



## 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, 2019, by a Longhorn leader.

### The revenue numbers for Company X are as follows:

2019: \$300,000

2020: \$250,000

2021: \$550,000

### Company X Compound Annual Growth Rate:

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

Company X has a  $(0.354006)(100) = 35.4006\%$  Compound Annual Growth Rate for years 2019–2021.