

### **Business Acquisition Series (BAS): Part 4**

**Business Product:** Coin laundry

**Business Idea:** Coin laundry provides a stable cash flow with minimal ownership involvement in daily business activities. The investment is partially secured by the commercial size washer/dryers. The key is location. In the States, coin laundries are located near apartment communities since most apartments don't have a washer/dryer installed in each unit. In Korea, it may be different, since most units come with washer/dryers installed and the idea of sharing a washer/dryer with strangers may take some time for it to sink in with the locals.

**Demographic/client base:** College students, office workers living in community buildings; near universities and officetel (small unit apartments); lower income neighborhoods, highly concentrated legacy sites in Seoul, underdeveloped "byul dongnae". Possibly create coin laundry with a larger foreigner population, who may be more willing to use the site.

**Google Search Result:** I haven't seen a coin laundry in Korea in my 2 years here. Also, my search on Google provided sparse results. I found one in Pusan, and the website revealed photos of the site which hung posters in Korean explaining how to use a coin laundry.

**Product/service highlight:** Although the price of washer/dryers have come down, it may be difficult for some individuals to 1) purchase the equipment and 2) store the unit inside their home, due to available space. Therefore, an offsite location for the washer/dryer at \$1-\$2/load provides an economical, space saving service for the customers.

**Distribution/Operations:**

Security – Coin laundries need video surveillance and security protection services.

Payment - May install a card based transaction system, where refillable cards and electronic payment system may need to be purchased, although coin based payment will require less investment.

Laundry site – the monthly rent for a site which provides enough space for 20 dryers/20 washers may require a large down payment.

**Financing:** Financing will be the most important business aspect as it requires \$40-\$50K for the +30-40 equipments alone, plus additional costs to design the interior, and the exterior signage. Roughly \$75-\$100K. We aren't aware of any programs similar to SBA loans.

**Ownership burden:** The key investment point for owners is the minimal time and management required to operate the business.

**Economically feasible?**

Cost: Security service – about \$100/month (ADP website)

Water/Electricity - \$2000/month

Interest on financing for equipment - \$500/month

Monthly rent for the laundry site (1500 sq. ft; \$1000-\$2000/month)

Revenue: Capped at \$150K/annually; more feasible is \$75K annually

**Per Unit Spread:** Each load uses a certain amount of water and electricity, and may prove to be uneconomical, especially with the dryer machine. Need to analyze whether the local utility cost is expensive, especially when considering the cost of gasoline to fuel the cars are twice the cost compared to the states.

**Valuation:** The fixed costs are definite and real, but the revenue inflow is difficult to predict and capped. Once the revenue exceeds the fixed costs, they tend to stick and may prove to be a stable source of cash flow. So we forecasted a 50% utilization rate and 31% EBIT margin. The ROE assuming a \$100K initial investment was 11.3%, which is respectable. With \$50,000 in equipment and 3 year flip of \$10,000 each year in cash flow, we don't foresee a great appreciation in value, just a healthy return on capital invested.

**Prototype: N/A**

**Conclusion: A solid business investment in the States, but will be costly and risky in Korea. However, should the location be near a busy area with need for the service, the investor would make decent money. The investor should be ready to invest \$100K + with a lot of the money going toward construction and sunk costs.**

# SN VALUATION

SN CAPITAL SN CONSULTING SN ENGLISH

			January	February	March	April	May	June	July	August	September	October	November	December	Annual		
Price per wash:	\$1.00	Business Days	20	20	20	20	20	20	20	20	20	20	20	20	240		
# of machines:	20	Utilization	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Time/wash (mins):	30	Wash	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$38,400.00	
Store hours:	8	Utilization	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Average utilization:	50.00%	Dryer	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$3,200.00	\$38,400.00	
Max # of washes	320	Auxiliary Income	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$1,200.00	
Max wash/machine	16	<b>Total Revenue</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$6,500.00</b>	<b>\$78,000.00</b>	
Max revenue	\$320	Water	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$12,000.00	
Average revenue	\$160	Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00	
		Electricity	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$12,000.00	
Price per dry:	\$1.00	Security Service	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$1,200.00	
# of machines:	20	Rent	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$24,000.00	
Time/wash (mins):	30	Equipment Maintenance	-	-	\$1,000.00	-	-	\$1,000.00	-	-	\$1,000.00	-	-	\$1,000.00	-	\$4,000.00	
Store hours:	8	Insurance	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$6,000.00	
Average utilization:	50.00%	Common Area Maintenance	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$6,000.00	
Max # of dry	320	Payroll - Janitor	-	-	-	-	-	-	-	-	-	-	-	-	-	\$0.00	
Max dry/machine	16	<b>Total Expenses</b>	<b>\$4,100.00</b>	<b>\$4,100.00</b>	<b>\$5,100.00</b>	<b>\$4,100.00</b>	<b>\$4,100.00</b>	<b>\$5,100.00</b>	<b>\$4,100.00</b>	<b>\$4,100.00</b>	<b>\$5,100.00</b>	<b>\$4,100.00</b>	<b>\$4,100.00</b>	<b>\$5,100.00</b>	<b>\$5,100.00</b>	<b>\$53,200.00</b>	
Max revenue	\$320	<b>EBIT</b>	<b>\$2,400.00</b>	<b>\$2,400.00</b>	<b>\$1,400.00</b>	<b>\$2,400.00</b>	<b>\$2,400.00</b>	<b>\$1,400.00</b>	<b>\$2,400.00</b>	<b>\$2,400.00</b>	<b>\$1,400.00</b>	<b>\$2,400.00</b>	<b>\$2,400.00</b>	<b>\$1,400.00</b>	<b>\$2,400.00</b>	<b>\$24,800.00</b>	<b>31.79%</b>
Average revenue	160	Interest on Equipment	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$6,000.00	
<b>Initial Investment</b>	<b>\$100,000.00</b>	<b>EBT</b>	<b>\$1,900.00</b>	<b>\$1,900.00</b>	<b>\$900.00</b>	<b>\$1,900.00</b>	<b>\$1,900.00</b>	<b>\$900.00</b>	<b>\$1,900.00</b>	<b>\$1,900.00</b>	<b>\$900.00</b>	<b>\$1,900.00</b>	<b>\$1,900.00</b>	<b>\$900.00</b>	<b>\$900.00</b>	<b>\$18,800.00</b>	<b>24.10%</b>
<b>Annual Earnings</b>	<b>\$11,280.00</b>	Tax (40%)	\$760.00	\$760.00	\$360.00	\$760.00	\$760.00	\$360.00	\$760.00	\$760.00	\$360.00	\$760.00	\$760.00	\$360.00	\$360.00	\$7,520.00	
<b>ROE</b>	<b>11.28%</b>	<b>Earnings</b>	<b>\$1,140.00</b>	<b>\$1,140.00</b>	<b>\$540.00</b>	<b>\$1,140.00</b>	<b>\$1,140.00</b>	<b>\$540.00</b>	<b>\$1,140.00</b>	<b>\$1,140.00</b>	<b>\$540.00</b>	<b>\$1,140.00</b>	<b>\$1,140.00</b>	<b>\$540.00</b>	<b>\$540.00</b>	<b>\$11,280.00</b>	<b>14.46%</b>