the period is above the target, then the investment is not feasible. PP calculation results and achievement targets are listed in table IV.

Table IV. PP of PT Jeeva Works Corporation

BEP	**Barbershop**	**Coffee shop**	**Total**
BEP-Unit	70.522	56.417	126.939
BEP-Rupiah	5.641.733.915	2.820.866.957	8.462.600.872
	Year 1	**Year 2**	**Year 3**
BEP-Rupiah	(8.462.600.872)		
Revenue/year	2.631.378.960	3.069.942.120	7.626.282.633
	(5.831.221.912)	(2.761.279.792)	4.865.002.840
Period (Year)	1	1	0.36
BEP-Year			2.36
Target BEP			<3 Year

IRR is the discount rate that can make the current value of the outlay the same as the current value of the investment proceeds concerned, showing the interest rate that equates the PV expenditure with the PV revenue. If the IRR > interest rate is implied, the project is accepted. In this study, the IRR calculation was done manually by trial and error to get the value of NPV=0. Moreover, the company's IRR calculation can be done using the IRR function in Microsoft Excel. The IRR calculation results are presented in Table VI.

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Table VI. IRR of PT Jeeva Works Corporation

Payback Period	Year 0	Year 1	Year 2	Year 3		
Investment Cash Flow	(1.460.28 4.543)					
Total Net Cash More (less) - cash cover on investment	 (1.460.28 4.543)	401.99 8.972 (1.058. 285.57 2) 1	258.221 .730 (800.06 3.842) 1	1.543.7 17.402 743.65 3.560 0.52		
Payback Period – Invest by 1 year 2.52						
					Year 4	Year 5
Investment Cash Flow Total Net Cash				1.803.1 26.815) 743.65 3.560	919.95 0.022	1.543.7 17.402
More (less) - cash cover on investment				(1.059. 473.25 5) 1	(139.5 23.233)	1.404.1 94.170
Target PP <3 Year						

Based on the results of the calculation and evaluation of financial parameters on the feasibility of start-up business investment, Jeeva Barber Coffee, the analysis results shown in Table VII were obtained.

Table VII. Investment Feasibility Analysis Results

Parameter	Analysis Result
ROI	ROI which was initially negative experienced significant positive growth and at the end of year 5 it reached 55.16%, which showed results> target. A good ROI level indicates that assets are well managed
NPV	The WACC interest rate of 10.97% shows positive results
BEP	The BEP calculation provides information that the break-even point will be reached when sales reach 126,939 units valued at 8,462,600,872 in a period of 2.36 years or 2 years 5 months. BEP period <3 years.
PP	The calculation results show that the initial investment payback period of 1.46 billion will return in 2.52 years. The second investment payback period of 1.80 billion will return in 2.09 years and investment 3 of 3.50 billion cannot be concluded due to data limitations. But investors can still be optimistic that future times will be better. Payback period as expected <3 years.
IRR	The calculation results show an IPP of 48.81%. the minimum interest rate expected by investors is 13.13%. it is seen that investment yields> the expected minimum interest rate.

4. CONCLUSIONS

From all calculations and analysis of financial parameters (ROI, NPV, BEP, PP, and IRR), it can be concluded that the investment planned by PT Jeeva Works Corporation to establish 10 Jeeva Barber Coffee outlets for 5 years is feasible.

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