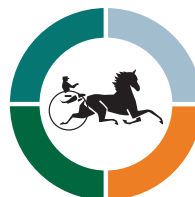


Cash Cows Growth Series
**Why Free Cash
Flow Margin**



PACER ETFs

877-337-0500 ■ www.paceretfs.com

Not FDIC Insured

May Lose Value

Not Bank Guaranteed

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:



Expenses



Interest



Taxes



Long-Term Investments

Free cash flow can be used to drive business growth:



Buy back stock



Participate in mergers/acquisitions



Research and Development



Marketing "Brand Awareness"



Geographic Expansion

What is Free Cash Flow Margin?

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

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.

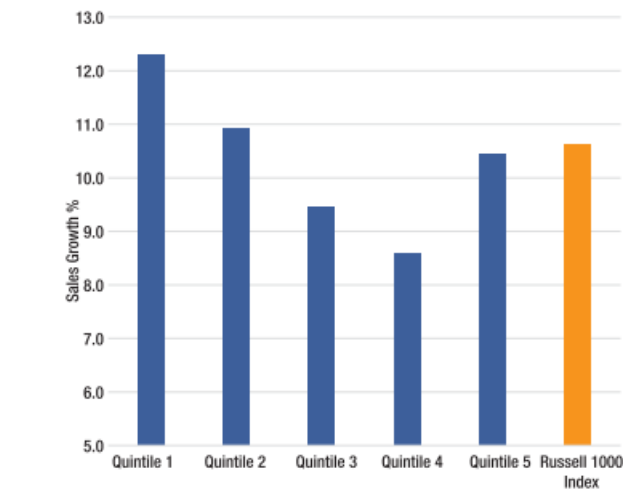
Why is FCF Margin Growth Oriented?

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.

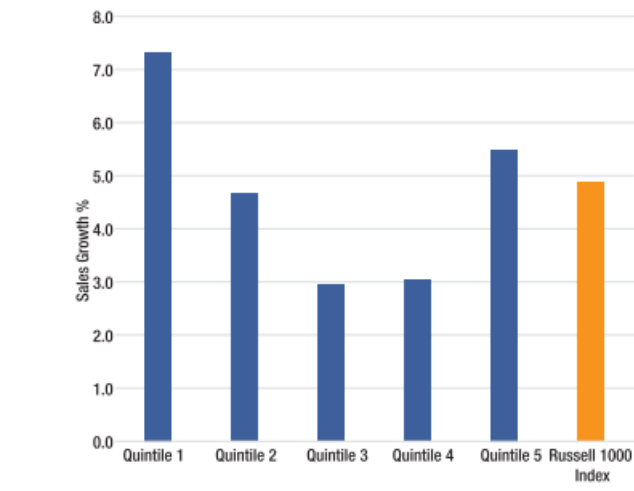
The first quintile high FCF margin companies are expected to surpass the rest of the market in terms of revenue growth over the next two years.

Trailing 3-Year Sales Growth by FCF Margin (Median) as of 12/31/2024



Source: FactSet, Pacer Advisors, Russell 1000 Index

Forward 2-Year Sales Growth Estimate by FCF Margin (Median) as of 12/31/2024

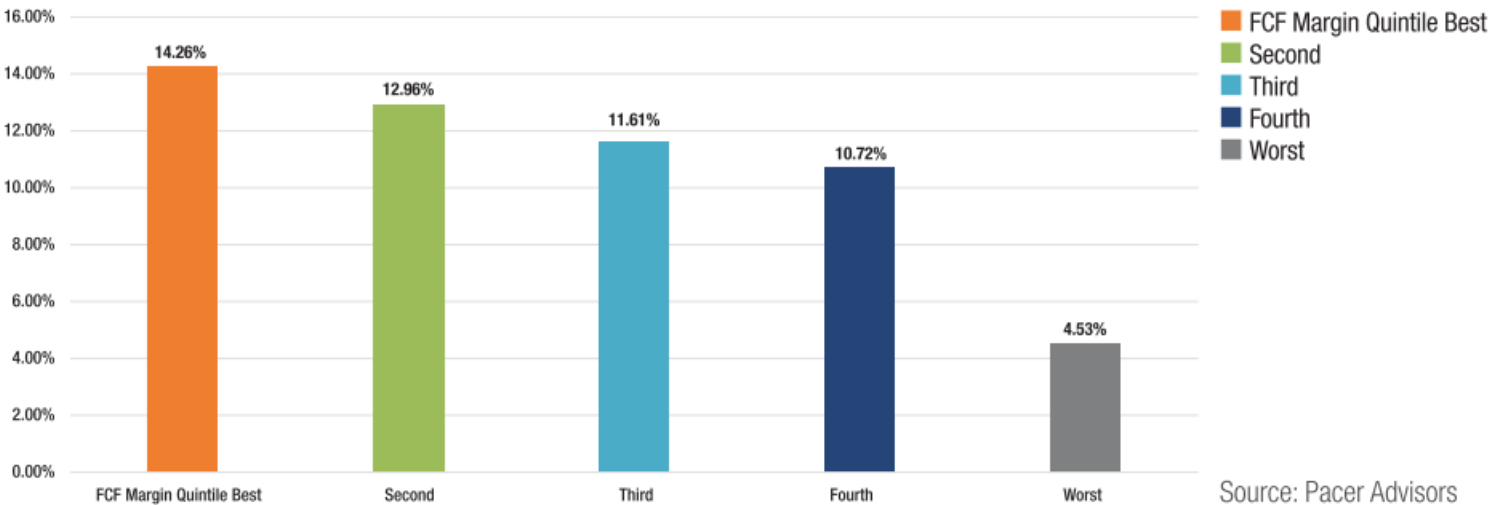


Source: FactSet, Pacer Advisors, Russell 1000 Index

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 - 12/31/2024



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.

An investment in the Funds is subject to investment risk, including the possible loss of principal. Pacer ETF shares may be bought and sold on an exchange through a brokerage account. Brokerage commissions and ETF expenses will reduce investment returns. There can be no assurance that an active trading market for ETF shares will be developed or maintained. The risks associated with this fund are detailed in the prospectus and could include factors such as calculation methodology risk, concentration risk, equity market risk, ETF risks, growth stock risk, large and small-capitalization investing risk, new fund risk, non-diversification risk, passive investment risk, tracking risk, sector risk, and/or special risks of exchange traded funds.

Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and / or Russell ratings or underlying data and no party may rely on any Russell Indexes and / or Russell ratings and / or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

The Russell 1000 Growth Index (the "Index") is a trademark of Frank Russell Company ("Russell") and has been licensed for use by Index Design Group, LLC ("IDG"). The Pacer US Large Cap Cash Cows Growth Leaders Index is not in any way sponsored, endorsed, sold or promoted by Russell or the London Stock Exchange Group companies ("LSEG") (together the "Licensor Parties") and none of the Licensor Parties make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of the Index (upon which the Pacer US Large Cap Cash Cows Growth Leaders Index is based), (ii) the figure at which the Index is said to stand at any particular time on any particular day or otherwise, or (iii) the suitability of the Index for the purpose to which it is being put in connection with the Pacer US Large Cap Cash Cows Growth Leaders Index. None of the Licensor Parties have provided or will provide any financial or investment advice or recommendation in relation to the Index to IDG or to its clients. The Index is calculated by Russell or its agent. None of the Licensor Parties shall be (a) liable (whether in negligence or otherwise) to any person for any error in the Index or (b) under any obligation to advise any person of any error therein.

FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data and no party may rely on any FTSE indices, ratings and / or data underlying data contained in this communication. No further distribution of FTSE Data is permitted without FTSE's express written consent. FTSE does not promote, sponsor or endorse the content of this communication.

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.

Cash Cows Index® is a trademark of Index Design Group, LLC.

Distributor: Pacer Financial, Inc., member FINRA, SIPC, an affiliate of Pacer Advisors, Inc.

NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED



PACER ETFs

877-337-0500 ▪ www.paceretfs.com