

Generac Holdings Inc (NYSE: GNRC)

Roadmap to Energy Technology Success

2nd October 2024



EPA:AIR

PRICE:
\$51.42

52W H/L: \$75.2 /
44.3

BETA:
1.43

Bottom Line. Recent weather trends have given rise to demand for portable power generators, which have allowed Generac to capitalize through the release PWRCCell 2 which is the latest in energy storage designed specifically to cater towards power outages that has been expanding across the United States. In addition, an aging demographic which has been the main buyer of HSB is expected to increase market penetration providing robust growth for Generac

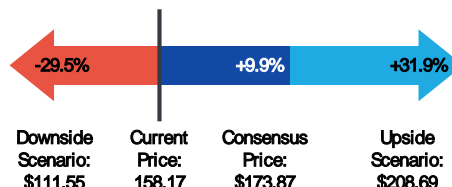
Trends Propelling Demand: Recent extreme weather such as Hurricane Beryl, Helene and the 2022 December Winter Storm showcasing the trend with volatile weather and the vulnerability of the power grid indicate an increased need for portable power generators. This was seen through sales for Generac's portable power generators rising by 8% following the wake of Hurricane Beryl. An aging US power grid (30–50% of T&D network in the U.S. is 40–50 years old) is also contributing to frequent outages, as a result Generac increased expected earnings due to an expected increase in demand.

Launch of PWRCCell 2. As apart of their “Powering A Smarter World” roadmap, PWRCCell 2 represents a next-gen storage system and upgrade to the already popular PWRCCell 1. Offering homeowners a 10Kw output, 18kWh capacity, and adaptability to any climate. In addition, ecobee smart thermostat transforms PWRCCell 2 into an optimized home energy management system which can automatically monitor and adjust the temperature to reduce energy consumption and extend backup duration in the event of an outage.

North American Penetration Opportunity: Currently the HSB market stands at only around 6.25% of the total US population. Highest penetration by state is at 20% and growing, for every 1% of penetration is up to \$2 Bn end market opportunity, as Generac has 70% of market share. To further grow market penetration Generac has been focusing on targeted marketing to 50 and older demographic which represents 80% of HSB buyers. In addition, weather trends and aging infrastructure is expected to contribute to growth for HSB.

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Ted Rogers Investment Council



Key Data

| | |
|-------------------|----------|
| Market Cap (\$mn) | \$9,514 |
| Enterprise Value | \$10,915 |
| Avg. Daily Volume | 0.86 |
| Index | NYSE |
| Domicile | USA |

Historical Valuation Multiples

| | '21A | '22A | '23A |
|----------------|-------|------|------|
| EV/Revenue (x) | 8.2 | 3.8 | 2.1 |
| EV/EBITDA (x) | 25.9 | 13.7 | 11.6 |
| P/Adj. EPS (x) | 75.02 | 6.78 | 7.06 |
| P/FCF (x) | 34.5 | 16.5 | 12.1 |

Capital Structure and Solvency

| | '21A | '22A | '23A |
|-------------------|------|------|------|
| Debt/Equity (%) | 47.7 | 64.8 | 70.2 |
| Debt/Capital (%) | 32.3 | 39.3 | 41.2 |
| EBIT/Interest (x) | 22.5 | 10.4 | 4.0 |
| Debt/EBITDA (x) | 1.3 | 2.0 | 2.8 |

Price Performance

