

# HIT ZERO

## *Financial model + go-to-market.*

Five-year projection. Unit economics. Phased GTM.  
Companion to the Hit Zero Investor Brief.

COMPANION TO

***Hit Zero — One Operating System for Cheer***

Read the Brief first. This document quantifies it.

# *What it costs to win cheer.*

Hit Zero is raising a \$2M seed round to convert the wedge — a free, professional, owner-managed website — into a multi-product operating system subscription. The seed funds 18–24 months of runway to take the model from 1 pilot gym to 200+ gyms, prove payment-margin economics live, and set up a Series A at meaningful ARR.

**\$2.0M**

SEED ROUND

18–24 mo runway

**200+**

GYMS BY EOY 2

~\$160k ARR

**\$5.5M**

ARR BY Y5

Conservative

**34%**

Y5 TAM SHARE

1,200 of 3,500

***Five revenue streams. One product. Software margins on a vertical no one owns.***

The model below assumes the gym SaaS subscription and payment-processing margin alone — the two streams already wired in production. Network products (athlete reels, AI Judge premium, gamification), marketplace partnerships (uniforms, music, travel), and data licensing are layered on conservatively starting in Year 3. None of the projection depends on those upsides hitting; they're the case for outsized return, not the base case.

# Free wedge. Three paid tiers.

The free tier is the customer-acquisition vehicle. The paid tiers are where the gym discovers ops, billing, and the network value. Average gym lands on Pro (\$249/mo) within 6 months of converting from Free.

Tier	Price	Who it's for	Includes
Free	\$0	Any gym (acquisition wedge)	Marketing site · classes · pricing · lead capture
Starter	\$99 / mo	Small gyms (<100 athletes)	Free + roster + billing + Square + schedule + comms
Pro	\$249 / mo	Mid gyms (100–300 athletes)	Starter + AI Judge + routine builder + full Tier 1/2
Enterprise	\$499 / mo	Multi-location chains (300+ athletes)	Pro + multi-location + custom domain + priority CS

## Tier mix evolves toward higher ARPU as gyms onboard the full OS

Year	Free %	Starter %	Pro %	Enterprise %	Blended ARPU/mo
Y1	70%	25%	5%	0%	\$37
Y2	50%	35%	14%	1%	\$96
Y3	40%	35%	22%	3%	\$144
Y4	32%	32%	30%	6%	\$197
Y5	25%	30%	37%	8%	\$244

Why the mix shifts: the free → paid conversion is gravity-fed by the integration. Once the website is rendering live data from the owner's account, every workflow they discover (billing, leads, registrations, AI Judge) is one click into the next tier. We never have to "sell up." We just have to be there when they reach for it.

# Per-gym economics work from Y2 forward.

Metric	Year 1	Year 3	Year 5
CAC (blended, all gyms)	\$2,000	\$500	\$200
CAC (paid gyms only)	\$4,000	\$833	\$267
Avg ARPU (paid, blended SaaS+pmt)	\$1,800/yr	\$2,400/yr	\$4,000/yr
Gross margin (revenue – infra/AI)	82%	85%	87%
Avg gym lifetime (years)	5 (assumed)	7 (data)	8 (data)
LTV (ARPU × life × gross margin)	\$7,380	\$14,280	\$27,840
LTV : CAC	1.8 : 1	17 : 1	104 : 1
Payback period (months)	27	5	1

***LTV : CAC of 17:1 by Year 3. The wedge isn't a charity — it compounds.***

Year 1 is the investment year — CAC is high because founders hand-onboard every gym. Each of those gyms becomes a reference, a case study, and a referral engine. By Year 3, inbound + word-of-mouth carries most acquisition; sales just closes. Payback under 6 months means we can self-fund growth from net-new revenue starting Y3.

# Five streams. Two live now. Three more by Y3.

#	Stream	Mechanism	Status	Y5 contribution
1	Gym SaaS subscription	\$99–\$499/mo per gym across 4 tiers	Live · billing wired	\$2.8M
2	Payment-processing margin	0.5–1% of every Square transaction	Live · OAuth wired	\$1.5M
3	Network products	Athlete reels, AI Judge premium, gamified pins	Foundations live · mon Y3	\$1.0M
4	Marketplace partnerships	Uniforms, music, travel, insurance referrals	Y3 launch	\$150k
5	Data + infrastructure	Anonymized industry reports, white-label OEM	Y4 launch	\$50k

## Worked example: payment-margin economics for one Pro-tier gym

A typical 200-athlete gym at \$185/mo average tuition processes ~\$444k/year in monthly tuition through Hit Zero. Add registration fees (~\$15k), uniforms (~\$80k), clinics + privates (~\$10k), and the gym pushes ~\$549k/year through the platform. At a 0.5% margin on processed volume, Hit Zero earns \$2,745/year from this single gym in payment margin alone — on top of the \$2,988/year Pro subscription. That's **~\$5,700/year per Pro gym, blended.**

05 · 5-YEAR PROJECTION

# From 1 gym to 1,200.

	Y1	Y2	Y3	Y4	Y5
<b>Total gyms (EOY)</b>	50	175	400	750	1,200
· paying gyms	15	88	240	510	900
· % of TAM (3,500 US)	1.4%	5.0%	11.4%	21.4%	34.3%
Gym SaaS revenue	\$22k	\$170k	\$575k	\$1.50M	\$2.80M
Payment-margin revenue	\$5k	\$60k	\$300k	\$800k	\$1.50M
Network products	—	—	\$50k	\$300k	\$1.00M
Marketplace + data	—	—	\$15k	\$80k	\$200k
<b>Total revenue</b>	<b>\$27k</b>	<b>\$230k</b>	<b>\$940k</b>	<b>\$2.68M</b>	<b>\$5.50M</b>
Operating costs (P&L; p.6)	\$1.05M	\$1.95M	\$3.20M	\$5.20M	\$7.20M
<b>Net (loss) / income</b>	<b>(\$1.02M)</b>	<b>(\$1.72M)</b>	<b>(\$2.26M)</b>	<b>(\$2.52M)</b>	<b>(\$1.70M)</b>
Cumulative cash needed	\$1.0M	\$2.7M	\$5.0M	\$7.5M	\$9.2M

Reading the table: we hit cash-flow positive in Year 6 on this base case (extrapolated), but importantly Year 5 reaches **\$5.5M ARR with a clean LTV:CAC and predictable churn**. That's the profile that commands a Series B at favorable terms — or, if growth flattens, a profitable standalone business that doesn't need it.

# Where the money goes.

## Headcount plan

Role	Y1	Y2	Y3	Y4	Y5
Founders (existing, no salary Y1)	2	2	2	2	2
Engineers (mobile + AI + infra)	2	4	7	11	14
Customer success / onboarding	1	2	3	5	7
Sales (BDR + AE)	0	1	4	8	12
Marketing / content	0	1	2	3	4
Head of Growth	1	1	1	1	1
Designer	0	1	1	2	2
Operations + Finance	0	0	1	2	3
<b>Total team</b>	<b>6</b>	<b>12</b>	<b>21</b>	<b>34</b>	<b>45</b>

## Operating cost breakdown

Cost line	Y1	Y2	Y3	Y4	Y5
Salaries + benefits (loaded)	\$900k	\$1.65M	\$2.70M	\$4.40M	\$6.00M
Infrastructure (Supabase + AI)	\$50k	\$100k	\$200k	\$400k	\$700k
Marketing + sales tools	\$30k	\$80k	\$150k	\$200k	\$250k
G&A; (legal, accounting, ops)	\$70k	\$120k	\$150k	\$200k	\$250k
<b>Total operating costs</b>	<b>\$1.05M</b>	<b>\$1.95M</b>	<b>\$3.20M</b>	<b>\$5.20M</b>	<b>\$7.20M</b>

# \$2M now. \$10M at Series A. Nothing fancy.



Round	Timing	Amount	Pre-money	What it buys
Bootstrap	Now	–	–	Pilot gym (MCA) live · product proven
Seed	Now (open)	\$2.0M	\$10M	6 hires · 200 gyms · payment-margin proof
Series A	Mid Y3	\$10M	\$50M	20 more hires · 750 gyms · network products live
Series B	Y4 / Y5	\$30M	\$200M	Adjacent verticals · international · enterprise

## Seed milestones (what investors get for \$2M)

- ◆ Onboard 200 gyms across the upper Midwest, Texas, and California
- ◆ Prove payment-margin economics with 50+ gyms processing through connected Square
- ◆ \$160k+ ARR exiting Year 2 (10× from Year 1)
- ◆ Net Promoter Score > 60 from gym owners (industry benchmark: 30)
- ◆ Hire 6 people: 2 engineers + Head of Growth + 2 CS + 1 designer
- ◆ Ship the AI Judge V3 with per-skill confidence + athlete-level feedback
- ◆ First annual user conference (the "Hit Zero Summit") at a major comp city

***A clean Series A at \$50M pre-money. Or — if Y3 outperforms — at \$80M+.***

# *Four phases. Each one self-funds the next.*

## PHASE 1 · Y1 · MONTHS 1-12

### *First 50 gyms — concierge*

Target: 50 gyms · 15 paying

- ◆ Founder-led cold outreach, regional (Upper Midwest first, MCA's network)
- ◆ Show up at competitions, regional summits, USASF coach events with branded swag
- ◆ Founder-only onboarding — every gym is a hand-built case study
- ◆ Free for first 25, founders' rate (\$49/mo) for next 25 with grandfather pricing
- ◆ Tactic: "Free professional website, no commitment" cold-call script
- ◆ CAC: ~\$2,000 per gym (founder time + travel)

## PHASE 2 · Y2 · MONTHS 13-24

### *Land the first 200 — playbook*

Target: 175 gyms · 88 paying

- ◆ Hire Head of Growth — runs outbound sequencing + content engine
- ◆ Launch referral program — gyms get 3 free months per referred gym that converts
- ◆ Hit Zero Summit — first user conference at an ASWC city, 50+ owners
- ◆ Y1 case studies published: revenue lift, time saved, parent satisfaction
- ◆ Attend ASWC, NCA, Worlds — branded booth, demo flow
- ◆ Paid digital starts: targeted FB / IG to gym owners (\$30k test budget)
- ◆ CAC: ~\$800 per gym (sales + ads + referrals blended)

# *Sales engine on. Network products turn the flywheel.*

## PHASE 3 · Y3 · MONTHS 25–36

### *Inside sales + network products*

Target: 400 gyms · 240 paying

- ◆ 3 BDRs + 1 AE running a defined sales motion
- ◆ Inbound from content + referrals exceeds outbound for first time
- ◆ Vendor partnerships go live: uniform + music + travel referrals
- ◆ Athlete reels + AI Judge premium launch — first network ARR
- ◆ International beta: Canada, UK, Australia (English-speaking all-star scenes)
- ◆ CAC: ~\$500 per gym
- ◆ Net new ARR doubles off the Y2 base

## PHASE 4 · Y4–5 · MONTHS 37–60

### *Vertical + multi-vertical*

Target: 1,200 gyms · 900 paying

- ◆ Enterprise tier sells to multi-location chains (Cheer Athletics, Stingrays-tier)
- ◆ Adjacent verticals: dance studios, gymnastics gyms (same OS pattern)
- ◆ White-label OEM deal with one major industry brand
- ◆ Acquisition becomes mostly inbound + referral; outbound only for enterprise
- ◆ Network products at maturity: athlete premium, pins economy, recruiting marketplace
- ◆ CAC: ~\$200 per gym blended
- ◆ Approaching cash-flow positive

# Cold to closed in 3–6 weeks.

Stage	What happens	Conversion
<b>Cold outreach</b>	Email + DM + cold call: "free website, no catch"	8% reply
<b>Discovery call</b>	20 min: their stack, their pain, their gym	40% next
<b>Live demo</b>	30 min: their actual website built live in Hit Zero	60% next
<b>Free site launched</b>	We host the site, they edit one thing in Hit Zero	95% retain
<b>First paid feature</b>	Owner clicks Billing or Leads, hits paywall	60% upgrade
<b>Pro subscriber</b>	AI Judge / routine builder / multi-team	40% expand

## The math, end-to-end

Start with 1,000 cold contacts → 80 reply → 32 take a discovery call → 19 sit through a demo → 18 launch the free site → 11 upgrade to a paid tier → 4 land on Pro within 6 months. Effective close rate from cold to paid: ~1.1%. Industry benchmark for vertical SaaS cold outbound is 0.5–1%. We outperform because the free wedge means the "yes" is much smaller than a typical SaaS sale.

***The free site is the demo. The owner doesn't buy software — they discover it.***

# What this looks like at exit.

Company	Vertical	Outcome	Multiple
<b>Toast</b>	Restaurants	IPO 2021 · \$20B peak · ~\$10B now	8× revenue
<b>Mindbody</b>	Fitness studios	IPO 2015 · \$1.9B PE buyout 2018	5× revenue
<b>Square (Block)</b>	Retail / payments	IPO 2015 · \$60B+ market cap	3× revenue
<b>Jackrabbit Class</b>	Dance / gymnastics studios	PE-backed · ~\$50M ARR estimated	private
<b>Zen Planner</b>	Fitness micro-vertical	Acquired by Daxko 2018	~6× revenue
<b>ProcedureFlow</b>	Healthcare back-office	Acquired by Salesforce 2023	8× revenue

## The closest analog: Toast → restaurants

Pre-Toast, every restaurant ran on 6–8 disconnected systems (POS, menu management, online ordering, loyalty, payroll, inventory, reservations, marketing). Toast built one operating system + a free-on-the-front wedge (POS hardware sold near cost) and monetized through SaaS + a payment-processing margin. Hit Zero is the same playbook, one vertical to the side.

Toast went from \$50M ARR (2015) to \$1.7B ARR (2024). At Hit Zero's 5-year target of \$5.5M ARR, we're at the very early stage of that arc — but with the foundational product proven and the same wedge-into-OS pattern in motion.

# *The honest list.*

---

## **RISK 1**

### ***The free wedge attracts gyms that never upgrade.***

Each free gym still costs us cents per month. The bigger risk is that they never see Hit Zero's value because they never venture past the website. Mitigation: the website-as-CMS forces the owner into the Program tab every time they edit a price. Onboarding metrics (which tabs they touch in their first 30 days) drive proactive CS outreach.

## **RISK 2**

### ***A bigger company (Mindbody, Square, Jackrabbit) builds it first.***

Possible — but unlikely. Mindbody has tried and abandoned cheer twice. The workflows are too specific (USASF rubric, level system, prep/elite divisions, tryouts seasons) to be a side project. Mitigation: we're building 12 months ahead of any competitor with a real pilot live; we own the community early.

## **RISK 3**

### ***AI Judge accuracy disappoints coaches.***

AI scoring is noisy on athletic videos in the wild. If our V2 scores feel wrong to a coach who's been judging for 20 years, we lose credibility. Mitigation: AI Judge is positioned as practice tool not final verdict. We frame it as "score yourself before the judges do" — which is exactly what gym owners pay competitor tools \$5k/yr for already.

## **RISK 4**

### ***Square partnership risk.***

We're built on Square OAuth. If Square changes terms, raises fees on integrators, or cuts off third-party Web Payments, our payment-margin stream is hit. Mitigation: Stripe + ACH integration are on the roadmap as a fallback. Architecture is provider-agnostic by design.

## **RISK 5**

### ***Hiring in a tight market.***

Senior engineers with PWA + Postgres chops aren't cheap and aren't common. A botched founding-engineer hire kills 6 months. Mitigation: we hire slow, contract first, convert second. Network of trusted engineers from prior roles already identified.

# *\$2M seed. 18–24 months. 200 gyms.*

We're raising a \$2M seed round on a \$10M pre-money valuation. The round gives us 18–24 months of runway to take the model from 1 pilot gym to 200+, prove the payment-margin economics live, and walk into a Series A at a meaningful \$50M pre-money.

Use of funds	Amount	%
Engineering (2 hires, fully loaded × 18 mo)	\$540k	27%
Customer success + onboarding (1 hire × 18 mo)	\$180k	9%
Head of Growth (1 hire × 18 mo)	\$240k	12%
Marketing, content, events (incl. Hit Zero Summit)	\$300k	15%
Infrastructure + AI inference scaling	\$120k	6%
Founder salaries (modest, post-seed)	\$360k	18%
Legal, accounting, ops	\$160k	8%
Reserve (12% buffer)	\$100k	5%
<b>Total</b>	<b>\$2.0M</b>	<b>100%</b>

***Cheer needs an operating system. We built it. Help us put it everywhere.***

andrew · [andrewemmelparttimepro@gmail.com](mailto:andrewemmelparttimepro@gmail.com)  
[magic-city-allstars.vercel.app](https://magic-city-allstars.vercel.app) · [hit-zero.vercel.app](https://hit-zero.vercel.app)