

Generac Holdings Inc.

Yes, a tough '24 ramp but hope & opportunity clear: Stay Neutral

Reiterate Rating: NEUTRAL | PO: 130.00 USD | Price: 120.68 USD

HSB recovery underway – actually seeing the destock

We reiterate our Neutral rating on shares of Generac (GNRC) following the 4Q23 update. The outlook for home standby (HSB) generator shipments supports our previous expectations for a mid-teens recovery in '24, while soft commercial and industrial (C&I) end markets appear worse than feared. Coming into the quarter, we had lowered our forecast for C&I revenue in '24 from ~7% YoY growth to ~1% (see our preview here: [BofA: GNRC 4Q23 Preview](#)) given cautious commentary from mgmt on telecom and rental demand. Now, mgmt. expects this softness to carry in '24 and guided to a ~10% YoY decline in C&I revenue. Altogether, we lower our consolidated revenue forecast by ~2% for '24 to \$4.19Bn, representing 4.2% YoY growth vs guidance of 3-7%.

Margin progression through '24 the key debate ahead

Mgmt. expects a higher contribution from HSB and favorable price-cost dynamics to drive significant margin expansion in '24. Guidance for consolidated gross margins in '24 calls for expansion of ~300bps vs '23 levels. In terms of the intra-year progression, mgmt. expects gross margins to ramp from 34.0-34.5% in 1Q24 to ~38.0% in 2H24. EBITDA margins are expected to follow a similar cadence in '24, expanding from ~12.5% in 1Q24 to ~20% in 4Q24. On balance, we model margins at the low-end of mgmt's guidance. We see this as the single biggest question mark heading into '24 and expect investors to closely monitor progress in the coming quarters.

Long-term targets increasingly at risk as C&I slips early

We perceive Commercial & Industrial (C&I) weakness along with a significantly back-half weighted margin ramp as a risk to mgmt.'s long-term guidance outlined last fall at investor day. Our updated forecast calls for a consolidated revenue CAGR of ~9% through 2026, which compares to guidance of 12-14%. For C&I, our forecast calls for a 4.5% CAGR vs guidance of 10-12%. For margins, we struggle to get reach mgmt's '26 targets, and currently sit below the low-end of guidance by ~50bps for gross margins and ~100bps for EBITDA.

Tough to see pathway for outperformance: big '24 ramp

We view valuation levels implied by the current share price as appropriately reflecting the above dynamics. Our \$128 PO implies limited upside and is down from \$130. Estimate revisions and a roll-forward to 2024 drive the PO change.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.77	5.14	6.25	8.27	10.16
GAAP EPS	5.41	3.27	4.49	6.51	8.40
EPS Change (YoY)	-19.4%	-33.8%	21.6%	32.3%	22.9%
Consensus EPS (Bloomberg)			6.58	8.30	10.23
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	15.5x	23.5x	19.3x	14.6x	11.9x
GAAP P/E	22.3x	36.9x	26.9x	18.5x	14.4x
EV / EBITDA*	8.1x	12.6x	11.5x	9.4x	7.9x
Free Cash Flow Yield*	-0.4%	5.0%	4.6%	5.9%	7.4%

* For full definitions of *IQmethod*SM measures, see page 13.

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Timestamp: 16 February 2024 06:00AM EST

16 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	4,260.8	4,193.2
2025E Rev (m)	4,712.6	4,641.3
2026E Rev (m)	5,260.2	5,167.8
2024E EPS	6.56	6.25
2025E EPS	9.20	8.27
2026E EPS	11.68	10.16

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Stock Data

Price	120.68 USD
Price Objective	130.00 USD
Date Established	12-Feb-2024
Investment Opinion	C-2-9
52-Week Range	79.86 USD - 156.95 USD
Mrkt Val (mn) / Shares Out (mn)	7,782 USD / 64.5
Free Float	98.2%
Average Daily Value (mn)	125.11 USD
BofA Ticker / Exchange	GNRC / NYS
Bloomberg / Reuters	GNRC US / GNRC.N
ROE (2024E)	15.6%
Net Dbt to Eqty (Dec-2023A)	58.5%
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"](#).

iQprofileSM Generac Holdings Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	18.3%	7.9%	9.1%	11.8%	13.6%
Return on Equity	22.7%	13.9%	15.6%	19.9%	22.2%
Operating Margin	16.2%	9.6%	11.1%	13.5%	15.1%
Free Cash Flow	(28)	393	357	458	579

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.1x	1.6x	1.3x	1.1x	1.1x
Asset Replacement Ratio	0.5x	0.8x	0.7x	0.7x	0.7x
Tax Rate	24.6%	39.3%	34.7%	30.7%	29.2%
Net Debt-to-Equity Ratio	54.8%	58.5%	42.8%	41.8%	15.7%
Interest Cover	15.2x	3.9x	5.3x	7.2x	9.0x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	4,562	4,023	4,193	4,641	5,168
% Change	22.1%	-11.8%	4.2%	10.7%	11.3%
Gross Profit	1,520	1,365	1,542	1,724	1,913
% Change	11.7%	-10.2%	12.9%	11.8%	11.0%
EBITDA	994	638	694	856	1,009
% Change	12.3%	-35.8%	8.8%	23.3%	18.0%
Net Interest & Other Income	(54)	(93)	(87)	(87)	(87)
Net Income (Adjusted)	508	319	381	504	619
% Change	-18.0%	-37.2%	19.4%	32.3%	22.9%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	409	217	281	789	0
Depreciation & Amortization	159	171	170	170	170
Change in Working Capital	(465)	127	26	0	0
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(44)	6	0	(380)	529
Capital Expenditure	(86)	(129)	(121)	(121)	(121)
Free Cash Flow	-28	393	357	458	579
% Change	NM	NM	-9.2%	28.5%	26.2%
Share / Issue Repurchase	(346)	(252)	(75)	(425)	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	464	87	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	133	201	483	516	1,095
Trade Receivables	522	537	632	632	632
Other Current Assets	1,527	1,259	1,145	1,145	1,145
Property, Plant & Equipment	468	599	649	695	736
Other Non-Current Assets	2,520	2,497	2,397	2,297	2,197
Total Assets	5,169	5,093	5,306	5,285	5,804
Short-Term Debt	62	128	128	128	128
Other Current Liabilities	930	753	756	756	756
Long-Term Debt	1,369	1,448	1,448	1,448	1,448
Other Non-Current Liabilities	439	415	419	419	419
Total Liabilities	2,800	2,744	2,751	2,751	2,751
Total Equity	2,370	2,350	2,556	2,535	3,054
Total Equity & Liabilities	5,169	5,093	5,306	5,285	5,804

* For full definitions of iQmethodSM measures, see page 13.

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 Neutral. Generac has a leading market share in the US residential home standby generator business and we see an easing 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. Latest execution demonstrates an intact outlook. Balanced risk reward moves us to Neutral.

Stock Data

Average Daily Volume 1,036,743

Framing the outlook: execution the key

We maintain our Neutral rating on shares seeing a more difficult start to the year, more than offset by a still robust outlook and credible recovery thesis than many peer clean energy peers. Yes, we acknowledge that C&I was quite challenged for '24, after posting an exceptional '23. This did catch us off guard in part by the extent of the decline (-10% off a +19% '23 baseline): we stress Telecom and equipment rentals appear to represent the vast majority of this pressure point for now. We are surprised there are not more positive offsets to the C&I segment.

C&I weighing on the outlook indeed

Yes, C&I was likely worse than management was anticipating for '24, but it does stress that it was anticipating some cyclicalities already in establishing its '26 targets at its Analyst day. Much of this pressure would still fundamentally appear tied indirectly to the interest rate cycle in our view. We see the sharp ramp thru '24 on EBITDA recovery (largely due to higher opex this year weighing on gross margin), as a critical pathway to 'showing' confidence in the '26 outlook despite this early setback (little more than 1-quarter since establishing these renewed targets). There remains much debate on whether the '24 EBITDA figures are conservative or not among investors.

Clean Energy reboot coming – this is likely an RE+ event in September

Management noted a reboot was at hand for 2024 with a likely meaningful unveil with the RE+ conference in September. We see the margin profile of the biz and its contribution to the overall '26 recovery was striking. Extent of new products and ability to ramp these remains a point that we are particularly cautious on, particularly by the contemplated 2026 timeline to achieve targets. Stayed tuned, but this appears underappreciated by many investors on emphasis made by mgmt. on RE+ product mix.

Gross Margins Discussion: challenge... so we are lowering estimates.

Generac reported gross margin expansion for 4Q23 driven by favorable sales mix, production efficiencies, and lower raw material and logistics costs as supply chains improved both sequentially and YoY. Gross margins expanded 3.8% YoY reaching 36.5% in Q4 as a result, yet these numbers still missed consensus estimates by ~100bps. 4Q23 Adj. EBITDA margin was 20% increasing 3.4% YoY and was in line with consensus estimates. 4Q23 Adj. EBITDA margins increased from the prior year quarter in the domestic segment by 5.2% beating consensus estimates by 3%, while margins in the international segment collapsed by 2.8% YoY missing consensus estimates by 32%, due to lower international sales driven by declines in Mexico and in Europe.

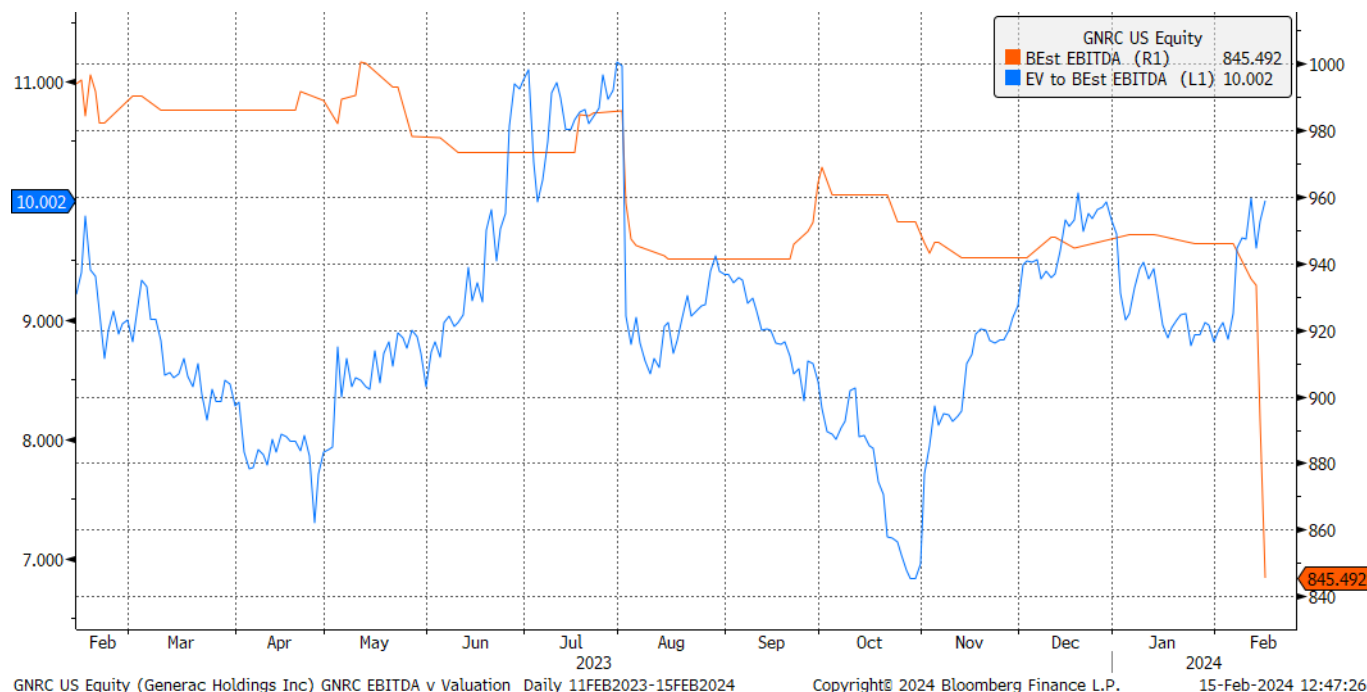
Due to lower sales and an increased cost environment, FY2023 Adj. EBITDA margin was 15.9%, shrinking by 2.2% YoY. Despite seeing a 2.4% decline in Domestic Adj. EBITDA margin YoY, the company beat consensus estimates by 40bps. The company saw a 10bps decline in International Adj. EBITDA margins YoY, missing consensus estimates by 17%. The company has clearly seen pressure on international sales causing underperformance in the international segment. Visibility on international sales recovery and a path towards 2024 guidance is not totally clear.

Looking ahead, management guides a 300bps improvement in gross margins for FY2024 due to lower costs and favorable product mix with HSB sales recovering. From a seasonality perspective and on a quarterly basis, management expects gross margins for 1Q24 to be 34-34.5%, a 350bp increase YoY, with 2H24 seeing margin improvement in the 38% range. Management expects to see EBITDA margin recovery throughout the year as the business experiences operating leverage, guiding EBITDA margins of 16.5% to 17.5% for FY2024. Guidance from management assumes large investment in opex in FY24 to fuel long term growth and innovation.



Exhibit 1: GNRC EBITDA (2025E – Consensus) and EV/EBITDA (2025E – Consensus)

Shares imply a full valuation of ~10X on 2025E Consensus EBITDA, which has come down sharply following the 4Q update



Source: Bloomberg

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[Generac Holdings Inc.: Noodling on segment prospects into '24 – Stay Neutral, Raise PO. Key year to put up](#)
[Generac Holdings Inc.: Side-stepping as the channel destock looks mostly played out – upgrade to Neutral](#)
[Generac Holdings Inc.: GNRC Analyst-Day Review: Eyes on the long term, but what matters is the short](#)
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Talking through the model following the 4Q update

We expect the main driver of revenue for FY2024 to be the residential segment, specifically HSB sale volumes. We model 10% YoY growth in HSB volumes in 1Q24 and 15% growth for FY2024, driving a 6% increase in 1Q24 HSB revenue YoY and a 13% increase in annual revenue YoY. We expect revenue for all products to increase sequentially QoQ from the seasonal low point in 1Q24 through the end of FY2024 as guided by management. Along with HSB growth, we expect to see growth in the residential clean energy product driven by Ecobee and PWRcell but lack complete visibility on management's path to outperform guidance. Therefore, our FY2024 estimates for clean energy are below the midpoint of management's \$325-350mm range landing at \$332mm.

Offsetting the growth in the residential segment, we expect to see a 10.5% decline in C&I revenue due to cyclical pressures for certain telecom, rental and beyond standby customers as guided by management. In terms of the C&I business, we treat the revenue as a plug for our 1H24 and 2H24 total revenue weighting, as management guided revenue to be weighted 45% and 55% respectively.

Exhibit 2: GNRC earnings dashboard

We lower our forecast as HSB recovery is offset by C&I weakness; margins the key focus from here

	2022	2023	1Q24	2Q24	3Q24	4Q24	2024	2025	2026
Key Metrics									
Income Statement, \$ mn									
Residential - Revenue	\$2,911.9	\$2,062.9	\$452.9	\$603.8	\$618.2	\$681.0	\$2,355.9	\$2,571.9	\$2,857.4
HSB - Revenue	\$2,306.7	\$1,514.7	\$299.3	\$435.9	\$454.6	\$518.2	\$1,708.0	\$1,802.3	\$1,973.0
Clean Energy - Revenue	\$304.2	\$269.5	\$81.5	\$83.3	\$84.3	\$82.9	\$331.9	\$441.7	\$551.3
Other Residential	\$301.0	\$278.8	\$72.1	\$84.7	\$79.3	\$79.9	\$316.0	\$327.9	\$333.1
C&I - Revenue	\$1,260.7	\$1,494.8	\$277.4	\$291.5	\$384.0	\$385.0	\$1,337.9	\$1,520.1	\$1,706.2
Other - Revenue	\$392.1	\$464.9	\$116.7	\$129.2	\$127.1	\$126.4	\$499.4	\$549.3	\$604.2
Domestic - Revenue	\$3,867.9	\$3,276.3	\$654.3	\$818.9	\$935.7	\$1,000.6	\$3,409.5	\$3,834.2	\$4,336.4
International - Revenue	\$696.9	\$746.3	\$192.7	\$205.7	\$193.5	\$191.8	\$783.7	\$807.2	\$831.4
Total Revenue	\$4,564.7	\$4,022.7	\$847.0	\$1,024.5	\$1,129.3	\$1,192.4	\$4,193.2	\$4,641.3	\$5,167.8
Prior	\$4,562.4	\$4,004.7					\$4,260.8	\$4,712.6	\$5,260.2
Total Revenue (YoY)	22.1%	-11.9%	-4.6%	2.4%	5.5%	12.1%	4.2%	10.7%	11.3%
Guidance	22-24%	(10)-(12)%					3-7%		
Total Revenue (QoQ)			-20.4%	21.0%	10.2%	5.6%			
Guidance			Down	Up	Up	Up			
First-Half Revenue Weighting	53.2%	46.9%					44.6%		
Guidance							45.0%		
Total Revenue CAGR ('23 Base)							4.2%	7.4%	8.7%
Guidance									12-14%
Major Outage Event								\$50-100Mn	
Residential (YoY)	18.5%	-29.2%	8.1%	21.1%	9.4%	17.3%	14.2%	9.2%	11.1%
Guidance		~(24)-(26)%					14-16%		
Total Revenue CAGR ('23 Base)							14.2%	11.7%	11.5%
Guidance									14-16%
C&I (YoY)	26.2%	18.6%	-23.6%	-24.2%	-0.1%	6.1%	-10.5%	13.6%	12.2%
Guidance		17-19%					(10)%		
Total Revenue CAGR ('23 Base)							-10.5%	0.8%	4.5%
Guidance									10-12%
Other (YoY)	39.3%	18.6%	10.0%	10.0%	5.0%	5.0%	7.4%	10.0%	10.0%
Gross Profit, \$ mn	\$1,522.0	\$1,365.4	\$290.1	\$370.6	\$424.7	\$456.2	\$1,541.6	\$1,723.6	\$1,913.0
Prior	\$1,519.7	\$1,357.2					\$1,562.1	\$1,737.0	\$1,944.2
Gross Margin, %	33.3%	33.9%	34.3%	36.2%	37.6%	38.3%	36.8%	37.1%	37.0%
Guidance		34.0-34.5%	34.0-34.5%		-38%	-38%	+300Bps YoY		37.5-38.5%
EBITDA, \$ mn	\$825.4	\$637.9	\$106.6	\$152.1	\$203.1	\$232.4	\$694.1	\$855.7	\$1,009.4
Prior	\$994.3	\$619.7					\$715.6	\$934.1	\$1,139.6
Domestic EBITDA, \$ mn	\$716.3	\$523.3	\$94.9	\$126.9	\$149.7	\$195.1	\$566.6	\$709.3	\$954.0
International EBITDA, \$ mn	\$109.1	\$114.5	\$11.8	\$25.1	\$53.4	\$37.2	\$127.5	\$146.4	\$55.4
EBITDA Margin, %	18.1%	15.9%	12.6%	14.8%	18.0%	19.5%	16.6%	18.4%	19.5%
Guidance	18.0-19.0%	15.5-16.5%	~12.5%			~20%	16.5-17.5%		21.5-22.5%
Incremental EBITDA Margin, %	-4.4%	34.6%	-16.0%	64.3%	24.7%	15.3%	33.0%	36.0%	29.2%
Domestic EBITDA Margin, %	18.5%	16.0%	14.5%	15.5%	16.0%	19.5%	16.6%	18.5%	22.0%
International EBITDA Margin, %	15.7%	15.3%	6.1%	12.2%	27.6%	19.4%	16.3%	18.1%	6.7%
Net Income (GAAP), \$ mn	\$408.9	\$217.1	\$20.4	\$54.2	\$92.3	\$114.1	\$281.0	\$404.0	\$519.3
Net Income Margin, %	9.0%	5.4%	2.4%	5.3%	8.2%	9.6%	6.7%	8.7%	10.0%
Guidance	9.0-10.0%	6.0-7.0%							
EPS Diluted (GAAP), \$	\$5.41	\$3.27	\$0.29	\$0.87	\$1.49	\$1.85	\$4.49	\$6.51	\$8.40
Prior	\$5.41	\$3.16					\$4.68	\$7.32	\$9.80

Source: Company filings, BofA Global Research

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In summary, for 1Q24 we are expecting to see a 20% decline in total revenue YoY and sequential improvement in revenue growth QoQ throughout 2024. Our estimate for FY2024 revenue growth is 4%, coming in at the bottom of management's 3-7% guidance range due our lack of conviction in management's ability to reach the lofty 2024 guidance. Risks to underperforming against guidance includes HSB inventory overhang drag into 2024, clean energy market volatility, and telecom and rental market decline.

In terms of margins, we assume gross margin expansion QoQ in 2024, starting at 34.3% in 1Q24 and landing at 36.8% for FY2024, slightly below managements expectation of a +300bps increase YoY. For EBITDA margins, we expect margin expansion at a slightly more aggressive pace QoQ for FY2024 despite a low 1Q24 margin of 12.6% due to the impact of operating leverage. For FY2024, we estimate an EBITDA margin of 16.6% landing at the low end of management's 16.5%-17.5% range. Management expects to see almost 400bps of operating leverage from 1Q24 to 4Q24 as fixed opex from the clean energy business and other areas begin to materialize, which we make into our assumptions.

Exhibit 3: GNRC forecast – BofA vs Consensus

We are largely in line with consensus for top-line estimates but lag on profitability as margin cadence difficult to underwrite

	2022	2023	1Q24	2Q24	3Q24	4Q24	2024	2025	2026
BofA vs Consensus Forecast									
Revenue									
Total - BofAe	\$4,564.7	\$4,022.7	\$847.0	\$1,024.5	\$1,129.3	\$1,192.4	\$4,193.2	\$4,641.3	\$5,167.8
Total - Bloomberg	\$4,583.0	\$4,060.7	\$917.1	\$1,037.4	\$1,134.5	\$1,163.8	\$4,256.6	\$4,660.5	\$5,154.5
% Delta	-0.4%	-0.9%	-7.6%	-1.2%	-0.5%	2.5%	-1.5%	-0.4%	0.3%
Residential - BofAe	\$2,911.9	\$2,062.9	\$452.9	\$603.8	\$618.2	\$681.0	\$2,355.9	\$2,571.9	\$2,857.4
Residential - VA	\$2,911.9	\$2,063.0	\$454.6	\$553.0	\$646.3	\$653.9	\$2,336.7	\$2,528.8	\$2,672.5
% Delta	0.0%	0.0%	-0.4%	9.2%	-4.4%	4.1%	0.8%	1.7%	6.9%
C&I - BofAe	\$1,260.7	\$1,494.8	\$277.4	\$291.5	\$384.0	\$385.0	\$1,337.9	\$1,520.1	\$1,706.2
C&I - VA	\$1,260.7	\$1,494.7	\$319.8	\$340.7	\$360.9	\$343.6	\$1,346.8	\$1,485.0	\$1,670.4
% Delta	0.0%	0.0%	-13.3%	-14.4%	6.4%	12.1%	-0.7%	2.4%	2.1%
Other - BofAe	\$392.1	\$464.9	\$116.7	\$129.2	\$127.1	\$126.4	\$499.4	\$549.3	\$604.2
Other - VA	\$392.1	\$464.9	\$112.2	\$123.3	\$130.7	\$129.2	\$500.1	\$541.9	\$609.5
% Delta	0.0%	0.0%	3.9%	4.8%	-2.7%	-2.2%	-0.2%	1.4%	-0.9%
Gross Profit									
BofAe	\$1,522.0	\$1,365.4	\$290.1	\$370.6	\$424.7	\$456.2	\$1,541.6	\$1,723.6	\$1,913.0
Gross Profit - Bloomberg	\$1,548.7	\$1,384.6	\$315.1	\$371.1	\$422.7	\$438.5	\$1,549.8	\$1,730.2	\$1,919.5
% Delta	-1.7%	-1.4%	-7.9%	-0.2%	0.5%	4.1%	-0.5%	-0.4%	-0.3%
Gross Margin									
BofAe	33.3%	33.9%	34.3%	36.2%	37.6%	38.3%	36.8%	37.1%	37.0%
Gross margin - Bloomberg	33.8%	34.1%	34.4%	35.8%	37.3%	37.7%	36.4%	37.1%	37.2%
Bps Delta	(45)	(15)	(10)	39	35	59	36	1	(22)
Adj. EBITDA									
BofAe	\$825.4	\$637.9	\$106.6	\$152.1	\$203.1	\$232.4	\$694.1	\$855.7	\$1,009.4
Total EBITDA - Bloomberg	\$832.2	\$648.1	\$134.2	\$172.5	\$215.6	\$234.2	\$749.7	\$885.7	\$1,026.0
% Delta	-0.8%	-1.6%	-20.6%	-11.9%	-5.8%	-0.8%	-7.4%	-3.4%	-1.6%

Source: Company filings, Bloomberg, Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

Shares look fairly valued: PO to \$128

We lower our PO to \$128 following our latest estimate revisions and model refresh. We roll-forward our valuation for both our EV/EBITDA and DCF methodologies by one year. Our EV/EBITDA valuation is now based on 2025E, and our DCF now begins in 2024. We also mark-to-market (MtM) our DCF discount rate to 13.1% from 12.9%. The EV/EBITDA roll-forward raises our PO by \$15/share, while the DCF roll-forward and MtM raises our PO by \$6/sh. In contrast, our estimate revisions reduce our PO by \$23/share. See below for a complete view of our valuation for GNRC.

We don't expect meaningful buyback activity in '24. Rather reinvestment in the biz thru strategic acquisitions as has been the case historically appears the greater priority. Stay tuned on a range of angles that appear to be evaluated. Strategic decisions in this respect are likely to be closely scrutinized given prior missteps in expanding into new end-markets.

Exhibit 4: GNRC valuation summary

We arrive at a \$128 PO

	Value/Sh	Weight	Weighted Value
EV/EBITDA	\$146.00	50%	\$73.00
DCF	\$110.00	50%	\$55.00
GNRC Value/Share			\$128.00
Share Price (As of 02/15/24)			117.81
Premium (Discount) to Share Price			8.6%
2024E Dividend Yield			0.0%
Total Expected Return			8.6%

Source: Company filings, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 5: GNRC EV/EBITDA valuation

We arrive at a \$146/sh EV/EBITDA valuation

Generac Sum of the Parts

2024 - Illustrative	EBITDA	EV/EBITDA	Prem/(Disc)	EV	EV per Share
Estimated Run-Rate Residential (HSB, Other)	\$418	14.5x	-1.0x	\$5,639	\$92
Estimated Run-Rate Clean Energy	\$55	14.5x	-1.0x	\$742	\$12
Estimated Run-Rate C&I Mix	\$221	11.0x	0.0x	\$2,436	\$40
EBITDA	\$694	12.5x	-1.0x	\$8,817	\$144
Implied (Discount) Premium to Industrial Peers		-14%			
Net Debt (Cash)				\$1,093	
Equity Value				\$7,725	
Shares Outstanding				61	
Equity Value per Share - Illustrative					\$127

2025	EBITDA	EV/EBITDA	Prem/(Disc)	EV	EV per Share
Estimated Run-Rate Residential (HSB, Other)	\$494	13.5x	-1.0x	\$6,175	\$101
Estimated Run-Rate Clean Energy	\$81	13.5x	-1.0x	\$1,018	\$17
Estimated Run-Rate C&I Mix	\$280	10.0x	0.0x	\$2,803	\$46
EBITDA	\$856	11.5x	-1.0x	\$9,996	\$164
Implied (Discount) Premium to Industrial Peers		-15%			
Net Debt (Cash)				\$1,059	
Equity Value				\$8,936	
Shares Outstanding				61	
Equity Value per Share					\$146
Valuation (2024)					\$146
Vs Current Px					24%

Source: Company filings, Bloomberg, BofA Global Research

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Exhibit 6: GNRC DCF valuation

We arrive at a \$110/sh DCF valuation

GNRC - DCF Methodology	2024E	2025E	2026E	2027E	2028E	2029E	2030E
DCF - less Stock Based Compensation and Debt Amortization							
Free Cash Flows (\$ mn)	\$444	\$540	\$656	\$770	\$884	\$926	\$987
Less: Stock Based Compensation	\$40	\$43	\$47	\$50	\$54	\$59	\$63
Adjusted Free Cash Flows (\$ mn)	\$404	\$497	\$609	\$720	\$830	\$867	\$923
<i>Discount Rate - Cost of Equity</i>	13%	13%	13%	13%	13%	13%	13%
<i>Discount Factor</i>	1.00	0.88	0.78	0.69	0.61	0.54	0.48
Discounted Free Cash Flows	\$404	\$440	\$476	\$498	\$508	\$469	\$442

DCF Value through '30	\$3,237
<i>DCF Value through 2025</i>	<i>\$843</i>

Terminal Value

<i>Terminal Multiple</i>	<i>11.00</i>
<i>Discount Factor</i>	<i>0.48</i>
<i>Terminal Value</i>	<i>\$10,155</i>
<i>Terminal FCF Yield</i>	<i>9.1%</i>

PV of Terminal Value	\$4,864
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Net Cash	(\$1,384)
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Total FCFE	\$6,718
DCF Value/Share	\$110.00

<i>Shares O/S (Fully Diluted)</i>	<i>61.039</i>
Price as of close 02/15/2024	\$117.81
Vs Current Px	-7%

Discount Rate	13.1%
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Source: Company filings, Bloomberg, BofA Global Research

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Price objective basis & risk

Generac Holdings Inc. (GNRC)

Our PO of \$128/share is based on a blended 50 / 50 EV/EBITDA / DCF valuation methodology. To account for growth, we use 11.5x 2025E EV/EBITDA, which implies a valuation of \$146/share. 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 13.1% discount rate and a 9x terminal multiple, resulting in a valuation of \$110/share.

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.

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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
	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
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	ENLT	ENLT US	Julien Dumoulin-Smith
	Enlight Renewable Energy Ltd	XENLF	ENLT IT	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Paul Zimbardo
	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
	MDU Resources Group, Inc.	MDU	MDU US	Julien Dumoulin-Smith
	Nextracker Inc	NXT	NXT US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	NorthWestern Energy Group	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
	PPL Corporation	PPL	PPL US	Paul Zimbardo
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra	SRE	SRE 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
	Vistra Corp	VST	VST 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	Paul Zimbardo



North America - Utilities and Alt Energy Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Paul Zimbardo
	AltaGas	YALA	ALA CN	Cameron Lochridge
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	Ameresco	AMRC	AMRC US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	ChargePoint Holdings	CHPT	CHPT US	Cameron Lochridge
	Constellation Energy Corp	CEG	CEG US	Paul Zimbardo
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Essential Utilities	WTRG	WTRG US	Julien Dumoulin-Smith
	Evergy, Inc	EVERG	EVERG US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Paul Zimbardo
	Generac Holdings Inc.	GNRC	GNRC US	Julien Dumoulin-Smith
	Hydro One	YH	H CN	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Paul Zimbardo
	Maxon Solar Technologies	MAXN	MAXN US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Ormat Technologies	ORA	ORA US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Southwest Gas Holdings	SWX	SWX US	Julien Dumoulin-Smith
	TransAlta Corp	TAC	TAC US	Julien Dumoulin-Smith
	TransAlta Corporation	YTA	TA CN	Julien Dumoulin-Smith

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
	Bloom Energy	BE	BE 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
	Eversource Energy	ES	ES US	Paul Zimbardo
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	FREYR Battery	FREY	FREY US	Julien Dumoulin-Smith
	FTC Solar	FTCI	FTCI 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
	ONE Gas, Inc.	OGS	OGS US	Julien Dumoulin-Smith
	SolarEdge Technologies	SEDG	SEDG US	Julien Dumoulin-Smith
	Spire	SR	SR US	Julien Dumoulin-Smith
	Stem, Inc.	STEM	STEM US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	UGI Corp.	UGI	UGI US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith

RSTR

	New Fortress Energy	NFE	NFE US	Cameron Lochridge
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iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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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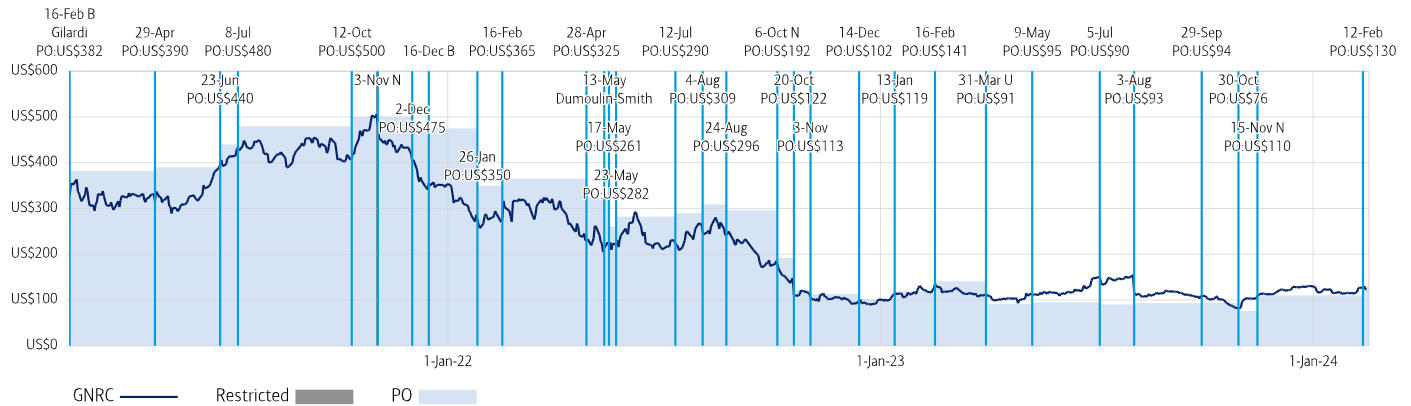
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Generac (GNRC) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Machinery/Diversified Manufacturing Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	27	42.19%	Buy	8	29.63%
Hold	17	26.56%	Hold	8	47.06%
Sell	20	31.25%	Sell	8	40.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

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