Center for Entrepreneurship & Innovation
Warrington College of Business Administration
UNIVERSITY of FLORIDA

GATOR 100
Compound Annual Growth Rate (CAGR)

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

Formula:

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

Example of Compound Annual Growth Rate:

Company X was founded June 30th, 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:

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

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