

Branch Expansion: The Break-Even Nobody Runs

A second location is a bigger bet than a second crew: \$150,000 to start, \$180,000 a year in new overhead, and 24 months to break even even when the case is viable, not strong. Running the cash-runway math before signing a lease is what turns a viable case into a survivable one.

Opening a second location is one of the biggest single bets a contracting business makes, and it is also one of the least frequently modeled before the decision gets made. A lease gets signed and a crew gets hired on confidence and a revenue estimate. Running the break-even and the cash runway first turns that confidence into a number, or reveals it was optimistic before the money is spent.

The break-even: viable, not strong

A \$150,000 fixed startup cost and \$180,000 in incremental annual overhead, against \$600,000 in expected branch revenue at a 42.4% contribution margin, nets \$74,400 in annual value, positive, but the startup cost takes 24.19 months to pay back, two full years. The verdict lands as "viable," a real but not overwhelming case, meaningfully different from the "strong" verdict a smaller bet like a new crew often clears in a matter of months. Dropping the startup cost to \$90,000 pulls the payback down to 14.52 months, a reminder that the startup-cost side of the equation is often the more controllable lever than the overhead or revenue assumptions.

Why a viable break-even is not the whole answer

A 24-month payback means the branch is a net drag on cash for two years before it turns net-positive, even though the annual math eventually works. A business that opens the branch without checking whether it can actually survive two years of that drag is solving the wrong problem, the break-even case being real does not mean the cash to carry it exists.

The runway check: does the reserve cover the ramp

A \$45,000 growth investment (the branch itself, or any major growth push) against a \$32,250 current cash reserve, with \$3,000 a month burn during a 4-month ramp period, needs \$57,000 in total cash to get through the ramp. Against the \$32,250 on hand, that is a \$24,750 shortfall, and the reserve alone would run out after 10.75 months of runway if nothing changes, an "insufficient-reserve" verdict. A larger reserve, or a smaller or slower-ramping bet, closes that gap.

Line of credit as the bridge, not the funding source

Line of Credit Sizing for Seasonal Cash Gaps applies related math to a different but connected problem, sizing a credit line to bridge a known seasonal trough rather than a one-time growth push. Used well, a line of credit can cover exactly the kind of runway shortfall the growth-cash-crunch check surfaces here, a bridge across the gap, not a substitute for having run the break-even and runway numbers in the first place.

Key takeaway. A branch expansion can be genuinely viable on paper and still fail if the cash to carry a two-year payback period was never actually confirmed. Run the break-even and the runway check together, not the break-even alone.

Assumptions

- The break-even worked example uses a \$150,000 fixed startup cost, \$180,000 in incremental annual overhead, \$600,000 in expected branch revenue, and a 42.4% contribution margin. The runway example uses a \$45,000 growth investment against a \$32,250 cash reserve, \$3,000 a month burn during a 4-month ramp.

Frequently asked questions

What separates "viable" from "strong" in the break-even verdict?

Both are net-positive, the difference is how fast the startup cost pays back and how much margin for error the case carries. A "strong" verdict clears its startup cost in months with room to spare if the revenue estimate runs a little low; a "viable" verdict, like this branch example at 24 months, has much less room before a softer-than-expected revenue year turns the payback period uncomfortably long.

Should the runway check use the branch startup cost or something larger?

Use the full growth investment the business is actually committing, which may be larger than just the branch's own fixed startup cost if it includes working capital, initial marketing, or overlapping payroll during the ramp. Understating the input here is the most common way a runway check looks safer than the real cash commitment.

What should happen when the runway check comes back insufficient?

Either grow the cash reserve before committing, secure a line of credit sized to the specific shortfall (see the companion engine), reduce the scope or pace of the expansion to lower the ramp-period burn, or delay until the reserve position improves. Proceeding on an insufficient-reserve verdict without one of those adjustments is the scenario that turns a viable expansion into a cash crisis.

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