



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 December 31st, 2012 by an Aggie leader. The revenue numbers for company X are as follows:

2015: \$300,000

2016: \$250,000

2017: \$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 2015-2017.