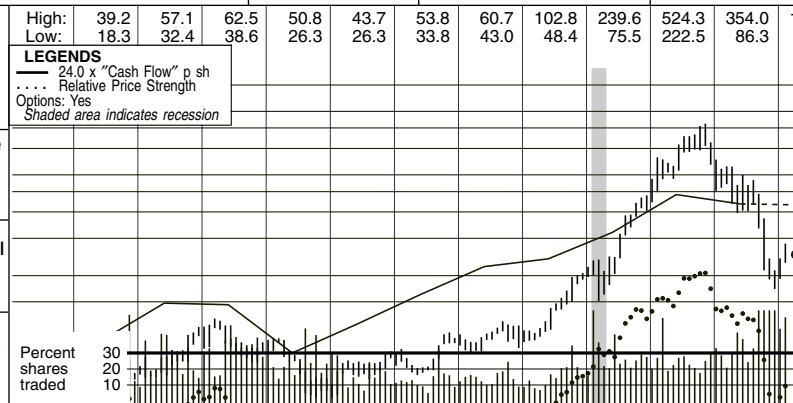


# GENERAC HOLDINGS NYSE-GNRC

RECENT PRICE **125.70** P/E RATIO **25.2** (Trailing: 23.2 Median: 22.0) RELATIVE P/E RATIO **1.47** DIV'D YLD **Nil** VALUE LINE **1215**

**TIMELINESS** 5 Lowered 2/10/23  
**SAFETY** 3 New 12/28/12  
**TECHNICAL** 4 Raised 2/10/23  
**BETA** 1.10 (1.00 = Market)



**18-Month Target Price Range**  
 Low-High Midpoint (% to Mid)  
 \$96-\$221 \$159 (25%)

**2026-28 PROJECTIONS**  
 Price Gain Ann'l Total Return  
 High 560 (+345%) 46%  
 Low 375 (+200%) 32%

**Institutional Decisions**  
 2Q2022 3Q2022 4Q2022  
 to Buy 452 404 360  
 to Sell 348 357 446  
 Hld's(000) 57791 56520 54157

Generac Holdings Inc. completed its initial public offering on February 10, 2010. At that time, 20.7 million shares were sold to the public at an average price of \$13.00 per share. The underwriting syndicate included Bank Of America Merrill Lynch, Goldman Sachs, and JPMorgan Chase.

**CAPITAL STRUCTURE as of 12/31/22**  
 Total Debt \$1430.8 mill. Due in 5 Yrs \$1373.6 mill.  
 LT Debt \$1369.1 mill. LT Interest \$62.0 mill.  
 (38% of Cap'l)  
 Leases, Uncapitalized Annual rentals \$ mill.

**Pension Plan Terminated 12/19**  
**Pfd Stock None**

**Common Stock** 61,887,460 shares.  
 as of 2/17/23

**MARKET CAP: \$7.8 billion (Mid Cap)**

CURRENT POSITION (\$MILL.)	2020	2021	12/31/22
Cash Assets	655.1	147.3	132.7
Receivables	374.9	546.5	522.5
Inventory (FIFO)	603.3	1089.7	1405.4
Other	36.4	65.0	121.7
Current Assets	1669.7	1848.5	2182.3
Accts Payable	30.2	674.2	446.1
Debt Due	43.4	78.0	61.7
Other	567.9	403.7	484.2
Current Liab.	641.5	1155.9	992.0

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '20-'22
change (per sh)	10 Yrs.	5 Yrs.	to '26-'28
Sales	16.5%	20.0%	15.5%
"Cash Flow"	23.5%	27.5%	16.5%
Earnings	44.5%	30.0%	19.0%
Dividends	---	---	Nil
Book Value	14.5%	33.0%	11.0%

Cal-endar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2020	475.9	546.8	701.4	761.1	2485.2
2021	807.4	920.0	942.7	1067.1	3737.2
2022	1135.9	1291.4	1088.3	1049.2	4564.7
2023	<b>850</b>	<b>1000</b>	<b>1050</b>	<b>1300</b>	<b>4200</b>
2024	<b>975</b>	<b>1100</b>	<b>1200</b>	<b>1375</b>	<b>4650</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2020	.67	1.02	1.82	1.97	5.48
2021	2.32	2.01	1.93	2.04	8.30
2022	1.57	2.19	.83	.83	5.42
2023	<b>.70</b>	<b>1.50</b>	<b>1.95</b>	<b>2.10</b>	<b>6.25</b>
2024	<b>1.65</b>	<b>2.00</b>	<b>2.20</b>	<b>2.30</b>	<b>8.15</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>D</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2019					
2020					
2021					
2022					
2023					

NO CASH DIVIDENDS BEING PAID

	2013	2014 <sup>E</sup>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
21.66	21.14	19.95	23.04	26.81	32.56	35.23	39.54	58.65	74.32	70.60	80.15	Sales per sh	137.95	
3.08	3.03	1.79	2.44	3.39	4.60	5.00	6.67	10.08	9.10	9.00	11.20	"Cash Flow" per sh	21.30	
2.51	2.49	1.12	1.50	2.56	3.54	4.03	5.48	8.30	5.42	6.25	8.15	Earnings per sh <sup>A</sup>	18.00	
--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh <sup>D</sup>	6.00	
.45	.50	.46	.49	.53	.77	.97	.99	1.73	1.40	1.40	1.40	Cap'l Spending per sh	2.25	
4.62	7.09	7.06	6.40	8.98	12.24	16.50	22.12	34.74	36.76	39.90	44.40	Book Value per sh <sup>B</sup>	74.15	
68.60	69.12	66.02	62.70	62.37	62.14	62.57	62.85	63.72	61.42	59.50	58.00	Common Shs Outst'g <sup>C</sup>	58.00	
16.3	19.7	34.0	24.1	16.0	14.4	17.4	26.9	44.4	41.3	Bold figures are Value Line estimates			Avg Ann'l P/E Ratio	26.0
.92	1.04	1.71	1.26	.80	.78	.93	1.38	2.40	2.39				Relative P/E Ratio	1.45
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1485.8	1460.9	1317.3	1444.5	1672.4	2023.5	2204.4	2485.2	3737.2	4564.7	4200	4650	Sales (\$mill)	8000	
26.1%	22.1%	21.6%	21.2%	19.8%	20.0%	20.9%	22.0%	22.3%	15.9%	17.5%	19.5%	Operating Margin	23.0%	
36.8	34.7	40.3	54.4	52.0	47.4	60.9	68.8	92.0	159.4	165	175	Depreciation (\$mill)	190	
174.5	174.6	77.7	98.8	159.4	238.3	252.0	350.6	550.5	399.5	370	475	Net Profit (\$mill)	1045	
37.4%	32.4%	36.8%	36.8%	21.3%	22.5%	21.1%	22.2%	19.5%	19.6%	20.0%	20.0%	Income Tax Rate	22.0%	
11.7%	12.0%	5.9%	6.8%	9.5%	11.8%	11.4%	14.1%	14.7%	8.8%	8.8%	10.2%	Net Profit Margin	13.1%	
403.3	490.0	448.2	341.6	429.7	560.1	698.7	1028.2	692.6	1190.3	900	800	Working Cap'l (\$mill)	400	
1175.3	1082.1	1050.1	1006.8	906.5	876.4	837.8	841.8	902.1	1369.1	1300	1300	Long-Term Debt (\$mill)	500	
317.1	489.8	465.9	401.1	559.8	760.5	1032.4	1390.3	2213.8	2257.4	2375	2575	Shr. Equity (\$mill)	4300	
13.5%	12.6%	6.5%	8.6%	12.3%	15.8%	14.5%	16.4%	18.2%	11.7%	11.0%	13.0%	Return on Total Cap'l	22.0%	
55.0%	35.7%	16.7%	24.6%	28.5%	31.3%	24.4%	25.2%	24.9%	17.7%	15.5%	18.5%	Return on Shr. Equity	24.5%	
55.0%	35.7%	16.7%	24.6%	28.5%	31.3%	24.4%	25.2%	24.9%	17.7%	15.5%	18.5%	Retained to Com Eq	24.5%	
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**BUSINESS:** Generac Holdings Inc. designs and manufactures a wide range of generators and other engine-powered products for the residential, light commercial, industrial, and construction markets. Its products are fueled by natural gas, liquid propane, diesel, and Bi-Fuel. Acquired Ottomotores, 12/12; Tower Light, 8/13; Country Home Prod., 8/15; and Pramac Group, 3/16. Generac's products are sold through indep. dealers, retailers, wholesalers, and equipment rental cos. Has 9,540 employees. Chair., Pres., & CEO: Aaron Jadgfeld. Officers/directors own 4.3% of common stock; BlackRock, 14.2%; The Vanguard Group, 8.6% (4/22 proxy). Inc.: DE. Address: S45 W29290 Highway 59, Waukesha, WI 53189. Tel: (262) 544-4811. Internet: www.generac.com.

**Generac Holdings' stock, which did very poorly in 2022, has recovered to some degree in 2023.** Since peaking at about \$525 in late 2021, the value of the equity is still down by around 75%, despite having risen by 28%, year to date. **The company ended last year on a down note.** In the fourth quarter, sales fell 2%, while share earnings declined nearly 60%. A slump in the new housing market and a spike in expenses were mostly to blame for the disappointing performance. Cash flow rose, however. **Earnings ought to recover this year and improve further in 2024.** The soft housing industry will probably continue to act as a drag on demand from residential customers. Increased demand resulting from greater exploration activity in the energy industry could well offset much of this, though. All told, we think that the company's bottom line will recover 15%, to \$6.25 and climb another 30%, to \$8.15 in 2024. Investors should note that our profit estimates are assuming a normal level of power outages. Any major disruption in the country's distribution system would likely cause a large spike in demand for backup power generators. **Long-term prospects for Generac seem extremely bright.** Over the past decade, management aggressively pursued a strategy of expanding the company's reach in new industrial markets and geographically. The company was able to put up impressive metrics during this time. (See Annual Rates box on the left side of the page.) All of the maneuvering has been to position Generac to benefit from the vulnerable electric distribution systems in the United States and around the world. Despite setting aside funds to upgrade the outdated domestic system, it remains in questionable shape. Manmade and natural disasters, including cyber attacks, and a shortage of base load units could easily cause blackouts. Also, with the percentage of homes having standby power in the single digits, this market is untapped. **We believe that these shares offer compelling value for investors with a horizon out to 2026-2028.** Even though we have toned-down our earnings and sales projections to that time, the stock has outsized capital appreciation potential. *James A. Flood* *March 17, 2023*

(A) Diluted earnings. GAAP accounting. Next earnings report due mid-May. (B) In millions. (C) Includes intangibles. On 12/31/22: \$2,332 billion/\$37.68 a share. (D) Paid a special dividend of \$6.00 a share in June 2012, \$5.00 a share in June 2013. (E) 2014 numbers are pro forma. Company's Financial Strength B++ Stock's Price Stability 35 Price Growth Persistence 55 Earnings Predictability 60