## Introduction

Core Fitness has been generating profits and the owners want to invest the cash generated to grow the business. Stella and Eddie are considering opening a second Core Fitness studio in another neighborhood.

As you recall, to determine whether any project is a good idea, we need to calculate the **Net Present Value** of the project. Therefore, before Stella and Eddie to decide if opening another studio is a good idea, we need to help them calculate the **Net Present Value** of the new studio.

For a refresher on NPV, you can watch the video below:

{video-youtube} https://www.youtube.com/watch?v=HFFkFMfotT0

In order to calculate the Net Present Value, we will use spreadsheets to build out the projected cash flows for the next ten years to determine if Stella and Eddie should use their profits for opening up another fitness studio.

We will use the following process to build out our spreadsheet:

* Calculate the initial start-up costs. These are one-time costs required to set up the studio.
* Model out the revenue generated per month per year by estimating the number of members the studio has per month.
* Calculate the monthly operating costs.
* Use the start-up costs and ongoing monthly costs to estimate annual cash flows.
* Model out the net present value using the annual cash flows. Then vary the assumptions to see how the net present value changes as the assumptions change.