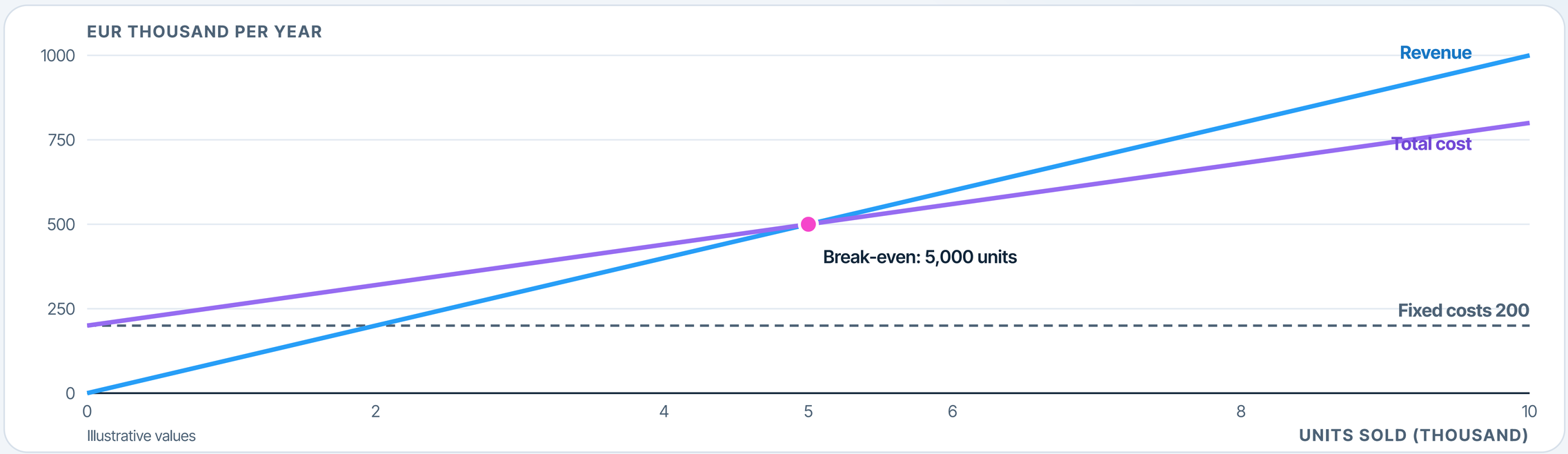
STRATEGY & PERFORMANCE

Break-Even Analysis

Break-even analysis finds the volume at which revenue exactly covers fixed and variable costs. Below it the business loses money, above it every unit adds profit.

01 THE CORE MODEL

LINE CHART · WHERE REVENUE MEETS TOTAL COST



Fixed costs

Do not change with volume in the short run: rent, salaries, depreciation.

Contribution per unit

Price minus variable cost per unit.

Break-even volume

Fixed costs ÷ contribution per unit.

02 USING THE ANALYSIS

Break-even shows how much volume risk a decision carries.

HIGH FIXED COST — LOW FIXED COST

HIGH FIXED, LOW VARIABLE COST

- \+ Profit rises fast above break-even
- − Losses rise fast below it
- − High volume risk

LOW FIXED, HIGH VARIABLE COST

- \+ Lower break-even volume
- \+ Safer when demand is uncertain
- − Less upside at high volume

03 WORKED EXAMPLE

NEW PRODUCT LINE FROM THE CHART · ILLUSTRATIVE FIGURES

FIXED COSTS
EUR 200,000
per year

÷

CONTRIBUTION
EUR 40 / unit
price 100, variable 60

=

BREAK-EVEN
5,000 units
per year

⟶

SAFETY MARGIN
Plan 7,000
2,000 units above

04 MANAGEMENT TAKEAWAYS

01

Know your margin of safety

The gap between planned and break-even volume is your cushion.

02

Test scenarios

Recalculate with lower prices and higher costs.

03

Weigh automation decisions

Investments raise fixed cost and the break-even point.

05 COMMON MISTAKE

LIMITATION

Straight lines everywhere

Many costs are step-fixed. Check the volume range in which the straight lines really hold.