



Bulls See Generac Powering Higher

Ticker/Price: GNRC (\$103.65)

Analysis:

Generac (GNRC) with 400 Feb \$97.5 calls opening for \$7.98 as January calls adjust, a top performer last year and option traders continue to adjust and look for more upside. Since December we have seen August \$125 calls open 340X, May \$100 calls open 1245X and May \$105 calls open 665X, and 1000 February \$100 calls opened on 12/27. GNRC shares with a parabolic move since June 2019 and recently consolidated before breaking back out this week, looking to continue to new highs and the \$113 level would be the first extension level target. The \$6.55B maker of power generation equipment trades 19.7X Earnings, 16X EBITDA and 37X FCF. GNRC has grown revenues 8.8% this year even after facing tough comps with 16% and 20.5% sales growth the two years prior while EPS seen rising 7% in FY20 with 6.7% revenue growth. GNRC is seeing strong numbers across every product category and notes powerful secular growth opportunities around an aging electrical grid in the US susceptible to more power outages with climate change. It also sees trends from Natural Gas usage for power, Telecom infrastructure shifts to next generation, and legacy infrastructure of need of an investment cycle as positive drivers. Analysts have an average target of \$105 and short interest at 2.8% of the float is hitting multi-year lows. Northcoast raised its target to \$118 on 11/1 noting strong execution in core and newer markets with significant growth opportunities ahead. Hedge Fund ownership jumped 27% in Q3 filings, Alyeska a top buyer.

Hawk Vision:



Hawk's Perspective: GNRC has respected its rising 50 day MA and a kind of growth story that needs to be owned when dips come around, a top growth story in Industrials.

Confidence Ranking: \$\$