

# Revealing the Trends of Your Business Profitability

4 min read



## Key Takeaways

- A Trailing Twelve Months (TTM) report uses the data from the previous 24 months of business to smooth out seasonal volatility and reveal your company's actual financial trends.
- TTM reports do not represent projections. They do not offer forecasted, fictitious numbers.- TTM reports are highly valuable because they represent actual, tangible data.
- With just a quick glance, you'll know whether your company is profitable or if it might be heading toward financial trouble.

We'll cut to the chase: if you aren't monitoring the trends in your business by tracking your Trailing Twelve Months, you are missing out on key insights that could make a profound impact on your business.

## What Is a Trailing Twelve-Month Report?

In your reporting packages, your bookkeeper or accountant most likely includes a range of financial statements- last month's P&L, year-to-date cash flow statement, balance sheet as of last quarter. While still being important and necessary to monitor, these traditional reports fall short when it comes to making decisions for your company.

A [Trailing Twelve Months \(TTM\)](#) report uses the data from the previous 24 months of business to smooth out seasonal volatility and reveal your company's actual financial trends. Each of the twelve data points on a TTM actually represents your numbers from the past 12 months added together. The following month's data point then drops off the earliest amount and adds in the current number.

For example, a data point on a gross revenue TTM for January 2021 would include the total gross revenue from February 2020 through January 2021. The next month, the TTM would include a new data point for February 2021 that included gross revenue from March 2020 through February 2021, and so on.

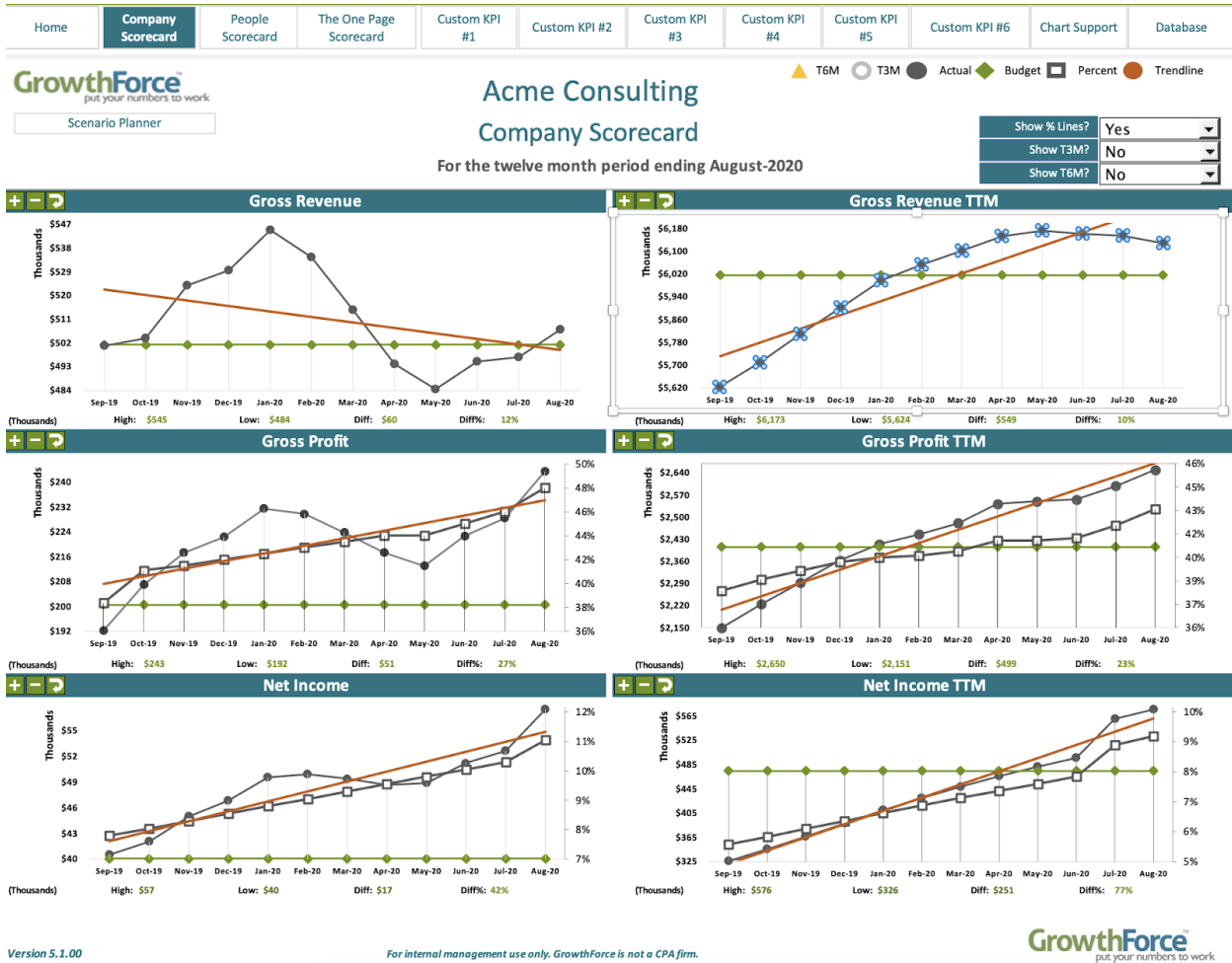
Here's the biggest advantage: By analyzing and comparing data from the current and previous twelve months, business owners can obtain a much clearer understanding of their actual financial trends without having these numbers clouded by seasonal changes in business demand and sales.

## **What Does a Trailing Twelve-Month Report Look Like? (How to Read Your TTMs)**

At first glance, a TTM report can appear somewhat complex.

However, once you understand what you're looking at, you'll see that the data and information are quite plain, easy to take in, and simple to interpret.

*Here's an example of our version of the Company scorecard...*



👉 [See how management reports helped this business grow from break even to \\$1 million in just on year.](#)

On a TTM report, you'll typically find dollar amounts on the y-axis and dates on the x-axis, showing dollar amounts over time. On the chart, you'll see three lines that represent the following data sets:

- Budget (connected plot points)
- Actual (connected plot points)
- Trend Line

This scorecard includes a set of 12-month charts: gross revenue, gross profit, and net income. These show your actual numbers for gross revenue, gross profit, and net income

for each month over the past year. Alongside these 12-month charts, you'll also see a trailing twelve-month (TTM) report for each of the same data sets.

For GrowthForce TTM reports, we respectively represented in green, dark gray, and red.

## Why TTM Reports Are So Useful to Your Business

TTM reports do not represent projections. They do not offer forecasted, fictitious numbers. [TTM reports are highly valuable](#) because they represent actual, tangible data.

These charts provide business leaders with real-time data that presents the company's financial data in a clear, unbiased, transparent way. TTM reports make it quick and easy to get down to the nitty-gritty of really understanding your company's current financial health.

As a business owner, you are likely always looking out for ways to improve your own efficiency and make the best use of your time.

TTM reports offer the perfect solution to looking at your monthly financial reports because they clear out the noise of seasonality and readily offer so much information. With just a glance, you can see whether your numbers are trending in the right direction, whether you're on target to meet your budget goals, what you can possibly expect in the coming months, and whether you might need to make changes now to correct a disappointing trend in the wrong direction.

While looking at the more granular data for each month can be useful, a TTM provides you with overarching information that simplifies data analysis and the process of making data-driven decisions to strengthen your profit margins, improve cash flow, and more.

With just a quick glance, you'll know whether your company is profitable or if it might be heading toward financial trouble. If needed, you can then look deeper into your key performance indicators, operations, costs, and pricing to [unravel the meaning and identify the drivers of your TTM report trends](#). You can then focus on making data-driven decisions to improve performance, strengthen margins, and increase profitability.

## **Put Your Data to Work – Use Your TTM Reports to Improve Your Business Strategy**

The beauty of TTM reports is that they allow you to easily identify positive and negative trends in your company, tipping you off immediately to good performance and poor performance.

You can then dig deeper into your numbers to determine the underlying cause of the upward or downward trends. Finally, your TTM reports will then help you revisit your [operating framework](#) to either repeat or amplify the parts of your business strategy that are working or correct and amend the components that are under-performing.

Remember having transparent financial data at your fingertips is only valuable if you put your numbers to work!