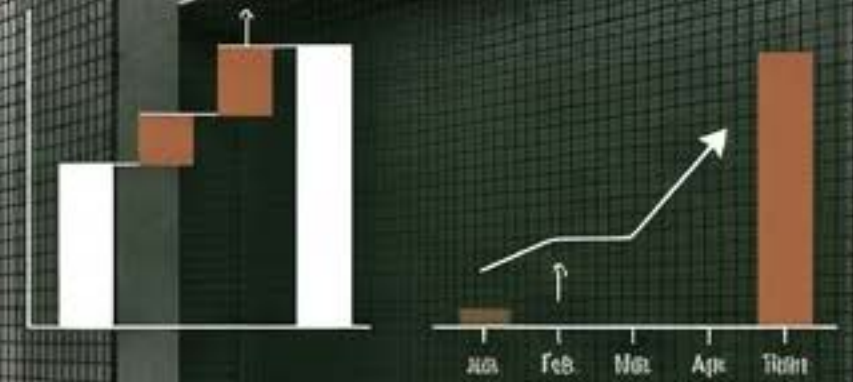


BATTING CAGES: FINANCIAL MODEL & OPERATIONAL SCALE STRATEGY

From \$422k Initial CapEx to 45% EBITDA: A Blueprint for Profitability.



The Destination is a High-Margin, Scalable Asset

A mature facility targets a 45% EBITDA margin by Year 3 through strict operational leverage.

45%

EBITDA Margin
(Year 3 Forecast)

**29
Months**

Payback Period

**13
Months**

Break-Even Point
(Jan 2027)

**\$10M -
\$24M**

Scale Potential
(Annual EBITDA)

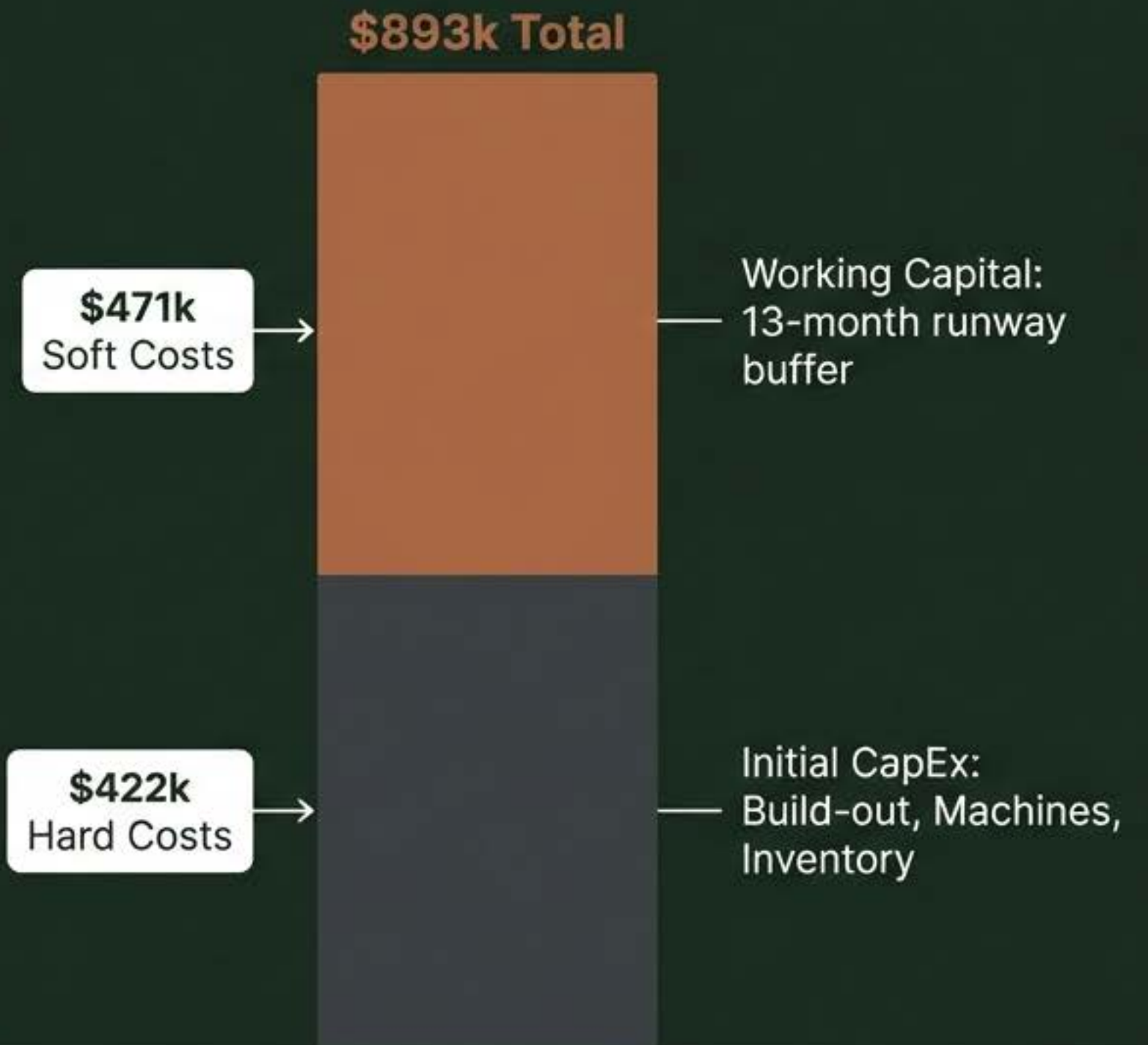
Success hinges on converting high-volume rentals into stable memberships while controlling fixed overhead.

The Full Price of Admission is \$893k Total Exposure

It is not just about building the cage; it is about surviving the runway to profitability. Founders often miss the working capital requirement.



Plan for this full capital stack upfront. Missing the \$471k buffer leads to failure before Month 13.



The 29-Month Journey to Return on Capital



Risk Note: The 29-month payback assumes high utilization. Any lag in utilization directly delays this timeline.

Baseline IRR

Baseline IRR: 6%

Factor 1: Converting Transactional Volume to Recurring Revenue

Rentals act as the lead funnel. The goal is stability.



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50,000 Rentals

\$37 AOV (Volatile)

Conversion
Funnel

300 Members

\$1,100 ARR (Stable)

Dugout Grey

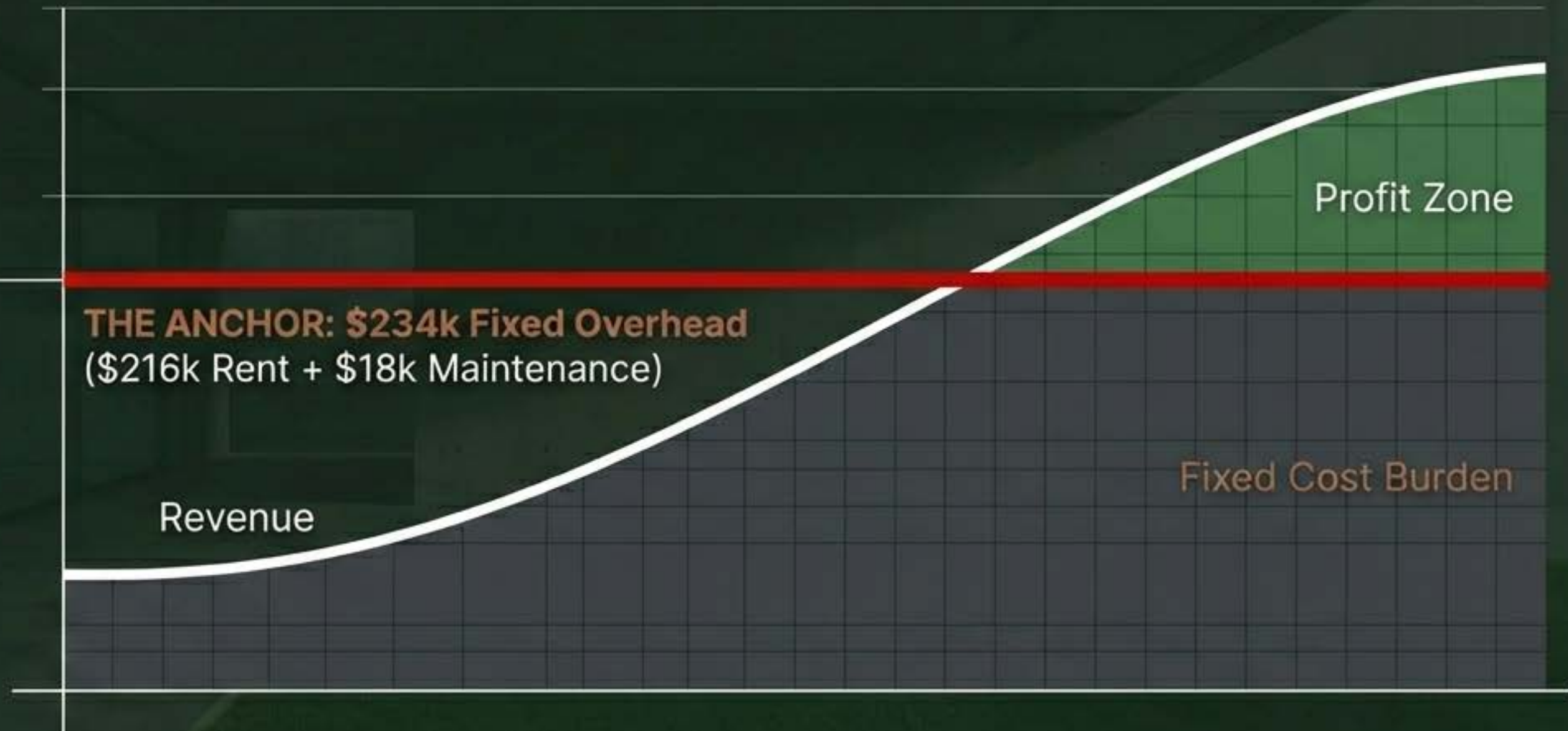


Strategic Tactic:

Use rentals strictly as a sales funnel. If onboarding takes 14+ days, churn risk rises drastically.

Factors 2 & 3: Absorbing the \$216,000 Rent Burden

Gross Margin Reality: COGS <5%. Variable costs are not the threat.



The Solution: You cannot cut your way to profit; you must absorb rent through volume.

Tactic: Utilize off-peak discounts and team bundles to cover fixed costs during slow months (Jan/July).

Factor 4: Preventing Wage Inflation from Eating Margins

Payroll growth must be strictly aligned with revenue generation.



Staffing costs must not disconnect from revenue volume.



Operational Rules



Link Wages to Volume: Part-time Coach wages must be strictly linked to billable sessions.

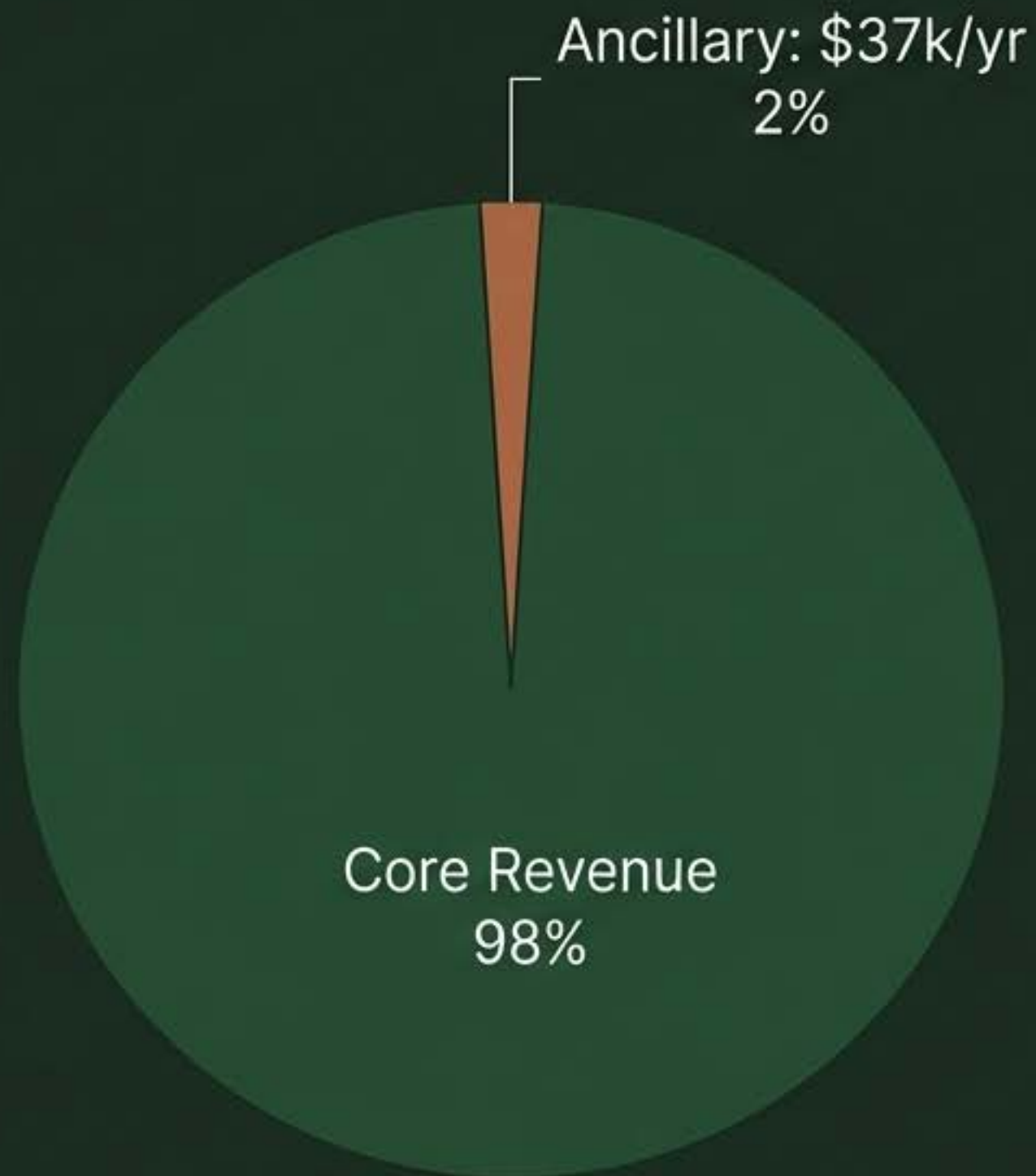


Tech Optimization: Use self-service tech for check-ins to optimize Front Desk FTEs.



Scheduling: Optimize scheduling software to prevent overstaffing during slow mid-day slots.

Factor 5: Don't Major in the Minors (Ancillary Revenue)



Insight:

- Merch, Vending, and Catering carry high operational complexity for low return.

Strategy:

- Automate vending restocking.
- Use consignment models for pro-shop gear.

Key Directive: Do not distract staff from selling high-value memberships to count inventory.

Factor 6: Pricing Power as a Defense Against Overhead Creep



Problem:

Fixed costs (Rent/CPI) rise annually.

Solution:

Modest, planned price escalations are **non-negotiable**.

Tactic:

Include escalation clauses in membership contracts upfront. **Small, predictable hikes** are easier to sell than sudden large ones.

Factor 7: Accelerating the 6% IRR



\$422k CapEx must generate **immediate, measurable revenue flow** to survive the rent burden.

The Owner's Paycheck and Profit Distribution

Owner pay is the "last dollar out" after debt service.

Scenario Planning

Scenario A (Passive Owner)



Must pay General Manager \$75k.
Result: Lower owner draw.

Scenario B (Owner-Operator)



Owner assumes GM role.
Result: Adds \$75k back to available cash flow.

Rule of Thumb: Compensation relies entirely on hitting the 45% EBITDA target.

Keys to Operational Excellence



Capital: Secure **\$893k** total (not just CapEx).



Conversion: Funnel **50k** rentals into **300** recurring members.



Margins: Keep **COGS** under **5%**.



Staffing: Strictly align staffing hours to **booking volume**.



Pricing: Implement **annual price escalators** in all contracts.



Execute the Model.

Success isn't about the 'baseball'; it's about the 'math'.

Review the "Valley of Death" timeline and secure the full capital stack before breaking ground.

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