

Generac Holdings Inc.

Recommendation **HOLD** ★ ★ ★ ★ ★

Price
USD 106.75 (as of market close Sep 22, 2023) **12-Mo. Target Price** USD 135.00

Report Currency
USD

Investment Style
Mid-Cap Growth

Equity Analyst Jonathan Sakraida

GICS Sector Industrials
Sub-Industry Electrical Components and Equipment

Summary Generac Holdings Inc. is a global designer and manufacturer of power energy technology solutions, namely power generation equipment.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	USD 193.24 - 86.29	Oper.EPS2023E	USD 5.30	Market Capitalization[B]	USD 6.64	Beta	1.28
Trailing 12-Month EPS	USD 5.24	Oper.EPS2024E	USD 7.92	Yield [%]	N/A	3-yr Proj. EPS CAGR[%]	10
Trailing 12-Month P/E	20.37	P/E on Oper.EPS2023E	20.14	Dividend Rate/Share	N/A	SPGMI's Quality Ranking	B
USD 10K Invested 5 Yrs Ago	18,415.0	Common Shares Outstg.[M]	62.00	Trailing 12-Month Dividend	N/A	Institutional Ownership [%]	91.0

Price Performance



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by **Jonathan Sakraida** on Aug 11, 2023 05:05 AM ET, when the stock traded at **USD 108.66**.

Highlights

- We forecast 2023 revenue declining by 12% on weakness in residential product sales as home standby inventory levels remain elevated, a headwind we see persisting into the second half of 2023. Limited installation capacity has lagged production output, leading to a spike in inventory among channel partners and a sharp drop in new orders. Expansion and improvements of installations have been designated as a key initiative in 2023, with GNRC adding more dealers, supporting dealer recruiting, and developing technical innovations to streamline product installations for contractors.
- We estimate an EBITDA margin to be flat in 2023 when compared to 2022. We expect the EBITDA margin to trough in the first half of 2023 and recover in the second half on easing input costs, contributions from pricing actions, and recovering sales.
- For 2023, we estimate a significant improvement in free cash flow to ~\$400 million, compared to [\$24 million] in 2022. Customer capex will likely target generator replacements and upgrades to prepare for future power outages amid rising severe weather occurrences.

Investment Rationale/Risk

- Our Hold [downgraded from Buy on Aug. 2] recommendation reflects our outlook for slumping home generator sales, balanced by our view that shares reflect challenges. Limited installation bandwidth has contributed to elevated inventories of home standby generators, which has negatively impacted order rates. We anticipate inventory levels gradually normalizing in 2023-2024. Despite near-term challenges, we see demand for GNRC's products and services benefiting from two sources in the coming years. Demand for clean energy solutions for residential generators will likely persist as the power grids in many regions of the U.S. remain stressed. Additionally, we expect demand to rise for GNRC's distributed energy optimization and control software as federal infrastructure project work ramps up.
- Key risks to our opinion and target include loss of key customer base, rising competition and loss of market share, longer-than-anticipated normalization of inventories, and decrease power outage activity.
- Our 12-month target of \$135 values shares at 17x our 2024 EPS estimate, below the five-year forward average on elevated inventory and softness in residential, which is GNRC's largest product segment.

Analyst's Risk Assessment

LOW **MEDIUM** **HIGH**

Our risk assessment reflects GNRC's leading position in many of the end markets it serves, balanced by strong competition across power generation markets and dependency on severe weather power outages.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2024	E 932	E 1,080	E 1,175	E 1,133	E 4,321
2023	888	1,000	E 1,088	E 1,049	E 4,026
2022	1,136	1,291	1,088	1,049	4,565
2021	807	920	943	1,067	3,737
2020	476	547	701	761	2,485
2019	470	542	601	591	2,204

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2024	E 1.38	E 1.80	E 2.40	E 2.34	E 7.92
2023	0.63	1.08	E 1.87	E 1.72	E 5.30
2022	2.09	2.99	1.75	1.78	8.33
2021	2.38	2.39	2.35	2.51	9.63
2020	0.87	1.40	2.08	2.12	6.47
2019	0.91	1.20	1.43	1.53	5.06

Fiscal Year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical earnings are adjusted. In periods where a different currency has been reported, this has been adjusted to match the current quoted currency.

Dividend Data

No cash dividends have been paid in the last year.

Generac Holdings Inc.**Business Summary** May 08, 2023

CORPORATE OVERVIEW. Generac Holdings (GNRC) is a global designer and manufacturer of a wide range of energy technology solutions that provide power generation equipment, energy storage systems, grid service solutions, and other power products to residential, light commercial, and industrial markets. GNRC focuses on power generation and storage, which differentiates it from its competitors, who also have broad operations outside of the power equipment market. GNRC is a major player in market share for these power equipment products in the U.S. and is expanding its international presence. In 2022, 85% of revenue was from the U.S. and the other 15% was from international sources.

PRIMARY BUSINESS DYNAMICS. GNRC operates in two segments: Domestic and International. Within each of those segments, products are broken down into three classes: Residential, Commercial & Industrial, and Other. GNRC designs and manufactures stationary, portable, and mobile generators with single-engine outputs ranging between 800W-3,250kW. GNRC can expand the power range for certain stationary generator solutions to much larger multi-megawatt systems through an integrated paralleling configuration called Modular Power Systems (MPS). The company has a line of turnkey energy storage systems, along with a growing selection of energy monitoring and management solutions, to use as it further penetrates clean energy markets. GNRC recently entered the market for microinverters for use in residential solar-only applications. Other power products and solutions that it provides include light towers and a broad line of outdoor power equipment that it refers to as chore products, which includes a variety of property maintenance equipment powered by both engines and batteries.

A main strategic focus for GNRC recently has been leveraging its position in the growing market for cleaner burning, more cost-effective natural-gas fueled generators to expand into applications beyond standby power, extending into distributed generation projects. GNRC has been updating its business model to also focus on clean energy products, solutions, and services. In 2019, GNRC began providing energy storage systems as a clean energy solution for residential use that captures and stores electricity from solar panels or other power sources and helps reduce home energy costs while also protecting homes from shorter-duration power outages. A strategic focus on expanding the connectivity of its products will help broaden monitoring capabilities and also enable the increasing utilization of this equipment as distributed energy resources as the nascent market for grid-services expands over the next several years. Overall, as the traditional centralized utility model evolves over time, we believe that a cleaner, more decentralized grid infrastructure will build out, and GNRC's energy technology solutions are well-positioned to participate in this future "Grid 2.0."

COMPETITIVE LANDSCAPE. The market for power generation equipment, energy storage systems, grid services solutions, and other engine powered products is competitive. GNRC faces competition from a variety of large diversified industrial companies as well as smaller generator manufacturers, along with mobile equipment, engine powered tools, solar inverter, battery storage, and grid services providers, both domestic and internationally. Specifically in the generator market, most of the traditional participants compete on a more focused basis, targeting specific applications within their larger diversified product mix. Unlike peers, GNRC has a primary focus on power equipment with a key emphasis on standby, portable and mobile generators with broad capabilities across the residential, light-commercial, and industrial markets. We think GNRC's engineering capabilities and core focus on generators support manufacturing flexibility and product innovation. GNRC's broad product offering, diverse omni-channel distribution model, and strong factory support provide additional advantages as well. The company, in recent years, has been evolving its business model toward more of a focus on clean energy products, solutions, and services, which has introduced a new set of competitors.

FINANCIAL TRENDS. In the five years ending in 2022, GNRC's revenue grew at a compound annual growth rate (CAGR) of 22%. EPS grew at a 16% CAGR and EBITDA rose at a 19% CAGR through the same five-year period. As of May 2023, GNRC does not pay a dividend (and historically has not). GNRC repurchased \$345 million of shares in 2022, and the current board-approved repurchase program allows for \$250M of repurchases through October 2023.

Corporate information**Investor contact**

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Officers**Chief Technical Officer**

P. J. Forsythe

Chairman, President & CEO

A. P. Jagdfeld

Executive VP, General Counsel & Secretary

R. K. Kanuru

CFO & Chief Accounting Officer

Y. A. Ragen

Board Members

A. G. Lampereur

A. P. Jagdfeld

B. J. Morgan

D. A. Ramon

D. P. Zarcone

J. D. Bowlin

K. V. Roedel

M. J. Avedon

N. T. Nguyen

R. D. Dixon

W. D. Jenkins

Domicile

Delaware

Auditor

Deloitte & Touche LLP

Founded

1959

Employees

9,330

Stockholders

1,048

Generac Holdings Inc.

Quantitative Evaluations					Expanded Ratio Analysis							
Fair Value Rank	1	2	3	4	5		2022	2021	2020	2019		
	LOWEST				HIGHEST	Price/Sales	1.43	6.05	5.83	2.87		
	Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].					Price/EBITDA	8.99	27.09	26.39	14.54		
Fair Value Calculation	USD 72.83	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that GNRC is overvalued by USD 33.92 or 31.78%										
Volatility	LOW	AVERAGE	HIGH									
Technical Evaluation	NEUTRAL	Since July, 2023, the technical indicators for GNRC have been NEUTRAL"										
Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE									
						Key Growth Rates and Averages						
						Past Growth Rate [%]				1 Year	3 Years	5 Years
						Net Income		NM	16.60	20.41		
						Sales		22.14	27.46	22.14		
						Ratio Analysis [Annual Avg.]						
						Net Margin [%]		8.75	12.53	12.16		
						% LT Debt to Capitalization		34.43	31.41	36.68		
						Return on Equity [%]		17.62	24.90	27.00		

Company Financials Fiscal year ending Dec 31										
Per Share Data [USD]	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Tangible Book Value	-1.21	-3.72	3.87	-1.13	-4.03	-6.47	-8.91	-6.98	-6.25	-8.37
Free Cash Flow	-0.44	4.80	6.81	4.01	3.24	3.61	3.25	2.32	3.19	3.37
Earnings	5.42	8.30	5.48	4.03	3.54	2.53	1.47	1.12	2.49	2.51
Earnings [Normalized]	8.33	9.63	6.47	5.06	4.70	3.40	3.03	2.87	3.34	4.33
Dividends	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Payout Ratio [%]	NM	NM	NM	NM	NM	NM	0.08	1.85	0.52	1.52
Prices: High	356.84	524.31	239.62	102.82	60.70	53.78	43.68	50.77	62.50	57.05
Prices: Low	86.29	222.51	75.50	48.42	42.96	33.77	26.29	26.33	38.64	32.41
P/E Ratio: High	42.80	54.40	37.00	20.30	12.90	15.80	14.40	17.70	18.70	13.20
P/E Ratio: Low	10.40	23.10	11.70	9.60	9.10	9.90	8.70	9.20	11.60	7.50
Income Statement Analysis [Million USD]										
Revenue	4,565	3,737	2,485	2,204	2,023	1,679	1,448	1,317	1,461	1,486
Operating Income	568.00	743.00	481.00	374.00	357.00	251.00	210.00	220.00	288.00	351.00
Depreciation + Amortization	156.00	92.00	69.00	61.00	47.00	52.00	54.00	40.00	35.00	37.00
Interest Expense	55.00	33.00	33.00	42.00	41.00	43.00	45.00	43.00	47.00	54.00
Pretax Income	508.00	692.00	446.00	320.00	311.00	204.00	154.00	123.00	258.00	279.00
Effective Tax Rate	19.60	19.50	22.20	21.10	22.50	21.70	36.80	36.80	32.40	37.40
Net Income	400.00	550.00	351.00	252.00	238.00	158.00	97.00	78.00	175.00	175.00
Net Income [Normalized]	311.80	440.10	283.10	208.00	192.30	125.60	100.70	106.00	160.00	184.50
Balance Sheet and Other Financial Data [Million USD]										
Cash	133.00	147.00	655.00	323.00	224.00	138.00	67.00	116.00	190.00	150.00
Current Assets	2,182	1,848	1,670	1,196	1,121	825.00	684.00	632.00	730.00	654.00
Total Assets	5,170	4,878	3,235	2,666	2,426	2,026	1,862	1,779	1,883	1,798
Current Liabilities	992.00	1,156	642.00	497.00	561.00	396.00	342.00	213.00	241.00	251.00
Long Term Debt	1,344	867.00	817.00	814.00	857.00	902.00	1,004	1,038	1,081	1,173
Total Capital	3,904	3,356	2,405	2,030	1,746	1,527	1,489	1,515	1,579	1,514
Capital Expenditures	86.00	110.00	62.00	61.00	48.00	33.00	30.00	31.00	35.00	31.00
Cash from Operations	59.00	411.00	487.00	309.00	247.00	257.00	241.00	189.00	253.00	260.00
Current Ratio	2.20	1.60	2.60	2.41	2.00	2.08	2.00	2.96	3.04	2.61
% Long Term Debt of Capitalization	34.40	25.80	34.00	40.10	49.10	59.10	67.50	68.50	68.50	77.50
% Net Income of Revenue	8.80	14.70	14.10	11.40	11.80	9.40	6.70	5.90	12.00	11.70
% Return on Assets	7.07	11.44	10.18	9.18	10.03	8.06	7.20	7.52	9.80	12.91
% Return on Equity	17.60	29.90	27.20	26.30	34.00	30.90	21.60	16.30	43.30	44.70

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Generac Holdings Inc.

Sub-Industry Outlook

Our fundamental outlook for the S&P Electrical Components & Equipment sub-industry for the next 12 months is positive. The sub-industry consists largely of companies that produce electric cables and wires, electrical equipment, transformers, automation systems, motors and generators, wiring devices, power supply systems, fuel cells, lighting, and solar power systems. We believe federal stimulus (IIJA, CHIPS ACT, & IRA) will contribute to a ramp-up in demand for Electrical products, which we see coinciding with a recovery in global supply chains.

We believe easing supply chain challenges and improved semiconductor availability will support enhanced backlog conversion rates and earnings expansion in the coming quarters. Backlogs remain near record levels among major players (Rockwell Automation, AMETEK, Eaton Corporation), providing a cushion against an uneven macro environment. Firms have exposure to cyclical end markets that are tied to the global economy, though we see growing contributions from secular trends, such as manufacturing reshoring and buildout, electric grid modernization, and electrification/renewables, that we see supporting order rates amid broader macro uncertainty.

Our fundamental outlook reflects data from the National Electrical Manufacturers Association's Electro-industry Business Conditions Index. The July 2023 reading came in at 42.9, indicating "worse" conditions vs. June, with concerns around the potential for customers' future spending plans being put on hold, pockets of slowing demand, and inventory build-up seen by certain commentators. This contrasts comments that indicated robust strength in markets tied to infrastructure and utility upgrades (key markets for the sub-industry). Optimism still surrounds federal government spending via the IIJA, IRA, and CHIPS Act, which is helping to inform an outlook of growth among commentators.

Our opinion also considers recent data from the Institute for Supply Management's Purchasing Managers Index (PMI). The August 2023

Manufacturing PMI of 47.6% indicates the tenth consecutive month of contraction in the manufacturing sector, following a 28-month period of expansion. We note that this reading represents a more modest contraction vs. previous months and may indicate a reversal within the manufacturing sector as inventories are broadly worked down. Demand showed signs of easing in August among Electrical component manufacturers, though elevated order backlogs will likely remain high over the coming months following several months of supply chain driven build-up.

We think the sub-industry will benefit from increased federal infrastructure spending. In November 2021, the Bipartisan Infrastructure Bill, consisting of \$1.2 trillion in investments across various industries, was signed into law. Spending provisions span from traditional projects, like roads, bridges, and waterways, to more progressive projects, including clean energy and electric vehicle infrastructure. We believe these investments will boost demand for electrification-related projects. Additionally, we expect favorable contributions from spending tied to the passage of the CHIPS Act and Inflation Reduction Act.

Year-to-date through August 31, the S&P Electrical Components & Equipment sub-industry index is up 24%, well above the S&P 1500 [+17.9%] and the Industrials sector [+13.1%]. In 2022, the sub-industry fell 13.6%, outperforming the broader market but underperforming relative to its Industrials peers.

/ Jonathan Sakraida

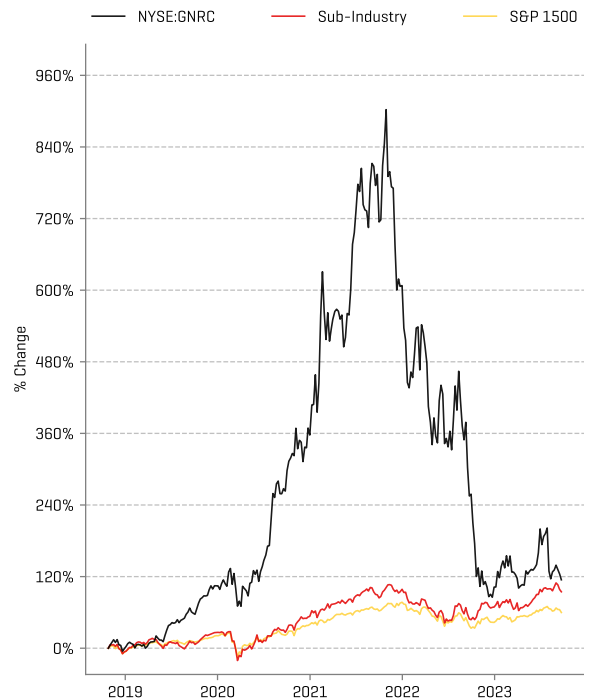
Industry Performance

GICS Sector: Industrials

Sub-Industry: Electrical Components and Equipment

Based on S&P 1500 Indexes

Five-Year market price performance through Sep 23, 2023



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Electrical Components and Equipment Peer Group*: Electrical Components and Equipment

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]
Generac Holdings Inc.	GNRC	NYSE	USD	108.46	6,751.0	-4.4	-38.3	21.0	72.83	N/A	7.9	35.9
Acuity Brands, Inc.	AYI	NYSE	USD	163.85	5,062.0	2.3	0.2	12.0	158.74	0.3	19.5	19.3
Array Technologies, Inc.	ARRY	NasdaqGM	USD	24.78	3,744.0	19.8	36.5	49.0	N/A	N/A	26.0	51.3
Atkore Inc.	ATKR	NYSE	USD	142.29	5,378.0	-0.1	86.4	8.0	N/A	N/A	60.6	33.7
EnerSys	ENS	NYSE	USD	95.56	3,922.0	-5.0	52.4	19.0	N/A	0.9	13.6	34.6
Plug Power Inc.	PLUG	NasdaqGM	USD	7.60	4,575.0	-9.8	-70.2	NM	N/A	N/A	-20.7	10.3
Regal Rexnord Corporation	RRX	NYSE	USD	147.38	9,773.0	-1.2	3.4	40.0	N/A	0.9	4.0	49.7
Sensata Technologies Holding plc	ST	NYSE	USD	36.70	5,594.0	-1.9	-8.0	15.0	N/A	1.3	12.5	53.8
Shoals Technologies Group, Inc.	SHLS	NasdaqGM	USD	20.16	3,426.0	4.9	-12.6	23.0	N/A	N/A	62.1	28.1
Sunrun Inc.	RUN	NasdaqGS	USD	13.52	2,935.0	-1.1	-60.7	36.0	N/A	N/A	-14.5	50.2
nVent Electric plc	NVT	NYSE	USD	53.40	8,852.0	3.3	65.7	20.0	N/A	1.3	16.8	39.2

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available; NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Generac Holdings Inc.**Analyst Research Notes and other Company News****August 02, 2023**

12:19 PM ET... CFRA Lowers View on Shares of Generac Holdings Inc. to Hold from Buy [GNRC 117.17***]:

We reduce our 12-month target to \$135 from \$156, valuing GNRC shares at 17x our 2024 EPS estimate of \$7.92 (down from \$8.67; 2023 EPS lowered to \$5.30 from \$6.11), below the five-year forward average given elevated inventory and softness in residential sales, which is GNRC's largest product segment. Shares are trading lower today following Q2 results on a deteriorating demand outlook for GNRC's residential generator business. GNRC posted Q2 adjusted EPS of \$1.08 vs. \$2.86 [-62% Y/Y], falling short of consensus by \$0.08. Revenues declined 23% Y/Y, reflecting a 44% decline in Residential sales over the previous year as shipments of standby generators contracted amid softening consumer demand. Commercial & Industrial sales partially offset weakness in residential, up 24% Y/Y. We adjust our view on shares of GNRC to Hold from Buy as we see the challenging environment balanced by a sharp drop in share price [-53% over the past 12 months]. / Jonathan Sakraida

May 03, 2023

11:27 AM ET... CFRA Maintains Buy Opinion on Shares of Generac Holdings Inc. [GNRC 117.98***]:

We keep our 12-month target at \$156, valuing GNRC shares at 18x our 2024 EPS estimate of \$8.67 (down from \$8.69; 2023 EPS reduced slightly to \$6.11 from \$6.13), below the five-year forward average given headwinds around generator installation. Shares are trading higher today as Q1 results largely came in above expectations despite ongoing challenges. GNRC posts Q1 adjusted EPS of \$0.63 vs. \$1.98 [-68% Y/Y]. \$0.13 above consensus. Q1 net sales decreased 22% Y/Y (sales fell 24% ex. FX impacts and acquisitions). As expected, residential sales led the decline [-46% Y/Y] during the quarter as challenges around shipments and limited installation capacity persist. Progress was made in working down inventories with normalization expected in 2H of 2023. Commercial & Industrial revenues were a bright spot, rising 30% Y/Y on demand from national rental equipment, industrial distributors, and telecom markets. We anticipate a return to Y/Y growth in 2H and view GNRC shares as undervalued. / Jonathan Sakraida

February 15, 2023

10:28 AM ET... CFRA Keeps Buy View on Shares of Generac Holdings Inc. [GNRC 135.45***]:

We adjust our 12-month target price to \$156 from \$162, valuing GNRC shares at 18.0x our 2024 EPS estimate (initiated at \$8.69; 2023 EPS forecast reduced to \$6.13 from \$10.15), below the five-year forward average given the softness in home generator orders. GNRC posts Q4 adj-EPS of \$1.78 vs. \$2.51 [-29% Y/Y], surpassing the consensus forecast by \$0.03. Net sales declined 2% Y/Y, with organic revenue falling by 7%. Slowing residential sales [-19%] led the contraction in Y/Y revenue. Installations improved during the quarter, though home standby field inventory levels remain elevated and negatively impacted order rates. We anticipate inventories to be worked down in 2023, with weakness in residential product sales materially improving by the second half of the year. We continue to see upside in shares at current levels and maintain GNRC at Buy. / Jonathan Sakraida

November 02, 2022

01:00 PM ET... CFRA Reiterates Buy Opinion on Shares of Generac Holdings Inc. [GNRC 107.87***]:

We lower our 12-month target price to \$162 from \$195 following the full Q3 earnings release, valuing GNRC shares at 16.0x our 2023 operating EPS estimate of \$10.15 (lowered by \$2.06) versus the five-year forward average multiple of 22x. We keep our 2022 EPS forecast at \$9.35. GNRC posts Q3 operating EPS of \$1.75 vs. \$2.35 [-26% Y/Y], consistent with the preliminary Q3 results released in October. Net sales grew 15% Y/Y, with core sales (excluding acquisitions and currency impacts) rising 10%, compared to Y/Y core growth of 33% in Q2. The contraction in growth is tied to the bankruptcy of a clean energy customer, as well as slowing residential product sales due to limited installation capacity in GNRC's distribution network. As production has outpaced capacity to install, inventory for home standby generators has built up. Despite these challenges and our reduced growth expectations going into 2023, we see upside in the shares at current levels. / Jonathan Sakraida

October 19, 2022

11:21 AM ET... CFRA Lowers View on Shares of Generac Holdings Inc. to Buy from Strong Buy [GNRC 115.90***]:

GNRC released preliminary third quarter results, posting an adj-EPS of \$1.75 [-26% Y/Y]. Results fell short of both CFRA and consensus estimates due to weaker-than-anticipated home generator orders from channel partners as inventory built up during the quarter. Management cited strong customer demand amid elevated power outages related to Hurricane Ian, yet limited installation capacity lagged production output. Additionally, results were impacted by the bankruptcy of a large clean energy product customer. 2022 sales guidance was cut from 36%-40% to 22%-24% as headwinds are expected to persist in Q4, as well as the first half of 2023. We lower our 12-month target to \$195 from \$300, valuing GNRC shares at 16.0x our 2023 EPS estimate of \$12.21 (lowered from \$13.68; 2022 EPS adjusted to \$9.35 from \$12.00). We update our rating to Buy from Strong Buy on installation capacity issues, yet see upside in shares as backlogs are worked down and lead times improve. GNRC is set to report full Q3 results on November 2. / Jonathan Sakraida

September 22, 2022

10:34 AM ET... CFRA Upgrades Rating of Generac Holdings Inc. Shares to Strong Buy from Buy [GNRC 177.40***]:

We upgrade our opinion on GNRC shares to Strong Buy from Buy on valuation. We view GNRC shares as having an attractive margin of safety after experiencing a steep 50% decline year-to-date off of broader market volatility. Shares are trading at a forward P/E of -12.9x, significantly below its five-year average of 22.1x. We maintain a positive demand outlook for GNRC's distributed energy optimization and control software as infrastructure projects ramp up. Increasingly severe and volatile weather could provide further upside to revenue growth in both commercial and residential markets. We maintain our 12-month price target at \$300 and our 2022 and 2023 EPS estimates. / Jonathan Sakraida

August 03, 2022

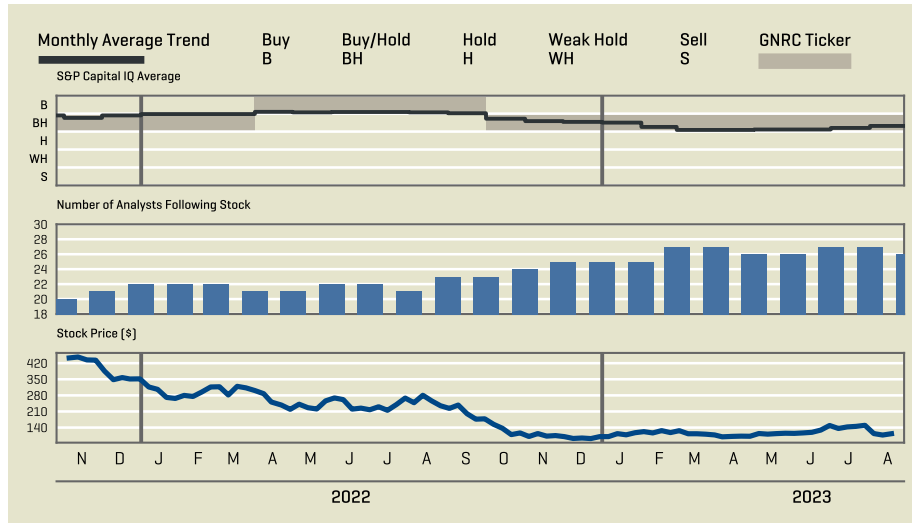
12:35 PM ET... CFRA Reiterates Buy Opinion on Shares of Generac Holdings Inc. [GNRC 250.77***]:

We keep our 12-month target price at \$300, valuing GNRC shares at 21.9x our 2023 operating EPS estimate of \$13.68 (raised by \$0.03), versus the 5-year forward average multiple of 22x. We lift our 2022 EPS forecast to \$12.00 from \$11.56. GNRC posts Q2 operating EPS of \$2.99 versus \$2.39, surpassing our \$2.58 EPS estimate and the consensus forecast of \$2.63. Q2 sales also beat expectations, growing 40% Y/Y to \$1.29B. Core sales (excludes FX impacts and acquisitions) rose 33%. Q2 performance was supported by strong double-digit growth in Residential products [+49%] and Commercial & Industrial [+22%]. Gross margin improved 360 bps sequentially to 35.4%, yet still 150 bps lower Y/Y. Input costs (commodity, logistics, labor) remain elevated, but we expect margin to face less pressure in 2H on easing headwinds and stronger price realization. Despite positive Q2 results and a reiterated 2022 guidance, shares are trading lower following broader intraday volatility among renewable energy names, in our view. / Jonathan Sakraida

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Generac Holdings Inc.

Analysts Recommendations



Wall Street Consensus Opinion

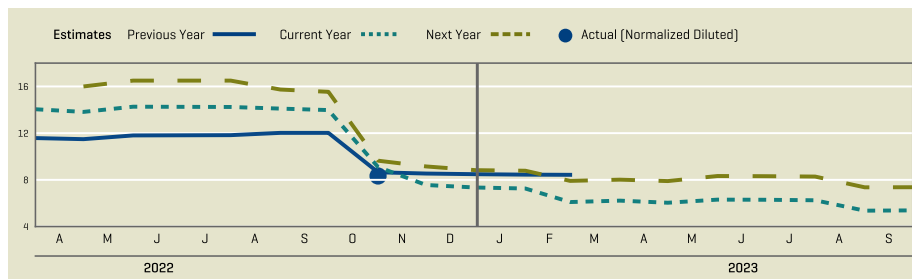
Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2023, analysts estimate that GNRC will earn USD 5.38. For fiscal year 2024, analysts estimate that GNRC's earnings per share will grow by 37.5% to USD 7.40.

	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	11	41	11	8
Buy/Hold	5	19	4	4
Hold	8	30	9	11
Weak hold	2	7	2	2
Sell	1	4	1	1
No Opinion	0	0	0	0
Total	27	100	27	26

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2024	7.40	8.78	5.33	23	14.65
2023	5.38	6.27	4.50	23	20.15
2024 vs. 2023	▲ 38%	▲ 40%	▲ 18%	N/A%	▼ -27%
Q3'24	2.04	2.42	1.41	12	53.18
Q3'23	1.56	2.13	1.23	23	69.61
Q3'24 vs. Q3'23	▲ 31%	▲ 14%	▲ 15%	▼ -48%	▼ -24%

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Generac Holdings Inc.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs [American Depositary Receipts], and ADSs [American Depositary Shares] based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark [e.g., a regional index [MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index]], based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

[also known as **S&P Capital IQ Earnings & Dividend Rankings**] - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus [average] EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations
FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value
PEG Ratio	- P/E-to-Growth Ratio
PV	- Present Value
R&D	- Research & Development
ROCE	- Return on Capital Employed
ROE	- Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Generac Holdings Inc.

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of June 30, 2023

Ranking	North America	Europe	Asia	Global
Buy	38.5%	36.8%	46.7%	39.8%
Hold	52.4%	48.0%	44.0%	49.8%
Sell	9.2%	15.3%	9.3%	10.4%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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