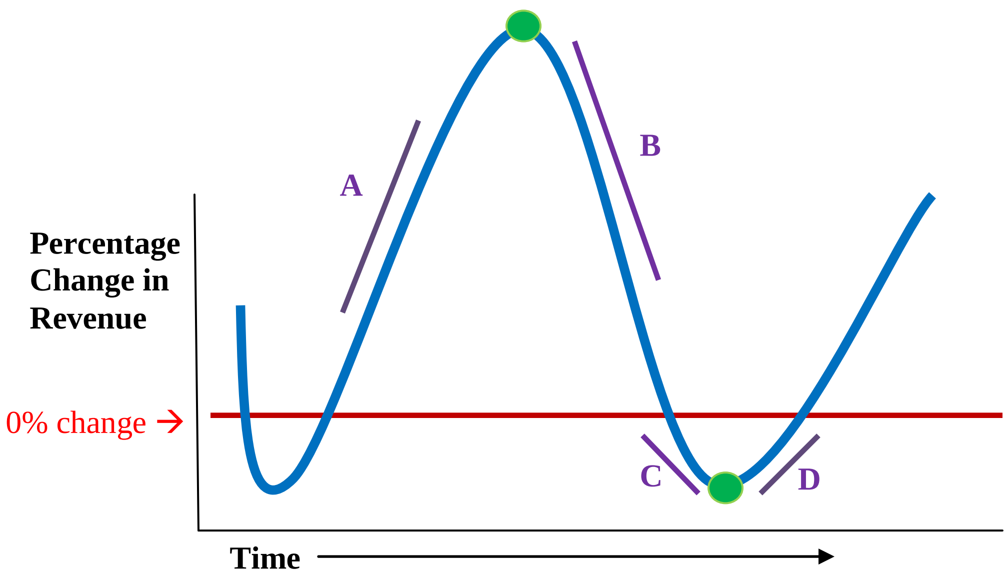
A short and incomplete (but suggestive) tutorial on Trendline Interpretation



This summary is designed to be a helpful guide to evaluating a revenue trendline, not a substitute for in-depth study. "Percentage Change" means that this graph is not presenting dollars, but the *change* in dollars. This may seem obvious, but it matters when we interpret the data. Remember than any point above the red zero-growth line represents an increase in revenue from the previous period, while any point below that red line means less revenue than the previous period.

1. The **green points** are often called *Turning Points*. The one at the top of the trend is associated in economics with high point in the economy, including high inflation and low unemployment (not all revenue sources necessarily track with broader economic trends). The bottom turning point is typically associated with an economic recession and higher unemployment. No one can predict the exact timing of these turning points, making revenue estimation the challenge that it is.

2. **Area A**. Revenue is *Increasing at an Increasing Rate*. The percentage change is above the red zero-growth line, so revenue is increasing. And during this time, the rate of change is increasing during every time period. **The top of the trend is still ahead.**

3. **Area B**. Revenue is *Increasing at a Decreasing Rate*. This might be counter-intuitive at first, but because the trendline is above the zero-growth line, revenue is still increasing every period. However, the rate of change is decreasing (from, say, 3% growth to 2% growth). **The top of the trend is past.**

4. **Area C**. Revenue is *Decreasing at an Increasing Rate*. In this area, actual revenue is less from one period to the next, and the situation is getting worse. So, revenue may be 2% less this month, for example, compared to last month. But then, it is 3% less next month, compared to this month. **The bottom of the trend is near.**

5. **Area D**. Revenue is *Decreasing at a Decreasing Rate*. The term maybe foreign, and that's understandable. People do not talk about this area of the trendline in these terms. At the end of a recession, people will take whatever good news they can find, and so most would describe this as "revenue is beginning to turn around and trend up." This is a fair statement, but it is important for the professional to remember that revenue is still decreasing in every period, just not decreasing *as much*. **The bottom of the trend is past.**

In the real world, trendlines are not this smooth or easy to interpret. The professional manager should gather as much information as possible to corroborate an estimate of where on the trendline the revenue will be in the future (next month or next year).