

# Title: Financial Evaluation of Two Investment Scenarios

Subtitle: Comparing Scenarios for Optimal Investment Decision

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Objective: Evaluate two investment scenarios to determine the most financially viable option based on key financial metrics.

Overview of Scenarios:

Scenario 1: Significant investment in fixed assets and services.

Scenario 2: Focused solely on service purchases with no fixed asset investment.

# Project Overview

<b>Metric</b>	<b>Scenario 1</b>	<b>Scenario 2</b>
Total Project Value (€)	5,418,273.20	8,000,000.00
Investments (2018)	1,042,309.28	4,000,000.00
Investments (2019)	4,375,963.92	4,000,000.00
Total Cashflows (€)	13,687,709.40	-10,297,701.06

## Key Metrics Overview

Metric	Scenario 1	Scenario 2
Payback Period (Years)	2	>5
NPV (€)	6,505,427.54	-15,426,254.35
IRR (%)	47.17%	-57.94%
Profitability Index	0.20	-2.93
ROI (%)	71.10%	-228.72%

## Payback Period (years)

**Scenario 1:** Recovers investment in 2 years.

**Scenario 2:** Recovers investment in >5 years.

### **Insight:**

Faster payback in Scenario 1 reduces financial risk.

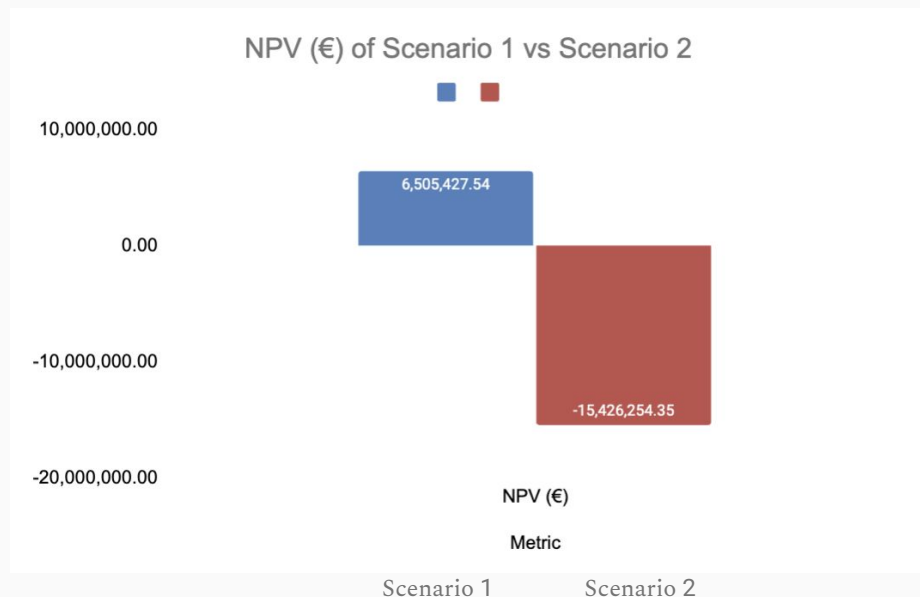
# Net Present Value (NPV)

**Scenario 1:** €6,505,427.54

**Scenario 2:** -€15,426,254.35

## Insight:

Scenario 1 generates significantly higher profitability.



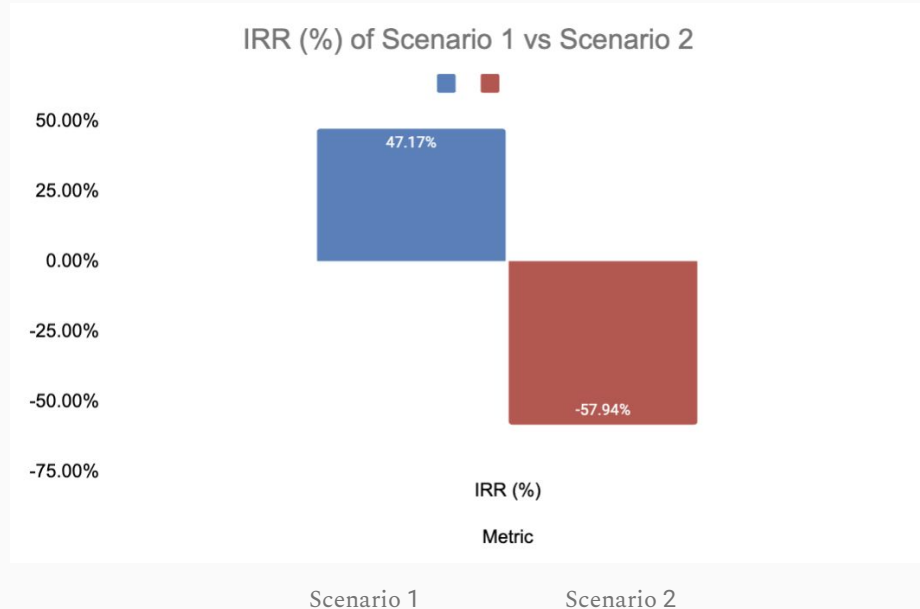
# Internal Rate of Return (IRR)

**Scenario 1:** 47.17%

**Scenario 2:** -57.94%

## Insight:

Scenario 1 demonstrates superior investment efficiency.



# Profitability and ROI

## Profitability Index:

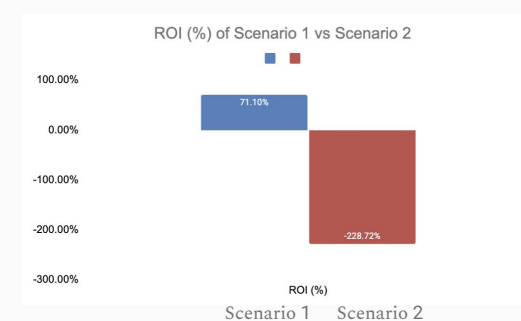
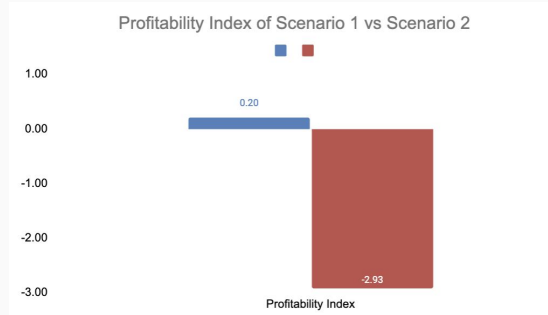
- Scenario 1: 0.20
- Scenario 2: -2.93

## Return on Investment (ROI):

- Scenario 1: 71.10%
- Scenario 2: -228.72%

## Insight:

Scenario 1 delivers greater value and return per euro invested.





# Opportunity Cost

## Opportunity Cost Calculation:

- Difference in NPV between Scenario 1 and Scenario 2:
  - $€6,505,427.54 - (-€15,426,254.35) = €21,931,681.89$

## Insight:

Choosing Scenario 2 means sacrificing €21,931,681.89 in potential value.

# Recommendation

## Recommended Option:

- **Scenario 1** is the optimal choice.

## Why?

1. **Higher Profitability:** NPV of €6,505,427.54 and ROI of 71.10%
2. **Better Efficiency:** IRR of 47.17% and PI of 0.20
3. **Faster Payback:** 2 years compared to >5 years.
4. **Lower Opportunity Cost:** Scenario 2 sacrifices €21,931,681.89

Scenario 1 provides the best financial outcome, balancing high profitability, quick payback, and investment efficiency. Proceeding with Scenario 1 maximizes long-term project value.

# Conclusion

Any question?

