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FEASIBILITY STUDY OF A GYM STUDIO

Master thesis

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Bratislava 2024 **Fares Nabil Wehbe**

Statutory declaration

I hereby declare that I prepared the final thesis independently on the basis of consultations and that I listed all the literature used.

Date: **……**

Fares Nabil Wehbe

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I want to express my gratitude to my parents for their constant support, and I deeply appreciate Prof. Ing. Andrej Přívara, PhD, for his invaluable guidance throughout this journey and to the teaching and administrative staff for their contributions.

ABSTRAKT

WEHBE, Fares Nabil: *ŠTÚDIA ZREALIZOVATEĽNOSTI TELOCVIČŇOVÉHO ŠTÚDIA.* – Ekonomická univerzita v Bratislave. NÁROHOSPODÁRSKA FAKULTA; Katedra Financií. – Ing. Andrej Přívara, PhD. – Bratislava: NHF EU, 2024, 83 strán.

Cieľom finálnej práce bolo preskúmať finančnú štúdiu podnikania fitness centra, komplexného fitness centra zameraného na jednotlivcov hľadajúcich aktívny životný štýl. Dáta sa primárne získavali z webových stránok poskytujúcich finančné údaje o iných fitness centrách a šablóny výkazov ziskov a strát a rozvahy, ako aj z osobných pohovorov, webových stránok prenájmu nehnuteľností, daňových zákonov, sadzieb odpisov a právnych postupov pri otvorení spoločnosti pre cudzinca. Okrem toho boli získané poznatky z kníh o mikroekonómii, podnikovej financií a marketingu.

Práca je rozdelená do piatich kapitol. Obsahuje sedem obrázkov, štyridsaťdva tabuliek a tri prílohy. Prvá kapitola je venovaná teoretickému a literárnemu prehľadu. Druhá časť je cieľom práce. Tretia časť charakterizuje metodológiu, výskumné metódy, víziu, misiu, ciele, SWOT analýzu a segmentáciu trhu použité v práci. Štvrtá časť je analytická časť, kde sú vyhodnotené výsledky a vykonáva sa praktická časť. Posledná kapitola sa zaoberá diskusiou o troch scenároch, základnom, najhoršom a najlepšom prípade.

Štúdia sa uskutočnila počas obdobia šiestich rokov. Na spracovanie údajov sa použila nasledujúca metóda: výpočet počiatočného investície, analýza nákladov a príjmov pomocou výkazov ziskov a strát a rozvahy, odvodenie výkazu toku peňazí a výpočet finančných ukazovateľov vrátane čistá súčasná hodnota, vnútorná miera návratnosti a doba splatnosti.

Výsledky práce odhaľujú pozitívnu čistú súčasnú hodnotu vo všetkých troch scenároch. Doba splatnosti je však konzistentne v piatom roku vo všetkých scenároch, pričom najlepší prípad dosahuje v strede piateho roka, základný prípad na konci a najhorší prípad na konci projektu. Okrem toho sa vnútorná miera návratnosti tesne zhoduje s váženou priemernou nákladovou kapitál v najhoršom prípade, čo naznačuje, že v tomto prípade projekt iba pokrýva počiatočnú investíciu. Prínosom práce je poskytnutie komplexnej analýzy finančnej životaschopnosti podnikania komplexného fitness centra.

Kľúčové slová: fitness centrá, realizovatelnosť, čistá súčasná hodnota, doba návratnosti, Covid-19.

ABSTRACT

WEHBE, Fares Nabil: FEASIBILITY STUDY OF A GYM STUDIO. – University of Economics in Bratislava. Faculty of National Economy, Department of Finance. – Ing. Andrej Přívara, PhD. – Bratislava: NHF EU, 2024, 83 pages.

The final thesis objective was to explore the financial study of the fitness center business, a comprehensive fitness center targeting individuals seeking an active lifestyle. Data were primarily obtained from websites providing financial data of other fitness centers and templates of income statements and balance sheets, as well as from in-person interviews, property rental websites, tax laws, depreciation rates, and legal procedures for opening the company for a foreigner. Additionally, insights were drawn from books on microeconomics, corporate finance, and marketing.

The work is divided into five chapters. It contains sseven figures, fourty-two tables and three appendices. The first chapter is devoted to theoretical and literature review. The second part is the goal of the thesis. The third part characterizes methodology, research methods, vision, mission, goals, SWOT analysis and market segmentation used in thesis. The fourth part is the analysis part, where results are evaluated, and the practical part is done. The final chapter deals with discussion of the three scenarios, base, worst and best case.

The study was conducted over a six-year period. The following method was used to process the data: initial investment calculation, cost and revenue analysis using income statements and balance sheets, derivation of cash flow statement, and calculation of financial metrics including Net Present Value, Internal Rate of Return, and Payback Period.

Thesis results reveal a positive Net Present Value in all three scenarios. However, the payback period is consistently in the fifth year across scenarios, with the best-case scenario achieving it in the early fifth year, the base case in the middle, and the worst-case scenario at the end of the project. Moreover, the IRR closely aligns with the weighted average cost of capital in the worst-case scenario, indicating that, under this scenario, the project barely covers the initial investment. The thesis value added lies in providing a comprehensive analysis of the financial viability of the business' comprehensive fitness center.

Keywords: fitness centers, feasibility, Net Present Value, Internal Rate of Return, Payback Period, Covid-19

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Introduction

This feasibility study examines a proposed fitness center located in Bratislava's NUPPU project, Nivy, at Hraničná 36, 821 05. The main goal is to assess if the business can thrive in Bratislava's fitness scene at the current post-pandemic period, considering its strategic location, and foreign ownership.

This business aims to offer excellent service and modern facilities for everyone. By analyzing current trends in the industry and what other local gyms have done, we can determine whether this business can succeed in Bratislava, profiting from its convenient location - near the Prístavný bridge, and close to the University of Economics in Bratislava.

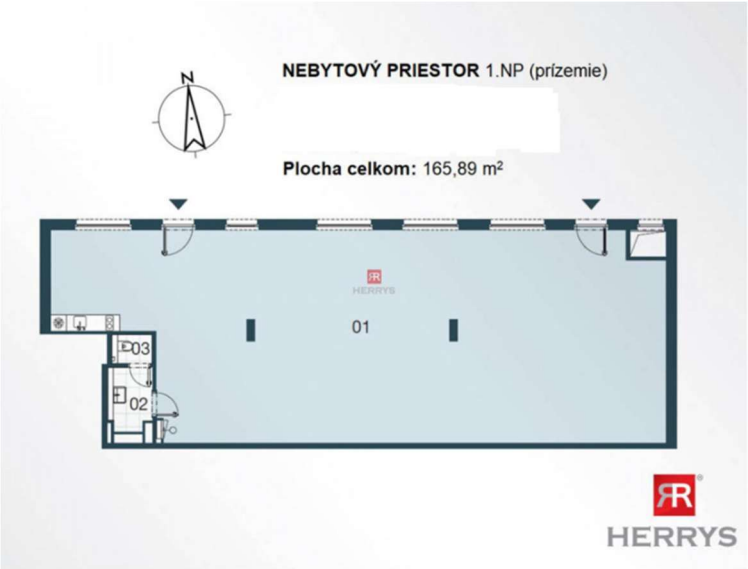
The objective is to create a welcoming environment, where everyone feels motivated to improve their health. Growth opportunities will be explored to establish this business as a top fitness choice in Bratislava by prioritizing customer satisfaction and building a strong sense of community.

In summary, this study will determine if this business can be successful in Bratislava post pandemic era. With a focus on excellent service and building a supportive community, this fitness center has the potential to make a positive impact in the fitness world of Bratislava.

Figure 1 Place of rent

Source: (Business premises, 2024)

Figure 2 Place of rent – 2



Source: (Business premises, 2024)

The business will offer various membership options, including monthly, 3-month, 6-month, and 1-year memberships, as well as packages with 20, 10, or single entries. The gym operates from 6:00 to 23:00, with a half-day membership available from 6:00 to 14:00. Discounts are available for students and contracted companies' employees, except for the 20 and 10 entry packages. Clients can also request customized membership periods, and we will calculate their rate accordingly. We will truly strive for high customer satisfaction.

The company has several different internal processes, such as hiring/training process, marketing/advertising process and ordering/payment process.

1. Hiring and Training Process:

To begin, the investor, specialized in fitness business management, will serve as the company's General Manager. This individual will carefully evaluate the staffing requirements. and assemble a diverse team of employees. Following this, the manager will oversee recruitment, selection, and training processes, with each employee entering into a contractual agreement with the company.

2. Marketing and Advertising Process:

The marketing strategy entails establishing a dynamic online presence through a website, branded application, and engaging social media profiles on platforms like Facebook and especially Instagram. Additionally, eye-catching billboards will be strategically placed along targeted routes to enhance visibility and outreach.

3. Ordering and Payment Process:

The ordering process includes applying for a gym membership online or in person at the fitness facility. The payment process consists of the following payment methods such as cash (possible in person), debit/credit cards or by bank transfer, through QR codes placed at the reception.

To launch the business, the company should have the minimum essential elements and components. The main components needed are:

- 2 free parking lots for regular customers;
- The workplace will comprise a space of 165,89m^2; include showers and common toilets
- New gym equipment and machines with different characteristics;
- Electricity, sound system and decoration;
- Computers, telephone, and an internet line;
- Air-conditioning system,
- Office and lobby of the gym equipment: desks, sofas, chairs.
- Company website and company application.

This project will be targeting people living nearby, but also cater to commuters, students, and workers from nearby business zones Plynarenska BBC buildings and Nivy. The gym will provide affordable services with diverse equipment for workouts – some of it Slovak - made, thus supporting Slovak producers and contribute to government revenue through taxes on purchases.

1. Current state of issues addressed in Slovakia and abroad

1.1 Need for the Project

1.1.1 The situation of fitness sector before and during Covid-19 pandemic

The fitness sector aims to provide space, where one can exercise to keep one's body and mind in good health. It is a successful business sector in Europe, overally growing and becoming more and more competitive, as mentioned in this statistic of Health/fitness club membership in Europe over 10-year period, including the drop during the period of Covid-19 pandemic (Statista, 2023). Fitness center business have been successful long before the Covid-19 pandemic. However, those businesses, which did not adapt their business model during Covid-19 to a hybrid one, have not survived during the period of government-imposed lockdown and periods of the partial opening and its preventive measures. As described in the article, where the researchers conducted an in-depth online survey in a Hungarian market (Szabó & Rada, 2022).

One of the challenges of the Covid-19 for some small businesses was low capital reserve (Papadopouplosa et al., 2020). Meaning many small businesses did not save up enough financial reserve to support themselves throughout the lengthy pandemic period, and therefore closed. Between 2019 and 2020, there was a decline of over 15% in club memberships and a decrease of over 30% in revenue within the European market. (Deloitte, 2021) From 2019 to 2022, there was an even more significant decline in revenue, amounting to 40%. (Deloitte, European Health & Fitness Market Report, 2022).

Since March 2020, Europe has seen the closure of merely 1.4% of fitness clubs, in stark contrast to the United States, where closures have reached 25% (The Transformation of the Fitness Industry, 2021).

However, those small businesses, which managed to change their business model, might have been less affected by the harsh economic situation than some other sectors of business. As described in the article of Science Direct, the service sector dedicated to the online sale of personal care - sports at home benefited. Therefore, to be profitable, the business model should take into consideration new technologies and an actual process of digitalization. For small business, as a gym is, the new marketing strategies, developed during pandemic, became crucial in adapting to changing consumer behavior (Sheng et al., 2020). As for example by using social media, as: Instagram (publicities of sponsored Influencers,

Facebook company page, communication applications, as WhatsApp, Zoom for watching an online training), etc. Apart marketing innovative strategies, new payment applications (mobile applications, Bitcoin, QR codes, etc.) have emerged influenced by digital buying. '*This has also been used more by young people and people on low incomes than by other groups.*' (Rodriguez et al., 2020). Younger generations are constantly attracted by innovative ideas and trends. These new marketing strategies tend to improve customer relations, as well as cooperation between companies (Akpan et al., 2021). As a result from this pandemic period, the increase in online buying and selling will not change and thus the process or digitalization of companies must continue even after Covid-19 period.

Other activities, which were the result of a successful business model included already mentioned marketing, which was intensified, but also new products' development, securing financial stability, acquiring new ventures, and expanding on new markets, as done by a fitness club operator the Benefit Systems Group, who operates in Slovakia, Poland, Czech Republic, Slovenia, Bulgaria, and Croatia. (Taraszkiewicz & Ziółkowska , 2022)

Sharing online training was not only the business model of existing fitness centers and by them employed experienced personal trainers, but also by amateur content creators selling gym clothes, equipment, or training supplements. They have thus enabled the spread of inaccurate information. This has forced some gyms and personal trainers to invest into professional dedicated online training and nutrition applications (RP Strength app, JuggernautBJJ app, MacroFactor, etc.) to stay relevant and generate secure passive income. Those applications took at time several months to be developed and have been a substantial investment in time and funds and because of this investment and easy customer access these online training courses and memberships to customized trainings are here to stay in post Covid-19 era. '… *some of these improvised attitudes caused by confinement have been preserved and therefore companies have to take this into account for the maintenance and evolution of their business*' (Casco, 2020).

The confinement has caused many changes in consumer behavior. A significant majority of consumers are receptive to the idea of resuming their gym visits, shortly post pandemic. Surprisingly, 40% of those surveyed expressed a distinct inclination towards working out in a gym setting rather than at home, under the condition that the facility maintains a standard of cleanliness and safety. Furthermore, nearly half of the respondents emphasized the importance of sanitation when making their decision about which gym to attend (Upswell Marketing, 2024).

1.1.2 The situation of the fitness industry post Covid-19

The rise of Covid-19 has sped up the acceptance of a blend of online and in-person workouts, a trend that many traditional gyms are expected to continue even after the pandemic ends. Gym owners, facing membership declines, have swiftly adapted, with 72% now providing on-demand and live group workouts, a significant increase from 25% in 2019 (Davalos & News, 2021). Product variations specific to local demographic and extensive marketing seem to be the way forward to running a successful fitness business in the post-pandemic era. As confirmed by a Slovak fitness brand for supplements, clothes, training equipment and fitness food established in 2014, yet flourished during Covid-19 period. *"GymBeam's regional e-commerce strategy is unparalleled in our space. It is bringing a digital revolution to an industry ruled by big offline players for decades. The company responds promptly to trends arising from data analysis and brings an interactive way of marketing and product innovation, supported by localized customer service,*" (Tucker, 2020). GymBeam" has recently secured an investment totaling approximately 6 € million. This capital infusion is earmarked for the expansion of GymBeam's market presence throughout Central and Eastern Europe.

1.1.3 Bratislava fitness industry climate

Despite the global crisis, the fitness center businesses have been booming and generating profits by offering similar or different services to the public and an excess demand has been occurring for the gym memberships and services provided. These centers are becoming more prevalent in Bratislava, and the quality of services is rising as the population grows wealthier (Bratislava Gyms, Exercise and Fitness Centers, 2024). The boom in the fitness business field has been attributed to the high number of active working-age people, who are coming to work for many shared business centers concentrated in Bratislava – the hub of jobs of Western part of Slovakia. Sustaining support and investment in sports infrastructure offers enduring benefits for the sports community, the broader public, and sport tourists alike. Enhancing and expanding Bratislava's sports infrastructure has the potential to foster greater community involvement, promote social unity, and enhance public well-being when undertaken thoughtfully and sustainably (Jorgič, 2023). The fitness industry of Bratislava have been influenced by the closure of some less financially stable gyms as a result of pandemic measures, and thus it has opened space for creation of new ones, better equipped, more professional spaces. Bratislava's growing population and increasing awareness of the importance of health and fitness underscore the demand for additional fitness centers. With rising health consciousness and a desire for

accessible exercise facilities, there's a clear necessity for more options to accommodate the city's residents and promote overall well-being.

In the following paragraph, we are comparing the data of two successful fitness brands in Bratislava (with branches all around Slovakia) to establish whether they are currently financially performing. The fitness center “FIT UP Slovakia” generated 4 071 377,00 € of revenues, compared to 2018, 2 178 558,00 €, 86,88% (4071377-2178558)/2178558, of a very significant huge growth in revenues. This growth in revenues illustrates the success a fitness center can have if the right things are implemented in a project. As well, a net income of 1 361 500,00 € and an operating cash flow of 1 453 403,00 € generated in 2019, however this business faced some losses especially in 2020 and 2021, the period of Covid-19 but again revenues made a huge growth in 2022, generating a net income of 77 811,00 € and an operating cash flow of 172 201,00 €.

Table 1 Financial Data of “FIT UP Slovakia”

Fit-up					
	2022	**2021**	**2020**	**2019**	**2018**
1 Revenues	1891961,00 €	1228624,00 €	1317779,00 €	4071377,00 €	2178558,00 €
2Depreciation	94410,00 €	91263,00 €	51187,00 €	91903,00 €	135560,00 €
3 Net income	77811,00 €	-135687,00 €	-81090,00 €	1361500,00 €	-150579,00 €
2+3 Operating cash flow	172221,00 €	-44424,00 €	-29903,00 €	1453403,00 €	-15019,00 €

Source: (FinStat, 2024)

Furthermore, the prestigious fitness center brand “365 Fit&Co” with open air gym on the outdoor terrace in Bratislava, based in Slovakia, comparing 2019 to 2020, this business generated 904 594 of revenues, and decreased to 774624 in 2020 and decreased again in 2021, then there was a huge significant growth in revenues of 97,73% after the pandemic. And lastly from 2022 to 2023, a growth of 49,18%.

This business also generated 169 765,00 € and 84 948,00 € as an operating cash flow in 2023 and 2022.

Table 2 Financial Data of "365 Fit&Co"

365 Fit&Co					
	2023	**2022**	**2021**	**2020**	**2019**
1 Revenues	1328179,00 €	890308,00 €	450274,00 €	774624,00 €	904594,00 €
2 Depreciation	148581,00 €	39400,00 €	3531,00 €	3365,00 €	6167,00 €
3 Net income	21184,00 €	45548,00 €	-122465,00 €	-24055 €	1940,00 €
2+3 Operating cash flow	169765,00 €	84948,00 €	-118934,00 €	-20690,00 €	8107,00 €

Source: (FinStat, 2024)

The fitness center business is a competitive and an extremely lucrative business, especially when it is well-organized and located in a strategic place (a city with huge population, commercial centers, malls, shared business centers, universities…).

1.2 Capital Budgeting Theory

In the theoretical domain of a fitness center establishment, capital budgeting theory plays a crucial role. Capital, comprising tangible assets like gym equipment and intangible elements such as branding strategies, (company application, website) form the basis of investment decisions. Theoretical discussions around gym establishment involve strategic capital allocation, including decisions related to location selection, facility planning, and equipment procurement, collectively termed as capital projects.

Theoretical considerations extend to the formulation of financial structures supporting capital-intensive ventures. This involves determining the appropriate mix of financing options, including debt and equity, to fund gym establishment endeavors. Theoretical frameworks emphasize the importance of feasibility analysis, assessing market demand, competitive dynamics, and financial projections to inform strategic decision-making and manage risks.

By exploring capital theory within the context of gym establishment, this thesis aims to provide theoretical insights into capital allocation, financial structuring, and feasibility analysis, contributing to a deeper understanding of the theoretical foundations of opening a fitness center (Fabozzi & Peterson, 2002).

In the realm of corporate finance, companies strategically invest to enhance their long-term value. These investments are expected to yield increased future earnings compared to maintaining their value. Therefore, when evaluating new investment opportunities, companies aim to ensure that the projected future cash flows exceed what they would be without the investment (Fabozzi & Peterson, 2002).

To evaluate the feasibility study thoroughly, it is imperative to scrutinize the initial investment required for start-up assets and expenses, as well as to analyze the projected income, balance sheets, and cash flow statements.

Net Present Value (NPV) serves as a vital tool in capital budgeting, enabling the evaluation of a project's profitability. By comparing the present value of anticipated cash inflows with that of cash outflows, NPV determines whether a project is financially viable. A positive NPV indicates that the project's inflows outweigh its outflows, signaling potential profitability. Conversely, a negative NPV suggests that the project's outflows surpass its inflows, raising concerns about its financial feasibility (Ross, Randolph , Bradford, & Bley, 2015). The following formula to obtain NPV is: free cash flow year 1 / $(1+wacc)^1$ + free cash flow year 2 / $(1+wacc)^2$ + free cash flow year 3 / $(1+wacc)^3$ + free cash flow year 4 / $(1+wacc)^4$ + free cash flow year 5 / $(1+wacc)^5$ + free cash flow year 6 / $(1+wacc)^6$ – initial investment.

Another frequently used capital budgeting technique, which frequently arrives at similar conclusions as the NPV rule, offers an alternative approach. This method is valuable as it reaches the same outcomes through a distinct pathway and often offers intuitive insights into the project. (Welch, 2009), the Internal Rate of Return (IRR) is the discount rate at which the Net Present Value (NPV) of a project becomes zero. If the Internal Rate of Return falls below the Discount Rate, it indicates that the project should be declined (Ross, Randolph , Bradford, & Bley, 2015). It can be used as well as a measure where the limit of the cost of capital should be, can help assess what is the best capital structure to have the most favorable optimal cost of capital. The cost of debt has certain benefits including that it gets deducted by the tax rate. Moreover, another measure of profitability is the payback period which is the duration required for the cumulative cash flows from a project to match its initial investment or the period when the project will recover from its initial investment. (CFA, 2017). The three approaches: NPV, IRR, and payback period, will be used to assess the project if it is financially feasible.

1.3 Problem definition

Looking at the maps, it appears that there are numerous gyms relatively close to each other. However, these gyms vary significantly in terms of the services they offer and are limited in variation of their products. Some are commercial gyms, while others focus on specific areas such as strength and conditioning, like powerlifting, crossfit, bodybuilding, rehabilitation, weightlifting, and more. For clients with particular interests, such as powerlifting, they may find that not every gym caters to their specific needs with needed professional machinery, adjusted training space and safety features of the space.

Therefore, establishing a comprehensive fitness center is a sound business venture given the current climate. The goal of a comprehensive fitness center is to provide a supportive environment where individuals of all fitness levels can engage in physical activity, receive guidance and support, and work towards improving their overall health and fitness.

1.4 Important factors for the business

The main factors that should be considered when running a new business to start making profits and sustain a certain average of profit per year are: a busy location with less fitness centers, affordable prices, qualified gym staff and marketing, and unique services (Lester, 2024).

Considering the location as an important factor for a profitable business, this business will be located at Hraničná 36, 821 05 Bratislava, Slovakia, where it is in a busy location, easy to reach, high population area, just under the popular Prístavný bridge, or Prístavný most, attracting the people passing through this bridge every day, the students of the University of Economics in Bratislava, since the university is close to this location, and the neighborhood where the gym would be located.

The business will offer varied gym services to meet different customers' wants, needs and preferences and will offer special prices for employees and students to satisfy their needs when they want to have a discounted gym membership, or any other service provided.

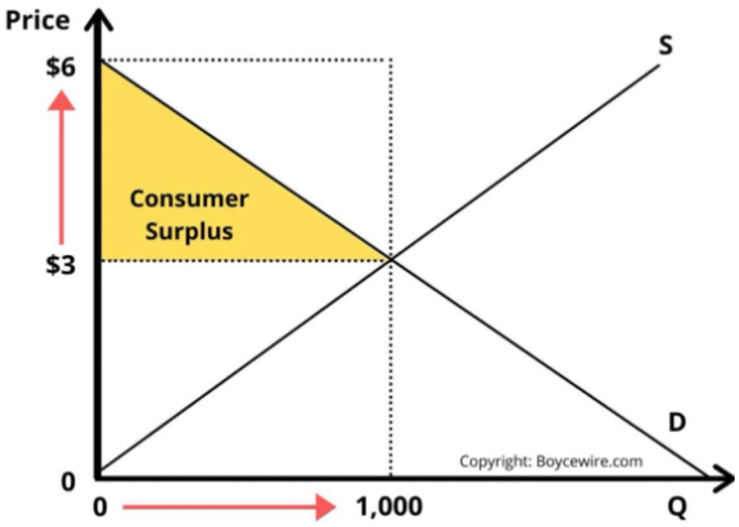
This business will keep researching for new strategic ideas to improve this business and to implement new ways to be more cost-efficient and to satisfy the customers' needs.

1.5 Consumer surplus and market competition

1.5.1 *Consumer Surplus*

The term "consumer surplus" describes the economic idea that arises from the discrepancy between the actual and willing prices that consumers pay for goods and services. It represents the added value or advantage that buyers get when a product is available for less than they are willing to pay overall. Stated differently, consumer surplus quantifies the financial well-being or contentment that customers experience following a market exchange (VARIAN, 2010).

Figure 3 Consumer surplus



Source: (BOYCE, 2023)

For instance, a person that wants to have a gym membership is willing to pay 50 EUR, for a monthly membership but the price in the market is 40 EUR so he has a consumer surplus of 10 EUR (50 EUR Willingness to pay – 40 EUR actual price) = consumer surplus 10 EUR. Or in the example above in the graph 6 – 3 = 3.

This means that consumers for the gym membership will be able to have a better price than their ability to pay. This surplus reflects the individual's gain in well-being or satisfaction from being able to access the gym at a price below their maximum willingness to pay.

1.5.2 *Perfect Competition*

In economic analysis, perfect competition theory is used as a reference point to comprehend the basic dynamics of markets. The following are the main presumptions of perfect competition:

a) A large number of buyers and sellers: there are many buyers and sellers in the market, and no single party can affect the market price.

b) Homogeneous products: identical goods or services provided by multiple sellers allow for perfect substitutability.

c) Perfect information: prices, quality, and market conditions are available to both buyers and sellers.

d) Free entry and exit: businesses are able to join or quit the market without encountering major expenses or obstacles.

e) Price takers: individual sellers and buyers accept the going rate as it is; they have no influence over the market price.

To analyze the results of perfect competition, supply and demand curves are frequently used. According to this model, the market clears at the price at which the quantity supplied and demanded equal each other. Understanding economic concepts like allocative efficiency—a situation in which resources are allocated optimally and the market maximizes customer satisfaction—is made easier with the help of perfect competition.

Perfect competition is primarily a theoretical concept, which is important to remember. Because of things like entry barriers, incomplete information, and product differentiation, real-world markets frequently depart from these assumptions. Economists can examine how these deviations affect market outcomes with the aid of this theory (SHAPIRO et al., 2022).

1.5.3 Imperfect Competition

Imperfect competition refers to market settings that lack the features of perfect competition. In a completely competitive market, there are many buyers and sellers, homogeneous products, perfect information, easy entry and exit, and no single buyer or seller has the ability to affect market price.

In contrast, imperfect competition is distinguished by one or more deviations from the ideal conditions. Imperfect competition can take many forms, but some common ones are:

- Monopoly: a market arrangement in which there is only one seller or provider of a specific product or service. The monopolist wields significant power over the pricing and quantity of commodities or services;

- Oligopoly: A market structure in which a small number of major enterprises wield significant market power. Each firm in an oligopoly is interconnected, which means their decisions influence one another;
- Monopolistic competition: a market arrangement in which multiple merchants offer slightly distinct products. This differentiation might be based on branding, quality, location, or other criteria. Firms have some control over the pricing of their differentiated products;
- Duopoly: a type of oligopoly in which only two enterprises dominate the market. (VARIAN, 2010).

Individual firms have some market power in imperfectly competitive markets, which means they can affect market prices by changing their output or pricing strategy. This differs from perfect competition, in which each firm is a price taker with no effect over market prices.

Imperfect competition frequently leads to inefficiencies, which can result in higher prices, lower output, and lower overall economic welfare than perfectly competitive markets. To solve concerns originating from imperfect competition, the government may intervene and regulate, such as antitrust laws designed to prevent and control monopolies.

1.5.4 *Classification of gym*

The classification of the gym industry as imperfectly competitive or not is determined by a variety of criteria, including market specific characteristics. In general, the gym business frequently exhibits signs of imperfect competition.

Many gyms differentiate themselves by criteria such as location, amenities, equipment, classes, and brand image. This product differentiation is typical of imperfect competition, particularly monopolistic competition, in which firms provide similar but not identical products.

- Pricing Power: Gyms may have some pricing power, which means they can influence membership prices based on brand reputation, exclusive services, or unique offerings. In perfectly competitive markets, market forces decide prices, and individual enterprises have no control over them.
- Limited Number of Firms: In some places, a few large gym chains may dominate the industry, resulting in an oligopolistic structure. Oligopolies are a type of imperfect competition in which a few large enterprises control a sizable percentage of the market.

- Barriers to Entry: Depending on the region and market conditions, there may be obstacles to entering the gym industry, such as high initial costs, brand recognition, or economies of scale. Barriers to entrance are frequently connected with imperfectly competitive markets.
- Advertising and branding: Gyms frequently invest in advertising and branding to set themselves apart from competition. This branding attempt is consistent with behavior observed in imperfectly competitive markets.

It is crucial to remember that the fitness sector might vary and that local, national chains, and specialist fitness facilities may differ from one another. Furthermore, market conditions might shift over time, affecting the level of rivalry in the business. Overall, while the gym business does not exactly match any one model of imperfect competition, it frequently demonstrates traits common to imperfectly competitive marketplaces.

2. Thesis Objective

The thesis objective is to see whether a feasibility study for a 6-year period of opening a comprehensive fitness center in Bratislava, Slovakia is profitable or not by assessing the yearly projected cash flow statements to obtain the net present value of this business and by comparing the internal rate of return with the weighted average cost of capital and by taking into account the discounted payback period in three cases worst, base and best case scenarios.

3. Methodology and Research methods

3.1 Methodological framework

The methodology that will be used to conduct the feasibility study of providing the fitness center services comprises a mixture of quantitative and qualitative research:

Qualitative Research:

- Meetings with employees from different fitness centers: conducting interviews or meetings with employees from various fitness centers in Bratislava will provide qualitative insights into the operational aspects of gyms. This includes understanding equipment maintenance, facility management, staffing structures, service offerings, and peak activity times during the week versus weekends. Additionally, discussions about profitability, challenges, and industry trends can offer valuable qualitative data.
- Online Sources for legal considerations and requirements: qualitative research will involve exploring online sources to understand the legal considerations and requirements for establishing a fitness center in Slovakia, particularly for foreigners. This includes identifying necessary licenses, permits, and regulatory compliance measures needed to operate a gym legally.
- Analysis of competitors' offerings: qualitative analysis of competitors' pricing strategies, service offerings, and market positioning will provide insights into the competitive landscape. Examining competitors' financial statements and customer reviews can help identify strengths, weaknesses, and opportunities for differentiation.
- Analysis of relevant fitness industry articles and research papers referring to pandemic and post-pandemic period and its repercussions.

Quantitative Research:

- Estimation of startup and operating costs: quantitative analysis will entail estimating the startup costs, including equipment procurement, facility rental, and initial staffing expenses. Ongoing operating costs, such as monthly utilities and payroll, will also be quantitatively assessed. Utilizing online sources and financial projections will aid in developing accurate cost estimates.
- Market demand analysis and revenue projections: quantitative research involves analyzing market studies and demand projections to assess the potential client base

for the gym center. Utilizing online sources and demographic data, an estimation of the target market size and growth trends will be conducted. This analysis will inform revenue projections based on membership fees, and average spending per client. These quantitative insights will facilitate more accurate revenue forecasting and financial planning for the fitness center project.

- Analysis of interest Rates and financial considerations: quantitative analysis will include researching interest rates for business loans and financing options available in Slovakia. This involves gathering numerical data on interest rates, loan terms, and financing terms from online sources or financial institutions. Quantitative assessment of financial considerations will inform budgeting and capital investment decisions for the fitness center project.
- Online sources for market demand and financial data: quantitative research involves gathering data from online sources to assess market demand and financial feasibility. This includes analyzing market studies, demand projections, and financial data related to the fitness industry in Bratislava. Quantitative analysis will help in estimating potential customer demand, revenue projections, and financial viability.

3.2 Vision statement

The business strives to be the leading fitness facility in the Bratislava region.

3.3 Mission statement

The company's objective is to be the most successful fitness facility in the Bratislava region by providing the finest client experience possible with innovative technology. We believe that long-term economic success is built on ethical standards that guide growth, as well as a true sense of responsibility for our employees, customers, the environment, and the communities in which we operate. We strive to grow and expand into new markets, and we believe ourselves to be the greatest in the fitness industry because of our devotion to continually serving our clients in the best way possible.

3.4 Goals and objectives

The business has set financial and non-financial goals and objectives. These objectives should be realistic, efficient, profitable, and time bound.

1. *Financial goals and objectives*

The company’s financial goals and objectives are:

- Obtain positive net present value in the worst-case scenario;

- Increase number of clients;
- Sustainable growth in revenues and net income;
- Maintain a positive net working capital that the company will be able to pay its short-term obligations;
- Minimize fixed and variable costs in the long run;
- To have a net working capital and return on assets higher than all the rest fitness centers.

2. *Non-financial goals and objectives*

The company's financial goals and objectives are:

- Maintain customer satisfaction.
- Exceed Customer's expectation.
- Progressively gain in market share.
- Owning a place or places in the long run;
- Eliminate weaknesses and increase strengths.
- Increase loyal customers.
- Cope with updates and new marketing strategies;
- Be the number one leading center and the benchmark of the fitness centers in Slovakia.

3.5 Environmental scanning and SWOT analysis

SWOT analysis evaluates the company's overall strength (S), weaknesses (W), opportunities (O) and threats (S).

- Internal Factors:
    - Strength: Internal capabilities, resources, and elements over which the company has control, and how these strengths may assist the organization serve its customers and achieve its goals.
    - Weaknesses: Internal restrictions and unfavorable situational elements over which the company has control that may affect its performance.
- External Factors:
    - Opportunities: Positive external events and trends that the company may be able to capitalize on.
    - Threats: External variables outside the company's control may impede its performance.

The corporation should assess its strengths to determine what advantages it has over competing companies, which are internal factors under its control. It should assess its shortcomings to see how it can eradicate them and transform them into strengths in the long term in order to be a successful company; and to see what possibilities in the external environment exist for the firm to use to its benefit. Furthermore, assess the dangers, which are external unfavorable aspects that the organization cannot control (Kotler, P. & Armstrong, G., 2014).

Evaluating the SWOT analysis:

1. Strength:

- Location: The company is located in Bratislava, the capital city of Slovakia, next to Prístavný most or bridge, easy to reach location with complete amenities, targeting people that daily pass by this bridge, including employees and very close to the University of Economics where many students consider this center as an easy to reach place before or after their classes;
- New Building located on the ground floor with complete amenities with 165,89m2;
- Equipment/machines diversification: The center offers diversified high-quality equipment and machines to target most of the clients having different goals, including fitness, bodybuilding, powerlifting, cross fit, cardio etc.;
- Qualified diversified trainers with different specializations;
- Diversified types of memberships including the option for the client to customize his own membership;
- Discounts for employees and students;
- Open from 6:00 till 23:00, as all the gyms mostly open till 22:00, this center will benefit from 1 additional hour which some people find it an advantage.

2. Weaknesses:

- Staff shortage: The business has a very small group of employees for a start, a manager taking role for supervising, controlling finances, sales and marketing, even if he is specialized in all mentioned categories, it will always be better if one person taking one role without multitasking; this is due to avoid a larger cost in starting a new business;
- High fixed costs: the company must pay rent in the short run which the amount is significant, and it can affect the profit on the long run;

- Not having all variety of machines compared to some advanced gyms;
- Not the lowest price: we might be cheaper than other fitness facilities but compared to other previously established fitness centers, we have higher costs and we need to have a higher price for some of our services, we cannot be cost-efficient on the short run.

3. Opportunities:

- Offering free programs for our members in the application;
- More variable machines in the long run;
- Dealing with physiotherapists and nutritionists;
- Adding Sauna and Solarium;
- Opening a cuisine for nutritional meals;
- Selling supplements;
- Investing in more machines
- Owning a new place;
- Having more branches;
- Opportunity for the business to be franchised.

4. Threats:

- The development of rivals in the same place may have an impact on the company's pricing flexibility, even though there is no gym in the same neighborhood but in Bratislava, all gyms are not that far from each other, but it is a city with huge population;
- Seasonal changes may also influence consumer spending. For instance, if this gym is close to the university, it is targeting the students, but most of the students do not study during the summer and many of them do not live in Bratislava;
- Gyms with more than 1 branch and with huge spaces.

3.6 Market analysis

Companies now believe that they cannot attract all buyers in the market, or at least not all buyers in the same manner. Buyers' requirements and purchasing habits are exceedingly complicated, dispersed, and diverse. Similarly, businesses vary in their ability to service various market sectors. They should devise customer-driven marketing strategies that establish the appropriate linkages with the right consumers.

There are four major phases to developing a CDM (customer-driven marketing) strategy.

3.6.1 Market segmentation

Market segmentation is the division of a market into multiple buyer segments with dissimilar demands, features, preferences, or behaviors, which may necessitate unique marketing strategies or mixes (Kotler, P. & Armstrong, G., 2014).

"CHEST & GLUTES" divides its market into three segments.

1. Sport segmentation:

a) Powerlifting: we have specialized trainers in strength and conditioning as the gym includes all the equipment needed for a client that wants to get strong.
b) Bodybuilding/fitness: we have the equipment and machines needed for someone to grow his/her muscles and get strong with specialized trainers in bodybuilding.
c) Cardio: Cardio machines for the cardio enthusiasts who love to do their cardiovascular training.
d) Rehabilitation, stretching: All tools are available for the people who love to get more flexible.
e) Elderly and pregnant woman special training: regarding the elderly people, good training for them is the reaction time and balance, for pregnant women who want to keep training but do not know how to train in an exceptional condition.

2. Membership segmentation:

The center offers a variety of different types of memberships including: 1 day entry, 10 entries, 20 entries, 1 month, 3 months, 6 months, 1 year, and opportunity for the customer to customize her membership.

3. Demographic segmentation:

"Chest & Glutes" divides the market into segments depending on factors including age, and gender.

a) Age segmentation
- The center has cardio machines which are more preferrable by elderly people;
- We have all the equipment and weight training machines which are preferred by younger people.

b) Gender segmentation

- Legs and glute machines that are preferrable by females.
- Chest and biceps machines that are preferrable by males.

3.6.2 Market Targeting

Targeting entails examining the attractiveness and requirement of each market segment and selecting one or more categories to enter. (Kotler, P. & Armstrong, G., 2014)

The demographics of people who require the services of a fitness center include the general population, and people from all classes of the public and from all kinds of backgrounds. Our exercise center is meant for the general people and organizations listed below:

- Athletes, young professionals;
- Models;
- Medical referrals;
- Retirees;
- Employees and business people;
- Students;
- Travel agencies and hotels;
- Households.
- Tourists.

3.6.3 Market Differentiation and Positioning

Our gym distinguishes itself through a commitment to delivering unparalleled customer service, personalized training programs offered by our trainers, and a supportive community atmosphere, ensuring that every member receives the attention and guidance they need to achieve their fitness goals, thereby establishing us as the trusted partner in their fitness journey.

4. Thesis results

4.1 Legal considerations - Documentation Requirements and Formalities

4.1.1 *Foreigner Procedure*

A non-European resident has a right to be an owner, partner, or a managing director for a company in the Slovak Republic. The foreign person can be a natural person or a juridical person outside the Slovak Republic. This person has a right to establish a business, participate in establishing a business or participate in business as a partner (in an existing Slovak company). In this project, the focus is on the non-EU resident person who wants to establish a business. If a foreign person establishes a business in the territory of Slovak Republic, this company is considered a Slovak company. It is considered that this business would be opened as a s.r.o. 'Spoločnosť s ručením obmedzeným' or in English, 'Limited Liability company'.

If the operating manager would be a non-EU resident and has no residency permit in Slovakia, he/she must appoint a representative first to become after the manager. He/she needs to obtain a residency permit, which he/she may obtain temporary residency for the purpose of business. The following requirements include: power of attorney for the representative (he/she can be a foreigner but with at least temporary residency in Slovakia), The process of the assigned person include: memorandum of association, signature of manager, obtain a certificate of license with copies, declaration by sole shareholder that he is not sole shareholder in more than two Slovak companies, statement by deposit admin on the payment of share capital, confirmation of where the registered office is located (consent of real estate owner, in which the company has its office), confirmation that the founder of the company is not registered in the tax office, so it is needed to be done, residency permit, proof of payment of administrative fee of three hundred Euros. After assigning the person, the foreign person applies for a national visa and then temporary residency for the purpose of business, having the certificate of trade, in order to apply at the foreign police, the following papers are needed, they include: 2 passport photos, criminal record not older than 3 months, paper that confirms the purpose of stay, proof of accommodation not older than 90 days, document proving the person has sufficient funds above the minimum subsistence level not older than 90 days, proof of payment for application (Pohorelá, 2024).

4.1.2 Company Type

The establishment of a fully legal and a licensed Private Limited Liability Company (s.r.o.) under the Slovak Law will require certain legal procedures.

The first stage in establishing an s.r.o. in Slovakia is the preparation of a memorandum of association, or the founding document, which must contain, among other particulars, the nomination of the first directors of the s.r.o. and how they will act on behalf of the company.

Registration procedures include: the name and address of the company, details of the founders, amount of capital, details regarding the staff, if elected, supervisory board members, and expected cost of incorporation.

For trade licenses, the following papers must be submitted: a standard application form, the Memorandum of Association, an extract of the Executive's criminal record, and proof of payment of the special tax. The trade license must be secured before registration with the Commercial Registry.

To register with the Commercial Registry, the following documents are required: an application form, a notarized copy of the trade license, Foundation Documents, a declaration from the founder of the capital contribution, and a signature from the Executive.

As a foreign investor**,** the following company formation steps must be followed:

- Unique name for the company as it is not used before, the name of the company will be checked with the Slovak Trade Register;
- The company's statutory paperwork must be prepared and notarized;
- Owners must have or open a bank account and deposit at least 30% of their share capital as foreigners (or 10% if they are Slovaks);
- The incorporation paperwork and the certificate of deposit of the share capital must be filed with the Trade Registry;
- The firm must subsequently register for tax purposes and apply for a business license;
- The VAT registration procedure is distinct from the income tax registration process, and it is performed as the final stage of opening the SRO.

A Private Limited Liability Company must have at least one owner, €5,000 as minimum capital. (Set up a S.R.O. in Slovakia, 2024).

According to the last updated Income Tax Act of the Slovak Republic, in Article 15, in terms of the relevant tax system on the taxable income (revenues), a legal person is liable to a

15% tax rate if the net income before tax did not exceed €60000,00, and 21% if the net income before tax exceeds €60000,00 (Zákon o dani z príjmov, 2023).

4.1.3 *Fitness facility trade license*

For this business to open, certain legal requirements must be met.

Starting a fitness facility in the Slovak Republic is less administratively onerous than other businesses, for instance, a restaurant. The permits that an entrepreneur must get to start a fitness facility are nearly identical to those required to open an accounting office or other institution that serves administrative services.

To launch a fitness operation The center must fulfill all general standards associated with the establishment's opening.

The general needs include:

- Obtain approval from the regional health authority;
- Notify the Trade Licensing Office and the municipality where the operation is located;
- Designate the location;
- Pay the authors of works for a license;
- Smoking Ban Notice;
- Paying fees for municipal and small construction waste;
- Obligations for selling goods or providing services;
- Employee-related obligations (Taldová, 2020).

Registered trades for operating fitness centers include the following:

Obtaining a trade license: It is the registration of the business activities that the entrepreneur intends to carry out. It is not essential to get or have a special coaching degree to be able to operate a fitness center; instead, select from the list of free trades an activity named **operation of sports facilities and facilities used for regeneration and reconditioning**. He/she only needs to be at least 18 years old.

Additional services: If the entrepreneur intends to organize events or sell various drinks in or outside the fitness center, he/she must extend this subject to business products:

Organizing sporting, cultural, and other social events.

Purchase of goods for the goal of selling to the final consumer (retail) or other trade operators (wholesale).

Requirements for the premises of the operation: The premises of the fitness center in which the entrepreneur intends to carry out the activities must meet the criteria set out in the Decree of the Ministry of Health on requirements for physical education and sports facilities and be approved for the purposes of the fitness center during the construction procedure. After receiving the clearance decision, the entrepreneur must seek permission from the regional public health authority to open the fitness facility.

Each fitness center business must have created operating rules that are posted in a visible and appropriate location (Založenie fitness centra formou s.r.o., 2020).

4.2 Brand name selection

The brand name is a particularly important factor to be taken into consideration to be chosen for marketing purposes since it is the term and symbol that identifies the services of the business. A certain name that will target and attract the interest of the people to visit and choose this center. Moreover, the name must be different and not exist before in order to be able to be registered officially.

The brand name selected for the company is: “Chest & Glutes s.r.o.”.

This brand name has been chosen according to the people’s preferred training muscles. (Richter, 2023). This will help the business to target the majority of people.

As mentioned above, the name for the company will be checked with the Slovak Trade Register.

A trademark is a term that the company (as a service provider) will use to identify and distinguish its services from those of others.

4.3 Start-up Costs

To start the fitness center, several main equipment and elements are needed.

4.3.1 Cost of Start-up Assets

(Review Appendix one, for further cost details)

Table 3 Total start-up assets

	Cost
Start-up assets	
Reception appliances	5528,35 €
Other appliances	4319,00 €
Air conditioning, heating, and ventilation	3300,00 €
Lockers	1399,96 €
Gym equipment	62796,07 €
Mirrors, sound system	10060,99 €
Total cost of start-up assets	**87404,37 €**

Source: sum of start-up assets, review appendix one

4.3.2 *Start-up expenses*

(Review appendix two for further details).

Table 4 Total start-up expenses

	Cost
Rent	1990,68 €
Utilities	3331,78 €
Other start-up expenses	35514,19 €
Total of start-up expenses	**37836,65 €**

Source: sum of start-up expenses, review appendix two

Table 5 Total start-up costs

	Cost
Start-up assets	87404,37 €
Start-up expenses	37836,65 €
Total costs	**125241,02 €**

Source: review appendix one and two

4.4 Growth requirements and capital needed

4.4.1 *Growth requirements*

A fitness center like "Chest & Glutes" would strategically position itself in bustling areas to attract a diverse clientele, including students, professionals, and tourists. Located near the Prístavný bridge, it would offer top-notch equipment catering to various fitness goals, covering weight training, cardio, and stretching needs. The name "CHEST & GLUTES" grabs attention, tempting people with its focus on favorite muscles.

Partnering with outstanding trainers ensures excellent customer service and a welcoming atmosphere. Membership options are diverse, with discounts for students, families, and employees. Additionally, clients can tailor their memberships, such as opting for a 46-day plan, catering to individual preferences. Continuous research keeps the business updated on cost-effective strategies and the latest marketing trends and digital marketing through application and website to attract new customers.

4.4.2 *Capital Needed*

The establishment of a fitness center, as well as the purchase of its assets and start-up costs, would need a significant investment of funds. The capital required is 125241,02 € including start-up expenses (87404,37 € excluding the expenses). The start-up expenses are equal to 37836,65 €, but since they are not assets, they can't be in the balance sheet but included in the initial investment total.

- The owner will have cash reserves of 75000,00 €, he will cover the start-up expenses => 75,000 – 37836,65 € = 37163,35 €. The project will be financed by a mixture of debt and equity, the debt will amount to 92000 €.
- To be able to take the loan, he needs to cover 20% of the loan as a downpayment (Odpovede na najčastejšie otázky k programu pre začínajúcich podnikateľov a podnikateľky, 2024). Therefore, the downpayment is equal to 92000 * 0,2 = 18400,00 €.

  Net cash reserves are equal to 37163,35 € – 18400 = 18763,35 €,
- Now we have debt amounting to 73600 € (92000 – 18400) and cash reserves or equity capital equal to 18763,35 €, the owner decides to use 10,000 from his cash reserve to finance a part of the start-up assets, therefore cash reserves will be equal to 18763,35 – 10000 = 8763,35 €.
- The amount of the loan is equal to 92000 – 18400 = 73600 € after downpayment.
- If the amount of start-up assets is equal to 87404,37 € then total assets are equal to fixed assets + cash: 87404,37 + 8763,35 = 96167,72 €. Therefore, the owner's equity is equal to: Assets – debt = 96167,72 - 73600 = 22567,72 €.
- The cash to equity ratio = 8763,35/22567,72 = 38,83% > 30%, fulfills the condition of registering the company having 30% of shared capital deposited to bank.
- Total debt/assets = 73600 / 96167,72 = 76,53%; Total equity/assets = 1 – 76,53% = 23,47%.

The bank is offering an interest rate for start-ups in a range between 6,7 and 14%, up to five years, we will assume our rate will be 8,4% for five years. (Splátkový úver pre začínajúcich podnikateľov, 2024)

The summary is that the investment will be a combination of debt and equity.

The debt amount will be 73600,00 € after the downpayment, with 8,4% cost of debt to be paid back in five years in monthly amortized installments, and the equity capital amount will be 22567,72 €.

The total assets will be 96167,72 €.

4.5 Starting balance sheet

The following table is the starting balance sheet year 0:

Template from Finstat (Súvaha; Výkaz ziskov a strát, 2024).

Table 6 Balance sheet year zero

			Amount	% T.A.
001		**Total Assets** (02+14)	**96167,72 €**	
002	**And**	**Non-current assets** (03+04+09)	**87404,37 €**	**90,89%**
003	A.I.	Intangible fixed assets		
004	**A.II.**	**Tangible fixed assets total** (05 to 08)	**87404,37 €**	**90,89%**
005	A.II.1.	Land and buildings		
006	A.II.2.	Separate movables and sets of movables	87404,37 €	90,89%
007	A.II.3.	Other tangible fixed assets		
008	A.II.8	Value adjustment on acquired assets		
009	A.III.	Total fixed financial assets (10 to 13)		
010	A.III.1.	Equity securities		
011	A.III.2.	Other non-current financial assets		
012	A.III.3.	Bank accounts with a commitment period of more than one year		
013	A.III.4.	Other non-current financial assets with a residual maturity of not more than one year		
014	**B.**	**Current assets** (15+16+17+21)	**8763,35 €**	**9,11%**
015	B.I.	**Stock**		
016	BII.	Long-term receivables		
017	B.III.	Short-term receivables total (18+19+20)		

018	B.III.1	Trade receivables		
019	B.III.2	Social insurance, tax assets and subsidies		
020	B.III.3	Other accounts receivable		
021	B.IV.	**Financial assets** (22+23)	**8763,35 €**	**9,11%**
022	B.IV.1.	Money and bank accounts	8763,35 €	9,11%
023	B.IV.2.	Other financial accounts		

024		**Total equity and liabilities**	**96167,72 €**	
025	And.	**Equity** (26+29+30+31+32+33)	**22567,72 €**	**23,47%**
026	A.I.	**Total capital** (27+28)	**22567,72 €**	**23,47%**
027	A.I.1.	Share capital and changes in share capital		
028	A.I.2.	Receivables for subscribed equity capital		
029	A.II.	Capital funds		
030	A.III.	Funds from profits		
031	A.IV.	Revaluation differences		
032	A.V.	Retained earnings or losses of previous years		
033	A.VI.	**Economic outturn for the financial year after tax** [001-(026+029+030+031+032+034)]		
034	B.	**Liabilities** (35+36+37+38+43+44+45)	**73600,00 €**	**76,53%**
035	B.I.	Long-term liabilities other than provisions and loans		
036	B.II.	Long-term reserves		
037	B.III.	Long-term bank loans	61235,91 €	63,68%
038	B.IV.	**Current liabilities excluding provisions, loans and bailouts Total** (39 to 42)		
039	B.IV.1.	Current trade liabilities total		
040	B.IV.2.	Liabilities to employees and social insurance		
041	B.IV.3.	Tax liabilities and subsidies		
042	B.IV.4.	Other current liabilities		
043	B.V.	Short-term reserves		
044	B.VI.	Current bank loans	12364,09 €	12,86%
045	B.VII.	Short-term financial assistance		

Source: own calculation of beginning balance sheet

The loan got separated in the balance sheet between divided by principal and remaining balance, the amount of notes payable is the principal due within one year, and the remaining balance is the long term liabilities, calculated from the amortization schedule and gathered from table 3.10 since 12364,09 + 61235,91 € = 73600,00 €, in this way as a yearly balance sheet, we

know the total amount due in one year, but we pay monthly, and this also helps us to get the net working capital.

The loan's initial amount is 92,000,00 € and after the downpayment, it is equal to 92,000 – 18400 = 73600,00 €, it will have a fixed-rate monthly amortized payments at an interest rate of 8,4%, the maturity is 5 years. The monthly payment is equal to 1506,47 €. (Review appendix three).

The sum of yearly interest expense, principal and remaining balance, will be:

Table 7 Yearly interest expense and principal

	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
Interest Expense	5713,57 €	4634,06 €	3460,29 €	2184,02 €	796,350 €
Principal	12364,09 €	13443,62 €	14617,38 €	15893,62 €	17281,31 €
Remaining	61235,91 €	47792,31 €	33174,94 €	17281,31 €	- €

Source: Yearly interest expense, principal, remaining balance calculated from Appendix three

This table will be used for balance sheet and income statement,

4.6 Employee structure

The business will take into consideration the structure of the employees.

The following needed employees will be:

- A general manager that oversees operations and plans for the company's future using strategic principles, and taking on financial analysis, and marketing;
- An external accountant;
- Four receptionists (including one working) as students with different shifts to greet the clients, promote and manage memberships, give tours, assist in buying products, checking clients in/out, and manage phone calls, take care of the place, and keep it clean;
- Qualified trainers with different backgrounds (fitness, bodybuilding, powerlifting…) including group classes that will rent the studio.
-

4.7 Business Analysis

4.7.1 *Cost analysis*

1. Cost of rent and utilities

The cost of rent is determined in the start-up costs at 1990,68 for one month, the cost per year will be **23888,16 €.**

Monthly utilities are 331,78 €, fixed cost agreed with the landlord, for 1 year, they will be 331,78 * 12 = **3981,36 €**

2. Cost of insurance

The yearly insurance expense for the place + machines is determined at 3000,00 €.

3. Salaries and wages

By checking the salaries and wages offered to the employees in the same facility, we have one general manager and one working receptionist for 4,25 hours, since the opening hours are from 6:00 till 23:00, 4 receptionists per day are needed for 17 hours (4,25 hours *4) (one receptionist for 520,00 € for part-time).

Regarding the trainers, they just rent the space and the space is theirs to use it for training their clients.

The general manager of the fitness center will be the owner; therefore, a big cost would be already reduced on the salary, in this term, this owner is experienced in managing a business.

We hire an external auditor per month for a wage of 19,90 €/month, which it will be 19,90 * 12 = **238,80 €** (Cenník programu OMEGA, 2024)**.**

Lastly, for the one working receptionist, we offer a salary of 520,00 for every receptionist working part-time, 4,25 hours/day (4 receptionists wil be working per day). The following table is the salary calculation of the receptionists.

Table 8 Salaries for receptionists

	Salary/month	**Yearly salary**	**Nb. Of employees**	**Yearly salary total**
Receptionist	520,00 €	2080,00 €	4	24960,00 €

Source: salary calculation

Total salaries and wages wages per year = 238,80 + 24960,00 €= **25198,80 €.**

4. Depreciation expense

The fixed assets lose a part of their value each year and it is needed to deduct this amount to get the net value of them. This not only helps us to know the net value of them but also it helps deducting the income tax, because when we are deducting the depreciation, we are having a lower net income (before interest and taxes).

The gym equipment lasts for many years. However, for the benefit of the business, gym equipment is better to be changed due when they show significant wear/tear and or become outdated.

We will depreciate the business' tangible assets according to the Slovak Income Tax Act, Annex I and according to Article 25 (3), 26, and put each asset into its category to determine the method of depreciation and the years. According to Annex I, our assets belong to category 1 and 2. Table 3.12 illustrates which assets belong to which category.

In the category 1, the assets will be depreciated on 4 years using the straight-line method. The category 2 assets will be depreciated for a 6-year period but using the accelerated method, it will be 5.

Table 9 Classification of tangible assets for depreciation according to the Income Tax Act

	Book value	**Category**	**Name in category**
Laptop	919,16 €	1	Computers and peripheral equipment
Mobile card machine	495,00 €	1	Consumer devices
Printer	52,84 €	1	Computers and peripheral equipment
Total	**1467,00 €**		
Reception desk	2139,00 €	2	Furniture
Sofa	898,00 €	2	Furniture
Fridge	532,35 €	2	Domestic Appliances
Digital Clock	492,00 €	2	Watches and clocks
Other appliances	4319,00 €	2	Domestic Appliances
Air-conditioning	3300,00 €	2	Cooling and freezing equipment and heat pumps
Lockers	1399,96 €	2	Domestic Appliances
Mirrors	8569,88 €	2	Domestic appliances
Sound system	1491,11 €	2	Other electrical equipment
Gym equipment	62796,07 €	2	Sports goods
Total	**85937,37 €**		

Source: own tangible assets based on the prices mentioned in start-up costs

We take the total amount of Category A, and we calculate the depreciation expense using the straight-line method. Four years of depreciation will be calculated: book value / 4 = 1467,00 / 4 = 366,75, the annual depreciation expense for 4 years. As the first year, we do not

have accumulation in depreciation, we take the depreciation expense and then we keep adding the whole amount of depreciation, (accumulated depreciation of previous year + depreciation expense current year. And Each year we deduct from the book value, the last accumulated depreciation to obtain the net value.

Table 10 Depreciation expense, accumulated depreciation, and net value for category one assets

Book Value: 1467,00 €			
	Depreciation Expense	**Accumulated Depreciation**	**Net Value**
Year 1	366,75 €	366,75 €	1100,25 €
Year 2	366,75 €	733,50 €	733,50 €
Year 3	366,75 €	1100,25 €	366,75 €
Year 4	366,75 €	1467,00 €	,00 €

Source: calculation of depreciation expense of assets category one

Regarding category 2 assets, to use the accelerated method, we take the book value and divide it by years of depreciation, which is 6, we have the first year of depreciation expense, then we deduct the depreciation expense from the book value to obtain the net value. For the next year, we multiply the net value by 2 and after we divide it by (6-1), because it is the second year, and then we obtain the second-year depreciation expense and we deduct it from the net value, we keep doing this process for 5 years.

Table 11 Depreciation expense, accumulated depreciation, and net value for category two assets

Book Value: 85937,37 €				
	Calculation	**Depreciation Expense**	**Accumulated depreciation**	**Net Value**
Year 1	85937,37/6	14322,90 €	14322,90 €	71614,48 €
Year 2	(2*71614,48)/(6-1)	28645,79 €	42968,69,€	42968,69 €
Year 3	(2*42968,69)/(6-2)	21484,35 €	64453,04,€	21484,35 €
Year 4	(2*21484,35)/(6-3)	14322,90 €	78775,94,€	7161,45 €
Year 5	(2*7161,45)/(6-4)	7161,45 €	85937,39,€	0,00 €

Source: calculation of depreciation expense of assets category two

In table 12, it includes the sum of depreciation, accumulated depreciation, and total net value of all tangible assets for each year needed for balance sheet.

Table 12 Depreciation Schedule for all tangible assets

Book Value: 87404,37 €			
	Total Depreciation Expense	**Total Accumulated Depreciation**	**Total Net Value**
Year 1	14689,65 €	14689,65 €	72714,73 €
Year 2	29012,54 €	43702,19 €	43702,19 €
Year 3	21851,10 €	65553,29 €	21851,10 €
Year 4	14689,65 €	80242,94 €	7161,45 €
Year 5	7161,45 €	85937,39 €	,00 €

Source: calculation of total depreciation expense

5. Interest expense

The following is the yearly interest expense extracted from the yearly amount in table 7.

Interest Expense will be:

Year 1: 5713,57 €; Year 2: 4634,06 €; Year 3: 3460,29 €;

Year 4: 2184,02 €; Year 5: 796,350 €.

Table 13 Total Costs

		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
1 (2+3)	**Personnel costs**	**25198,80 €**	**25198,80 €**	**25198,80 €**	**25198,80 €**	**25198,80 €**	**25198,80 €**
2	Salaries	24960,00 €	24960,00 €	24960,00 €	24960,00 €	24960,00 €	24960,00 €
3	Wages	238,80 €	238,80 €	238,80 €	238,80 €	238,80 €	238,80 €
4 (5+6+7)	**Property costs**	**30869,52 €**	**30869,52 €**	**30869,52 €**	**30869,52 €**	**30869,52 €**	**30869,52 €**
5	Rent	23888,16 €	23888,16 €	23888,16 €	23888,16 €	23888,16 €	23888,16 €
6	Utilities	3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €
7	Equipment & appliances insurance	3000,00 €	3000,00 €	3000,00 €	3000,00 €	3000,00 €	3000,00 €
8 (9+10)	**Depreciation expense**	**14689,65 €**	**29012,54 €**	**21851,10 €**	**14689,65 €**	**7161,45 €**	**0,00 €**
9	Category 1	366,75 €	366,75 €	366,75 €	366,75 €		
10	Category 2	14322,90 €	28645,79 €	21484,35 €	14322,90 €	7161,45 €	
11	**Interest expense**	**5713,57 €**	**4634,06 €**	**3460,29 €**	**2184,02 €**	**796,35 €**	**0,00 €**
12= 1+4+8+11	**Total Costs**	**76471,54 €**	**89714,92 €**	**81379,71 €**	**72941,99 €**	**64026,12 €**	**56068,32 €**

Source: calculation of own total costs

4.7.2 *Marketing mix strategies*

1. Services strategy

Diversification of memberships: The client has the flexibility to choose his/her own membership as he has 12 options to choose from: 1 day, 10 days, 20 days, and 1 month, 3 months, 6 months, and 1 year, he can have the membership from one month till 1 year for half-day from 6:00 am till 14:00 pm.

And lastly, he has the option to customize his own membership, but the only condition to be able to do it, is that it has to be at least from 1 month.

2. Pricing strategies

After the market research, checking the fitness centers' prices in the area, the pricing should consider the prices, the competitors offer, at the beginning, launching the business might have higher costs than other centers, like rent for example. It is unable at the beginning to be very efficient but still can offer very good prices, but not flexible. The price of membership is elastic, since it is not a necessity like bread, however there are not so many gyms offering the same services, or having the same equipment.

The prices vary from the term of the contract, the longer the period, the cheaper the price is, the students and employees have the same amount of discount on membership except the membership for 10 and 20 days. The regular client is defined in our business as a client without a job or a student.

a) i) Prices for the regular client:

- The price of the 1-month membership is 38,00 €; for the 3-month membership
- The price of the 3-month membership is 8% cheaper for 34,96 €/month, the client can pay it every month or one payment of the whole period.
- 6-month membership cheaper than one month by 12%, for 33,44 €/month
- 12-month membership cheaper by 20% for 30,4 €/month.

ii) Half-day prices for the regular client:

The price of the half-day 1 month membership is 30% cheaper than the regular price, which is equal to 26,6 € and the same discounts apply to memberships of 3-month, 6-month and 1 year (8%, 12%, 20%).

b) i) Prices for employees and students:

The 1-month membership price for employees/students is 31,58% cheaper than the normal client's rate, for 26,00 €, 3-month for 23,92/month (8% cheaper), 6-month for 22,88/month (12% cheaper), and 1 year for 20,8/month (20% cheaper than 1 month rate).

ii) For half-day memberships, the same rule applies like the normal client, 70% of the normal price of 1 month, and for the 3-month, 6-month, 1 year membership is also same, 8, 12 and 20% cheaper.

c) The 10 days are for 17€ and 20 days for 25€, 1 day for 8 €, and for employees and students, the 1-day entry is for 5 €.
d) Lastly, the best membership option a customer can have, is customizing his/her own period, but it has to be at least for 1 month, the rate determined for the contracted term is the same rate for a normal option, for example, the rate for one month is 38 €, this rate is up to 2 months, because if a client wants 3-months, he will pay the price of 3-months. If a client wants for example 45 days, which are approximately one-month and half, he will have the rate of the 1-month, 38 €, to determine the full price of 45 days, we divide the price on the number of days in a month, decided at 30,5 as an average between 30 and 31, and multiplied by the number of days 45. It will be, 38/30,5*45 = 56,07 € for 45 days. Same goes if he/she wants to have a membership between 3- and 6-month membership, he will have the rate of the 3-month membership, 33,44 €. The same conditions apply to students and employees on their own rates.

The reason the employees and students have the same price since certain employees have a multi-sport card, they enjoy having the access to many gyms contracted with multisport with a cheap fee deducted from their salary, but students do not have this flexibility and not every gym provides student discounts, this looks not fair.

- The rent for trainers will be priced at 320,00 € per month, the price is based on the comparison of other gym rent prices.

Table 14 Membership pricing list (in EUR) of "CHEST & GLUTES"

Regular				**Student/Employee**		
Period	**Price**	**Full price**		**Period**	**Price**	**Full price**
1-month	38,00 €	38,00 €		1-month	26,00 €	26,00 €
3-months	34,96 €	104,88 €		3-months	23,92 €	71,76 €
6-months	33,44 €	200,64 €		6-months	22,88 €	137,28 €
1 year	30,40 €	364,80 €		1 year	20,80 €	249,60 €
Half-day membership						
Period	**Price**	**Full price**		**Period**	**Price**	**Full price**
1-month	26,60 €	26,60 €		1-month	18,20 €	18,20 €
3-months	24,47 €	73,42 €		3-months	16,74 €	50,23 €
6-months	23,41 €	140,45 €		6-months	16,02 €	96,10 €
1 year	21,28 €	255,36 €		1 year	14,56 €	174,72 €

Period	**Price**
1 day	8,00 €
1 day – student/employee	5,00 €
10 days	17,00 €
20 days	25,00 €

Customize your own membership period starting from 1 month!

Source: own pricing of memberships compared to competitors

The table below illustrates the pricing of our business and the competitors pricing, not all services of our business are included, "Chest & Glutes" has the cheapest 1, 3 and 6 months, 20 and 10 entries membership. However, this does not include the discounts of students and employees. Moreover, we have the customized membership option and the most options.

Table 15 Own center versus competitors pricing

	Chest & Glutes		Fit UP	365 Fit & Co		City Fitness	Maximus	
Period	**Full day**	**Off-peak**	**Full day**	**Full day**	**Off-peak**	**Full day**	**Full day**	**Off-peak**
1 month	38,00	26,60	44.90	80	64	49	43	22
3 months	104,88	73,42	122,70	225	180	138	119	x
6months	200,64	140,45	221,40	x	x	264	210	x
1 year	364,80	255,36	358,80	900	720	490	359	x
20 entries	25,00	x	x	165	140	x	x	x
10 entries	17,00	x	x	90	75	x	x	x
1 entry	8,00		7,00	15		7,9	5,90	3,5
Customized membership	yes	yes	x	x	x	x	x	x

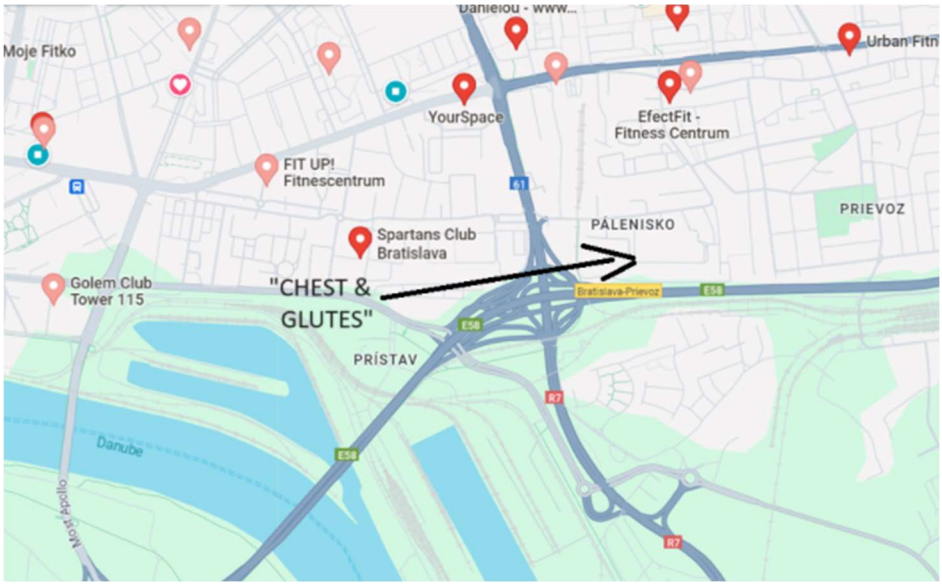
Source: (365 Fit&Co, 2024), (FIT UP, 2024), (City Fitness, 2024), (Maximus Gym, 2024)

4.7.3 *Demand forecasting and revenue estimation*

1. Memberships

The below picture shows the location of the gym and what is around. The signs marked in red are other gyms, and they tend to be close to each other, this picture might not be the best picture, there might be other gyms that did not show, but the point is that gyms are not necessarily offer the same service, and this is where the market of gyms play its role, it might not be so many people interested in going to the gym but not everywhere for example there is a powerlifting gym, or cross fit gym, or fitness, weightlifting or bodybuilding. Gyms existing together don't necessarily offer the same services but in a big city with a huge population, gyms exist in many areas. However, this is the potential for a gym owner to be slightly flexible in pricing memberships. This is where it comes our role, we target every sport a person wishes to find in a gym, if it is bodybuilding, powerlifting, cardiovascular training, weightlifting, cross fit, rehabilitation etc.

Figure 4 Fitness center area



Source: (Googlemaps, 2024)

Fitness center employees did not share the precise number of their clients, but just some averages. A fitness center with high profits has more than 300 clients, but the higher the number, the more work the business has to do for maintaining them. Here plays the role of the pricing, the cheaper the price is especially if cheaper than all competitors, the higher the number of clients. The number of clients will be an assumption from the population of Ružinov.

Considering the population of Ružinov, it has a population of 82483 inhabitants (Ružinov, 2024). As Ružinov is a huge area, the first assumption, we take 25% of its inhabitants, 25% * 82483 = 20620,75 inhabitants, if 13% of the inhabitants are interested into going to the gym, then this is 20620,75 * 0,13 = 2680,7 and if we divide them by the number of gyms shown + our gym approximately 15 gyms, 2680,7/15 = 178,71 rounded to 179 persons.

Table 16 Revenue estimation for gym memberships

Period a	**Price** b	**Clients** c	**% total clients** d (c/179)	**total/month** e (b*c)	**total/year** f (e*12)
Regular					
1-month	38,00 €	27	15%	1026,00 €	12312,00 €
3-months	34,96 €	7	4%	244,72 €	2936,64 €
6-months	33,44 €	8	4%	267,52 €	3210,24 €
1 year	30,40 €	12	7%	364,80 €	4377,60 €
Regular – half-membership					
1-month	26,60 €	7	4%	186,20 €	2234,40 €
3-months	24,47 €	4	2%	97,89 €	1174,66 €
6-months	23,41 €	1	1%	23,41 €	280,90 €
1 year	21,28 €	1	1%	21,28 €	255,36 €
Employee/student					
1-month	26,00 €	34	19%	884,00 €	10608,00 €
3-months	23,92 €	7	4%	167,44 €	2009,28 €
6-months	22,88 €	8	4%	183,04 €	2196,48 €
1 year	20,80 €	13	7%	270,40 €	3244,80 €
Employee/student – half-membership					
1-month	18,20 €	14	8%	254,80 €	3057,60 €
3-months	16,74 €	5	3%	83,72 €	1004,64 €
6-months	16,02 €	7	4%	112,11 €	1345,34 €
1 year	14,56 €	7	4%	101,92 €	1223,04 €
Less than a month					
1 day	8,00 €	5	3%	40,00 €	480,00 €
1 day student/employee	5,00 €	7	4%	35,00 €	420,00 €
10 days	17,00 €	3	2%	51,00 €	612,00 €
20 days	25,00 €	2	1%	50,00 €	600,00 €
Total		179	100%	3997,79 €	**53582,98 €**

Source: own estimated calculation of revenues

2. Trainers' rent

We expect to have 6 qualified trainers with different specializations for the first year to rent our space to train their clients, trainers are glad to have a new fitness center, uncrowded yet, with new machines, this is their ideal place especially when they target the new neighborhood where the gym is located, this means more clients for them, and creates more opportunities for other new trainers to train their people, these trainers when they bring their clients, this is a profit for us, by becoming our gym members, the more profit we have.

The total yearly revenue from the rent of trainers will be: number of trainers * price/month * period (12 months) = 7 * 320 * 12 = **26880,00 €.**

Total revenues = 53582,98 € + 28280,00 = 79862,98 €

By offering diversified gym memberships, locating in a busy area, promoting discounts, having diversified equipment that targets different type of people for different sports, the revenues are expected to rise by 10% during the second year, 5% during the third and fourth, 2,5% during the fifth year and no growth during the sixth year.

Table 17 Total estimated revenues for 6 years

	Growth rate	**Revenue from memberships (a)**	**Revenue from rent (b)**	**Total revenues (a+b)**
Year 1	-	53582,98 €	26880,00 €	80462,98 €
Year 2	10%	58941,28 €	29568,00 €	88509,28 €
Year 3	5%	61888,34 €	31046,40 €	92934,74 €
Year 4	5%	64982,76 €	32598,72 €	97581,48 €
Year 5	2,5%	66607,33 €	33413,69 €	100021,02 €
Year 6	-	66607,33 €	33413,69 €	100021,02 €

Source: estimated calculation of revenues

Figure 5 Total estimated revenues

Source: own estimated revenues

4.7.3 Break-even analysis

Determining the break-even point at the point where total costs or expenses match total revenue, a business achieves breakeven. In other words, it's the stage where the business covers all its costs with its revenue. The breakeven point can be calculated using the formula: Total Fixed Costs / (Contribution Margin / Revenues). (Vernimmen P. et al, 2014)

Table 18 Break-even Analysis

	Breakeven analysis					
Revenues	80462,98 €	88509,28 €	92934,74 €	97581,48 €	100021,02 €	100021,02 €
Cumulative Margin	80462,98 €	88509,28 €	92934,74 €	97581,48 €	100021,02 €	100021,02 €
Variable Costs	-	-	-	-	-	-
Fixed costs	76471,54 €	89714,92 €	81379,71 €	72941,99 €	64026,12 €	56068,32 €
Break-even point	**76471,54 €**	**89714,92 €**	**81379,71 €**	**72941,99 €**	**64026,12 €**	**56068,32 €**

Source: own calculation

In our case it is the total fixed costs, since we do not have variable costs, the rent that we have, we only pay according to how big the center is not on the energy consumption.

4.7.4 Projected financial statements

The company will review its projected financial statements for the six-year period.

1. Projected profit and loss statements

The profit and loss statement, also known as the income statement, displays the overall revenue, encompassing both income and costs, along with depreciation and interest expenses. It

calculates the net profit or loss after taxes for each fiscal year, illustrating how revenues translate into net income. (Weygandt, Kimmel, & Kieso)

The template of profit and loss statement is the template from finstat.sk.

- Revenues from services include the membership revenues and as well trainers' rent because the trainers use the gym space to conduct their training sessions with their clients, as they are getting provided a service (allowing trainers to utilize the gym facilities) in exchange for payment.
- The cost of utilities is included in the consumption of materials, energy and other non-storable supplies;
- Personnel costs are the wages + salaries.
- Depreciation expenses fall under the category of depreciation and value adjustments in respect of intangible fixed assets and tangible fixed assets.
- Property rent and insurance fall under the category of other costs of economic activity because they are fundamental operating costs.
- The interest expense is reported as cost interest (taken from table 7).
- The tax rate is 15% since the taxable income does not exceed 60000,00 € in any year.

Template of profit and loss statement gathered from FinStat (Súvaha; Výkaz ziskov a strát, 2024).

Table 19 Projected profit and loss statement for six years

		`	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	*	**Total revenue from economic activity** [02 to 07]	**80462,98 €**	**88509,28 €**	**92934,74 €**	**97581,48 €**	**100021,02 €**	**100021,02 €**
2	I.	Revenue from the sale of goods						
3	II.	Revenue from the sale of own products and services	80462,98 €	88509,28 €	92934,74 €	97581,48 €	100021,02 €	100021,02 €
4	III.	Changes in intra-organizational inventories						
5	IV.	Activation						
6	In.	Revenue from the sale of intangible fixed assets, tangible fixed assets and materials						
7	VI.	Other income from economic activity						
8	*	**Total costs of economic activity**	**70757,97 €**	**85080,86 €**	**77919,42 €**	**70757,97 €**	**63229,77 €**	**56068,32 €**

		[09 to 17]						
9	And.	Costs incurred in acquiring goods sold						
10	B.	Consumption of materials, energy and other non-storable supplies	3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €
11	C.	Services						
12	D.	Personnel costs	25198,80 €	25198,80 €	25198,80 €	25198,80 €	25198,80 €	25198,80 €
13	E.	Taxes and fees						
14	F.	Depreciation and value adjustments in respect of intangible fixed assets and tangible fixed assets	14689,65 €	29012,54 €	21851,10 €	14689,65 €	7161,45 €	0,00 €
15	G.	Residual price of fixed assets sold and materials sold						
16	H.	Value adjustments in respect of receivables						
17	I.	Other costs of economic activity	26888,16 €	26888,16 €	26888,16 €	26888,16 €	26888,16 €	26888,16 €
18	**	**Profit or loss from economic activity** [01-08]	**9705,01 €**	**3428,42 €**	**15015,32 €**	**26823,51 €**	**36791,25 €**	**43952,70 €**
19	*	**Added value** [(02-09)+(03+04+05)-(10+11)]	**76481,62 €**	**84527,92 €**	**88953,38 €**	**93600,12 €**	**96039,66 €**	**96039,66 €**
20	*	**Total revenue from financial activities** [21 to 26]						
21	VII.	Proceeds from the sale of securities and shares						
22	VIII.	Income from non-current financial assets						
23	IX.	Income from short-term financial assets						
24	X.	Income interest						
25	XI.	Exchange gains						
26	XII.	Other income from financing activities						
27	*	**Total cost of financial activity** [28 to 33]	**5713,57 €**	**4634,06 €**	**3460,29 €**	**2184,02 €**	**796,35 €**	**0,00**
28	J.	Securities and shares sold						
29	To.	Cost of short-term financial assets						
30	L.	Value adjustments for financial assets						
31	M.	Cost interest	5713,57 €	4634,06 €	3460,29 €	2184,02 €	796,35 €	0,00 €

32	N.	Exchange rate losses						
33	Abo ut.	Other charges of financial activity						
34	**	**Profit or loss from financial activities** [20-27]	**-5713,57 €**	**-4634,06 €**	**-3460,29 €**	**-2184,02 €**	**-796,35 €**	**0,00 €**
35	**	**Profit or loss for the financial year before tax** [18+34]	**3991,44 €**	**-1205,64 €**	**11555,03 €**	**24639,49 €**	**35994,90 €**	**43952,70 €**
36	P.	Income tax	598,72 €	-180,85 €	1733,25 €	3695,92 €	5399,23 €	6592,90 €
37	Q.	Transfer of profit or loss shares to shareholders						
38	***	**Profit or loss for the financial year after tax** [35-36-37]	**3392,72 €**	**-1024,80 €**	**9821,78 €**	**20943,57 €**	**30595,66 €**	**37359,79 €**

Source: own calculation of projected profit and loss statement

The first net income is low, and the second net income is negative, this is due to the method of accelerated depreciation, it has made a significant difference from positive to negative income, as after the second year, it shows that the net income has significant growth, ending at the last year with 37359,39, when the first year it was 3392,72.

2. Projected balance sheets

Balance Sheet: the balance sheet provides a detailed overview of a company's financial status, including its current assets, fixed assets, intangible assets, current liabilities, long-term liabilities, and equity, for each fiscal year (Weygandt, Kimmel, & Kieso).

- We added the net income of the same reporting year as the balance sheet as retained earnings increasing the equity since we have no dividends, and we added the net income for every second year as a cumulative to the retained earnings;
- Tangible fixed assets are equal to net value (book value – accumulated depreciation) of the reporting year (review total depreciation table);
- Liabilities are calculated in table 7 for each reporting year;
- Since we have Liabilities + Equity = Assets, and we have tangible assets, to get the current assets: assets – tangible assets = current assets, which is cash.

Template of balance sheet gathered from FinStat (Súvaha; Výkaz ziskov a strát, 2024).

Table 20 Projected balance sheet for the years one, two and three

			Year 1	% T.A.	Year 2	% T.A.	Year 3	% T.A.
001		**Total Assets** (02+14)	**87196,37 €**		**72727,97 €**		**67932,36 €**	
002	**And**	**Non-current assets** (03+04+09)	**72714,73 €**	**83,39%**	**43702,19 €**	**60,09%**	**21851,10 €**	**32,17%**
003	A.I.	Intangible fixed assets						
004	**A.II.**	**Tangible fixed assets total** (05 to 08)	**72714,73 €**	**83,39%**	**43702,19 €**	**60,09%**	**21851,10 €**	**32,17%**
006	A.II.2.	Separate movables and sets of movables	72714,73 €	83,39%	43702,19 €	60,09%	21851,10 €	32,17%
014	**B.**	**Current assets** (15+16+17+21)	**14481,64 €**	**16,61%**	**29025,78 €**	**39,91%**	**46081,26 €**	**67,83%**
021	B.IV.	**Financial assets** (22+23)	**14481,64 €**	**16,61%**	**29025,78 €**	**39,91%**	**46081,26 €**	**67,83%**
022	B.IV.1.	Money and bank accounts	14481,64 €	16,61%	29025,78 €	39,91%	46081,26 €	67,83%
024		**Total equity and liabilities**	**87196,37 €**		**72727,97 €**		**67932,36 €**	
025	And.	**Equity** (26+29+30+31+32+33)	**25960,44 €**	**29,77%**	**24935,65 €**	**34,29%**	**34757,43 €**	**51,16%**
026	A.I.	**Total capital** (27+28)	**22567,72 €**	**25,88%**	**22567,72 €**	**31,03%**	**22567,72 €**	**33,22%**
032	A.V.	Retained earnings or losses	3392,72 €	3,89%	2367,93 €	3,26%	12189,71 €	17,94%
033	A.VI.	**Economic outturn for the financial year after tax (**001- (026+029+030+031+032+034))						
034	B.	**Liabilities** (35+36+37+38+43+44+45)	**61235,93 €**	**70,23%**	**47792,32 €**	**65,71%**	**33174,93 €**	**65,71%**
037	B.III.	Long-term bank loans	47792,31 €	54,81%	33174,94 €	45,62%	17281,31 €	25,44%
038	B.IV.	**Current liabilities excluding provisions, loans and bailouts Total** (39 to 42)						
044	B.VI.	Current bank loans	13443,62 €	15,42%	14617,38 €	20,10%	15893,62 €	23,40%

Source: own calculation of projected balance sheet

Table 21 Projected balance sheet for the years four, five and six

			Year 4	% T.A.	Year 5	% T.A.	Year 6	% T.A.
001		**Total Assets** (02+14)	**72982,30 €**		**86296,65 €**		**123656,44 €**	
002	**And**	**Non-current assets** (03+04+09)	**7161,45 €**	**9,81%**	**0,00 €**	**0,00%**	**0,00 €**	**0,00%**
003	A.I.	Intangible fixed assets						
004	**A.II.**	**Tangible fixed assets total** (05 to 08)	**7161,45 €**	**9,81%**	**0,00 €**	**0,00%**	**0,00 €**	**0,00%**
006	A.II.2.	Separate movables and sets of movables	7161,45 €	9,81%	0,00 €	0,00%	0,00 €	0,00%
014	**B.**	**Current assets** (15+16+17+21)	**65820,85 €**	**90,19%**	**86296,65 €**	**100%**	**123656,44 €**	**100%**
021	B.IV.	**Financial assets** (22+23)	**65820,85 €**	**90,19%**	**86296,65 €**	**0,00%**	**123656,44 €**	**0,00%**
022	B.IV.1.	Money and bank accounts	65820,85 €	90,19%	86296,65 €	100%	123656,44 €	100%
024		**Total equity and liabilities**	**72982,30 €**		**86296,65 €**		**123656,44 €**	
025	And.	**Equity** (26+29+30+31+32+33)	**55700,99 €**	**76,32%**	**86296,65 €**	**100%**	**123656,44 €**	**100%**
026	A.I.	**Total capital** (27+28)	**22567,72 €**	**30,92%**	**22567,72 €**	**26,15%**	**22567,72 €**	**18,25%**
032	A.V.	Retained earnings or losses	33133,27 €	45,40%	63728,93 €	73,85%	101088,72 €	81,75%
033	A.VI.	**Economic outturn for the financial year after tax (**001- (026+029+030+031+032+034))						
034	B.	**Liabilities** (35+36+37+38+43+44+45)	**17281,31 €**	**23,68%**	**0,00 €**	**0,00%**	**0,00 €**	**0,00%**
037	B.III.	Long-term bank loans						
038	B.IV.	**Current liabilities excluding provisions, loans and bailouts Total** (39 to 42)						
044	B.VI.	Current bank loans	17281,31 €	23,68%				

Source: own calculation of projected balance sheet

Table 22 Financial indicators

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
ROA	3,89%	-1,41%	14,46%	28,70%	35,45%	30,21%
ROE	13,07%	-4,11%	28,26%	37,60%	35,45%	30,21%
Total Indebtedness	70,23%	65,71%	65,71%	23,68%	0,00%	0,00%
Net profit Margin	4,22%	-1,16%	10,57%	21,46%	30,59%	37,35%

Source: own calculation

- Net profit margin is net income/revenues; it is projected to increase from 4% to 37,35% at year 6;
- Return on assets or net income/assets is expected to grow from 3,89% to 30,21%;

- Return on equity or net income/equity is expected to grow from 13,07% till 30,21%;
- Total indebtedness or debt/equity will be 70,23% in year 1 and then 0% at the end of project.
- The negative ratio of return on assets, equity and the net profit margin in year 2 is due from the high amount of depreciation expense.

4.8 Financial Study and Project Feasibility

4.8.1 Capital structure and source of ownership

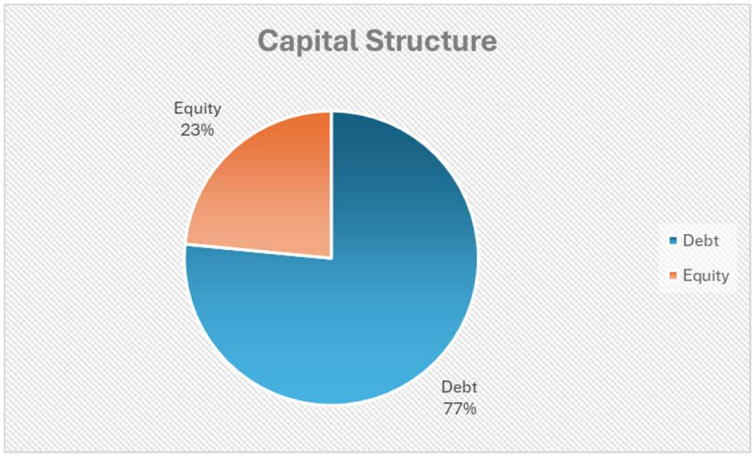
Start-up capital is the amount of money required to fund the business's initial costs until it begins to generate positive cash flow and profits. The company's funding is a mixture of loan and equity. One owner will contribute a total of 22567,72 € and take out a long-term loan of 73600,00 € after downpayment to fund the business.

Table 23 Capital Structure

	Debt	Equity	Total
Amount	73600,00 €	22567,72 €	96167,72 €
Weight	76,53%	23,47%	100%

Source: own capital structure

Figure 6 Capital structure



Source: own capital structure

4.8.2 Cost of capital

The cost of funds used to finance the business will be as follows:

- 8,4% for the debt as it is the interest rate for the long-term debt.
- 10% for the equity as it is the opportunity cost of which if another project generates a return of 8-12%, this is our cost, assumed on average.

The weighted average cost of capital is calculated as follows:

Weight of Debt * Cost of Debt * (1-Tax Rate) + Weight of Equity * Cost of Equity. (CFA, 2017)

Therefore: 0,76533 * 0,084 * (1-0,15) + 0,23467 * 0,10 = 5,464% + 2,347% = 7,811% (WACC).

4.8.3 Cash flow estimation

Table 24 Projected cash flow statement for six years

		`	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	*	**Total revenue from economic activity** [02 to 07]		**80462,98 €**	**88509,28 €**	**92934,74 €**	**97581,48 €**	**100021,02 €**	**100021,02 €**
3	II.	Revenue from the sale of own products and services		80462,98 €	88509,28 €	92934,74 €	97581,48 €	100021,02 €	100021,02 €
8	*	**Total costs of economic activity** [09 to 17]		**70757,97 €**	**85080,86 €**	**77919,42 €**	**70757,97 €**	**63229,77 €**	**56068,32 €**
10	B.	Consumption of materials, energy and other non-storable supplies		3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €
12	D.	Personnel costs		25198,80 €	25198,80 €	25198,80 €	25198,80 €	25198,80 €	25198,80 €
14	F.	Depreciation and value adjustments in respect of intangible fixed assets and tangible fixed assets		14689,65 €	29012,54 €	21851,10 €	14689,65 €	7161,45 €	0,00 €
17	I.	Other costs of economic activity		26888,16 €	26888,16 €	26888,16 €	26888,16 €	26888,16 €	26888,16 €
18	**	**Profit or loss from economic activity** [01-08]		**9705,01 €**	**3428,42 €**	**15015,32 €**	**26823,51 €**	**36791,25 €**	**43952,70 €**
19	*	**Added value** [(02-09)+(03+04+05)-(10+11)]		**76481,62 €**	**84527,92 €**	**88953,38 €**	**93600,12 €**	**96039,66 €**	**96039,66 €**
20	*	**Total revenue from financial activities** [21 to 26]							
27	*	**Total cost of financial activity** [28 to 33]		**5713,57 €**	**4634,06 €**	**3460,29 €**	**2184,02 €**	**796,35 €**	**0,00 €**
31	M.	Cost interest		5713,57 €	4634,06 €	3460,29 €	2184,02 €	796,35 €	0,00 €
34	**	**Profit or loss from financial activities** [20-27]		**-5713,57 €**	**-4634,06 €**	**-3460,29 €**	**-2184,02 €**	**-796,35 €**	**0,00 €**
35	**	**Profit or loss for the financial year before tax** [18+34]		**3991,44 €**	**-1205,64 €**	**11555,03 €**	**24639,49 €**	**35994,90 €**	**43952,70 €**
36	P.	Income tax		598,72 €	-180,85 €	1733,25 €	3695,92 €	5399,23 €	6592,90 €
38	***	**Profit or loss for the financial year after tax** [35-36-37]		**3392,72 €**	**-1024,80 €**	**9821,78 €**	**20943,57 €**	**30595,66 €**	**37359,79 €**
39		Add Depreciation		14689,65 €	29012,54 €	21851,10 €	14689,65 €	7161,45 €	0,00 €
40		**Operating cash flow** [38+39]		**18082,37 €**	**27987,74 €**	**31672,88 €**	**35633,22 €**	**37757,11 €**	**37359,79 €**
41		Change in working capital	-37836,65 € -8763,35 €						8763,35 €
42		Capital expenditure	-87404,37 €						
43		**Free cash flow** [40+41+42]	**-134004,37 €**	**18082,37 €**	**27987,74 €**	**31672,88 €**	**35633,22 €**	**37757,11 €**	**46123,14 €**

Source: own estimated cash flow statement

The schedule above is the cash flow statement which is the continuation of profit and loss statement. We added beginning year (year zero), to show our initial investment.

In the change in working capital, we have market the start-up expenses in the amount of 8763,35 €, since they are part of the initial investment, and the remaining cash reserve 8763,35, they are not calculated together in the cell since the cash reserves are as current assets and at the end of year six, we take them to add them to free cash flow.

In the capital expenditure, those are the start-up assets or the tangible assets, together we have the initial investment total.

4.8.4 Capital Budgeting Decisions

1. Net Present Value and Interpretation

We will discount the cash flows and deduct the initial investment to obtain the Net Present Value. We have the weighted average cost of capital = 7,8112%.

Table 25 Cash flow schedule

	Cash flow (a)	**Cum. cash flow** b = [a (t -1) + b (t)]	**Disc. cash flow** c	**Cum. Disc. cash flow** d = [c (t -1) + d (t)]
Year 0	-134004,37 €	-134004,37 €	-134004,37 €	-134004,37 €
Year 1	18082,37 €	-115922,00 €	16772,26 €	-117232,11 €
Year 2	27987,74 €	-87934,26 €	24079,11 €	-93153,00 €
Year 3	31672,88 €	-56261,38 €	25275,31 €	-67877,69 €
Year 4	35633,22 €	-20628,16 €	26375,47 €	-41502,22 €
Year 5	37757,11 €	17128,95 €	25922,70 €	-15579,52 €
Year 6	46123,14 €	63252,09 €	29372,21 €	**13792,69 € (NPV)**

Source: own calculation of cash flows, and cumulative cash flows including discounted cash flows

The schedule above indicates the free cash flows, cumulative free cash flows without cost, and the difference between them and the discounted cash flow and discounted cumulative cash flows.

To calculate the discounted cash flow, we used the formula: Free cash flow year x / (1+wacc)t

The project has a positive Net Present Value; therefore, this project is profitable and it is accepted.

The Net Present Value is equal to 13792,69 €.

We do not focus on the cash flows without discount, just to look how it will be without cost. There is a significant difference between the two.

2. Payback Periods

Payback Period for discounted cash flows = (Years before cost recovery) + remaining cost for Recovery or last negative discounted cumulative cash flow /discounted cash flow of the recovery year.

5 + 15579,52/ 29372,21= **5,53.**

We conclude here that for a project of 6 years, it took until the middle of the fifth year to recover from the initial investment, not the best result, but still as a positive Net Present Value, this project is accepted.

Payback period for cash flows without cost = 4 + 20628,16/37757,11 = 4,55 in the middle of the fourth year. A difference of one year without cost.

Internal Rate of Return and Interpretation

IRR = 10,705% (IRR Calculator, 2022)

IRR is higher than the Weighted Average Cost of Capital, 7,8112%, which is logical, the project can be accepted till the internal rate of return rate, the project can be profitable up to 10,705% cost.

4.8.5 Scenario Analysis

Three scenarios that should be taken into consideration to compare the results of the project. The base, worst and best-case scenario to see if the project is profitable and can even be considered in the worst-case and what are the best results in a best-case, since each scenario has different cash flows, NPV, IRR and payback period.

1. Base-case scenario

The base-case scenario is the scenario that is done above, and the results of the base-case scenario are:

NPV = 13792,69 € – positive;

Payback period = 5,53 (6-year project);

IRR = 10,705% > WACC 7,8112%.

2. Worst-case scenario

In the case of the project, in the base-case scenario, the project recovers in the middle of the fifth year in a 6-year project, when we have results that are not far from the limit, it is important to take into consideration the worst-case.

The worst-case can happen if there would be more competitors with similar strategies offering the same services, or some other older fitness center deciding to open a new branch close to our area, since they are more efficient in pricing, they can set very competitive prices around us, despite that they can afford more equipment.

We expect the business to launch, but then the growth starts to slow and stops at the fourth year.

We expect the revenues to be the same in the first year as the base-case scenario and then we expect a growth of

- 7,5% during the second year;
- Five percent during the third;
- 2,5% during the fourth year. For the fifth and sixth year, we expect no growth, therefore we expect to have the same amount of revenue as year four.

Table 26 Projected cash flow statement for six years (worst -case scenario)

		`	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	*	**Total revenue from economic activity** [02 to 07]		**80462,98 €**	**86497,70 €**	**90822,59 €**	**93093,15 €**	**93093,15 €**	**93093,15 €**
3	II.	Revenue from the sale of own products and services		80462,98 €	86497,70 €	90822,59 €	93093,15 €	93093,15 €	93093,15 €
8	*	**Total costs of economic activity** [09 to 17]		**70757,97 €**	**85080,86 €**	**77919,42 €**	**70757,97 €**	**63229,77 €**	**56068,32 €**
10	B.	Consumption of materials, energy and other non-storable supplies		3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €
12	D.	Personnel costs		25198,80 €	25198,80 €	25198,80 €	25198,80 €	25198,80 €	25198,80 €
14	F.	Depreciation and value adjustments in respect of intangible fixed assets and tangible fixed assets		14689,65 €	29012,54 €	21851,10 €	14689,65 €	7161,45 €	0,00 €
17	I.	Other costs of economic activity		26888,16 €	26888,16 €	26888,16 €	26888,16 €	26888,16 €	26888,16 €
18	**	**Profit or loss from economic activity** [01-08]		**9705,01 €**	**1416,84 €**	**12903,17 €**	**22335,18 €**	**29863,38 €**	**37024,83 €**
19	*	**Added value** [(02-09)+(03+04+05)-(10+11)]		**76481,62 €**	**82516,34 €**	**86841,23 €**	**89111,79 €**	**89111,79 €**	**89111,79 €**
20	*	**Total revenue from financial activities** [21 to 26]							
27	*	**Total cost of financial activity** [28 to 33]		**5713,57 €**	**4634,06 €**	**3460,29 €**	**2184,02 €**	**796,35 €**	**0,00 €**
31	M.	Cost interest		5713,57 €	4634,06 €	3460,29 €	2184,02 €	796,35 €	0,00 €
34	**	**Profit or loss from financial activities** [20-27]		**-5713,57 €**	**-4634,06 €**	**-3460,29 €**	**-2184,02 €**	**-796,35 €**	**0,00 €**
35	**	**Profit or loss for the financial year before tax** [18+34]		**3991,44 €**	**-3217,22 €**	**9442,88 €**	**20151,16 €**	**29067,03 €**	**37024,83 €**
36	P.	Income tax		598,72 €	-482,58 €	1416,43 €	3022,67 €	4360,06 €	5553,73 €
38	***	**Profit or loss for the financial year after tax** [35-36-37]		**3392,72 €**	**-2734,63 €**	**8026,45 €**	**17128,49 €**	**24706,98 €**	**31471,11 €**
39		Add Depreciation		14689,65 €	29012,54 €	21851,10 €	14689,65 €	7161,45 €	0,00 €
40		**Operating cash flow** [38+39]		**18082,37 €**	**26277,91 €**	**29877,55 €**	**31818,14 €**	**31868,43 €**	**31471,11 €**
41		Change in working capital	-37836,65 € -8763,35 €						8763,35 €
42		Capital expenditure	-87404,37 €						
43		**Free cash flow** [40+41+42]	**-134004,37 €**	**18082,37 €**	**26277,91 €**	**29877,55 €**	**31818,14 €**	**31868,43 €**	**40234,46 €**

Source: own estimated cash flow statement

Table 27 Cash flow schedule (worst-case scenario)

	Cash flow	Cum. cash flow	Disc. cash flow	Cum. Disc. cash flow
	(a)	b = [a (t -1) + b (t)]	c	d = [c (t -1) + d (t)]
Year 0	-134004,37 €	-134004,37 €	-134004,37 €	-134004,37 €
Year 1	18082,37 €	-115922,00 €	16772,26 €	-117232,11 €
Year 2	26277,91 €	-89644,09 €	22608,07 €	-94624,04 €
Year 3	29877,55 €	-59766,54 €	23842,61 €	-70781,43 €
Year 4	31818,14 €	-27948,40 €	23551,57 €	-47229,85 €
Year 5	31868,43 €	3920,03 €	21879,74 €	-25350,12 €
Year 6	40234,46 €	44154,49 €	25622,17 €	**272,05 € (NPV)**

Source: own calculation of cash flows, and cumulative cash flows including discounted cash flows

The results of the worst-case scenario include:

NPV = 272,05 €

IRR = 7.871% > WACC 7,8112%.

Payback period (discounted cash flows) = 5 + 25350,12/25622,17 = **5,9894 at the end of the project.**

Table 28 Balance sheet for the year one, two and three (worst-case scenario)

			Year 1	% T.A.	Year 2	% T.A.	Year 3	% T.A.
001		**Total Assets** (02+14)	**87196,37 €**		**71018,13 €**		**64427,19 €**	
002	**And**	**Non-current assets** (03+04+09)	**72714,73 €**	**83,39%**	**43702,19 €**	**61,54%**	**21851,10 €**	**33,92%**
003	A.I.	Intangible fixed assets						
004	**A.II.**	**Tangible fixed assets total** (05 to 08)	**72714,73 €**	**83,39%**	**43702,19 €**	**61,54%**	**21851,10 €**	**33,92%**
006	A.II.2.	Separate movables and sets of movables	72714,73 €	16,61%	43702,19 €	61,54%	21851,10 €	33,92%
014	**B.**	**Current assets** (15+16+17+21)	**14481,64 €**	**16,61%**	**27315,94 €**	**38,46%**	**42576,09 €**	**66,08%**
021	B.IV.	**Financial assets** (22+23)	**14481,64 €**	**16,61%**	**27315,94 €**	**38,46%**	**42576,09 €**	**66,08%**
022	B.IV.1.	Money and bank accounts	14481,64 €	16,61%	27315,94 €	38,46%	42576,09 €	66,08%
024		**Total equity and liabilities**	**87196,37 €**		**71018,13 €**		**64427,19 €**	
025	And.	**Equity** (26+29+30+31+32+33)	**25960,44 €**	**29,77%**	**23225,81 €**	**32,70%**	**31252,26 €**	**48,51%**
026	A.I.	**Total capital** (27+28)	**22567,72 €**	**25,88%**	**22567,72 €**	**31,78%**	**22567,72 €**	**35,03%**
032	A.V.	Retained earnings or losses	3392,72 €	3,89%	658,09 €	0,93%	8684,54 €	13,48%
033	A.VI.	**Economic outturn for the financial year after tax (**001- (026+029+030+031+032+034))						
034	B.	**Liabilities** (35+36+37+38+43+44+45)	**61235,93 €**	**70,23%**	**47792,32 €**	**67,30%**	**33174,93 €**	**51,49%**
037	B.III.	Long-term bank loans	47792,31 €	54,81%	33174,94 €	46,71%	17281,31 €	26,82%
038	B.IV.	**Current liabilities excluding provisions, loans and bailouts Total** (39 to 42)						
044	**B.VI.**	**Current bank loans**	**13443,62 €**	**15,42%**	**14617,38 €**	**20,58%**	**15893,62 €**	**24,67%**

Source: own calculation

Table 29 Financial indicators (Worst-case scenario)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
ROA	3,89%	-3,85%	12,46%	26,09%	33,80%	30,10%
ROE	13,07%	-10,53%	30,92%	35,40%	33,80%	30,10%
Total Indebtedness	70,23%	67,30%	51,49%	26,32%	0,00%	0,00%
Net profit Margin	4,22%	-3,16%	8,84%	18,40%	26,54%	33,81%

Source: own calculation

The results are still very good in the last three years of the project, the toal indebtedness (on total assets), in year 2 only increased slightly, due to the negative net income.

Table 30 Balance sheet for the year four, five and six (worst-case scenario)

			Year 4	% T.A.	Year 5	% T.A.	Year 6	% T.A.
001		**Total Assets** (02+14)	**65662,06 €**		**73087,73 €**		**104558,84 €**	
002	**And**	**Non-current assets** (03+04+09)	**7161,45 €**	**10,91%**	**0,00 €**	**0,00%**	**0,00 €**	**0,00%**
003	A.I.	Intangible fixed assets						
004	**A.II.**	**Tangible fixed assets total** (05 to 08)	**7161,45 €**	**10,91%**	**0,00 €**	**0,00%**	**0,00 €**	**0,00%**
006	A.II.2.	Separate movables and sets of movables	7161,45 €	10,91%	0,00 €	0,00%	0,00 €	0,00%
014	**B.**	**Current assets** (15+16+17+21)	**58500,61 €**	**89,09%**	**73087,73 €**	**100%**	**104558,84 €**	**100%**
021	B.IV.	**Financial assets** (22+23)	**58500,61 €**	**89,09%**	**73087,73 €**	**100%**	**104558,84 €**	**100%**
022	B.IV.1.	Money and bank accounts	58500,61 €	89,09%	73087,73 €	100%	104558,84 €	100%
024		**Total equity and liabilities**	**65662,06 €**		**73087,73 €**		**104558,84 €**	
025	And.	**Equity** (26+29+30+31+32+33)	**48380,75€**	**73,68%**	**73087,73 €**	100%	**104558,84 €**	100%
026	A.I.	**Total capital** (27+28)	**22567,72 €**	**34,37%**	**22567,72 €**	**30,88%**	**22567,72 €**	**21,58%**
032	A.V.	Retained earnings or losses	25813,03 €	39,31%	50520,01 €	69,12%	81991,12 €	78,42%
033	A.VI.	**Economic outturn for the financial year after tax (**001- (026+029+030+031+032+034))						
034	B.	**Liabilities** (35+36+37+38+43+44+45)	**17281,31 €**	**26,32%**	**0,00 €**	**0,00%**	**0,00 €**	**0,00%**
037	B.III.	Long-term bank loans						
038	B.IV.	**Current liabilities excluding provisions, loans and bailouts Total** (39 to 42)						
044	B.VI.	Current bank loans	17281,31 €	26,32%				

Source: own calculation

3. Best-case scenario

We expect everything will work according to our plan; therefore we expect the revenues to be the same the first year, then we expect a growth of

- Twelve percent during the second year;
- Seven percent during the third;
- Four percent during the fourth;
- Two percent during the fifth and sixth year.

Table 31 Projected cash flow statement for six years (best-case scenario)

		`	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	*	**Total revenue from economic activity** [02 to 07]		**80462,98 €**	**90118,54 €**	**96426,84 €**	**100283,91 €**	**102289,59 €**	**104335,38 €**
3	II.	Revenue from the sale of own products and services		80462,98 €	90118,54 €	96426,84 €	100283,91 €	102289,59 €	104335,38 €
8	*	**Total costs of economic activity** [09 to 17]		**70757,97 €**	**85080,86 €**	**77919,42 €**	**70757,97 €**	**63229,77 €**	**56068,32 €**
10	B.	Consumption of materials, energy and other non-storable supplies		3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €	3981,36 €
12	D.	Personnel costs		25198,80 €	25198,80 €	25198,80 €	25198,80 €	25198,80 €	25198,80 €
14	F.	Depreciation and value adjustments in respect of intangible fixed assets and tangible fixed assets		14689,65 €	29012,54 €	21851,10 €	14689,65 €	7161,45 €	0,00 €
17	I.	Other costs of economic activity		26888,16 €	26888,16 €	26888,16 €	26888,16 €	26888,16 €	26888,16 €
18	**	**Profit or loss from economic activity** [01-08]		**9705,01 €**	**5037,68 €**	**18507,42 €**	**29525,94 €**	**39059,82 €**	**48267,06 €**
19	*	**Added value** [(02-09)+(03+04+05)-(10+11)]		**76481,62 €**	**86137,18 €**	**92445,48 €**	**96302,55 €**	**98308,23 €**	**100354,02 €**
20	*	**Total revenue from financial activities** [21 to 26]							
27	*	**Total cost of financial activity** [28 to 33]		**5713,57 €**	**4634,06 €**	**3460,29 €**	**2184,02 €**	**796,35 €**	**0,00 €**
31	M.	Cost interest		5713,57 €	4634,06 €	3460,29 €	2184,02 €	796,35 €	0,00 €
34	**	**Profit or loss from financial activities** [20-27]		**-5713,57 €**	**-4634,06 €**	**-3460,29 €**	**-2184,02 €**	**-796,35 €**	**0,00 €**
35	**	**Profit or loss for the financial year before tax** [18+34]		**3991,44 €**	**403,62 €**	**15047,13 €**	**27341,92 €**	**38263,47 €**	**48267,06 €**
36	P.	Income tax		**598,72 €**	**60,54 €**	**2257,07 €**	**4101,29 €**	**5739,52 €**	**7240,06 €**
38	***	**Profit or loss for the financial year after tax** [35-36-37]		**3392,72 €**	**343,07 €**	**12790,06 €**	**23240,63 €**	**32523,95 €**	**41027,00 €**
39		Add Depreciation		14689,65 €	29012,54 €	21851,10 €	14689,65 €	7161,45 €	0,00 €
40		**Operating cash flow** [38+39]		**18082,37 €**	**29355,61 €**	**34641,16 €**	**37930,28 €**	**39685,40 €**	**41027,00 €**
41		Change in working capital	-37836,65 € -8763,35 €						8763,35 €
42		Capital expenditure	-87404,37 €						
43		**Free cash flow** [40+41+42]	**-134004,37 €**	**18082,37 €**	**29355,61 €**	**34641,16 €**	**37930,28 €**	**39685,40 €**	**49790,35 €**

Source: own estimated cash flow statement

Table 32 Cash flow schedule (best-case scenario)

	Cash flow (a)	Cum. cash flow b = [a (t -1) + b (t)]	Disc. cash flow c	Cum. Disc. cash flow d = [c (t -1) + d (t)]
Year 0	-134004,37 €	-134004,37 €	-134004,37 €	-134004,37 €
Year 1	18082,37 €	-115922,00 €	16772,26 €	-117232,11 €
Year 2	29355,61 €	-86566,39 €	25255,95 €	-91976,16 €
Year 3	34641,16 €	-51925,23 €	27644,03 €	-64332,13 €
Year 4	37930,28 €	-13994,95 €	28075,74 €	-36256,39 €
Year 5	39685,40 €	25690,45 €	27246,59 €	-9009,80 €
Year 6	49790,35 €	75480,80 €	31707,57 €	22697,77 € (NPV)

Source: own calculation of cash flows, and cumulative cash flows including discounted cash flows

The results of the best-case scenario include:

NPV = 22697,77 €

IRR = 12,467% > WACC 7,8112%.

Payback period (discounted cash flows) = 5 + 9009,80/31707,57 = 5,284, in the first quarter of the fifth year.

Table 33 Balance sheet for the year one, two and three (Best-case scenario)

			Year 1	% T.A.	Year 2	% T.A.	Year 3	% T.A.
001		**Total Assets** (02+14)	**87196,37 €**		**74095,83 €**		**72268,5 €**	
002	**And**	**Non-current assets** (03+04+09)	**72714,73 €**	**83,39%**	**43702,19 €**	**58,98%**	**21851,10 €**	**30,24%**
003	A.I.	Intangible fixed assets						
004	**A.II.**	**Tangible fixed assets total** (05 to 08)	**72714,73 €**	**83,39%**	**43702,19 €**	**58,98%**	**21851,10 €**	**30,24%**
006	A.II.2.	Separate movables and sets of movables	72714,73 €	83,39%	43702,19 €	58,98%	21851,10 €	30,24%
014	**B.**	**Current assets** (15+16+17+21)	**14481,64 €**	**16,61%**	**30393,64 €**	**41,02%**	**50417,40 €**	**69,76%**
021	B.IV.	**Financial assets** (22+23)	**14481,64 €**	**16,61%**	**30393,64 €**	**41,02%**	**50417,40 €**	**69,76%**
022	B.IV.1.	Money and bank accounts	14481,64 €	16,61%	30393,64 €	41,02%	50417,40 €	69,76%
024		**Total equity and liabilities**	**87196,37 €**		**74095,83 €**		**72268,5 €**	
025	And.	**Equity** (26+29+30+31+32+33)	**25960,44 €**	**29,77%**	**26303,51 €**	**35,50%**	**39093,57 €**	**54,09%**
026	A.I.	**Total capital** (27+28)	**22567,72 €**	**25,88%**	**22567,72 €**	**30,46%**	**22567,72 €**	**31,23%**
032	A.V.	Retained earnings or losses	3392,72 €	3,89%	3735,79 €	5,04%	16525,85 €	22,87%
033	A.VI.	**Economic outturn for the financial year after tax (**001- (026+029+030+031+032+034))						
034	B.	**Liabilities** (35+36+37+38+43+44+45)	**61235,93 €**	**70,23%**	**47792,32 €**	**64,50%**	**33174,93 €**	**45,91%**
037	B.III.	Long-term bank loans	47792,31 €	54,81%	33174,94 €	44,77%	17281,31 €	23,91%
038	B.IV.	**Current liabilities excluding provisions, loans and bailouts Total** (39 to 42)						
044	**B.VI.**	**Current bank loans**	**13443,62 €**	**15,42%**	**14617,38 €**	**19,73%**	**15893,62 €**	**21,99%**

Source: own calculation

Table 34 Financial indicators (Best-case scenario)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
ROA	3,89%	0,46%	17,70%	29,19%	34,29%	30,19%
ROE	13,07%	1,32%	32,72%	37,28%	34,29%	30,19%
Total Indebtedness	70,23%	64,50%	45,91%	21,71%	0,00%	0,00%
Net profit Margin	4,22%	0,38%	13,26%	23,17%	31,80%	39,32%

Source: own calculation

Only in the best-case scenario, the second year has positive ROE, ROA and net profit margin, due to the positive net income.

Table 35 Balance sheet for the year four, five and six (Best-case scenario)

			Year 4	% T.A.	Year 5	% T.A.	Year 6	% T.A.
001		**Total Assets** (02+14)	**79615,51 €**		**94858,15 €**		**135885,15 €**	
002	**And**	**Non-current assets** (03+04+09)	**7161,45 €**	**9,00%**	**0,00 €**	**0,00%**	**0,00 €**	**0,00%**
003	A.I.	Intangible fixed assets						
004	**A.II.**	**Tangible fixed assets total** (05 to 08)	**7161,45 €**	**9,00%**	**0,00 €**	**0,00%**	**0,00 €**	**0,00%**
006	A.II.2.	Separate movables and sets of movables	7161,45 €	9,00%	0,00 €	0,00%	0,00 €	0,00%
014	**B.**	**Current assets** (15+16+17+21)	**72454,06 €**	**91,00%**	**94858,15 €**	**100%**	**135885,15 €**	**100%**
021	B.IV.	**Financial assets** (22+23)	**72454,06 €**	**91,00%**	**94858,15 €**	**100%**	**135885,15 €**	**100%**
022	B.IV.1.	Money and bank accounts	72454,06 €	91,00%	94858,15 €	100%	135885,15 €	100%
024		**Total equity and liabilities**	**79615,51 €**		**94858,15 €**		**135885,15 €**	
025	And.	**Equity** (26+29+30+31+32+33)	**62334,2 €**	**78,29%**	**94858,15 €**	**100%**	**135885,15 €**	**100%**
026	A.I.	**Total capital** (27+28)	**22567,72 €**	**28,35%**	**22567,72 €**	**23,79%**	**22567,72 €**	**16,61%**
032	A.V.	Retained earnings or losses	39766,48 €	49,95%	72290,43 €	76,21%	113317,43 €	83,39%
033	A.VI.	**Economic outturn for the financial year after tax (**001- (026+029+030+031+032+034))						
034	B.	**Liabilities** (35+36+37+38+43+44+45)	**17281,31 €**	**21,71%**	**0,00 €**	**0,00%**	**0,00 €**	**0,00%**
037	B.III.	Long-term bank loans						
038	B.IV.	**Current liabilities excluding provisions, loans and bailouts Total** (39 to 42)						
044	B.VI.	Current bank loans	17281,31 €					

Source: own calculation

5 Discussion

To begin with, this project aims to be a fitness center, located in a strategic location, offering diversified services to its clients, targeting many sports using different marketing strategies, and segmenting its targeted clients. After the feasibility study, we have obtained the results of the three different scenarios, base-case, worst-case, and best-case scenario. In my opinion, the worst-case scenario is always important, especially when in the base-case scenario, we have an internal rate of return that is close to the weighted average cost of capital. The internal rate of return is the discount rate when the net present value equals to zero, this means that if it is close to the weighted average cost of capital, that the net present value is not far from zero. Another important factor is the payback period, if the business recovers from its initial investment at the end of the project, this is also not a good indicator, a positive net present value is not always an enough measurement to decide about a project if it is profitable and can be accepted.

NPV Results review:

- NPV = 272,05 € - worst-case;
- NPV = 13792,69 € - base-case;
- NPV = 22697,77 € - best-case.

Comparing the three net present values, the base-case is around the average between the best and the worst-case, in the worst-case, a net present value is not a significant number, but it means that there is no loss in anyway, however this is just the worst-case scenario, it depends on each person if he/she is a risk-averse or a risk-taker, although it looks that there is no negative number here, still safe but not significant.

Measuring NPV/Initial investment in the three scenarios:

- 272,05 / 134004,37 = 0,203% - worst-case scenario;
- 13792,69 / 134004,37 = 10,293% - base-case scenario;
- 22697,77 / 134004,37 = 16,938% - best-case scenario;

Looking at the results in a different perspective, starting with the worst-case scenario, 0,203% is a very insignificant result. However, for the base-case scenario, 10,293% is an amazing number, but looking at the net present value 13792,69, it depends to whom it is worthy this amount especially after six years. Lastly, the best-case scenario, 16,938%, a number that a person would not hesitate to invest in such project, but this is just the best-case.

Internal rate of return:

We have the weighted average cost of capital 7,8112% which is a mixture cost obtained from debt and equity capital structure.

Internal rate of return results review:

- IRR = 7.871% - worst-case scenario;
- IRR = 10,705% - base case scenario;
- IRR = 12,467% - best-case scenario;

Compared to the weighted average cost of capital, we can see a difference of almost 0,6% between the internal rate of return of the worst-case and the weighted average cost of capital, this also explains the same as how close the Net Present Value in the worst-case to zero.

This means just with the same cost of capital; this project is slightly positive in the worst case. Any higher cost of capital would lead the result to a negative NPV or to a lower internal rate of return.

Analyzing the base-case, the limit of the cost of capital is 12,467% and the NPV would just be zero, around 4,66% of difference which is good.

Lastly, in the base-case, there is a difference of 2,89% between the weighted average cost of capital and the internal rate of return. For this project, considering just the worst-case, it is important to consider the sources and costs of financing, let's take the IRR in the worst-case, 7,871%, this is the number that we should consider, if it is possible to finance this project with less cost of capital, the worst-case would not be a problem.

Analyzing the payback period:

- PP = 5,9894 – worst-case scenario;
- PP = 5,53 – base-case scenario;
- PP = 5,284 – best-case scenario;

We can see that no scenario recovers from initial costs before the fifh year, this is also an important point to consider, even though it is not easy for a business to recover from its initial investment, it depends on many factors, but since the threats are something external that they cannot be controlled, (eg. controlling the competitors). In the best-case scenario, we see the business recovering in the beginning of the second quarter of the year, still late, but the project is just six years. Base-case scenario in the middle, and the worst-case at the end of the project.

Not the best indicator to have if it recovers in the last year, but if the net present value is a significant number, then it is worth the investment. Last year of project, when we estimated that the business would be at a good point operating in all cases, it has less costs, no interest expenses, no loan, just a business operating and profiting. However, the loan is not something bad and the launch of the business is not an easy process.

Looking at the ratios for the base-case, the company's financial analysis reveals several key indicators of its performance. Return on Assets (ROA) measures how effectively the company utilizes its assets to generate profits, indicating better asset management and profitability with a higher ROA. Expecting to reach 37% and 30% the last two years is an amazing number, it illustrates the importance of the assets to generate profits. Return on Equity (ROE) assesses the company's efficiency in generating profits from shareholder investments, suggesting effective utilization of the owner’s funds with a higher ROE. The negative numbers for the second year are from the high expense of the depreciation. Total Indebtedness reflects the proportion of debt relative to the company's total assets, as we see it is a five year period and we see that in year five ROA=ROE, since there will be no debt. Net Profit Margin reveals the percentage of revenue that translates into net profit, indicating stronger profitability and operational efficiency with a higher net profit margin.

6 Conclusion

In summary, the feasibility study highlights the potential of the fitness center project as a fitness center in Bratislava. It aims to offer various services and attract diverse clients interested in different sports activities. The study examines three scenarios – worst-case, base-case, and best-case – to understand the project's potential outcomes.

The financial analysis shows that while the base-case scenario looks promising with favorable returns, it's important to consider the worst-case scenario, especially when the Net Present Value aligns very closely with the project's initial investment. Moreover, looking at the internal rate of return, it is still fine to have 7,871% as a limit in the worst-case scenario to recover from the initial investment, as the weighted average cost of capital is 7,81%, this depends on if an investor is risk averse or not. Meanwhile, the internal rate of return is 10,7% in the base case and 12,467%, in my opinion, the worst-case should always be taken into consideration.

The payback period for the three scenarios is in the fifth year, that means in anyhow, the business, is performing well or not, to just recover from the initial investment it takes five years, the difference between the scenario is if it is at the beginning of the year, or middle or at the end of the year like the worst-case.

Ultimately, decision-making should be based on a clear understanding of risk tolerance. This project shows no loss in the three scenarios, but with no significant profit or Net Present Value in the worst-case scenario, here it depends on every individual if it is worthy for them to invest in this project. By taking different measures for this project, for instance, different weighted average cost of capital, or a different way of financing the project, can make the project earn more if the cost is less, depending on the amount of capital including debt and equity and the costs of them including the interest rate, and the cost of equity.

In the realm of decision-making, understanding one's tolerance for risk is crucial. While this project doesn't show losses in three scenarios, the worst-case scenario offers minimal profits.

Deciding whether to invest in this venture depends on personal risk tolerance and financial goals. But there are ways to improve profitability and reduce risks.

Adjusting the weighted average cost of capital or exploring different financing methods are key strategies. By adjusting debt and equity and optimizing costs, like the interest rate and cost of equity expenses, the project's financial outlook can improve.

Examining the financing structure is important too. Whether relying more on debt or equity, each approach has its pros and cons. Smart capital allocation and financial planning can boost returns and strengthen financial stability.

Summary

Táto práca je štúdiou realizovateľnosti na obdobie šesť rokov otvorenia fitness centra v Bratislave, zložená z deviatich častí. Štúdia realizovateľnosti hodnotí životaschopnosť navrhovaného fitness centra v Bratislave v novom projekte nazvanom NUPPU, na adrese Nivy 36, 821 05 Bratislava, pričom zohľadňuje jeho strategickú polohu a zahraničné vlastníctvo. Centrum má za cieľ poskytovať výnimočné služby a moderné vybavenie, využívajúc svoju blízkosť k Prístavnému mostu a Ekonomickému univerzitu v Bratislave. Štúdia skúma rastové príležitosti a zdôrazňuje zapojenie komunity, aby sa fitness centrum umiestnilo ako premierová destinácia v rastúcej fitness scéne v Bratislave. Fitness centrum bude ponúkať flexibilné možnosti členstva vrátane mesačných, štvrťročných a ročných plánov, ako aj rôzne vstupné balíky. Študentom a zamestnancom na dohodu budú k dispozícii zľavy. Zákazník si môže zariadiť vlastné obdobie členstva na zabezpečenie flexibility. Prevádzkové hodiny budú od 6:00 do 23:00, s možnosťou polovičného dňa do 14:00. Podnik kladie dôraz na spokojnosť zákazníkov. Okrem toho popisuje komponenty potrebné pre fitness centrum (vybavenie, nástroje atď.) a popisuje interné procesy podniku, ako je nábor a školenie, marketing a platobný proces, nakoniec popisuje prospech projektu pre domácnosti, zamestnancov, študentov, slovenský trh a vládu.

V kapitole prvá tejto časti ide o súčasný stav problémov na Slovensku a v zahraničí. V tejto časti sme preukázali potrebu ďalšieho profesionálneho fitness centra v Bratislave v dobe po pandémii ukazovaním finančných výsledkov dvoch tiež v Bratislave sídliacich etablovaných fitness reťazcov, ktoré sa počas šiestich rokov preukázali ako finančne stabilné a úspešné po finančne náročnom období pandémie. Okrem toho vysvetľuje teóriu kapitálového rozpočtovania a dôležitosť aktív spoločnosti a vysvetľuje prístupy k hodnoteniu kapitálového rozpočtovania, ako je čistá súčasná hodnota, vnútorná miera návratnosti a doba splatenia. Vysvetľuje tiež problém, prečo je veľa fitness centier, ale mnohé neponúkajú rovnaké služby. Dôležité faktory pre úspešné fitness centrum a do ktorej kategórie fitness centrum spadá z hľadiska dokonalého alebo nedokonalého súťaženia.

V druhej kapitole je popísaný cieľ práce. Cieľom práce je zistiť, či je štúdia realizovateľnosti na obdobie 6 rokov otvorenia komplexného fitness centra v Bratislave, Slovensko zisková alebo nie, posúdením ročných predpovedaných výrobných cash flow k získaniu čistého súčasného hodnotu tohto podnikania a porovnaním vnútornej mierky návratnosti s váženou priemernou nákladovou kapitál a zohľadnením diskontovaného obdobia splatnosti v troch prípadoch najhoršie, základné a najlepšie možné scenáre.

V tretej kapitole je definovaná metodológia a výskumné metódy. Okrem toho, že sme definovali víziu a misiu podniku, zhodnotili sme finančné a nefinančné ciele podniku, posúdili sme silné stránky, slabé stránky, príležitosti a hrozby podniku, analyzovali sme segmentáciu trhu, cielenie na trh a diferenciáciu.

Kapitola štyri popisuje výsledky práce, zahŕňa rôzne časti vrátane: postupu zahraničného štartu podnikania na Slovensku, tento krok popisuje práva občanov z krajín mimo Európskej únie na založenie a vlastnenie podnikov na Slovensku, vrátane vlastníkov, partnerov alebo riaditeľov slovenských spoločností. Môžu to byť buď fyzické osoby, alebo právnické osoby zvonka Slovenska. Dôležitými faktormi pre úspešné fitness centrum sú v závislosti na kategórii, do ktorej spadá, či ide o dokonalú alebo nedokonalú konkurenciu.

V kapitole päť a šesť bola diskusia a záver o tom, že tento projekt je ziskový, ale v najhoršom prípade sa len ťažko zotavuje.

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Annexes

Appendix one Cost of start-up assets

1. Cost of reception appliances
   The cost of the reception appliances include:

Reception desk for 2139,00 €, 2 sofas for 449,00 € each, a fridge for 532,35 €, a digital clock for 492,00 €, 2 laptops for 459,58 € each, mobile card machine for 495,00 €, printer for 52,84 €.

Table 36 Cost of reception appliances

	Price	Quantity	Total
Reception desk	2139,00 €	1	2139,00 €
Sofa	449,00 €	2	898,00 €
Fridge	532,35 €	1	532,35 €
Digital Clock	492,00 €	1	492,00 €
Laptop	459,58 €	2	919,16 €
Mobile card machine	495,00 €	1	495,00 €
Printer	52,84 €	1	52,84 €
Total			**5528,35 €**

Source: (Pre firmu, 2024), (IKEA, 2024), (Das gastro, 2024), (Elen, 2024), (Penta, 2024), (E-pokladne, 2024), (Mall SK, 2024)

2. Cost of other appliances

We will additionally spend up to **4319,00 €** for other appliances. (office, chairs, microwave etc.)

3. Cost of Air conditioning, heating, and ventilation

3 variable refrigerant flow (VRF) for 905,00 € each before tax, assuming it will be approx. €1100,00 for each for a total of 3300,00 € (System Air, 2024).

4. Lockers

Four gym lockers for 349,99 € each for a total of 1399,96 € (Allegro, 2024).

5. Cost of gym equipment

The following gym equipment and machines are from four different companies:

1. Cost of weight training equipment

The cost of the weight training equipment include:

Table 37 Cost of functional training machines

	Product code	Price	Quantity	Total
Chest				
Incline bench press	P00359	698,00 €	1	698,00 €
Flat bench press	NM0059	1168,00 €	1	1168,00 €
Chest Fly/rear delt machine	NM0034	2888,00 €		2888,00 €
Cable crossover	GDCC250	2020,00 €	2	4040,00 €
Legs				
Glute bridge	NM0042	1740,00 €	1	1740,00 €
Squat rack	P00083	1077,30 €	2	2154,00 €
Smith machine	3010902/SCB1000	2330,00 €	1	2330,00 €
Leg press machine	NM0038	3846,00 €	1	3846,00 €
Leg extension/curl	NM0030	2048,00 €	1	2048,00 €
Abductor/adductor machine	NM0032	2 698,00 €	1	2698,00 €
Shoulders				
Shoulder press machine	NM0045	2048,00 €	1	2048,00 €
Back				
Lat pull-down machine	NM0007	2178,00 €	1	2178,00 €
Back row machine	NM0019	1248,00 €	1	1248,00 €
Back extension	P00369	488,00 €	1	488,00 €
Biceps/Triceps				
Bicep curl equipment	NM0017	2458,00 €	1	2458,00 €
Triceps kickback	NM0046	1168,00 €	1	1168,00 €
Abdominal Muscles				
Abdominal muscle machine	NM0022	748,00 €	1	748,00 €
Total				**33946,00 €**

Source: (Strong Gear, 2024), (Fitplus, 2024)

2. Cost of barbells, dumbbells, and plates

Table 38 Prices of barbells, dumbbells, and plates

	Product code	Price	Quantity	Total
Barbells				
Olymbic barbell	P00005-1	189,00 €	5	945,00 €
Deadlift barbell	P00075	329,00 €	1	329,00 €
Ez curl barbell	P00080	79,00 €	2	158,00 €
Total				1432,00 €
Plates				
Plates – 25kg	P00251-5	78,80 €	8	630,40 €
Plates – 20kg	P00251-4	64,80 €	34	2203,20 €
Plates – 15kg	P00251-3	48,80 €	12	585,60 €
Plates – 10kg	P00251-2	32,80 €	14	459,20 €
Plates – 5kg	P00251-1	16,40 €	14	229,60 €
Plates – 2.5kg	P00251-6	8,40 €	12	100,80 €
Total				4208,80 €
Dumbbells				
Dumbbells - 2.5 till 50kg	P00181-3	1754,00 €	1	1754,00 €
Total				**7394,80 €**

Source: (Strong Gear, 2024)

3. Cost of cardio machines

Table 39 Prices of cardio machines

	Product code	Price	Quantity	Total
Motorized treadmill	P00533	3422,00 €	3	10266,00 €
Bicycles	P00348	1048,00 €	2	2096,00 €
Rowing machine	P00303	398,00 €	1	398,00 €
Nordic skiing machine	P00208-2	949,00 €	1	949,00 €
Total				**13709,00 €**

Source: (Strong Gear, 2024)

4. Cost of other accessories

Table 40 Prices of other accessories

	Product code	Price	Quantity	Total
Stand for dumbbells	P00379	314,00 €	1	
Plates stand	GR77943	79,69 €	2	314,00 €
Speed rope	P00173	9,99 €	1	159,38 €
Mini power bands	P00325	5,80 €	1	9,99 €
Massage & foam rollers	P00024	24,90 €	1	5,80 €
Barbell pad	P00285	9,90 €	4	24,90 €
Fitness Mat	P00284	16,90 €	8	39,60 €
Shoulder bench	NM0063	288,00 €	1	135,20 €
Flexible bench	P00062	394,00 €	5	288,00 €
Deadlift platform	-	969,00 €	2	1970,00 €
Weightlifting platform (for dumbbells)	P00395	848,00 €	3	2544,00 €
Cable accessories				
Stirrup handle	P00433	12,40 €	4	49,60 €
Dual grip triceps rope	P00428	20,40 €	2	40,80 €
Lat pull down grip	P00432	37,40 €	1	49,60 €
Revolving triceps straight bar	P00430	20,40 €	2	40,80 €
Close grip triangle	P00431	20,40 €	1	37,40 €
Triceps v grip	P00439	28,80 €	1	40,80 €
Extended Wide Triceps Grip	P00436	28,80 €	1	20,40 €
Neutral Lat Pull-Down Grip	P00435	37,40 €	1	28,80 €
Ez curl pull down grip	P00434	33,40 €	1	28,80 €
Total				**7746,27 €**

Source: (Strong Gear, 2024), (Kokisha Shop, 2024), (Forward Fitness, 2024)

Table 41 Total cost of gym equipment

	Cost
Functional training machines/equipment	33946,00 €
Plates, dumbbells, and bars	7394,80 €
Cardio machines	13709,00 €
Other accessories	7746,27 €
Total	**62796,07 €**

Source: sum of gym equipment cost

6) *Cost of* mirrors *and sound system*

The cost of mirrors would be 206,64 €, price per m^2, if we want to cover 25% of the gym, then it would be 206,64 * 0,5 * 165,89 = 8569,88 €.

The cost of the sound system would be 1491,11 € (Allegro, 2024).

Total cost = 15498,00 + 1491,11 = **10060,99 €**

7) Total cost of start—up assets

Total cost of start-up assets = 87404,37 €

Appendix two Start-up expenses

1. Cost of rent

The commercial space includes 165,89m^2, determining the rate of this space, it has been discussed with the broker on reality.sk in a personal meeting for 12 €/ m^2 for a total of 1990,68 € and the rate of utilities got determined at €2/ m^2 for a total of 331,78 €. The rent + utilities would be 1990,68 + 331,78 = 2322,46 €, with a deposit of 1 month. (Business premises, 2024).

2. Other start-up expenses
   - Legal fees including registering the company for 181,00 €, fees for obtaining a trading license 24,00 €, other costs for lawyers, market research and other activities to open the company would be up to 4500,00 €; Total = 181 + 24 + 1000 + 3500 = 4705,00 €; (POHODLNÉ ZALOŽENIE S.R.O., 2024), (Založenie živnosti - poplatky a celková cena, 2013);
   - The company aims to spend on a website & application for 4500,00 €.
   - The cost of insurance for this fitness center would be assumed at 3000,00 €/year;
   - The cost of design, refurbishment, decoration, including painting, posting pictures of professional athletes and design would be planned up to 9500,00 €;
   - Cost of putting the reception appliances and gym machines, assumed at 250,00 €;
   - Tiles for 75% of the gym for 24,99€ per m^2, 24,99 * 165,89 * 0,75 = 3109,19 € (Siko, 2024).
   - Cost of putting the gym tiles for 1850,00 €; discussed with a specialized person;
   - Installation of air conditioning agreed at 2100,00 €;
   - The company aims to spend on advertising fees, for 6500,00 €.

The total would be 4705,00 + 4500,00 + 3000,00 + 9500,00 + 250,00 + 3109,19 + 1 850,00 + 2100,00 + 6500,00 = **35514,19 €.**

Appendix three Amortization Schedule

Table 42 Amortization Schedule

Payment Number	Payment Date	Beginning Balance	Payment Scheduled	Interest Expense	Principal	Ending Balance
1	01/01/25	73600,00 €	1506,47 €	515,20 €	991,27 €	72608,73 €
2	01/02/25	72608,73 €	1506,47 €	508,26 €	998,21 €	71610,52 €
3	01/03/25	71610,52 €	1506,47 €	501,27 €	1005,20 €	70605,32 €
4	01/04/25	70605,32 €	1506,47 €	494,24 €	1012,23 €	69593,08 €
5	01/05/25	69593,08 €	1506,47 €	487,15 €	1019,32 €	68573,76 €
6	01/06/25	68573,76 €	1506,47 €	480,02 €	1026,46 €	67547,31 €
7	01/07/25	67547,31 €	1506,47 €	472,83 €	1033,64 €	66513,67 €
8	01/08/25	66513,67 €	1506,47 €	465,60 €	1040,88 €	65472,79 €
9	01/09/25	65472,79 €	1506,47 €	458,31 €	1048,16 €	64424,63 €
10	01/10/25	64424,63 €	1506,47 €	450,97 €	1055,50 €	63369,13 €
11	01/11/25	63369,13 €	1506,47 €	443,58 €	1062,89 €	62306,24 €
12	01/12/25	62306,24 €	1506,47 €	436,14 €	1070,33 €	61235,91 €
End of year 1						
13	01/01/26	61235,91 €	1506,47 €	428,65 €	1077,82 €	60158,09 €
14	01/02/26	60158,09 €	1506,47 €	421,11 €	1085,37 €	59072,73 €
15	01/03/26	59072,73 €	1506,47 €	413,51 €	1092,96 €	57979,76 €
16	01/04/26	57979,76 €	1506,47 €	405,86 €	1100,61 €	56879,15 €
17	01/05/26	56879,15 €	1506,47 €	398,15 €	1108,32 €	55770,83 €
18	01/06/26	55770,83 €	1506,47 €	390,40 €	1116,08 €	54654,76 €
19	01/07/26	54654,76 €	1506,47 €	382,58 €	1123,89 €	53530,87 €
20	01/08/26	53530,87 €	1506,47 €	374,72 €	1131,76 €	52399,11 €
21	01/09/26	52399,11 €	1506,47 €	366,79 €	1139,68 €	51259,43 €
22	01/10/26	51259,43 €	1506,47 €	358,82 €	1147,66 €	50111,78 €
23	01/11/26	50111,78 €	1506,47 €	350,78 €	1155,69 €	48956,09 €
24	01/12/26	48956,09 €	1506,47 €	342,69 €	1163,78 €	47792,31 €
End of year 2						
25	01/01/27	47792,31 €	1506,47 €	334,55 €	1171,93 €	46620,38 €
26	01/02/27	46620,38 €	1506,47 €	326,34 €	1180,13 €	45440,25 €

27	01/03/27	45440,25 €	1506,47 €	318,08 €	1188,39 €	44251,86 €
28	01/04/27	44251,86 €	1506,47 €	309,76 €	1196,71 €	43055,16 €
29	01/05/27	43055,16 €	1506,47 €	301,39 €	1205,09 €	41850,07 €
30	01/06/27	41850,07 €	1506,47 €	292,95 €	1213,52 €	40636,55 €
31	01/07/27	40636,55 €	1506,47 €	284,46 €	1222,02 €	39414,53 €
32	01/08/27	39414,53 €	1506,47 €	275,90 €	1230,57 €	38183,96 €
33	01/09/27	38183,96 €	1506,47 €	267,29 €	1239,18 €	36944,78 €
34	01/10/27	36944,78 €	1506,47 €	258,61 €	1247,86 €	35696,92 €
35	01/11/27	35696,92 €	1506,47 €	249,88 €	1256,59 €	34440,33 €
36	01/12/27	34440,33 €	1506,47 €	241,08 €	1265,39 €	33174,94 €
End of year 3						
37	01/01/28	33174,94 €	1506,47 €	232,22 €	1274,25 €	31900,69 €
38	01/02/28	31900,69 €	1506,47 €	223,30 €	1283,17 €	30617,52 €
39	01/03/28	30617,52 €	1506,47 €	214,32 €	1292,15 €	29325,37 €
40	01/04/28	29325,37 €	1506,47 €	205,28 €	1301,19 €	28024,18 €
41	01/05/28	28024,18 €	1506,47 €	196,17 €	1310,30 €	26713,87 €
42	01/06/28	26713,87 €	1506,47 €	187,00 €	1319,47 €	25394,40 €
43	01/07/28	25394,40 €	1506,47 €	177,76 €	1328,71 €	24065,69 €
44	01/08/28	24065,69 €	1506,47 €	168,46 €	1338,01 €	22727,68 €
45	01/09/28	22727,68 €	1506,47 €	159,09 €	1347,38 €	21380,30 €
46	01/10/28	21380,30 €	1506,47 €	149,66 €	1356,81 €	20023,49 €
47	01/11/28	20023,49 €	1506,47 €	140,16 €	1366,31 €	18657,18 €
48	01/12/28	18657,18 €	1506,47 €	130,60 €	1375,87 €	17281,31 €
End of year 4						
49	01/01/29	17281,31 €	1506,47 €	120,97 €	1385,50 €	15895,81 €
50	01/02/29	15895,81 €	1506,47 €	111,27 €	1395,20 €	14500,61 €
51	01/03/29	14500,61 €	1506,47 €	101,50 €	1404,97 €	13095,64 €
52	01/04/29	13095,64 €	1506,47 €	91,67 €	1414,80 €	11680,83 €
53	01/05/29	11680,83 €	1506,47 €	81,77 €	1424,71 €	10256,13 €
54	01/06/29	10256,13 €	1506,47 €	71,79 €	1434,68 €	8821,45 €
55	01/07/29	8821,45 €	1506,47 €	61,75 €	1444,72 €	7376,73 €
56	01/08/29	7376,73 €	1506,47 €	51,64 €	1454,83 €	5921,89 €

57	01/09/29	5921,89 €	1506,47 €	41,45 €	1465,02 €	4456,87 €
58	01/10/29	4456,87 €	1506,47 €	31,20 €	1475,27 €	2981,60 €
59	01/11/29	2981,60 €	1506,47 €	20,87 €	1485,60 €	1496,00 €
60	01/12/29	1496,00 €	1506,47 €	10,47 €	1496,00 €	- €

Source: (Amortization calculator, 2024)