



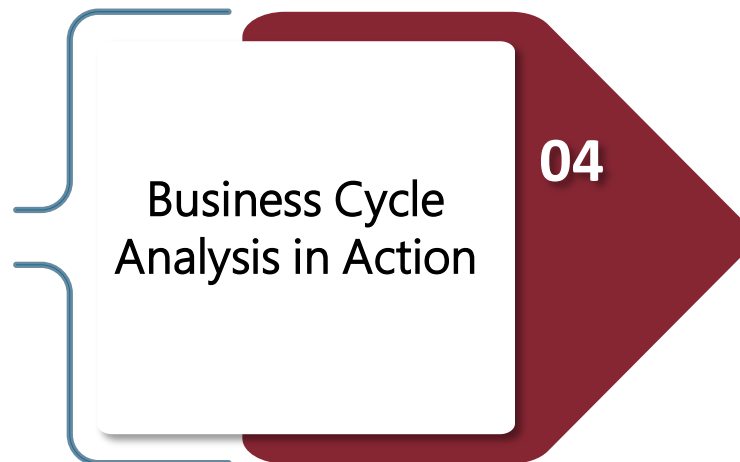
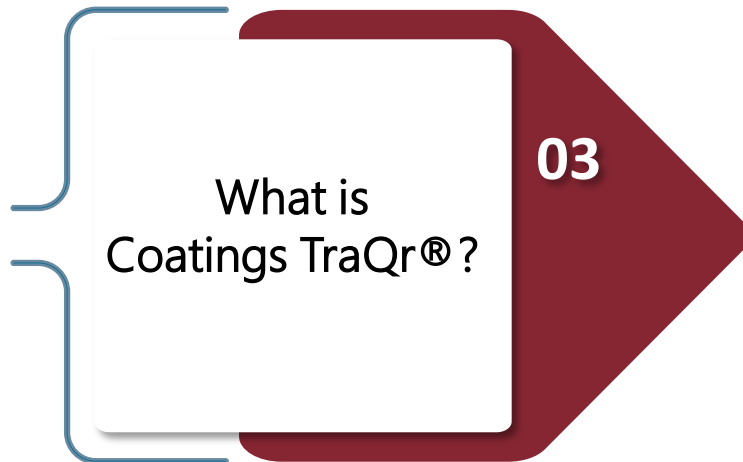
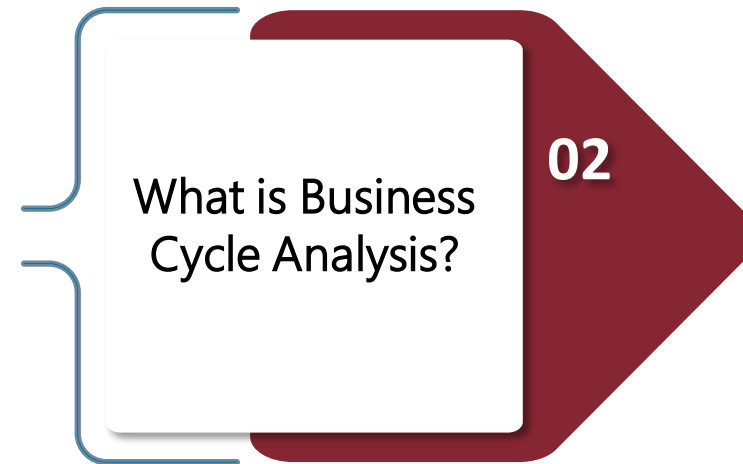
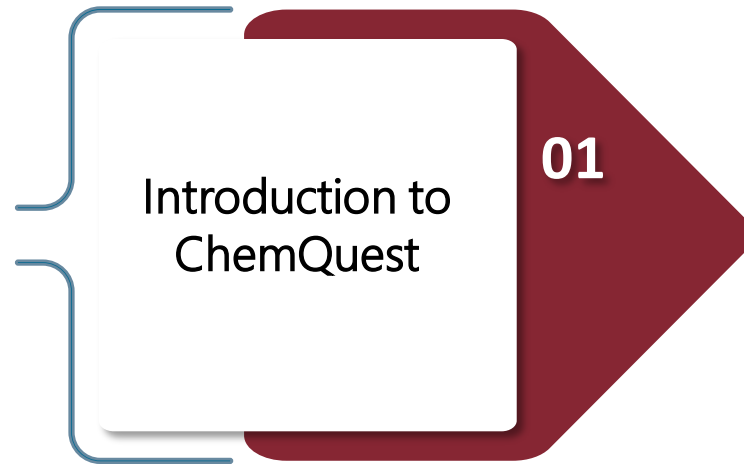
Harnessing the Power of Business Cycle Analysis

American Coatings Association Webinar | November 2, 2023

Watch
Webinar



Agenda



The ChemQuest Advantage: Navigating the intersection of strategy, markets, operations, and technology

Four Pillars of Expertise

Deliver distinctive, thorough, actionable, confidential, and professional work and support our clients in every aspect of sustained, profitable growth, including:



**Business Strategy &
Transformation**



**Technology
Development**



**Operational &
Manufacturing
Efficiencies**



**M&A Advisory
Services**

100%

All of our work is proprietary, offering a full portfolio of services under NDA.

Extensive Industry Relationships and Knowledge

Stakeholders across the value chain trust our thought leaders:

- **Team is more than 130 minds strong**, including ~ 48 Ph.D. chemists.
- **Senior personnel** each have a minimum of 25 years of experience in specialty chemicals and materials.
- **Extensive roster** includes former senior managers from major manufacturers, business owners, and senior technical managers.

Our Mission is Enabling Our Clients to:

- **Build enterprises** that challenge established thinking and drive transformation.
- **Gain competitive advantage** through distinctive, targeted, and substantial improvements that sustain profitable growth.
- **Unlock new and hidden insights**, empowering an organization's smart risk-taking, catalyzing innovation excellence and value creation.
- **Be successful** — because our success emanates from yours.

What is Business Cycle Analysis?

Business Cycle Basics



Business Cycle Analysis is a vital aspect of economic analysis, guiding decision making for businesses, investors, and policymakers.



We all know business cycles exist. They can be easy to spot, with hindsight.



The challenge lies in predicting changes in business cycles before they occur, so our organizations can *plan* and *act* in sync with the changing cycle.



A further challenge lies in identifying the leading indicators that are appropriate for your business. Setting up the correct system for checking those leading indicators is the key.

Traditional Approaches to Strategy and Business Intelligence

Strategy and business intelligence has traditionally involved numerous steps that do not provide the ability to effectively track changes in the business cycle.

Annually

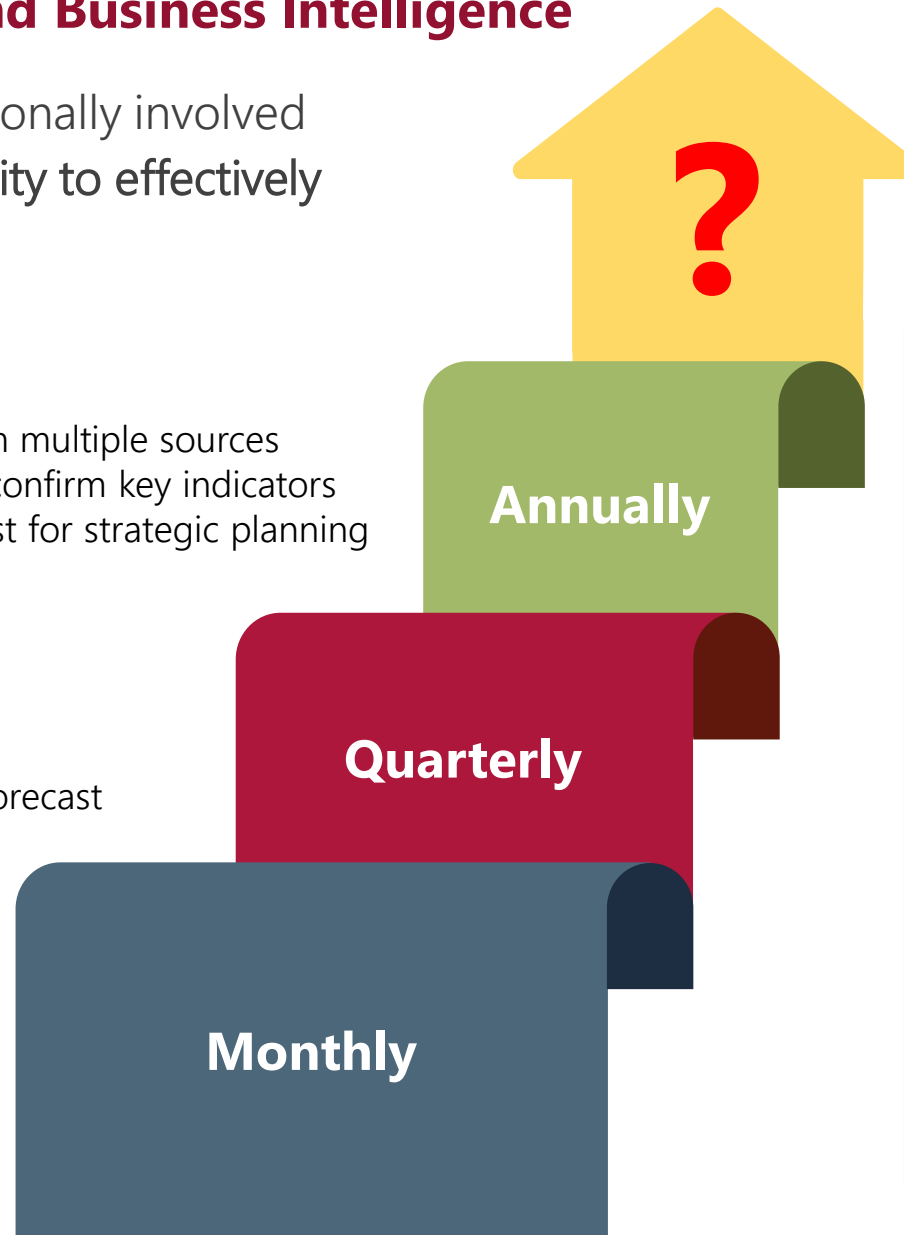
- Gather external data from multiple sources
- Run correlations to find/confirm key indicators
- Evaluate data and forecast for strategic planning

Quarterly

- Gather data from various sources
- Input key indicator data into Excel
- Review key indicators for changes in forecast

Monthly

- Gather data from various sources
- Compile data (e.g., Word) and add commentary
- Package as PDF and distribute internally

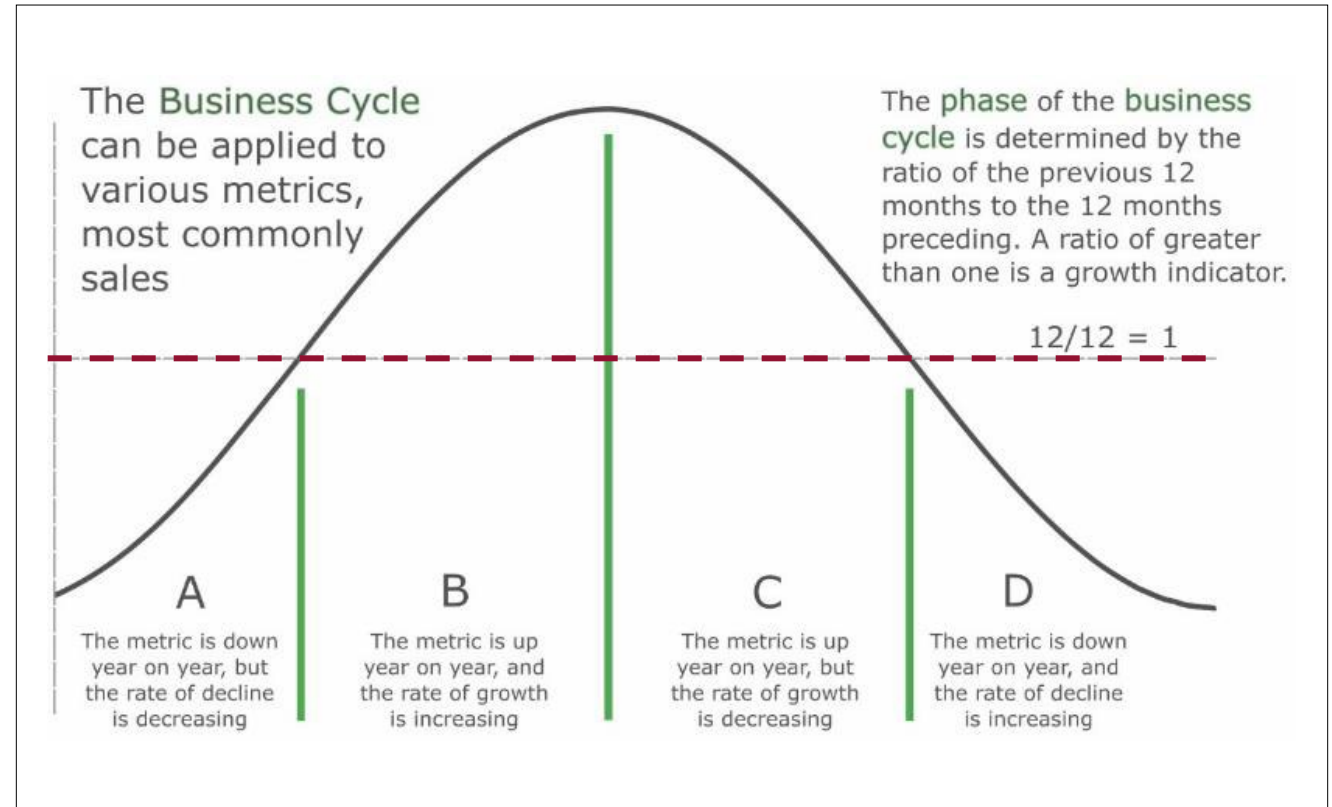


- Time consuming and inefficient
- Data is in multiple places and needs to be gathered and manipulated
- Manual approach hinders ability to forecast changes and to make appropriate adjustments

Enhanced Approach – Understanding the Phases of the Business Cycle

Business Cycle Analysis (BCA) uses four phases to describe the business cycle.

- **A = Advancing:** The metric or indicator is down year on year, but that rate of decline is decreasing. The market is gearing up for growth.
- **B = Best:** The indicator is up compared to the prior year, and the rate of that growth is increasing. The market is in a growth cycle.
- **C = Cautionary:** The indicator is up year-on-year, but the rate of growth is decreasing. The market is slowing down.
- **D = Depressionary:** The indicator is down year on year, and the rate of that decline is increasing. The market is declining.



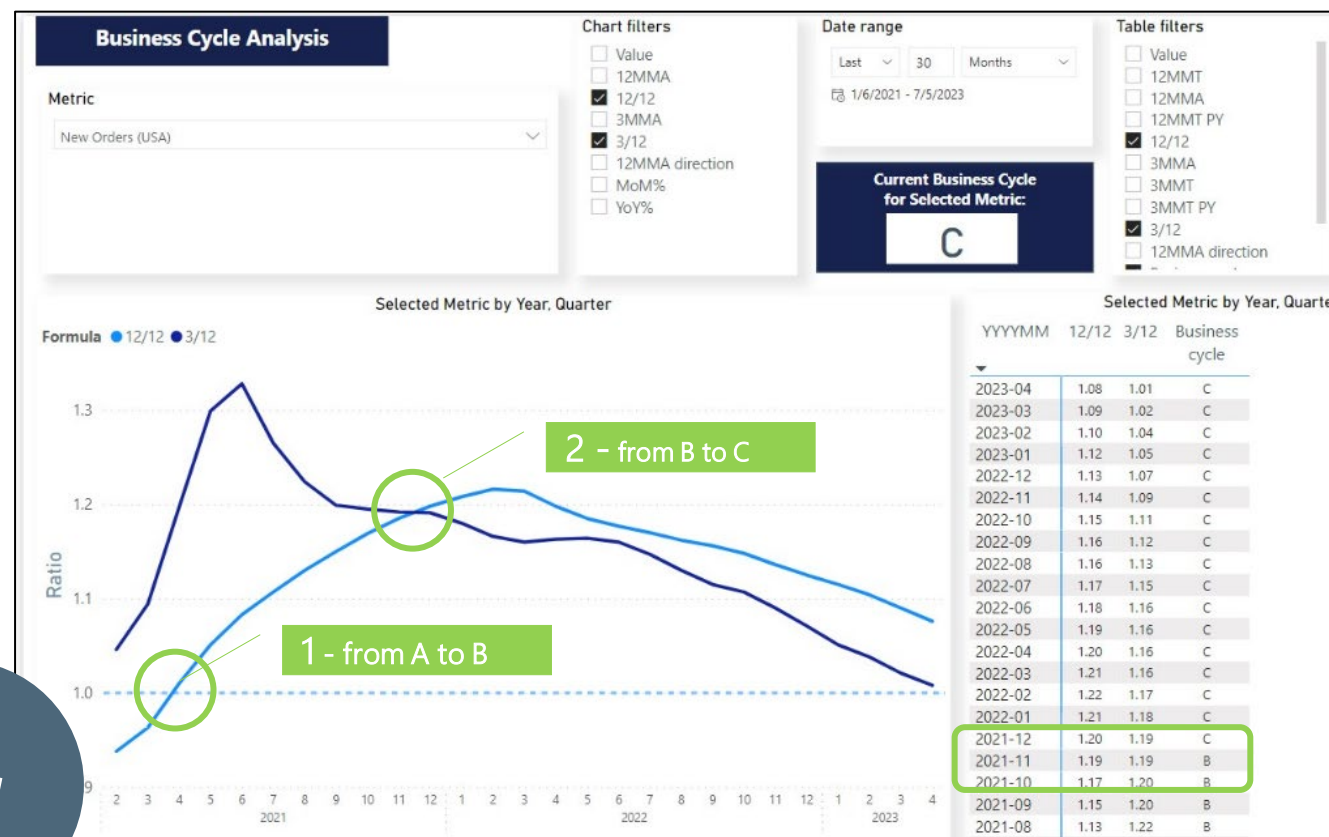
Meaningful Metrics and How to Spot a Phase Change

- ➔ The 12/12 ratio is an indicator's 12-month moving total compared to the preceding 12 months.
- ➔ The 3/12 ratio is an indicator's recent 3-month moving total compared to the year-ago 3-month total.

Spotting a phase change on the BCA chart:

1. One marker of a phase change is when the 12/12 crosses the 1.0 break-even line.
2. Another marker of a phase change is when the 12/12 and 3/12 lines cross each other.

Visibility into cycle changes provides an opportunity to think about and plan a change in strategy.



Responding to Business Phase Changes

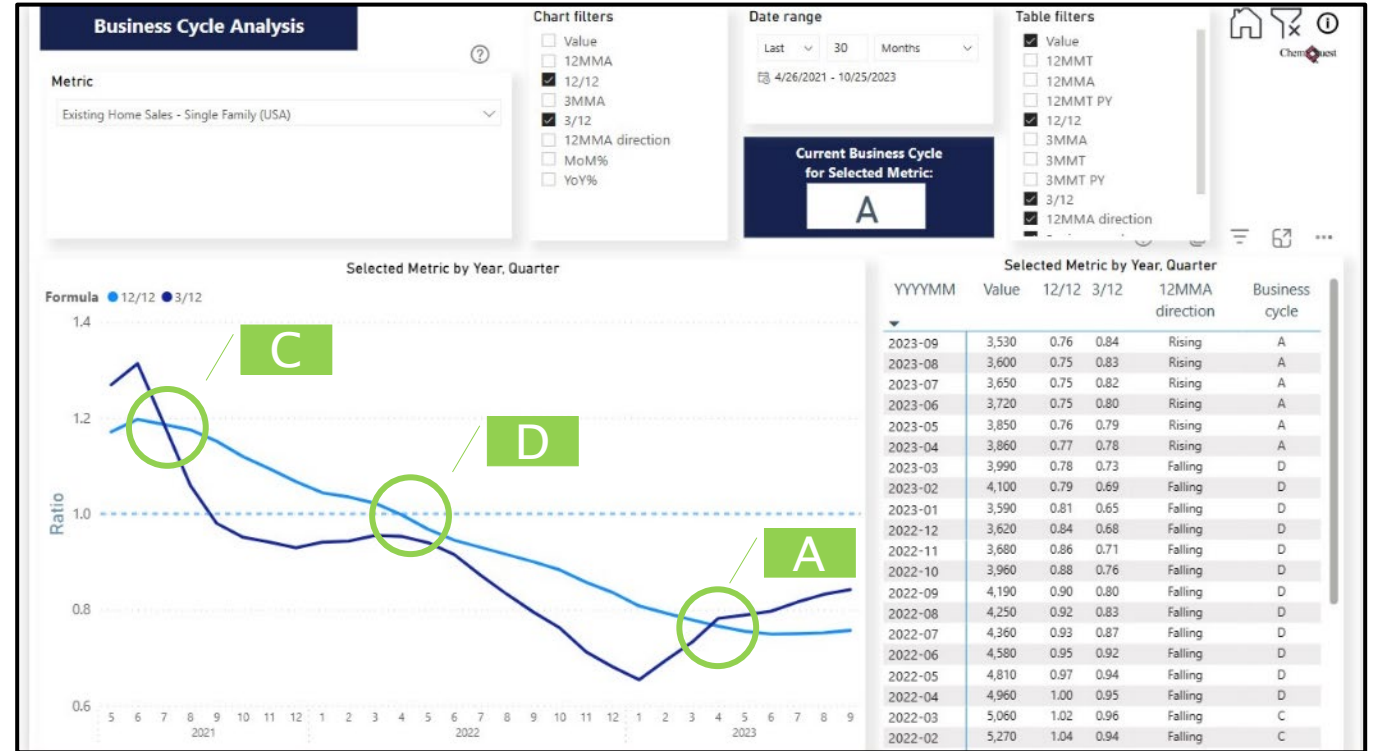
Best practice is to find and track multiple indicators for your business and to understand what actions you should consider for various scenarios.

- ➔ When two key indicators change phases in a similar fashion, pay attention. *It's time to work on a plan.*
- ➔ When several key indicators change phases in a similar fashion, *it's time to act.*
 - Example actions – from phase D to A
 - Increase inventories
 - Increase marketing spend
 - Hire top talent
 - Lock in long-term purchasing contracts



Case in Point: Existing Home Sales

- The Existing Home Sales indicator is important to various businesses (e.g., architectural coatings, coating additives, floor coatings).
- We can see here that the phase changed multiple times:
- From phase B to C in Aug 2021
 - From phase C to D in April 2022
 - From phase D to A in April 2023



Without BCA, we likely would not have known about these phase changes for several months.

Case in Point: Housing Permits

- The Housing Permits indicator is also important to similar businesses (e.g., architectural coatings, coating additives, floor coatings).
- We can see here that the phase changed multiple times:
- From phase B to C in July 2021
 - From phase C to D in May 2022
 - From phase D to A in May 2023



Tracking multiple indicators with BCA enables your team to make better decisions – well in advance of your competition.

What is Coatings TraQr®?



Data Platform and Forecasting Engine for the Global Coatings Industry

Coatings TraQr® enables subscribers to identify, analyze, and forecast global or regional market trends and make **stronger, data-driven decisions** for purchasing, pricing, expansion, cost saving, and development.

- ➔ **Agility Driver**
Know when to pivot, with dynamic data that is updated regularly, not just annually or semi-annually
- ➔ **Time Saver**
Gives you the power to customize, save, and share data views so you can quickly and easily access meaningful insights and track evolving drivers
- ➔ **Integrated**
Rapidly produce up-to-date market reports by exporting data to XLS or PPT
- ➔ **User Friendly**
Smooth and easy to navigate, filter, customize, save, and share

Coatings TraQr®	Other Data Sources
<ul style="list-style-type: none">✓ Interactive: focus on the data views that matter to you✓ Dynamic & comprehensive: updated data for ~2,000 global economic indicators✓ Key data influencers to visualize the relationships between indicators✓ Business Cycle Analysis to interpret the trends of indicators and react	<ul style="list-style-type: none">✗ Off-the-Shelf: no ability to home in on what matters✗ Static: generally published annually, meaning data can quickly become outdated✗ Shallowness of data prevents users from understanding how to utilize it✗ Unconnected data points present a fragmented view of markets

Developed by ChemQuest in partnership with the

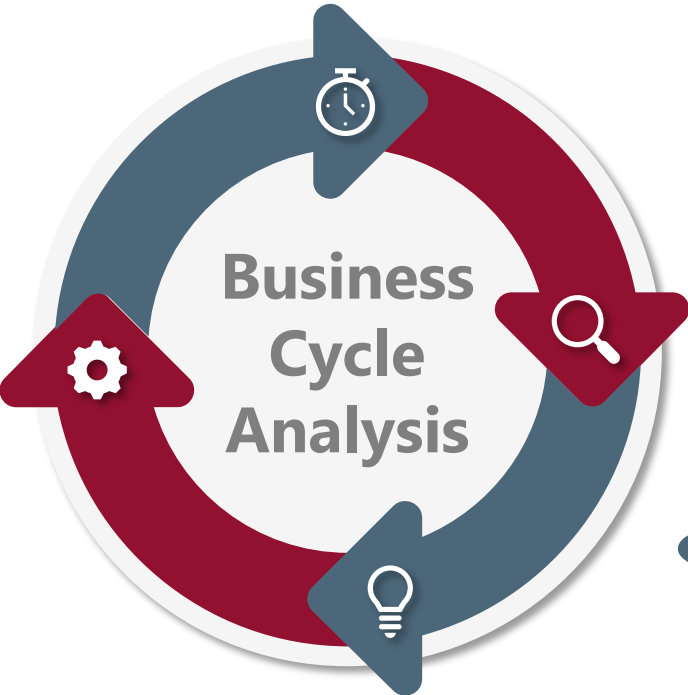


Business Cycle Analysis in Action

Comments from Users

"It's interesting to see the actual point when the indicator shifted. It would have been so useful to have the tool and be able to see this in real time."

"Business Cycle Analysis is very valuable; we don't have the ability to do this on our own."



"Thank you for providing access to these economic indicators and Business Cycle Analysis. You understand what my organization needs to know."

BCA opens up a whole new world to us, providing insight we never had before.



Conclusions

The Business Cycle Analysis tool within Coatings TraQr® makes data work for you, enabling you to make stronger, data-driven decisions.



- ➔ By harnessing the power of visualizing market trends through Business Cycle Analysis and forecasting key industry indicators, you gain a pivotal piece of the puzzle that sets you apart from your competitors.
- ➔ The ability to unlock invaluable insights and anticipate market shifts equips you with the foresight necessary to make informed and impactful business decisions.
- ➔ By capitalizing on this depth of understanding, you can navigate the intricacies of the market landscape with confidence, maximizing opportunities and achieving your organizational goals.



Thank You
Questions? Comments?
Feel free to reach out:

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Deep Industry Knowledge – Extensive Industry Relationships – Decades of Industry Experience

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