



## **COWBOY100**

### **Compound Annual Growth Rate (CAGR)**

The year over year growth rate of a company's revenue over a specified period of time.

Formula:

$$\left\{ \frac{\text{Ending Revenue}}{\text{Beginning Revenue}} \right\}^{\left\{ \frac{1}{\# \text{ of years}} \right\}} - 1 = \text{CAGR}$$

#### **Example of Compound Annual Growth Rate:**

Company X was founded June 30<sup>th</sup>, 2007 by a Gator leader. The revenue numbers for company X are as follows:

2009: \$300,000

2010: \$250,000

2011: \$550,000

Company X Compound Annual Growth Rate:

$$\left\{ \frac{\$550,000}{\$300,000} \right\}^{\left\{ \frac{1}{2} \right\}} - 1 = \{1.8333\}^{\{.5\}} - 1 = \mathbf{0.354006}$$

Company X has a  $(0.354006)(100) = \mathbf{35.4006\%}$  Compound Annual Growth Rate for years 2009-2011.