

Generac Holdings Inc.

Latest outages don't resolve the challenges & HSB recovery unlikely; Underperform

Reiterate Rating: UNDERPERFORM | PO: 90.00 USD | Price: 150.60 USD

Shares have rallied but fundamentals haven't improved

Generac (GNRC) outperformed our cleantech coverage +37% in 2Q23 and the S&P 500 +8%, which we attribute in part to perception of increased outage activity. The media has extensively covered Texas tight grid conditions and there have been outages across several states. GNRC management vocally flags its confidence in the category and the strength of demand indicators. Sales leads and in home consultations (IHCs) are a proxy for interest/demand and do not equate to revenue. Our latest conversations confirm that close rates remain below pre-COVID levels and are likely to stay suppressed into 2024, which challenges home standby (HSB) recovery. We reiterate our Underperform rating.

Outages within historical ranges, despite headlines

Although we have observed an increase in mentions of power outages, the outage data is milder than perception suggests. The most recent peak in outages is well below Winter Storm Uri and severe hurricanes (i.e. needle moving demand events), and our conversations with mgmt. corroborate our thesis. We expect some increase in IHCs because of latest activity, but given sales cycle times, GNRC is unlikely to recognize any incremental revenue until 4Q23. HSB channel challenges remain front and center.

Can't underwrite HSB recovery, risk of disappointment

We reiterate our below Street expectations for FY23-24 revenue, EBITDA, and earnings. While HSB channel inventory is readily available, we argue dealers will likely shift towards just in time inventory management, and there is risk to mgmt.'s contemplated "baseline demand." With still strained fundamentals and steep execution risk ahead, we see further downside to consensus estimates and risk of a guidance cut.

Estimate changes and MtM move PO to \$90

We maintain our valuation methodology and use a 50/50 blended EV/EBITDA / DCF valuation. For our multiples-based approach, we apply a blended 12x multiple to '24E EBITDA vs. 11x prior. We maintain our DCF assumptions, but after our estimate changes, our PO moves to \$90/sh (vs. \$95/sh prior). We remain cautious on GNRC's outlook that necessitates meaningful execution, and we argue the risk reward skews negatively against an unwarranted rally in shares and no fundamental changes.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	9.64	7.77	4.01	6.11	7.73
GAAP EPS	8.57	5.41	1.68	3.77	5.39
EPS Change (YoY)	38.3%	-19.4%	-48.4%	52.4%	26.5%
Consensus EPS (Bloomberg)			6.15	8.21	9.35
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	15.6x	19.4x	37.6x	24.6x	19.5x
GAAP P/E	17.6x	27.8x	89.6x	39.9x	27.9x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	11.2x	10.0x	20.6x	14.7x	12.3x
Free Cash Flow Yield*	3.1%	-0.3%	2.9%	0.9%	1.0%

* For full definitions of *IQmethod*SM measures, see page 15.

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05 July 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	95.00	90.00
2023E Rev (m)	3,557.3	3,468.0
2024E Rev (m)	4,074.9	3,816.2
2025E Rev (m)	NA	4,319.6
2023E EPS	4.17	4.01
2024E EPS	7.27	6.11
2025E EPS	NA	7.73

Julien Dumoulin-Smith

Research Analyst
BofA
+1 646 855 5855
julien.dumoulin-smith@bofa.com

Morgan Reid

Research Analyst
BofA
+1 646 855 4329
morgan.reid@bofa.com

Alex Vrabel

Research Analyst
BofA
+1 713 247 7751
alexander.vrabel@bofa.com

Paul Zimbardo

Research Analyst
BofA
+1 646 855 1470
paul.zimbardo@bofa.com

Stock Data

Price	150.60 USD
Price Objective	90.00 USD
Date Established	3-Jul-2023
Investment Opinion	C-3-9
52-Week Range	86.29 USD - 282.62 USD
Mrkt Val (mn) / Shares Out (mn)	9,712 USD / 64.5
Average Daily Value (mn)	182.04 USD
BofA Ticker / Exchange	GNRC / NYS
Bloomberg / Reuters	GNRC US / GNRC.N
ROE (2023E)	11.1%
Net Dbt to Eqty (Dec-2022A)	54.8%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

HSB = Home Standby Generator
C&I = Commercial & Industrial
MtM = Mark to Market

iQprofileSM Generac Holdings Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	21.4%	18.3%	5.9%	10.2%	13.4%
Return on Equity	34.4%	22.7%	11.1%	16.8%	21.3%
Operating Margin	19.9%	16.2%	8.4%	12.1%	13.8%
Free Cash Flow	301	(28)	283	88	95

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.7x	0.1x	1.5x	0.4x	0.4x
Asset Replacement Ratio	1.2x	0.5x	0.5x	0.4x	0.4x
Tax Rate	19.7%	24.6%	51.1%	33.5%	30.5%
Net Debt-to-Equity Ratio	36.6%	54.8%	42.8%	39.1%	35.1%
Interest Cover	24.1x	15.2x	3.2x	5.1x	6.6x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	3,737	4,562	3,468	3,816	4,320
% Change	50.4%	22.1%	-24.0%	10.0%	13.2%
Gross Profit	1,360	1,520	1,107	1,236	1,441
% Change	42.0%	11.7%	-27.2%	11.7%	16.5%
EBITDA	885	994	483	678	811
% Change	49.3%	12.3%	-51.4%	40.2%	19.7%
Net Interest & Other Income	(32)	(54)	(90)	(90)	(90)
Net Income (Adjusted)	619	508	250	381	482
% Change	39.4%	-18.0%	-50.8%	52.4%	26.5%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont. Operations (GAAP)	557	409	0	0	0
Depreciation & Amortization	92	159	175	216	216
Change in Working Capital	(259)	(465)	197	(2)	0
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	21	(44)	(9)	(46)	(41)
Capital Expenditure	(110)	(86)	(80)	(80)	(80)
Free Cash Flow	301	-28	283	88	95
% Change	-29.0%	NM	NM	-69.1%	8.4%

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	147	133	316	229	149
Trade Receivables	546	522	523	575	575
Other Current Assets	1,155	1,527	1,157	1,147	1,147
Property, Plant & Equipment	441	468	483	493	498
Other Non-Current Assets	2,588	2,520	2,419	2,319	2,219
Total Assets	4,878	5,169	4,897	4,762	4,587
Short-Term Debt	78	62	62	62	62
Other Current Liabilities	1,078	930	815	855	855
Long-Term Debt	902	1,369	1,269	1,094	919
Other Non-Current Liabilities	548	439	381	382	382
Total Liabilities	2,606	2,800	2,527	2,392	2,217
Total Equity	2,272	2,370	2,370	2,370	2,370
Total Equity & Liabilities	4,878	5,169	4,897	4,762	4,587

* For full definitions of iQmethodSM measures, see page 15.

Company Sector

Industrial Machinery

Company Description

Generac is a leading designer and manufacturer of a broad class of standby and portable generators. The company holds an estimated 80% market share in North American residential standby generator market. Generac has also recently invested in a backup solar energy storage business that is growing rapidly, while also maintaining a large commercial and industrial business that accounts for about 40% of sales.

Investment Rationale

We rate Generac (GNRC) as Underperform. Generac has a leading market share in the US residential home standby generator business but we see a more challenged backdrop ahead. The company is working through inventory headwinds and seeks to relaunch its clean energy strategy. The exposure to consumer discretionary and cyclical patterns is underappreciated and visibility into growth/recovery has dimmed. As a result, we see a more cautious skew for shares ahead.

Stock Data

Average Daily Volume 1,201,775

Quarterly Earnings Estimates

	2022	2023
Q1	2.16A	0.61E
Q2	2.82A	0.86E
Q3	1.31A	1.17E
Q4	1.52A	1.37E

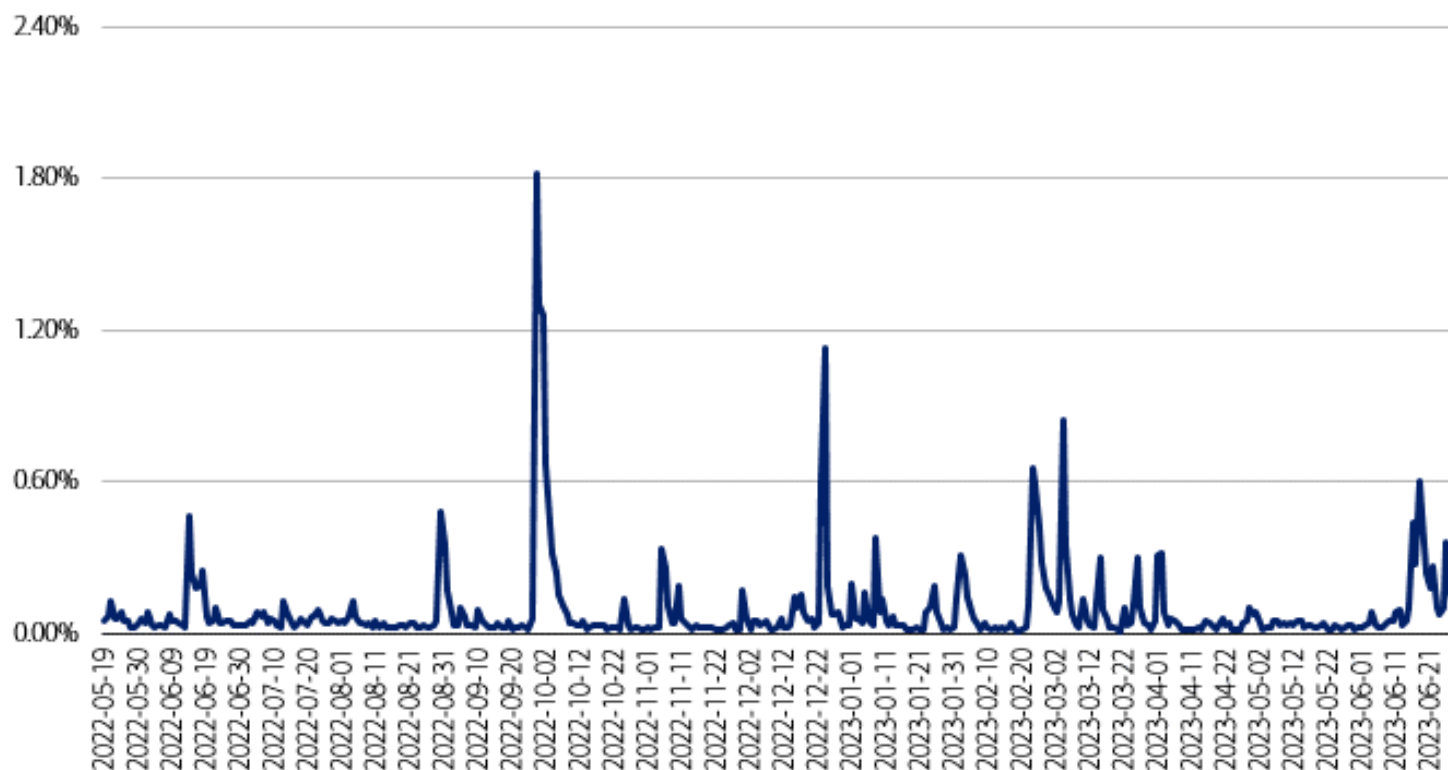
Outages driving an unwarranted rebound

Through 2Q23, GNRC shares ended up +37% vs. iShares Global Clean Energy (ICLN) -7%, SPDR S&P 500 (SPY) +8%, and ARK Innovation ETF (ARKK) ETFs +12%. There was clear outperformance versus our cleantech coverage, other COVID beneficiaries, and the broader market. In part, we argue this strength is linked to better-than-expected homebuilding data points, despite new homes only representing 15% of GNRC's residential home standby (HSB) sales. Most critically, however, management has been vocal about the healthy demand environment for GNRC's backup generators, following outages across the country. We argue these public appearances and sustained confidence in the category have been the more significant driver of shares and recovered sentiment.

After digging into the latest outage data, however, we argue the latest events are milder than present perception when contextualized against historical averages. Per the outage data reported by Generac, the latest outage activity is not outside of expected power outages. From our utility & power coverage, this is also consistent with our data reviews and utility management conversations. Our latest conversations with Generac management are supportive of our interpretation of the data; mgmt. noted that although recent outages have been broad-based and observed across many states, these outages are still less significant than hurricanes or Winter Storm Uri, for example.

Exhibit 1: National Outage Data per Generac

Our scrapes of the national outage data reported on GNRC's website do not indicate an outsized increase in outage activity.



Source: BofA Global Research estimates, Generac

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We scrape the same outage data and compare the average outage percentage and total outages by state in 1H23 vs. 2H22. We recognize there is a clear seasonality by region and state. The average column represents the average of the percent of consumers who experienced an outage for the period. The sum column represents the outages normalized by the customers in the state, which are totaled for the period; this highlights the outlier events in each state where outage activity significantly increased but will not be captured in the averages. In the third column, we subtract the 1H23 values from 2H22, and we sort the data by the states with the largest increase in



outages period over period. The outage data is consistent with the news coverage and mgmt. comments we have encountered, where states like OK, AK, MS, KY, LA, MI, TX, and CA have all been identified for recent power outages. On an absolute basis, however, there is a modest decrease in outage activity period over period.

Exhibit 2: 1H23 vs. 2H22 Power Outages by US State

We compare power outages per customer by state in 1H23 vs. 2H22. We take an average of the % of customers, who experienced an outage in the period. We also normalize outages per state by the customers in the state, and we sum those affected by outages in the period to display the states with heavy outage activity over the period that will not be captured in the average. In the third column, subtract 1H23 values from 2H22, and we sort by the greatest increase in outage activity.

State	1H23		2H22		Period over Period Change (2H22 - 1H23)	
	Average	Sum	Average	Sum	Average	Sum
Oklahoma	0.33%	60.28	0.03%	5.51	-0.30%	-54.77
Arkansas	0.34%	61.65	0.06%	9.88	-0.29%	-51.77
Mississippi	0.27%	48.85	0.07%	11.72	-0.21%	-37.14
Kentucky	0.28%	49.82	0.07%	13.36	-0.20%	-36.46
Louisiana	0.24%	42.31	0.07%	12.57	-0.16%	-29.74
Michigan	0.42%	75.15	0.26%	47.28	-0.15%	-27.88
Texas	0.15%	27.54	0.04%	7.24	-0.11%	-20.30
California	0.14%	24.39	0.05%	9.11	-0.08%	-15.28
Tennessee	0.17%	30.86	0.12%	21.00	-0.05%	-9.86
Alabama	0.08%	14.50	0.05%	8.31	-0.03%	-6.20
Ohio	0.08%	13.91	0.04%	7.76	-0.03%	-6.16
West Virginia	0.18%	31.59	0.14%	25.77	-0.03%	-5.81
Indiana	0.08%	14.54	0.05%	9.07	-0.03%	-5.47
Illinois	0.04%	8.00	0.02%	2.87	-0.03%	-5.13
Nevada	0.05%	8.11	0.02%	3.15	-0.03%	-4.95
Pennsylvania	0.05%	9.33	0.03%	5.68	-0.02%	-3.65
New Hampshire	0.19%	34.70	0.18%	32.06	-0.01%	-2.65
Hawaii	0.04%	7.88	0.03%	5.86	-0.01%	-2.02
Missouri	0.03%	6.26	0.02%	4.47	-0.01%	-1.79
New Mexico	0.04%	7.19	0.03%	5.47	-0.01%	-1.72
Georgia	0.05%	8.33	0.04%	6.95	-0.01%	-1.39
District of Columbia	0.02%	4.47	0.02%	3.25	-0.01%	-1.22
Massachusetts	0.03%	6.17	0.03%	5.32	0.00%	-0.85
Wisconsin	0.06%	11.66	0.06%	10.78	0.00%	-0.88
Nebraska	0.01%	2.44	0.01%	1.72	0.00%	-0.72
Iowa	0.02%	4.05	0.02%	3.40	0.00%	-0.65
Minnesota	0.04%	7.26	0.04%	7.18	0.00%	-0.07
Delaware	0.02%	3.45	0.02%	3.56	0.00%	0.11
Colorado	0.02%	2.71	0.02%	3.19	0.00%	0.48
Kansas	0.02%	3.74	0.02%	4.21	0.00%	0.48
New Jersey	0.02%	3.39	0.02%	4.06	0.00%	0.67
New York	0.03%	5.05	0.03%	5.81	0.00%	0.76
Rhode Island	0.01%	2.70	0.02%	3.49	0.00%	0.79
Arizona	0.02%	4.18	0.04%	6.53	0.01%	2.34
Utah	0.03%	4.71	0.04%	7.23	0.01%	2.52
Montana	0.01%	1.10	0.02%	4.04	0.02%	2.94
North Dakota	0.01%	2.68	0.03%	5.91	0.02%	3.23
Wyoming	0.01%	2.67	0.04%	6.31	0.02%	3.64
Idaho	0.01%	2.44	0.05%	8.47	0.03%	6.03
Virginia	0.04%	6.87	0.07%	13.15	0.04%	6.28
South Dakota	0.02%	3.09	0.05%	9.70	0.04%	6.61
South Carolina	0.03%	4.70	0.06%	11.36	0.04%	6.66
Connecticut	0.01%	2.23	0.06%	10.84	0.05%	8.60
Maryland	0.02%	3.11	0.07%	12.57	0.05%	9.46
Oregon	0.03%	4.84	0.11%	19.75	0.08%	14.91
Vermont	0.14%	25.41	0.24%	43.08	0.10%	17.67
North Carolina	0.03%	5.12	0.14%	24.97	0.11%	19.86
Washington	0.03%	4.55	0.15%	25.97	0.12%	21.43
Alaska	0.01%	2.66	0.20%	35.47	0.18%	32.81
Maine	0.18%	32.96	0.45%	80.53	0.27%	47.56
Florida	0.02%	3.98	0.49%	87.56	0.47%	83.58
Total	0.09%	16.73%	0.09%	16.81%	0.00%	0.08%

Source: BofA Global Research, Generac

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These outages are likely to drive some increase in in home consultations (IHCs), which are a proxy for demand, but we do not expect latest outages will materialize in 2Q23 results. Since much of the outage activity was in the second half of June, we expect any revenue benefit would be realized in 3Q23 and most likely 4Q23, given traditional sales cycle for HSB units. However, our conversations with mgmt. suggest that the latest outage activity does not change the HSB channel inventory dynamic. Mgmt. continues to look for a 2H23 recovery in HSB sales, but that hinges upon a return to “normal” ordering activity from dealers. We expect that the new normal ordering activity is below pre-COVID levels, given the availability of HSB units at distributors and the increased capacity from GNRC.

IHCs are not revenue, and we remain below consensus

Although GNRC saw significantly higher IHC levels than usual in 1Q23 and has continued to see robust demand indicators through 2Q23, we argue this is not the most relevant data point. Most often, GNRC’s demand indicators are sales leads and IHCs, neither of which represent closed sales or revenues. In our latest conversations, mgmt. confirmed that close rates remain below pre-pandemic levels, and it does not expect to return to normalized close rates in 2023 (i.e. 2024+). After years of more extreme weather events, we argue that consumer awareness of the category is already quite high and the more uncertain macroeconomic backdrop will be the larger driver of close rates.

Latest channel checks do not instill confidence

Despite management maintaining guidance for a reversal of its channel inventory congestion in 2H23, we remain cautious that we will see a sufficient recovery in HSB sales to meet FY23 revenue guidance. After three years of difficult supply chain challenges (of all sorts), we argue dealers are reassessing their ordering habits, and the current backdrop is encouraging of just in time inventory management vs. legacy practice of holding HSB units in inventory. This reevaluation is unsupportive of a recovery in HSB demand, and we argue the “new normal” baseline demand level skews to the downside.

Supply chain challenges may be the tides of change

GNRC’s HSB business was at the center of the supply chain difficulties of the last three years. During COVID, GNRC’s lead times significantly increased to above six months with a backlog value north of \$1 bn. Some version of these extensive lead times persisted for 8-10 quarters. Since 2H22, however, lead times have normalized against GNRC addressing its HSB backlog, and today, HSB units are largely readily available.

Our conversations with dealers, corroborated by management, indicate that HSB units have minimal to no lead times. Dealers can comfortably shift to just in time inventory management, only ordering HSB units as orders come in, vs. the historical practice of holding inventory. This is in sharp contrast to the ordering practices of the last several quarters, where protracted lead times incentivized dealers to consistently place HSB orders to ensure ample availability and offer a steady stream of supply to meet demand, despite the long lead times.

In fact, some dealers are noting that distributors are flush with inventory and are selling units at prices that are only minimally above GNRC’s pricing. We argue distributors selling inventory at similar price points to GNRC can be interpreted two ways: 1) distributors are capturing their target margins and are selling long-dated HSB inventory that was procured at a lower price point (i.e. procured ahead of latest price hikes and backlog repricing), or 2) distributors want to clear their inventory and are willing to do so near cost or with minimal margin. In our view, both explanations of this distributor dynamic are cautious and do not instill confidence in a return to robust HSB orders at the dealer level.

The combination of comfortably available inventory and the current macroeconomic environment (elevated interest rates, working capital strain, slowing consumer demand,



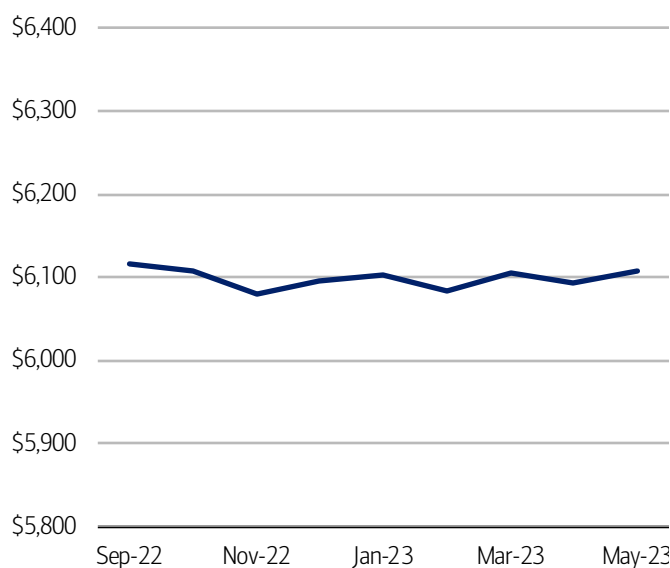
etc.) offers little motivation to order HSB units in advance. If anything, we argue these pressures incentivize dealers to alter their inventory management practices, lowering the level of HSB inventory carried and shifting ordering practices to resemble more closely just in time inventory management. Together, we argue GNRC is at risk for core demand resetting below Street expectations, which risks the 2H23 recovery embedded in guidance and conflicts with mgmt.'s communications with the Street.

Pricing scrapes remain supportive, however

Despite our concerns around baseline HSB demand, we note that the latest pricing scrapes remain supportive. It seems pricing is holding across retail channels. Admittedly, this is a positive data point, but we highlight that GNRC often issues promotions in the form of extended warranties, free operations and maintenance, etc., which do not show up in unit pricing.

Exhibit 3: Generator Pricing for the Category

We scrape generator pricing from retail platforms using the “generator” key word. Despite our concern around category resilience, it seems pricing has remained stable in recent months.

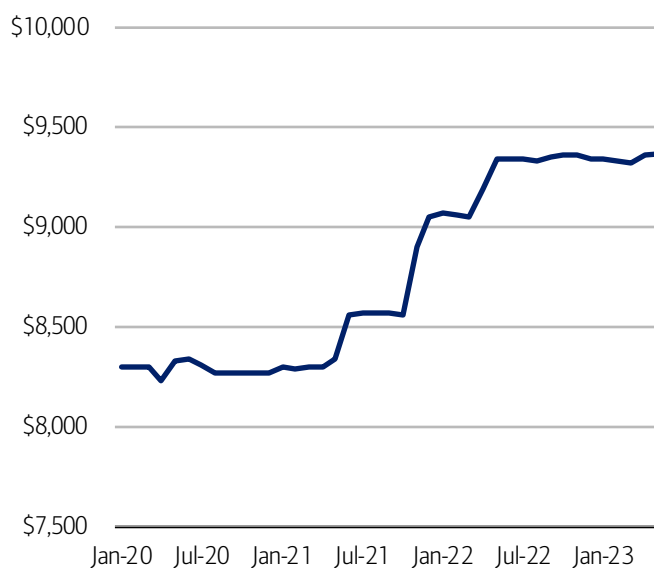


Source: BofA Global Research

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Exhibit 4: Generac Generator Pricing

We scrape generator pricing from retail platforms using the “Generac” key word. It seems GNRC has been able to retain the price increases it passed throughout 2022, despite our concerns about end consumer health.



Source: BofA Global Research

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CEO sales are modest & consistent but remain a pattern

Generac CEO Aaron Jagdfeld owns approximately \$92Mn of Generac shares and has been steadily selling, most recently via a 10b5-1(c) plan adopted 11/14/2022. The recent pattern has been 5,000 share sales at the start of the month. This pattern has continued since late 2019 despite the significant increase in the stock price during 2020-2021. On July 3rd, the CEO registered 20,000 restricted stock vesting for sale. Per Bloomberg, Jagdfeld has not made any open market purchases with the data available.

The significant shareholding (top twenty shareholder) and programmatic approach despite share volatility means to us that share sales are not a signaling event; however, we will closely monitor for changes in the future.

Exhibit 5: Aaron Jagdfeld Generac CEO All Open Market Buy/Sells

CEO Aaron Jagdfeld has a pattern of periodic share sales.



Source: Bloomberg

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Estimate changes: further downward revisions

We tweak our below Street estimates, still reflecting our lack of confidence in HSB recovery and the negative impact of a margin-dilutive mix shift. Sustained and worsening residential weakness weighs on gross and EBITDA margins and dampens earnings power. We continue to point to what we believe is a nonzero percent chance that GNRC eventually moderates its FY23 guidance still.

Since HSB is GNRC's richest gross margin, EBITDA, and FCF product, we think there is a tangible risk of a guidance cut and an underwhelming outlook. We argue risk of negative estimate revisions and a guidance cut skew the risk reward clearly to the downside in 2023 and 2024. We do not fully credit the 2H23 HSB recovery that mgmt. guides to, and this is the most significant contributor to the delta between our estimates and Street's. Note, we are well below consensus in 2Q23 and FY23 on revenue, GM, and EBITDA.

We reduce our expectations for Commercial and Industrial (C&I) in 2024, expecting more reasonable growth off of a weaker base in 2023. We continue to see C&I as the bright spot within the business and expect this to feature prominently at the September Analyst Day. The question remains just how far strategically mgmt. will jump into this end-market – we continue to receive positive feedback on 'peer' installations via Enchanted Rock. Watch for global permutations from mgmt. on C&I offerings.

2H inflection in consensus gross margins remains exceptionally cautious to us considering the modest feedback we've seen of late.



Exhibit 6: GNRC Key Metrics: BofA vs. Consensus

We highlight key metrics across GNRC's financial statements and compare them to consensus numbers... Fall Analyst Day offers moment to rebase and reset what appears to us as quite stale guide on '24.

	1Q22	2Q22	3Q22	4Q22	FY2022	1Q23	2Q23	3Q23	4Q23	FY2023	FY2024	FY2025
Key Metrics												
Income Statement, \$ mn												
Total Revenue	\$1,135.9	\$1,291.4	\$1,088.3	\$1,049.2	\$4,564.7	\$887.9	\$823.5	\$861.0	\$895.6	\$3,468.0	\$3,816.2	\$4,319.6
Residential	\$776.9	\$896.0	\$664.1	\$574.8	\$2,911.9	\$418.9	\$389.2	\$420.9	\$449.9	\$1,678.9	\$1,885.6	\$2,149.7
HSB	\$604.0	\$755.4	\$524.0	\$423.2	\$2,306.7	\$283.4	\$256.6	\$280.6	\$296.0	\$1,116.6	\$1,234.6	\$1,431.8
Clean Energy	\$83.4	\$88.6	\$67.9	\$64.2	\$304.2	\$71.6	\$67.8	\$71.4	\$79.2	\$289.9	\$373.9	\$436.5
C&I	\$278.7	\$309.3	\$311.2	\$361.5	\$1,260.7	\$363.0	\$329.3	\$324.9	\$330.4	\$1,347.6	\$1,476.0	\$1,697.0
Other	\$80.2	\$86.0	\$113.0	\$113.0	\$392.1	\$106.1	\$105.0	\$115.2	\$115.2	\$441.4	\$454.7	\$472.9
Prior Estimates												
Total Revenue	\$1,135.9	\$1,291.4	\$1,088.3	\$1,049.2	\$4,564.7	\$887.9	\$831.3	\$887.1	\$951.0	\$3,557.3	\$4,074.9	\$4,559.7
Residential	\$776.9	\$896.0	\$664.1	\$574.8	\$2,911.9	\$418.9	\$397.8	\$432.5	\$467.6	\$1,716.8	\$2,034.4	\$2,265.2
HSB	\$604.0	\$755.4	\$524.0	\$423.2	\$2,306.7	\$283.4	\$266.5	\$290.2	\$305.9	\$1,146.0	\$1,381.0	\$1,544.7
Clean Energy	\$83.4	\$88.6	\$67.9	\$64.2	\$304.2	\$71.6	\$69.8	\$73.4	\$81.2	\$295.9	\$373.9	\$436.5
C&I	\$278.7	\$309.3	\$311.2	\$361.5	\$1,260.7	\$363.0	\$334.6	\$333.7	\$362.5	\$1,393.8	\$1,580.3	\$1,816.0
Other	\$80.2	\$86.0	\$113.0	\$113.0	\$392.1	\$106.1	\$98.9	\$120.9	\$120.9	\$446.7	\$460.1	\$478.5
Revenue Growth Y/Y, %												
Total Revenue	40.7%	40.4%	15.4%	-1.7%	22.1%	-21.8%	-36.2%	-20.9%	-14.6%	-24.0%	329.8%	424.6%
Residential	43.3%	49.3%	9.1%	-18.6%	18.5%	-46.1%	-56.6%	-36.6%	-21.7%	-42.3%	350.2%	452.3%
C&I	37.7%	21.6%	20.5%	27.3%	26.2%	30.2%	6.5%	4.4%	-8.6%	6.9%	306.6%	415.3%
Other	27.5%	31.0%	49.5%	46.2%	39.3%	32.3%	22.0%	2.0%	2.0%	12.6%	328.7%	350.5%
Consensus Revenue												
Total Revenue	\$1,135.9	\$1,291.4	\$1,088.3	\$1,049.2	\$4,564.7	\$887.9	\$970.6	\$1,100.6	\$1,142.9	\$4,102.1	\$4,529.3	\$4,848.2
Residential	\$776.9	\$896.0	\$664.1	\$581.8	\$2,918.9	\$424.8	\$525.3	\$643.2	\$658.6	\$2,252.2	\$2,538.4	\$2,702.2
C&I	\$278.7	\$309.3	\$311.2	\$356.6	\$1,255.8	\$359.2	\$341.6	\$332.3	\$356.9	\$1,389.6	\$1,478.7	\$1,599.7
Other	\$80.2	\$86.0	\$113.0	\$113.0	\$392.1	\$104.9	\$103.8	\$119.7	\$122.4	\$450.8	\$491.5	\$504.0
Guidance												
					+36-40% y/y; \$5.1 - \$5.2 bn implied; cut to 22-24% pre- 3Q22; \$4.4 - \$4.6 bn implied					-6 - -10%, includes 1% favorable impact from acquisitions & FX; 44% ras in 1H & 56% of ras in 2H	+13-15% CAGR off '21 *issued before Ecobee; Ecobee to grow at 3x full business; implied \$5.3 - \$6.3 bn	
Total Revenue										Resi return to y/y growth in 2H23; high-teens declines y/y Mid to high single digit y/y growth in C&I	+11-13% CAGR off '21 *issued before Ecobee	
Residential												
C&I											+18-20% CAGR off '21	
Total Revenue	\$1,135.9	\$1,291.4	\$1,088.3	\$1,049.2	\$4,564.7	\$887.9	\$823.5	\$861.0	\$895.6	\$3,468.0	\$3,816.2	\$4,319.6
Domestic	\$964.7	\$1,107.4	\$931.1	\$864.6	\$3,867.9	\$704.4	\$632.2	\$683.0	\$703.6	\$2,723.1	\$3,049.0	\$3,529.4
International	\$171.2	\$184.0	\$157.1	\$184.6	\$696.9	\$183.5	\$191.3	\$178.0	\$192.0	\$744.9	\$767.2	\$790.2
Consensus Revenue												
Domestic	\$964.7	\$1,107.4	\$931.1	\$864.0	\$3,856.8	\$707.0	\$776.2	\$908.4	\$939.5	\$3,331.3	\$3,665.6	\$3,871.2
International	\$171.1	\$184.0	\$157.1	\$188.6	\$716.5	\$187.8	\$194.4	\$192.7	\$206.2	\$781.5	\$890.6	\$960.4
Gross Profit, \$ mn	\$360.7	\$457.0	\$361.1	\$343.2	\$1,522.0	\$272.5	\$257.0	\$277.6	\$299.8	\$1,106.9	\$1,236.3	\$1,440.6
Gross Margin, %	31.8%	35.4%	33.2%	32.7%	33.3%	30.7%	31.2%	32.2%	33.5%	31.9%	32.4%	33.4%
Prior Estimates												
Gross Profit, \$ mn	\$360.7	\$457.0	\$361.1	\$343.2	\$1,522.0	\$272.5	\$257.4	\$285.5	\$317.0	\$1,132.4	\$1,327.9	\$1,523.5
Gross Margin, %	31.8%	35.4%	33.2%	32.7%	33.3%	30.7%	31.0%	32.2%	33.3%	31.8%	32.6%	33.4%
Consensus Gross Profit, \$ mn	\$360.7	\$457.0	\$361.1	\$343.2	\$1,522.0	\$272.5	\$314.8	\$389.2	\$421.2	\$1,397.7	\$1,603.8	\$1,722.8
Consensus Gross Margin, % (Implied)	31.8%	35.4%	33.2%	32.7%	33.3%	30.7%	32.4%	35.4%	36.9%	34.1%	35.4%	35.5%

Exhibit 6: GNRC Key Metrics: BofA vs. Consensus

We highlight key metrics across GNRC's financial statements and compare them to consensus numbers... Fall Analyst Day offers moment to rebase and reset what appears to us as quite stale guide on '24.

	1Q22	2Q22	3Q22	4Q22	FY2022	1Q23	2Q23	3Q23	4Q23	FY2023	FY2024	FY2025
Net Income (GAAP), \$ mn	\$113.9	\$156.4	\$58.3	\$71.0	\$399.5	\$12.4	\$28.3	\$47.6	\$60.6	\$149.0	\$280.8	\$381.6
Net Income Margin, %	10.0%	12.1%	5.4%	6.8%	8.8%	1.4%	3.4%	5.5%	6.8%	4.3%	7.4%	8.8%
EPS Diluted (GAAP), \$	\$1.57	\$2.21	\$0.83	\$0.83	\$5.41	\$0.05	\$0.27	\$0.59	\$0.77	\$1.68	\$3.77	\$5.39
Cash Net Income (Adj.), \$ mn	\$139.9	\$182.2	\$84.0	\$96.7	\$502.8	\$38.3	\$53.3	\$72.6	\$85.6	\$249.8	\$380.8	\$481.6
Cash Net Income Margin, %	10.3%	12.2%	5.6%	7.0%	9.0%	1.6%	3.4%	5.5%	6.8%	4.3%	7.4%	8.8%
Cash EPS Diluted (Adj.), \$	\$2.16	\$2.82	\$1.31	\$1.52	\$7.77	\$0.61	\$0.86	\$1.17	\$1.37	\$4.01	\$6.11	\$7.73
<i>Consensus Net Income (Adj.), \$ mn</i>	<i>\$113.9</i>	<i>\$156.4</i>	<i>\$58.3</i>	<i>\$71.4</i>	<i>\$400.2</i>	<i>\$12.5</i>	<i>\$49.8</i>	<i>\$99.7</i>	<i>\$119.2</i>	<i>\$281.1</i>	<i>\$417.0</i>	<i>\$502.4</i>
<i>Consensus EPS Diluted (Adj.), \$</i>	<i>\$1.74</i>	<i>\$2.41</i>	<i>\$0.91</i>	<i>\$1.10</i>	<i>\$6.16</i>	<i>\$0.19</i>	<i>\$0.78</i>	<i>\$1.57</i>	<i>\$1.89</i>	<i>\$4.43</i>	<i>\$6.67</i>	<i>\$7.95</i>
EBITDA, \$ mn	\$196.4	\$271.5	\$183.8	\$173.7	\$825.4	\$100.1	\$104.9	\$130.6	\$147.8	\$483.4	\$678.0	\$811.5
Domestic EBITDA, \$ mn	\$170.4	\$241.9	\$159.8	\$144.1	\$716.3	\$67.7	\$82.2	\$102.4	\$126.6	\$378.9	\$576.1	\$705.9
International EBITDA, \$ mn	\$26.0	\$29.5	\$24.0	\$29.5	\$109.1	\$32.4	\$22.8	\$28.2	\$21.2	\$104.5	\$101.9	\$105.6
EBITDA Margin, %	17.3%	21.0%	16.9%	16.6%	18.1%	11.3%	12.7%	15.2%	16.5%	13.9%	17.8%	18.8%
Domestic EBITDA Margin, %	17.7%	21.8%	17.2%	16.7%	18.5%	9.6%	13.0%	15.0%	18.0%	13.9%	18.9%	20.0%
International EBITDA Margin, %	15.2%	16.1%	15.3%	16.0%	15.7%	17.7%	11.9%	15.8%	11.0%	14.0%	13.3%	13.4%
Incremental EBITDA Margin, %	-5.4%	14.5%	-17.4%	261.7%	-4.4%	38.9%	35.6%	23.9%	16.8%	31.2%	55.9%	26.5%
<i>Prior Estimates</i>												
EBITDA, \$ mn	\$196.4	\$271.5	\$183.8	\$173.7	\$825.4	\$100.1	\$105.3	\$135.2	\$156.3	\$496.9	\$773.5	\$898.6
EBITDA Margin, %	17.3%	21.0%	16.9%	16.6%	18.1%	11.3%	12.7%	15.2%	16.4%	14.0%	19.0%	19.7%
<i>Consensus EBITDA, \$ mn</i>	<i>\$193.2</i>	<i>\$256.0</i>	<i>\$126.7</i>	<i>\$149.5</i>	<i>\$728.6</i>	<i>\$85.0</i>	<i>\$131.6</i>	<i>\$194.4</i>	<i>\$222.8</i>	<i>\$627.7</i>	<i>\$812.7</i>	<i>\$904.9</i>
<i>Consensus EBITDA Margin, % (Implied)</i>	<i>17.0%</i>	<i>19.8%</i>	<i>11.6%</i>	<i>14.2%</i>	<i>16.0%</i>	<i>9.6%</i>	<i>13.6%</i>	<i>17.7%</i>	<i>19.5%</i>	<i>15.3%</i>	<i>17.9%</i>	<i>18.7%</i>

Source: BofA Global Research estimates, Visible Alpha, Company reports

BofA GLOBAL RESEARCH

Valuation: Even with a favorable MtM, PO moves down to \$90/sh

Despite GNRC's maintained FY23 guidance, GNRC's outlook remains uncertain. We maintain our valuation methodology at 50 / 50 weighted EV/EBITDA / DCF. Since GNRC's business composition is increasingly a commercial and industrial (C&I) play, we argue the business should be valued using consumer industrial and commercial industrial comparables. While the outlook for GNRC's largest revenue contributor and highest margin product (HSB) is weak and Clean Energy is delayed, GNRC's fundamental inflection looks muted, in our view.

Despite mgmt.'s insistence that its HSB category is intact, we highlight the deteriorating macro backdrop and unfavorable channel inventory dynamics, which continue to support our pessimistic outlook. With still strained fundamentals and steep execution risk ahead, we see further downside to consensus estimates and risk of continued multiple compression. Together, we argue the risk of a guidance cut and downward estimate revisions negatively skews the risk reward.

On net, our PO moves to \$90/sh from \$95/sh. Guidance from mgmt. embeds sizable turnaround throughout 2023, which we argue looks increasingly unlikely, and without quantitative signs of execution, we are unwilling to credit the recovery. Together, we see chance of a guidance cut, and we flag risk of disappointment to consensus estimates. Reiterate Underperform. Continue to watch headlines into Atlantic storm season and ahead of Analyst Day, both of which may serve as positive catalysts.

We appreciate the positive re-rating of late is tied to perceptions of accelerating estimates on top of an already robust consensus recovery in 2H. We expect shares to prove exceptionally volatile in coming weeks into and subsequent to its 2Q results but especially into its late-September Analyst Day.

Exhibit 7: GNRC Blended Growth/Value Based Valuation: expect outsized vol ahead

Our PO moves to \$90/sh, reflecting a 50 / 50 weighting for our EV/EBITDA and DCF methodologies

GNRC Valuation

	<u>Value/Sh</u>	<u>Weight</u>	<u>Weighted Value</u>
EV/EBITDA	\$114.00	50%	\$57.00
DCF	\$66.00	50%	\$33.00
GNRC Value/Share			\$90.00
Share Price (As of 07/03/23)			\$150.40
Premium (Discount) to Share Price			(40.2%)
2023E Dividend Yield			0.0%
Total Expected Return			(40.2%)

Source: Company Filings, Bloomberg, & BofA Global Research

BofA GLOBAL RESEARCH

Valuation Method 1: EV/EBITDA

We maintain a 2024 anchored EV/EBITDA valuation. As GNRC's business experiences somewhat of a trough in 2023, we argue it is fairer to value on 2024, where earnings are cleaner (i.e. not muddled by the HSB air pocket and cleantech rebuild). The mark-to-market of this peer multiple is 12x on '24E EBITDA vs. 11x prior. We continue to use a blended comparable universe, which is comprised of commercial industrial businesses, as opposed to purely residential-facing brands. Therefore, we apply a revenue-weighted multiple to GNRC's C&I business (10x on '24E EBITDA) and the prior, residential industrial multiple to the rest of GNRC's business (13x on '24E EBITDA). We prefer this methodology over an arbitrary discount to cleantech or industrial peers, for example.

With a Clean Energy 'reboot' ahead, we believe many investors will be hesitant to underwrite significant growth. Although GNRC has historically offered attractive FCF and long term growth vs. industrials peers, we believe GNRC deserves to trade in line with a broader collection of industrials peers today (i.e. both residential and commercial

industrial businesses), while mgmt. resets fundamentals and with hefty execution ahead. Ultimately, our blended 12x EV/EBITDA method implies \$114.

Exhibit 8: GNRC EV/EBITDA Valuation

We apply a revenue-weighted EV/EBITDA multiple to GNRC's C&I business and apply another residential industrial multiple to the remaining portion of the business, resulting in \$114/sh

Generac Financials

	2023	2024
Revenues	\$3,468	\$3,816
Est. Residential & Other Business	\$1,830	\$1,966
Est. Clean Energy Business	\$290	\$374
Est. C&I Business	\$1,348	\$1,476
Gross Margin	\$1,107	\$1,236

Generac Sum of the Parts

2023 - Illustrative

	EBITDA	EV/EBITDA	Prem/(Disc)	EV	EV per Share
Estimated Run-Rate Residential (HSB, Other)	\$255	14.5x	0.0x	\$3,700	\$59
Estimated Run-Rate Clean Energy	\$40	14.5x	0.0x	\$586	\$9
Estimated Run-Rate C&I Mix	\$188	10.5x	0.0x	\$1,973	\$32
EBITDA	\$483	13.0x	0.0x	\$6,258	\$100
Implied (Discount) Premium to Industrial Peers		-10%			

Net Debt (Cash)	\$1,015
Equity Value	\$5,243
Shares Outstanding	62
Equity Value per Share - Illustrative	\$84

2024

2024	EBITDA	EV/EBITDA	Prem/(Disc)	EV	EV per Share
Estimated Run-Rate Residential (HSB, Other)	\$349	13.0x	0.0x	\$4,541	\$73
Estimated Run-Rate Clean Energy	\$66	13.0x	0.0x	\$863	\$14
Estimated Run-Rate C&I Mix	\$262	10.0x	0.0x	\$2,622	\$42
EBITDA	\$678	12.0x	0.0x	\$8,027	\$129
Net Debt (Cash)					\$927
Equity Value					\$7,100
Shares Outstanding					62
Equity Value per Share					\$114
Valuation (2024)					\$114
Potential Price Return					-24%
Dividend					-
Total Potential Return					-24%

Source: Company Filings, Bloomberg, & BofA Global Research estimates

BofA GLOBAL RESEARCH

Valuation Method 2: DCF

We apply a DCF to GNRC, which we use to value our other FCF generating cleantech names. Our DCF-based valuation assumes a 4.0% risk free rate (consistent with valuation assumptions across our renewables coverage). We maintain an equity risk premium of 6.25%. Together, we apply a 12.5% discount rate.

We maintain our terminal multiple at 9x, which is at a healthy discount to premium cleantech peers Enphase Energy (ENPH, 20x) and SolarEdge (SEDG, 17x). We think this terminal multiple reflects the compression in multiples across cleantech and the broader market, given recessionary pressures. In the near term, GNRC's ongoing reset in clean energy segment warrants a discount. Post 1Q we are more intrigued by mgmt's reset and expanded offering in the cleantech side as well as continuing to expand its C&I offering with its September Analyst Day. Prior to this we reflect a terminal multiple at a significant discount to our cleantech coverage. Coupled with estimate changes, our DCF implies \$66/sh.



Exhibit 9: Generac DCF Valuation

Reduce our terminal multiple and maintain a 12.5% discount rate, which reflects elevated 10 yr treasuries and an increased equity risk premium, our DCF implies \$66/sh

GNRC - DCF Methodology	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
DCF - less Stock Based Compensation and Debt Amortization								
Free Cash Flows (\$ mn)	\$441	\$414	\$518	\$655	\$719	\$772	\$821	\$872
Less: Stock Based Compensation	\$37	\$40	\$43	\$47	\$50	\$54	\$59	\$63
Adjusted Free Cash Flows (\$ mn)	\$404	\$374	\$474	\$608	\$669	\$717	\$763	\$809
Free Cash Flows to Equity (\$ mn)	\$404	\$374	\$474	\$608	\$669	\$717	\$763	\$809
<i>Discount Rate - Cost of Equity</i>	12%	12%	12%	12%	12%	12%	12%	12%
<i>Discount Factor</i>	0.89	0.79	0.70	0.63	0.56	0.49	0.44	0.39
Discounted Free Cash Flows	\$359	\$296	\$334	\$380	\$372	\$354	\$335	\$316

DCF Value through '30 **\$2,747**
DCF Value through 2025 \$989

Terminal Value

Perpetuity Growth
Terminal Multiple 9.00
Discount Factor 0.39
Terminal Value \$7,278
Implied Exit Multiple off 2030 9.0x
Terminal FCF Yield 11.1%

PV of Terminal FCFE Value **\$2,844**

Net Cash **(\$1,472)**

Total FCFE **\$4,119**
DCF Value/Share **\$66.00**

Shares O/S (Fully Diluted) 62.294

Price as of close 07/03/2023 \$150.40

Total Potential Return **-56%**

Discount Rate **12.5%**

Source: Company Filings, Bloomberg, & BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Generac Holdings Inc. (GNRC)

Our PO of \$90/sh is based on a blended 50 / 50 EV/EBITDA / DCF valuation methodology. To account for growth, we use 12x 2024E EV/EBITDA, which implies a valuation of \$114/sh. Our target multiple is the average of industrial peers, and does not credit a premium for the developing clean energy business. Our DCF uses a 12.5% discount rate and a 9x terminal multiple, resulting in a valuation of \$66/sh.

Upside and downside risks to our Price Objective are changes in: 1) interest and discount rates, 2) supply chain efficiency and access, 3) margins, 4) home standby order intake, 5) cost of raw materials, 6) competition in the energy storage market, 7) a large accretive or dilutive clean energy acquisition, 8) regulatory, legislative, or tax policy, 9) power outages, 10) market share, 11) equity markets activity, and 12) macroeconomic conditions including householder formations.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	Array Technologies	ARRY	ARRY US	Julien Dumoulin-Smith
	Atlantica Sustainable Infrastructure	AY	AY US	Julien Dumoulin-Smith
	Atmos Energy Corporation	ATO	ATO US	Julien Dumoulin-Smith
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Alex Vrabel
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Dariusz Lozny, CFA
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	MDU Resources Group, Inc.	MDU	MDU US	Dariusz Lozny, CFA
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	PG&E Corporation	PCG	PCG US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	ReNew Power	RNW	RNW US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	TPI Composites	TPIC	TPIC US	Julien Dumoulin-Smith



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	AQN	AQN US	Dariusz Lozny, CFA
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Dariusz Lozny, CFA
	AltaGas	YALA	ALA CN	Dariusz Lozny, CFA
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Emera Inc	YEMA	EMA CN	Dariusz Lozny, CFA
	Entergy	ETR	ETR US	Paul Zimbardo
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	First Solar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	Fluence Energy	FLNC	FLNC US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	New Fortress Energy	NFE	NFE US	Cameron Lochridge
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	Northwest Natural Holdings	NWN	NWN US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Dariusz Lozny, CFA
	TransAlta Corporation	YTA	TA CN	Dariusz Lozny, CFA
	TransAlta Renewables Inc.	YRNW	RNW CN	Dariusz Lozny, CFA
UNDERPERFORM				
	Allete Inc	ALE	ALE US	Julien Dumoulin-Smith
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Paul Zimbardo
	Avista	AVA	AVA US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Paul Zimbardo
	Edison International	EIX	EIX US	Paul Zimbardo
	Enphase Energy	ENPH	ENPH US	Julien Dumoulin-Smith
	Evergy, Inc	EVRG	EVRG US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Paul Zimbardo
	EVgo Inc.	EVGO	EVGO US	Alex Vrabel
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Dariusz Lozny, CFA
	Fortis Inc	FTS	FTS US	Dariusz Lozny, CFA
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	MGE Energy	MGEE	MGEE US	Julien Dumoulin-Smith
	New Jersey Resources Corp	NJR	NJR US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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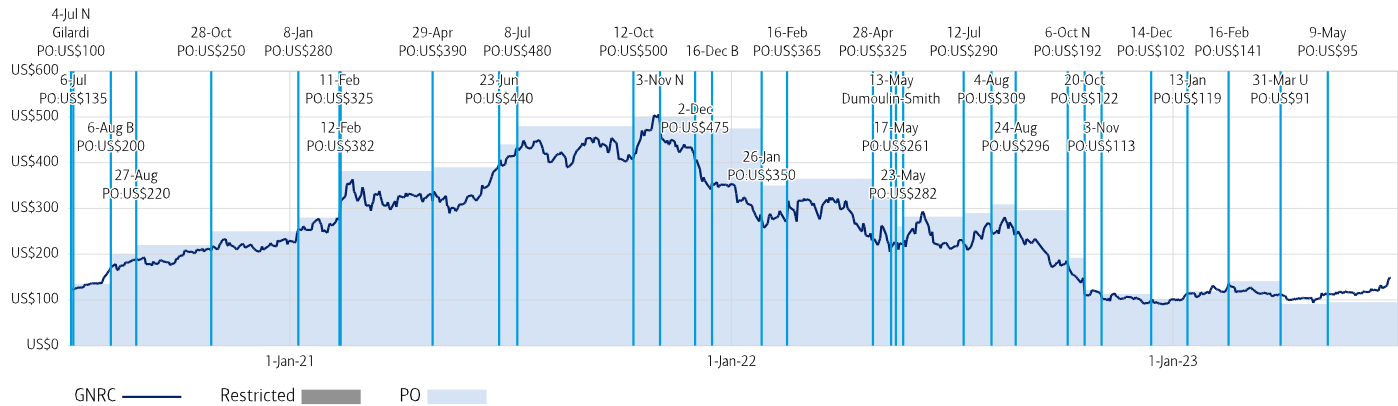
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Generac (GNRC) Price Chart



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Equity Investment Rating Distribution: Machinery/Diversified Manufacturing Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	31	46.97%	Buy	11	35.48%
Hold	18	27.27%	Hold	6	33.33%
Sell	17	25.76%	Sell	8	47.06%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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