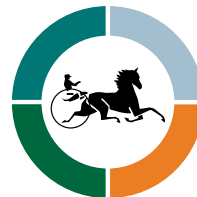


Cash Cows Series:

Free Cash Flow as a Proven Measurement of Quality



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A Source for Growing Wealth

- 1 The goal of most investors is to achieve **financial security**. High free cash flow is an indicator of a company's financial strength.
- 2 **Positive free cash flow** indicates a company is generating more cash than it needs to run the business and can invest in growth opportunities.
- 3 Companies generating **high free cash flow yields** have the ability to grow dividends over time and produce better earnings.
- 4 Using strategies that are **constantly re-evaluating and rebalancing** is the key to owning quality companies generating high free cash flow.

P/E (Price to Earnings) ratio is share price divided by the last twelve months earnings per share.

⁽¹⁾Includes multiples based on forecast operation income and net income.

⁽²⁾EBITDA - Earnings before interest, taxes, depreciation, and amortization.

⁽³⁾Includes multiples based on free cash flow to equity and free cash flow to firm.

⁽⁴⁾Includes multiples based on trailing operating income and net income.

⁽⁵⁾Pinto, J., Robinson, T., and John D. Stowe, 2015, CFA Institute.

Understanding the Terms

Free Cash Flow

Free cash flow is the cash remaining after a company has paid:



Free cash flow can be used to:



Free Cash Flow Yield

Free cash flow yield = (FCFY)

Free Cash Flow

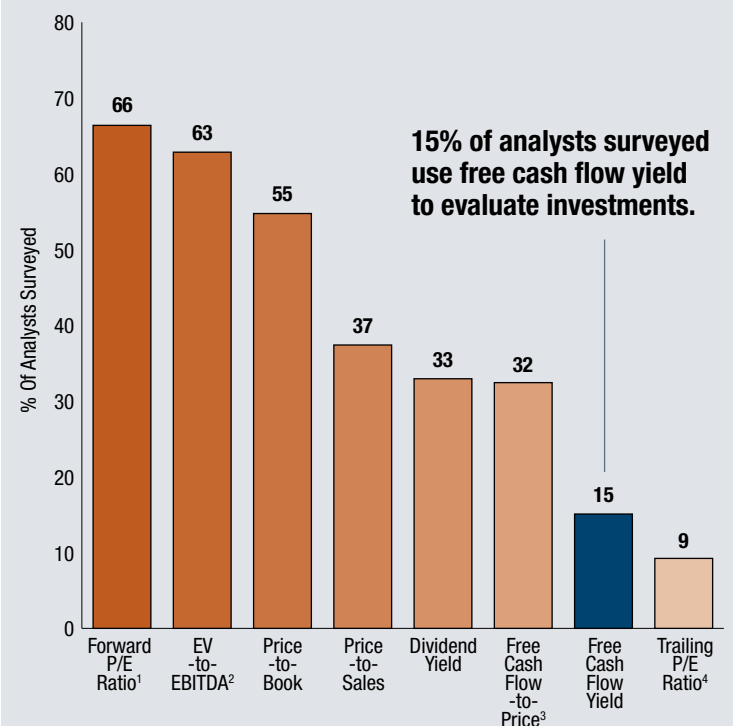
Enterprise Value

(Market Cap + Debt - Cash)

Free cash flow yield can determine an investor's payback period: Higher free cash flow yield = shorter payback period

FCFY	1%	2%	5%	10%
Years to pay back all debt and equity holders	100 Years	50 Years	20 Years	10 Years

"Equity Valuation: A Survey of Professional Practice."⁵



Free Cash Flow Yield Is an Important Valuation Metric

In the chart below, free cash flow yield has the highest return with the fewest periods of negative trailing twelve month returns.

Valuation Metrics (12 Month Rolling) 12/31/1991 - 12/31/2023

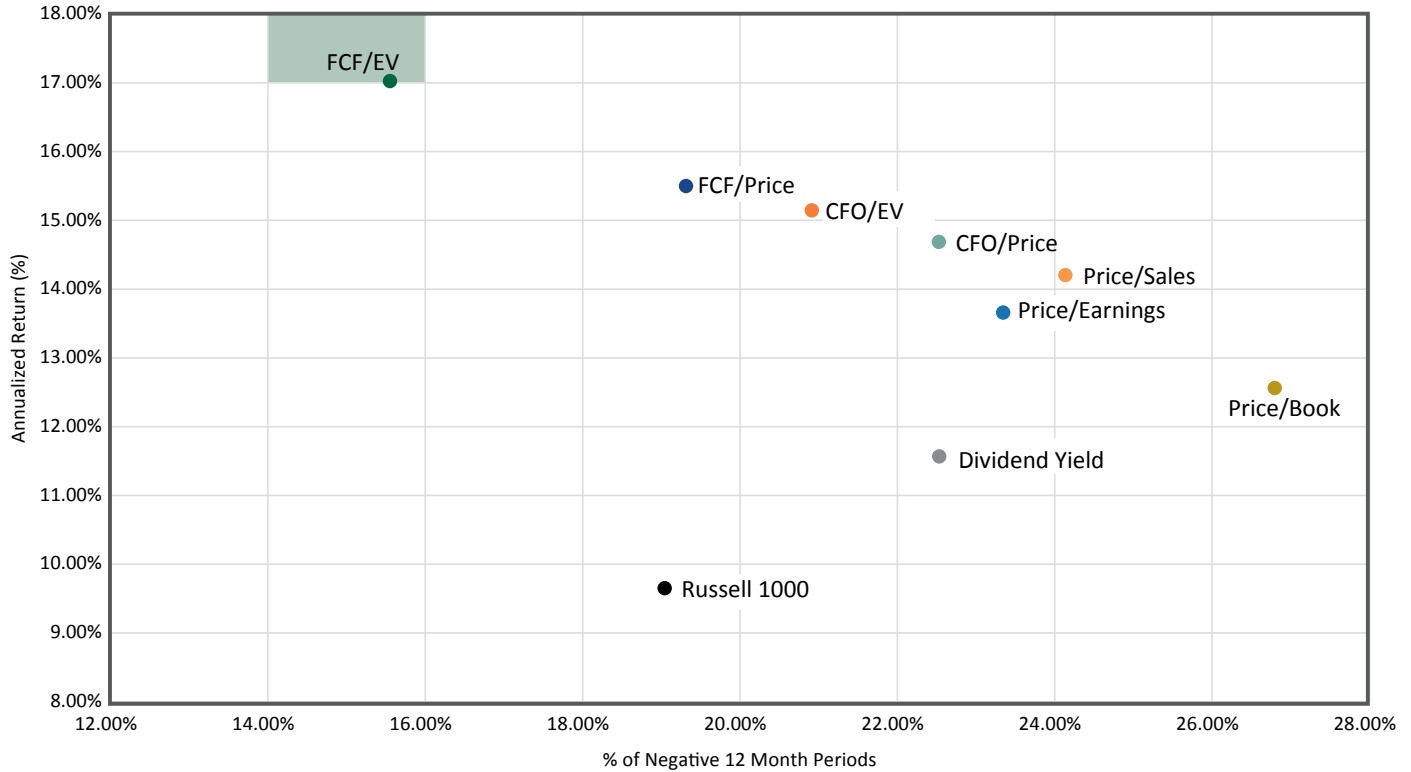


Chart Key:

FCF/EV: Free Cash Flow/Enterprise Value

CFO/Price: Cash Flow From Operations/Price

Price/Book: Price/Book Value

FCF/Price: Free Cash Flow/Price

CFO/Price: Cash Flow From Operations/Price

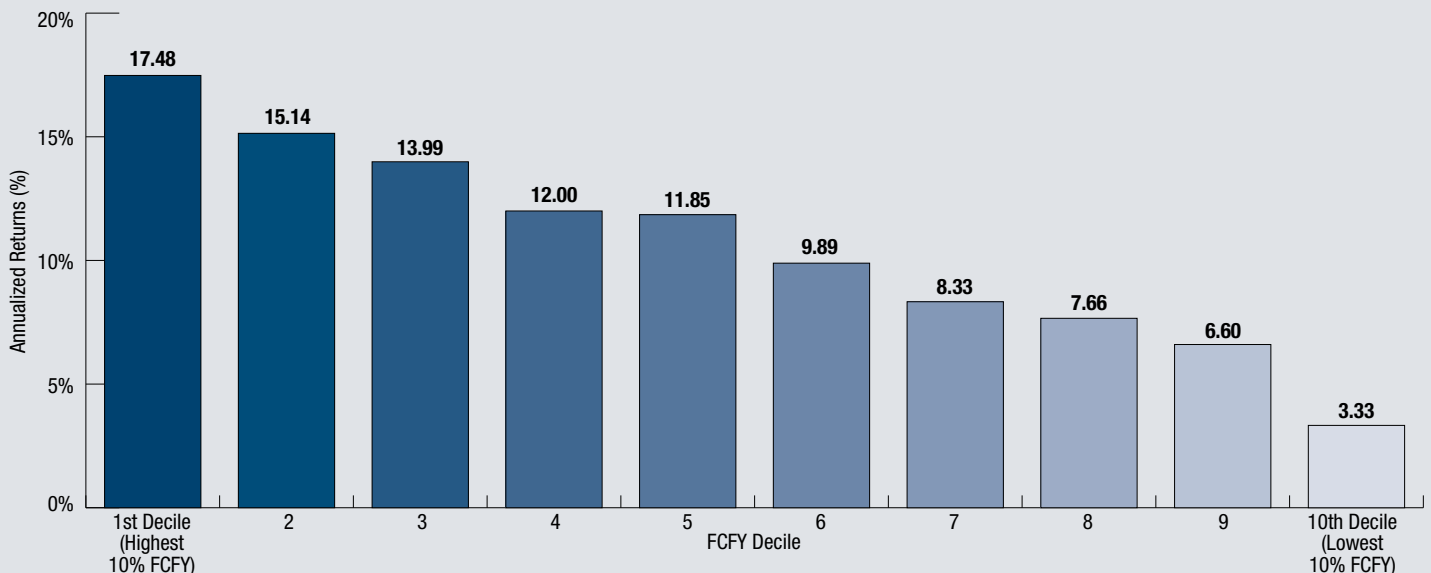
Price/Book: Price/Book Value

Source: Pacer Advisors, FactSet. Data calculated based on the top 100 companies in the Russell 1000 Index excluding financials for each valuation metric.

Free Cash Flow Yield Outperforms Over Time

In the chart below, companies with the highest FCFY (1st Decile) outperform companies with the lowest FCFY (10th Decile) over time.

Russell 1000 by Free Cash Flow Yield 12/31/1991 - 12/31/2023



Source: Pacer Advisors, FactSet. Data is composed of the Russell 1000 Index excluding financials. Each decile is composed of approximately 85 stocks (10%) based on free cash flow yield, equal weighted.

The strategies discussed are for educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategy will be effective.

Speak with your financial advisor today to learn more about how to incorporate the Pacer Cash Cows Series into your portfolio.

For more information, visit www.paceretfs.com.

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Free cash flow yield is an internal statistic and does not constitute investor yield. The information presented here is not intended to forecast events or guarantee results.

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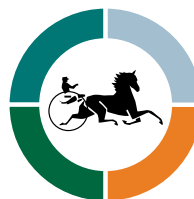
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