

# **Generac (GNRC) Stock Watcher Report**

**November 8, 2022**

**What Has Changed in  
the Last Quarter?**

- (Aug 1) Pink Energy Bankruptcy Lawsuit
  - Alleged faulty Generac SnapRS inline disconnect devices
  - Pink Energy was a major clean energy customer for Generac
- (Sep 12) Massive price drop begins
  - 80% price drop from year high
  - Our two purchases (May and September) are down 54%
- (Oct 12) COO resigns “to pursue another business opportunity”
- (Nov 2) Q3 guidance for 2023, revenue 22-24% (down 8%) and net income of 9-10% (down 9%)
- (Nov 2) \$55 million charge in Q3, comprised of an \$18 million bad debt reserve and a \$37 million warranty charge. Impact of \$0.69 / share.
- Some press reports of delays in Generac installations due to lack of qualified installers

**GNRC** Generac Holdings Inc. NYSE

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Industrial / Building Materials

Open: <b>103.27</b>	Ask:	P/E: <b>14.74</b>	Options: <b>yes</b>
High: <b>103.27</b>	Ask Size:	EPS: <b>6.65</b>	Annual Dividend: <b>N/A</b>
Low: <b>95.92</b>	Bid:	Mkt Cap: <b>6.27B</b>	Yield: <b>N/A</b>
Prev Close: <b>101.25</b>	Bid Size:	Last Size:	SCTR (Large): <b>0.4</b>

Monday 7-Nov-2022
▼ <b>-3.24%</b>
Chg: <b>-3.28</b>
Last: <b>97.97</b>
Volume: <b>2,933,366</b>

▲ RSI(14) 22.93

GNRC (Daily) 97.97  
 MA(50) 167.65  
 MA(200) 238.09  
 MA(10) 111.43  
 MA(21) 123.26  
 Volume 2,933,366



Bought 12 shares on 5/11/21 at \$212

Bought 12 shares on 9/14/22 at \$213.95

-54.2%

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 ▼ **-3.24%**  
 Chg: **-3.28**  
 Last: **97.97**  
 Volume: **2,933,366**

▲ RSI(14) 28.15

GNRC (Weekly) 97.97

- MA(50) 249.88
- MA(200) 207.07
- MA(10) 150.95
- MA(21) 197.54
- Volume 2,933,366



# Visual Analysis



# SSG Judgments

- **Reduced revenue growth from 15% to 10%**
- **Pretax profit margin of 17% from VL**
- **Increased outstanding shares to 79 million**
- **The tax rate increased to 22%**
- **High and low P/E reduced to 21 and 12**

Judgment - Estimate Sales and Earnings Growth

Estimated Future Sales Growth (%):

Estimated Future EPS Growth (%):

Analysts' EPS Growth Rate Est.: 7.9%

Take Stock EPS Growth Rate Est.: n/a

Implied EPS Growth Rate Est.: 40.1%

Estimate Earnings per Share Growth Rate ( Preferred Procedure Calculator )

### Preferred Procedure Calculation

	Defaults	Overrides	
<b>Projected 5 Year Sales @:</b>	<input checked="" type="radio"/> 10.0%	<input type="radio"/> <input type="text" value="0.0"/>	\$ 7,399.2
<b>Less Expenses(5 Yr Avg % Pre Tax Profit Margin):</b>	<input type="radio"/> 15.3%	<input checked="" type="radio"/> <input type="text" value="17.0"/>	-6,141.3
<b>Less Taxes(Last yr. Tax Rate ):</b>	<input type="radio"/> 19.5%	<input checked="" type="radio"/> <input type="text" value="22.0"/>	-276.7
<b>Less Preferred Dividends (Current Pref'd Div):</b>	<input checked="" type="radio"/> \$0.0	<input type="radio"/> <input type="text" value="0.0"/>	0.0
<b>Projected 5 Yr Total Earnings</b>			\$ 981.1
<b>Divided by Curr. Diluted Shares Outst. (M):</b>	<input type="radio"/> 64.7	<input checked="" type="radio"/> <input type="text" value="79.0"/>	<input type="text" value="12.42"/>

### Annual Sales

2012	1,176.3
2013	1,485.8
2014	1,460.9
2015	1,317.3
2016	1,444.5
2017	1,672.4
2018	2,023.5
2019	2,204.3
2020	2,485.2
2021	3,737.2

### Make Earnings Per Share Selection Here:

	EPS \$	EPS % Growth
<input checked="" type="radio"/> EPS by "Revenue Estimate":	<input type="text" value="12.42"/>	<input type="text" value="13.3"/>
<input type="radio"/> Projected EPS:	12.42	13.3
<input type="radio"/> Other:	<input type="text" value="0.00"/>	0.0
<b>Analysts' 5-yr EPS Est. (\$):</b>	12.14	

# PE Judgment

## 3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE (P/E) **101.25 (15.2)** 52-WEEK HIGH (P/E) **463.46 (69.7)** 52-WEEK LOW (P/E) **98.65 (14.8)**

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1 2017	52.6	33.8	2.56	20.5	13.2	0.000	0.0	0.0
2 2018	60.7	43.0	3.54	17.1	12.1	0.000	0.0	0.0
3 2019	102.8	48.4	4.03	25.5	12.0	0.000	0.0	0.0
4 2020	239.6	75.5	5.48	<del>43.7</del>	<del>13.8</del>	0.000	0.0	0.0
5 2021	524.3	222.5	8.30	<del>63.2</del>	<del>26.8</del>	0.000	0.0	0.0
6 AVERAGE		84.6		21.0	12.4		0.0	
AVERAGE P/E RATIO		<del>24.8</del> 16.7	PROJECTED P/E RATIO		12.9	TTM EPS		6.65
CURRENT P/E RATIO		15.2	PEG RATIO		0.7	FTM EPS		7.88
RELATIVE VALUE		<del>61.3%</del> 91.0%	PROJ. RELATIVE VALUE		<del>51.8%</del> 77.0%	AVG TTM + FTM EPS		7.26

## 4 EVALUATING REWARD and RISK over the next 5 years

### A FUTURE HIGH PRICE ANALYSIS — NEXT 5 YEARS

Selected High P/E **21.0** X Estimated High Earnings/Share **12.42** = Forecast High Price \$ **260.8**

### B FUTURE LOW PRICE ANALYSIS — NEXT 5 YEARS

(a) Sel. Low P/E **12.4** (as adj.) X Estimated Low Earnings/Share **8.30** = \$ **102.9**

(b) Average 5-Year Low Price **84.6**

(c) Recent Severe Low Price = **75.5**

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = **0.00** ÷ **0.000** = **0.0**

Selected Estimated Low Price = \$ **81.0**



# PAR and Upside Downside Ratio

## 5 TOTAL RETURN ANALYSIS

### A CURRENT YIELD

Present Full Year's Dividend \$ 0.000 ÷ Current Price of Stock \$ 97.97 = 0.0 % Present Yield or % Returned on Purchase Price

### B AVERAGE YIELD - USING FORECAST HIGH P/E

Avg. % Payout 0.0 ÷ Forecast High P/E 21.0 = Avg. Yield 0.0

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

Avg. % Payout 0.0 ÷ Forecast Avg P/E 16.7 = Avg. Yield 0.0

### C % COMPOUND ANNUAL TOTAL RETURN - USING FORECAST HIGH P/E

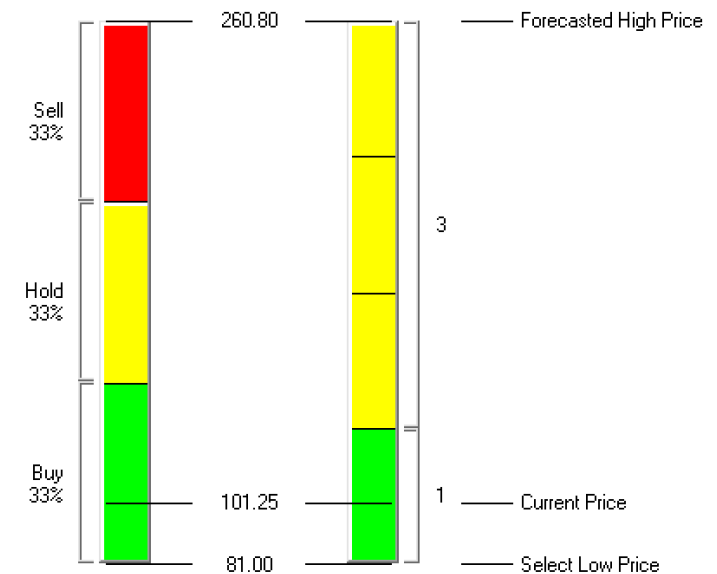
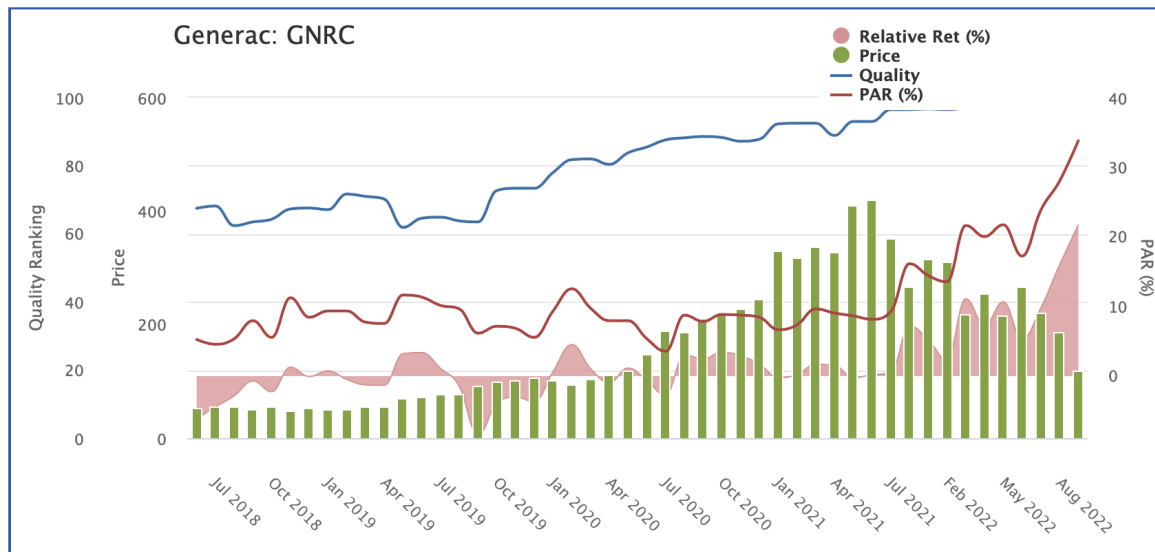
Average Yield 0.0 % + Annual Appreciation 21.6 % = Compound Annual Total Return 21.6 %

### D % PROJECTED AVERAGE RETURN - USING FORECAST AVERAGE P/E

Average Yield 0.0 % + Annual Appreciation 16.1 % = Projected Average Total Return 16.1 %

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# Manifest Investing

Generac (GNRC) 

 Add Alert 

Company	Ticker	Sector   Industry	Quality	PAR
Generac	GNRC	Industrials   Specialty Industrial Machinery	98	35.0%
Current Price (11/01)			\$114.70	
CAPS Rating ( <a href="#">Rate this stock on CAPS</a> )			★★★★★	
<b>Expected Income Statement</b>				
Current Sales				4,437.0
Sales Growth Forecast				16.7%
Net Profit Margin				17.9%
Projected Shares Outstanding			70.00	
EPS - Five year Forecast				\$24.58
Average P/E Ratio				20.0
Projected Average Price			\$491.67	
Price Appreciation (Annualized)			33.8%	
Annual Dividend Yield			1.2%	
Projected Annual Return			35.0%	
<b>Quality</b>				
Financial Strength			87	21.8
EPS Stability			70	17.5
Industry Sales Growth Rate			5.5%	25.0
Industry Net Profit Margin			13.0%	17.2
Calculated Quality Rating			81.4	

# Recommendation: Hold for Now

- Selling now will just lock in our losses.
- Even reducing revenue growth from 15% to 10%, Generac PAR is 16%.
- With 15% revenue growth, PAR is 20%.
- We should monitor closely and reassess next quarter.