Company: Generac Holdings	Ticker: GNRC Price: \$103.03	Industry: Industrials	Industry: Industrials			
Target Price: \$129.35 Stop Loss: \$90.00	TTM P/E: 40.81x Forward P/E: 13.99x	Beta (%Y): 1.31 Credit Rating: Ba1	Market Cap: 6.5B Avg. Vol. (3M): 28,294,779			
52 Week High/Low: \$156.95/\$79.86	EPS TTM: \$2.53	Rating Outlook: Stable	Div. Yield: 0%			

Company Background

Generac is a leading energy technology company providing backup and prime power generations systems for residential, commercial, and industrial applications. While continuing to be a leader in this space, they are being innovative and taking steps to be the "Home Energy Solution" of the future by providing an integrated platform of products. Their current product offering consists of stationary products, mobile power products, consumer power products, outdoor chore products, and smart home technology. In regards to ESG, Generac is leading in product quality management, energy management, waste management, and board composition. Additionally, they are above the median in sustainable product.

Industry Outlook:

Broadly speaking, the industrial sector encompasses a broad range of industries, including manufacturing, construction, engineering, and various infrastructure related fields. Historically, the sector is heavily influenced by economic conditions, technological advancements, government policies, and global demand. There are also fluctuations due to factors such as supply chain disruptions, shifts in consumer behavior, geopolitical tensions, and advancements in related technologies. Overall, the utilities space in the industry is starting to be divided into 2 types of companies. One type is doubling down on their fossil fuels related businesses while the other is pivoting towards cleaner energy alternatives. The current state of the industry in regard to the residential consumer segment is rough as interest rates continue to remain high and less homes are being built right now.

Investment Thesis:

Generac is a leading manufacturer of reliable products and also happens to be the largest provider of natural gas solutions in North America. They are headquartered in the Unites States but are doing business in over 150 countries. Generac's adaptive strategy to keep up with market demands is another factor of their continued success. They've done so by continuing to invest in cleaner alternatives, diversify their product offering, and implement strategic acquisitions and growth-oriented capital expenditures to support growth initiatives. Lastly, we believe Generac is undervalued at this point in time relative to their peers.

Investment Risks

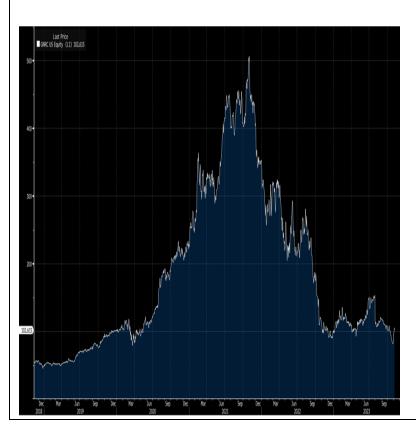
Many companies in this industry are exposed to similar risks. Given Generac's exposure to the residential consumer market segment, they are more susceptible to the current state of the housing market, which is not ideal due to high interest rates and a lower rate of new homes being built. Once the housing market stabilizes, we can expect to see a revenue increase in the residential segment as new homes being built will need generators. Additionally, companies in this industry are exposed to some commodity risk. Generac has exposure to copper, aluminum, steel, oil, natural gas, and electricity, so it is crucial that they utilize derivatives to hedge against this risk. Another risk factor is ESG,

3-5 takeaway's from last quarter investor call transcript

- · Gross profit margins increased to 35.1%, driven by lower raw materials and logistics costs and higher net sales
- Cash flow from operations was \$140 million during the third quarter, as compared to \$(56) million in the prior year. Free cash flow, as defined in the accompanying reconciliation schedules, was \$117 million as compared to \$(73) million in the third quarter of 2022
- During the third quarter of 2023, the company repurchased 875,580 shares of its common stock for \$100 million under its current share repurchase program. There is approximately \$178 million remaining under the current repurchase program as of September 30, 2023
- Net income attributable to Generac during the third quarter was \$60 million, or \$0.97 per share, as compared to \$58 million, or \$0.83 per share, for the same period of 2022

5-Year Financial Performance:

Discounted Cash Flow Valuation:



9%
3%
10095
6458
2991
11205
-1943
193
9455
73.10
129.35
102.92
25.7%

Relative	· Valuat	ion (D	irect C	omps & H	istorical):								Total Return % / ESG Ar	nalysis:		
		Market	Data		Financial Data				Valuation							
	Price Ou	utstanding	Market Cap	TEV	Sales	EBITDA	EBIT	Earnings	EV/Sales E	V/EBITDA	EV/EBIT	P/E				
Company Na	(\$/share)	(m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	X	X	χ	X	GNRC	Industrials Inde	SPY	
SolarEdge Te	75.95	56.15	4244.10	3492.40	3110.28	239.06	177.16	93.78	1.12	14.61	19.71	45.47	YTD 5.41%	3.32%	14.2	
ummins, In	216.30	141.38	30638.30	37894.90	28074.00	3713.00	2929.00	2183.00	1.35	10.21	12.94	14.01	3 Years -55.88	3% 24.34%	24.2	
EnerSys .	85.58	40.91	3512.20	4243.60	3708.58	361.32	270.17	175.81	1.14	11.74	15.71	19.91	5 Years 90%	41.73%	59.1	
luence Ener	17.32	114.87	2052.50	1955.90	1198.60	-276.41	-283.52	-110.00	1.63	-7.08	-6.90	-18.09	ESG: Overall scor	re 5.33 (Leading)		
enerac Holi	84.07	61.89	5232.70	6674.00	4564.74	661.67	567.04	412.61	1.71	7.0	10.58	12.61	 Leading heavily against peers in Environmental and Social 			
erage									1.39	7.29	10.41	14.78		nce is above peer media	n.	
edian									1.35	10.21	12.94	14.01	MSCI Rat Sustainal	ytics Score: 23.72		