Masarat · Feasibility studies

Feasibility Study: Specialty Café in Riyadh

Masarat sample work — fictional project, illustrative figures

Disclaimer: this is a sample study that shows our method. Names are fictional and figures are estimates based on stated assumptions — not a guarantee of profit or investment advice.

1. Executive summary

The project is a small specialty café (about 60 m²) in a mixed residential-commercial district of Riyadh, serving specialty coffee, cold drinks and light desserts, with drive-up pick-up and app delivery. It needs an initial investment of SAR 250,000, fully self-funded.

Initial investment	Year-1 revenue	NPV @ 12%
250,000 SAR	**892,500 SAR**	**515,748 SAR**
IRR	Payback	Break-even orders/day
62.3%	**1.9 yrs**	**119**

In the base case (150 orders a day at an average ticket of SAR 17) the café is profitable from year one and pays back in under two years. The conservative case (120 orders, 5% lower price) shows a year-one loss and a negative NPV, because break-even is close (119 orders a day). Recommendation: feasible, provided the site reliably delivers at least 130 orders a day and rent is negotiated at or below SAR 12,000 a month.

2. Project description

- Products: espresso and speciality brews (V60, cold brew), cold drinks, ready desserts from a local supplier.
- Channels: in-store, drive-up pick-up, delivery apps.
- Opening hours: 6:30 am – midnight, 350 trading days a year.
- Team: 4 baristas on two shifts, owner as supervisor.

3. Market study

Speciality coffee culture in Saudi Arabia is growing quickly, with demand concentrated in dense residential districts and office areas. Competition is intense, so the edge here is not price but a main-road site with easy parking, fast drive-up service and consistent bean quality.

Factor	Observation	Implication
Target customers	Employees, students and families within 3 km	Morning and evening peaks
Competitors	3–5 speciality cafés and chains nearby (assumption)	Win on speed and quality
Price level	Speciality drinks SAR 15–22	Average ticket SAR 17
Seasonality	Higher in winter and Ramadan evenings	Summer cold-drink offers

4. Technical and operational study

Investment item	Amount (SAR)
Fit-out and décor	120,000
Equipment (espresso machine, grinders, fridges, POS)	90,000
Licences and set-up	15,000
Opening stock, pre-opening and launch marketing	25,000
Total	**250,000**

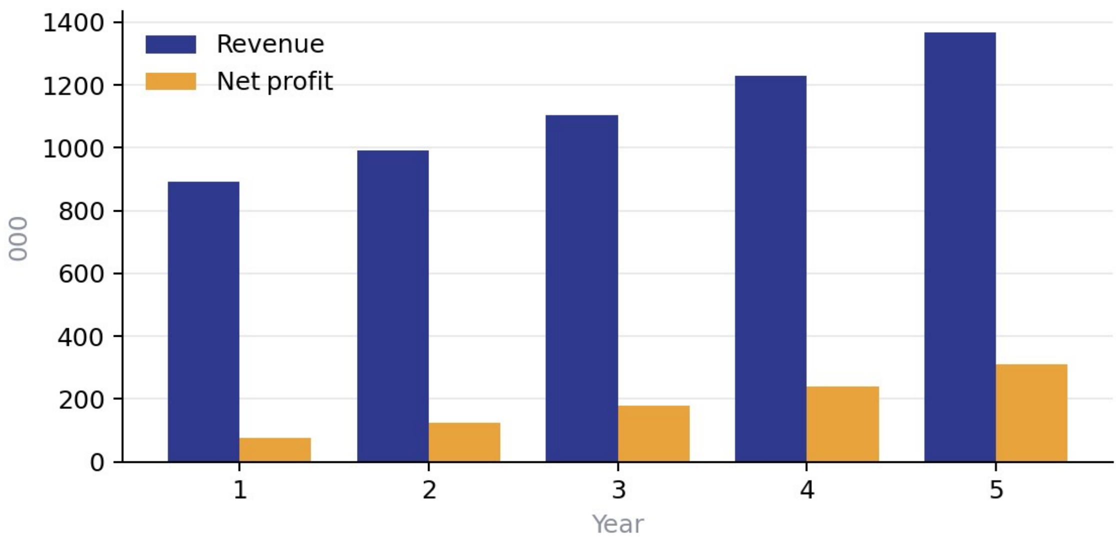
Fixed monthly costs	Amount (SAR)
Rent	12,000
Salaries (4 baristas)	20,000
Utilities and internet	2,500
Marketing	3,000
Other (maintenance, subscriptions, app fees)	2,500
Total	**40,000**

Direct costs are estimated at 32% of sales (beans, milk, cups, desserts and payment fees).

5. Financial study

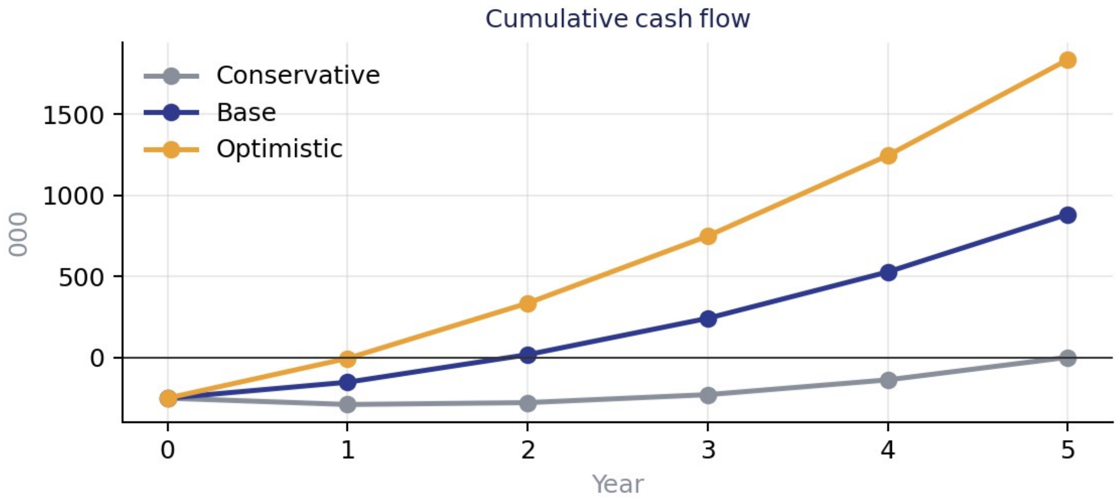
Projected income statement, base case (SAR):

Item	1	2	3	4	5
Revenue	892,500	992,817	1,104,410	1,228,545	1,366,634
Direct costs	(285,600)	(317,701)	(353,411)	(393,134)	(437,323)
Fixed costs	(480,000)	(499,200)	(519,168)	(539,935)	(561,532)
EBITDA	126,900	175,916	231,831	295,476	367,779
Depreciation	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Zakat (simplified)	(1,923)	(3,148)	(4,546)	(6,137)	(7,944)
Net profit	**74,978**	**122,768**	**177,285**	**239,339**	**309,834**
Free cash flow	98,203	169,758	223,937	285,615	355,692



Scenario comparison:

Indicator	Conservative	Base	Optimistic
Year-1 revenue	678,300	892,500	1,124,550
Year-1 net profit	(68,756)	74,978	228,827
Year-5 net profit	92,376	309,834	545,415
NPV	(103,937)	515,748	1,184,630
IRR	0.1%	62.3%	121.4%
Payback	5.0 yrs	1.9 yrs	1.0 yrs


Cumulative cash flow
Conservative
Base
Optimistic
1500
1000
500
0
000
0
1
2
3
4
5
Year

6. Risks and mitigation

Risk	Likelihood	Mitigation
Lower footfall than expected	Medium	Count site traffic before signing; loyalty programme from month one
Rent increase at renewal	Medium	Three-year lease with a fixed escalation
Staff turnover	High	Sales incentives and a standard training routine
Coffee price rises	Medium	Quarterly supply contract; review prices every six months

7. Recommendation

The café is financially feasible in the base and optimistic cases and highly sensitive to daily order volume. We recommend proceeding after a field check of the site, and holding a cash reserve of at least three months of fixed costs (about SAR 120,000) on top of the initial investment.

Appendix: key assumptions

Assumption	Value
Orders per day (base)	150
Average ticket	17 SAR
Trading days	350
Annual volume growth	8%
Annual price increase	3%
Direct cost	32%
Fixed-cost inflation	4%
Zakat (simplified, % of profit)	2.5%
Discount rate	12%
Conservative / optimistic	Volume ×0.8, price ×0.95 / volume ×1.2, price ×1.05

The full Excel financial model is attached; change any assumption and every result updates instantly.