

# PACER CASH COWS SERIES

## Free Cash Flow Yield & Margin: Proven Measurements of Value and Growth

### Free Cash Flow: A Source for Growing Wealth

The goal of most investors is to achieve financial security. High free cash flow is an indicator of a company's financial strength. Positive free cash flow indicates a company is generating more cash than it needs to run the business and can invest in growth opportunities.

**Using strategies that are constantly re-evaluating and rebalancing is the key to owning quality companies generating high free cash flow.**

#### 1 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:



Buy back stock



Pay dividends



Participate in mergers/acquisitions



Pay down debt



Grow dividends



Invest internally, in R&D for instance

#### 2 Free Cash Flow Yield

##### Free Cash Flow Yield

FCF yield measures a company's total free cash flow relative to its enterprise value. This is an internal statistic and does not constitute investor yield.

$$\text{Free cash flow yield} = \frac{\text{Free Cash Flow}}{\text{Enterprise Value}} \quad (\text{FCFY})$$

*(Market Cap + Debt - Cash)*

#### 3 Free Cash Flow Margin

##### Free Cash Flow Margin

FCF margin is a profitability ratio that compares a company's free cash flow to its revenue to understand the proportion of revenue that becomes free cash flow (FCF).

$$\text{Free cash flow margin} = \frac{\text{Free Cash Flow}}{\text{Sales}} \quad (\text{FCFM})$$

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.



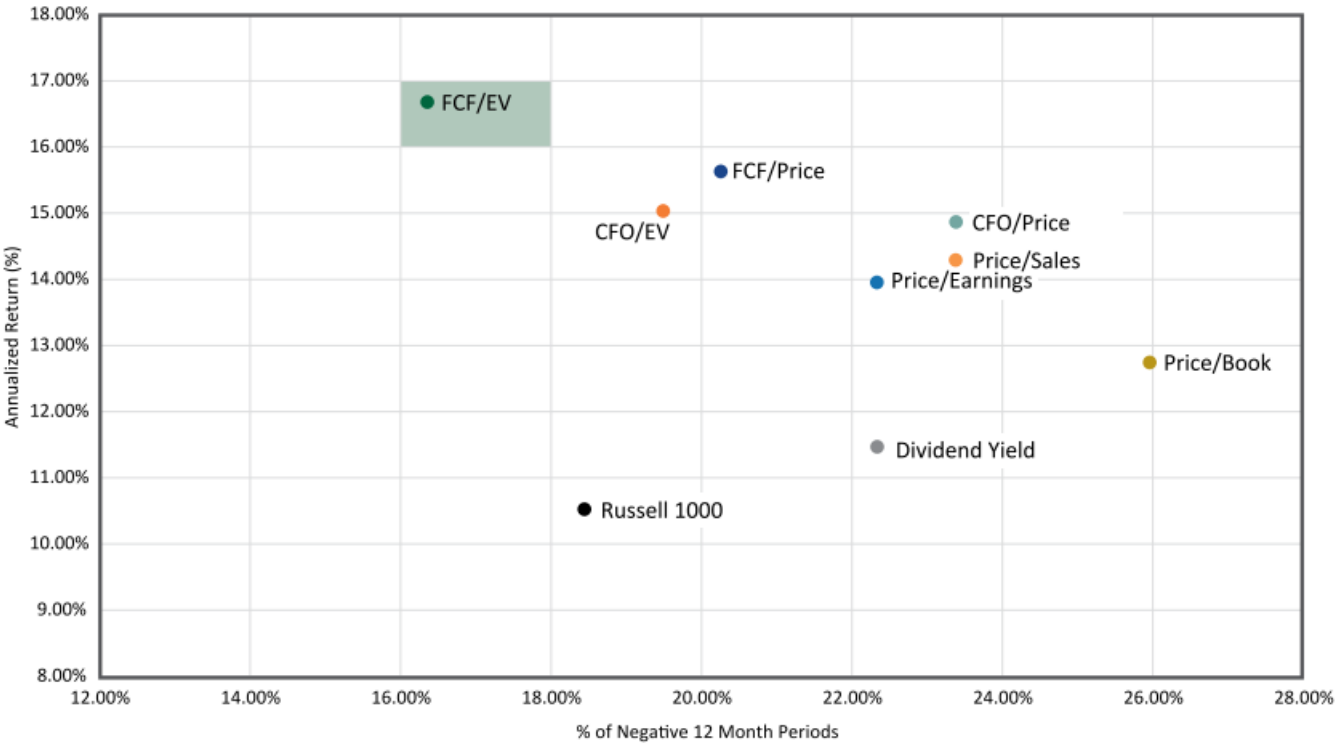
# PACER ETFs

877-337-0500 • [www.paceretfs.com](http://www.paceretfs.com)

# The Power of Free Cash Flow Yield

Companies generating high free cash flow yield have the ability to grow dividends over time and produce better earnings. In the chart below, free cash flow yield has the highest return with the fewest periods of negative twelve month returns.

Valuation Metrics (12 Month Rolling) 12/31/1991 - 12/31/2024



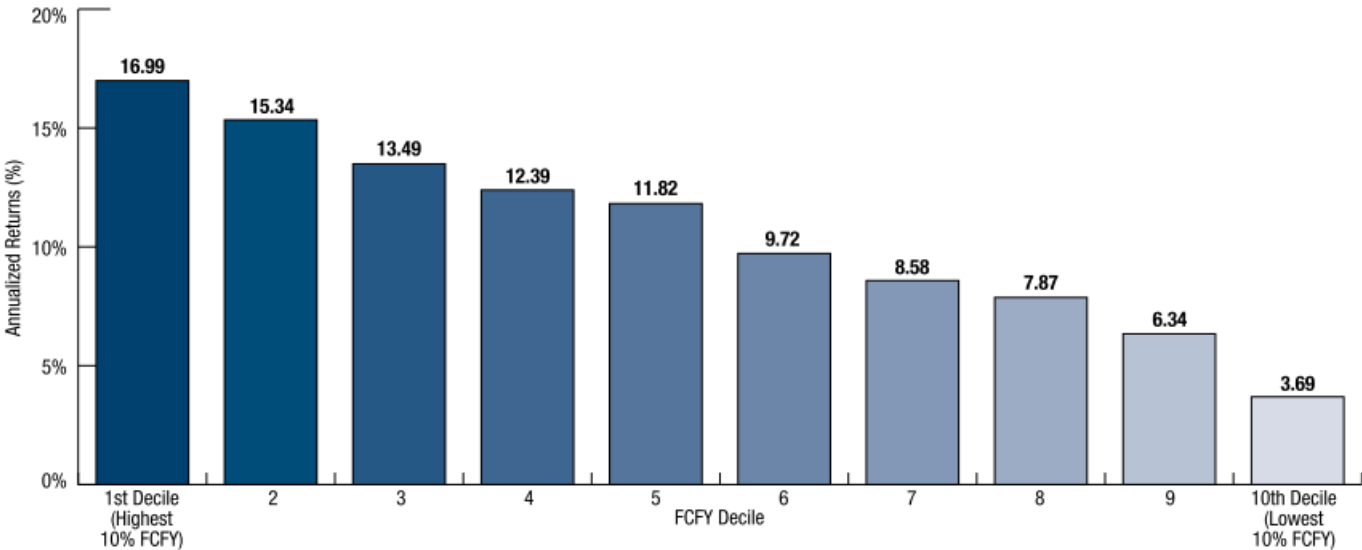
**Chart Key:**  
FCF/Price: Free Cash Flow/Price  
FCF/EV: Free Cash Flow/Enterprise Value  
CFO/Price: Cash Flow From Operations/Price  
CFO/EV: Cash Flow From Operations/Enterprise Value  
Price/Book: Price/Book Value

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 - 12/31/2024



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.

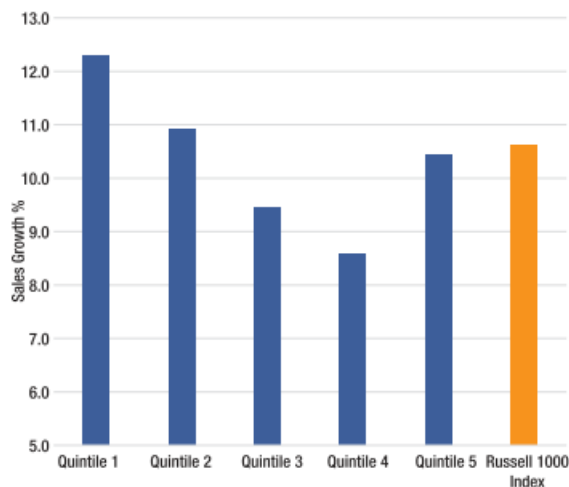
# The Power of Free Cash Flow Margin

Growth stocks are typically associated with revenue growth. A high FCF Margin suggests that a company is efficient at converting its revenue into cash flow.

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

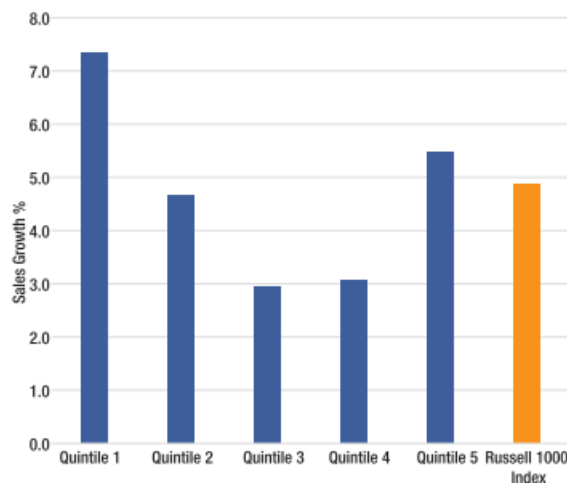
The first quintile high FCF margin companies are expected to surpass the rest of the market in terms of revenue growth over the next two years.

## 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



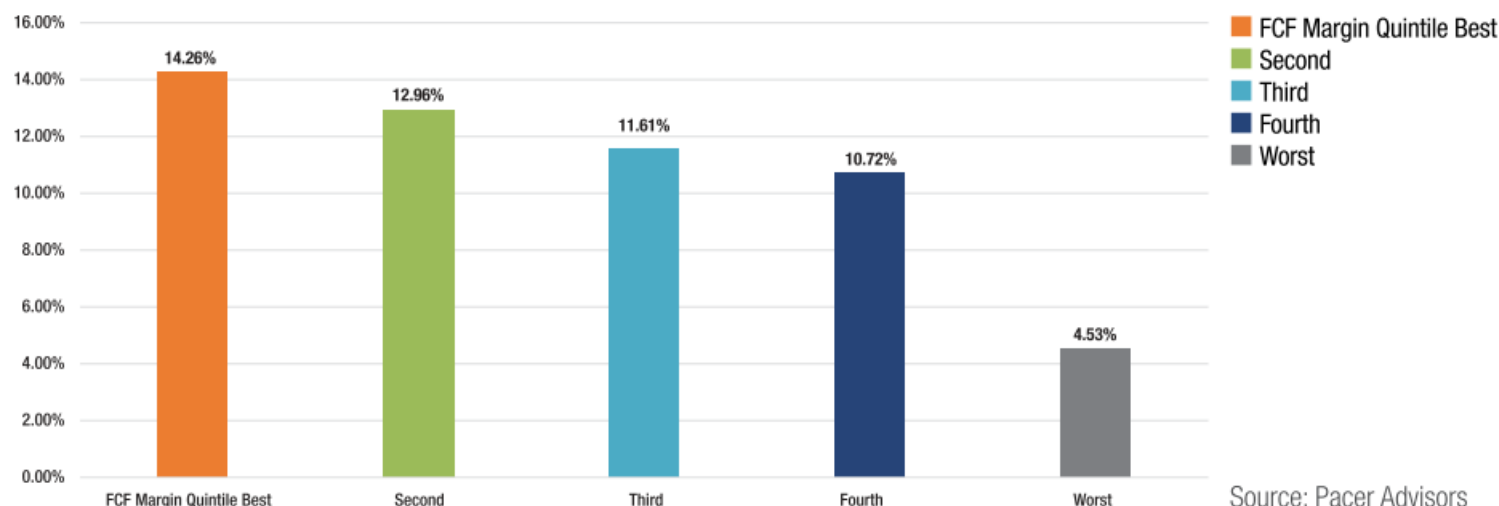
Source: FactSet, Pacer Advisors, Russell 1000 Index

## 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



**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 Series into your portfolio.

**For more information, visit [www.paceretfs.com](http://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](http://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, currency exchange rate risk, equity market risk, foreign securities risk, geographic concentration risk, high portfolio turnover risk, large- and mid-capitalization investing risk, smaller companies risk, limited operating history risk, other investment companies risk, passive investment risk, tracking risk, sector risk, non-diversification risk, style risk, and/or special risks of exchange traded funds.

The information presented here is not intended to forecast events or guarantee results. This document does not take into account any investor's particular investment objectives, strategies, tax status, or investment horizon. Please consult with your financial advisor and tax advisor before investing.

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

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 Index (the "Index") is a trademark of Frank Russell Company ("Russell") and has been licensed for use by Index Design Group ("IDG"). The Pacer US Cash Cows 100 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 Cash Cows 100 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 Cash Cows 100 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.

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