

Gym Expansion Feasibility Study – Phase 2

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#key financial variables: - expansion_cost: Total estimated cost to expand the gym. - expenses: Current annual expenses. - revenue: Current annual revenue. - growth_rate: Expected annual growth rate for profit. - net_profit: Profit calculated as revenue minus expenses.

This section calculates:

- The required annual profit to cover the expansion cost over 3 years.
- The compound annual growth rate (CAGR) needed to meet expansion costs based on current profits.
- The projected revenue after 3 years, assuming growth at CAGR.

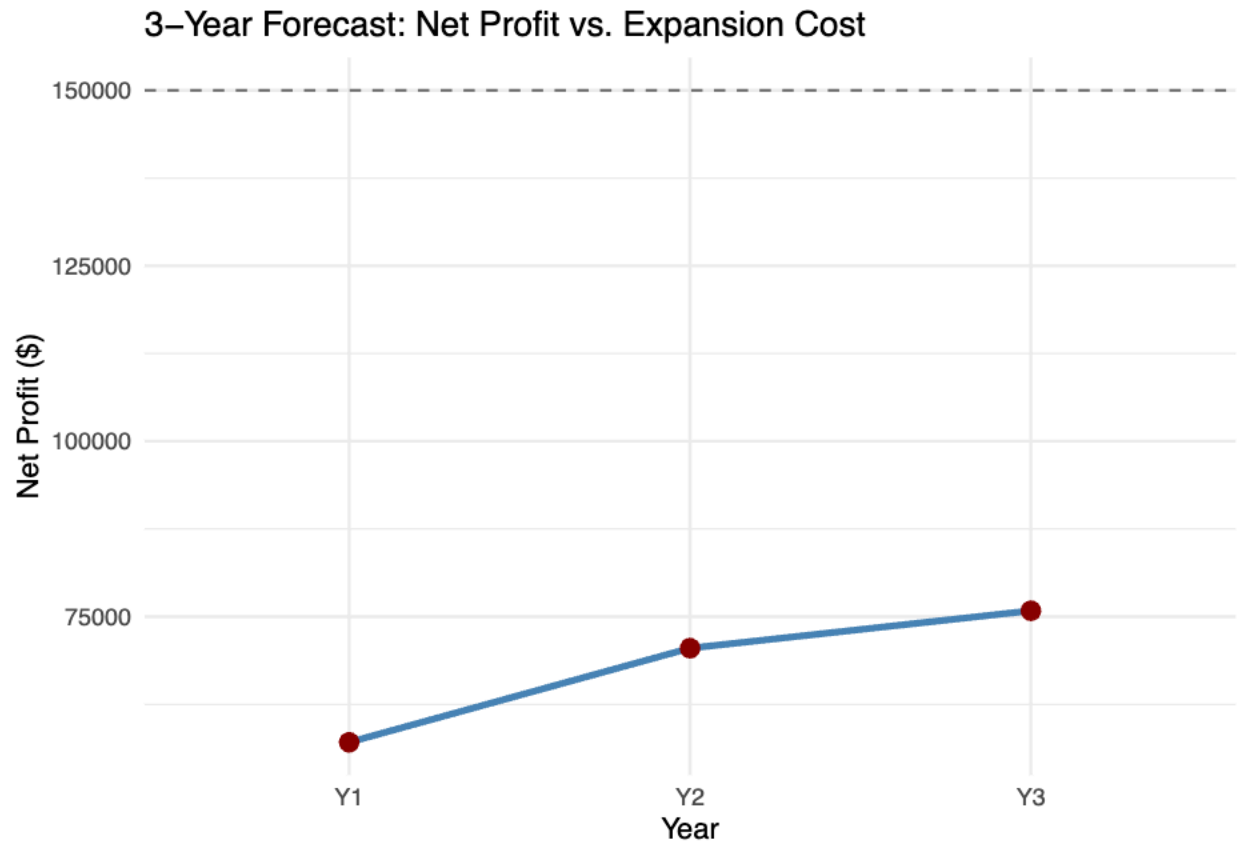
Required Annual Profit: \$50,000 **Compound Annual Growth Rate (CAGR):** 51.54 % **Projected Revenue in 3 Years (at CAGR):** \$487,239

3-Year Financial Forecast

This forecast projects revenue, expenses, and net profit over the next 3 years based on: - Price increase of 10% in Year 1. - Membership growth of 15% in Year 2. - Expense growth and cost savings in Years 2 and 3.

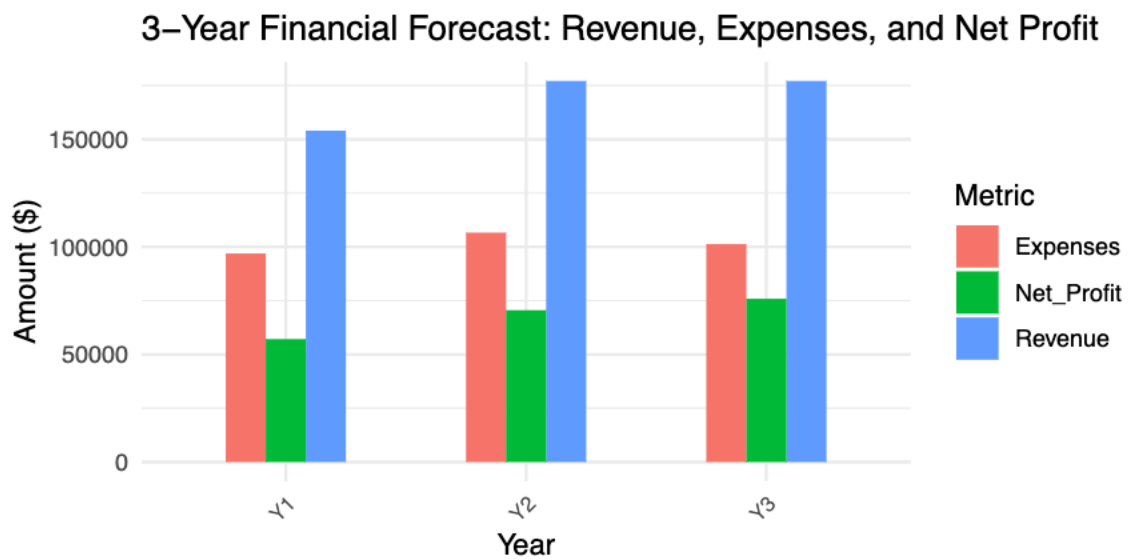
Table 1: 3-Year Financial Forecast

Year	Revenue	Expenses	Net_Profit	Notes
Y1	154000	96900.0	57100.0	Raise prices by 10%
Y2	177100	106590.0	70510.0	Add 15% more members
Y3	177100	101260.5	75839.5	Cut costs by 5%



3-Year Financial Forecast

This 3-year forecast projects revenue, expenses, and net profit based on realistic assumptions such as price increases, membership growth, and cost savings.



However, the 3-year net profit projections indicate it is unlikely to fully cover the gym expansion cost within this timeframe. This suggests that a longer period is needed to recoup the investment.

Table 2: 7-Year Profit Projection at 25% Growth

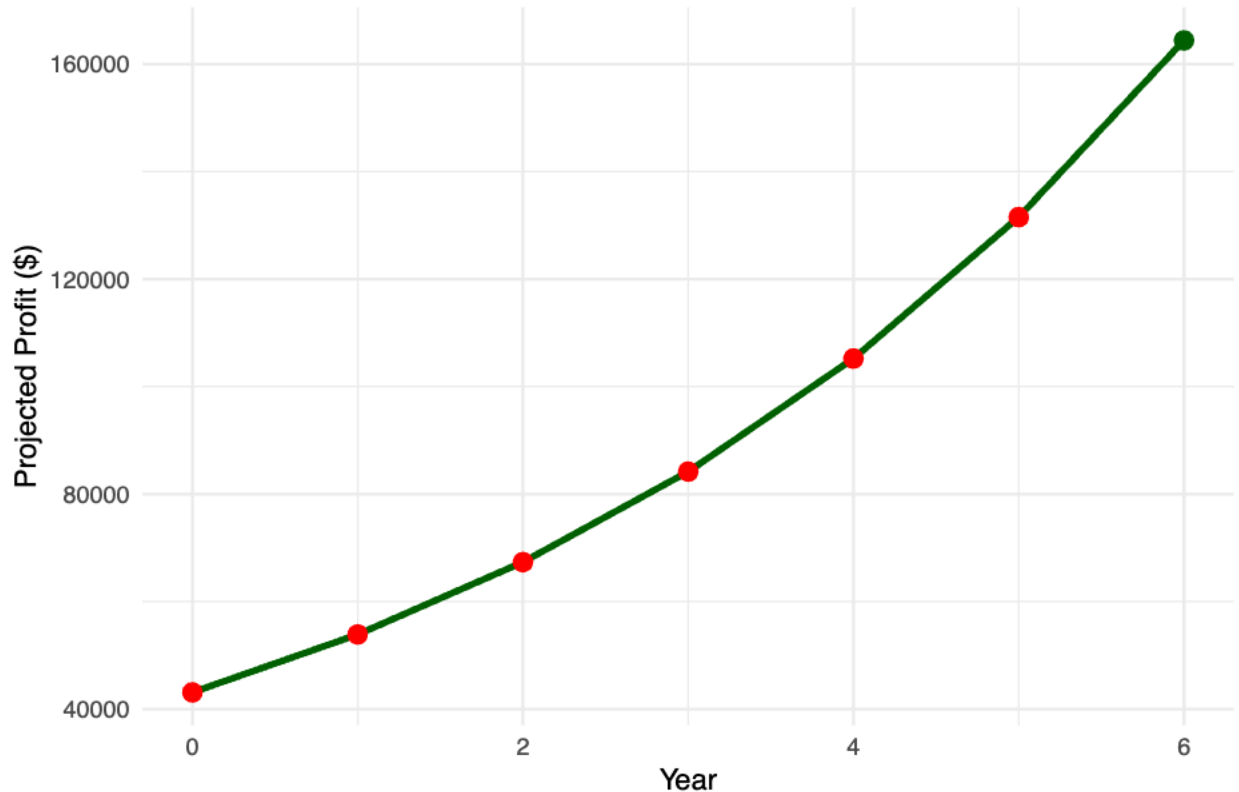
Year	Projected_Profit
0	43100.00
1	53875.00
2	67343.75
3	84179.69
4	105224.61
5	131530.76
6	164413.45

7-Year Profit Projection at 25% Growth

Given the 3-year forecast is insufficient to cover expansion costs, we extend the projection to 7 years assuming a steady 25% annual growth in profits.

This longer-term projection helps evaluate if the expansion becomes financially feasible over a more realistic

Projected Profit Growth at 25% Annual Rate



timeline.

Summary and Conclusion

In this feasibility study, we evaluated the financial outlook for expanding the gym.

- The **3-year forecast** showed that while revenue and profit grow, it is unlikely the expansion cost will be fully covered within this short timeframe.
- Extending the projection to **7 years**, assuming a consistent 25% annual growth rate, indicates the investment becomes achievable with sustained growth.
- This suggests the expansion is a **long-term commitment**, requiring strategic planning to maintain growth and manage costs.
- Moving forward, focusing on **increasing membership, optimizing pricing, and controlling expenses** will be critical to achieving these financial goals.

Overall, while immediate payback within 3 years is not feasible, the 7-year projection provides a promising outlook for successful expansion.