Cash Cows Growth Series

Why Free Cash Flow Margin

PACER ETFs

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A Key Indicator of Growth Companies

1 Growth investing is a complex and multifaceted strategy, in which there is rarely a one-size-fits-all approach.

2 Free Cash Flow (FCF) is vital for financing business growth, investing in research and development, and pursuing innovation. Companies that consistently generate positive FCF may fund their expansion plans without relying heavily on external financing, making them more self-sustainable.

3 A high **FCF Margin** suggests that a company is efficient at converting its revenue into cash flow.

4 By prioritizing companies with robust FCF margins, investors position themselves to capitalize on the financial strength and the growth potential of these firms.

Understanding Free Cash Flow

Free Cash Flow

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

Free cash flow can be used to drive business growth:

What is Free Cash Flow Margin?

$$FCF\ Margin = \frac{FCF}{Sales}$$

Free cash flow margin: (FCF/Sales) measures a company's total free cash flow relative to its sales.
Sales: a company's revenue earned from the sales of products or services.

Why do we like FCF Margin?

FCF is the funding source for growth.

- Free cash flow is the internally sourced capital.
- FCF can be strategically allocated to endeavors such as research and development, advertising, and marketing, which are instrumental in driving business expansion and growth.
- The FCF production indicated by high FCF margin highlights a company's ability to self-finance its growth initiatives, aligning it with better growth potential.

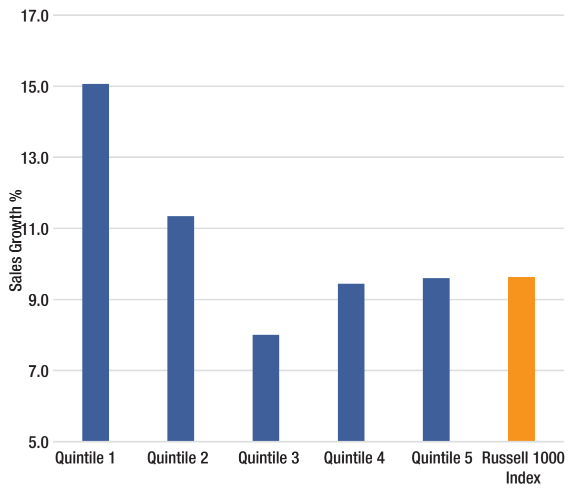
Why is FCF Margin Growth Oriented?

Growth stocks are typically associated with revenue growth.

The first quintile high FCF margin producers have delivered faster historic sales growth than the rest of the universe.

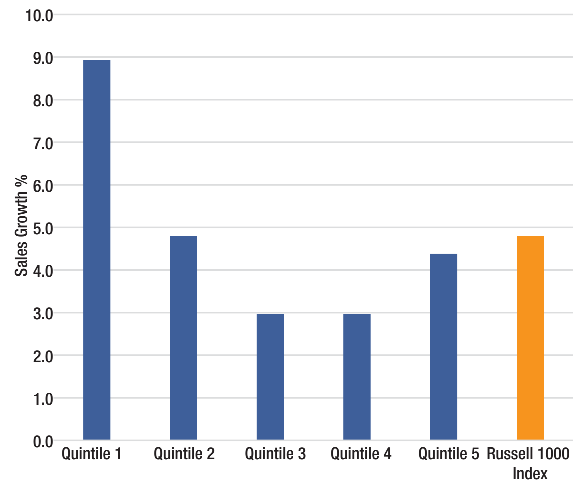
The first quintile high FCF margin companies are expected to surpass the rest of the market in terms of revenue growth over the next two years.

Trailing 3-Year Sales Growth by FCF Margin (Median) as of 12/31/2023



Source: FactSet, Pacer Advisors, Russell 1000 Index

Forward 2-Year Sales Growth Estimate by FCF Margin (Median) as of 12/31/2023

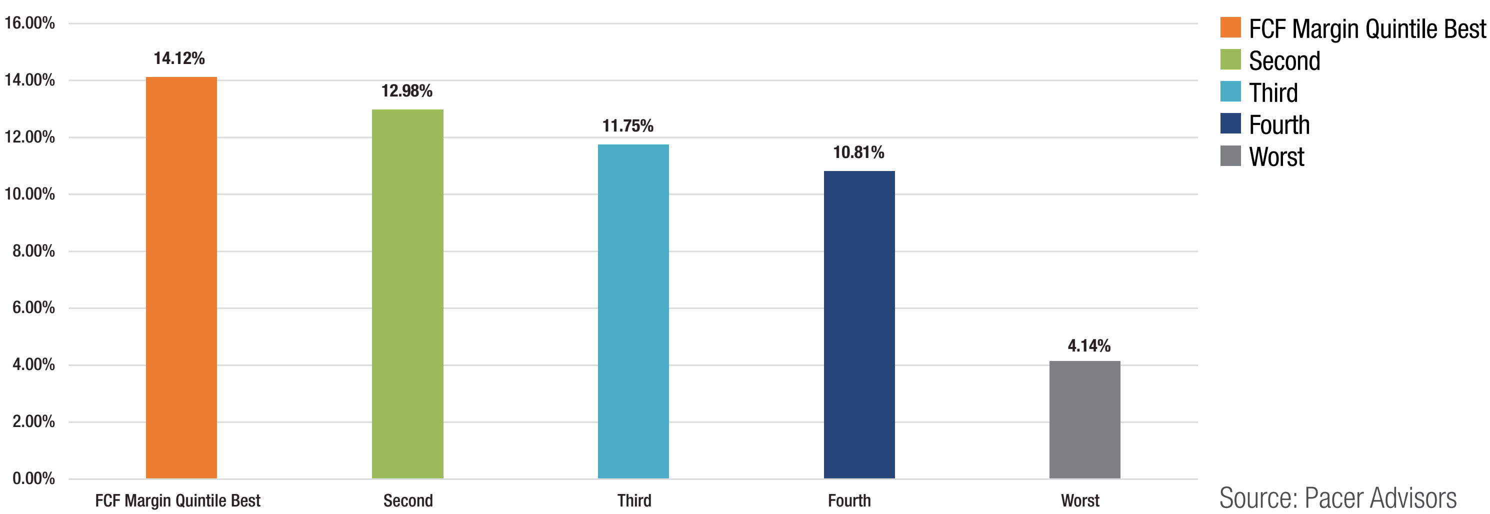


Source: FactSet, Pacer Advisors, Russell 1000 Index

FCF margin has emerged as a pivotal factor for identifying growth opportunities.

The historical performance data strongly supports the notion that using FCF margin has led to higher returns. The top quintile of FCF margin large cap companies outperform the lower quintiles across different historical time frames. Companies with the weakest profitability, as indicated by lower FCF margins, consistently lag the broader large-cap universe.

Annualized Returns, Stocks in Russell 1000 Index by FCF Margin Quintiles 12/31/1991 - 12/31/2023



Source: Pacer Advisors

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. You cannot invest directly in an index. There is no guarantee that this investment strategy will succeed, the strategy is not an indicator of future performance and investment results may vary. The investment strategy presented is not appropriate for every investor and individual clients should review with their financial advisors the terms and conditions and risk involved with specific products or services.

Speak with your financial advisor today to learn more about how to incorporate the **Pacer Cash Cows Growth Series** into your portfolio.
For more information, visit www.paceretfs.com.

Before investing you should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information is in the prospectus. A copy may be obtained by visiting www.paceretfs.com or calling 1-877-337-0500. Please read the prospectus carefully before investing.

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Russell 1000 Index is a market-capitalization weighted index representing the top 1000 large-cap stocks in the Russell 3000 Index.

To learn more about the Index methodology, please visit www.indexdesigngroup.com or call 877-337-0500.

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