



# HOW TO SELL A GYM



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In my position as mentor to hundreds of gym owners, I've been through the purchase or sale of a gym dozens of times.

A few years ago, I traveled to Boston to visit a Two-Brain gym.

The owners were only a few years in, but they were hugely successful. And they saw an opportunity to purchase one of the other gyms nearby. I was called to balance the negotiation and provide industry perspective. I wanted to be part of the deal, because I saw a shift in the industry: Well-run gyms are absorbing poorly run gyms. And I think this is a good thing. It means that the best clients go to the best gyms. It means that coaches have better opportunities to make careers. And it means that many gym owners who started a business to buy themselves a job can get a job as a coach at a bigger box.

I was so excited to help that I registered two domain names—[gymbroker.org](http://gymbroker.org) and [gymtransitions.com](http://gymtransitions.com)—and started talking about buyers' groups to our mentoring team.

But after a single day of negotiations with gym owners, I said, "I'm never doing this again."

All the gym owners we met thought their gyms were valuable. They were emotionally invested, spending 14 hours every day coaching most of the classes themselves. They knew their clients inside and out. They were all in.

But they were all selling, because they were ground down by "the business side."

That should have been my first red flag: There is no "side" in a business. It's all the business side.

To them, their business was worth hundreds of thousands. They'd collected that much in revenue over the years, though most hadn't paid themselves much. They had loyal clients who were dedicated to the coach, but their rates were too low to cover costs. They had volunteer coaches without any real tie to the business and equipment that had depreciated to zero. Most were still in unbreakable leases. And after a few years in business, they were broke. But they had high hopes for a buyout: After all, their "sweat equity" must have been worth something, right?

Nope.

When each saw the real value of their gym on paper, they were upset. One sobbed.

Some thought their business was worth \$300,000 because they'd sold \$300,000 worth of memberships over three years. But to a buyer, the gym was almost worthless.



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My friends made a generous offer to one owner—approximately double what the business was actually worth, with a sliding payout based on client retention. It was still a third of what the owner wanted, but he took it because he needed to get out fast. And no one else would give him a dollar for his failing business.

I thought, “I’m not doing this anymore.” I couldn’t stand to see good people get their hearts broken when they realized—too late—that they hadn’t built a real business with value.

Gyms are bought and sold every day. Sometimes the buyer is making an emotional purchase, and they wind up buying the owner’s mistakes. Sometimes the seller paints a rosy picture that isn’t true. Neither of these things is necessary. If you follow the steps in this book, you’ll buy OR sell a business for its fair value.

Or you might decide NOT to buy. Or NOT to sell, but to fix your business instead.

After all, if a gym is making money and doesn’t require much time from the owner, there’s no reason to sell it in the first place.

Keep that in mind. Also this:

It’s not your baby.

They’re not your friends.

When you’re buying—or selling—a gym, repeat these mantras over and over.

As entrepreneurs, we invest almost everything into our businesses. We drain our fiscal and emotional bank accounts to start. We stress our bodies, minds and relationships to the breaking point to make it work. We know we’re building something valuable for our clients.

But when it comes down to a transaction, there’s simply no room for emotional attachment.

A gym’s value, at purchase or sale, is determined by its profitability. There’s no line on a balance sheet for how hard you hustled, how badly you “wanted it” or how cautiously you pursued excellence.

Sorry.

The best way to sell a business is to look at it with a dispassionate eye and determine its REAL value. And the most valuable gym to buy is one that has little attachment to its owner.



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In this short e-book, I'll give you tips and tools for selling your gym.

I'll answer these questions and provide these tools:

- What's your gym worth? Our calculator will tell you fast, or you can also use my "back- of-the-napkin" math.
- Should you put clients on contracts?
- What's it worth to keep the gym?
- How to shop the gym around to potential buyers without showing your cards.
- Why you should NEVER finance the transaction for them.
- Is your affiliate name/website/brand worth anything?
- How to announce the sale to your clients and coaches.

You can also listen to Jason Ackerman's story on selling his gym on [Two-Brain Radio here](#).

**WHAT'S YOUR  
GYM WORTH?**

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# WHAT'S YOUR GYM WORTH?

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Yeah, I know: It's priceless. But you're coming to the table to sell, so you should start with a realistic idea of what it's actually worth.

This is the hardest part for most gym owners because the actual value is often far less than they think.

The value of a gym is determined by:

- Predictable revenues into the future.
- The client's willingness to stay without the current ownership.
- Outstanding liabilities (loans) and commitments (leases).
- Equipment and assets.

# **PREDICTABLE REVENUES**

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# PREDICTABLE REVENUES

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In all of my books and in several blog posts, I tell gym owners to avoid using contracts. But if you're selling a gym, you might want to have your clients on contracts. This guarantees the buyer some predictable future revenues.

If you haven't been using client contracts, don't sweat it. If you're a Two-Brain client, you're already tracking retention closely, and you have a step-by-step retention process that can be implemented by someone else. You've already done the work to attach your clients to your brand instead of to you, the owner, or one particular coach. Your business is transferable, and that makes it valuable.

If you're not in the Two-Brain family, ask yourself this: "Can I take two full months away from the business and still see high retention and growth?" If not, you might consider taking a year to build the business into something you can sell.

Even if you're not thinking about selling your business, building it to be a saleable asset will help you maintain objectivity and distance with your business.

# **CLIENT RETENTION WITHOUT THE OWNER**

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# CLIENT RETENTION WITHOUT THE OWNER

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Are the clients attached to the brand or to the owner?

If clients come to Catalyst Gym, aren't quite sure who owns it and don't really care, then you have a strong brand. That's valuable because it's transferable to a new owner.

On the other hand, if your clients go to "Chris's gym," you have the Icon Problem.

If your clients will "follow you anywhere," your gym is less valuable to a buyer.

Can you really take two months away from the gym without any contact? If so, it's valuable. If not, make it so.

# **OUTSTANDING LOANS & COMMITMENTS**

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# OUTSTANDING LOANS & COMMITMENTS

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If you still owe money on your equipment, someone's going to have to pay off that loan.

If you took a personal loan to purchase the equipment, make sure you add the value of the equipment to cover the loan balance (at least).

If you took out a business loan to purchase the equipment, subtract that amount from the purchase price, because the new owner will have to assume that debt on top of the purchase.

If you're locked into a lease, the new owner will need to assume the same lease. Is your lease transferable to them? Ask your landlord before you consider selling. A lease might actually lock you into keeping the business until the lease term ends.

If your lease is favorable (far below market rate, or in a high-demand area) it might actually be an asset that adds value. But this isn't the norm: Usually, the lease is a liability that reduces the sale price.

# **EQUIPMENT & ASSETS**

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# EQUIPMENT & ASSETS

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Your equipment is worth its replacement value, not its purchase value.

To determine the value of your equipment on the market, look for equipment resellers: Can a buyer purchase used equipment more cheaply online? If so, they will.

The basic rule of thumb:

If your equipment is less than 3 years old, it's worth 30% of what you paid for it (.30c on the dollar).

If your equipment is more than 3 years old, it's worth 10% of what you paid for it (.10c on the dollar.)

Of course, if you've depreciated your equipment aggressively, it might carry a value of \$0 on your books. In that case, you're going to have to pay for some extra accounting if you sell the equipment later.

# **CALCULATING THE VALUE OF YOUR GYM**

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# CALCULATING THE VALUE OF YOUR GYM

Use the detailed calculator from our friends at RigEquipment [here](#).

Base your valuation on three years' revenues, not five. Some businesses use a five-year discounted cash-flow model, but these businesses usually sell a service with extremely high retention rates, like financial planners and dentists. In the fitness industry, three years is pretty long: Most equipment is turned over in less than three years, and retention rates for clients are far less (around four months in global gyms and 13 months in micro-gyms.)

Want to get a rough estimation, fast? Here's the math I use over the phone:

Take your total profit for last year. Profit, not revenue. Profit includes wages paid to the owner and dividends taken.

If your gym isn't profitable, it's not worth anything. Multiply by zero. Skip down to "sell your assets and close."

Multiply your profit by three years.

Multiply it again by your retention rate (if you have 80% year-over-year retention, multiply your three-year profit projection by 0.8).

Add the real value of your equipment (probably 30% of its purchase price, or 10% if it's more than three years old).

That's the maximum value of your business. Example: Bill's gym pays him \$60,000 per year, and his P & L shows a profit of \$5,000 last year.

To determine its value, Bill multiplies \$65,000 (the sum of his personal wage plus profit) times three years. He starts with \$195,000.

But his retention rate is poor: Most of his clients are on eight-week challenge packages, so he calculates that he has a 50% year-over-year retention rate. That brings the value down to \$97,500. (Yes, an improvement of 10% in his retention rate would make his business worth \$19,500 more. Another reason to do the [Two-Brain RampUp](#), even if you're planning to sell.)

Then he adds the value of his equipment (\$42,500 purchase price, mostly more than three years old, with some newer rowers). Total value: \$7,000.



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# CALCULATING THE VALUE OF YOUR GYM

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The math is  $(\$65,000 \times 3 \times 0.5) + 7,000 = \$104,500$ . Not bad.

Obviously, to maximize the sale price, Bill has a couple of options. Both involve waiting a year to sell. But he could:

Take a larger paycheck instead of buying new equipment.

Improve his retention rate (going from 50% to 70% is pretty easy compared to recruiting 20 more members).

The third option is to try to increase gross revenue or headcount to make the gym “more valuable.” But unless the owner pays himself more or takes a larger profit dividend, the value of the gym does not increase just because revenue does.

There IS a fourth option, and that’s trying to overstate the value of the gym and finding a sucker to buy it for more than it’s worth. This happens, but don’t call me for help if this is your plan.

# **FINDING A BUYER**

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# FINDING A BUYER

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I get it: You're done. Maybe you just can't see a path to fixing the gym. Maybe you inherited some insurmountable mistakes from a previous owner. Or maybe you DO see the light ... but you're tired. Maybe you're just ready to leave town.

Selling your gym is a balancing act. If your members find out it's for sale, they'll start looking for other options so the rug isn't pulled out from under them. But if no one knows it's for sale, you can't sell it.

We teach a four-part process to finding a buyer (and your mentor can help):

## 1. Your Coaches

Your coaches are the most likely to want your gym. The key to selling to a coach is to let them secure the financing.

If you're in a rush, it might be tempting to finance the purchase for them (you essentially hold the loan, and they make payments to you every month until the gym is paid off.) But financing the purchase means you still own the gym; you're just abdicating the responsibility for running it. You're turning operation of the gym over to someone less skilled, less knowledgeable and with less risk than you have and hoping they'll do it better than you will.

Most of the time, owner-financed purchase of a service business doesn't work out well. Usually, the purchaser quickly figures out it's a lot harder to run the business than they thought, and the business goes downhill. The buyer can't make the payments, and the owner has to swoop back in to salvage a business that's far worse off than when he left it.

It might also be tempting to help the coach find the money by linking them up with a wealthy client or connecting them with a lender. Again, the coach needs to find the money on their own. Any assistance on your part could be seen as a negative if the gym fails later. I've spoken to many buyers who felt "hustled" after buying a gym. Sometimes they didn't do their diligence; sometimes they didn't understand what they were buying. But they always blamed the seller. And when money's on the line, people change. Stay out of the financing, period.

If you have a coach who might be able to buy the gym—or find the money—ask them to lunch.

Say: "I have something important to talk about, but I need you to sign a nondisclosure agreement before we do."



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# FINDING A BUYER

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Of course you trust them. Of course they trust you. Of course they'll promise to keep your talk a secret. But they probably won't understand the real importance (hundreds of thousands of dollars) of staying absolutely mute. Use an NDA to help them see how serious you are. I've included a sample NDA at the end of this section, and you can have a lawyer draft one for you if you like.

Tell them: "I'm preparing to sell the gym, and I would obviously prefer it stay in the hands of someone who cares as much as I do. So I'm giving you the first opportunity to buy it."

Wait to gauge their interest before you talk about money or any other specifics.

If they ask about the price, show them your valuation. Don't give them a round number, and never ask what they think it's worth. Keep the price objective.

If they ask how they could get the money, you can make suggestions, but don't walk them over to the bank.

If they plan to ask a member to fund the purchase, the member should also sign an NDA. Allow the coach and member to work out their own funding agreement without being part of that discussion at all.

Finally, give the coach a deadline to secure the funds, just like any other buyer. This will help them take action instead of sitting on "maybe" for too long.

If you don't have an interested coach, turn to your key members.

## 2. Your Members

Asking your members to buy your gym is even more tenuous than asking your coaches. It's hard to keep a member silent about your plans. On the other hand, your members are more likely to have the money to buy you out than your coaches are.

Follow the same process above: Invite the client to lunch, ask them to sign an NDA and lay out your plans. It might feel overly formal to introduce the NDA with a client, but it's also a filter: Anyone with business experience will understand. Anyone without business experience won't. If they won't sign the NDA, the deal would probably go badly anyway. Just enjoy a good lunch and look elsewhere.

Which member to ask?

Think about times when a member has said, "If you're ever looking for an investor ..." or even, "Here's how you can improve your gym ..."

Look for entrepreneurs, especially the ones who aren't frazzled. Don't look for the top athletes; look for the most experienced.



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# FINDING A BUYER

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Share the valuation when asked. Include P & L statements and accounting documents. Stay away from vagaries. Never say “I think it’s worth ...” or try to forecast future value.

### 3. Other Owners Nearby

If there’s a gym owner you trust nearby, invite them to lunch. Have them sign an NDA before you even hint about the purpose of your meeting.

I hate to admit this, but many gym owners still see each other as “the competition.” It might be terrifying to tell another gym owner that you want to sell, and for good reason: They’ll be tempted to recruit your clients.

But other gym owners are also the most likely to want your gym. It’s still a badge of honor in the industry to own multiple gyms. I can think of many examples where a gym owner bought a second location because of its “potential” instead of having a logical reason for expansion.

In some cases, other gym owners really are running profitable businesses that can scale, and taking over your gym might appear easier than starting another from scratch. Maybe you have a leverageable location. Maybe your gym is one or two hard conversations away from profitability, and they’re willing to have those conversations. Maybe your gym needs a cash injection to get over the hump. Maybe they’re just better at business than you are.

If you have a strong relationship with another local gym, consider selling to them. Follow the lunch/NDA/valuation process the same way. But if you don’t have a history of mutual support, don’t tell your plans to another local gym owner.

### 4. Online Listing Service

If you’re desperate to sell, you can list your gym anonymously online. These services actually have a lot of positives: You can stay anonymous, your clients probably won’t see the ad, and owners who are actively looking to expand will see your opportunity.

#### – Sell Your Assets and Close

If your gym is losing money, it’s worth less than \$0. It might actually be more profitable to close the doors and sell the equipment than to keep going, especially if you have to commit to another lease term or larger space.

List your equipment in Facebook groups, or contact a reseller. If you have time, put it into storage and spread out the sale to maximize your return. If you don’t have time, sell it as a “start-up package” or something similar.



# FINDING A BUYER

## SAMPLE NON-DISCLOSURE AGREEMENT

THIS AGREEMENT is made on Jan. 1, 2020

### BETWEEN

1. **[NAME]**, (the “Disclosing Party”); and
2. **Chris Cooper**

collectively referred to as the “Parties.”

### RECITALS

A. Chris Cooper understands that the Disclosing Party has disclosed or may disclose information relating to gym software or other business concepts or ideas, which to the extent previously, presently, or subsequently disclosed to the Receiving Party is hereinafter referred to as “Proprietary Information” of the Disclosing Party.

### OPERATIVE PROVISIONS

1. In consideration of the disclosure of Proprietary Information by the Disclosing Party, Chris Cooper hereby agrees: (i) to hold the Proprietary Information in strict confidence and to take all reasonable precautions to protect such Proprietary Information (including, without limitation, all precautions Chris Cooper employs with respect to its own confidential materials), (ii) not to disclose any such Proprietary Information or any information derived therefrom to any third person, (iii) not to make any use whatsoever at any time of such Proprietary Information except to evaluate internally its relationship with the Disclosing Party, and (iv) not to copy or reverse engineer any such Proprietary Information. Chris Cooper shall procure that his employees, agents and sub-contractors to whom Proprietary Information is disclosed or who have access to Proprietary Information sign a nondisclosure or similar agreement in content substantially similar to this Agreement.

2. Without granting any right or license, the Disclosing Party agrees that the foregoing shall not apply with respect to any information after one year following the disclosure thereof or any information that Chris Cooper can document (i) is or becomes (through no improper action or inaction by Chris Cooper or any affiliate, agent, consultant or employee) generally available to the public, or (ii) was in its possession or known by it prior to receipt from the Disclosing Party as evidenced in writing, except to the extent that such information was unlawfully appropriated, or (iii) was rightfully disclosed to it by a third party, or (iv) was independently developed without use of any Proprietary Information of the Disclosing Party. Chris Cooper may make disclosures required by law or court order provided he uses diligent reasonable efforts to limit disclosure and has allowed the Disclosing Party to seek a protective order.



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# FINDING A BUYER

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3. Immediately upon the written request by the Disclosing Party at any time, Chris Cooper will return to the Disclosing Party all Proprietary Information and all documents or media containing any such Proprietary Information and any and all copies or extracts thereof, save that where such Proprietary Information is a form incapable of return or has been copied or transcribed into another document, it shall be destroyed or erased, as appropriate.
4. Chris Cooper understands that nothing herein (i) requires the disclosure of any Proprietary Information or (ii) requires the Disclosing Party to proceed with any transaction or relationship.
5. Chris Cooper further acknowledges and agrees that no representation or warranty, express or implied, is or will be made, and no responsibility or liability is or will be accepted by the Disclosing Party, or by any of its respective directors, officers, employees, agents or advisers, as to, or in relation to, the accuracy of completeness of any Proprietary Information made available to Chris Cooper or his advisers; it is responsible for making its own evaluation of such Proprietary Information.
6. The failure of either party to enforce its rights under this Agreement at any time for any period shall not be construed as a waiver of such rights. If any part, term or provision of this Agreement is held to be illegal or unenforceable neither the validity, nor enforceability of the remainder of this Agreement shall be affected. Neither Party shall assign or transfer all or any part of its rights under this Agreement without the consent of the other Party. This Agreement may not be amended for any other reason without the prior written agreement of both Parties. This Agreement constitutes the entire understanding between the Parties relating to the subject matter hereof unless any representation or warranty made about this Agreement was made fraudulently and, save as may be expressly referred to or referenced herein, supersedes all prior representations, writings, negotiations or understandings with respect hereto.
7. This Agreement shall be governed by the laws of the jurisdiction in which the Disclosing Party is located (or if the Disclosing Party is based in more than one country, the country in which its headquarters are located) (the "Territory") and the parties agree to submit disputes arising out of or in connection with this Agreement to the non-exclusive of the courts in the Territory.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
Date: \_\_\_\_\_

Chris Cooper  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
Date: \_\_\_\_\_

**WHAT'S YOUR  
BRAND WORTH?**

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# WHAT'S YOUR BRAND WORTH?

If you're selling a gym named "CrossFit Asset," it's probably not worth anything. You don't own the CrossFit brand. You're a licensee (just as I am).

You can't sell the domain name, because technically it's not your IP. You can't sell the signage, because technically the buyer can't own it until they're approved as a CrossFit affiliate. Anything that says "CrossFit" on it is the property of CrossFit HQ—you can't sell it.

Transferring your CrossFit gym is easy: [Affiliatesupport@crossfit.com](mailto:Affiliatesupport@crossfit.com) has always been staffed by smart, caring humans. The buyer of your gym will have to apply for affiliation and pay the latest affiliation fee, but every story I've heard about transfer has been positive. Just don't expect to collect on the CrossFit brand.

If you have another brand with good recognition that you can demonstrate, it might be worth something. In an owner-operated business, brand value is very low (try to think about another locally-owned business to which you're 100% loyal, and you'll see why.)

To calculate the monetary value of your brand, add up the ways you can save the buyer money:

- If you already have a website, the buyer won't need to build a new one.
- If you have a playbook that your staff can follow (or other turnkey assets), your business is worth far more, because the new owner won't just be buying themselves a job.
- If you have a sign on your building, the buyer won't have to have one made.
- T-shirt inventory, logos, flyers ... these are all assets unless they're outdated.

Calculate these things the way you'd calculate your hard assets (they're worth 30% of the cost to build or acquire until they're 3 years old; then they're worth 10%).

The intrinsic value of your brand is the money it will save the new owner. Unless you've been open for a decade, "brand recognition" is probably worth nothing. But if you're in a smaller town and frequently have walk-in visitors or you're in a large city and people Google your specific brand (not "CrossFit in X city"), you might be able to charge something for the brand itself. The litmus test: Does the brand itself actually attract clients with no further marketing? Most of the time, it doesn't.

Catalyst has been in our smaller city (75,000 people) for 14 years. When people think of exercise, most would place Catalyst on their list of options because they've heard of it. But they don't Google "Catalyst Fitness" unless they're looking for directions (i.e., they've already decided to train at my gym). That means they're not comparing me to other services like yoga; they're looking for personal training or a CrossFit gym. Unfortunately, that means my brand has no intrinsic value.

My website cost \$3,200 to build and it's still good, my signage is backlit and huge, and I own my building and property. Those carry value because a buyer would have to replace them. But I can't charge \$10,000 for "the brand."

**SHOULD YOU SELL?**

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# SHOULD YOU SELL?

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After all this math, you might be discouraged. You might even feel trapped.

Maybe your business isn't worth what you thought. Maybe it's not worth enough to cover your debts. Maybe you're wondering, "What next?"

Here's the good news.

The process to making your gym profitable is the SAME process as making your gym valuable to a buyer.

There's a huge difference between a turnkey gym and a client list. In the former, the buyer walks in the first day, conducts business according to your playbook, and retains a profit. In the latter, the buyer's not really buying anything but a list of names.

If you want to profit from the sale of your gym, the best thing you can do is make your gym as profitable as possible before selling it.

If you've ever watched a house-flipping show on TV or even sold a car, you'll know the value of fixing something broken. Add a deck for \$20,000 and the sale price goes up by \$40,000. Put new tires on the car for \$600 and sell the car for an extra \$1,000. It's not trickery: The value comes from saving the buyer some work.

Since it's so easy to start a gym from scratch, your gym must save the buyer years of work to be valuable. And you must be able to confidently say, "This gym will feed and clothe you, as it did me, if you follow the same steps I have."

If your gym isn't profitable now, make it profitable. [Get a mentor](#)—none of us figures this out alone. Build it to sell.

If you're too burned out to keep going, adopt the mindset of "building to sell"—in some cases, it's worked wonders.

Want to talk about mentorship? [Book a free call here.](#)

If, however, you're ready to pass a functional, profitable gym off to someone else, then kudos to you, my friend. I understand: You're moving on to new opportunities. Share the fruits of your labors, reap your reward, and know they're getting a winning lottery ticket. Congratulations!

*To get access to more great resources and learn from other gym owners, join this private Facebook group:*

**GYM  
OWNERS  
UNITED**

*To learn more about how mentorship can help you grow your business:*

**BOOK  
A FREE  
CALL**