

# TrimTabs Free Cash Flow Investment Research

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## *IPO Performance Analysis*

A Note From Our Research Desk | April 16<sup>th</sup>, 2019

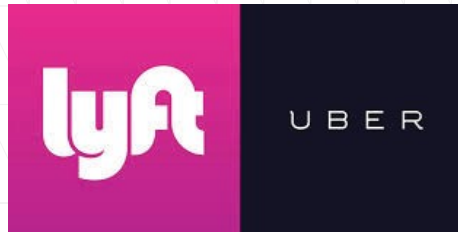
Free Cash Flow Investing



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With the recent IPOs of Lyft, Pinterest and now Uber many investors have found themselves asking “should I invest?” One of the major concerns, when a company goes public, is whether they have a clear path to profitability. Sometimes, that path can appear cloudy because they may be subject to significant fluctuations in response to numerous factors including lack of liquidity, market volatility and other factors unrelated to the operating performance of the issuer. But instead of guessing we believe there might be a better way for investors to approach IPOs.

At TrimTabs, we focus on interpreting the company’s Free Cash Flow condition to examine its fundamental strength. Our previous research and white papers showed that Free Cash Flow strength is a superior indicator in predicting stock returns across the global equity market. Here we study the relationship between a company’s Free Cash Flow generation/ trend and stock return after IPO, to see if Free Cash Flow predicts stock returns for newly listed companies in the US.

The equity universe is constructed using all stocks with a market capitalization larger than one billion USD which launched initial public offering (IPO) from 05/1995 to 03/2019. For the stock return, we use the month end date after IPO as the starting point and look at next one-, three-, six- and twelve-month total return. Free Cash Flow Generation is the latest reported fiscal year Free Cash Flow. Free Cash Flow Trend is calculated using least squares polynomial fit on the last three years Free Cash Flow of the company.

**Our mission is to provide investors with Free Cash Flow-based investment products and services to contribute to their long-term investment success.**

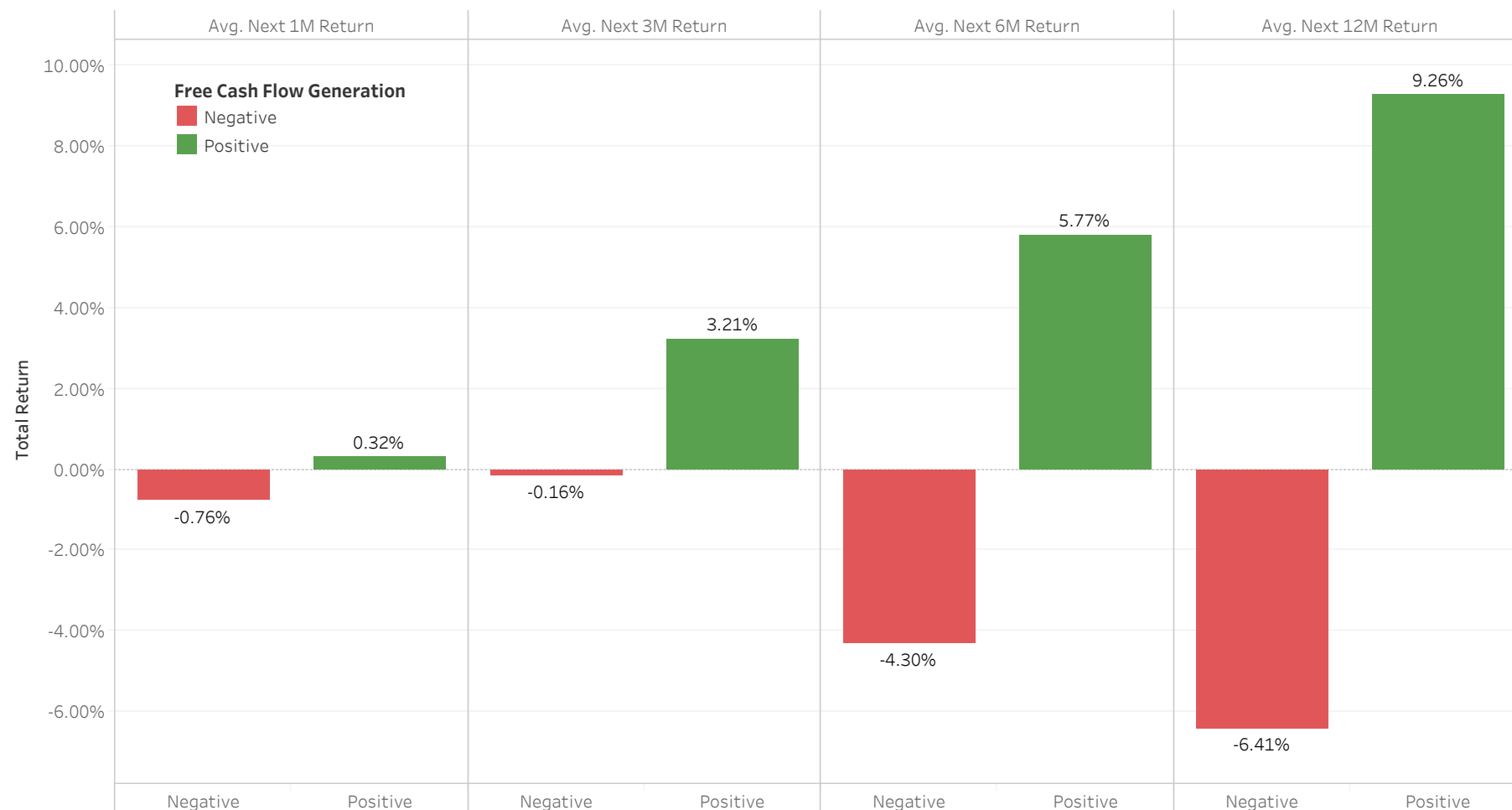
# TrimTabs Free Cash Flow Investment Research

Is there a relationship between Free Cash Flow condition and post-IPO returns?



## Free Cash Flow Generation and Post-IPO Returns

Stocks IPO in the U.S. Exchange, Mkt Cap > 1B USD  
05/1995 to 03/2019



Source: TrimTabs Asset Management, FactSet

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The hypothetical portfolios are constructed in an equally weighted, monthly rebalanced approach. They do not represent actual fund or portfolio performance.

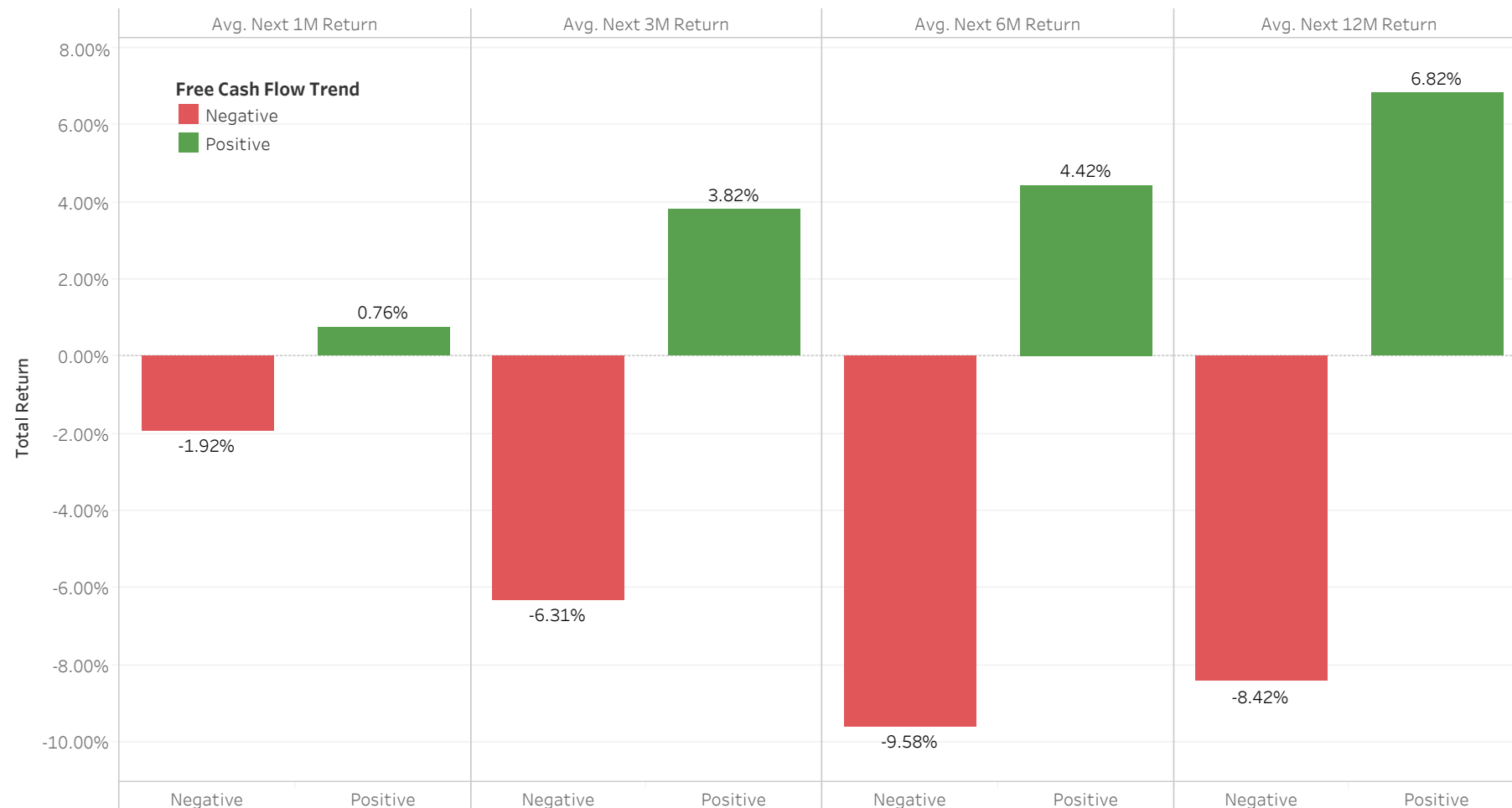
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## Free Cash Flow Trend and Post-IPO Returns

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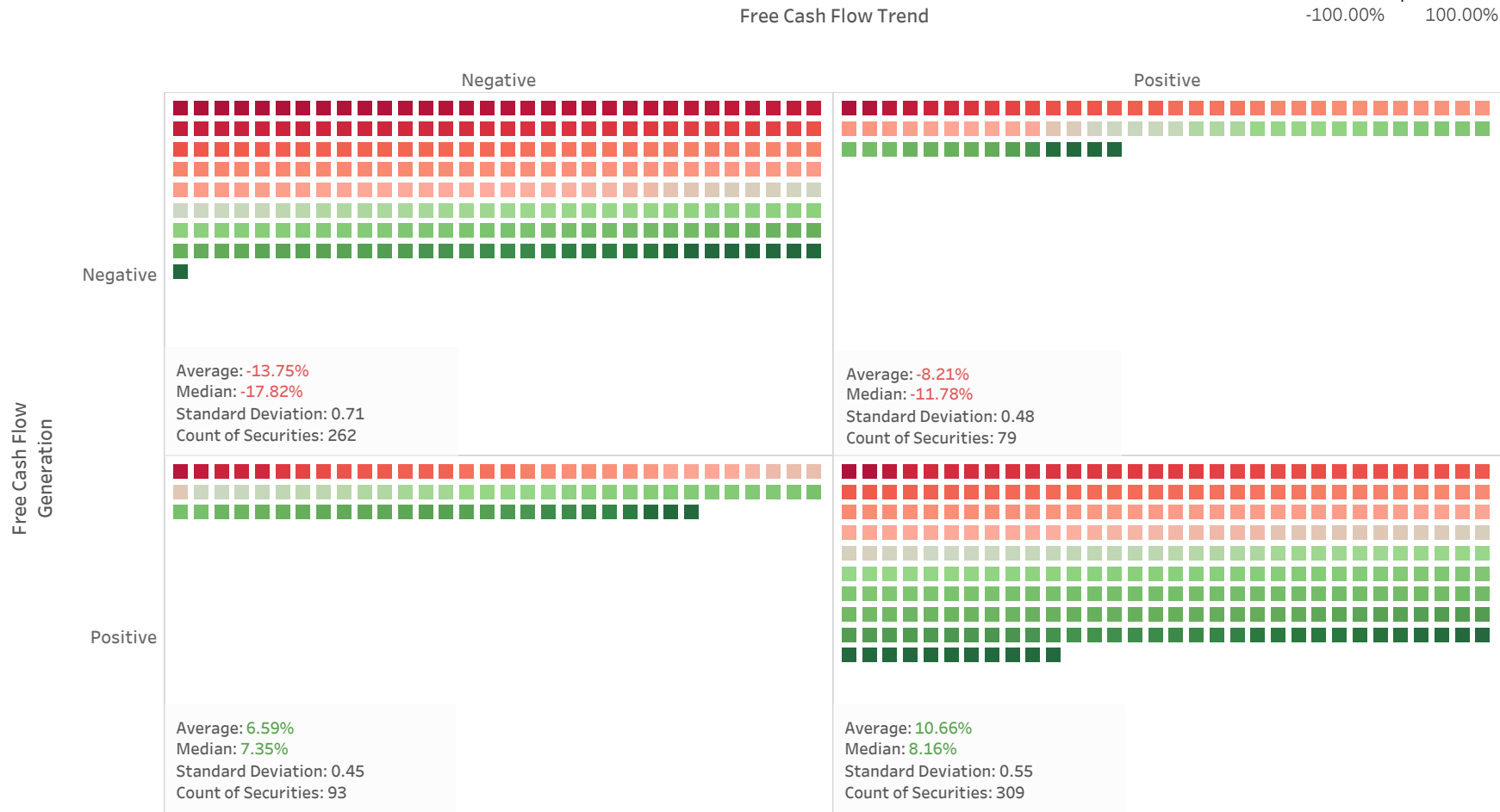
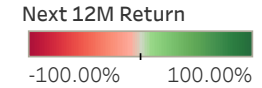
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## Free Cash Flow Trend and Generation Relate to Post-IPO Returns

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## Free Cash Flow Condition and Post-IPO Returns

Top 30 Companies by Market Capitalization as of 03/31/2019  
05/1995 to 03/2019

Name	Year of First Trading Date	Sector	Free Cash Flow Generation	Free Cash Flow Trend	Next 1M Return	Next 3M Return	Next 6M Return	Next 12M Return
Google Inc. Cl A	2004	Technology	Positive	Positive	26.60%	77.77%	83.64%	179.38%
Berkshire Hathaway Inc. Class B	1996	Finance	Positive	Positive	1.27%	2.06%	8.14%	41.67%
Alibaba Group Holding Ltd. Sponsored ADR	2014	Consumer Non-Cyclicals	Positive	Positive	10.97%	16.98%	-6.31%	-33.63%
Facebook, Inc. Class A	2012	Technology	Positive	Positive	5.05%	-38.99%	-5.41%	-17.74%
Mastercard Incorporated Class A	2006	Finance	Positive	Positive	6.81%	24.39%	126.61%	233.51%
Philip Morris International Inc.	2008	Consumer Non-Cyclicals	Negative	Positive	0.89%	-1.44%	-2.93%	-25.54%
salesforce.com, inc.	2004	Technology	Positive	Positive	-19.04%	-2.74%	5.41%	27.44%
PayPal Holdings Inc	2015	Finance	Positive	Positive	-9.56%	-6.95%	-6.61%	-3.77%
AbbVie, Inc.	2012	Healthcare	Positive	Positive	8.58%	20.55%	23.36%	59.28%
Broadcom Inc.	2009	Technology	Positive	Negative	-6.21%	-12.86%	-0.27%	10.71%
Charter Communications, Inc. Class A	2009	Telecommunications	Negative	Positive	-13.72%	-2.82%	-0.56%	9.69%
United Parcel Service, Inc. Class B	1999	Industrials	Positive	Positive	4.45%	-17.06%	-8.85%	-7.11%
Anthem, Inc.	2001	Healthcare	Positive	Positive	21.42%	27.03%	62.85%	50.43%
Kraft Foods Inc.	2001	Consumer Non-Cyclicals	Positive	Positive	-0.16%	11.29%	10.61%	33.77%
Chicago Mercantile Exchange Holdings Inc.	2002	Finance	Positive	Positive	-2.66%	10.60%	60.12%	67.18%
MetroPCS Communications Inc.	2007	Telecommunications	Negative	Negative	27.13%	30.55%	-19.79%	-29.98%
General Motors Company	2010	Consumer Cyclical	Negative	Negative	7.78%	-1.96%	-6.99%	-37.75%
Tesla Inc	2010	Consumer Cyclical	Negative	Negative	-16.32%	-14.37%	11.75%	22.24%
Zoetis, Inc. Class A	2013	Healthcare	Positive	Positive	-0.15%	-4.14%	-12.47%	-6.47%
Las Vegas Sands Corp.	2004	Consumer Services	Negative	Negative	-9.58%	-6.25%	-25.52%	-17.77%
Kinder Morgan Inc Class P	2011	Energy	Positive	Positive	-2.82%	-3.51%	-13.80%	18.98%
HCA Healthcare Inc	2011	Healthcare	Negative	Negative	-3.16%	-2.57%	-40.48%	-21.05%
ServiceNow, Inc.	2012	Technology	Positive	Positive	9.76%	57.24%	22.07%	64.19%
Synchrony Financial	2014	Finance	Positive	Positive	7.32%	29.96%	58.06%	77.15%
JD.com, Inc. Sponsored ADR Class A	2014	Consumer Cyclical	Positive	Positive	14.04%	27.68%	-5.92%	34.72%

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## Definitions, Risks and Disclosures

*The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 18006170004. Read it carefully before investing.*

*Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.*

Click [here](#) for TTAC Holdings and TTAI Holdings

**Investing involves risk. Principal loss is possible. There is no guarantee that TTAC will achieve its investment objective. Investing involves risk, including the possible loss of principal. Because the Fund is an ETF (rather than a mutual fund), shares are bought and sold at market price (not NAV), may trade at a discount or premium to NAV, and are not individually redeemable. Owners of the shares may acquire those shares from the Fund and tender those shares for redemption to the Fund in Creation Unit aggregations only, consisting of 25,000 shares. Brokerage commissions will reduce returns. Investments in the Fund include risks associated with small and midcap securities, which involve limited liquidity and greater volatility than large-cap securities. Past performance does not guarantee future results. To obtain fund performance call 212-217-2514 or visit [www.trimtabsfunds.com](http://www.trimtabsfunds.com).**

The TrimTabs All Cap US Free-Cash-Flow ETF is distributed by Quasar Distributors, LLC. Free Cash Flow (FCF) represents the cash that a company is able to generate after accounting for capital expenditures.

Standard deviation is a measure that is used to quantify the amount of variation or dispersion of a set of data values.