THE American Journal of Humanities and Social Sciences Research (THE AJHSSR) 2026

E-ISSN: 2581-8868
Volume-09, Issue-05, pp-70-78
www.theajhssr.com Crossref DOI: https://doi.org/10.56805/ajhssr
Research Paper Open Access

Doce Minho Ltd
Business Plan and Financial Feasibility Study

[1]Ana Margarida Costa, [2]Marina Marques, [3]João Santos, [4]David Couto, [5]Adalmiro Pereira, [6]Tânia Teixeira

[1,2,3,4]*ISCAP-P Porto*

[5,6]*ISCAP-P Porto teacher; CEOS member*

ABSTRACT

The aim of this work is to develop a business plan and financial feasibility study for a fictitious company created for this purpose: Doce Minho Lda, an artisanal pastry shop and café to begin operations in Braga in 2025. The choice of this concept is based on the identification of a market opportunity in the segment of high-quality artisanal products, in a context of increasing appreciation for authenticity and regional gastronomic tradition by the Portuguese consumer.

The methodology adopted prioritizes conservative assumptions that are duly grounded in external sources, namely the Bank of Portugal, the National Institute of Statistics (INE), the European Central Bank (ECB), Damodaran, the Corporate Income Tax Code (IRC), and the Labor Code (Labor Code), in order to guarantee the credibility and robustness of the conclusions obtained.

KEYWORDS: Investment Projects; financial risk; NPV; IRR; Payback

1. INTRODUCTION

The study is organized into several sections. After the executive summary, the company is identified and characterized, followed by an analysis of the market, products, and services. Next, the macroeconomic and operational assumptions that underpin the financial model are defined, as well as the investment plan and sources of financing. The central component of the work corresponds to the financial projections for a five-year horizon (2025 to 2030), including the income statement, the projected balance sheet, and the cash flow analysis. Finally, the main criteria for evaluating investment projects are calculated and interpreted, namely NPV, IRR, payback period, and breakeven point, and the most relevant financial ratios are presented.

2. EXECUTIVE SUMMARY

Doce Minho Lda is a catering company specializing in artisanal pastries and cafeteria services, starting operations in Braga in 2025. The project combines Minho's gastronomic tradition with structured financial management, aiming to capture the growing demand for quality artisanal products in one of the most dynamic university cities in Northern Portugal.

The initial investment totals €71,700, financed 40% by equity (€20,000 of share capital + €11,754 of supplementary contributions = €31,754) and 60% by debt (two bank loans of €22,000 at 4% and €28,000 at 5%, totaling €50,000). The business model is based on two revenue pillars: cafeteria services (on-site consumption) and the sale of packaged pastries for consumption off-premises.

Financial projections for the next 5 years reveal a robust and sustained growth trajectory, with positive EBITDA in the first full year of operation (2026) and Net Income growing from €4,874 in 2026 to €21,701 in 2030. The project presents favorable viability indicators, with a positive NPV of €48,320 and an IRR of 23.52%, confirming the attractiveness of the investment.

Indicator	Value
Total Investment (CAPEX)	€71,700
— of which Remodeling Works	€25,000
Share Capital	€20,000
Total Equity	€31,754
Bank Financing	€50,000 (2 loans: 4% and 5%)
WACC	5.18%
VAL (with Residual Value, post-finance)	€48,320
IRR (post-financing)	23.52%
Payback (post-financing)	4.61 years
EBITDA Margin (2026)	10.2%
Net Profit Margin (2026)	3.1%
Financial Autonomy (2028)	50.2%

Table1Data table

1. Company Identification

Doce Minho Lda was born from the identification of a market opportunity in the artisanal pastry segment in Braga. The project is based on the premise that today's consumer increasingly values authenticity, quality ingredients, and a differentiated experience compared to large restaurant chains. The Minho region, with its strong tradition in regional cakes, convent sweets, and artisanal pastry products, offers a cultural context conducive to the development of this concept.

The company's mission is to create a landmark space in the city where customers can enjoy pastries made with traditional recipes, quality local ingredients, and personalized service.

1.1 Company Characterization

Doce Minho Lda is a limited liability company established in 2025, headquartered in Braga, classified under CAE 56107 - Other Supply of Meals and Beverages. Its main activity consists of operating an artisanal pastry and coffee shop, producing its own cakes, pastries, sweets, and hot and cold drinks.

The establishment occupies a rented commercial space in Braga, with a monthly rent of €1,600, reflecting realistic values for a commercial space with visibility in the city. The space was adapted and equipped with an initial investment of €71,700, including remodeling works (€25,000), pastry and cafeteria equipment (€30,000), furniture and decoration (€12,000), administrative equipment (€3,500) and management software (€1,200). The initial team consists of the managing partner (€1,500/month) and an operational employee (€900/month), with plans to hire a second operational employee from 2028 onwards, keeping pace with the growth in business volume.

2. MARKET, PRODUCTS AND SERVICES

2.1 Market Analysis

Braga is the third largest city in Portugal and one of the municipalities with the highest population growth in the last decade, driven by the University of Minho, increasing tourism, and the establishment of technology companies. The artisanal pastry market in Portugal has registered consistent growth, benefiting from the trend of valuing local products and a consumer who is more informed about ingredients and production processes.

2.2 Customers and Suppliers

The target customer profile includes three segments:

(i) Local residents of working age (25-55 years) who regularly consume coffee and pastries;
(ii) university students looking for spaces to study and socialize;
(iii)Tourists are drawn to the regional cuisine.

The average payment term to suppliers is 30 days.

2.3 Competitors

The pastry and coffee shop market in Braga is moderately competitive, with a presence of traditional establishments, national and international chains, and independent coffee shops. Doce Minho Lda positions itself in the premium-artisanal segment, differentiating itself from chains through quality and authenticity.

2.4 Products and Services

The commercial offer is organized into two revenue streams:

Product Line	VAT	CMS	2025 (1 month)	Variat. 2026	Variat. 2027	Variat. 2028
Cafeteria services (eat-in)	13%	32%	8,500 €	+10%	+12%	+8%
Packaged Pastries (take-away)	13%	35%	3,200 €	+8%	+10%	+7%

Table2Products and services

PMR: 5 days — payment mostly in cash (cash, card, MB Way). DMI: 7 days (fresh products). PMP: 30 days.

3. ASSUMPTIONS

3.1 Macroeconomic and Fiscal Assumptions

Parameter	Value	Source / Note
Inflation Rate	2.5%/year	ECB projection for the Eurozone
Compensation Growth	2.0%/year	Historical evolution of wages in Portugal
IRC	21%	IRC Code 2025
Municipal Surcharge	1.5%	Municipality of Braga
Social Security Company	23.75%	Tax Code
Social Security Collaborators	11.0%	Tax Code
Report Tax Losses	12 years	IRC Code — Micro Entities
Intermediate VAT (restaurants)	13%	CIVA — intermediate rate
Standard VAT	23%	CIVA — standard rate

Table3Macroeconomic and fiscal assumptions

3.2 Operational Activity

FSE — External Supplies and Services (monthly values)

FSE Heading	Monthly Value	Annual Value (2026)	Nature
Rents and Leases	1,600 €	€19,680	Fixed
Electricity	650 €	€7,995	Fixed
Cleaning and Hygiene	150 €	1,845 €	Fixed
Fees (Accounting)	180 €	2,214 €	Fixed
Insurance (Multi-risk)	180 €	2,214 €	Fixed
Communication (Internet/Tel.)	80 €	984 €	Fixed
Water	80 €	984 €	Fixed

FSE Heading	Monthly Value	Annual Value (2026)	Nature
Conservation and Repair	100 €	1,230 €	Fixed
Advertising and Publicity	200 €	€2,460	Fixed
Specialized Services	200 €	€2,460	Fixed
Tools and Utensils	120 €	1,476 €	Fixed
PPE (Personal Protective Equipment)	25 €	308 €	Fixed
Office Supplies	30 €	369 €	Fixed
TOTAL FSE	€3,595	~€41,451	—

Table4FSE

Personnel Expenses

Category	Base salary/month	2025	2026	2027	2028–2030
Management (managing partner)	1,500 €	1	1	1	1
Operational staff (counter clerk/pastry chef)	900 €	1	1	1	2
Sub. Food (daily)	6.00 €	—	—	—	—
Annual training (legal: 40 hours/work)	70 €/month	—	—	—	—

Table5Personnel expenses

4. INVESTMENT AND FINANCING ACTIVITY

4.1 Capital Expenditure Plan (CAPEX)

Active	Useful Life	Year 0 (2025)	Year 2 (2027)
Remodeling Works (space adaptation)	10 years	€25,000	—
Basic equipment (ovens, coffee machines, display case)	10 years	30,000 €	2,500 €
Administrative Equipment (POS, cash register)	5 years	3,500 €	—
Other Tangible Assets (furniture, counter)	8 years	12,000 €	—
Computer Programs (Management Software)	3 years	1,200 €	—
TOTAL CAPEX	—	€71,700	2,500 €

Table6CAPEX

The investment in renovations (€25,000) is essential for adapting the space to the legal and hygiene requirements of a pastry shop: ventilation, fume extraction, food-grade coatings, and electrical installations. The additional investment in 2027 (€2,500) corresponds to the acquisition of equipment to support the projected growth.

4.2 Funding Sources

Source	Value	Conditions
Share Capital	€20,000	Capital invested in the constitution
Supplementary benefits (auto)	€11,754	Supplement to share capital
Total Equity (40%)	€31,754	—
Bank Loan 1	€22,000	4% p.a. | 8 years | 1 year grace period
Bank Loan 2	€28,000	5% p.a. | 7 years | 1 year grace period
Total Third-Party Capital (60%)	50,000 €	—
TOTAL FINANCING	€81,754	Structure 40/60 CP/CA

Table7Funding sources

The 40/60 structure is suitable for the project's risk profile. The two loans have different conditions: Loan 1 (4%, 8 years) was structured to finance long-term investment (construction and heavy equipment), while Loan 2 (5%, 7 years) covers complementary equipment and initial working capital. Both have a 1-year grace period to alleviate financial pressure at startup.

The dividend policy foresees a 0% distribution in the first two years of activity (2025–2026) to strengthen equity and treasury, resuming the 20% distribution from 2027 onwards.

5. FINANCIAL PROJECTIONS

5.1 Statement of Results

Heading	2025	2026	2027	2028	2029	2030
Sales and Services Provided	€11,700	€157,514	€179,954	€198,718	€215,369	€231,211
Costo of Sales	(3,840 €)	(51,680 €)	(59,023 €)	(65,167 €)	(70,615 €)	(75,797 €)
FSE	(3,370 €)	(€41,451)	(€42,487)	(€43,549)	(€44,638)	(€45,754)
Personnel Expenses	(3,831 €)	(€48,306)	(€49,273)	(69,623 €)	(71,015 €)	(72,346 €)
EBITDA	648 €	€16,065	€29,157	€20,364	€29,083	€37,296
Depreciation and Amortization	(675 €)	(8,100 €)	(8,350 €)	(8,317 €)	(7,950 €)	(7,892 €)
EBIT (Operating Result)	(27 €)	€7,965	€20,807	€12,047	€21,133	€29,405
Interest and Financial Expenses	(2,371 €)	(2,371 €)	(2,371 €)	(2,049 €)	(1,726 €)	(1,404 €)
EBT (Earnings Before Taxes)	(2,398 €)	5,593 €	€18,436	9,998 €	€19,407	€28,001
Tax (Corporate Income Tax + Surcharge)	— €	(719 €)	(€4,148)	(2,250 €)	(€4,367)	(6,300 €)
Net income	(2,398 €)	€4,874	€14,288	€7,749	€15,040	€21,701

Table8 Demonstration of results

Margins	2025	2026	2027	2028	2029	2030
EBITDA Margin	5.5%	10.2%	16.2%	10.3%	13.5%	16.1%
Operating Margin (EBIT)	n/a	5.1%	11.6%	6.1%	9.8%	12.7%
Net Margin	n/a	3.1%	7.9%	3.9%	7.0%	9.4%

Table9Margins

Note: The drop in EBITDA in 2028 (€20,364 vs. €29,157 in 2027) is justified by the addition of the 3rd employee, which adds approximately €20,350/year in personnel costs. Subsequent years (2029–2030) recover and exceed the 2027 level.

5.2 Balance Sheet (Summary — years 0 to 3)

Heading	2025 (Year 0)	2026 (Year 1)	2027 (Year 2)	2028 (Year 3)
Non-current assets (net)	€71,051	€63,268	57,741 €	€49,878
Current Asset	€25,186	€33,264	€47,170	54,575 €
Total Assets	€96,237	96,532 €	€104,911	€104,453
Equity Capital	€29,250	€34,124	€48,219	52,395 €
Non-Current Liability	€45,000	€43,250	€36,500	€29,750
Current Liabilities	€21,988	€19,157	€20,193	€22,307
Total Liabilities	€66,988	62,407 €	56,693 €	52,057 €

Table10: Balance

The balance sheet shows a consistent improvement in financial soundness: Equity grows from €29,250 (2025) to €52,395 (2028) and €83,439 (2030), reflecting strong profit retention. Bank debt decreases systematically throughout the period.

6. OPPORTUNITY COST — WACC

6.1 Cost of Equity (CvE — CAPM)

Rcp = Rf + β × (Rm – Rf) + Pp

Parameter	Value	Justification
Rf — Risk-free rate (OT 10 years PT)	3.25%	Portuguese Treasury Bonds (2025)
β (Beta unlevered, restoration sector)	0.90	Damodaran — Restaurant/Food Service
Rm — Expected market return	8.00%	Historical performance of the PSI-20 / European indices
Pp — Portugal Country Risk Premium	1.00%	CDS spread Portugal, Damodaran (2024)
Rcp calculated	8.525%	= 3.25% + 0.90 × (8% – 3.25%) + 1%

Table11Cost of equity capital

6.2 Cost of Debt Capital (Rca)

Weighted average RCA: (22,000 × 4% + 28,000 × 5%) / 50,000 = 4.56%. With tax benefit (IRC + Derrama = 22.5%): 4.56% × (1 – 22.5%) = 3.53%

6.3 WACC — Weighted Average Cost of Capital

WACC = %CP × Rcp + %CA × Rca × (1-t)

Component	Weight	Cost	Contribution
Equity Capital	40%	8.525%	3,410%
Foreign Capital (after tax)	60%	3,530%	2.118% (approx.)
WACC	100%	—	5.18%

Table12Weighted average cost of capital

7. CASH FLOWS

7.1 Free Cash Flow to the Firm (FCFF)

FCFF component	2025	2026	2027	2028	2029	2030
EBIT	(27 €)	€7,965	€20,807	€12,047	€21,133	€29,405
(-) Tax on EBIT	(534 €)	(1,252 €)	(€4,682)	(2,711 €)	(€4,755)	(6,616 €)
(+) Depreciation	675 €	8,100 €	8,350 €	8,317 €	7,950 €	7,892 €
(-/+) Working Capital Variation	(7,420 €)	€16,398	547 €	1,707 €	532 €	517 €
(-) CAPEX	(71,700 €)	— €	(2,500 €)	— €	— €	— €
FCFF (Operating Cash Flow)	(79,005 €)	€31,210	€22,523	€19,360	€24,860	€31,197

Table13FCFF

The Year 0 FCFF is strongly negative (-€79,005) due to initial CAPEX (including construction). By 2026, the project generates €31,210 in operating cash flow, confirming the rapid cash generation capacity of the business model.

7.2 Residual Value and Perpetuity

The project's residual value (net asset value at the end of the horizon) is €20,637. The perpetuity growth rate (g = 1.5%) is consistent with the expected long-term inflation for the Portuguese economy and remains below the WACC (a necessary condition for convergence of the Gordon-Shapiro model).

8. EVALUATION CRITERIA

8.1 Net Present Value (NPV)

Method	VAL	Interpretation
Post-financing with Residual Value	€48,320	Value created above WACC over 5 years
Post-financing with Perpetuity	€704,991	Value assuming business continuity
Pre-financing with Residual Value	€36,377	Investment perspective (debt-free analysis)
Investor Perspective (FCFE)	51,058 €	Shareholder value after debt service.

Table14VAL

The NPV is positive from all analytical perspectives, confirming the project's viability. The post-financing NPV of €48,320 means that, discounting all future cash flows at the cost of capital (WACC 5.18%), the project creates value above the opportunity cost.

8.2 Internal Rate of Return (IRR)

Optics	TIR with VR	IRR with Perpetuity
Post-financing (WACC)	23.52%	79.02%
Pre-financing (CAPM)	23.52%	62.11%
Investor (Rcp)	55.30%	94.06%

Table15TIR

The IRR of 23.52% is significantly higher than the WACC (5.18%) and the RCP (8.53%) from all perspectives, confirming the project's profitability. The investor's IRR (55.30%) reflects the effect of financial leverage — equity (€31,754) generates returns amplified by the use of debt capital.

8.3 Investment Recovery Period (Payback)

Indicator	Value	Reference
Payback (post-financing)	4.61 years	Project duration (5 years) ✓
Payback (pre-financing)	4.89 years	Project duration (5 years) ✓
Investor Payback	2.83 years	Very rapid recovery of equity capital ✓

Table16Payback

The overall payback period of 4.61 years is acceptable for a restoration project with significant CAPEX (€71,700, including construction). From the investor's perspective, the equity (€31,754) is recovered in just 2.83 years, which is very favorable.

8.4 Break-Even Point

Heading	2026	2027	2028	2029	2030
Annual Sales	€157,514	€179,954	€198,718	€215,369	€231,211
Critical Sales Point	€112,729	€105,651	€134,330	€129,137	€125,975
Safety Margin (€)	€44,785	€74,303	€64,389	€86,232	€105,236
Safety Margin (%)	28.4%	41.3%	32.4%	40.1%	45.5%

Table17Break-Even

The increasing safety margin demonstrates the progressive consolidation of the project. In 2026, sales may fall by 28.4% before the project becomes unprofitable; in 2030, this margin rises to 45.5%, providing robustness in the face of market adversities.

Note: In 2028 the breakeven point rises (from €105,651 to €134,330) due to the addition of the 3rd employee, which increases fixed costs. This effect is temporary and margins recover from 2029 onwards.

9. FINANCIAL RATIOS

Ratio	2025	2026	2027	2028	2029	2030
Operating Margin (EBITDA/Sales)	5.5%	10.2%	16.2%	10.3%	13.5%	16.1%
Net Profit Margin (NR/Sales)	n/a	3.1%	7.9%	3.9%	7.0%	9.4%
Return on Assets (ROA)	n/a	5.1%	13.6%	7.4%	13.5%	17.5%
Return on Equity (ROE)	n/a	14.3%	29.6%	14.8%	23.0%	26.0%
ROIC	n/a	7.5%	15.9%	9.4%	15.0%	18.7%
General Liquidity	1.15	1.74	2.34	2.45	2.99	5.13
Financial Autonomy	30.4%	35.4%	46.0%	50.2%	58.6%	67.4%
Debt	69.6%	64.6%	54.0%	49.8%	41.4%	32.6%

Table18Financial ratios

The financial ratios confirm the project's solidity and increasing profitability. The Financial Autonomy stands out, reaching 50% in 2028 and 67% in 2030, demonstrating a progressively more robust financial structure. General Liquidity remains consistently above 1 and improves consistently, guaranteeing the capacity to meet short-term obligations.

III. CONCLUSION

The financial feasibility study for Doce Minho Lda consistently demonstrates that the project to open an artisanal pastry shop and café in Braga is economically viable and financially attractive, even with the corrected and more conservative assumptions adopted in this updated version of the model.

The main success factors identified are: (i) the location in Braga, a city with favorable demographic and tourism dynamics; (ii) the differentiated positioning in the artisan segment, with gross margins exceeding 65%; (iii) a realistic cost structure, including remodeling works (€25,000), market rent (€1,600/month) and electricity adequate to the consumption of a pastry shop (€650/month); and (iv) compliance with legal obligations regarding professional training and PPE.

The viability indicators are solid: positive NPV (48,320 € with VR), IRR of 23.52% - 4.5 times higher than the WACC of 5.18% - and a payback period of 4.61 years, within the project's 5-year horizon. Financial autonomy reaches 50% in 2028 and 67% in 2030, demonstrating a progressively more self-sustaining capital structure.

A comparison with the original model reveals that the adjustments (addition of works, correction of income and electricity, more conservative growth rates, financing adequate to the new CAPEX) make the project more credible and defensible before any external evaluator, bank or public entity such as IAPMEI, even if the absolute financial indicators are more modest than those of the initial version.

In summary, Doce Minho Lda has the conditions to become a profitable and sustainable business, representing an attractive investment opportunity for its partners and a positive contribution to the business and gastronomic fabric of the Minho region.

REFERENCES

1. Financial model: IAPMEI tool (Business Plan), developed by Moneris, SA
2. Growth of the subscription market: McKinsey & Company (2024). The State of the Subscription Economy.
3. Sectoral indicators (CAE 47250): Bank of Portugal — Sectoral Overview (2024).
4. Sector betas: Aswath Damodaran (NYU Stern) — Industry Averages 2024 (Beverage Alcoholic / Retail Online / Retail Special Lines).
5. Cost of borrowed capital: 12M Euribor + spread, estimated conditions for the SME Invest Line (BPI / CGD).
6. Corporate income tax rate and taxation: Corporate Income Tax Code, Article 87 (general SME regime), and the Tax Authority's website.
7. Inflation and growth in perpetuity: European Central Bank's medium-term target (2.0%).
8. Country risk premium (Portugal): Damodaran — Country Risk Premium estimates.