INTEGER WEALTH GLOBAL

Literature – Trailing 12 Months (TTM) - Definition, Calculation, and How It's Used

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This document provides a non-exhaustive description of the ‘Trailing Twelve Months’ information often required in calculating corporate share value.

Trailing 12 months (TTM) is a term used to describe the past 12 consecutive months of a company’s performance data, that’s used for reporting financial figures. The 12 months studied do not necessarily coincide with a fiscal year ending period.

‘TTM’ figures are produced for a variety of metrics including earnings, EPS (Earnings Per Share), P/E, and yield.

EPS is the abbreviation for earning per share in its very simple meaning refers to the amount earned by a shareholder on their one share.

Understanding Trailing 12 Months (TTM)

Analysts and investors use TTM to dissect a wide swath of financial data, such as balance sheet figures, income statements, and cash flows. The methodology for calculating TTM data may differ from one financial statement to the next.

In the equity research space, some analysts report earnings quarterly, while others do so annually. But investors who seek daily information about stock prices and other current data may look to TTMs as more relevant measures, because they're more current and are seasonally adjusted.

TTM figures can also be used to calculate financial ratios. The price/earnings ratio is often referred to as P/E (TTM) and is calculated as the stock's current price, divided by a company's trailing 12-month earnings per share (EPS).

Much of fundamental analysis involves comparing a measurement against a like measurement from a prior term, to decipher how much growth was realized. For example, although the company that reports €1 billion in revenues is undoubtedly impressive, this achievement is even more notable if that same company's revenues increased from €500 million to €1 billion, within the last 12 months. This marked improvement provides a clear snapshot of the company’s growth trajectory.

Where to Find the TTM Measures

The 12-month measure is typically reported on a company's balance sheet, which is customarily updated on a quarterly basis, in order to comply with generally accepted accounting principles (GAAP), although some analysts take an average of the first quarter and the last quarter.

Line items on the cash flow statement (e.g., working capital, capital expenditures, and dividend payments) should be treated based on the feeding financial statement. For example, working capital is compiled from balance sheet line items, which are averaged. However, depreciation is deducted from income on a quarterly basis; so analysts look at the last four quarters as reported on the income statement.

TTM Revenue

As 'TTM' Revenue describes the revenue that a company earns over the trailing 12 months (TTM) of business, this data is instrumental in determining whether or not a company has experienced meaningful top-line growth and can pinpoint precisely where that growth is coming from.

However, this figure is often overshadowed by a company's profitability, and its capability for generating earnings before interest, tax, depreciation, and amortization (EBITDA).

The formula for TTM revenue is simply to add up the previous four quarters of revenues to date.

> *TTM Revenue = current Q earnings + Q-1 earnings + Q-2 earnings + Q-3 earnings.*
>
> *(where Q refers to 'Quarter')*

Therefore, if XYZ Corp. generated €29.4 billion in revenue in Q1 in the quarter that just ended, €33.5 billion in the previous quarter, €30 billion the quarter before that, and €21.9 billion the one before that, TTM revenue would be: €29.4 + 33.5 + 30 + 21.9 = €87.8 billion.

TTM Yield

Used to analyse mutual fund or exchange-traded fund (ETF) performance, TTM yield refers to the percentage of income a portfolio has returned to investors over the last 12 months. This number is calculated by taking the weighted average of the yields of all holdings housed within a fund, whether they be stock, bonds, or other funds.

TTM yield can also refer to the dividend yield for a stock paid out over the prior 12 months. For instance, if a company with $100 stock paid out a 10-cent quarterly dividend over the past four quarters, the TTM yield would be: (0.10 + 0.10 + 0.10 + 0.10)/$100 = 0.4%.

TTM Price/Earnings Ratio

TTM is also used in looking at the trailing P/E (Price Earnings) ratio of a company's stock. Trailing P/E is a relative valuation multiple that is based on the last 12 months of actual earnings, and is calculated by taking the current stock price and dividing it by the TTM earnings per share (EPS).

Trailing P/E Ratio = Current Share Price / TTM EPS

Trailing P/E can be contrasted with the forward P/E, which instead uses projected future earnings to calculate the price-to-earnings ratio.

Calculate Trailing Twelve Months (TTM)

Trailing twelve months calculations will depend on which financial metric is being considered. In general, TTM calculations will either

- add up the figures from the previous 12 months (or four quarters) as a sum; or
- take the average or weighted average of the previous 12 months' figures.

Trailing 12 Months is the Same as Last Twelve Months.

Trailing 12 Months Profit & Loss

TTM P&L keeps a running tab of how well an investment or project has performed over the prior twelve-month period. It takes the monthly or quarterly returns over that time period and reports a weighted average profit or loss figure.

In Summary

Trailing 12 months (TTM) is the term for the data from the past 12 consecutive months used for reporting financial figures.

Trailing 12 months (TTM) figures report metrics based on the last 12 months (or four quarters) to date on a rolling basis. In addition to being used to measure recent trends or annual performance, TTM financial metrics are frequently used to compare the relative performance of similar companies within an industry or sector. Financial metrics commonly considered by looking at the last twelve months of figures include a company's sales, stock returns, dividend yield, price-earnings (P/E) ratio and earnings per share (EPS).

A company's trailing 12 months represents its financial performance for a 12-month period; it does not typically represent a fiscal-year ending period.

The last 12 consecutive months provide investors with a compromise that is both current and seasonally adjusted.

By consistently evaluating trailing 12-month numbers, company financials can be evaluated both internally and externally regardless of when the fiscal year-end is.

TTM allows for a like comparison of a company's performance trajectory that smooths away inconsistencies.