



# Nasdaq Next Generation 100: A Second Home for Innovation

April 2022

# Nasdaq Next Generation 100 Index: Methodology

- Rebalanced quarterly (March, June, September, December)
- Reconstituted annually (effective after the close of trading on the third Friday in December)
- Global companies listed on Nasdaq, including ADRs
- Modified market-cap weighting process with quarterly and annual weight adjustments

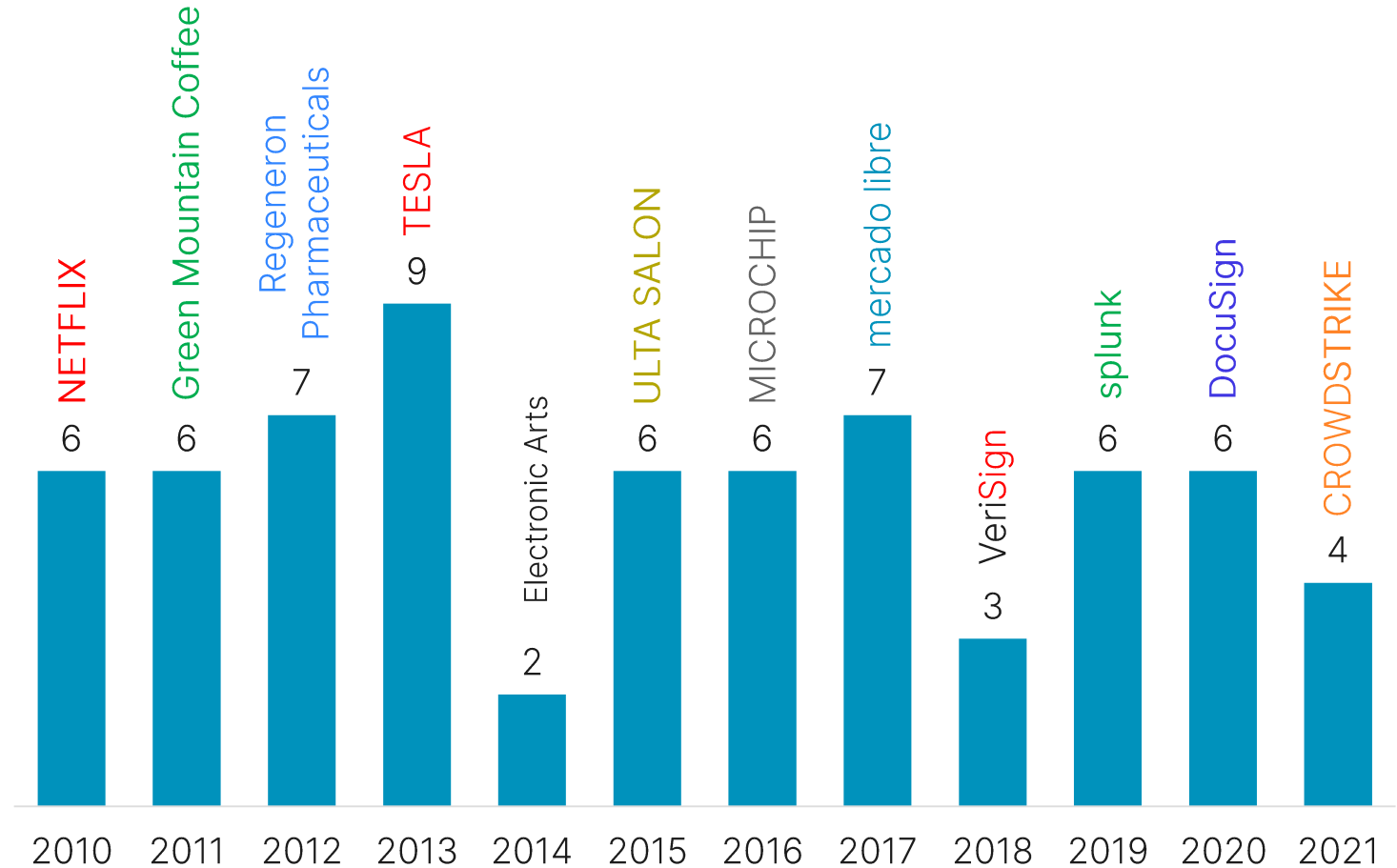
The Nasdaq Next Generation 100 Index<sup>®</sup> is designed to measure the performance of the next generation of Nasdaq-listed non-financial companies; that is, the largest 100 companies outside of the NASDAQ-100 Index<sup>®</sup>.

## Constituent Weighting

- Index Securities' initial weights are determined by dividing each Index Security's market capitalization by the aggregate market capitalization of all Index Securities
- No index security weight may exceed 4%

# NGX Names Added to Nasdaq-100, 2010-2021

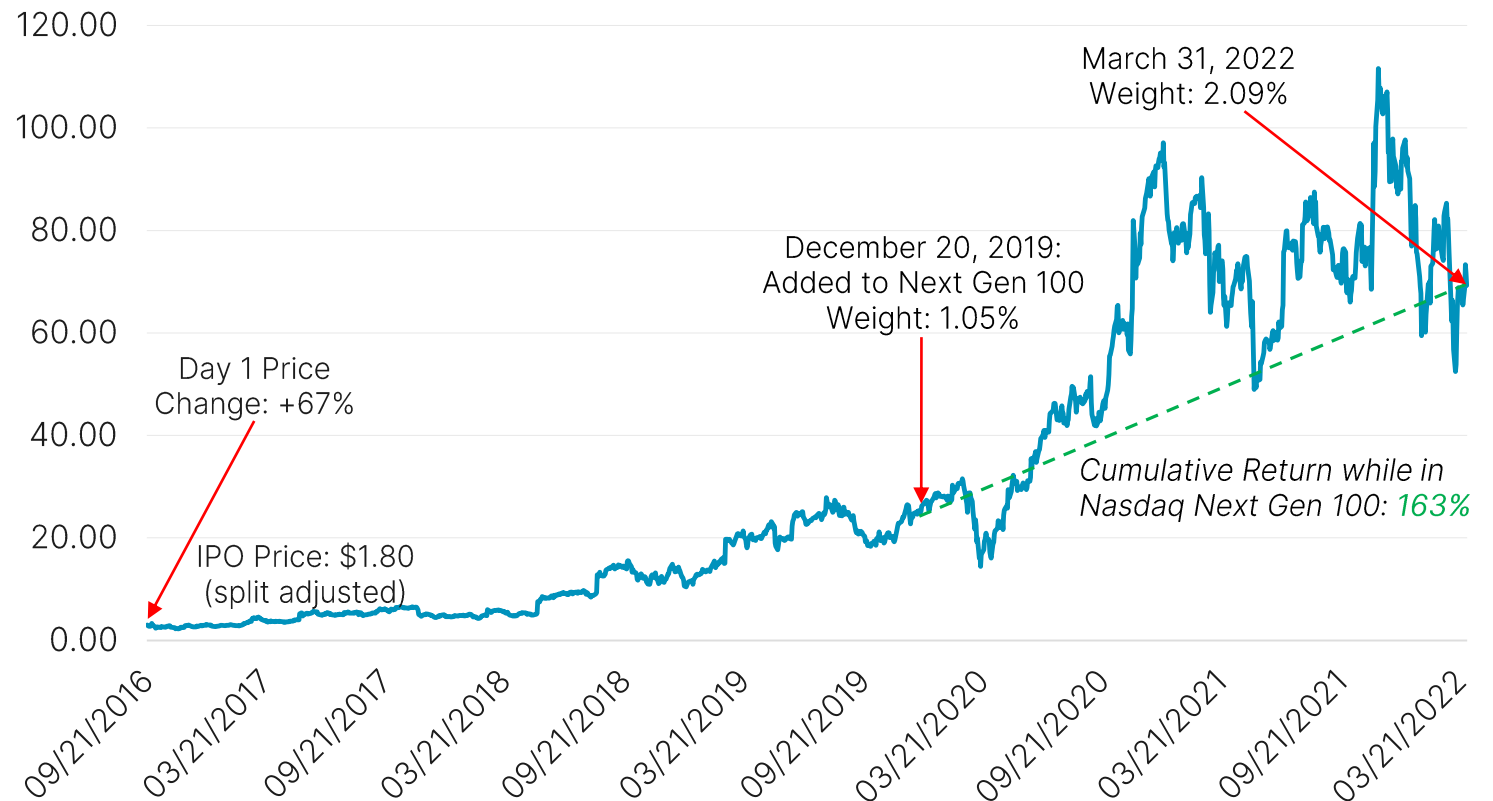
- Since 2010, a total of 68 NGX constituents have “graduated” into the Nasdaq-100
- Some well-known examples are Netflix, Inc. in 2010, Tesla Motors, Inc. in 2013 and DocuSign in 2020
- As of December 31, 2021, 35 of [the current](#) 100 companies in the Nasdaq-100 had graduated from the Nasdaq Next Generation 100 Index at some point over the past decade (based on simulated backtest [and live](#) results)



# Next In Line To Graduate: The Trade Desk

- Trade Desk offers a technology platform for advertising buyers. Its products include audio advertising, mobile advertising, native advertising, data management platform, cross-device targeting, and inventory and marketplaces.
- Founded in 2009 in Ventura, CA
- ICB Industry: [Consumer Discretionary](#)
- Current Market Cap: \$33.6Bn
- 4Q'21 (Dec) Revenue: \$396MM, up **24%** vs. \$320MM in 4Q'20
- R&D Expense: \$62.8MM (**16%** of Revenue)
- Gross Margin: **83.1%**
- Free Cash Flow: \$164.6MM
- Net Income: \$8.0MM
- # of Employees: ~2,000

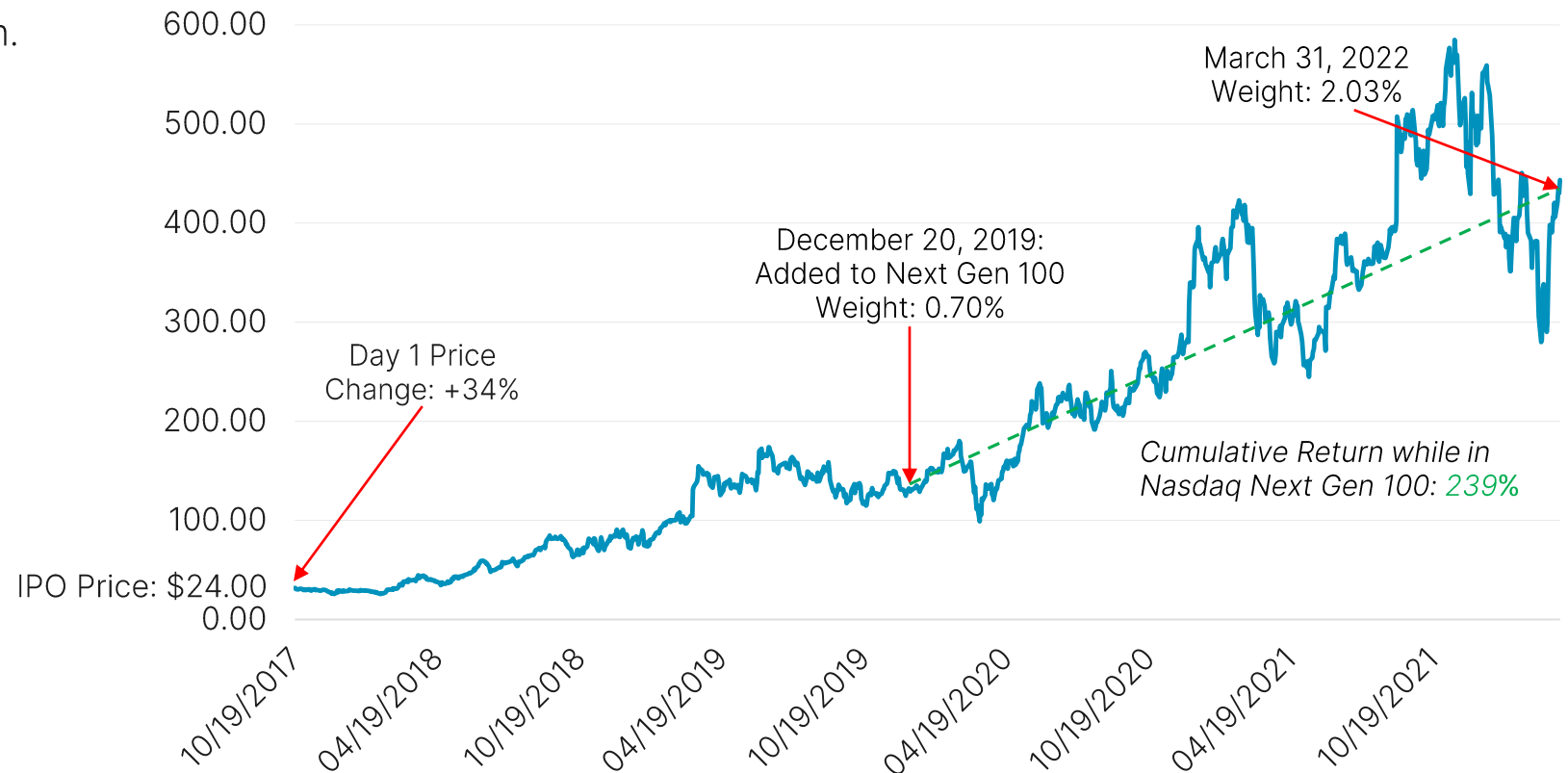
Price History, IPO thru March 31, 2022



# Next In Line To Graduate: MongoDB

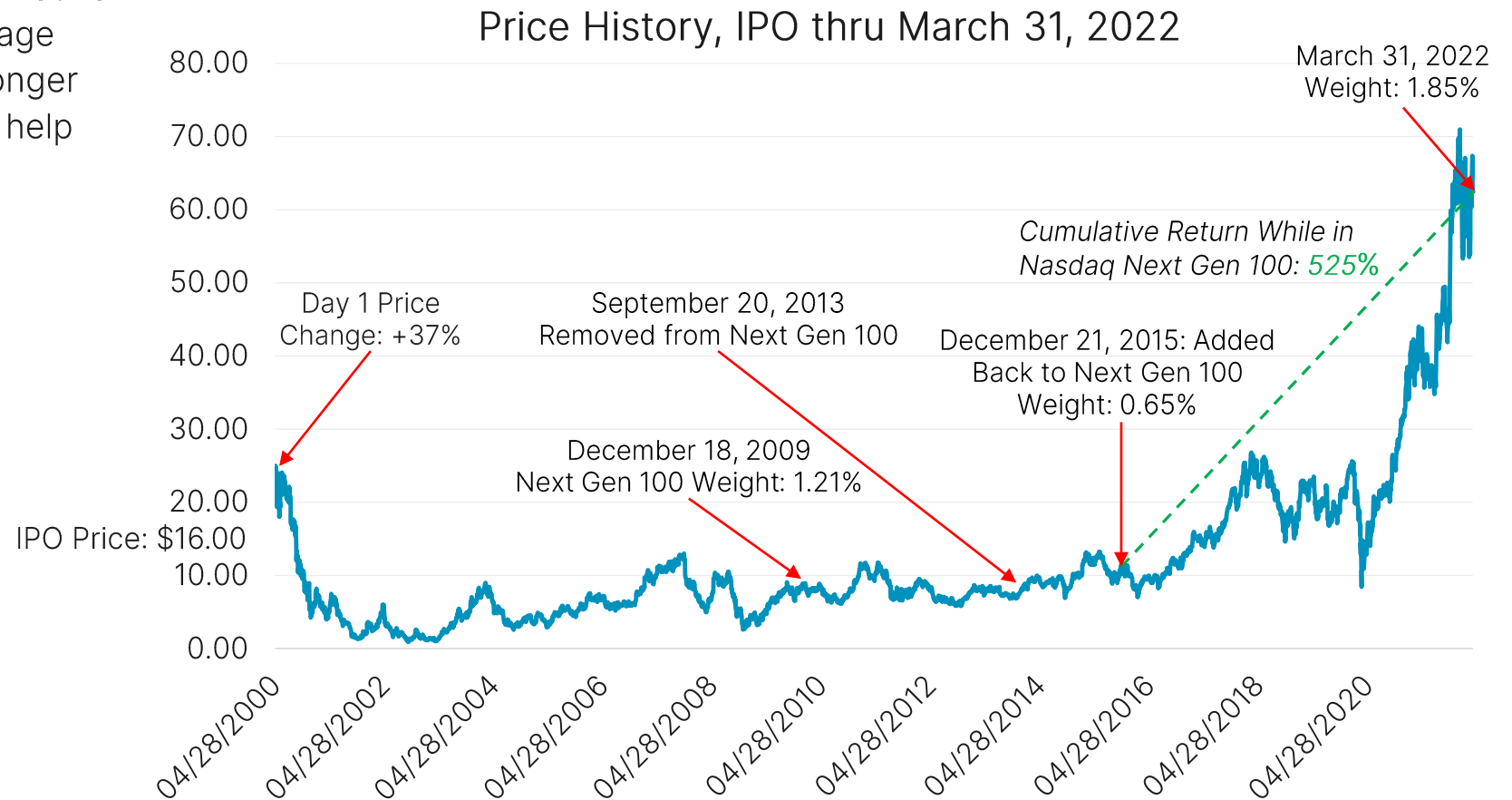
- MongoDB engages in the development and provision of a general-purpose database platform. It also offers professional services including consulting and training.
- Founded in 2007 in New York, NY
- ICB Industry: **Technology**
- Current Market Cap: \$30.0Bn
- 4Q'22 Revenue: \$266MM, up **56%** vs. \$171MM in 4Q'21
- R&D Expense: \$89.4MM (**34%** of Revenue)
- Gross Margin: **71.3%**
- Free Cash Flow: \$21.3MM
- Net Loss: \$84.4MM
- # of Employees: ~3,500

Price History, IPO thru March 31, 2022



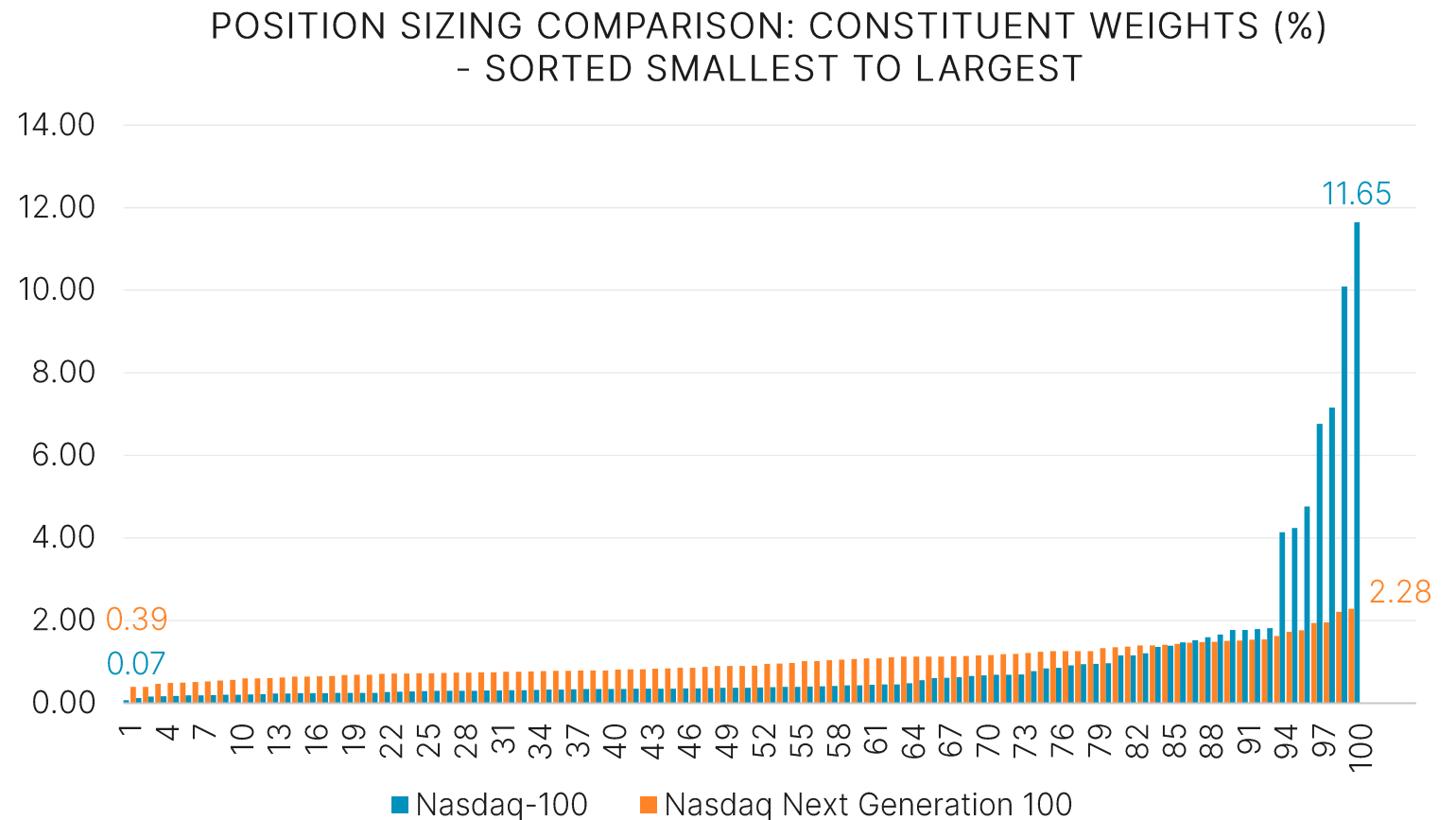
# Next In Line To Graduate: ON Semiconductor

- ON Semiconductor is a specialized semiconductor provider to the automotive and other industries. Its power storage technologies enable EVs to cover longer ranges, while its intelligent sensors help ensure vehicle safety and facilitate automated driving systems.
- Founded in 1999 in Phoenix, AZ
- ICB Industry: **Technology**
- Current Market Cap: \$27.1Bn
- 4Q'21 Revenue: \$1.85Bn, up **28%** vs. \$1.45Bn in 4Q'20
- R&D Expense: \$160.6MM (**9%** of Revenue)
- Gross Margin: **43.8%**
- Free Cash Flow: \$431.1MM
- Net Profit: \$425.9MM
- # of Employees: ~30,000



# Position Sizing vs. Nasdaq-100

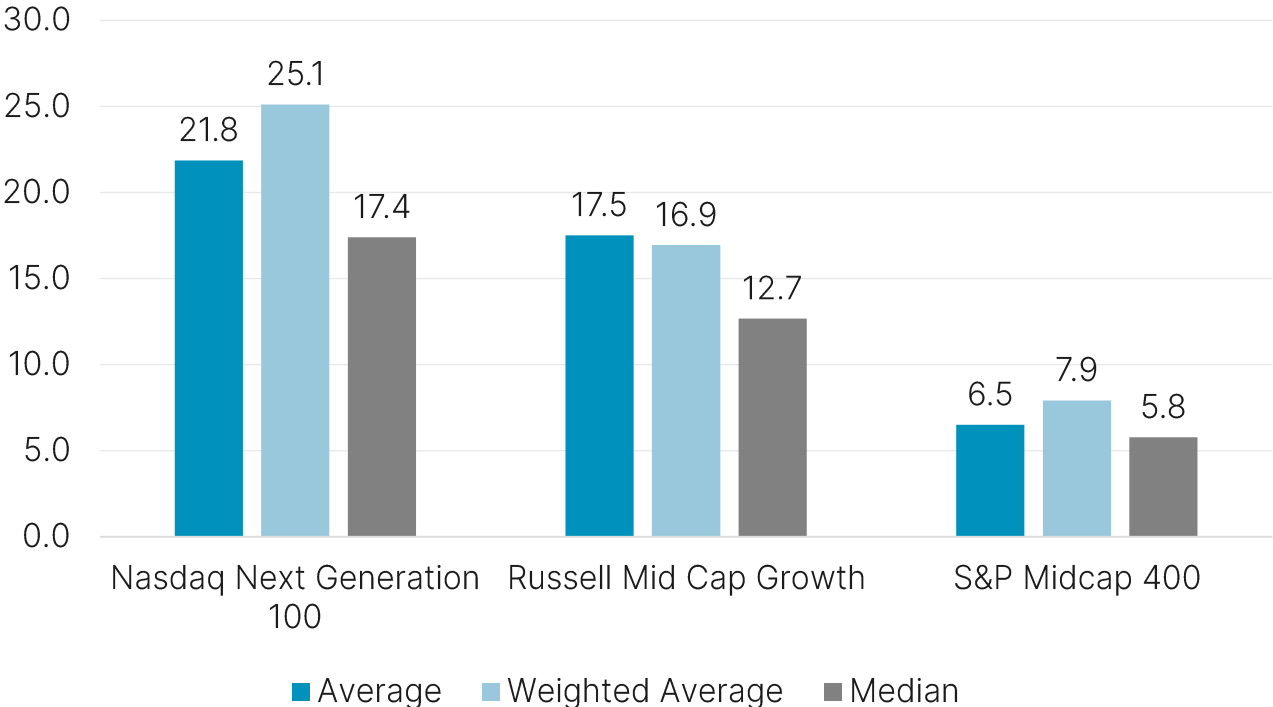
- The Nasdaq Next Generation 100 is market cap weighted, in-line with benchmarks like the Nasdaq-100
- Due to the 4% weighting cap, the index has an implicit safeguard against excess concentration in any one constituent
- The Nasdaq Next Generation 100's largest component has a weighting of 2.28% versus 11.65% for the Nasdaq-100's largest component



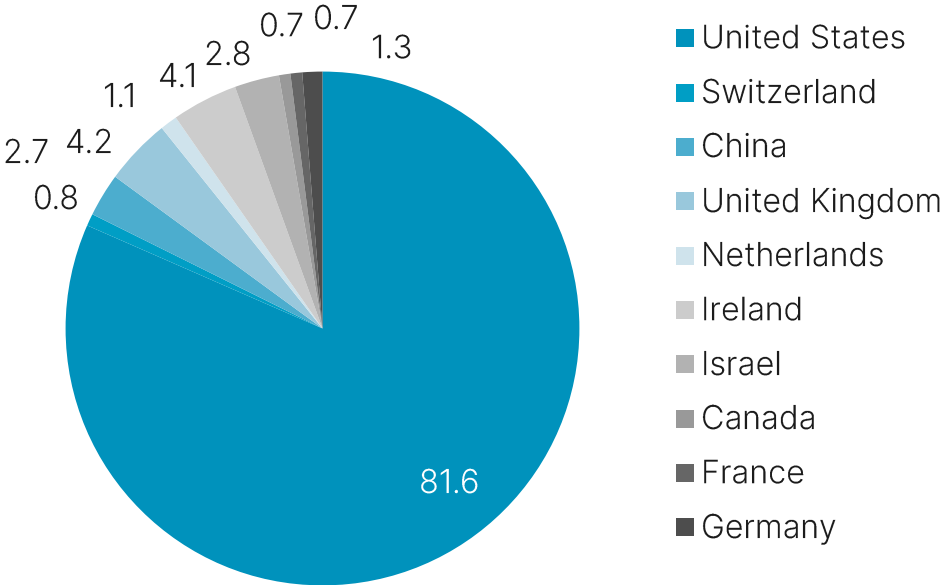
# Market Capitalization & Globality

The Nasdaq Next Generation 100 Index tilts much smaller than the Nasdaq-100, but still meaningfully above the S&P Midcap 400 – much closer to the Russell Mid Cap Growth. It also maintains a sizable international allocation, due to a relatively large number (20) of non-US-headquartered, Nasdaq-listed companies.

Constituent Market Caps (\$Bn) as of 12/31/21



Index Weight by Country as of 12/31/21



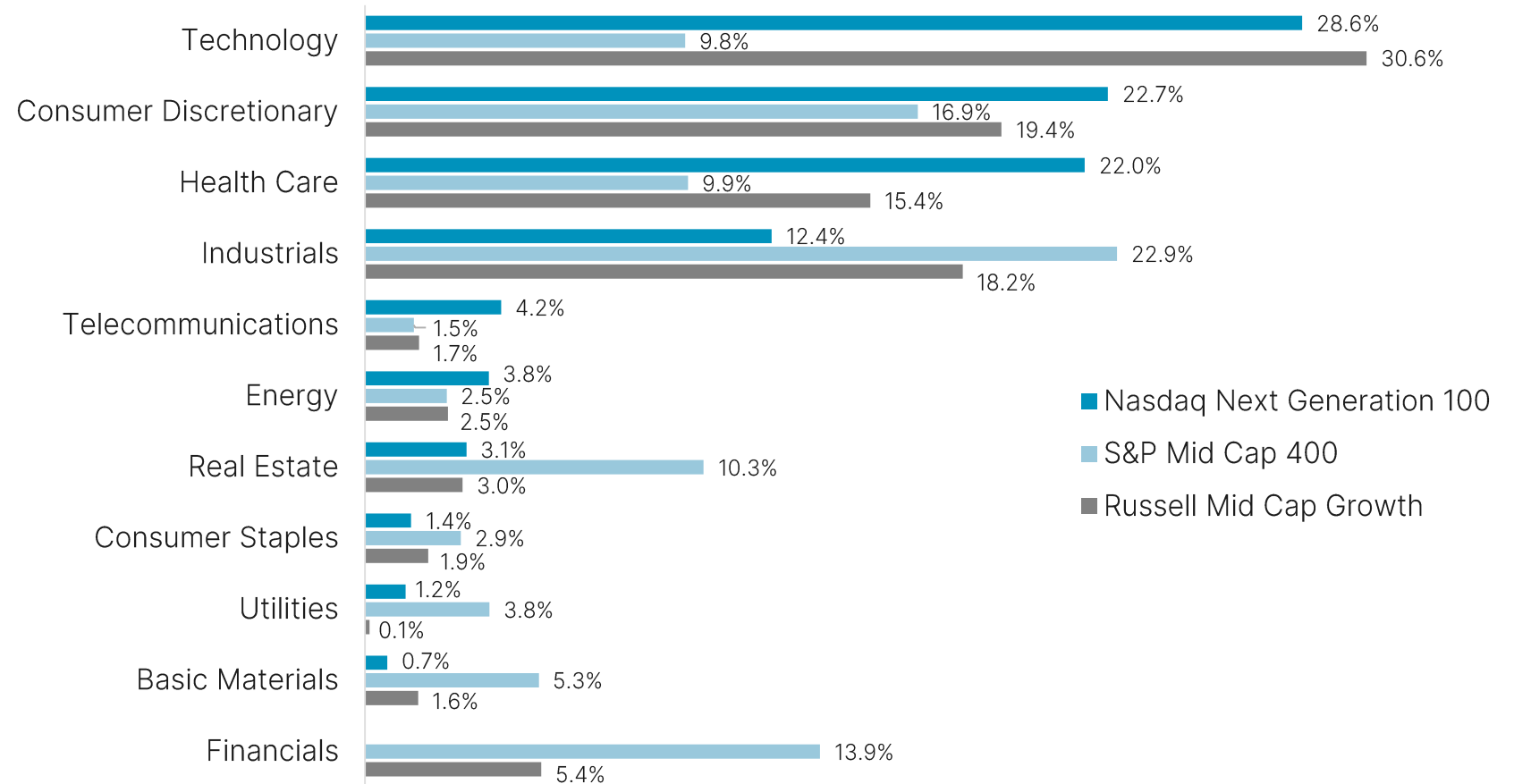
Source: Nasdaq, Bloomberg, FactSet. Data as of December 31, 2021.



# Industry Exposure vs. Midcap Benchmarks

Industry (ICB) Breakdown as of December 31, 2021

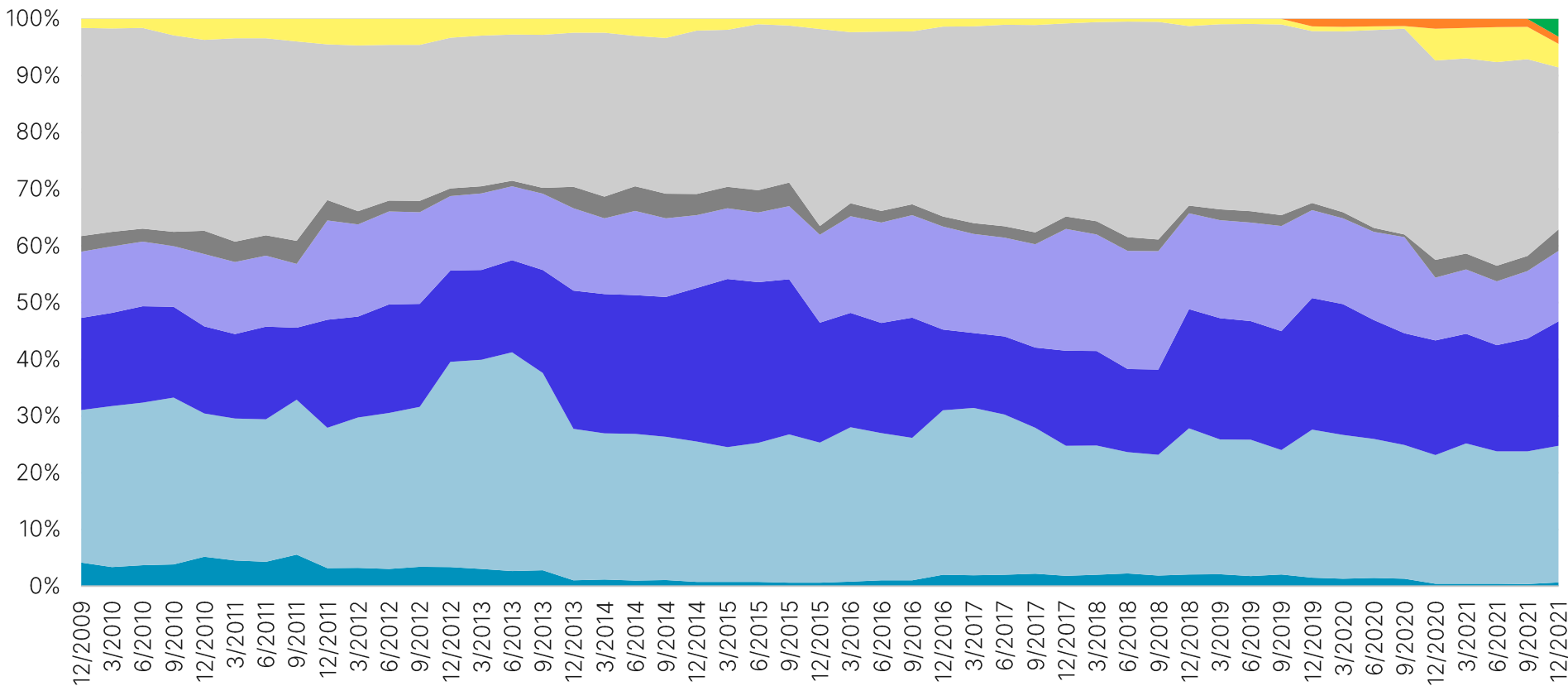
- The Nasdaq Next Generation 100 Index is most overweight Technology relative to S&P Midcap 400, and Health Care relative to both midcap benchmarks
- The index is underweight Industrials, Real Estate, and Basic Materials
- No exposure to Financials, by design



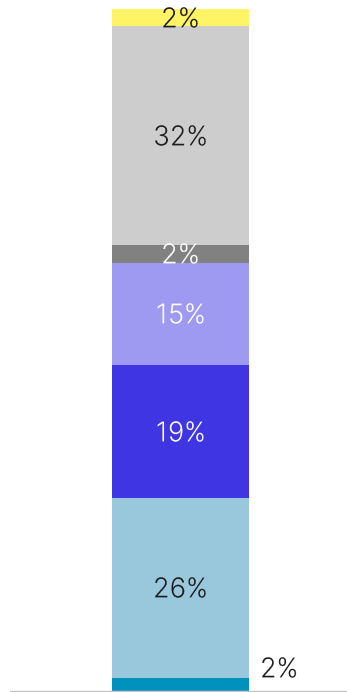
# Industry Exposure Over Time

Index Weight by ICB Industry Since 2009

Basic Materials Consumer Health Care Industrials Energy Technology Telecommunications Utilities Real Estate



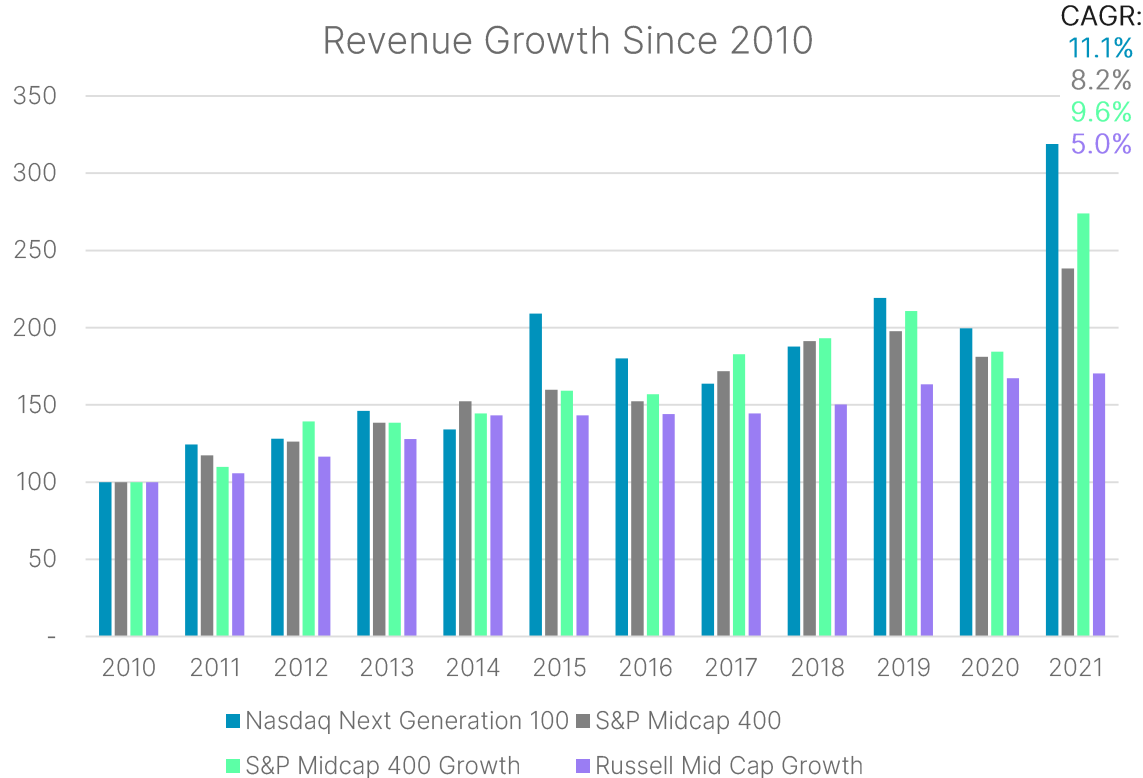
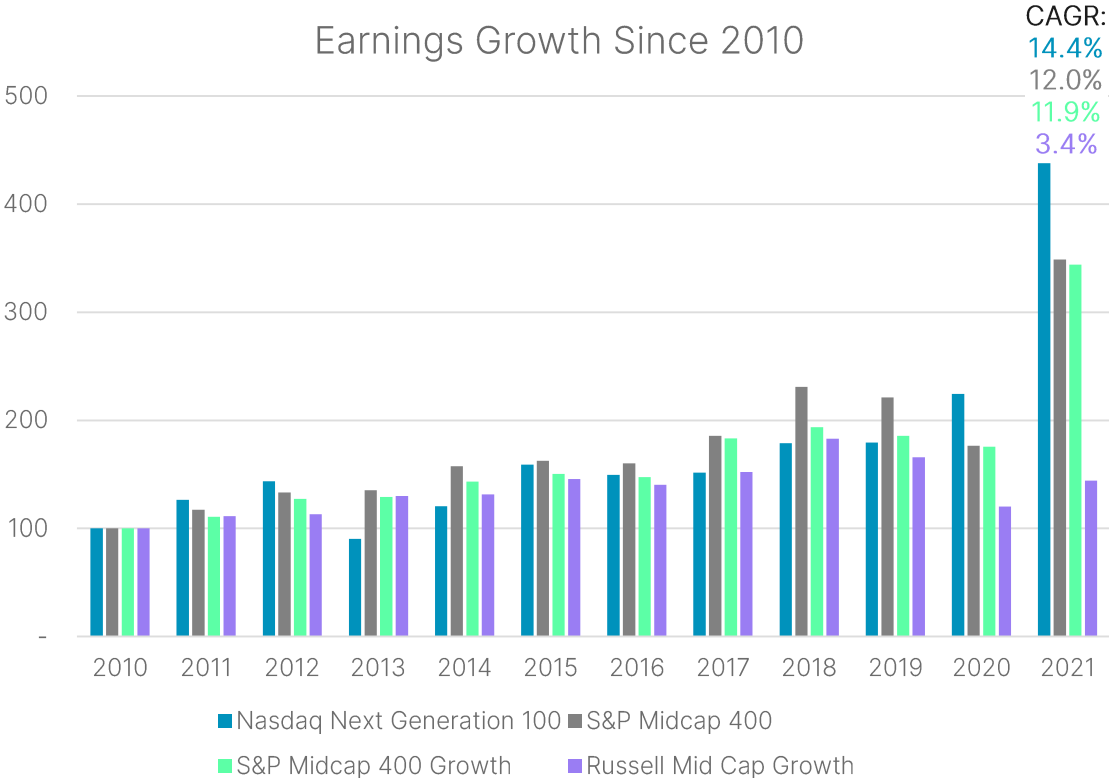
Average



Source: Nasdaq, Bloomberg, FactSet. Data as of 12/31/2021.

# Index Fundamentals vs. Midcap Benchmarks

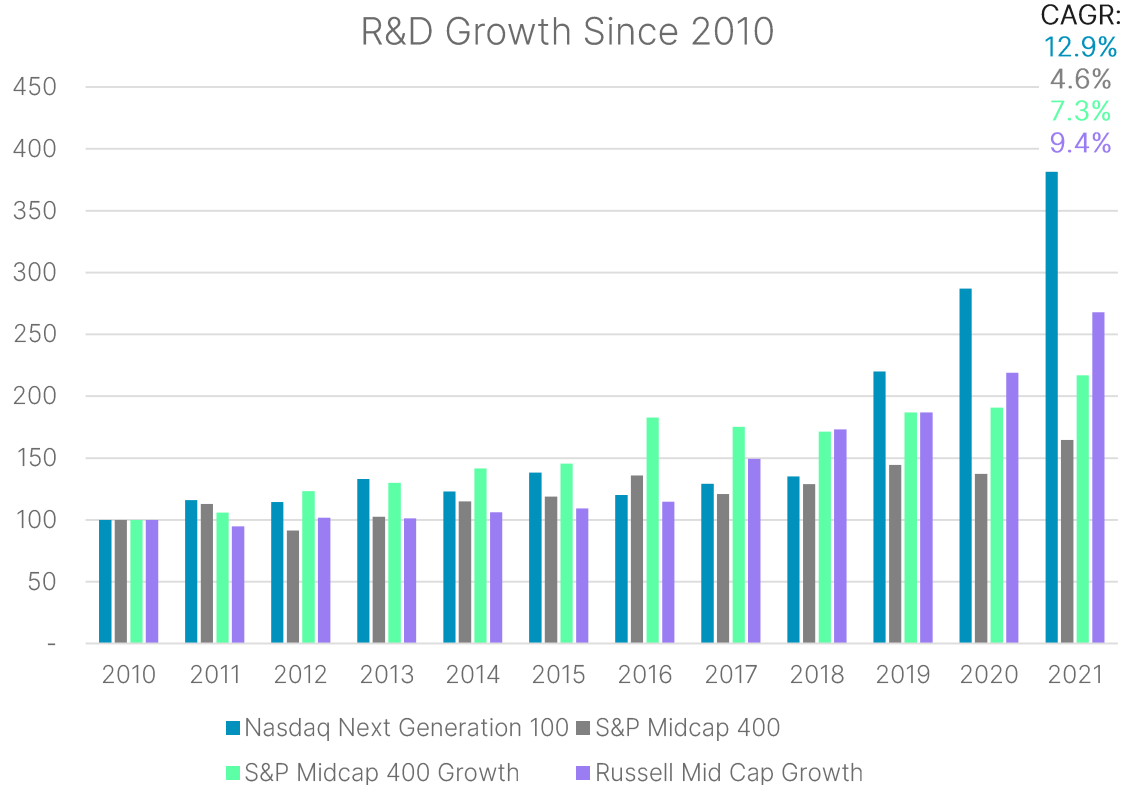
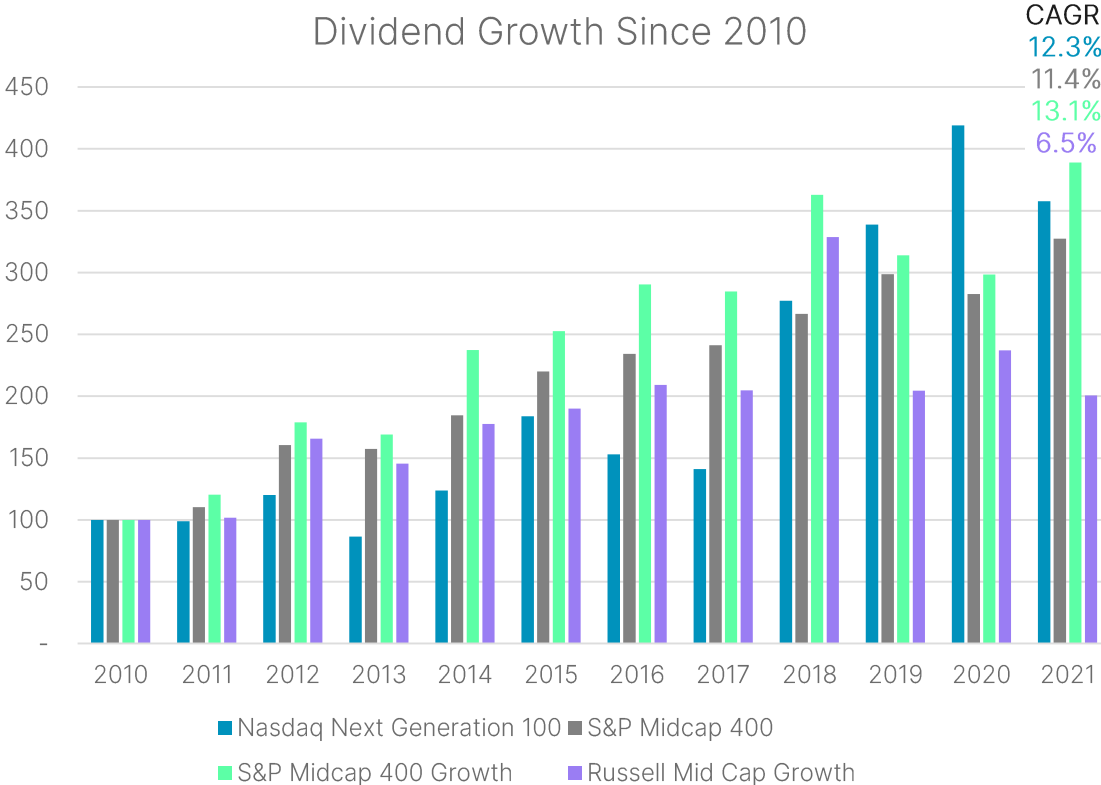
Compared to similar midcap benchmarks from S&P and Russell, Nasdaq Next Generation 100 constituents have grown their revenues and earnings at a higher rate over the past decade. The trend in earnings growth sharply diverged in 2020 as all 3 competitor benchmarks registered negative YoY earnings growth; as of 2021, Russell Mid Cap Growth in particular has underperformed vs. NGX



Source: Nasdaq, Bloomberg, FactSet. Data as of 4/8/2022.  
 Nasdaq Next Generation 100 2020 Earnings excludes the impact of United Airlines, which was added to the index on December 21, 2020.

# Index Fundamentals vs. Midcap Benchmarks

Compared to similar midcap benchmarks from S&P and Russell, Nasdaq Next Generation 100 constituents have grown their R&D expenditures at a much higher rate over the past decade. Dividend growth has been in-line with S&P Midcap benchmarks, but nearly double the Russell Mid Cap Growth

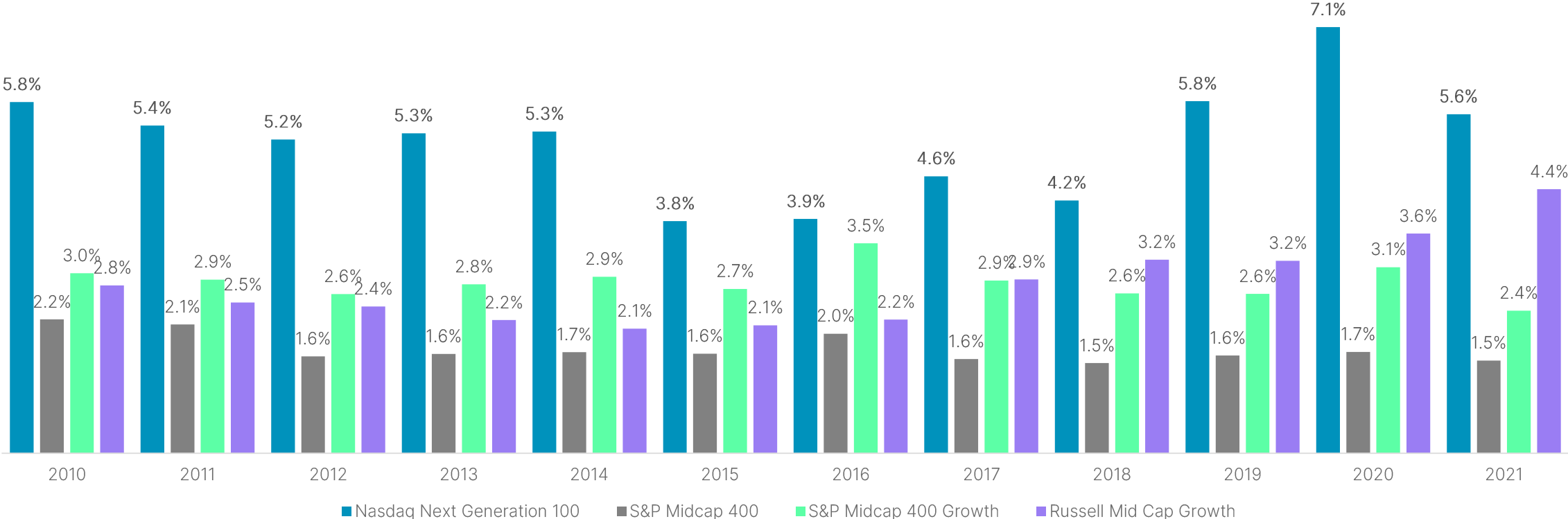


Source: Nasdaq, Bloomberg, FactSet. Data as of 4/8/2022.

# R&D Intensity vs. Midcap Benchmarks

Compared to similar midcap benchmarks from S&P and Russell, Nasdaq Next Generation 100 constituents consistently spend a higher proportion of their total revenues on research & development

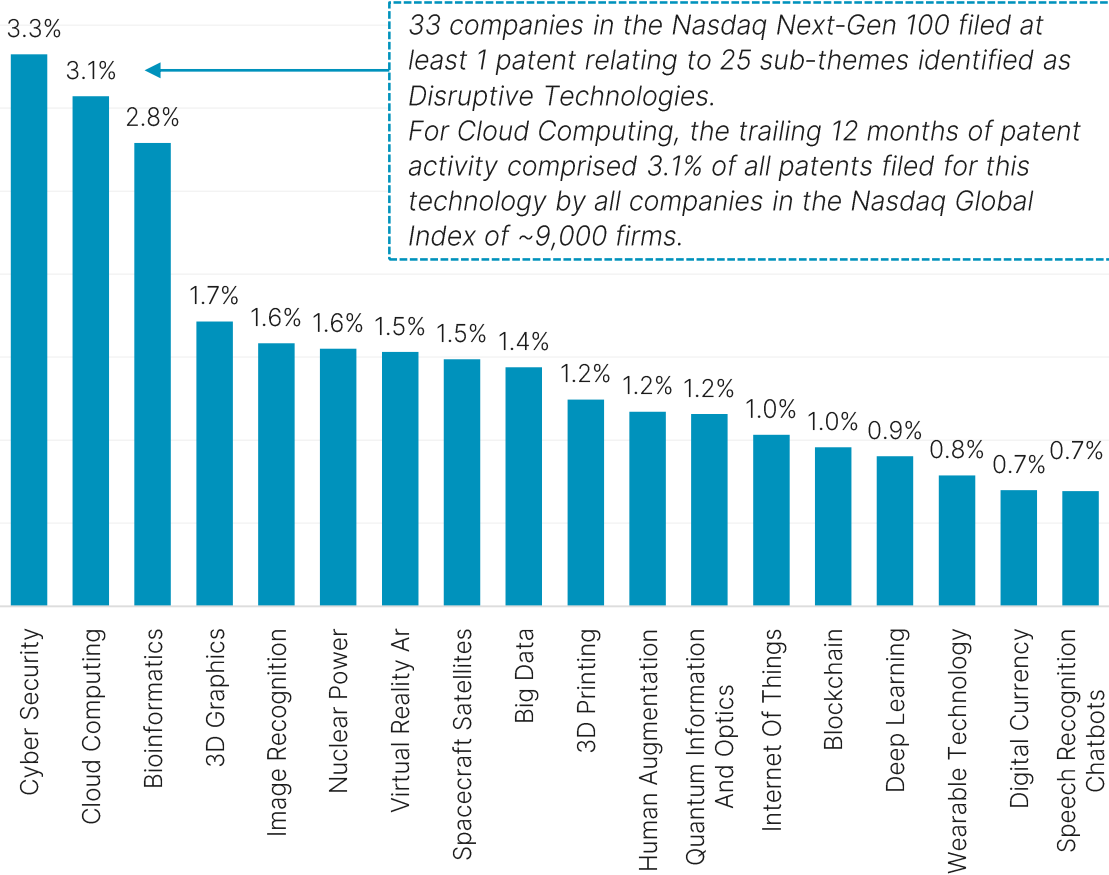
R&D Expense as % of Revenue



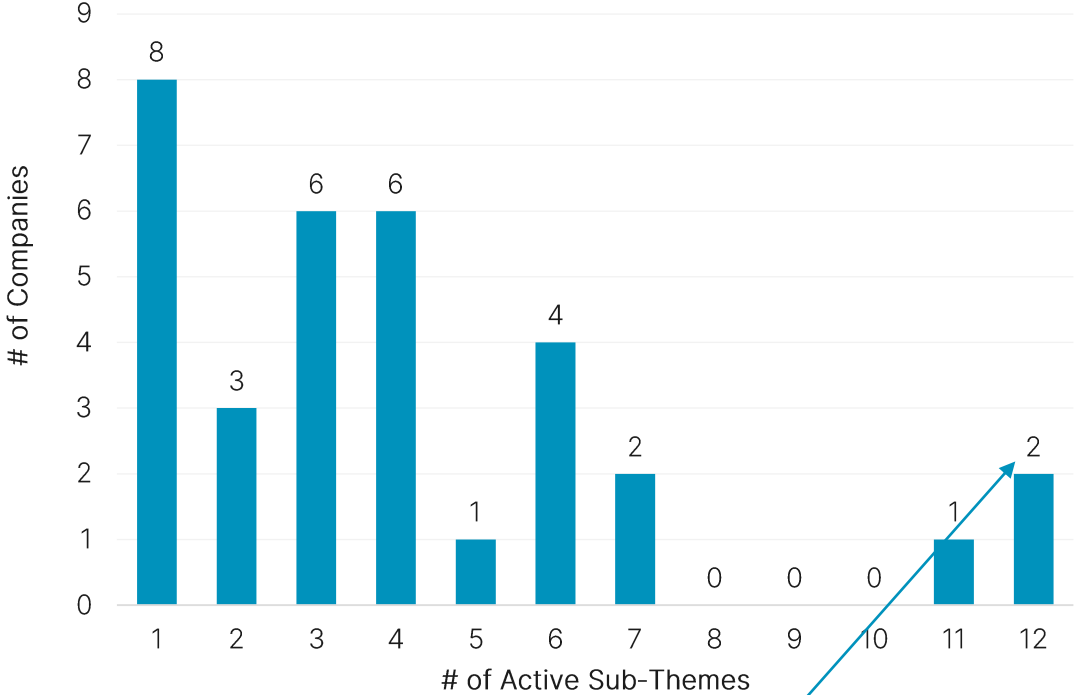
Source: Nasdaq, Bloomberg, FactSet. Data as of 4/8/2022.

# Disruptive Technology and R&D

Patent Contribution by Index Constituents



# of Companies vs. # of Active Sub-Themes

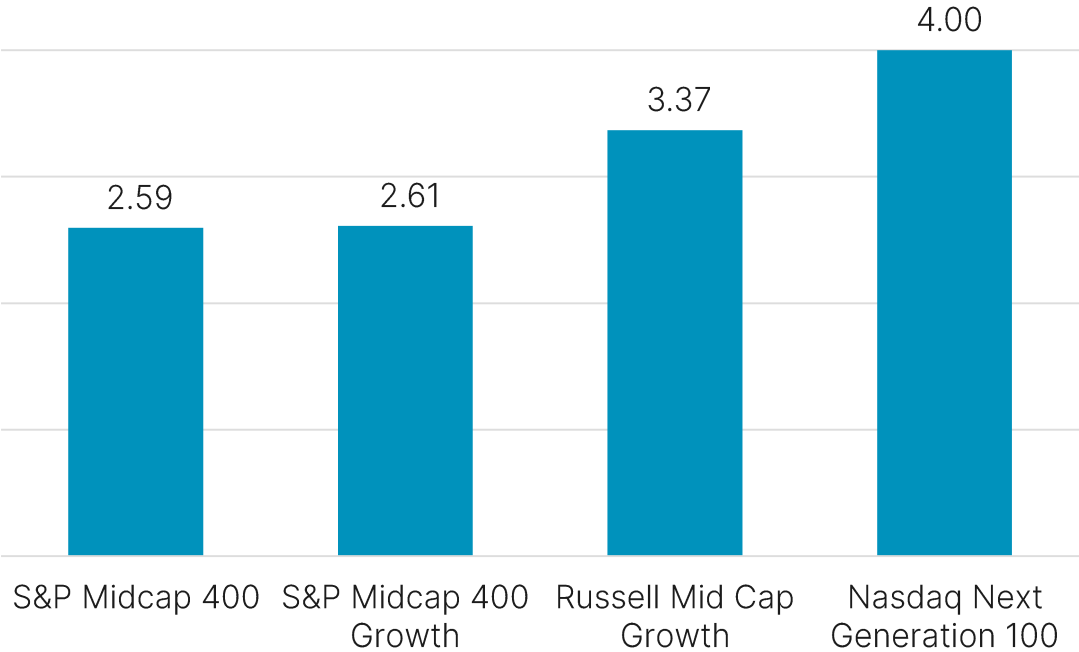


Of the 33 index constituents with data indicating patent activity in the last 12 months in one or more of 25 Disruptive Tech subthemes, the average company filed patents across 4 sub-themes. Zebra Technologies & Citrix Systems were most active with patents filed across 12 sub-themes.

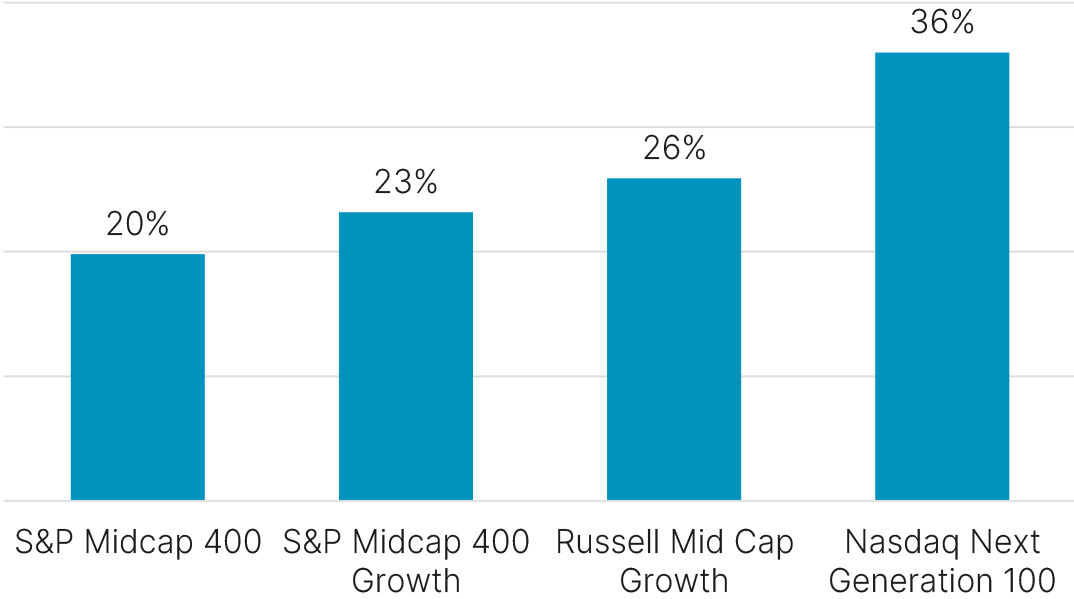
# Disruptive Technology and R&D

Compared to similar midcap benchmarks from S&P and Russell, Nasdaq Next Generation 100 constituents tend to engage in more areas of disruptive technology patents, on average. The index also exhibits a higher proportion of overall constituents registering some level of patent activity across these 35 patent sub-themes

Average # of Sub-Themes per Active Company



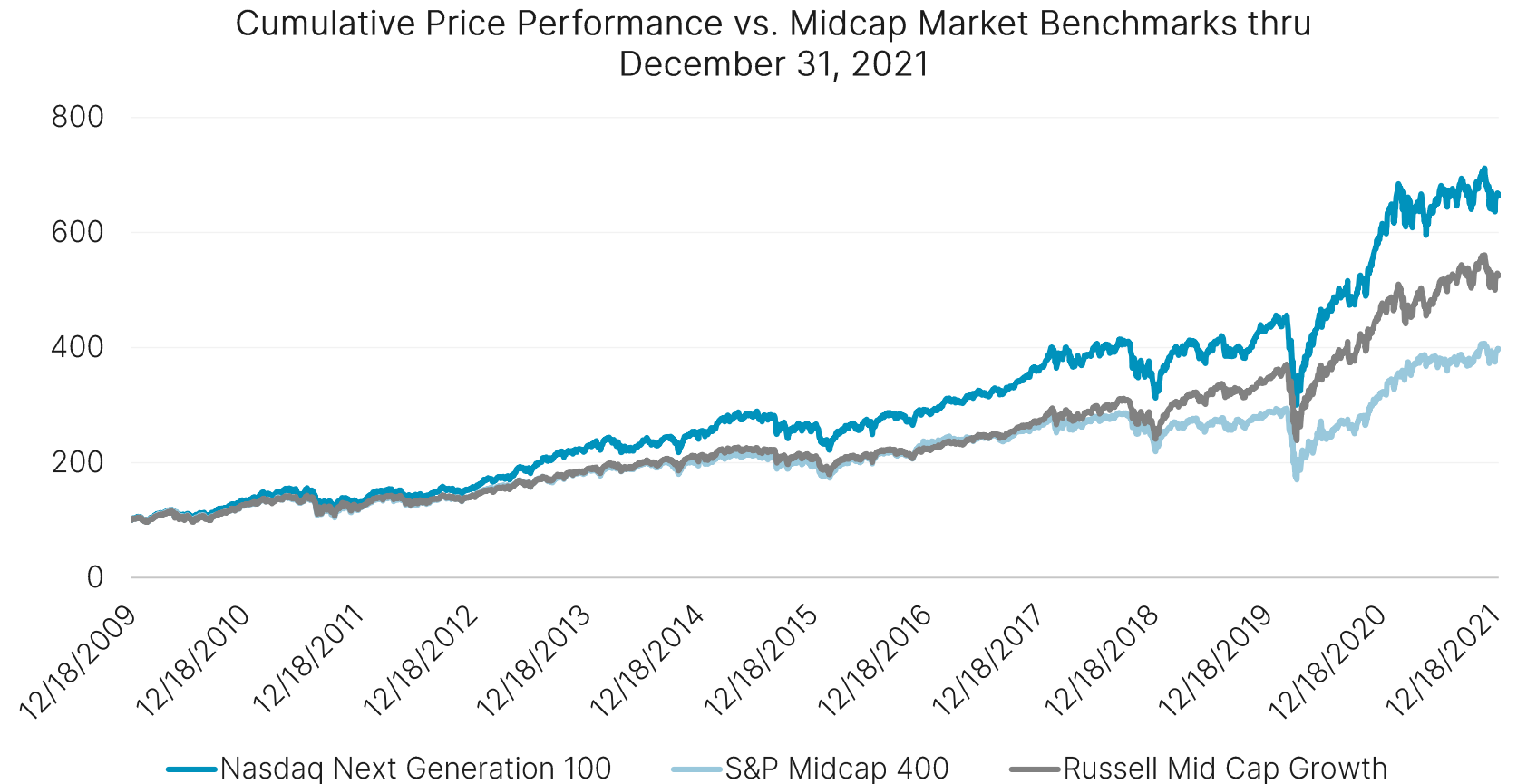
% of Index Constituents with Patent Activity



Source: Nasdaq, Yewno. Patent data as of 11/30/2021. Index data as of 12/31/2021.

# Nasdaq Next Generation 100 Performance

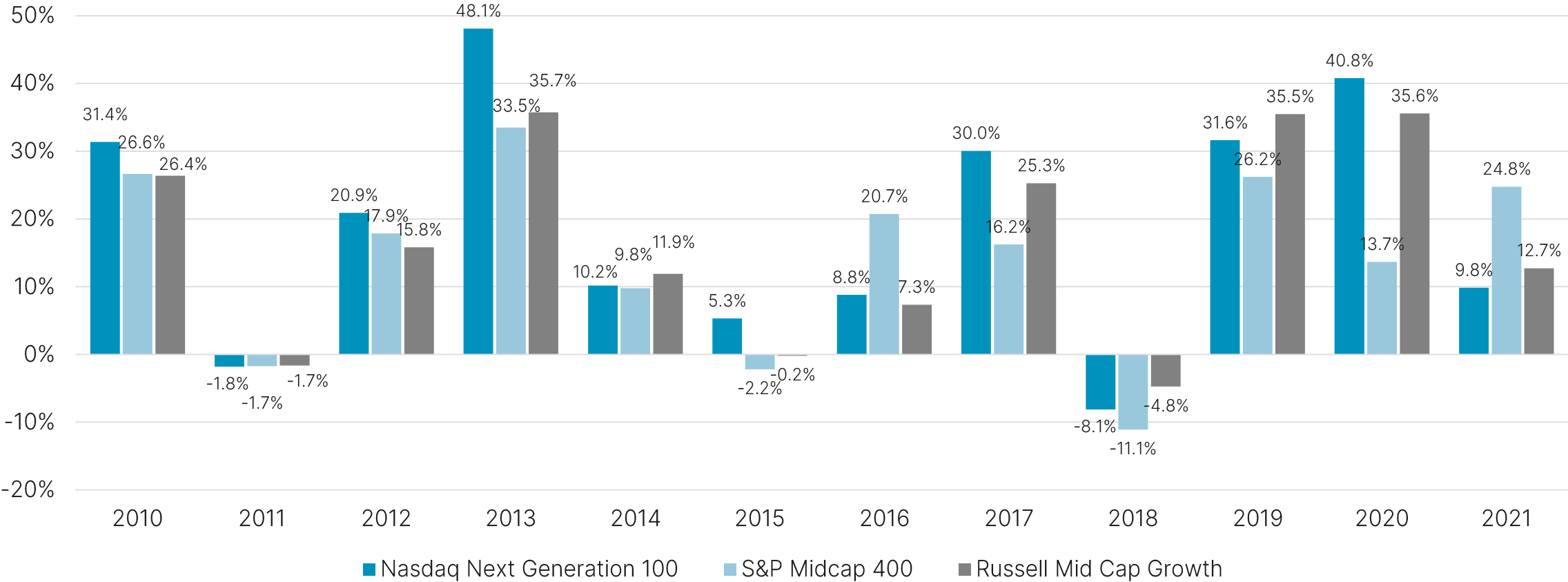
- Index launched on 8/24/2020, and simulated performance dates back to 12/18/2009
- On a price return basis, the index gained 564% from start date of backtest thru 12/31/2021
- S&P Midcap 400 Index rose only 298%
- Russell Mid Cap Growth Index increased 425%





# Nasdaq Next Generation 100 Performance

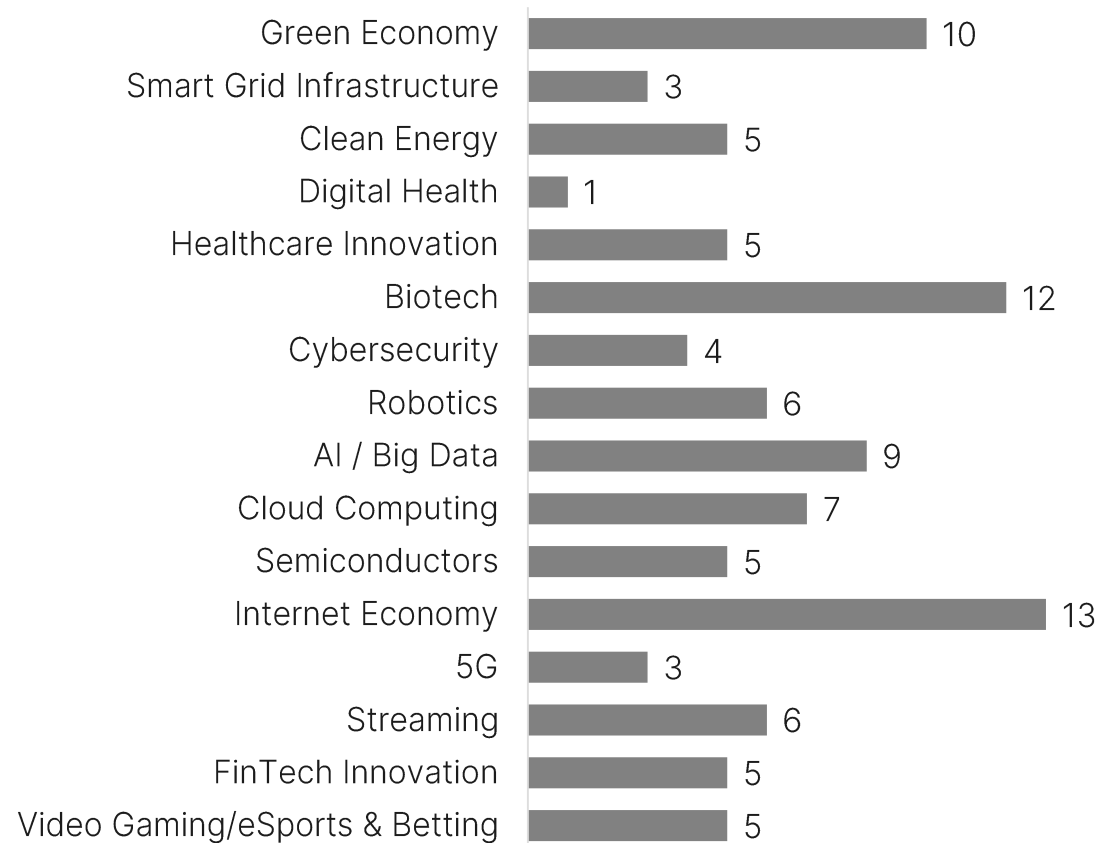
Total Returns by Calendar Year vs. Midcap Market Benchmarks thru December 31, 2021



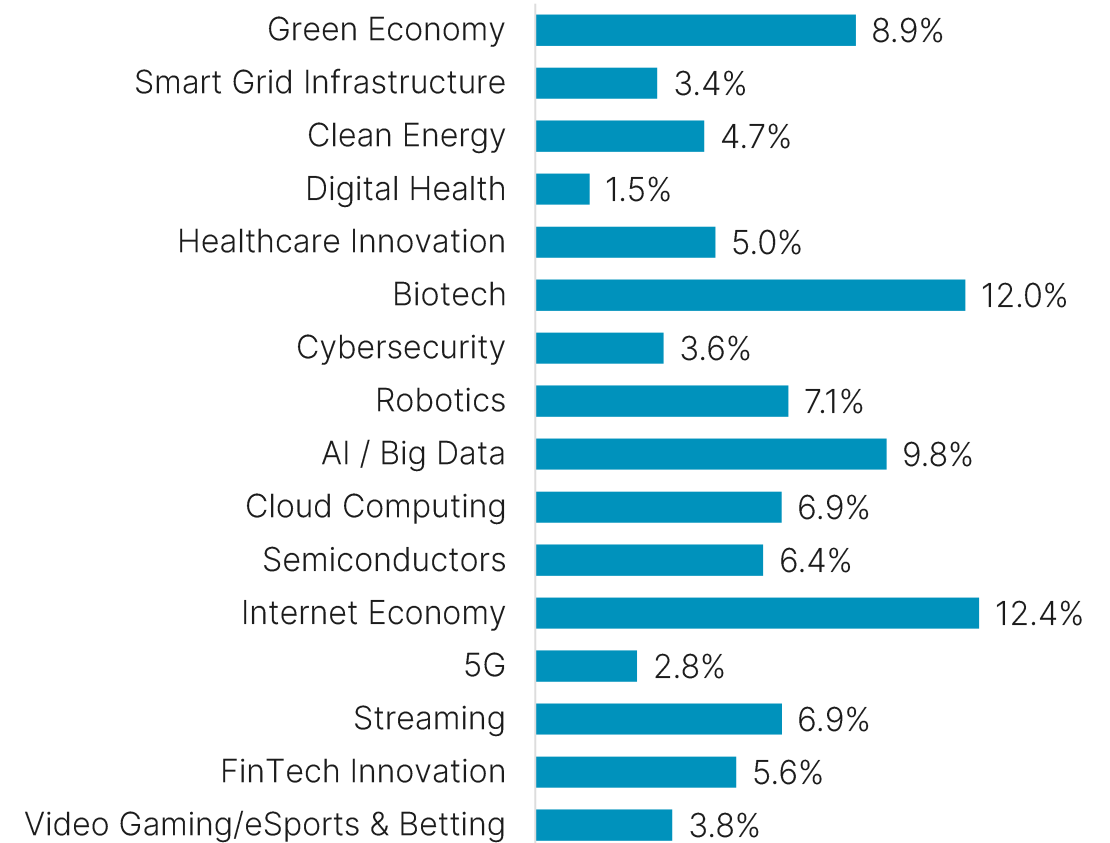
Source: Nasdaq, Bloomberg, FactSet. Data as of 12/31/2021.

# Nasdaq Next Generation 100 by Thematic Exposures

# of Constituents per Theme



Index Weight per Theme



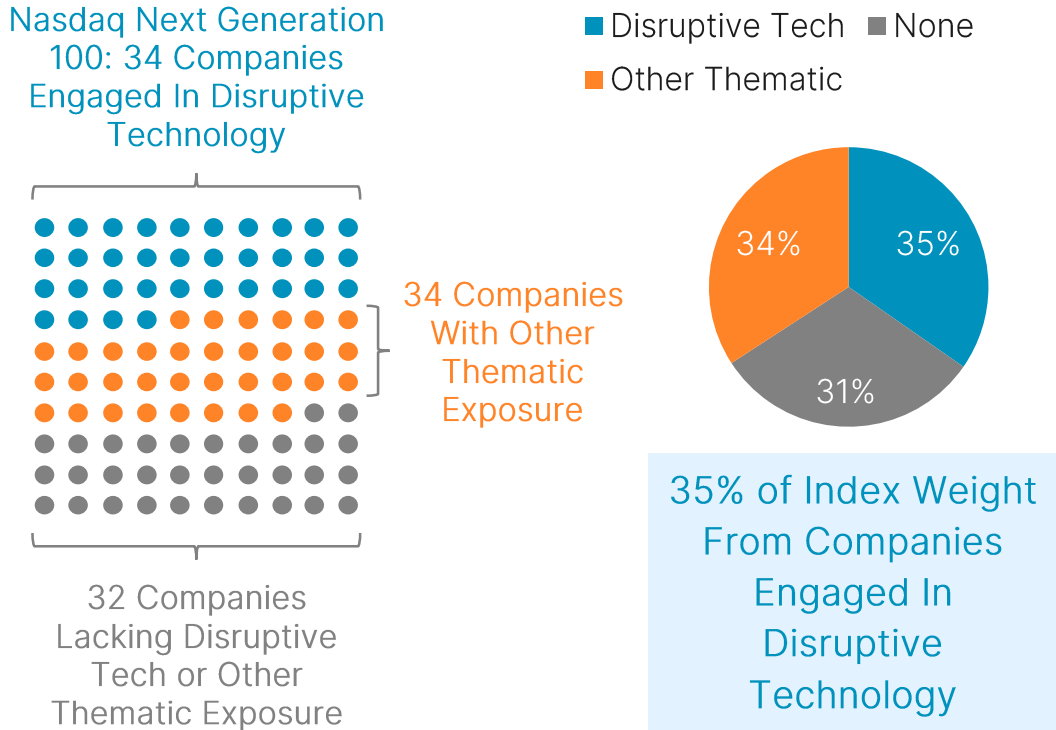
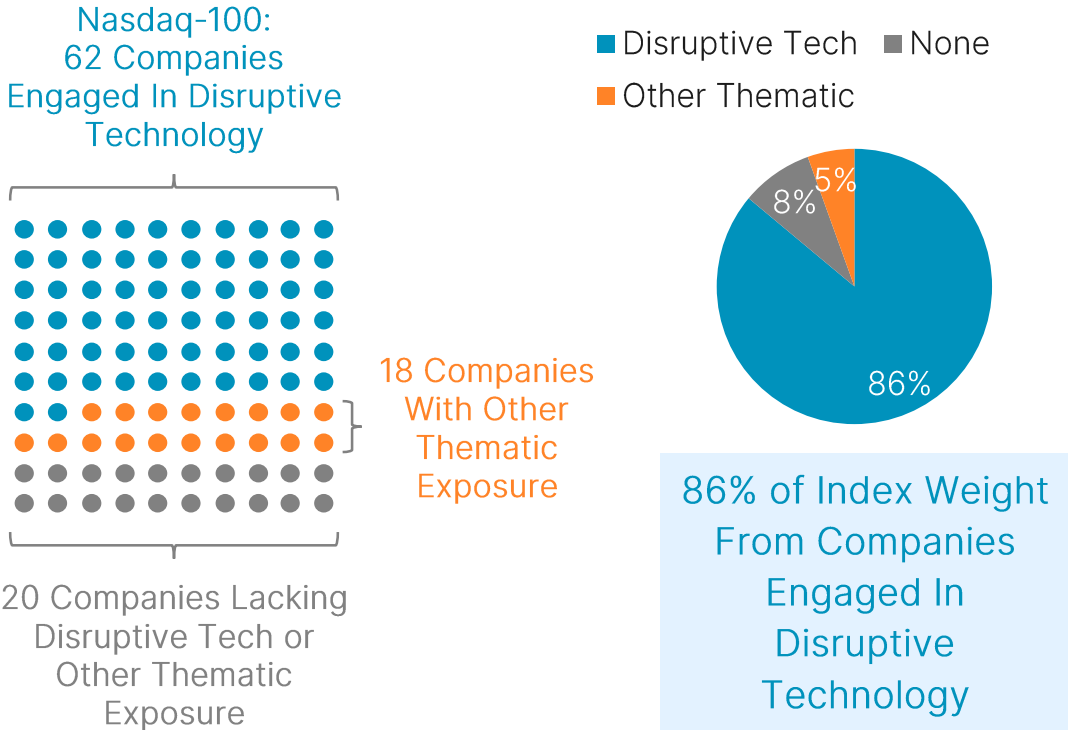
Source: Nasdaq, Bloomberg, FactSet. Data as of 12/31/2021.

Based on overlap with existing Nasdaq Thematic Indexes, except for Digital Health, Healthcare Innovation, 5G, Streaming, and Video Gaming/eSports & Betting where competitor products were analyzed.



# Nasdaq Innovation Suite & Disruptive Tech

The Nasdaq-100 Index and the Nasdaq Next Generation 100 Index (collectively, the “Innovation Suite”) both contain substantial exposures to multiple relevant investment themes, particularly within Disruptive Technology as defined by the patent-driven methodology of the Nasdaq Yewno Global Disruptive Tech Benchmark Index



Source: Nasdaq, Bloomberg, FactSet. Data as of 12/31/2021. Based on overlap with Nasdaq Yewno Global Disruptive Technology Benchmark Index.

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