



Business first...

Project Management later



- Economist
- 3 MBAs in Europe / **Professor**
- 4 Running companies / **Entrepreneur**
- 8 published books / **Author**
- Project Management **Consultant**
- Project Management Institute / **Volunteer**



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Objetives



1. **Finance project Analysis**

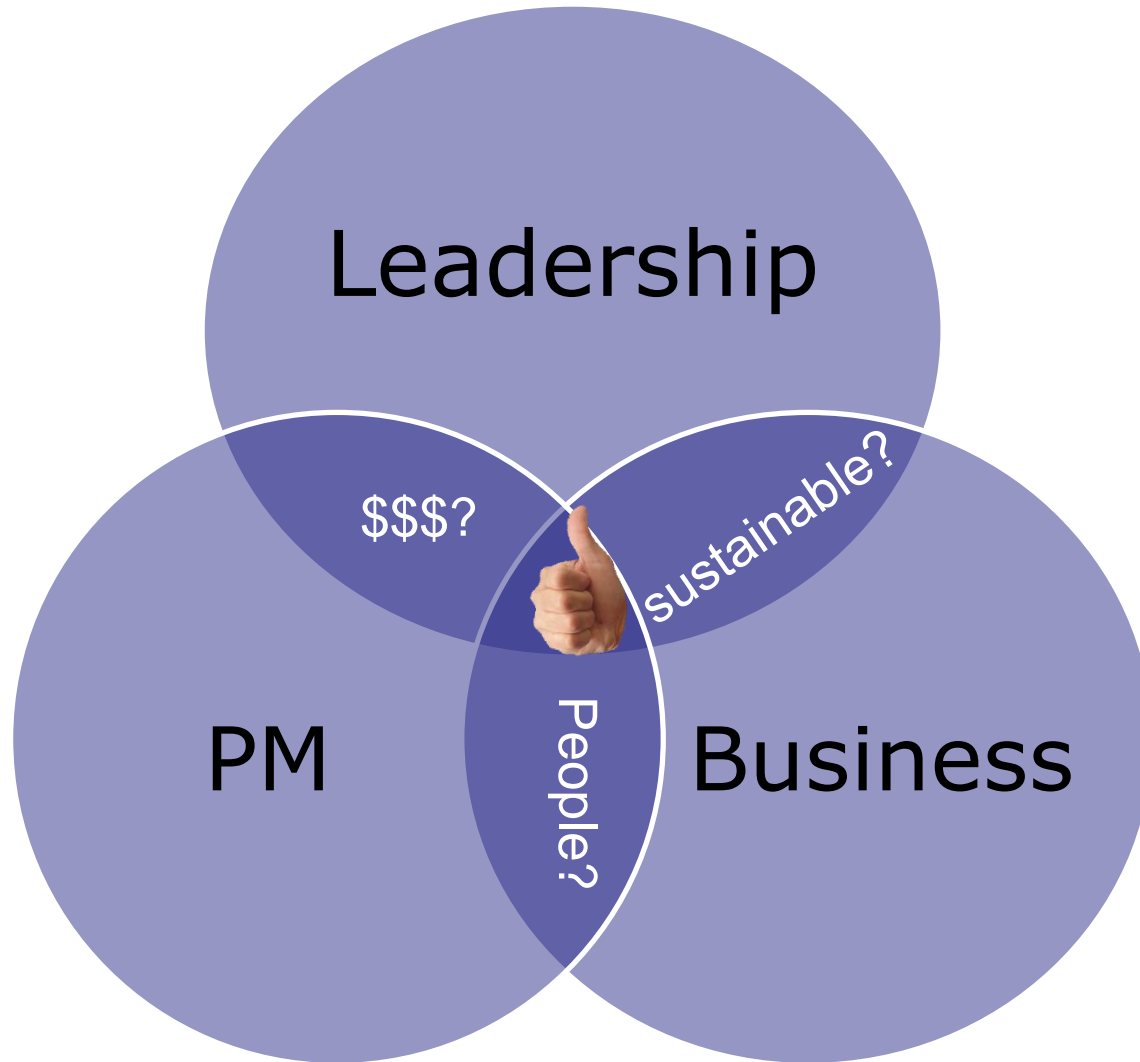


2. **Worthwhile to invest?**

Why do Project fail?

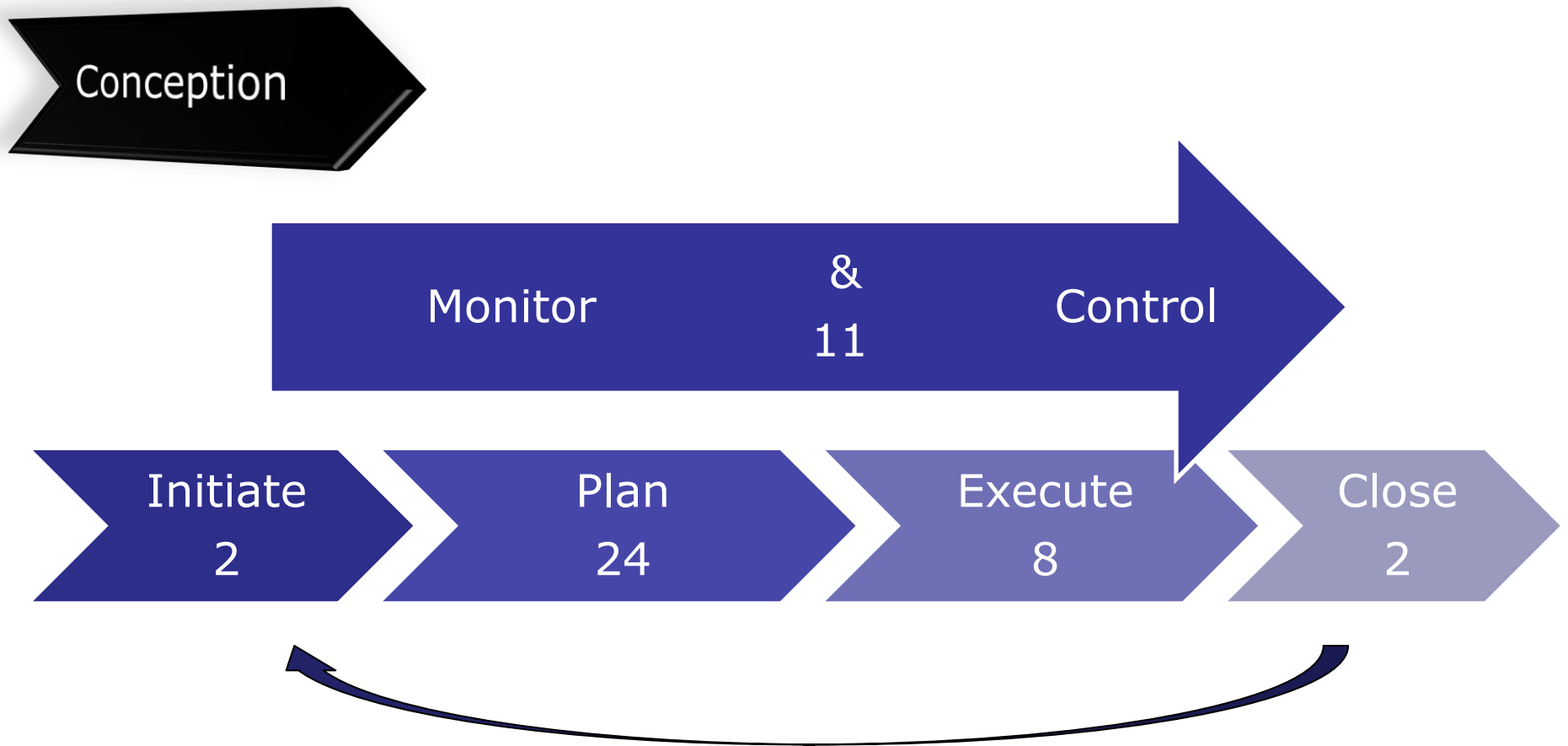


Trilogy for success



Source: PMI Talent Triangle

Process Groups



Project Analysis?



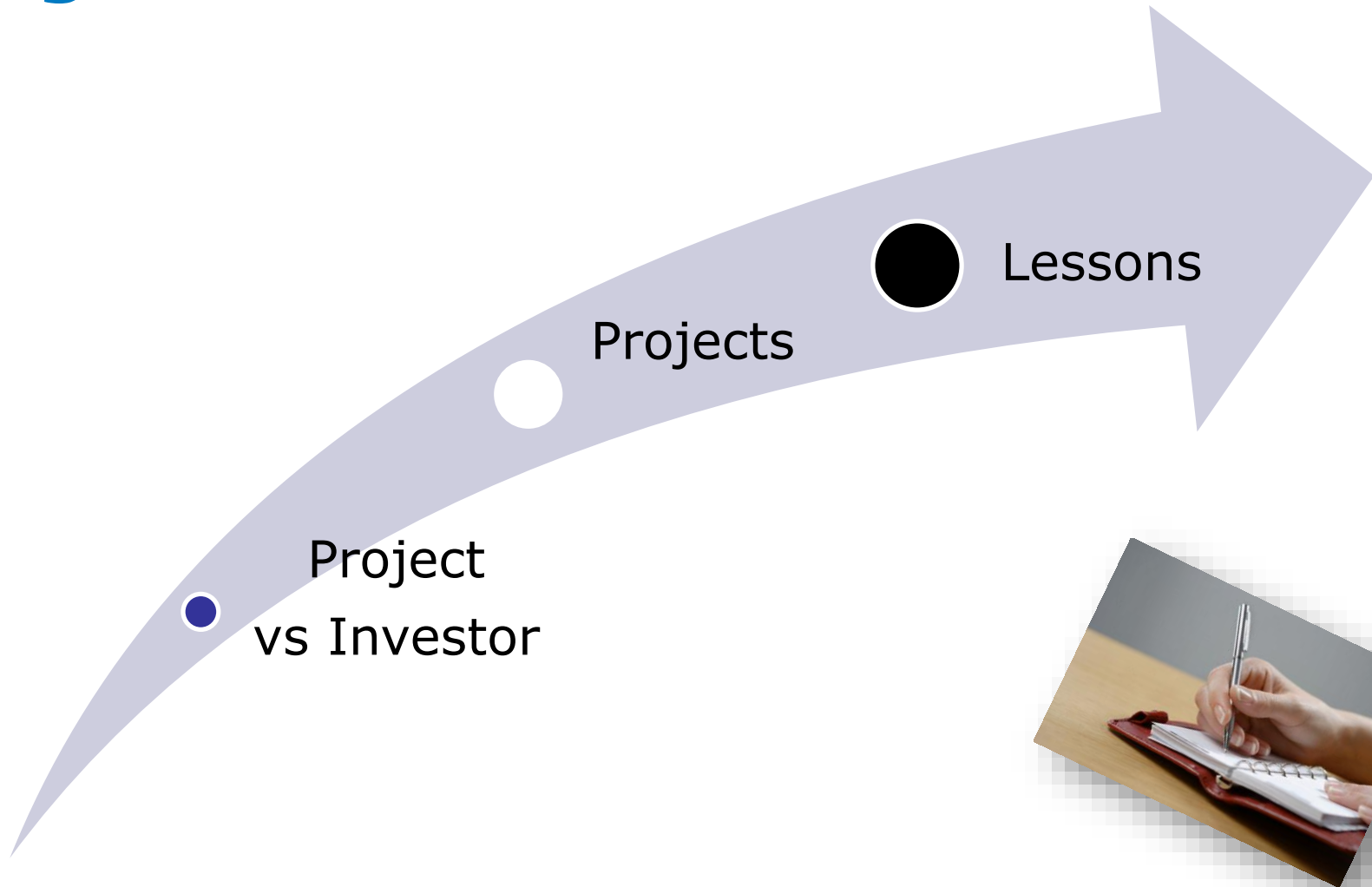
Response	Percentage
Yes	75%
No	25%



Analysis

Right projects

Agenda



One year ago, Mary developed a software investing \$100.
60% was financed by a loan at 10% annual interest rate.

After a year, Mary decides to pay the loan and its interests.

If she sells the software at \$120:

a) Which is the project profitability (%)?

b) Which is the investor profitability (%)?



+ Financial leverage

Answers

One year ago, Mary developed a software investing \$100.
60% was financed by a loan at 10% annual interest rate.

After a year, Mary decides to pay the loan and its interests.

If she sells the software at \$108:

a) Which is the project profitability (%)?

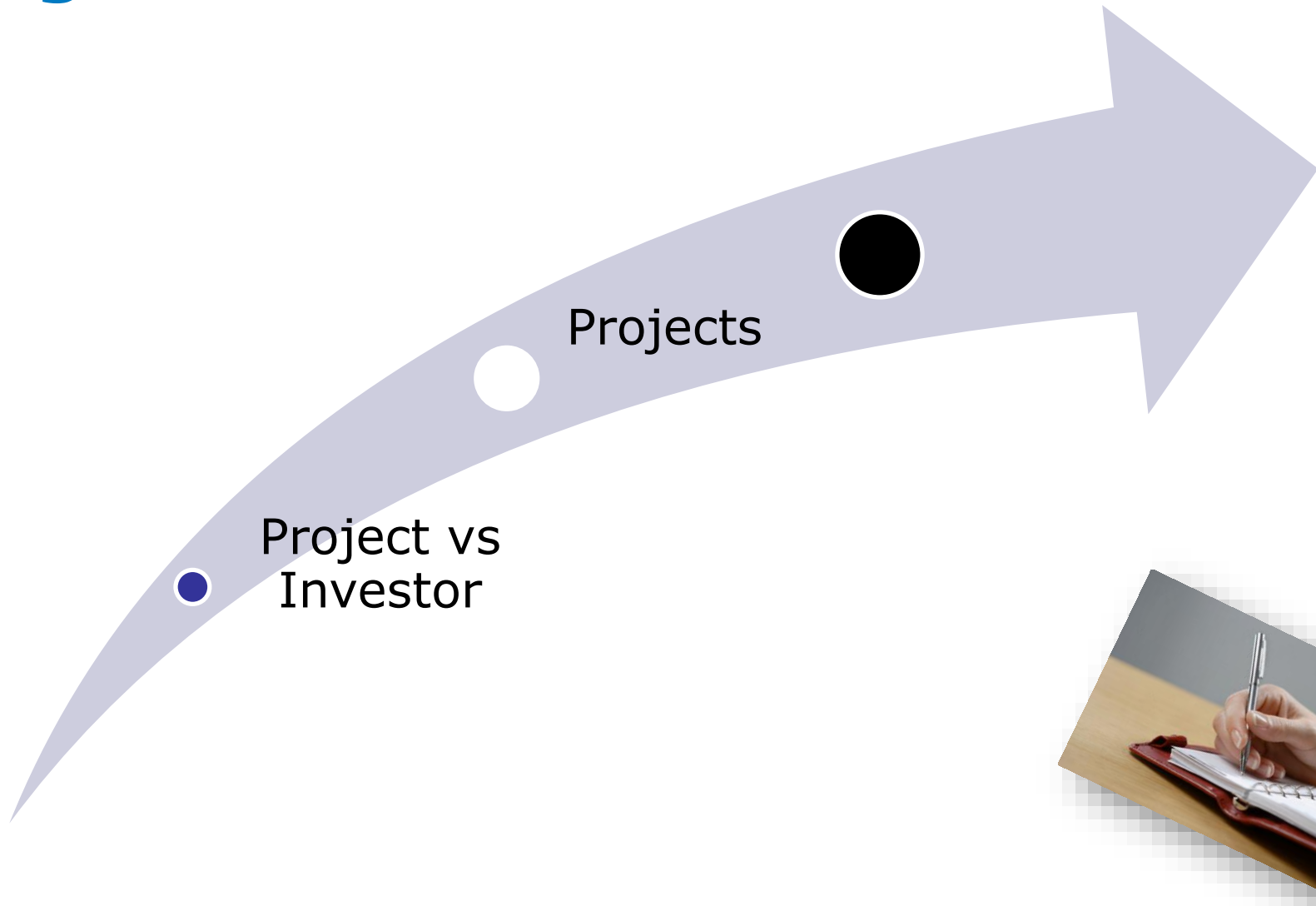
b) Which is the investor profitability (%)?



- Financial leverage

Answers

Agenda



Project Analysis

- Market research = \$10,000 (50% paid)
- You win \$2,000 per year in a similar work
- Land and Building = \$24,000 (daddy's gift)
- Annual workforce = \$9,000
- Machine = \$8,000
- Annual license = \$1,000
- Municipality permit = \$5,000
- Working capital = \$3,000
- Your investment won't lose value over time
- You have \$200,000 in your bank at 10% per year

Minimum sales per year?

(Breakeven sales to cover all costs)



Answers

Income = 12.000

Costs = -8.000

Market research = -10.000

PROFIT = -6,000



Don't do the project

Lose \$10,000

Income = 12.000

Costs = -8.000

Market research = -0

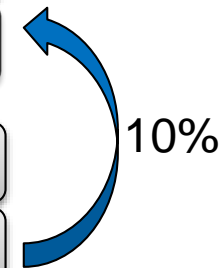
PROFIT = 4,000



Do the project

Just lose \$6,000

Workforce	9,000
Annual license	1,000
Operative costs	10,000
Market research	0
Land and building – gift?	24,000
Machine	8,000
Municipal permit	5,000
Working capital	3,000
Investment	40,000
Alternative salary	2,000
Own capital	4,000
Opportunity costs	6,000
Minimum sales	16,000

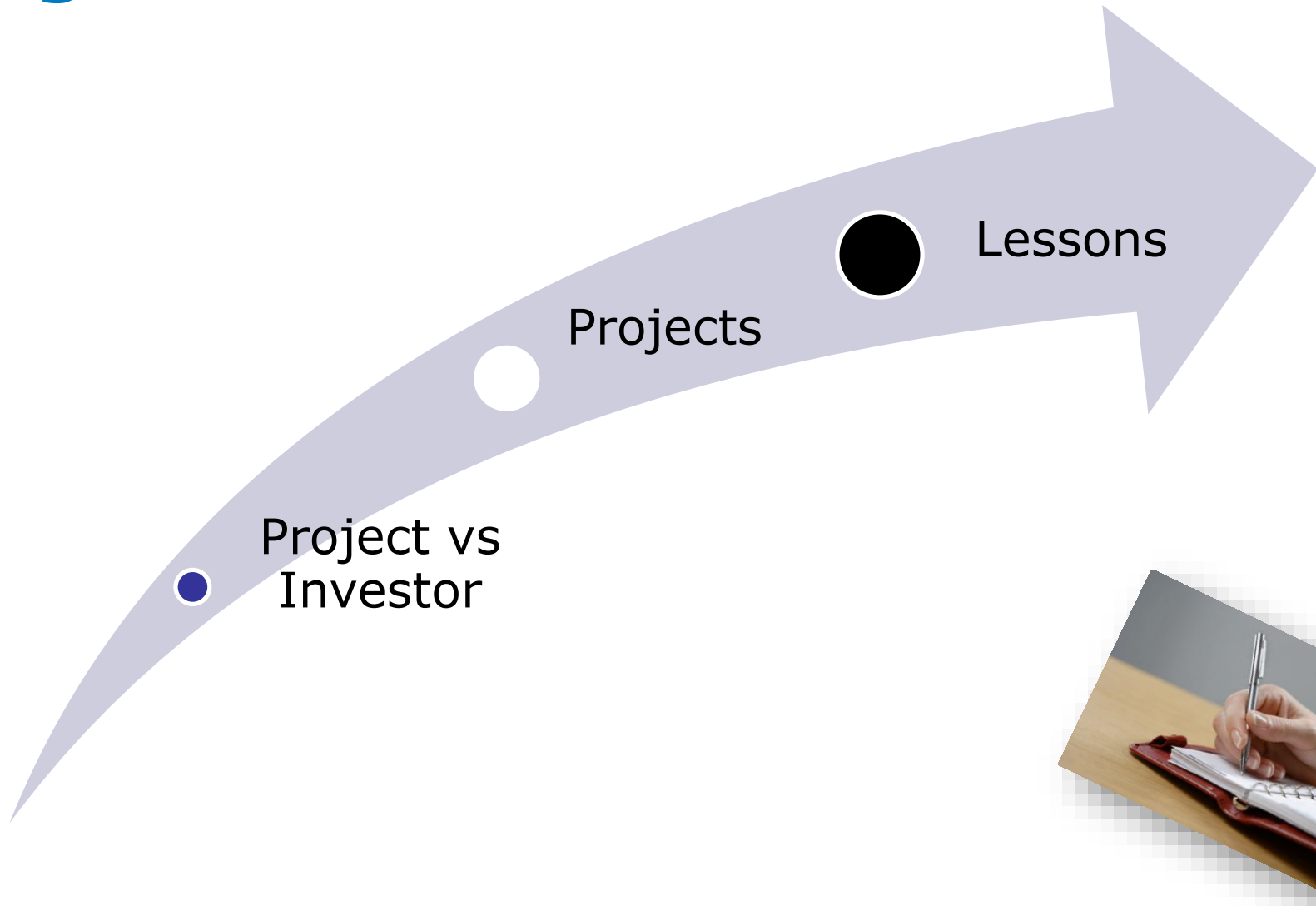


Some results

- \$ 2,000
 - \$ 6,000
 - \$ 13,300
 - \$ 13,600
 - \$ 17,000
 - \$ 27,000
 - \$ 50,000
 - \$ 56,000
 - \$ 60,000
 - \$ 64,000
- If estimated sales were \$15,000...
You will invest!
You will lose money!
- Answer
\$16,000
- If estimated sales were \$20,000...
You won't invest!
You could lose a good opportunity!

Conclusions?

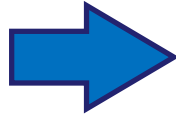
Agenda



Lessons learned

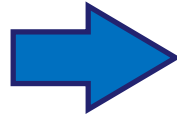
Project \neq Investor

Separate



Operative costs vs. Investment

Identify



Relevant costs (Incremental)

1°



100% of operative costs

2°



Opportunity costs

Questions?



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Enjoy the Projects you do...

Do the those projects you
enjoy!