UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-34627

GENERAC HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**20-5654756** (IRS Employer Identification No.)
S45 W29290 Hwy 59, Waukesha, WI (Address of principal executive offices)	**53189** (Zip Code)

(262) 544-4811
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**GNRC**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑
Accelerated filer ☐
Non-accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of November 1, 2024, there were 59,497,259 shares of registrant's common stock outstanding.

GENERAC HOLDINGS INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Generac Holdings Inc.
Condensed Consolidated Balance Sheets
(U.S. Dollars in Thousands, Except Share and Per Share Data)
(Unaudited)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 214,177	$ 200,994
Accounts receivable, less allowance for credit losses of $34,489 and $33,925 at September 30, 2024 and December 31, 2023, respectively	658,649	537,316
Inventories	1,095,758	1,167,484
Prepaid expenses and other current assets	104,791	91,898
Total current assets	2,073,375	1,997,692
Property and equipment, net	639,733	598,577
Customer lists, net	166,016	184,513
Patents and technology, net	391,841	417,441
Other intangible assets, net	21,419	27,127
Tradenames, net	210,308	216,995
Goodwill	1,454,172	1,432,384
Deferred income taxes	12,179	15,532
Operating lease and other assets	217,896	203,051
Total assets	$ 5,186,939	$ 5,093,312
Liabilities and stockholders' equity		
Current liabilities:		
Short-term borrowings	$ 65,540	$ 81,769
Accounts payable	424,812	340,719
Accrued wages and employee benefits	78,209	54,970
Accrued product warranty	60,377	65,298
Other accrued liabilities	291,360	292,120
Current portion of long-term borrowings and finance lease obligations	99,176	45,895
Total current liabilities	1,019,474	880,771
Long-term borrowings and finance lease obligations	1,360,637	1,447,553
Deferred income taxes	62,260	90,012
Deferred revenue	186,465	167,008
Operating lease and other long-term liabilities	145,641	158,349
Total liabilities	2,774,477	2,743,693
Redeemable noncontrolling interests	–	6,549
Stockholders' equity:		
Common stock, par value $0.01, 500,000,000 shares authorized, 73,646,420 and 73,195,055 shares issued at September 30, 2024 and December 31, 2023, respectively	736	733
Additional paid-in capital	1,115,525	1,070,386
Treasury stock, at cost, 14,149,513 and 13,057,298 shares at September 30, 2024 and December 31, 2023, respectively	(1,192,435)	(1,032,921)
Excess purchase price over predecessor basis	(202,116)	(202,116)
Retained earnings	2,715,716	2,519,313
Accumulated other comprehensive loss	(27,987)	(15,143)
Stockholders' equity attributable to Generac Holdings Inc.	2,409,439	2,340,252
Noncontrolling interests	3,023	2,818
Total stockholders' equity	2,412,462	2,343,070
Total liabilities and stockholders' equity	$ 5,186,939	$ 5,093,312

See notes to condensed consolidated financial statements.

Generac Holdings Inc.
Condensed Consolidated Statements of Comprehensive Income
(U.S. Dollars in Thousands, Except Share and Per Share Data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net sales	$ 1,173,563	$ 1,070,667	$ 3,061,033	$ 2,958,997
Costs of goods sold	701,294	694,880	1,896,824	1,982,290
Gross profit	472,269	375,787	1,164,209	976,707
Operating expenses:				
Selling and service	145,310	117,929	382,049	334,360
Research and development	56,936	43,312	160,342	129,074
General and administrative	77,242	83,052	209,392	199,108
Amortization of intangibles	24,157	26,718	73,698	78,934
Total operating expenses	303,645	271,011	825,481	741,476
Income from operations	168,624	104,776	338,728	235,231
Other (expense) income:				
Interest expense	(22,910)	(24,707)	(69,833)	(72,862)
Investment income	1,757	1,160	5,286	2,789
Change in fair value of investment	5,198	-	(2,938)	-
Loss on extinguishment of debt	(4,861)	-	(4,861)	-
Other, net	(577)	(1,167)	(1,949)	(1,664)
Total other expense, net	(21,393)	(24,714)	(74,295)	(71,737)
Income before provision for income taxes	147,231	80,062	264,433	163,494
Provision for income taxes	33,453	19,428	65,124	43,184
Net income	113,778	60,634	199,309	120,310
Net income attributable to noncontrolling interests	36	257	220	2,305
Net income attributable to Generac Holdings Inc.	$ 113,742	$ 60,377	$ 199,089	$ 118,005
Net income attributable to Generac Holdings Inc. per common share - basic:	$ 1.91	$ 0.98	$ 3.29	$ 1.74
Weighted average common shares outstanding - basic:	59,493,640	61,368,440	59,720,597	61,552,949
Net income attributable to Generac Holdings Inc. per common share - diluted:	$ 1.89	$ 0.97	$ 3.25	$ 1.72
Weighted average common shares outstanding - diluted:	60,312,393	62,091,163	60,475,478	62,362,743
Comprehensive income attributable to Generac Holdings Inc.	$ 129,284	$ 37,041	$ 186,245	$ 141,463

See notes to condensed consolidated financial statements.

Generac Holdings Inc.
Condensed Consolidated Statements of Stockholders' Equity
(U.S. Dollars in Thousands, Except Share Data)
(Unaudited)

	Generac Holdings Inc.										
	Common Stock		Additional Paid-In Capital	Treasury Stock		Excess Purchase Price Over Predecessor Basis	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total
	Shares	Amount		Shares	Amount						
Balance at July 1, 2024	73,608,578	$ 736	$ 1,101,074	(13,446,797)	$ (1,088,426)	$ (202,116)	$ 2,601,974	$ (43,529)	$ 2,369,713	$ 2,806	$ 2,372,519
Unrealized loss on interest rate swaps, net of tax benefit of $3,400								(10,177)	(10,177)		(10,177)
Foreign currency translation adjustment								25,719	25,719	181	25,900
Common stock issued under equity incentive plans, net of shares withheld for employee taxes and strike price	37,842	–	1,336						1,336		1,336
Net share settlement of restricted stock awards				(12,005)	(1,875)				(1,875)		(1,875)
Stock repurchases				(690,711)	(102,134)				(102,134)		(102,134)
Share-based compensation			13,115						13,115		13,115
Net income							113,742		113,742	36	113,778
Balance at September 30, 2024	73,646,420	$ 736	$ 1,115,525	(14,149,513)	$ (1,192,435)	$ (202,116)	$ 2,715,716	$ (27,987)	$ 2,409,439	$ 3,023	$ 2,412,462

	Generac Holdings Inc.										
	Common Stock		Additional Paid-In Capital	Treasury Stock		Excess Purchase Price Over Predecessor Basis	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total
	Shares	Amount		Shares	Amount						
Balance at January 1, 2024	73,195,055	$ 733	$ 1,070,386	(13,057,298)	$ (1,032,921)	$ (202,116)	$ 2,519,313	$ (15,143)	$ 2,340,252	$ 2,818	$ 2,343,070
Unrealized loss on interest rate swaps, net of tax benefit of $3,316								(9,925)	(9,925)		(9,925)
Foreign currency translation adjustment								(2,919)	(2,919)	54	(2,865)
Common stock issued under equity incentive plans, net of shares withheld for employee taxes and strike price	451,365	3	6,869	8,417	–				6,872		6,872
Net share settlement of restricted stock awards				(54,281)	(6,771)				(6,771)		(6,771)
Stock repurchases				(1,046,351)	(152,743)				(152,743)		(152,743)
Share-based compensation			38,270						38,270		38,270
Redemption value adjustment							(2,686)		(2,686)		(2,686)
Net income							199,089		199,089	151	199,240
Balance at September 30, 2024	73,646,420	$ 736	$ 1,115,525	(14,149,513)	$ (1,192,435)	$ (202,116)	$ 2,715,716	$ (27,987)	$ 2,409,439	$ 3,023	$ 2,412,462

	Generac Holdings Inc.										
	Common Stock		Additional Paid-In Capital	Treasury Stock		Excess Purchase Price Over Predecessor Basis	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total
	Shares	Amount		Shares	Amount						
Balance at July 1, 2023	73,097,016	$ 732	$ 1,053,759	(10,858,348)	$ (779,892)	$ (202,116)	$ 2,363,015	$ (16,216)	$ 2,419,282	$ 2,474	$ 2,421,756
Unrealized gain on interest rate swaps, net of tax of $(349)								1,045	1,045		1,045
Foreign currency translation adjustment								(26,443)	(26,443)	(93)	(26,536)
Common stock issued under equity incentive plans, net of shares withheld for employee taxes and strike price	11,897	–	732						732		732
Net share settlement of restricted stock awards				(5,495)	(699)				(699)		(699)
Stock repurchases				(875,580)	(100,267)				(100,267)		(100,267)
Share-based compensation			9,927						9,927		9,927
Redemption value adjustment							(46)		(46)		(46)
Net income							60,377		60,377	198	60,575
Balance at September 30, 2023	73,108,913	$ 732	$ 1,064,418	(11,739,423)	$ (880,858)	$ (202,116)	$ 2,423,346	$ (41,614)	$ 2,363,908	$ 2,579	$ 2,366,487

	Generac Holdings Inc.										
	Common Stock		Additional Paid-In Capital	Treasury Stock		Excess Purchase Price Over Predecessor Basis	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interest	Total
	Shares	Amount		Shares	Amount						
Balance at January 1, 2023	72,701,257	$ 728	$ 1,016,138	(11,284,350)	$ (808,491)	$ (202,116)	$ 2,316,224	$ (65,102)	$ 2,257,381	$ 1,874	$ 2,259,255
Unrealized gain on interest rate swaps, net of tax of $(772)								2,309	2,309		2,309
Foreign currency translation adjustment								21,179	21,179	(38)	21,141
Common stock issued under equity incentive plans, net of shares withheld for employee taxes and strike price	396,713	4	2,563						2,567		2,567
Net share settlement of restricted stock awards				(45,611)	(5,496)				(5,496)		(5,496)
Stock repurchases				(875,580)	(100,267)				(100,267)		(100,267)
Share-based compensation			30,306						30,306		30,306
Payment of contingent consideration	10,943	–	15,411	466,118	33,396				48,807		48,807
Redemption value adjustment							(10,883)		(10,883)		(10,883)
Net income							118,005		118,005	743	118,748
Balance at September 30, 2023	73,108,913	$ 732	$ 1,064,418	(11,739,423)	$ (880,858)	$ (202,116)	$ 2,423,346	$ (41,614)	$ 2,363,908	$ 2,579	$ 2,366,487

See notes to condensed consolidated financial statements.

Generac Holdings Inc.
Condensed Consolidated Statements of Cash Flows
(U.S. Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2024	**2023**
Operating activities		
Net income	$ 199,309	$ 120,310
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	54,236	45,215
Amortization of intangible assets	73,698	78,934
Amortization of capitalized debt fees and original issue discount	2,592	2,902
Change in fair value of investment	2,938	-
Loss on extinguishment of debt	4,861	-
Deferred income taxes	(23,546)	(18,715)
Share-based compensation expense	38,270	30,306
Gain on disposal of assets	(34)	(538)
Other noncash charges	2,904	380
Excess tax benefits from equity awards	(642)	(920)
Net changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(120,137)	(68,975)
Inventories	73,390	101,894
Other assets	(4,348)	32,175
Accounts payable	87,343	(57,866)
Accrued wages and employee benefits	22,482	10,244
Other accrued liabilities	(11,469)	(70,622)
Net cash provided by operating activities	401,847	204,724
Investing activities		
Proceeds from sale of property and equipment	144	1,933
Proceeds from beneficial interests in securitization transactions	-	2,533
Contribution to tax equity investment	(1,629)	(6,627)
Purchase of long-term investments	(37,118)	(2,592)
Proceeds from sale of long-term investment	2,000	-
Expenditures for property and equipment	(83,399)	(77,718)
Acquisition of businesses, net of cash acquired	(21,784)	(15,974)
Net cash used in investing activities	(141,786)	(98,445)
Financing activities		
Proceeds from short-term borrowings	29,219	49,078
Proceeds from long-term borrowings	506,465	345,384
Repayments of short-term borrowings	(48,868)	(25,910)
Repayments of long-term borrowings and finance lease obligations	(560,644)	(233,101)
Stock repurchases	(152,743)	(100,267)
Payment of debt issuance costs	(3,616)	–
Payment of contingent acquisition consideration	-	(4,979)
Payment of deferred acquisition consideration	(7,361)	-
Purchase of additional ownership interest	(9,117)	(104,844)
Taxes paid related to equity awards	(12,268)	(10,068)
Proceeds from the exercise of stock options	12,366	7,139
Net cash used in financing activities	(246,567)	(77,568)
Effect of exchange rate changes on cash and cash equivalents	(311)	91
Net increase in cash and cash equivalents	13,183	28,802
Cash and cash equivalents at beginning of period	200,994	132,723
Cash and cash equivalents at end of period	$ 214,177	$ 161,525

See notes to condensed consolidated financial statements.

Generac Holdings Inc.
Notes to Condensed Consolidated Financial Statements
(U.S. Dollars in Thousands, Except Share and Per Share Data)
(Unaudited)

1. Description of Business and Basis of Presentation

Founded in 1959, Generac Holdings Inc. ("the Company") is a leading global designer and manufacturer of a wide range of energy technology solutions. The Company provides power generation equipment, energy storage systems, energy management devices & solutions, and other power products and services serving the residential, light commercial, and industrial markets. Generac's power products and solutions are available globally through a broad network of independent dealers, distributors, retailers, e-commerce partners, wholesalers, and equipment rental companies, as well as sold direct to certain end user customers. A summary of acquisitions affecting the reporting periods presented include:

- In August 2024, the Company acquired the assets and liabilities of Ageto, LLC ("Ageto"). Ageto designs and integrates microgrid energy and control management systems and is headquartered in Fort Collins, Colorado.
- In June 2024, the Company closed on the acquisition of the Commercial & Industrial Battery Energy Storage System ("C&I BESS") product offering from SunGrid Solutions Inc. located in Cambridge, Canada.
- In April 2024, the Company acquired Huntington Power Equipment, Inc. ("Huntington"), headquartered in Shelton, Connecticut. Huntington is an industrial and residential generator distributor as well as a provider of maintenance and repair services.
- In February 2023, the Company acquired REFU Storage Systems ("REFUstor"), headquartered in Pfullingen, Germany. REFUstor is a developer and supplier of battery storage hardware products, advanced software, and platform services for the C&I energy storage market.

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries that are consolidated in conformity with U.S. generally accepted accounting principles ("GAAP"). All intercompany amounts and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of September 30, 2024, the condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2024 and 2023, the condensed consolidated statements of stockholders' equity for the three and nine months ended September 30, 2024 and 2023, and the condensed consolidated statements of cash flows for the nine months ended September 30, 2024 and 2023 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments (which include only normal recurring adjustments except where disclosed) necessary for the fair presentation of the financial position, results of operation, and cash flows have been made. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year.

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2023.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standard updates ("ASUs") to the FASB Accounting Standards Codification ("ASC").

In March 2024, the Securities and Exchange Commission ("SEC") adopted a final rule under SEC Release No. 33-11275, The Enhancement and Standardization of Climate-Related Disclosures for Investors, to enhance and standardize climate-related disclosures. The rule will require companies to disclose material Scope 1 and Scope 2 greenhouse gas emissions; climate-related risks, governance, and oversight; and the financial effects of severe weather events and other natural conditions. These disclosures will begin to be phased in beginning with the Company's annual report for the year ending December 31, 2025. While this rule has been stayed pending the outcome of legal challenges, the Company is currently assessing the impact of adoption on the Company's consolidated financial statements and related disclosures in the event the stay is lifted.

In December 2023, the FASB issued *ASU 2023-09 Improvements to Income Tax Disclosures*. The ASU establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. Under the new guidance, the Company must consistently categorize and provide greater disaggregation of information in the rate reconciliation. It must also further disaggregate income taxes paid. The update is effective for fiscal years beginning after December 15, 2024, and interim periods for fiscal years beginning after December 15, 2025. Entities may apply the amendments prospectively or may elect retrospective application. The Company is evaluating the impact of the new required disclosures but do not expect the adoption of ASU 2023-09 to have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07 *Segment Reporting - Improving Reportable Segment Disclosures (Topic 280)*. The update is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU also requires all annual disclosures currently required by Topic 280 to be included in interim periods. The update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted and requires retrospective application to all prior periods presented in the financial statements. The Company is evaluating the impact of the new required disclosures but do not expect the adoption of ASU 2023-07 to have a material impact on the Company's consolidated financial statements or disclosures.

There have been no other recent accounting pronouncements, changes in accounting pronouncements, or recently adopted accounting guidance during the nine months ended September 30, 2024, that are of significance or potential significance to the Company's consolidated financial statements or disclosures.

2. Acquisitions

Fiscal 2024 Acquisitions

On August 1, 2024, the Company acquired the assets and liabilities of Ageto. Ageto designs and integrates microgrid energy and control management systems and is headquartered in Fort Collins, Colorado.

On June 26, 2024, the Company closed on the acquisition of the C&I BESS product offering from SunGrid Solutions Inc. located in Cambridge, Canada.

On April 1, 2024, the Company acquired Huntington, headquartered in Shelton, Connecticut. Huntington is an industrial and residential generator distributor as well as a provider of maintenance and repair services.

The combined preliminary purchase price for these acquisitions is $30,449, net of cash acquired and inclusive of holdbacks and estimated contingent consideration. The Company recorded its preliminary purchase price allocation based on its estimates of the fair value of the acquired assets and assumed liabilities. Purchase accounting for C&I BESS and Huntington will be finalized prior to June 30, 2025, while purchase accounting for Ageto will be finalized prior to September 30, 2025. There have not been any material changes to the preliminary purchase price allocation for Ageto, C&I BESS, or Huntington as of September 30, 2024.

The accompanying condensed consolidated financial statements include the results of Ageto, C&I BESS, and Huntington from their dates of acquisition through September 30, 2024. Pro forma and other financial information are not presented as the effects of these acquisitions are not material to the Company's results of operations or financial position.

Fiscal 2023 Acquisitions

On February 1, 2023, the Company acquired REFUstor, headquartered in Pfullingen, Germany. REFUstor is a developer and supplier of battery storage hardware products, advanced software, and platform services for the C&I energy storage market.

The Company recorded its preliminary purchase price allocation for REFUstor during the first quarter of 2023, based on its estimates of the fair value of the acquired assets and assumed liabilities. Purchase accounting for REFUstor was finalized in the first quarter of 2024 and did not result in material adjustments to the Company's preliminary estimates. The final purchase price is not material to the Company's condensed consolidated financial statements. The accompanying condensed consolidated financial statements include the results of REFUstor from the date of acquisition through September 30, 2024. Pro forma and other financial information are not presented as the effects of the REFUstor acquisition are not material to the Company's results of operations or financial position.

3. Redeemable Noncontrolling Interest

On March 1, 2016, the Company acquired a 65% ownership interest in PR Industrial S.r.l. and its subsidiaries (Pramac). The 35% noncontrolling interest in Pramac had an acquisition date fair value of $34,253 and was recorded as a redeemable noncontrolling interest in the consolidated balance sheets, as the noncontrolling interest holder had within its control the right to require the Company to redeem its interest in Pramac. In May 2021, the Company exercised its call option rights and paid a purchase price of $27,164 to purchase an additional 15% ownership interest in Pramac, bringing the Company's total ownership interest in Pramac to 80%. On March 8, 2023, the Company and the noncontrolling interest holder entered into an agreement whereby the Company acquired the remaining 20% ownership interest in Pramac for a purchase price of $116,754, which brought the Company's total ownership interest in Pramac to 100%. The purchase price included $105,264 of initial consideration (which included a cash payment of $104,844 and a $420 gain on a foreign currency settlement in the first quarter of 2023) and $11,490 of contingent deferred consideration to be paid in up to 135,205 restricted shares that were issued based on the twenty day volume weighted average price of the Company’s stock ending on December 31, 2022, and which shall vest upon achievement of certain earnings targets at the end of the earn-out period, December 31, 2025.

On February 1, 2019, the Company acquired a 51% ownership interest in Captiva Energy Solutions Private Limited (Captiva). The 49% noncontrolling interest in Captiva had an acquisition date fair value of $3,165 and was recorded as a redeemable noncontrolling interest in the consolidated balance sheets, as the noncontrolling interest holder had within its control the right to require the Company to redeem its interest in Captiva. The noncontrolling interest holder had a put option to sell his interest to the Company any time after five years from the date of acquisition, or earlier upon the occurrence of certain circumstances. Further, the Company had a call option that may be redeemed any time after five years from the date of acquisition, or earlier upon the occurrence of certain circumstances. The put and call option price was based on a multiple of earnings, subject to the terms of the acquisition agreement. In May 2022, the Company purchased an additional 15% ownership interest in Captiva for $375, which was paid with cash on hand, bringing the Company's total ownership interest in Captiva to 66%. On April 5, 2024, the Company acquired the remaining 34% ownership interest in Captiva for $9,117.

The above redeemable noncontrolling interests were recorded at the greater of the initial fair value, increased or decreased for the noncontrolling interests’ share of comprehensive income (loss), or the estimated redemption value, with any adjustments to the redemption value impacting retained earnings, but not net income. However, the redemption value adjustments are reflected in the earnings per share calculation, as detailed in Note 13, “Earnings Per Share,” to the condensed consolidated financial statements. The following table presents the changes in the redeemable noncontrolling interest for both Captiva and Pramac:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	$ -	$ 5,688	$ 6,549	$ 110,471
Net income	-	58	58	1,728
Foreign currency translation	-	(153)	(176)	(689)
Purchase of additional ownership interest	-	-	(9,117)	(116,754)
Redemption value adjustment	-	46	2,686	10,883
Balance at end of period	$ -	$ 5,639	$ -	$ 5,639

4. Derivative Instruments and Hedging Activities

The Company records all derivatives in accordance with ASC 815, *Derivatives and Hedging,* which requires derivative instruments to be reported in the condensed consolidated balance sheets at fair value and establishes criteria for designation and effectiveness of hedging relationships. The Company is exposed to market risk such as changes in commodity prices, foreign currencies, and interest rates. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company periodically utilizes commodity derivatives and foreign currency forward purchase and sales contracts in the normal course of business. Because these contracts do not qualify for hedge accounting, the related gains and losses are recorded in the Company’s condensed consolidated statements of comprehensive income. The commodity and foreign currency forward contract gains and losses are not material to the Company’s condensed consolidated financial statements for the periods presented.

Additionally, the Company maintains interest rate swap agreements and owns stock warrants described in more detail below.

Interest Rate Swaps

In 2017, the Company entered into twenty interest rate swap agreements, the final four of which expired in May 2023. In March 2020, the Company entered into three additional interest rate swap agreements, which were still outstanding as of September 30, 2024.

In June 2022, in conjunction with the amendments to the Company's credit agreements discussed further in Note 11, “Credit Agreements,” to the condensed consolidated financial statements, the Company amended its interest rate swaps to match the underlying debt and reconfirmed hedge effectiveness. The Company formally documented all relationships between interest rate hedging instruments and the related hedged items, as well as its risk-management objectives and strategies for undertaking various hedge transactions. These interest rate swap agreements qualify as cash flow hedges and therefore, the effective portions of their gains or losses are reported as a component of accumulated other comprehensive loss ("AOCL") in the condensed consolidated balance sheets.

The amount of losses, net of tax, recognized for the three and nine months ended September 30, 2024, was $(10,177) and $(9,925), respectively. The amount of gains, net of tax, recognized for the three and nine months ended September 30, 2023, was $1,045 and $2,309, respectively. The cash flows of the swaps are recognized as adjustments to interest expense each period. The ineffective portions of the derivatives’ changes in fair value, if any, are immediately recognized in earnings.

Stock Warrants

During the fourth quarter of 2023, the Company entered into a $30,000 agreement with Wallbox N.V. ("Wallbox") to purchase 5% of its Class A common stock ("Wallbox Shares") and acquire stock warrants, which provide the rights to an incremental approximate 5% ownership in the Class A common stock outstanding of Wallbox upon exercise at a fixed price with anti-dilution protections for a period of time. During the third quarter of 2024, the Company received additional warrants in connection with an additional round of funding performed by Wallbox through the Company's anti-dilution protection rights. In accordance with U.S. GAAP, the Company is required to adjust the carrying value of these warrants to market value on a quarterly basis. Gains and losses attributable to the stock warrants are recognized in other expense, net in the condensed consolidated statements of comprehensive income.

The gain attributable to the stock warrants was $6,606 and $339 for the three and nine months ended September 30, 2024, respectively. The gain for the three months ended September 30, 2024, was primarily due to the receipt of additional warrants during the third quarter of 2024.

Fair Value

The following table presents the fair value of all the Company’s derivatives:

	September 30, 2024	**December 31, 2023**
Foreign currency contracts	(254)	(147)
Interest rate swaps	25,360	38,601
Stock warrants	15,584	14,862

In the condensed consolidated balance sheets, the fair value of the foreign currency contracts is included in other accrued liabilities at September 30, 2024, and December 31, 2023. The fair value of the interest rate swaps and stock warrants is included in operating lease and other assets at both September 30, 2024, and December 31, 2023. Excluding the impact of credit risk, the fair value of the derivative contracts (excluding the stock warrants) as of September 30, 2024, and December 31, 2023, is an asset of $25,930 and $39,796, respectively, which represents the amount the Company would receive to exit all of the agreements on those dates.

5. Fair Value Measurements

ASC 820-10, *Fair Value Measurement,* defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring basis or nonrecurring basis. ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the pronouncement establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company believes the carrying amount of its financial instruments (cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, short-term borrowings, and revolving facility ("Revolving Facility") borrowings), excluding Term Loan borrowings, approximates the fair value of these instruments based on their short-term nature. The fair value of the Tranche B Term Loan borrowing, which has a net carrying value of $497,097, was $500,000 (Level 2) on September 30, 2024. The fair value of the Tranche A Term Loan borrowing, which has a net carrying value of $719,893, was $707,438 (Level 2) on September 30, 2024. These fair values were calculated based on independent valuations which contain inputs and significant value drivers that are observable. The fair value of the Revolving Facility approximates the carrying value.

For the fair value of the derivatives measured on a recurring basis, refer to the fair value table in Note 4, “Derivative Instruments and Hedging Activities,” to the condensed consolidated financial statements. The fair value of the Company's interest rate swaps and commodity and foreign currency derivative contracts are classified as Level 2. The valuation techniques used to measure the fair value of these derivative contracts, all of which have counterparties with high credit ratings, were based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data. The fair value of the derivative contracts discussed above considers the Company’s credit risk in accordance with ASC 820-10.

The fair value of the Wallbox stock warrants is classified as Level 3. The fair value of these contracts is measured using a Black Scholes option pricing model, with significant inputs derived from or corroborated by observable market data as well as internal estimates, specifically the time period until exercise. The warrants received in the third quarter of 2024 and fourth quarter of 2023 expire at the earlier of when the price per share equals or exceeds $6.00 or in 2028 and 2029, respectively. The time period until exercise assumption has a significant impact on the fair value of the warrants.

Equity Securities

Equity securities consist of Wallbox Shares. During the third quarter of 2024, the Company invested an incremental $35,000 in additional Wallbox Shares, increasing its ownership interest to 38,096,057 Wallbox Shares as of September 30, 2024. The Wallbox Shares are classified as Level 1 in the fair value hierarchy and are recognized at fair value using the closing price of Wallbox common stock quoted on the New York Stock Exchange ("NYSE") on the last trading day of the quarter. The Wallbox Shares are included in operating lease and other assets in the condensed consolidated balance sheets. The fair value of the Wallbox Shares was $46,477 and $17,213 as of September 30, 2024, and December 31, 2023, respectively. Gains and losses attributable to the Wallbox Shares are recognized in other expense, net in the condensed consolidated statements of comprehensive income. The loss recognized on the Wallbox Shares was $(1,408) and $(3,277) for the three and nine months ended September 30, 2024, respectively.

Contingent Consideration

Certain of the Company's business combinations involve potential payment of future consideration that is contingent upon the achievement of certain milestones. As part of purchase accounting, a liability is recorded for the estimated fair value of the contingent consideration on the acquisition date. The fair value of the contingent consideration is remeasured at each reporting period, and the change in fair value is recognized within general and administrative expenses in the Company's consolidated statements of comprehensive income. The fair value measurement of contingent consideration is typically categorized as a Level 3 liability, as the measurement amount is based primarily on significant inputs that are not observable in the market.

The fair value of contingent consideration for Chilicon Power LLC ("Chilicon"), Pramac, and Ageto as of September 30, 2024, and for Chilicon and Pramac as of December 31, 2023, was $45,407 and $38,937, respectively. The contingent consideration period for Chilicon extends through December 31, 2028, while the contingent consideration period for Pramac extends through December 31, 2025. The contingent consideration for Ageto can be earned in equal increments with one third of the contingent consideration capable of being earned as of August 1, 2025, August 1, 2026, and August 1, 2027. The current portion of contingent consideration is reported in other accrued liabilities and the non-current portion is reported in other long-term liabilities in the condensed consolidated balance sheets.

The following table provides a reconciliation of the activity for contingent consideration:

Beginning balance, January 1, 2024	$	38,937
Changes in fair value		-
Additional contingent consideration		5,911
Present value interest accretion		559
Ending balance, September 30, 2024	$	45,407

6. Accumulated Other Comprehensive Loss

The following table presents a disclosure of changes in AOCL during the three and nine months ended September 30, 2024 and 2023, net of tax:

	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Cash Flow Hedges	Total
Beginning Balance – July 1, 2024	$ (72,220)	$ 28,691	$ (43,529)
Other comprehensive income (loss)	25,719 (1)	(10,177) (2)	15,542
Ending Balance – September 30, 2024	$ (46,501)	$ 18,514	$ (27,987)

	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Cash Flow Hedges	Total
Beginning Balance – July 1, 2023	$ (53,923)	$ 37,707	$ (16,216)
Other comprehensive income (loss)	(26,443) (3)	1,045 (4)	(25,398)
Ending Balance – September 30, 2023	$ (80,366)	$ 38,752	$ (41,614)

	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Cash Flow Hedges	Total
Beginning Balance – January 1, 2024	$ (43,582)	$ 28,439	$ (15,143)
Other comprehensive income (loss)	(2,919) (5)	(9,925) (6)	(12,844)
Ending Balance – September 30, 2024	$ (46,501)	$ 18,514	$ (27,987)

	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Cash Flow Hedges	Total
Beginning Balance – January 1, 2023	$ (101,545)	$ 36,443	$ (65,102)
Other comprehensive income (loss)	21,179 (7)	2,309 (8)	23,488
Ending Balance – September 30, 2023	$ (80,366)	$ 38,752	$ (41,614)

(1) Represents favorable impact from the weakening of the U.S. dollar against foreign currencies during the three months ended September 30, 2024, particularly the Euro and British Pound.
(2) Represents unrealized losses of $(13,577) on the interest rate swaps, net of tax effect of $3,400, for the three months ended September 30, 2024.
(3) Represents unfavorable impact from the strengthening of the U.S. dollar against foreign currencies during the three months ended September 30, 2023, particularly the Euro, British Pound, and Mexican Peso.
(4) Represents unrealized gains of $1,394 on the interest rate swaps, net of tax effect of $(349) for the three months ended September 30, 2023.
(5) Represents a slightly unfavorable impact from the strengthening of the U.S. dollar against foreign currencies during the nine months ended September 30, 2024, particularly the Euro.
(6) Represents unrealized losses of $(13,241) on the interest rate swaps, net of tax effect of $3,316 for the nine months ended September 30, 2024.
(7) Represents favorable impact from the weakening of the U.S. dollar against foreign currencies during the nine months ended September 30, 2023, particularly the Euro, British Pound, and Mexican Peso.
(8) Represents unrealized gains of $3,081 on the interest rate swaps, net of tax effect of $(772) for the nine months ended September 30, 2023.

7. Segment Reporting

The Company has two reportable segments for financial reporting purposes – domestic and international. The domestic segment includes the legacy Generac business and all historical acquisitions based in the U.S. and Canada, all of which have revenues substantially derived from the U.S. and Canada. The international segment includes all historical acquisitions not based in the U.S and Canada, all of which have revenues substantially derived from outside the U.S and Canada. Both reportable segments design and manufacture a wide range of energy technology solutions and other power products. The Company has multiple operating segments, which it aggregates into the two reportable segments, based on materially similar economic characteristics, products, production processes, classes of customers, distribution methods, organizational structure, and regional considerations.

The Company's product offerings consist primarily of power generation equipment, energy storage systems, energy management devices & solutions, and other power products geared for varying end customer uses. While Residential products and Commercial & Industrial ("C&I") products include similar products, they differ based on power output and end customer. The composition of net sales between residential, C&I, and other products & services by reportable segment is as follows:

	Net Sales by Reportable Segment		
	Three Months Ended September 30, 2024		
Product Classes	Domestic	International	Total
Residential products	$ 701,781	$ 21,006	$ 722,787
Commercial & industrial products	199,339	128,617	327,956
Other	110,227	12,593	122,820
Total net sales	$ 1,011,347	$ 162,216	$ 1,173,563

	Net Sales by Reportable Segment		
	Three Months Ended September 30, 2023		
Product Classes	Domestic	International	Total
Residential products	$ 539,775	$ 25,312	$ 565,087
Commercial & industrial products	238,212	146,321	384,533
Other	108,378	12,669	121,047
Total net sales	$ 886,365	$ 184,302	$ 1,070,667

	Net Sales by Reportable Segment		
	Nine Months Ended September 30, 2024		
Product Classes	Domestic	International	Total
Residential products	$ 1,629,100	$ 61,036	$ 1,690,136
Commercial & industrial products	606,147	419,948	1,026,095
Other	305,995	38,807	344,802
Total net sales	$ 2,541,242	$ 519,791	$ 3,061,033

	Net Sales by Reportable Segment		
	Nine Months Ended September 30, 2023		
Product Classes	Domestic	International	Total
Residential products	$ 1,389,112	$ 93,426	$ 1,482,538
Commercial & industrial products	700,941	430,935	1,131,876
Other	305,239	39,344	344,583
Total net sales	$ 2,395,292	$ 563,705	$ 2,958,997

Residential products consist primarily of automatic home standby generators ranging in output from 7.5kW to 150kW, portable generators, residential energy storage systems, energy management devices & solutions, and other outdoor power equipment. These products are predominantly sold through independent residential dealers, national and regional retailers, e-commerce merchants, electrical/HVAC/solar wholesalers, solar installers, and outdoor power equipment dealers. The residential products revenue consists of the sale of the product to the Company's distribution partners, who in turn sell the product to the end consumer, including installation and maintenance services. In some cases, residential products are sold directly to the end consumer. Substantially all of the residential products' revenues are transferred to the customer at a point in time.

C&I products consist of larger output stationary generators used in C&I applications, with power outputs up to 3,250kW. Also included in C&I products are mobile generators, light towers, C&I battery energy storage systems, mobile heaters, mobile pumps, and related controls for power generation equipment. These products are sold globally through industrial distributors and dealers, Engineering, Procurement, and Construction ("EPC") companies, equipment rental companies, and equipment distributors. The C&I products revenue consists of the sale of the product to the Company's distribution partners, who in turn sell the product to the end customer, including installation and maintenance services. In some cases, C&I products are sold directly to the end customer. Substantially all of the C&I products' revenues are transferred to the customer at a point in time.

Other consists primarily of aftermarket service parts and product accessories sold to the Company's distribution partners, the amortization of extended warranty deferred revenue, remote monitoring and grid services subscription revenue, as well as certain installation and maintenance service revenue. The aftermarket service parts and product accessories are generally transferred to the customer at a point in time, while the extended warranty and subscription revenue are recognized over the life of the contract. Other service revenue is recognized when the service is performed.

The following table sets forth total sales by reportable segment and is inclusive of intersegment sales:

	Three Months Ended September 30, 2024				Three Months Ended September 30, 2023			
	Domestic	International	Eliminations	Total	Domestic	International	Eliminations	Total
External net sales	$ 1,011,347	$ 162,216	$ -	$ 1,173,563	$ 886,365	$ 184,302	$ -	$ 1,070,667
Intersegment sales	8,853	4,485	(13,338)	-	7,640	23,293	(30,933)	-
Total sales	$ 1,020,200	$ 166,701	$ (13,338)	$ 1,173,563	$ 894,005	$ 207,595	$ (30,933)	$ 1,070,667

	Nine Months Ended September 30, 2024				Nine Months Ended September 30, 2023			
	Domestic	International	Eliminations	Total	Domestic	International	Eliminations	Total
External net sales	$ 2,541,242	$ 519,791	$ -	$ 3,061,033	$ 2,395,292	$ 563,705	$ -	$ 2,958,997
Intersegment sales	26,571	18,127	(44,698)	-	33,960	84,078	(118,038)	-
Total sales	$ 2,567,813	$ 537,918	$ (44,698)	$ 3,061,033	$ 2,429,252	$ 647,783	$ (118,038)	$ 2,958,997

Management evaluates the performance of its segments based primarily on Adjusted EBITDA, which is reconciled to Income before provision for income taxes below. The computation of Adjusted EBITDA is based primarily on the definition that is contained in the Company's credit agreements.

	Adjusted EBITDA by Reportable Segment			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Domestic	$ 211,567	$ 160,270	$ 450,416	$ 331,134
International	20,298	28,332	73,371	94,088
Total Adjusted EBITDA	$ 231,865	$ 188,602	$ 523,787	$ 425,222
Interest expense	(22,910)	(24,707)	(69,833)	(72,862)
Depreciation and amortization	(43,152)	(42,951)	(127,934)	(124,149)
Non-cash write-down and other adjustments (1)	(468)	(2,055)	(2,863)	5,257
Non-cash share-based compensation expense (2)	(13,115)	(9,927)	(38,270)	(30,306)
Transaction costs and credit facility fees (3)	(1,337)	(921)	(4,029)	(3,161)
Business optimization and other charges (4)	(1,564)	(5,291)	(3,190)	(8,151)
Provision for legal, regulatory, and clean energy product charges (5)	(2,382)	(22,113)	(5,280)	(27,913)
Change in fair value of investment (6)	5,198	-	(2,938)	-
Loss on extinguishment of debt (7)	(4,861)	-	(4,861)	-
Other	(43)	(575)	(156)	(443)
Income before provision for income taxes	$ 147,231	$ 80,062	$ 264,433	$ 163,494

(1) Includes gains/(losses) on dispositions of assets other than in the ordinary course of business, gains/(losses) on sales of certain investments, unrealized mark-to-market adjustments on commodity contracts, certain foreign currency related adjustments, and certain purchase accounting and contingent consideration adjustments.
(2) Represents share-based compensation expense to account for stock options, restricted stock, and other stock awards over their respective vesting periods.
(3) Represents transaction costs incurred directly in connection with any investment, as defined in the Company's credit agreement, equity issuance or debt issuance or refinancing, together with certain fees relating to the Company's senior secured credit facilities, such as administrative agent fees and credit facility commitment fees under the Company's Amended Credit Agreement.
(4) Represents severance and other restructuring charges related to the consolidation of certain operating facilities and organizational functions.
(5) Represents the following significant and unusual charges not indicative of our ongoing operations:
• A provision for judgments, settlements, and legal expenses related to certain patent and securities lawsuits - $2,382 in the third quarter of 2024; $4,915 year-to-date 2024; and $22,113 in the third quarter of 2023.
• Additional customer support costs related to a clean energy product customer that filed for bankruptcy in 2022 – $365 in the first quarter of 2024.
• A provision for a matter with the Consumer Product Safety Commission ("CPSC") concerning the imposition of civil fines for allegedly failing to timely submit a report under the Consumer Product Safety Act ("CPSA") in relation to certain portable generators that were subject to a voluntary recall previously announced on July 29, 2021 - $5,800 in the first quarter of 2023.
(6) Represents non-cash gains/(losses) from changes in the fair value of the Company's investment in Wallbox warrants and equity securities.
(7) Represents fees paid to creditors and the write-off of the unamortized original issue discount and deferred financing costs in connection with the refinancing of the Company's Tranche B Term Loan Facility.

The Company's sales in the U.S. represented approximately 83% and 79% of total sales for the three months ended September 30, 2024 and 2023, respectively. The Company's sales in the U.S. represented approximately 79% and 77% of total sales for the nine months ended September 30, 2024 and 2023, respectively. Approximately 75% and 74% of the Company's identifiable long-lived assets were located in the U.S. on September 30, 2024, and December 31, 2023, respectively.

8. Balance Sheet Details

Inventories consist of the following:

	September 30, 2024	December 31, 2023
Raw material	$ 644,971	$ 677,428
Work-in-process	9,402	10,877
Finished goods	441,385	479,179
Total	$ 1,095,758	$ 1,167,484

Property and equipment consists of the following:

	September 30, 2024	December 31, 2023
Land and improvements	$ 24,801	$ 22,556
Buildings and improvements	330,765	298,483
Machinery and equipment	294,434	271,879
Dies and tools	47,896	45,998
Vehicles	13,558	11,411
Office & information technology equipment and internal use software	210,482	185,601
Leasehold improvements	9,617	8,772
Construction in progress	87,068	98,083
Gross property and equipment	1,018,621	942,783
Accumulated depreciation	(378,888)	(344,206)
Total	$ 639,733	$ 598,577

Total property and equipment includes finance leases of $84,766 and $68,079 on September 30, 2024, and December 31, 2023, respectively, primarily consisting of buildings and improvements. Amortization of finance lease right of use assets is recorded within depreciation expense in the condensed consolidated statements of comprehensive income. The initial measurement of new finance lease right of use assets is accounted for as a non-cash item in the condensed consolidated statements of cash flows.

9. Product Warranty Obligations

The Company records a liability for standard product warranty obligations accounted for as assurance warranties at the time of sale of the related product to a customer based on historical warranty experience. The Company also records a liability for specific warranty matters when they become known and are reasonably estimable. The following is a tabular reconciliation of the Company's standard product warranty liability accounted for as an assurance warranty:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	$ 106,279	$ 122,222	$ 116,408	$ 138,011
Payments	(23,050)	(24,427)	(65,130)	(76,069)
Provision for warranty issued	22,755	18,136	54,804	51,353
Changes in estimates for pre-existing warranties	1,458	3,630	1,360	6,266
Balance at end of period	$ 107,442	$ 119,561	$ 107,442	$ 119,561

The Company also sells extended warranty coverage for certain products, which it accounts for as a service warranty. The sales of extended warranties are recorded as deferred revenue, and typically have a duration of five to ten years. The deferred revenue related to extended warranty coverage is amortized over the duration of the extended warranty contract period, following the standard warranty period, using the straight-line method. The Company believes the straight-line method is appropriate because the performance obligation is satisfied based on the passage of time. The amortization of deferred revenue is recorded to net sales in the consolidated statements of comprehensive income. The following is a tabular reconciliation of the deferred revenue related to extended warranty coverage:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	$ 171,702	$ 140,922	$ 155,870	$ 132,813
Deferred revenue contracts issued	15,169	10,615	45,042	30,774
Amortization of deferred revenue contracts	(7,577)	(6,414)	(21,618)	(18,464)
Balance at end of period	$ 179,294	$ 145,123	$ 179,294	$ 145,123

The timing of recognition of the Company's deferred revenue balance related to extended warranties as of September 30, 2024 is as follows:

Remainder of 2024	$ 7,902
2025	33,387
2026	33,804
2027	29,451
2028	23,149
After 2028	51,601
Total	$ 179,294

Standard product warranty obligations and extended warranty related deferred revenues are included in the condensed consolidated balance sheets as follows:

	September 30, 2024	December 31, 2023
Product warranty liability		
Current portion - accrued product warranty	$ 60,377	$ 65,298
Long-term portion - other long-term liabilities	47,065	51,110
Total	$ 107,442	$ 116,408
Deferred revenue related to extended warranties		
Current portion - other accrued liabilities	$ 32,797	$ 28,203
Long-term portion - deferred revenue	146,497	127,667
Total	$ 179,294	$ 155,870

10. Contract Balances

While the Company's standard payment terms for its customers are less than one year, the specific payment terms and conditions in its customer contracts vary. In certain cases, the Company's customers pay for their goods in advance. These prepayments are recognized as customer deposits (contract liabilities) and recorded in other accrued liabilities in the condensed consolidated balance sheets. The balance of customer deposits was $19,881 and $19,173 on September 30, 2024 and December 31, 2023, respectively. During the nine months ended September 30, 2024 the Company recognized revenue of $16,104 related to amounts included in the December 31, 2023, customer deposit balance. The Company typically recognizes revenue within one year of the receipt of the customer deposit.

11. Credit Agreements

Short-term borrowings included in the condensed consolidated balance sheets as of September 30, 2024, and December 31, 2023, consisted of borrowings by the Company’s foreign subsidiaries on local lines of credit totaling $65,540 and $81,769, respectively.

Long-term borrowings are included in the condensed consolidated balance sheets as follows:

	September 30, 2024	December 31, 2023
Tranche A Term Loan Facility	$ 721,875	$ 745,313
Tranche B Term Loan Facility	500,000	530,000
Original issue discount and capitalized debt fees	(8,853)	(12,685)
Revolving Facility	150,000	150,000
Finance lease obligation	90,622	71,308
Other	6,169	9,512
Total	1,459,813	1,493,448
Less: current portion of debt	53,193	42,110
Less: current portion of finance lease obligation	45,983	3,785
Total long-term borrowings and finance lease obligations	$ 1,360,637	$ 1,447,553

The Tranche A Term Loan Facility and Revolving Facility mature on June 29, 2027. The Tranche A Term Loan Facility is repayable in installments maturing at the end of each quarter commencing September 2023, with a balloon payment due June 2027. The Tranche B Term Loan Facility matures on July 3, 2031, and is repayable in installments maturing at the end of each quarter commencing September 2024, with a balloon payment due July 2031. Maturities of the Company's Tranche A Term Loan Facility, Tranche B Term Loan Facility, and Revolving Facility outstanding on September 30, 2024, are as follows:

	Tranche A Term Loan Facility	Tranche B Term Loan Facility	Revolving Facility	Total
2024	$ 9,375	$ 2,500	$ -	$ 11,875
2025	46,875	5,000	-	51,875
2026	65,625	5,000	-	70,625
2027	600,000	5,000	150,000	755,000
2028	-	5,000	-	5,000
2029	-	5,000	-	5,000
2030	-	5,000	-	5,000
2031	-	467,500	-	467,500
Total	$ 721,875	$ 500,000	$ 150,000	$ 1,371,875

The Company’s credit agreements originally provided for a $1,200,000 Tranche B Term Loan Facility (“original Term Loan B Facility”) and included a $300,000 uncommitted incremental term loan on that facility. After several amendments, the original Term Loan B Facility bore interest at rates based on either a base rate plus an applicable margin of 0.75% or adjusted SOFR rate plus an applicable margin of 1.75%, subject to a SOFR floor of 0.0%, and was scheduled to mature on December 13, 2026.

In July 2024, the Company extinguished the $530,000 balance then outstanding under the former Tranche B Term Loan Facility and replaced it with a new $500,000 Tranche B Term Loan Facility maturing on July 3, 2031. The new Tranche B Term Loan Facility continues to include a $300,000 uncommitted incremental term loan on that facility. In accordance with ASC 470-50, the Company capitalized $2,991 of debt issuance costs. Additionally, the Company wrote-off the unamortized deferred financing costs related to the former Tranche B Term Loan Facility of $4,236 and expensed $625 of fees paid to creditors as a loss on extinguishment of debt. The new Tranche B Term Loan Facility bears interest at the adjusted SOFR rate plus an applicable margin of 1.75%, subject to a SOFR floor of 0.0%, resulting in a 6.95% combined rate as of September 30, 2024.

The Tranche B Term Loan Facility does not require an Excess Cash Flow payment if the Company’s net secured leverage ratio is maintained below 3.75 to 1.00. As of September 30, 2024, the Company’s net secured leverage ratio was 1.70 to 1.00, and the Company was in compliance with all covenants of the Tranche B Term Loan Facility. There are no financial maintenance covenants on the Tranche B Term Loan Facility.

In June 2022, the Company amended and restated its existing credit agreements ("Amended Credit Agreement") resulting in a new term loan A facility in an aggregate principal amount of $750,000 ("Tranche A Term Loan Facility"), established a new $1,250,000 Revolving Facility, and replaced all LIBOR provisions with SOFR provisions. The Tranche A Term Loan Facility and the Revolving Facility initially bore interest at a rate based on adjusted SOFR plus an applicable margin of 1.5% through December 31, 2022, subject to a SOFR floor of 0.0%. Beginning on January 1, 2023, the Tranche A Term Loan Facility and the Revolving Facility bear interest at a rate based on adjusted SOFR plus an applicable margin between 1.25% and 1.75%, based on the Company's total leverage ratio and subject to a SOFR floor of 0.0%, resulting in a 6.93% combined interest rate for the Tranche A Term Loan Facility and Revolving Facility as of September 30, 2024.

The Tranche A Term Loan Facility and the Revolving Facility contain certain financial covenants that require the Company to maintain a total leverage ratio below 3.75 to 1.00 as well as an interest coverage ratio above 3.00 to 1.00. As of September 30, 2024, the Company’s total leverage ratio was 1.79 to 1.00, and the Company's interest coverage ratio was 8.69 to 1.00. The Company was also in compliance with all other covenants of the Amended Credit Agreement as of September 30, 2024.

The Tranche B Term Loan Facility, Tranche A Term Loan Facility and Revolving Facility are guaranteed by substantially all of the Company’s wholly-owned domestic restricted subsidiaries and are secured by associated collateral agreements which pledge a first priority lien on virtually all of the Company’s assets, including fixed assets and intangibles, cash, trade accounts receivable, inventory, and other current assets and proceeds thereof.

As of September 30, 2024, there was $150,000 outstanding under the Revolving Facility, leaving $1,099,203 of unused capacity, net of outstanding letters of credit.

See Note 5, "Derivative Instruments and Hedging Activities" and Item 7A of the Annual Report on Form 10-K for further information on interest rate swaps that are currently outstanding and partially offset the above interest expense on outstanding borrowings.

12. Stock Repurchase Program

In July 2022, the Company's Board of Directors approved a stock repurchase program, which commenced on August 5, 2022, and allowed for the repurchase of up to $500,000 of the Company's common stock over a 24-month period. Additionally, on February 12, 2024, the Company’s Board of Directors approved a new stock repurchase program that allows for the repurchase of up to $500,000 of the Company’s common stock over the following 24 months. The new program replaces the prior share repurchase program, which had $26,297 remaining available for repurchase when the new program was approved. Pursuant to the approved program, the Company may repurchase its common stock from time to time, in amounts and at prices the Company deems appropriate, subject to market conditions and other considerations. The repurchases may be executed using open market purchases, privately negotiated agreements or other transactions. The actual timing, number and value of shares repurchased under the program will be determined by management at its discretion and in compliance with the terms of the Company's credit agreements. The repurchases may be funded with cash on hand, available borrowings, or proceeds from potential debt or other capital markets sources. The stock repurchase program may be suspended or discontinued at any time without prior notice.

During the third quarter of 2024, the Company repurchased 690,711 shares of common stock for $102,134. During the second quarter of 2024, the Company repurchased 355,640 shares of common stock for $50,609. There were no share repurchases under the program during the first quarter of 2024. During the third quarter of 2023, the Company repurchased 875,580 shares of common stock for $100,267. There were no share repurchases during the first and second quarters of 2023. The Company has periodically reissued shares out of Treasury stock, including for acquisition contingent consideration payments.

13. Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the period, exclusive of restricted shares. Except where the result would be anti-dilutive, diluted earnings per share is calculated by assuming the vesting of unvested restricted stock and the exercise of outstanding stock options, as well as the satisfaction of certain contingent acquisition consideration conditions as of the end of the period. Refer to Note 3, “Redeemable Noncontrolling Interest,” to the condensed consolidated financial statements for further information regarding the accounting for redeemable noncontrolling interests within earnings per share.

The following table reconciles the numerator and the denominator used to calculate basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator				
Net income attributable to Generac Holdings Inc.	$ 113,742	$ 60,377	$ 199,089	$ 118,005
Redeemable noncontrolling interest redemption value adjustment	-	(46)	(2,686)	(10,883)
Net income attributable to common shareholders	$ 113,742	$ 60,331	$ 196,403	$ 107,122
Denominator				
Weighted average shares, basic	59,493,640	61,368,440	59,720,597	61,552,949
Dilutive effect of stock compensation awards (1)	818,753	722,723	754,881	809,794
Weighted average shares, dilutive	60,312,393	62,091,163	60,475,478	62,362,743
Net income attributable to common shareholders per share				
Basic	$ 1.91	$ 0.98	$ 3.29	$ 1.74
Diluted	$ 1.89	$ 0.97	$ 3.25	$ 1.72

(1) Excludes approximately 430,000 and 440,000 stock options and restricted stock awards for the three months and nine months ended September 30, 2024, respectively, and 370,000 and 344,000 stock options and restricted stock awards for the three months and nine months ended September 30, 2023, respectively, because they would be anti-dilutive.

14. Income Taxes

The effective income tax rates for the nine months ended September 30, 2024 and 2023 were24.6% and 26.4%, respectively. The decrease in effective tax rate was primarily driven by certain unfavorable discrete tax items in the prior-year comparable period which did not repeat in the current year.

15. Commitments and Contingencies

The Company has an arrangement with a finance company to provide floor plan financing for certain dealers. The Company receives payment from the finance company after shipment of product to the dealer. The Company participates in the cost of dealer financing up to certain limits and has agreed to repurchase products repossessed by the finance company, but does not indemnify the finance company for any credit losses they incur. The amount financed by dealers which remained outstanding under this arrangement on September 30, 2024, and December 31, 2023, was $146,366 and $158,028, respectively.

On August 1, 2022, Power Home Solar, LLC d/b/a Pink Energy ("PHS") filed a lawsuit in the Western District of Virginia against Generac Power Systems, Inc., a wholly-owned subsidiary of the Company (Generac Power). The complaint alleges breaches of warranty, product liability, and other various causes of action against Generac Power relating to the sale and performance of certain clean energy equipment and seeks to recover damages, including consequential damages, that PHS allegedly incurred. The Company disputes the allegations in the complaint, including that PHS can seek consequential damages or amounts greater than the $25,000 liability cap set forth in the agreement between the parties. Generac Power moved to dismiss the complaint and compel arbitration consistent with the parties’ agreement. PHS later filed a Chapter 7 bankruptcy petition in the Western District of North Carolina that identified Generac Power as one of its outstanding creditors. The parties agreed to toll PHS's deadline to respond to the motion to dismiss and all other pretrial deadlines to allow the bankruptcy trustee to evaluate the complaint. The Trustee has not yet taken further action in this lawsuit. Generac Power intends to vigorously defend against the claims in the complaint, in whichever forum they may proceed.

On October 28, 2022, Daniel Haak filed a putative consumer class action lawsuit against Generac Power in the Middle District of Florida. The complaint alleges breaches of warranty, tort-based, and unjust enrichment claims against Generac Power relating to the sale and performance of certain clean energy products, and seeks to recover damages, including consequential damages, that the plaintiff and putative class allegedly incurred. Additional putative class actions were filed by consumers raising similar claims and allegations in other district court cases. These putative class actions have been consolidated into a Multidistrict Litigation, *In re: Generac Solar Power Systems Marketing, Sales Practices and Products Liability Litigation* currently pending in the Eastern District of Wisconsin, Case *No. 23*-md-*3078.* Generac Power and the Company filed their answer to the consolidated master complaint after the court denied the motion to dismiss on May 24, 2024. Generac Power and the Company intend to vigorously defend against the consolidated master complaint.

On December 1, 2022, Oakland County Voluntary Employees' Beneficiary Association and Oakland County Employees' Retirement System filed a putative securities class action lawsuit against the Company and certain of its officers in the Eastern District of Wisconsin. The court subsequently consolidated a later filed action and appointed a lead plaintiff. The lead plaintiff filed a consolidated complaint alleging violation of federal securities law related to disclosures of quality issues in Generac Power's clean energy product, accounting for warranty reserves, reliance on channel partners, and demand for home standby generators (the "*Oakland County* Lawsuit"). The Company moved to dismiss the consolidated complaint on October 9, 2023. The Company disputes the allegations in the operative consolidated complaint and intends to vigorously defend against the claims in the consolidated class action.

On February 3, 2023, a purported Company shareholder filed a shareholder derivative action against certain of the Company's officers and directors in the United States District Court for the Eastern District of Wisconsin. The complaint seeks unspecified damages on behalf of the Company and certain other relief, such as certain reforms to corporate governance practices. The complaint (in which the Company is named as a nominal defendant) generally alleges, among other things, breaches of fiduciary duties in connection with the oversight of the Company's public statements and legal compliance, and that the Company was damaged as a result of the breaches of fiduciary duties, and the defendants were unjustly enriched. The complaint also alleges, among other things, violations of Sections 14(a), 10(b) and 20(a) of the Securities Exchange Act of 1934, abuse of control, gross mismanagement, and waste of corporate assets. The Company has received several additional derivative actions filed in both state and federal courts raising similar claims and allegations, including issues raised in the *Oakland County* Lawsuit. The Company disputes the allegations in the shareholder derivative actions and intends to vigorously defend against the claims in the complaints.

On October 28, 2022, Generac Power received a grand jury subpoena from the U.S. Attorney for the Eastern District of Michigan, as a result of which the Company became aware of an enforcement investigation by the U.S. Department of Justice ("DOJ"). The subpoena requests similar documents and information provided by the Company to the U.S. Environmental Protection Agency ("EPA") and the California Air Resource Board ("CARB") in response to civil document requests related to the Company's compliance with emissions regulations for approximately 1,850 (not in thousands) portable generators produced by the Company in 2019 and 2020 and sold in 2020. On October 2, 2024, the Company received additional information from the EPA that could increase the number of portable generators under review by the EPA by approximately 4,850 (not in thousands) if certain emissions certifications for 2020 are voided. The Company is cooperating with the DOJ, EPA and CARB regarding these topics and related requests.

On November 30, 2022, the CPSC notified the Company of its intention to recommend the imposition of a civil penalty for failing to timely submit a report to the CPSC in relation to certain portable generators that were subject to a voluntary recall previously announced on July 29, 2021. On May 3, 2023, the parties entered into a mutual settlement agreement. The agreement does not constitute an admission by Generac or a determination by the CPSC that Generac violated the CPSA. The terms of the settlement agreement require the Company to (i) abide by certain customary agency requirements regarding the ongoing commitment to the Company's internal CPSA compliance practices and program, and (ii) pay a civil fine of $15,800. On July 21, 2023, Generac Power received a grand jury subpoena from the U.S. Attorney for the Eastern District of Wisconsin, as a result of which the Company became aware of a continuing inquiry by the DOJ related to its statutory obligations under the CPSA in connection with this matter. Additionally, on October 23, 2023, the CPSC notified the Company that it is further investigating whether the Company complied with the reporting requirements to the CPSC in relation to certain portable generators that were subject to a voluntary recall previously announced on September 14, 2023. The Company is cooperating fully with both the CPSC and DOJ investigations and, at this time, is unable to predict the eventual scope, duration or final outcome of such investigations.

On March 8, 2022, Ollnova Technologies Limited, a non-practicing entity, filed a patent infringement lawsuit against ecobee Inc. ("ecobee") in the United States District Court for the Eastern District of Texas (Case No. 22-cv-00072-JRG). Ollnova claimed that ecobee infringes on four of its patents. Following an October 5, 2023 jury verdict finding one of Ollnova's patents invalid and that ecobee infringed at least one of the claims of the asserted patents, on March 1, 2024, the trial court entered judgment against ecobee for $11,500, as well as an award of prejudgment and post-judgment interest. In the first quarter of 2024, the Company recorded an additional reserve of $1,826 for estimated prejudgment interest. ecobee has appealed the trial court's judgment to the Court of Appeals for the Federal Circuit and that appeal is currently pending.

On June 9, 2023, Spartronics Vietnam, Inc., a contract manufacturer of Generac Power's clean energy products, filed multiple lawsuits against Generac Power and sub-suppliers accusing Generac Power of fraud, breaching its supply agreement with Spartronics, tortiously interfering with Spartronics' relationships with its sub-suppliers, and requesting a determination of rights under the parties' agreements in state and federal court. Spartronics subsequently filed additional third-party complaints against Generac Power raising similar claims and allegations. After a court granted Generac Power's motion to compel arbitration, Spartronics filed a demand for arbitration of its claims. Generac Power denies the allegations in the complaints, including that Generac Power is responsible for Spartronic's purchasing practices, and is pursuing a counterclaim in connection with the arbitration.

On November 21, 2023, Christopher Walling filed a putative securities class action lawsuit against the Company and certain of its officers in the Western District of Wisconsin and was later appointed lead plaintiff. The complaint asserts claims for alleged violation of federal securities law related to statements concerning the Company's financial outlook and the impact of macroeconomic trends on the demand for its products. The plaintiff seeks to represent a class of individuals who purchased or otherwise acquired common stock between May 3, 2023, and August 3, 2023, and seeks unspecified compensatory damages and other relief on behalf of a purported class of purchasers of the Company's stock (the "*Walling* Lawsuit"). The Company moved to dismiss the amended complaint on June 21, 2024, and intends to vigorously defend against the claims in the amended complaint.

On February 14, 2024, a purported Company shareholder filed a derivative action against certain of the Company's officers and directors in the United States District Court for the Eastern District of Wisconsin. The complaint (in which the Company is named as a nominal defendant) generally alleges, among other things, breaches of fiduciary duties in connection with the oversight of the Company's public statements and legal compliance, including as to the claims raised in the *Walling* Lawsuit. The complaint seeks unspecified damages on behalf of the Company and certain other relief, including certain corporate governance reforms. The Company disputes the allegations in the shareholder derivative action and intends to vigorously defend against the claims in the complaint.

On October 18, 2024, two individuals filed a putative consumer class action lawsuit against Generac Power and the Company in the Middle District of Florida. Case No. 24-cv-02412. The complaint alleges that home standby generators manufactured or sold to consumers from 2021-2024 contain a latent defect that may cause the generator to malfunction. Plaintiffs assert breaches of warranty, tort-based, statutory, and unjust enrichment claims relating to the sale and performance of home standby generators. The Company disputes the allegations and intends to vigorously defend against the claims in the complaint, including that the case should not proceed as a class action.

It is presently unlikely that any legal, regulatory or other proceedings pending against or involving the Company will have a material adverse effect on the Company's financial condition, results of operations or cash flows. However, in many of these matters, it is inherently difficult to determine whether a loss is probable or to estimate the size or range of the possible loss given the variety and potential outcomes of actual and potential claims, the uncertainty of future rulings, the behavior or incentives of adverse parties, and other factors outside the control of the Company. Accordingly, the Company's loss reserves may change from time to time, and actual losses could exceed the amounts reserved by an amount that could be material to the Company's consolidated financial position, results of operations or cash flows in any particular reporting period.

16. Subsequent Events

On October 1, 2024, the Company purchased legal entities that primarily owned manufacturing and office buildings in Casole d'Elsa, Italy as their main operation for approximately 35,000 Euro. Prior to the purchase, these buildings were leased to the Company. The lease was remeasured in the third quarter of 2024 to reflect the purchase price.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "forecast," "project," "plan," "intend," "believe," "confident," "may," "should," "can have," "likely," "future," "optimistic" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

The forward-looking statements contained in this quarterly report are based on assumptions that we have made in light of our industry experience and on our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond our control) and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results and cause them to differ materially from those anticipated in the forward-looking statements. The forward-looking statements contained in this quarterly report include estimates regarding:

- our business, financial and operating results, and future economic performance;
- proposed new product and service offerings; and
- management's goals, expectations, objectives, and other similar expressions concerning matters that are not historical facts.

Factors that could affect our actual financial results and cause them to differ materially from those anticipated in the forward-looking statements include:

- fluctuations in cost, availability, and quality of raw materials, key components and labor required to manufacture our products;
- our dependence on a small number of contract manufacturers and component suppliers, including single-source suppliers;
- our ability to protect our intellectual property rights or successfully defend against third party infringement claims;
- increase in product and other liability claims, warranty costs, recalls, or other claims;
- significant legal proceedings, claims, fines, penalties, tax assessments, lawsuits or government investigations;
- our ability to consummate our share repurchase programs;
- our failure or inability to adapt to, or comply with, current or future changes in applicable laws and regulations;
- scrutiny regarding our ESG practices;
- our ability to develop and enhance products and gain customer acceptance for our products;
- frequency and duration of power outages impacting demand for our products;
- changes in durable goods spending by consumers and businesses or other macroeconomic conditions, impacting demand for our products;
- our ability to accurately forecast demand for our products and effectively manage inventory levels relative to such forecast;
- our ability to remain competitive;
- our dependence on our dealer and distribution network;
- market reaction to changes in selling prices or mix of products;
- loss of our key management and employees;
- disruptions from labor disputes or organized labor activities;
- our ability to attract and retain employees;
- disruptions in our manufacturing operations;
- changes in U.S. trade policy;
- the possibility that the expected synergies, efficiencies and cost savings of our acquisitions, divestitures, restructurings, or realignments will not be realized, or will not be realized within the expected time period;
- risks related to sourcing components in foreign countries;
- compliance with environmental, health and safety laws and regulations;
- government regulation of our products;
- failures or security breaches of our networks, information technology systems, or connected products;
- our ability to make payments on our indebtedness;
- terms of our credit facilities that may restrict our operations;
- our potential need for additional capital to finance our growth or refinancing our existing credit facilities;
- risks of impairment of the value of our goodwill and other indefinite-lived assets;
- volatility of our stock price; and
- potential tax liabilities.

Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, our actual results may vary in material respects from those projected in any forward-looking statements. A detailed discussion of these and other factors that may affect future results is contained in our filings with the Securities and Exchange Commission, including in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 and in Part II, Item 1A of this Quarterly Report on Form 10-Q. Stockholders, potential investors and other readers should consider these factors carefully in evaluating the forward-looking statements.

Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Overview

Founded in 1959, Generac is a leading global designer, manufacturer, and provider of a wide range of energy technology solutions. The Company provides power generation equipment, energy storage systems, energy management devices & solutions, and other power products serving the residential, light commercial, and industrial markets. Generac introduced the first affordable backup generator and later commercialized the automatic home standby generator category. The Company has continued to expand its energy technology offerings in its mission to lead the evolution to more resilient, efficient, and sustainable energy solutions around the world.

We have a long history of providing power generation products across a variety of applications, and we maintain one of the leading market positions in the power equipment markets in North America and an expanding presence internationally. We believe we have one of the widest ranges of products in the power generation marketplace, including residential, commercial, and industrial standby generators, as well as portable and mobile generators used in a variety of applications. In recent years, the Company has been evolving its product portfolio by building out ecosystems of energy technology products, solutions, and services for homes and businesses. As part of this evolution, we have made significant investments into growing markets such as residential and C&I energy storage, solar module-level power electronics ("MLPE"), energy monitoring & management devices, and electric vehicle ("EV") charging. Central to these ecosystems are the Company's next-generation connectivity devices, controls capabilities, and software platforms that facilitate the integration of our products and support the growing utilization of such distributed energy resources ("DERs") in grid services programs. In addition, we have been leveraging our leading position in the growing market for natural gas fueled generators, which we believe represents a cleaner transition fuel compared to diesel, to expand into applications beyond standby power, allowing us to participate in Energy-as-a-Service and microgrid projects for C&I customers. As the traditional centralized utility model evolves over time, we believe that a more decarbonized, digitized, and decentralized grid infrastructure will develop, and Generac's energy technology solutions are uniquely and strategically positioned to participate in this next-generation grid referred to as "Grid 2.0".

As our traditional power generation markets continue to grow due to multiple mega-trends that are driving increased penetration of our products, we believe we are in an excellent position to execute on this opportunity given our competitive strengths. In addition, our focus on more resilient, efficient and sustainable energy solutions has dramatically increased our served addressable market, and as a result, we believe that Generac is well positioned for success over the long-term.

Mega-Trends, Strategic Growth Themes, and Additional Business Drivers

In 2021, we unveiled our “Powering A Smarter World” strategic plan, which serves as the framework for the significant investments we have made and will continue to make to capitalize on the long-term growth prospects of Generac. Our enterprise strategy is based on the combination of several key mega-trends that we believe will drive several significant strategic growth themes for our business.

Key Mega-Trends:

- *“Grid 2.0*”: which is the evolution of the traditional electrical utility model as the increasing reliance on intermittent renewable generation sources and the electrification of everything are leading to supply/demand imbalances and rising electricity costs, driving the migration towards distributed energy resources and decarbonization, digitization, and decentralization of the grid.
- *Impact of climate change:* which includes the expectation of more severe and volatile weather driving increased power outage activity, and more global regulation accelerating renewable investments.
- *Home as a Sanctuary:* which includes the trend of the increasing importance of the home – including more people working from home and aging in place – is leading to increasing sensitivity to power outages and need for peace of mind, combined with the more intelligent and connected home and desire for improved energy resiliency and efficiency.
- *Emergence of cleaner alternative fuels:* natural gas as compared to diesel, and other alternative fuels, are important elements in the transition to a lower-carbon global energy supply.
- *Growing investment in global infrastructure creating new opportunities:* Upgrading of aging and underinvested legacy systems including transportation, power, healthcare and elderly care; along with expanding investment for increasingly critical technology infrastructure including data centers, telecom and EV charging.

Strategic Growth Themes:

Power quality issues continue to increase. Power disruptions are an important driver of consumer awareness for back-up power and have historically influenced demand for generators both in the United States and internationally. Increased frequency and duration of major power outage events, that have a broader impact beyond a localized level, increases product awareness and may drive consumers to accelerate their purchase of a standby or portable generator during the immediate and subsequent period, which we believe may last for six to twelve months following a major outage event. Energy storage systems offer similar resiliency advantages to consumers and can benefit from these same awareness drivers, at least for short duration power outages. The optional standby market for C&I power generation is also driven by power quality issues and the related need for backup power. Attitudes around climate change have shifted and undergone increased global focus in recent years, and an aging and underinvested electrical grid infrastructure remains highly vulnerable to the expectation of more severe and volatile weather. Additionally, rapid growth in renewable power sources such as solar and wind is resulting in increased intermittency of supply, further impairing the reliable supply of electricity at a time when demand is starting to increase meaningfully with the electrification of a wide range of consumer and commercial products, including transportation, HVAC systems, and other major appliances. These developments are causing a growing supply/demand imbalance for grid operators across North America, which has led to high-profile examples of rolling blackouts and calls for utility customers to reduce consumption to maintain grid integrity. In fact, the North American Electric Reliability Corporation has labeled significant portions of the United States and Canada as being at high risk of resource adequacy shortfalls during normal seasonal peak conditions in the 2024-2028 period due in part to these supply/demand dynamics. We are seeing increasing evidence that warnings of potential resource inadequacies are driving incremental consumer awareness of the need for backup power solutions. We believe utility supply shortfalls and related warnings may continue in the future, further expanding awareness of deteriorating power quality in North America. Taken together, we expect these factors to continue driving increased awareness of the need for backup power and demand for Generac’s products within multiple categories.

Home standby penetration opportunity is significant. Many potential customers are still not aware of the costs and benefits of automatic backup power solutions. With only approximately 6.25% penetration of the addressable market of homes in the United States (which we define as single-family detached, owner-occupied households with a home value of over $150,000, as defined by the U.S. Census Bureau's 2021 American Housing Survey for the United States), we believe there are significant opportunities to further penetrate the residential standby generator market both domestically and internationally. We believe by expanding our distribution network, continuing to develop our product lines, and targeting our marketing efforts, we can continue to build awareness and increase penetration for our home standby generators.

Solar, storage, and energy management markets are developing quickly. We believe the electric utility landscape will undergo significant changes in the decade ahead due to rising utility rates, grid instability and power quality issues, environmental concerns, and the continuing performance and cost improvements in renewable energy and energy storage technologies. On-site power generation from renewable sources and cleaner-burning natural gas generators are projected to become more prevalent as will the need to monitor, manage, and store this power – potentially developing into a significant market opportunity. While the market for residential solar and storage products continues to be soft in 2024, these markets are receiving an increasing level of regulatory and legislative support, most notably from the Inflation Reduction Act that was passed in 2022. This legislation includes significant subsidies and investment tax credits for consumers and businesses over the coming decade, as well as production tax credits for businesses that meet certain domestic manufacturing requirements in the production of renewable energy products. For example, in July 2024, we received a grant from the U.S. Department of Energy ("DOE") to facilitate the installation of residential solar and battery storage systems for disadvantaged Puerto Rican residents. We believe legislative support such as this will provide necessary opportunity for long-term, value-creating investments for market participants in this space. We expect to further advance our capabilities in energy technology by increasing our product development, sourcing, distribution, and marketing efforts. In addition, we should be able to leverage our significant competencies in the residential standby generator market to build our market position in the emerging residential solar, storage, and energy management markets.

Energy-as-a-Service models, "beyond standby" applications, and energy services open new market opportunities. We expect the evolution of the traditional electrical utility model toward decarbonized, digitized, and decentralized solutions will continue to drive the need for grid operators to access and control DERs. This will require highly intelligent software platforms that are able to optimize an increasingly complex supply and demand equation, such as our Concerto Distributed Energy Resource Management System ("DERMS") software platform. Additionally, growing interest in our C&I products across a variety of "beyond standby" applications is driving an increase in demand for subscription-like models for end customers, in which Generac will partner with third parties to deliver resiliency solutions that are also able to contribute to grid stability with minimal upfront capital outlays. We also believe that we can gain share in the C&I "behind the meter" energy storage market, including microgrid applications that require advanced system-level controls. The significant advancements made in recent years in the connectivity of our products are core to these newer capabilities, which play a key role in the evolution of Generac into an energy technology solutions company.

Natural gas generators, a continuing growth opportunity. We believe natural gas will continue to be an important and cleaner transition fuel of the future, in comparison to diesel in the C&I market, as the world continues to shift towards lower emission power generation sources. Demand for natural gas generators continues to represent an increasing portion of the overall C&I market, which we believe will continue to grow at a faster rate than traditional diesel fueled generators. We also continue to explore and expand our capabilities within new gaseous generator market opportunities, including continuous-duty, prime rated, distributed generation, demand response, microgrids, and overall use as a distributed energy resource in areas where grid stability is needed. Many of these applications are made possible by our natural gas generators having the capability to participate in available grid services programs, helping to offset the purchase price of the equipment over the product's lifespan. Expanding our natural gas product offering into larger power nodes is also a part of this growth theme in taking advantage of the continuing shift from diesel to natural gas generators.

Increasingly critical nature and growing power consumption of digital infrastructure. As the number of "connected" devices continues to rapidly increase and wireless networks are considered critical infrastructure in the United States, network reliability and up-time are necessary for our increasingly connected society. This will require highly resilient cell tower sites across the network, and therefore necessitates the need for backup power sources on site at these cell towers. Generac is the leading supplier of backup power to the telecommunications market in the United States, where approximately half of all existing tower sites have yet to be "hardened" with backup power. As more mission-critical data is transmitted over wireless networks, we believe this penetration rate must increase considerably to maintain a higher level of reliability across the network. We have relationships with key Tier 1 carriers and tower companies globally, in addition to having the distribution partners to provide service support to the global market. We believe these factors coupled with Generac's ability to customize solutions to each customer's needs help us to maintain our strength within the global telecommunications market.

Additionally, the rapid increase in data centers is driving increased demand for backup power solutions, given the critical nature of this infrastructure. AI requirements, hyperscalers, and the expansion of edge computing and "connected devices" are expected to double data center power consumption from 2022 to 2030. We believe this significant growth in power consumption, as well as the increasing dependency of society on this next-generation digital infrastructure, will drive demand for backup power and intelligent energy management solutions, both at the individual site level and for the broader electrical grid.

Other Business Drivers

Impact of residential investment cycle. The market for a number of our residential products is affected by the residential investment cycle and overall consumer confidence and sentiment. When homeowners are confident of their household income, the value of their home and overall net worth, they are more likely to invest in their home. These trends can have an impact on demand for residential generators, energy storage systems, and energy management devices. Trends in the new housing market, highlighted by residential housing starts, can also impact demand for these products. Demand for outdoor power equipment is also impacted by several of these factors, as well as weather patterns. The existence of renewable energy mandates, investment tax credits and other subsidies, which have become even more prevalent with the passing of the Inflation Reduction Act, can also have an impact on the demand for solar and energy storage systems.

Impact of business capital investment and other economic cycles. The global market for our C&I products is affected by different capital investment cycles, which can vary widely across the different regions and markets that we serve. These cycles include non-residential building construction, durable goods and infrastructure spending, as well as investments in the exploration and production of oil & gas, as businesses or organizations either add new locations or make investments to upgrade existing locations or equipment. These trends and market conditions can have a material impact on demand for our products. For example, the market for telecom and rental equipment has declined in 2024 relative to 2023 levels. The capital investment cycle may differ for the various C&I end markets that we serve, including light commercial, retail, office, telecommunications, rental, industrial, data centers, healthcare, construction, oil & gas and municipal infrastructure, among others. The market for these products is also affected by general economic conditions, fluctuations in interest rates, and geopolitical matters in the various countries where we serve, as well as credit availability in those regions.

Factors Affecting Results of Operations

We are subject to various factors that can affect our results of operations, which we attempt to mitigate through factors we can control, including continued product development, expanded distribution, pricing, cost control, and hedging. Certain operational and other factors that affect our business include the following:

Effect of commodity, currency, component price fluctuations, and resource availability. Industry-wide price fluctuations of key commodities, such as steel, copper and aluminum, along with other components we use in our products, as well as changes in labor costs required to produce our products, can have a material impact on our results of operations. Acquisitions in recent years have increased our use of advanced electronic components and battery cells, as well as further expanded our commercial and operational presence outside of the United States. Our international acquisitions, along with our existing global supply chain, expose us to fluctuations in foreign currency exchange rates and regulatory tariffs that can also have a material impact on our results of operations.

We have historically attempted to mitigate the impact of any inflationary pressures through improved product design and sourcing, manufacturing efficiencies, price increases, and select hedging transactions. Our results are also influenced by changes in fuel prices in the form of freight rates, which in some cases are accepted by our customers and in other cases are paid by us.

Seasonality. Although there is demand for our products throughout the year, in each of the past five years, approximately 19% to 25% of our net sales occurred in the first quarter, 22% to 28% in the second quarter, 24% to 28% in the third quarter and 23% to 31% in the fourth quarter, with different seasonality depending primarily on the occurrence, timing and severity of major power outage activity in each year. Major outage activity is unpredictable by nature and, as a result, our sales levels and profitability may fluctuate from period to period. The seasonality experienced during a major power outage, and for the subsequent quarters following the event, will vary relative to other periods where no major outage events occurred.

Geopolitical Conflict. Current global conflicts, such as those between Russia and Ukraine as well as the Middle East crisis between Hamas and Israel, have created substantial uncertainty in the global economy, including sanctions and penalties imposed on certain countries from several governments. While we do not have a significant physical presence in these locations and do not have significant direct exposure to customers and vendors in those countries, we are unable to predict the impact that these actions will have on the global economy or on our future financial condition, results of operations, and cash flows.

Acquisitions. Over the years, we have executed a number of acquisitions that support our strategic plan. A summary of the recent acquisitions can be found in Note 1, “Description of Business and Basis of Presentation,” to the condensed consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q, and in Item 8 (Note 1, “Description of Business”) of the Annual Report on Form 10-K for the year ended December 31, 2023.

Factors Influencing Interest Expense

Interest expense can be impacted by a variety of factors, including market fluctuations in SOFR, interest rate election periods, interest rate swap agreements, repayments or borrowings of indebtedness, and amendments to our credit agreements. In connection with our credit agreement amendment in June 2022, SOFR became the new benchmark interest rate for the new Tranche A Term Loan Facility and the Revolving Facility, and all LIBOR provisions in the existing Tranche B Term Loan Facility were replaced with SOFR provisions. Refer to Note 11, “Credit Agreements,” to the condensed consolidated financial statements for further information.

Factors Influencing Provision for Income Taxes and Cash Income Taxes Paid

The decrease in effective tax rate was primarily driven by certain unfavorable discrete tax items in the prior-year comparable period which did not repeat in the current year.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act (the "Act"). The Act in part provides funding and tax incentives for certain clean energy products and projects. While the Act did not have a material impact on the financial results of the current period, we will continue to review the Act and any regulations or guidance issued by the U.S. Treasury Department or by a state which may provide a tax benefit or expense.

In 2021, the Organization for Economic Cooperation and Development ("OECD") released Pillar Two Global Anti-Base Erosion model rules, designed to ensure large corporations are taxed at a minimum rate of 15% in all countries of operation. The OECD continues to release guidance and countries are implementing legislation to adopt the rules, some of which became effective on January 1, 2024. The United States has not yet enacted legislation implementing Pillar Two. We are continuing to evaluate the Pillar Two rules and their potential impact on future periods. There was no impact to the financial results of the current period, and we do not expect the rules to have a material impact on our effective tax rate for the year. We will update our future tax provisions based on new regulations or guidance accordingly.

Results of Operations

Three months ended** September 30, 2024**, compared to the three months ended September 30, 2023

The following table sets forth our consolidated statements of operations information for the periods indicated:

(U.S. Dollars in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	$ Change	% Change
Net sales	$ 1,173,563	$ 1,070,667	$ 102,896	9.6%
Costs of goods sold	701,294	694,880	6,414	0.9%
Gross profit	472,269	375,787	96,482	25.7%
Operating expenses:				
Selling and service	145,310	117,929	27,381	23.2%
Research and development	56,936	43,312	13,624	31.5%
General and administrative	77,242	83,052	(5,810)	-7.0%
Amortization of intangible assets	24,157	26,718	(2,561)	-9.6%
Total operating expenses	303,645	271,011	32,634	12.0%
Income from operations	168,624	104,776	63,848	60.9%
Total other expense, net	(21,393)	(24,714)	3,321	13.4%
Income before provision for income taxes	147,231	80,062	67,169	83.9%
Provision for income taxes	33,453	19,428	14,025	72.2%
Net income	113,778	60,634	53,144	87.6%
Net income attributable to noncontrolling interests	36	257	(221)	-86.0%
Net income attributable to Generac Holdings Inc.	$ 113,742	$ 60,377	$ 53,365	88.4%

The following tables set forth our reportable segment information for the periods indicated:

	Net Sales by Reportable Segment			
	Three Months Ended September 30,			
(U.S. Dollars in thousands)	2024	2023	$ Change	% Change
Domestic	$ 1,011,347	$ 886,365	$ 124,982	14.1%
International	162,216	184,302	(22,086)	-12.0%
Total net sales	$ 1,173,563	$ 1,070,667	$ 102,896	9.6%

	Total Sales by Reportable Segment					
	Three Months Ended September 30, 2024			Three Months Ended September 30, 2023		
	External Net Sales	Intersegment Sales	Total Sales	External Net Sales	Intersegment Sales	Total Sales
Domestic	$ 1,011,347	$ 8,853	$ 1,020,200	$ 886,365	$ 7,640	$ 894,005
International	162,216	4,485	166,701	184,302	23,293	207,595
Intercompany elimination	-	(13,338)	(13,338)	-	(30,933)	(30,933)
Total net sales	$ 1,173,563	$ -	$ 1,173,563	$ 1,070,667	$ -	$ 1,070,667

	Adjusted EBITDA by Reportable Segment			
	Three Months Ended September 30,			
	2024	2023	$ Change	% Change
Domestic	$ 211,567	$ 160,270	$ 51,297	32.0%
International	20,298	28,332	(8,034)	-28.4%
Total Adjusted EBITDA	$ 231,865	$ 188,602	$ 43,263	22.9%

The following table sets forth our product class information for the periods indicated:

	Net Sales by Product Class			
	Three Months Ended September 30,			
(U.S. Dollars in thousands)	2024	2023	$ Change	% Change
Residential products	$ 722,787	$ 565,087	$ 157,700	27.9%
Commercial & industrial products	327,956	384,533	(56,577)	-14.7%
Other	122,820	121,047	1,773	1.5%
Total net sales	$ 1,173,563	$ 1,070,667	$ 102,896	9.6%

Net sales. Domestic segment total sales (including inter-segment sales) increased 14% to $1,020.2 million in the three months ended September 30, 2024, as compared to $894.0 million in the prior-year third quarter, including a slight benefit from acquisitions. This was primarily driven by strong shipments of home standby and portable generators, as well as continued growth in C&I product sales to industrial distributors, partially offset by lower C&I product shipments for telecom, rental, and “beyond standby” applications.

International segment total sales (including inter-segment sales) decreased 20% to $166.7 million in the three months ended September 30, 2024, as compared to $207.6 million in the prior-year third quarter, including a slight unfavorable impact from foreign currency. The total sales decline was primarily due to lower inter-segment sales related to softness in the telecom market and a decline in shipments of portable generators and C&I products in Europe due to weaker market conditions.

In addition, total contribution from non-annualized acquisitions for the third quarter of 2024 was $4.5 million for the domestic segment.

Gross profit. Gross profit margin for the third quarter of 2024 was 40.2%, as compared to 35.1% in the prior-year third quarter. The increase in gross margin was primarily driven by favorable sales mix given stronger home standby shipments and lower input costs.

Operating Expenses. Operating expenses increased $32.6 million, or 12.0%, as compared to the prior-year third quarter. The growth in operating expenses was primarily driven by increased employee costs to support future growth, additional marketing spend to drive incremental awareness for our products, and higher variable expenses and incentive compensation given higher shipment volumes and profitability. This was partially offset by a $22.1 million provision for certain legal matters recorded in the prior year which did not repeat in the current year (see Note 15, "Commitments and Contingencies" for additional information).

Other Expense. The decrease in other expense, net was driven primarily by a decrease in interest expense due to lower borrowings and lower interest rates compared to the prior-year third quarter. Additionally, during the third quarter of 2024, we recognized a gain on the change in fair value of our investment in warrants and equity securities of Wallbox of $5.2 million, partially offset by a loss on extinguishment of debt of $4.9 million related to the refinancing of our Tranche B Term Loan Facility.

Provision for income taxes. Provision for income taxes for the third quarter of 2024 was $33.5 million, or an effective tax rate of 22.7%, as compared to $19.4 million, or a 24.3% effective tax rate, for the prior-year third quarter. The decrease in effective tax rate was primarily driven by certain unfavorable discrete tax items in the prior year quarter that did not repeat in the current year quarter.

Net income attributable to Generac Holdings Inc. Net income attributable to Generac Holdings Inc. in the third quarter of 2024 was $113.7 million compared to $60.4 million in the prior-year third quarter. This increase was primarily driven by the factors outlined above.

Adjusted EBITDA. Adjusted EBITDA for the domestic segment in the third quarter of 2024 was $211.6 million, or 20.7% of domestic segment total sales, as compared to $160.3 million, or 17.9% of total sales, in the prior-year third quarter. This margin improvement was primarily due to favorable sales mix and lower input costs, partially offset by higher operating expense investments to support future growth initiatives.

Adjusted EBITDA for the international segment in the third quarter of 2024, before deducting for non-controlling interests, was $20.3 million, or 12.2% of international segment total sales, as compared to $28.3 million, or 13.6% of total sales, in the prior-year third quarter. This margin decline was primarily due to reduced operating leverage on lower shipments during the quarter.

Adjusted Net Income. Adjusted Net Income in the third quarter of 2024 was $135.6 million compared to $101.9 million in the prior-year third quarter. This increase was primarily driven by higher net income in the current period as outlined above, partially offset by certain add backs as detailed in "Non-GAAP Measures"

See "Non-GAAP Measures" for a discussion of how we calculate Adjusted EBITDA and Adjusted Net Income and the limitations on their usefulness.

Results of Operations

Nine months ended September 30, 2024, compared to the nine months ended September 30, 2023

The following table sets forth our consolidated statements of operations information for the periods indicated:

(U.S. Dollars in thousands)	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
Net sales	$ 3,061,033	$ 2,958,997	$ 102,036	3.4%
Costs of goods sold	1,896,824	1,982,290	(85,466)	-4.3%
Gross profit	1,164,209	976,707	187,502	19.2%
Operating expenses:				
Selling and service	382,049	334,360	47,689	14.3%
Research and development	160,342	129,074	31,268	24.2%
General and administrative	209,392	199,108	10,284	5.2%
Amortization of intangible assets	73,698	78,934	(5,236)	-6.6%
Total operating expenses	825,481	741,476	84,005	11.3%
Income from operations	338,728	235,231	103,497	44.0%
Total other expense, net	(74,295)	(71,737)	(2,558)	-3.6%
Income before provision for income taxes	264,433	163,494	100,939	61.7%
Provision for income taxes	65,124	43,184	21,940	50.8%
Net income	199,309	120,310	78,999	65.7%
Net income attributable to noncontrolling interests	220	2,305	(2,085)	-90.5%
Net income attributable to Generac Holdings Inc.	$ 199,089	$ 118,005	$ 81,084	68.7%

The following tables set forth our reportable segment information for the periods indicated:

	Net Sales by Reportable Segment			
	Nine Months Ended September 30,			
(U.S. Dollars in thousands)	2024	2023	$ Change	% Change
Domestic	$ 2,541,242	$ 2,395,292	$ 145,950	6.1%
International	519,791	563,705	(43,914)	-7.8%
Total net sales	$ 3,061,033	$ 2,958,997	$ 102,036	3.4%

	Total Sales by Reportable Segment					
	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023		
	External Net Sales	Intersegment Sales	Total Sales	External Net Sales	Intersegment Sales	Total Sales
Domestic	$ 2,541,242	$ 26,571	$ 2,567,813	$ 2,395,292	$ 33,960	$ 2,429,252
International	519,791	18,127	537,918	563,705	84,078	647,783
Intercompany elimination	-	(44,698)	(44,698)	-	(118,038)	(118,038)
Total net sales	$ 3,061,033	$ -	$ 3,061,033	$ 2,958,997	$ -	$ 2,958,997

	Adjusted EBITDA by Reportable Segment			
	Nine Months Ended September 30,			
	2024	2023	$ Change	% Change
Domestic	$ 450,416	$ 331,134	$ 119,282	36.0%
International	73,371	94,088	(20,717)	-22.0%
Total Adjusted EBITDA	$ 523,787	$ 425,222	$ 98,565	23.2%

The following table sets forth our product class information for the periods indicated:

	Net Sales by Product Class			
	Nine Months Ended September 30,			
(U.S. Dollars in thousands)	2024	2023	$ Change	% Change
Residential products	$ 1,690,136	$ 1,482,538	$ 207,598	14.0%
Commercial & industrial products	1,026,095	1,131,876	(105,781)	-9.3%
Other	344,802	344,583	219	0.1%
Total net sales	$ 3,061,033	$ 2,958,997	$ 102,036	3.4%

Net sales. Domestic segment total sales (including inter-segment sales) increased 6% to $2,567.8 million in the nine months ended September 30, 2024, as compared to $2,429.3 million in the prior-year comparable period, including a slight benefit from acquisitions. Higher home standby and portable generator shipments were partially offset by lower C&I product shipments for telecom, rental, and "beyond standby" applications.

International segment total sales (including inter-segment sales) decreased 17% to $537.9 million in the nine months ended September 30, 2024, as compared to $647.8 million in the prior-year comparable period, including a slight benefit from foreign currency and acquisitions. The total sales decline for the segment was primarily driven by lower inter-segment sales related to softness in the telecom market and a decline in shipments of portable generators and C&I products in Europe due to weaker market conditions.

In addition, total contribution from non-annualized acquisitions for the nine months ended September 30, 2024, was $8.4 million, including $7.3 million for the domestic segment and $1.1 million for the international segment.

Gross profit. Gross profit margin for the nine months ended September 30, 2024, was 38.0%, as compared to 33.0% in the prior-year comparable period. The increase in gross profit margin was primarily driven by favorable sales mix, including higher home standby generator sales, and the realization of lower cost of goods sold.

Operating Expenses. Operating expenses for the nine months ended September 30, 2024, increased by $84.0 million, or 11.3%, as compared to the prior-year comparable period. The operating expenses in the current period include $4.9 million of charges related to certain legal matters (see Note 15, “Commitments and Contingencies” for additional information). The operating expenses in the prior-year comparable period include $22.1 million of charges related to certain legal matters referenced previously and a $5.8 million provision for a matter with the CPSC (see Note 15, "Commitments and Contingencies" for additional information). The remaining growth in operating expenses was primarily driven by increased employee costs to support future growth and higher marketing spend to drive incremental awareness for our products, and higher variable expenses and incentive compensation given higher shipment volumes and profitability.

Other Expense. The increase in other expense, net for the nine months ended September 30, 2024, was driven primarily by a $4.9 million loss on extinguishment of debt and a $2.9 million expense for the change in fair value of our investment in warrants and equity securities of Wallbox. This was partially offset by an increase of $2.5 million in investment income driven by higher interest rates on cash invested and a decrease of $3.0 million in interest expense driven by decreased borrowings compared to the prior-year comparable period.

Provision for income taxes. Provision for income taxes for the nine months ended September 30, 2024, was $65.1 million, or an effective tax rate of 24.6%, as compared to $43.2 million, or a 26.4% effective tax rate in the prior-year comparable period. The decrease in effective tax rate was primarily driven by certain unfavorable discrete tax items in the prior-year comparable period which did not repeat in the current year.

Net income attributable to Generac Holdings Inc. Net income attributable to Generac Holdings Inc. for the nine months ended September 30, 2024, was $199.1 million as compared to $118.0 million in the prior-year comparable period. This increase was primarily driven by the factors outlined above.

Adjusted EBITDA. Adjusted EBITDA for the domestic segment in the nine months ended September 30, 2024, was $450.4 million or 17.5% of total domestic segment sales as compared to $331.1 million or 13.6% in the prior-year comparable period. This margin improvement was primarily driven by favorable sales mix and the realization of lower cost of goods sold, partially offset by higher operating expense investments to support future growth initiatives.

Adjusted EBITDA for the international segment in the nine months ended September 30, 2024, before deducting for non-controlling interests, was $73.4 million, or 13.6% of international segment total sales, as compared to $94.1 million or 14.5% of total sales, in the prior-year comparable period. This margin decrease was primarily due to reduced operating leverage on lower shipments during the nine-month period.

Adjusted Net Income. Adjusted Net Income in the nine months ended September 30, 2024, was $270.2 million compared to $209.1 million in the prior-year comparable period. This increase was primarily driven by higher net income in the current period as outlined above, partially offset by certain add backs as detailed in "Non-GAAP Measures".

See “Non-GAAP Measures” for a discussion of how we calculate Adjusted EBITDA and Adjusted Net Income and the limitations on their usefulness.

Liquidity and Financial Condition

Our primary cash requirements include payment for raw materials and components, salaries and benefits, facility and lease costs, operating expenses, interest and principal payments on debt, and capital expenditures. We finance our operations primarily from cash flow generated from operations and, if necessary, borrowings under our revolving credit facility.

Our credit agreements originally provided for a $1,200.0 million Tranche B Term Loan Facility (“original Term Loan B Facility”) and included a $300.0 million uncommitted incremental term loan on that facility. The original Term Loan B Facility initially bore interest at rates based on either a base rate plus an applicable margin of 1.75% or adjusted LIBOR rate plus an applicable margin of 2.75%, subject to a LIBOR floor of 0.75%. After several amendments, the previous Term Loan B Facility bore interest at rates based on either a base rate plus an applicable margin of 0.75% or adjusted SOFR rate plus an applicable margin of 1.75%, subject to a SOFR floor of 0.0%.

In July 2024, we extinguished the $530.0 million balance then outstanding under the former Tranche B Term Loan Facility and replaced it with a new $500.0 million Tranche B Term Loan Facility maturing on July 3, 2031. The new Tranche B Term Loan Facility continues to include a $300.0 million uncommitted incremental term loan on that facility. In accordance with ASC 470-50, we capitalized $3.0 million of debt issuance costs. Additionally, we wrote-off the unamortized deferred financing costs related to the former Tranche B Term Loan Facility of $4.3 million and expensed $0.6 million of fees paid to creditors as a loss on extinguishment of debt. As of September 30, 2024, the Tranche B Term Loan Facility bears interest at the adjusted SOFR rate plus an applicable margin of 1.75%, subject to a SOFR floor of 0.0%, resulting in a 6.95% combined rate as of September 30, 2024.

The Tranche B Term Loan Facility does not require an Excess Cash Flow payment (as defined in our Amended Credit Agreement) if our net secured leverage ratio is maintained below 3.75 to 1.00. As of September 30, 2024, our net secured leverage ratio was 1.70 to 1.00, and we were in compliance with all covenants of the Tranche B Term Loan Facility. There are no financial maintenance covenants on the Tranche B Term Loan Facility.

In June 2022, we amended and restated our existing credit agreements ("Amended Credit Agreement") resulting in a new term loan A facility in an aggregate principal amount of $750.0 million ("Tranche A Term Loan Facility"), established a new $1,250.0 million Revolving Facility, and replaced all LIBOR provisions with SOFR provisions. The Tranche A Term Loan Facility and the Revolving Facility initially bore interest at a rate based on adjusted SOFR plus an applicable margin of 1.5% through December 31, 2022, subject to a SOFR floor of 0.0%. Beginning on January 1, 2023, the Tranche A Term Loan Facility and the Revolving Facility bear interest at a rate based on adjusted SOFR plus an applicable margin between 1.25% and 1.75%, based on the Company's total leverage ratio and subject to a SOFR floor of 0.0%, resulting in a 6.93% combined interest rate for the Tranche A Term Loan Facility and Revolving Facility as of September 30, 2024.

The Tranche A Term Loan Facility and the Revolving Facility contain certain financial covenants that require us to maintain a total leverage ratio below 3.75 to 1.00 as well as an interest coverage ratio above 3.00 to 1.00. As of September 30, 2024, our total leverage ratio was 1.79 to 1.00, and our interest coverage ratio was 8.69 to 1.00. We were also in compliance with all other covenants of the Amended Credit Agreement as of September 30, 2024.

The Tranche B Term Loan Facility, Tranche A Term Loan Facility and Revolving Facility are guaranteed by substantially all of our wholly-owned domestic restricted subsidiaries and are secured by associated collateral agreements which pledge a first priority lien on virtually all of our assets, including fixed assets and intangibles, cash, trade accounts receivable, inventory, and other current assets and proceeds thereof.

As of September 30, 2024, there was $150.0 million outstanding under the Revolving Facility, leaving $1,099.2 million of unused capacity, net of outstanding letters of credit.

The Tranche A Term Loan Facility and Revolving Facility mature on June 29, 2027. The Tranche A Term Loan Facility is repayable in installments maturing at the end of each quarter commencing September 2023, with a balloon payment due June 2027. The Tranche B Term Loan Facility matures on July 3, 2031, and is repayable in installments maturing at the end of each quarter commencing September 2024, with a balloon payment due July 2031. Maturities of our Tranche A Term Loan Facility, Tranche B Term Loan Facility, and Revolving Facility outstanding on September 30, 2024, are as follows:

2024	$	11,875
2025		51,875
2026		70,625
2027		755,000
2028		5,000
2029		5,000
2030		5,000
2031		467,500
Total	$	1,371,875

As of September 30, 2024, we had total liquidity of $1,313.4 million which consists of $214.2 million of cash and cash equivalents and $1,099.2 million available under our Revolving Facility. We believe we have a strong liquidity position that allows us to execute our strategic plan and provides the flexibility to continue to invest in future growth opportunities.

In July 2022, our Board of Directors approved a stock repurchase program, which commenced on August 5, 2022, and allowed for the repurchase of up to $500.0 million of our common stock over a 24-month period. Additionally, on February 12, 2024, our Board of Directors approved a new stock repurchase program that allows for the repurchase of up to $500.0 million of our common stock over the following 24 months. The new program replaces the prior share repurchase program, which had $26.3 million remaining available for repurchase when the new program was approved. Pursuant to the approved program, we may repurchase our common stock from time to time, in amounts and at prices we deem appropriate, subject to market conditions and other considerations. The repurchases may be executed using open market purchases, privately negotiated agreements or other transactions. The actual timing, number and value of shares repurchased under the program will be determined by management at its discretion and in compliance with the terms of our credit agreements. The repurchases may be funded with cash on hand, available borrowings, or proceeds from potential debt or other capital markets sources. The stock repurchase program may be suspended or discontinued at any time without prior notice.

During the third quarter of 2024, we repurchased 690,711 shares of our common stock for $102.1 million. During the second quarter of 2024, we repurchased 355,640 shares of our common stock for $50.6 million. There were no share repurchases under the program during the first quarter of 2024. During the third quarter of 2023, we repurchased 875,580 shares of our common stock for $100.3 million. There were no share repurchases during the first and second quarters of 2023. We have periodically reissued shares out of Treasury stock, including for acquisition contingent consideration payments.

See Note 11, “Credit Agreements,” and Note 12, "Stock Repurchase Program," to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for more information on our credit agreements and stock repurchase programs.

We have an arrangement with a finance company to provide floor plan financing for qualifying dealers. This arrangement provides liquidity for our dealers by financing dealer purchases of Generac products with credit availability from the finance company. We receive payment from the finance company after shipment of product to the dealer, and our dealers are given a longer period of time to pay the finance company. If our dealers do not pay the finance company, we may be required to repurchase the applicable inventory held by the dealer. We do not indemnify the finance company for any credit losses they may incur. Total dealer purchases financed under this arrangement accounted for approximately 12% and 17% of net sales for the nine months ended September 30, 2024 and 2023, respectively. The amount financed by dealers which remained outstanding was $146.4 million and $158.0 million as of September 30, 2024, and December 31, 2023, respectively.

Long-term Liquidity

We believe our cash and cash equivalents, cash flow from operations, and availability under our Revolving Facility and other short-term lines of credit will provide us with sufficient capital to continue to run our operations. We may use a portion of our cash flow for debt repayments and common stock buybacks, impacting the amount available for working capital, capital expenditures, acquisitions, and other general corporate purposes. As we continue to expand our business, we may require additional capital to fund other shareholder value enhancing activities.

Cash Flow

Nine months ended** September 30, 2024**, compared to the** nine **months ended September 30, 2023

The following table summarizes our cash flows by category for the periods presented:

(U.S. Dollars in thousands)	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
Net cash provided by operating activities	$ 401,847	$ 204,724	$ 197,123	96.3%
Net cash used in investing activities	(141,786)	(98,445)	(43,341)	-44.0%
Net cash (used in) provided by financing activities	(246,567)	(77,568)	(168,999)	-217.9%
Effect of exchange rate changes on cash and cash equivalents	(311)	91	(402)	-441.8%
Net increase in cash and cash equivalents	$ 13,183	$ 28,802	$ (15,619)	-607.4%

The increase in operating cash flows for the nine months ended September 30, 2024, was primarily driven by higher operating earnings coupled with a decrease in working capital in the current year period and an increase in working capital in the prior-year comparable period.

The $141.8 million net cash used in investing activities for the nine months ended September 30, 2024, primarily represents cash payments of $83.4 million related to the purchase of property and equipment, $21.8 million for the acquisitions of Huntington, C&I BESS, and Ageto, $1.6 million for a tax equity investment, and $35 million for an incremental minority investment in Wallbox.

The $98.4 million net cash used in investing activities for the nine months ended September 30, 2023, primarily represents cash payments of $77.7 million related to the purchase of property and equipment, $16.0 million for the acquisition of REFUstor, and $6.6 million for a tax equity investment.

The $246.6 million net cash used in financing activities for the nine months ended September 30, 2024, primarily represents proceeds of $29.2 million from short-term borrowings, $506.5 million from long-term borrowings, and $12.4 million from the exercise of stock options. These cash proceeds were more than offset by $609.5 million of debt repayments ($48.9 million of short-term borrowings and $560.6 million of long-term borrowings and finance lease obligations), $152.7 million of share repurchases, a $9.1 million payment for the remaining ownership interest in Captiva, a $6.0 million payment and $1.4 million payment of deferred acquisition consideration related to our Chilicon and Blue Pillar acquisitions, respectively, $12.3 million for taxes paid related to equity awards, and a $3.6 million of payments for debt issuance costs related to our Tranche B Term Loan Facility refinancing.

The $77.6 million net cash used in financing activities for the nine months ended September 30, 2023, primarily represents proceeds of $345.4 million from long-term borrowings, $49.1 million from short-term borrowings, and $7.1 million from the exercise of stock options. These cash proceeds were more than offset by $104.8 million in cash payments used to purchase the remaining ownership interest in Pramac, $100.3 million used for stock repurchases, $259.0 million of debt repayments ($25.9 million of short-term borrowings and $233.1 million of long-term borrowings and finance lease obligations), $10.1 million of taxes paid related to equity awards, and $5.0 million for payment of contingent acquisition consideration.

Contractual Obligations

There have been no material changes to our contractual obligations between the February 21, 2024, filing of our Annual Report on Form 10-K for the year ended December 31, 2023, and September 30, 2024, except for the changes in outstanding borrowings and interest rates as discussed in Note 11, “Credit Agreements,” to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2023, in preparing the financial statements in accordance with U.S. GAAP, management is required to make estimates and assumptions that have an impact on the asset, liability, revenue and expense amounts reported. These estimates can also affect supplemental information disclosures of the Company, including information about contingencies, risk and financial condition. The Company believes, given current facts and circumstances, its estimates and assumptions are reasonable, adhere to U.S. GAAP, and are consistently applied. Inherent in the nature of an estimate or assumption is the fact that actual results may differ from estimates, and estimates may vary as new facts and circumstances arise. The Company makes routine estimates and judgments in determining net realizable value of accounts receivable, inventories, property and equipment, prepaid expenses, product warranties and other reserves. Management believes the Company’s most critical accounting estimates and assumptions are in the following areas: goodwill and other indefinite-lived intangible asset impairment assessment; business combinations and purchase accounting; and income taxes.

There have been no material changes in our critical accounting policies since the February 21, 2024, filing of our Annual Report on Form 10-K for the year ended December 31, 2023.

Non-GAAP Measures

Adjusted EBITDA

To supplement our condensed consolidated financial statements presented in accordance with U.S. GAAP, we provide the computation of Adjusted EBITDA attributable to the Company, which is defined as net income before noncontrolling interests adjusted for the following items: interest expense, depreciation expense, amortization of intangible assets, income tax expense, certain non-cash gains and losses including certain purchase accounting adjustments and contingent consideration adjustments, share-based compensation expense, certain transaction costs and credit facility fees, business optimization expenses, provision for certain legal and regulatory charges, certain specific provisions, mark-to-market gains and losses on a minority investment, and Adjusted EBITDA attributable to noncontrolling interests, as set forth in the reconciliation table below. The computation of Adjusted EBITDA is based primarily on the definition included in our Credit Agreement.

We view Adjusted EBITDA as a key measure of our performance. We present Adjusted EBITDA not only due to its importance for purposes of our credit agreements but also because it assists us in comparing our performance across reporting periods on a consistent basis as it excludes items that we do not believe are indicative of our core operating performance. Our management uses Adjusted EBITDA:

- for planning purposes, including the preparation of our annual operating budget and developing and refining our internal projections for future periods;
- to allocate resources to enhance the financial performance of our business;
- as a benchmark for the determination of the bonus component of compensation for our senior executives under our management incentive plan, as described further in our 2023 Proxy Statement;
- to evaluate the effectiveness of our business strategies and as a supplemental tool in evaluating our performance against our budget for each period; and
- in communications with our Board of Directors and investors concerning our financial performance.

We believe Adjusted EBITDA is used by securities analysts, investors, and other interested parties in the evaluation of the Company. Management believes the disclosure of Adjusted EBITDA offers an additional financial metric that, when coupled with results prepared in accordance with U.S. GAAP and the reconciliation to U.S. GAAP results, provides a more complete understanding of our results of operations and the factors and trends affecting our business. We believe Adjusted EBITDA is useful to investors for the following reasons:

- Adjusted EBITDA and similar non-GAAP measures are widely used by investors to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon financing and accounting methods, book values of assets, tax jurisdictions, capital structures, and the methods by which assets were acquired;
- investors can use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of the Company, including our ability to service our debt and other cash needs; and
- by comparing our Adjusted EBITDA in different historical periods, our investors can evaluate our operating performance excluding the impact of items described below.

The adjustments included in the reconciliation table listed below are presented to illustrate the operating performance of our business in a manner consistent with the presentation used by our management and Board of Directors. These adjustments eliminate the impact of a number of items that:

- we do not consider indicative of our ongoing operating performance, such as non-cash write-downs and other charges, non-cash gains, write-offs relating to the retirement of debt, severance costs, and other restructuring-related business optimization expenses;
- we believe to be akin to, or associated with, interest expense, such as administrative agent fees, revolving credit facility commitment fees, and letter of credit fees; or
- are non-cash in nature, such as share-based compensation.

We explain in more detail in footnotes (a) through (g) below why we believe these adjustments are useful in calculating Adjusted EBITDA as a measure of our operating performance.

Adjusted EBITDA does not represent, and should not be a substitute for, net income or cash flows from operations as determined in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of the limitations are:

- Adjusted EBITDA does not reflect our capital expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- several of the adjustments that we use in calculating Adjusted EBITDA, such as non-cash write-downs and other charges, while not involving cash expense, do have a negative impact on the value of our assets as reflected in our consolidated balance sheet prepared in accordance with U.S. GAAP; and
- other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Furthermore, as noted above, one of our uses of Adjusted EBITDA is as a benchmark for determining elements of compensation for our senior executives. At the same time, some or all of these senior executives have responsibility for monitoring our financial results, generally including the adjustments in calculating Adjusted EBITDA (subject ultimately to review by our Board of Directors in the context of the Board's review of our quarterly financial statements). While many of the adjustments (for example, transaction costs and credit facility fees) involve mathematical application of items reflected in our financial statements, others involve a degree of judgment and discretion. While we believe all of these adjustments are appropriate, and while the quarterly calculations are subject to review by our Board of Directors in the context of the Board's review of our quarterly financial statements and certification by our Chief Financial Officer in a compliance certificate provided to the lenders under our Amended Credit Agreement, this discretion may be viewed as an additional limitation on the use of Adjusted EBITDA as an analytical tool.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted EBITDA only supplementally.

The following table presents a reconciliation of net income to Adjusted EBITDA attributable to Generac Holdings Inc.:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(U.S. Dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Net income attributable to Generac Holdings Inc.	$ 113,742	$ 60,377	$ 199,089	$ 118,005
Net income attributable to noncontrolling interests	36	257	220	2,305
Net income	113,778	60,634	199,309	120,310
Interest expense	22,910	24,707	69,833	72,862
Depreciation and amortization	43,152	42,951	127,934	124,149
Provision for income taxes	33,453	19,428	65,124	43,184
Non-cash write-down and other adjustments (a)	468	2,055	2,863	(5,257)
Non-cash share-based compensation expense (b)	13,115	9,927	38,270	30,306
Transaction costs and credit facility fees (c)	1,337	921	4,029	3,161
Business optimization and other charges (d)	1,564	5,291	3,190	8,151
Provision for legal, regulatory, and clean energy product charges (e)	2,382	22,113	5,280	27,913
Change in fair value of investment (f)	(5,198)	-	2,938	-
Loss on extinguishment of debt (g)	4,861	-	4,861	-
Other	43	575	156	443
Adjusted EBITDA	231,865	188,602	523,787	425,222
Adjusted EBITDA attributable to noncontrolling interests	81	493	521	4,146
Adjusted EBITDA attributable to Generac Holdings Inc.	$ 231,784	$ 188,109	$ 523,266	$ 421,076

(a) Represents the following non-cash charges, gains, and other adjustments: (gains)/losses on the disposition of assets other than in the ordinary course of business, (gains)/losses on sales of certain investments, unrealized mark-to-market adjustments on commodity contracts, certain foreign currency related adjustments, and certain purchase accounting and contingent consideration adjustments. We believe that adjusting net income for these items is useful for the following reasons:

- The (gains)/losses on disposals of assets and sales of certain investments result from the sale of assets that are no longer useful in our business and therefore represent (gains)/losses that are not from our core operations.
- The adjustments for unrealized mark-to-market (gains)/losses on commodity contracts represent non-cash items to reflect changes in the fair value of forward contracts that have not been settled or terminated. We believe it is useful to adjust net income for these items because the charges do not represent a cash outlay in the period in which the charge is incurred, although Adjusted EBITDA must always be used together with our U.S. GAAP statements of comprehensive income and cash flows to capture the full effect of these contracts on our operating performance.
- Purchase accounting and contingent consideration related adjustments relate to the acquisition of businesses and the accounting related to those acquisitions.

(b) Represents share-based compensation expense to account for stock options, restricted stock, and other stock awards over their respective vesting period.

(c) Represents transaction costs incurred directly in connection with any investment, as defined in our credit agreement, equity issuance or debt issuance or refinancing, together with certain fees relating to our senior secured credit facilities, such as administrative agent fees and credit facility commitment fees under our Amended Credit Agreement.

(d) Represents severance and other restructuring charges related to the consolidation of certain operating facilities and organizational functions.

(e) Represents the following significant and unusual charges not indicative of our ongoing operations:

- A provision for judgments, settlements, and legal expenses related to certain patent and securities lawsuits - $2.4 million in the third quarter of 2024; $4.9 million year-to-date 2024; and $22.1 million in the third quarter of 2023.
- Additional customer support costs related to a clean energy product customer that filed for bankruptcy in 2022 – $0.4 million in the first quarter of 2024.
- A provision for a matter with the Consumer Product Safety Commission ("CPSC") concerning the imposition of civil fines for allegedly failing to timely submit a report under the Consumer Product Safety Act ("CPSA") in relation to certain portable generators that were subject to a voluntary recall previously announced on July 29, 2021 - $5.8 million in the first quarter of 2023.

(f) Represents non-cash (gains)/losses from changes in the fair value of our investment in Wallbox warrants and equity securities.

(g) Represents fees paid to creditors and the write-off of the unamortized original issue discount and deferred financing costs in connection with the refinancing of our Tranche B Term Loan Facility.

Adjusted Net Income

To further supplement our condensed consolidated financial statements in accordance with U.S. GAAP, we provide the computation of Adjusted Net Income attributable to the Company, which is defined as net income before noncontrolling interest adjusted for the following items: amortization of intangible assets, amortization of deferred financing costs and original issue discount related to our debt, intangible impairment charges (if any), certain transaction costs and other purchase accounting adjustments, business optimization expenses, provision for certain legal and regulatory charges, certain specific provisions, other non-cash gains and losses or charges, mark-to-market gains and losses on a minority investment, and adjusted net income attributable to noncontrolling interests, as set forth in the reconciliation table below.

We believe Adjusted Net Income is used by securities analysts, investors and other interested parties in the evaluation of the Company's operations. Management believes the disclosure of Adjusted Net Income offers an additional financial metric that, when used in conjunction with U.S. GAAP results and the reconciliation to U.S. GAAP results, provides a more complete understanding of our ongoing results of operations, and the factors and trends affecting our business.

The adjustments included in the reconciliation table listed below are presented to illustrate the operating performance of our business in a manner consistent with the presentation used by investors and securities analysts. Similar to the Adjusted EBITDA reconciliation, these adjustments eliminate the impact of a number of items we do not consider indicative of our ongoing operating performance or cash flows, such as amortization costs, transaction costs and write-offs relating to the retirement of debt.

Similar to Adjusted EBITDA, Adjusted Net Income does not represent, and should not be a substitute for, net income or cash flows from operations as determined in accordance with U.S. GAAP. Adjusted Net Income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of the limitations are:

- Adjusted Net Income does not reflect changes in, or cash requirements for, our working capital needs;
- although amortization is a non-cash charge, the assets being amortized may have to be replaced in the future, and Adjusted Net Income does not reflect any cash requirements for such replacements; and
- other companies may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of net income to Adjusted Net Income attributable to Generac Holdings Inc.:

(U.S. Dollars in thousands, except share and per share data)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net income attributable to Generac Holdings Inc.	$ 113,742	$ 60,377	$ 199,089	$ 118,005
Net income attributable to noncontrolling interests	36	257	220	2,305
Net income	113,778	60,634	199,309	120,310
Amortization of intangible assets	24,157	26,718	73,698	78,934
Amortization of capitalized debt fees and original issue discount	644	981	2,592	2,902
Transaction costs and other purchase accounting adjustments (a)	747	356	2,272	1,743
Loss/(gain) attributable to business or asset dispositions (b)	-	-	65	(119)
Business optimization and other charges (c)	1,564	5,291	3,190	8,151
Provision for legal, regulatory, and clean energy product charges (c)	2,382	22,113	5,280	27,913
Change in fair value of investment (c)	(5,198)	-	2,938	-
Loss on extinguishment of debt (c)	4,861	-	4,861	-
Tax effect of add backs	(7,317)	(13,887)	(23,762)	(28,476)
Adjusted net income	135,618	102,206	270,443	211,358
Adjusted net income attributable to noncontrolling interests	36	257	220	2,305
Adjusted net income attributable to Generac Holdings Inc.	$ 135,582	$ 101,949	$ 270,223	$ 209,053
Adjusted net income per common share attributable to Generac Holdings Inc. - diluted:	$ 2.25	$ 1.64	$ 4.47	$ 3.35
Weighted average common shares outstanding - diluted:	60,312,393	62,091,163	60,475,478	62,362,743

(a) Represents transaction costs incurred directly in connection with any investment, as defined in our credit agreement, equity issuance or debt issuance or refinancing, and certain purchase accounting and contingent consideration adjustments.

(b) Represents (gains)/losses attributable to the disposition of a business or assets occurring in other than ordinary course, as defined in our credit agreement.

(c) See reconciliation of net income to Adjusted EBITDA attributable to Generac Holdings Inc. above.

New Accounting Standards

Refer to Note 1, “Description of Business and Basis of Presentation,” to the condensed consolidated financial statements for further information on the new accounting standards applicable to the Company.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to Note 4, “Derivative Instruments and Hedging Activities,” to the condensed consolidated financial statements for a discussion of changes in commodity, currency and interest rate related risks and hedging activities. Also, see Note 4 for further discussion of Wallbox warrant derivative instruments. Otherwise, there have been no material changes in market risk from the information provided in Item 7A (Quantitative and Qualitative Disclosures About Market Risk) of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There have been no changes during the three months ended September 30, 2024, in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 15, "Commitments and Contingencies," to the condensed consolidated financial statements for further information on the Company's legal proceedings.

Item 1A. Risk Factors

There have been no material changes in our risk factors since the February 21, 2024, filing of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the stock repurchase activity for the three months ended September 30, 2024, which consisted of stock repurchases made as authorized under previously announced stock repurchase programs, as well as the withholding of shares upon the vesting of restricted stock awards to pay related withholding taxes on behalf of the recipient:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs	Approximate Dollar Value Of Shares That May Yet Be Purchased Under The Plans Or Programs
07/01/2024 – 07/31/2024	11,188	$ 134.67	10,470	$ 447,981,287
08/01/2024 – 08/31/2024	318,237	$ 149.92	318,237	$ 400,269,922
09/01/2024 – 09/30/2024	373,291	$ 146.72	362,004	$ 347,256,871
Total	702,716	$ 147.98	690,711	

For equity compensation plan information, please refer to our Annual Report on Form 10-K for the year ended December 31, 2023. For information on the Company's stock repurchase plans, refer to Note 12, "Stock Repurchase Program," to the condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

During the three months ended September 30, 2024, no director or officer of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibits Number	Description
10.1	2024 Replacement Term Loan Amendment, dated as of July 3, 2024, to that certain Credit Agreement, to that certain Credit Agreement, dated as of February 9, 2012, as amended and restated as of May 30, 2012, as further amended and restated as of May 31, 2013, as amended by the First Amendment dated as of May 18, 2015, as amended by the Replacement Term Loan Amendment dated as of November 2, 2016, as amended by the 2017 Replacement Term Loan Amendment dated as of May 11, 2017, as amended by the 2017-2 Replacement Term Loan Amendment dated as of December 8, 2017, as amended by the 2018 Replacement Term Loan Amendment dated as of June 8, 2018, as amended by the 2019 Replacement Term Loan Amendment dated as of December 13, 2019, as amended by the Second Amendment dated as of May 27, 2021, as amended and restated by the Third Amendment dated as of June 29, 2022 and as amended by the First Amendment dated as of January 31, 2023, among Generac Acquisition Corp., Generac Power Systems, Inc., several lenders, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 5, 2024).
31.1*	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Statements of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) related Notes to Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 formatted as inline XBRL (included in Exhibit 101).

*	Filed herewith.
**	Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENERAC HOLDINGS INC.

By: /s/ York A. Ragen

YORK A. RAGEN
Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Dated: November 5, 2024

Exhibit 10.1

2024 REPLACEMENT TERM LOAN AMENDMENT

2024 REPLACEMENT TERM LOAN AMENDMENT, dated as of July 3, 2024 (this "Agreement"), to that certain Credit Agreement, dated as of February 9, 2012, as amended and restated as of May 30, 2012, as further amended and restated as of May 31, 2013, as amended by the First Amendment dated as of May 18, 2015, as amended by the Replacement Term Loan Amendment dated as of November 2, 2016, as amended by the 2017 Replacement Term Loan Amendment dated as of May 11, 2017, as amended by the 2017-2 Replacement Term Loan Amendment dated as of December 8, 2017, as amended by the 2018 Replacement Term Loan Amendment dated as of June 8, 2018, as amended by the 2019 Replacement Term Loan Amendment dated as of December 13, 2019, as amended by the Second Amendment dated as of May 27, 2021, as amended and restated by the Third Amendment dated as of June 29, 2022 and as amended by the First Amendment dated as of January 31, 2023 (the "Credit Agreement", as amended by this Agreement, the "Amended Credit Agreement"), among Generac Acquisition Corp., a Delaware corporation ("Holdings"), Generac Power Systems, Inc., a Wisconsin corporation (the "Borrower"), the several lenders from time to time party thereto (the "Lenders"), JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent") and the other agents and parties party thereto.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make, and have made, certain loans and other extensions of credit to the Borrower;

WHEREAS, the Borrower has requested that the outstanding 2019 New Term Loans be replaced with a new term loan B facility (the "2024 Replacement Term Loan Facility") by obtaining 2024 Replacement Term Loan Commitments (as defined in Section 3 of this Agreement) and having existing 2019 New Term Loans be continued, pursuant to a cashless roll, in each case, on the terms and conditions and as otherwise provided herein;

WHEREAS, the loans under the 2024 Replacement Term Loan Facility (the "2024 New Term Loans") will replace and refinance the currently outstanding 2019 New Term Loans and are collectively intended to be Replacement Term Loans, as contemplated in Section 9.08(d) of the Credit Agreement;

WHEREAS, as a result of the incurrence of the 2024 Replacement Term Loan Facility, the Springing Maturity Date is no longer applicable in accordance with the terms of the Credit Agreement;

WHEREAS, the 2024 New Term Loans will have the terms set forth in the Amended Credit Agreement;

WHEREAS, JPMorgan Chase Bank, N.A., BofA Securities, Inc., PNC Capital Markets LLC and Wells Fargo Securities LLC will act as joint lead arrangers and bookrunners for the 2024 Replacement Term Loan Facility;

WHEREAS, each existing Lender that executes and delivers a lender addendum signature page to this Agreement (substantially in the form attached hereto) in such capacity (a "Continuing Term Lender Addendum") and in connection therewith agrees to continue all of its Existing Term Loans (as defined below) as 2024 New Term Loans (such continued 2019 New Term Loans, the "Continued Term Loans", and such Lenders, collectively, the "Continuing Term Lenders") will thereby (i) agree to the terms of this Agreement and (ii) agree to continue, pursuant to a cashless roll, all of its existing 2019 New Term Loans (all existing 2019 New Term Loans outstanding under the Credit Agreement, the "Existing Term Loans", and the Lenders of such Existing Term Loans, collectively, the "Existing Term Lenders") outstanding on the Effective Date (as defined below) as 2024 New Term Loans in a principal amount not more than the aggregate principal amount of such Existing Term Loans so continued (it being understood that the principal amount of Existing Term Loans so continued shall be determined by the Administrative Agent and notified to such Existing Term Lender as set forth in Section 3.3);

WHEREAS, subject to the preceding recitals, each Person (other than a Continuing Term Lender in its capacity as such) that executes and delivers a lender addendum signature page to this Agreement (substantially in the form attached hereto) (a "Replacement Term Lender Addendum") and agrees in connection therewith to provide its 2024 New Term Loan (collectively, the "Replacement Term Lenders") will thereby (i) agree to the terms of this Agreement and (ii) commit to provide its 2024 New Term Loan on the Effective Date (the "Replacement Term Loans") in such amount (not in excess of any such commitment) as is determined by the Administrative Agent and notified to such Replacement Term Lender;

WHEREAS, the proceeds of the Replacement Term Loans will be used, together with cash on hand, to repay in full the outstanding principal amount of the Existing Term Loans that are not continued as 2024 New Term Loans by Continuing Term Lenders (the "Non-Continuing Term Loans");

WHEREAS, the Continuing Term Lenders and the Replacement Term Lenders (collectively, the "2024 Term Lenders") are severally willing to continue their Existing Term Loans as Continued Term Loans and/or to provide Replacement Term Loans, as the case may be, subject to the terms and conditions set forth in the Credit Agreement, this Agreement and the Amended Credit Agreement, as applicable; and

WHEREAS, the 2024 Term Lenders and the Administrative Agent are willing to agree to this Agreement on the terms set forth herein;

NOW THEREFORE, in consideration of the premises and mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Definitions. Except as otherwise defined herein, all capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Amended Credit Agreement.

SECTION 2. Amendments to the Credit Agreement. The Credit Agreement is hereby amended, effective immediately after the provision of, or the continuation of Existing Term Loans, as applicable, as 2024 New Term Loans on the Effective Date, as follows:

2.1. Amendments to Section 1.01. Section 1.01 of the Credit Agreement is hereby amended as follows:

(a) The definition of "Adjusted Term SOFR Rate" is hereby amended and restated in its entirety as follows:

"Adjusted Term SOFR Rate" shall mean, with respect to any Term Benchmark Borrowing in Dollars for any Interest Period, an interest rate per annum equal to (i) with respect to the 2022 Revolving Facility and the 2022 Tranche A Term Loan Facility, (a) the Term SOFR Rate for such Interest Period, *plus* (b) 0.10% and (ii) with respect to the 2024 New Term Loan Facility, the Term SOFR Rate for such Interest Period; provided that, in each case, if the Adjusted Term SOFR Rate as so determined would be less than the Floor, such rate shall be deemed to be equal to the Floor for purposes of calculating such rate.

(b) Clause (a) of the definition of "Applicable Margin" is hereby amended and restated in its entirety as follows:

(a) for the 2024 Replacement Term Loan Facility, (i) for ABR Loans, 0.75% and (ii) for Term Benchmark Loans, 1.75%; and

(c) The definition of "Class" is hereby amended by deleting the words "2019 New Term Loans" and substituting in lieu thereof the words "2024 New Term Loans".

(d) The definition of "Commitment" is hereby amended and restated in its entirety as follows:

"Commitment" shall mean with respect to any Lender, (a) such Lender's Revolving Commitment, if any, and (b) the obligation of such Lender, if any, to:

(i) make an Existing Term Loan to the Borrower hereunder on the Second Restatement Date in accordance with the Restatement Agreement, expressed as an amount representing the maximum principal amount of the Term Loan to be made by such Lender, which aggregate amount of the Commitments on the Second Restatement Date was $1.2 billion,

(ii) provide, or to continue its Existing Term Loans as, as applicable, a 2016 New Term Loan to the Borrower on the 2016 Replacement Term Loan Amendment Effective Date in accordance with the 2016 Replacement Term Loan Amendment, expressed as an amount representing the maximum principal amount of the 2016 New Term Loan to be made by such Lender hereunder, which aggregate amount of the Commitments on the 2016 Replacement Term Loan Amendment Effective Date was $929 million,

(iii) provide, or to continue its Existing Term Loans as, as applicable, a 2017 New Term Loan to the Borrower on the 2017 Replacement Term Loan Amendment Effective Date in accordance with the 2017 Replacement Term Loan Amendment, expressed as an amount representing the maximum principal amount of the 2017 New Term Loan to be made by such Lender hereunder, which aggregate amount of the Commitments on the 2017 Replacement Term Loan Amendment Effective Date was $929 million,

(iv) provide, or to continue its Existing Term Loans as, as applicable, a 2017-2 New Term Loan to the Borrower on the 2017-2 Replacement Term Loan Amendment Effective Date in accordance with the 2017-2 Replacement Term Loan Amendment, expressed as an amount representing the maximum principal amount of the 2017-2 New Term Loan to be made by such Lender hereunder, which aggregate amount of the Commitments on the 2017-2 Replacement Term Loan Amendment Effective Date was $929 million,

(v) provide, or to continue its Existing Term Loans as, as applicable, a 2018 New Term Loan to the Borrower on the 2018 Replacement Term Loan Amendment Effective Date in accordance with the 2018 Replacement Term Loan Amendment, expressed as an amount representing the maximum principal amount of the 2018 New Term Loan to be made by such Lender hereunder, which aggregate amount of the Commitments on the 2018 Replacement Term Loan Amendment Effective Date was $879 million,

(vi) provide, or to continue its Existing Term Loans as, as applicable, a 2019 New Term Loan to the Borrower on the 2019 Replacement Term Loan Amendment Effective Date in accordance with the 2019 Replacement Term Loan Amendment, expressed as an amount representing the maximum principal amount of the 2019 New Term Loan to be made by such Lender hereunder, which aggregate amount of the Commitments on the 2019 Replacement Term Loan Amendment Effective Date is $830 million,

(vii) provide to the Borrower a 2022 Tranche A Term Loan, expressed as an amount representing the maximum principal amount of the 2022 Tranche A Term Loans to be made by such Lender hereunder, which aggregate amount of the Commitments on the Third Restatement Date is $750 million, and

(viii) provide, or to continue its 2019 New Term Loans as, as applicable, a 2024 New Term Loan to the Borrower on the 2024 Replacement Term Loan Amendment Effective Date in accordance with the 2024 Replacement Term Loan Amendment, expressed as an amount representing the maximum principal amount of the 2024 New Term Loan to be made by such Lender hereunder, which aggregate amount of the Commitments on the 2024 Replacement Term Loan Amendment Effective Date is $500 million.

The amount of each Term Lender's Commitment on the Second Restatement Date is its "New Term Loan Commitment" as defined in the Restatement Agreement. The amount of each Term Lender's Commitment on the 2016 Replacement Term Loan Amendment Effective Date is its 2016 Replacement Term Loan Commitment. The amount of each Term Lender's Commitment on the 2017 Replacement Term Loan Amendment Effective Date is its 2017 Replacement Term Loan Commitment. The amount of each Term Lender's Commitment on the 2017-2 Replacement Term Loan Amendment Effective Date is its 2017-2 Replacement Term Loan Commitment. The amount of each Term Lender's Commitment on the 2018 Replacement Term Loan Amendment Effective Date is its 2018 Replacement Term Loan Commitment. The amount of each Term Lender's Commitment on the 2019 Replacement Term Loan Amendment Effective Date is its 2019 Replacement Term Loan Commitment. The amount of each Lender's Commitment on the Third Restatement Date is its 2022 Tranche A Term Loan Commitment and 2022 Revolving Commitment, as applicable. The amount of each Term Lender's Commitment on the 2024 Replacement Term Loan Amendment Effective Date is its 2024 Replacement Term Loan Commitment. For all purposes hereunder, from and after the 2016 Replacement Term Loan Amendment Effective Date until the 2017 Replacement Term Loan Amendment Effective Date, each reference to a "Commitment" in this Agreement and in the Loan Documents shall be deemed to include the commitments to provide, or to continue Existing Term Loans as, the 2016 New Term Loans. For all purposes hereunder, from and after the 2017 Replacement Term Loan Amendment Effective Date until the 2017-2 Replacement Term Loan Amendment Effective Date, each reference to a "Commitment" in this Agreement and in the Loan Documents shall be deemed to include the commitments to provide, or to continue Existing Term Loans as, the 2017 New Term Loans. For all purposes hereunder, from and after the 2017-2 Replacement Term Loan Amendment Effective Date until the 2018 Replacement Term Loan Amendment Effective Date, each reference to a "Commitment" in this Agreement and in the Loan Documents shall be deemed to include the commitments to provide, or to continue Existing Term Loans as, the 2017-2 New Term Loans. For all purposes hereunder, from and after the 2018 Replacement Term Loan Amendment Effective Date until the 2019 Replacement Term Loan Amendment Effective Date, each reference to a "Commitment" in this Agreement and in the Loan Documents shall be deemed to include the commitments to provide, or to continue Existing Term Loans as, the 2018 New Term Loans. For all purposes hereunder, from and after the 2019 Replacement Term Loan Amendment Effective Date until the Third Restatement Date, each reference to a "Commitment" in this Agreement and in the Loan Documents shall be deemed to include the commitments to provide, or to continue Existing Term Loans as, the 2019 New Term Loans. For all purposes hereunder, from and after the Third Restatement Date until the 2024 Replacement Term Loan Amendment Effective Date, each reference to a "Commitment" in this Agreement and in the Loan Documents shall be deemed to include the commitments to provide the 2019 New Term Loans, the 2022 Tranche A Term Loans or the Revolving Loans, as the case may be. For all purposes hereunder, from and after the 2024 Replacement Term Loan Amendment Effective Date, each reference to a "Commitment" in this Agreement and in the Loan Documents shall be deemed to include the commitments to provide, or to continue 2019 New Term Loans as, the 2024 New Term Loans, the 2022 Tranche A Term Loans or the Revolving Loans, as the case may be.

(e) The definition of "Facility" is hereby amended by deleting the words "2019 Replacement Term Loan Facility" and substituting in lieu thereof the words "2024 Replacement Term Loan Facility".

(f) The definition of "Investment Grade Conditions" is hereby amended by deleting in clause (b) each reference to "2019 Replacement Term Loan Facility" and substituting in lieu thereof a reference to "2024 Replacement Term Loan Facility".

(g) The definition of "Lender" is hereby amended and restated in its entirety as follows:

"Lender" shall mean (i) each New Term Lender (as defined in the Restatement Agreement) (other than any such person that has ceased to be a party hereto pursuant to an Assignment and Acceptance in accordance with Section 9.04), (ii) each financial institution or other entity that is listed on the signature pages of the 2016 Replacement Term Loan Amendment as a "Continuing Term Lender" and/or "Replacement Term Lender," as applicable (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Acceptance in accordance with Section 9.04), (iii) each financial institution or other entity that is listed on the signature pages of the 2017 Replacement Term Loan Amendment as a "Continuing Term Lender" and/or "Replacement Term Lender," as applicable (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Acceptance in accordance with Section 9.04), (iv) each financial institution or other entity that is listed on the signature pages of the 2017-2 Replacement Term Loan Amendment as a "Continuing Term Lender" and/or "Replacement Term Lender," as applicable (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Acceptance in accordance with Section 9.04), (v) each financial institution or other entity that is listed on the signature pages of the 2018 Replacement Term Loan Amendment as a "Continuing Term Lender" and/or "Replacement Term Lender," as applicable (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Acceptance in accordance with Section 9.04), (vi) each financial institution or other entity that is listed on the signature pages of the 2019 Replacement Term Loan Amendment as a "Continuing Term Lender" and/or "Replacement Term Lender," as applicable (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Acceptance in accordance with Section 9.04), (vii) each financial institution or other entity that is listed on the signature pages of the 2022 Facility Amendment as a "New Lender" (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Acceptance in accordance with Section 9.04), (viii) each financial institution or other entity that is listed on the signature pages of the 2024 Replacement Term Loan Amendment as a "Continuing Term Lender" and/or "Replacement Term Lender," as applicable (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Acceptance in accordance with Section 9.04) and (ix) any other person that becomes a "Lender" hereunder in accordance with Section 9.04. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lenders and the Issuing Banks.

(h) The definition of "Maturity Date" is hereby amended and restated in its entirety as follows:

"Maturity Date" shall mean, with respect to (a) the 2019 Replacement Term Loan Facility, December 13, 2026 (the "Existing Maturity Date"), (b) the 2022 Tranche A Term Loan Facility and the 2022 Revolving Facility, June 29, 2027 (the "New Maturity Date"), provided that, notwithstanding the foregoing if, on the date that is ninety (90) days prior to the Existing Maturity Date (the "Springing Maturity Date"), the 2019 Replacement Term Loan Facility has not been (x) repaid in full or (y) refinanced in full by Indebtedness with (1) a final maturity not prior to the date that is ninety-one (91) days later than the New Maturity Date and (2) amortization not to exceed 1.0% per annum, the "Maturity Date" with respect to each of the 2022 Tranche A Term Loan Facility and the 2022 Revolving Facility shall be the Springing Maturity Date and (c) the 2024 Replacement Term Loan Facility, July 3, 2031.

(i) The definition of "Term Facility" is hereby amended and restated in its entirety as follows:

"Term Facility" shall mean each of (a) the 2022 Tranche A Term Loan Commitments and the Term Loans made thereunder and (b) the 2024 Replacement Term Loan Commitments and the Term Loans made thereunder.

(j) The definition of "Term Lender" is hereby amended by deleting the words "2019 New Term Lender" and substituting in lieu thereof the words "2024 New Term Lender".

(k) The definition of "Term Loans" is hereby amended and restated in its entirety as follows:

"Term Loans" shall mean (i) the Existing Term Loans that were made by the Lenders to the Borrower on the Second Restatement Date pursuant to Section 2.01, (ii) the 2016 New Term Loans, (iii) the 2017 Term Loans, (iv) the 2017-2 Term Loans, (v) the 2018 Term Loans, (vi) the 2019 Term Loans, (vii) the 2022 Tranche A Term Loans and (viii) the 2024 Term Loans, as context may require. On and after the 2016 Replacement Term Loan Amendment Effective Date until the 2017 Replacement Term Loan Amendment Effective Date, each reference to a "Term Loan" in this Agreement and in the other Loan Documents shall be deemed to include the 2016 New Term Loans, except as the context may otherwise require. On and after the 2017 Replacement Term Loan Amendment Effective Date until the 2017-2 Replacement Term Loan Amendment Effective Date, each reference to a "Term Loan" in this Agreement and in the other Loan Documents shall be deemed to include the 2017 New Term Loans, except as the context may otherwise require. On and after the 2017-2 Replacement Term Loan Amendment Effective Date until the 2018 Replacement Term Loan Effective Date, each reference to a "Term Loan" in this Agreement and in the other Loan Documents shall be deemed to include the 2017-2 New Term Loans, except as the context may otherwise require. On and after the 2018 Replacement Term Loan Effective Date until the 2019 Replacement Term Loan Effective Date, each reference to a "Term Loan" in this Agreement and in the other Loan Documents shall be deemed to include the 2018 New Term Loans, except as the context may otherwise require. On and after the 2019 Replacement Term Loan Effective Date until the Third Amendment Restatement Date, each reference to a "Term Loan" in this Agreement and in the other Loan Documents shall be deemed to include the 2019 New Term Loans, except as the context may otherwise require. On and after the Third Restatement Date until the 2024 Replacement Term Loan Effective Date, each reference to a "Term Loan" in this Agreement and in the other Loan Documents shall be deemed to include the 2019 New Term Loans and the 2022 Tranche A Term Loans, except as the context may otherwise require. On and after the 2024 Replacement Term Loan Effective Date, each reference to a "Term Loan" in this Agreement and in the other Loan Documents shall be deemed to include the 2024 New Term Loans and the 2022 Tranche A Term Loans, except as the context may otherwise require.

(l) The following new definitions shall be inserted in their proper alphabetical order:

"2024 New Term Lender" shall mean each Lender that has a 2024 Replacement Term Loan Commitment or that holds 2024 New Term Loans.

"2024 New Term Loans" shall have the meaning set forth in Section 2.01.

"2024 Replacement Term Loan Amendment" shall mean the 2024 Replacement Term Loan Amendment, dated as of the 2024 Replacement Term Loan Amendment Effective Date, among Holdings, the Borrower, the other Loan Parties party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.

"2024 Replacement Term Loan Amendment Effective Date" shall mean July 3, 2024.

"2024 Replacement Term Loan Commitment" shall have the meaning set forth in the 2024 Replacement Term Loan Amendment.

"2024 Replacement Term Loan Facility" shall have the meaning set forth in the 2024 Replacement Term Loan Amendment.

"Repricing Transaction" shall mean, (a) any prepayment of 2024 New Term Loans with the proceeds of a substantially concurrent incurrence of any secured term loans by the Borrower or any Loan Party in respect of which the Effective Yield is, on the date of such prepayment (and not by virtue of any fluctuation in any "base" rate), lower than the Effective Yield on the 2024 New Term Loans immediately prior to such prepayment and (b) any repricing by the Borrower of all or any portion of the 2024 New Term Loans resulting in an Effective Yield for the 2024 New Term Loans as of the date of such repricing that is (and not by virtue of any fluctuation in any "base" rate) less than the Effective Yield for the 2024 New Term Loans immediately prior to such repricing; provided, that in no event shall any such prepayment, repricing or other modification in connection with a Change in Control, any material Permitted Business Acquisition (or similar Investment) or material Disposition constitute a Repricing Transaction.

2.2. Amendment to Section 2.01. Section 2.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

On the Second Restatement Date, each term Lender made tranche B Term Loans to the Borrower (the "Existing Term Loans") in the original aggregate principal amount of $1.2 billion. Subject to the terms and conditions set forth in the 2016 Replacement Term Loan Amendment, on the 2016 Replacement Term Loan Amendment Effective Date, each 2016 New Term Lender agreed to provide or continue its Existing Term Loans pursuant to a cashless roll, as applicable, its Term Loans (such provided or continued Term Loans, collectively, the "2016 New Term Loans") in a principal amount equal to its 2016 Replacement Term Loan Commitment. Subject to the terms and conditions set forth in the 2017 Replacement Term Loan Amendment, on the 2017 Replacement Term Loan Amendment Effective Date, each 2017 New Term Lender agreed to provide or continue its Existing Term Loans pursuant to a cashless roll, as applicable, its Term Loans (such provided or continued Term Loans, collectively, the "2017 New Term Loans") in a principal amount equal to its 2017 Replacement Term Loan Commitment. Subject to the terms and conditions set forth in the 2017-2 Replacement Term Loan Amendment, on the 2017-2 Replacement Term Loan Amendment Effective Date, each 2017-2 New Term Lender agrees to and shall provide or continue its Existing Term Loans pursuant to a cashless roll, as applicable, its Term Loans (such provided or continued Term Loans, collectively, the "2017-2 New Term Loans") in a principal amount not to exceed its 2017-2 Replacement Term Loan Commitment. Subject to the terms and conditions set forth in the 2018 Replacement Term Loan Amendment, on the 2018 Replacement Term Loan Amendment Effective Date, each 2018 New Term Lender agreed to provide or continue its Existing Term Loans pursuant to a cashless roll, as applicable, its Term Loans (such provided or continued Term Loans, collectively, the "2018 New Term Loans") in a principal amount equal to its 2018 Replacement Term Loan Commitment. Subject to the terms and conditions set forth in the 2019 Replacement Term Loan Amendment, on the 2019 Replacement Term Loan Amendment Effective Date, each 2019 New Term Lender agreed to provide or continue its Existing Term Loans pursuant to a cashless roll, as applicable, its Term Loans (such provided or continued Term Loans, collectively, the "2019 New Term Loans") in a principal amount not to exceed its 2019 Replacement Term Loan Commitment. Subject to the terms and conditions set forth in the 2022 Facility Amendment, on the Third Restatement Date, each Tranche A Term Lender agreed to provide its Terms Loans (such Term Loans, collectively the "2022 Tranche A Term Loans") in a principal amount not to exceed its 2022 Tranche A Term Loan Commitment in Dollars. Subject to the terms and conditions set forth in the 2024 Replacement Term Loan Amendment, on the 2024 Replacement Term Loan Effective Date, each 2024 New Term Lender agrees to and shall provide or continue its 2019 New Term Loans pursuant to a cashless roll, as applicable, its Term Loans (such provided or continued Term Loans, collectively the "2024 Replacement Term Loans") in a principal amount not to exceed its 2024 Replacement Term Loan Commitment.

2.3. Amendment to Section 2.02(a). Section 2.02(a) of the Credit Agreement is hereby amended by adding immediately before the final sentence thereof the sentence "On the 2024 Replacement Term Loan Amendment Effective Date, the 2024 New Term Loans shall constitute, on the terms provided in the 2024 Replacement Term Loan Amendment, Term Loans hereunder.".

2.4. Amendment to Section 2.10(b). Section 2.10(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(b) With respect to the 2024 Replacement Term Loan Facility, subject to the other paragraphs of this Section, commencing October 1, 2024, the Borrower shall (subject to the application of clause (c) below and Section 2.23) repay Borrowings on the first day of April, July, October and January in each year prior to the Maturity Date (each such date being referred to as a "Existing Term Loan Installment Date"), in each case in an amount equal to 0.25% of the original principal amount of the 2024 New Term Loans on the 2024 Replacement Term Loan Amendment Effective Date, and the final principal repayment installment of the 2024 New Term Loans shall be repaid on the Maturity Date and shall be in an amount equal to the aggregate principal amount of all 2024 New Term Loans outstanding on such date.

2.5. Amendment to Section 2.11(a). Section 2.11(a) of the Credit Agreement is hereby amended by:

(a) replacing the first paragraph with the following:

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, without premium or penalty (but subject to Section 2.16), in an aggregate principal amount that is an integral multiple of the Borrowing Multiple and not less than the Borrowing Minimum or, if less, the amount outstanding for any Term Loan Borrowing subject to prior notice in accordance with Section 2.10(d); provided that in the event (i) of any voluntary prepayment or refinancing, in whole or in part, of 2024 New Term Loans made, (ii) of any amendment to the Loan Documents in respect of the 2024 New Term Loans or (iii) any Lender must assign its 2024 New Term Loans as a result of its failure to consent to an amendment, amendment and restatement or other modification, in each case on or prior to the date that is the six-month anniversary of the 2024 Replacement Term Loan Amendment Effective Date and, in each case, in connection with a Repricing Transaction, the Borrower shall pay to the 2024 New Term Lenders (including, if applicable, any Non-Consenting Lender acting as an assignor pursuant to Section 2.19(c) of the Credit Agreement) a prepayment premium equal to 1% of the principal amount of the 2024 New Term Loans so prepaid or assigned or, in the case of any such amendment, the principal amount of relevant 2024 New Term Loans outstanding immediately prior to such amendment.

(b) deleting in clause (ii) the words "2019 New Term Loans" and substituting in lieu thereof the words "2024 New Term Loans".

2.6. Amendment to Section 2.19(c). Section 2.19(c) of the Credit Agreement is hereby amended by deleting the text "[reserved]" in clause (d) thereof and substituting in lieu thereof the text "with respect to any such assignment occurring on or prior to the date that is the six-month anniversary of the 2024 Replacement Term Loan Amendment Effective Date as a result of a Repricing Transaction, the Borrower shall pay, or cause to be paid, to such Lender the prepayment premium required pursuant to Section 2.11(a)".

2.7. Amendment to Section 2.22(a)(v). Section 2.22(a)(v) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(v) if the Effective Yield in respect of any Incremental Loans that are pari passu in right of payment and secured equally and ratably with the initial Loans provided to the Borrower exceeds the Effective Yield for the existing Loans by more than 0.50%, the Applicable Margin for the existing Loans shall be increased so that the Effective Yield in respect of such existing Loans is equal to the Effective Yield for the Incremental Loans less 0.50% (provided that if the applicable Incremental Term Facility or Incremental Revolving Facility includes an interest rate floor greater than that applicable to the existing Loans, such excess amount shall be equated to yield for purposes of determining whether an increase to the Applicable Margin for the existing Loans shall be required, provided that if such increase is required, the interest rate floor (but not the Applicable Margin) applicable to the existing Loans shall be increased by such excess amount); provided further that, to the extent the "existing Loans" referred to in this clause (v) are the 2024 New Term Loans, the requirements of this clause (v) shall only apply to the extent the applicable Incremental Loans are incurred prior to the date that is six months following the 2024 Replacement Term Loan Amendment Effective Date, 2.8. Amendment to Section 7.01. Section 7.01 of the Credit Agreement is hereby amended as follows:

(a) deleting in clause (d) each reference to "2019 Replacement Term Loan Facility" and substituting in lieu thereof a reference to "2024 Replacement Term Loan Facility";

(b) deleting in clause (f) each reference to "2019 Replacement Term Loan Facility" and substituting in lieu thereof a reference to "2024 Replacement Term Loan Facility"; and

(c) deleting in the final paragraph thereof the words "2019 Replacement Term Loan Facility" and substituting in lieu thereof the words "2024 Replacement Term Loan Facility".

2.9. Amendment to Section 9.01. Section 9.01(a)(ii) of the Credit Agreement is hereby amended and restated in its entirety as follows:

> (ii) if to the Administrative Agent (x) from any Loan Party, to JPMorgan Chase Bank, N.A., at the address separately provided to the Borrower and (y) from the Lenders, to JPMorgan Chase Bank, N.A., Attn: Jacqueline Panos (jacqueline.panos@jpmorgan.com), 10 S. Dearborn, 9th Floor, Chicago, IL 60603; provided that, notwithstanding the foregoing, all notices from the Borrower to the Administrative Agent of any additional Company Competitor shall be to the Administrative Agent at the following electronic address: JPMDQ_Contact@jpmorgan.com;

SECTION 3. 2024 New Term Loans; Allocations and Reallocations.

3.1. Each (a) Replacement Term Lender, by executing a Replacement Term Lender Addendum, and (b) Continuing Term Lender, by executing a Continuing Term Lender Addendum, consents to the amendments to the Credit Agreement set forth in this Agreement.

3.2. Subject to the terms and conditions set forth herein (i) each Continuing Term Lender agrees to continue, pursuant to a cashless roll, all of its Existing Term Loans as a Continued Term Loan on the date requested by the Borrower to be the Effective Date in a principal amount equal to such Continuing Term Lender's Continuing Term Loan Commitment (as defined below) and (ii) each Replacement Term Lender agrees to provide its Replacement Term Loan on such date in a principal amount equal to such Replacement Term Lender's Replacement Term Loan Commitment (as defined below). The Borrower shall give notice to the Administrative Agent of the proposed Effective Date not later than one Business Day prior thereto, and the Administrative Agent shall notify each Continuing Term Lender and each Replacement Term Lender thereof.

3.3. Each Replacement Term Lender will provide its Replacement Term Loan on the Effective Date by making available to the Administrative Agent, in the manner contemplated by the Amended Credit Agreement or as otherwise arranged by the Administrative Agent and such Replacement Lenders, an amount equal to its Replacement Term Loan Commitment. The "Replacement Term Loan Commitment" of any Replacement Term Lender will be such amount (not exceeding any commitment offered by such Replacement Term Lender) allocated to it by the Administrative Agent and notified to it on or prior to the Effective Date. The "Continuing Term Loan Commitment" of any Continuing Term Lender will be the amount of its Existing Term Loans as set forth in the Register immediately prior to giving effect to the Effective Date (or such lesser amount as allocated to it by the Administrative Agent and notified to it on or prior to the Effective Date), which shall be continued as an equal amount of Continued Term Loans (it being understood that no cash will be advanced as part of any continuation of Continued Term Loans). Replacement Term Loan Commitments and Continuing Term Loan Commitments are collectively referred to herein as the "2024 Replacement Term Loan Commitment". The commitments of the Replacement Term Lenders and the continuation undertakings of the Continuing Term Lenders are several and no such Lender will be responsible for any other such Lender's failure to provide, or continue its Existing Term Loans as, as applicable, its 2024 New Term Loan. The 2024 New Term Loans may from time to time be ABR Loans or Term Benchmark Loans, as determined by the Borrower and notified to the Administrative Agent as contemplated by Sections 2.02 and 2.07 of the Amended Credit Agreement. Upon the provision of, or the continuation of the Existing Term Loans as, as applicable, 2024 New Term Loans on the Effective Date, the 2024 New Term Loans shall be ABR Loans or Term Benchmark Loans, as the case may be, of the same Type and with the Interest Period(s) that were applicable to the Existing Term Loans immediately prior to the Effective Date uninterrupted thereby with the initial Interest Period(s) applicable to the 2024 New Term Loans equal to the remaining length of such Existing Term Loans' Interest Period(s). Accrued and unpaid interest in respect of Continued Term Loans shall be paid on the Effective Date.

3.4. The obligation of each 2024 Term Lender to provide, or continue its Existing Term Loans as, as applicable, its 2024 New Term Loans on the Effective Date is subject to the satisfaction of the conditions set forth in Section 4 of this Agreement.

3.5. The Continuing Term Lenders party hereto hereby agree to waive the breakage costs provisions of Section 2.16 of the Credit Agreement in connection with the prepayment or replacement of Existing Term Loans contemplated hereby.

SECTION 4. Effectiveness. This Agreement shall become effective, and the making of, or the continuation of Existing Term Loans as, as applicable, the 2024 New Term Loans shall occur, as of the date (the "Effective Date") on which the conditions set forth below have been satisfied:

4.1. At the time of and immediately after giving effect to the Effective Date and the making of, or the continuation of Existing Term Loans as, as applicable, 2024 New Term Loans on the Effective Date, no Default or Event of Default shall have occurred and be continuing.

4.2. The Administrative Agent (or its counsel) shall have received from (i) the Borrower, Holdings, the other Loan Parties (the Borrower, Holdings and such other Loan Parties, collectively, the "Reaffirming Parties") and (ii) the 2024 Term Lenders either (x) a counterpart of this Agreement signed on behalf of such party or (y) written evidence satisfactory to the Administrative Agent (which may include fax or other electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

4.3. The Administrative Agent shall have received, on behalf of itself and the Lenders on the Effective Date, a customary written opinion of (x) Sidley Austin LLP, special counsel for Holdings and the Borrower and (y) Reinhart Boerner Van Dueren S.C., Wisconsin counsel for the Borrower, (A) dated the Effective Date, (B) addressed to the Administrative Agent and the Lenders on the Effective Date and (C) in form and substance reasonably satisfactory to the Administrative Agent consistent with those delivered on the 2019 Replacement Term Loan Amendment Effective Date (other than changes to such legal opinion resulting from change in law, fact or change to counsel's form of opinion), and each of Holdings and the Borrower hereby instructs its counsel to deliver such opinions.

4.4. The Administrative Agent shall have received in the case of each Loan Party each of the items referred to in clauses (a), (b), (c) and (d) below:

(a) a copy of the certificate or articles of incorporation, certificate of limited partnership or certificate of formation, including all amendments thereto, of each Loan Party, certified as of a recent date by the Secretary of State (or other similar official) of the jurisdiction of its organization, and a certificate as to the good standing (to the extent such concept or a similar concept exists under the laws of such jurisdiction) of each such Loan Party as of a recent date from such Secretary of State (or other similar official);

(b) a certificate of the secretary or assistant secretary or similar officer of each Loan Party dated the Effective Date and certifying:

(i) that attached thereto is a true and complete copy of the bylaws (or limited partnership agreement, limited liability company agreement or other equivalent governing documents) of such Loan Party as in effect on the Effective Date,

(ii) that attached thereto is a true and complete copy of resolutions duly adopted by the board of directors (or equivalent governing body) of such Loan Party (or its managing general partner or managing member) authorizing the execution, delivery and performance of this Agreement and that such resolutions have not been modified, rescinded or amended and are in full force and effect on the Effective Date,

(iii) that the certificate or articles of incorporation, certificate of limited partnership or certificate of formation of such Loan Party has not been amended since the date of the last amendment thereto disclosed pursuant to clause (i) above,

(iv) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party, and

(v) as to the absence of any pending proceeding for the dissolution or liquidation of such Loan Party;

(c) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary or similar officer executing the certificate pursuant to clause (b) above; and

(d) a certificate of a Responsible Officer of Holdings or the Borrower certifying that as of the Effective Date (i) all the representations and warranties set forth in the Credit Agreement are true and correct to the extent set forth therein on and as of the Effective Date except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects (without duplication of any materiality qualifier contained therein) as of such earlier date and (ii) that as of the Effective Date, no Default or Event of Default has occurred and is continuing or would result from the borrowing of, or the continuation of Existing Term Loans as, as applicable, 2024 New Term Loans on the Effective Date.

4.5. (i) The Collateral and Guarantee Requirement continues to be satisfied, (ii) the Administrative Agent shall have received the results of a search of the Uniform Commercial Code (or equivalent) filings made with respect to the Loan Parties and copies of the financing statements (or similar documents) disclosed by such search and (iii) the Administrative Agent shall have received evidence reasonably satisfactory to the Administrative Agent that the Liens indicated by such financing statements (or similar documents) are either permitted by Section 6.02 of the Amended Credit Agreement or have been released (or authorized for release in a manner reasonably satisfactory to the Administrative Agent).

4.6. The 2024 Term Lenders shall have received, in each case in accordance with Section 5.04 of the Credit Agreement, the financial statements and other financial information referred to in Sections 5.04(a), (b), (c), (d) and (e) of the Credit Agreement.

4.7. The Administrative Agent shall have received all fees payable thereto or to any Lender on or prior to the Effective Date and, to the extent invoiced, all other amounts due and payable pursuant to the Loan Documents on or prior to the Effective Date (including accrued interest in respect of the 2019 New Term Loans), including, to the extent invoiced, reimbursement or payment of all reasonable out-of-pocket expenses (including reasonable fees, charges and disbursements of Simpson Thacher & Bartlett LLP) required to be reimbursed or paid by the Loan Parties under the Credit Agreement or under any other Loan Document.

4.8. The Non-Continuing Term Loans shall have been (or substantially contemporaneously shall be) repaid in full.

4.9. To the extent requested by the Administrative Agent not less than two (2) days prior to the Effective Date, the Administrative Agent shall have received, at least one (1) day prior to the Effective Date, all documentation and other information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act.

Each 2024 Term Lender, by delivering its signature page to this Agreement and making, or continuing its Existing Term Loans as, as applicable, its 2024 New Term Loan on the Effective Date shall be deemed to have acknowledged receipt of and consented to and approved each Loan Document and each other document required to be approved by the Administrative Agent or any Lender, as applicable, on the Effective Date.

SECTION 5. Representations and Warranties. To induce the other parties hereto to enter into this Agreement, each of the Reaffirming Parties represents and warrants to each of the 2024 Term Lenders and the Administrative Agent that:

5.1. This Agreement has been duly authorized, executed and delivered by it and this Agreement and the Amended Credit Agreement constitute its valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law; and

5.2. (a) each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents is true and correct to the extent set forth therein on and as of the Effective Date as if made on such date except to the extent any such representation and warranty is expressly made only as of a prior date, in which case such representation and warranty shall have been true and correct in all material respects (without duplication of any materiality qualifier contained therein) as of such prior date and (b) no Default or Event of Default has occurred and is continuing or would result from the provision of, or the continuation of Existing Term Loans as, as applicable, 2024 New Term Loans on the Effective Date.

SECTION 6. Effect of Amendment.

6.1. Except as expressly set forth herein, this Agreement shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders or the Administrative Agent under the Credit Agreement, the Amended Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of the Credit Agreement or of any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle the Borrower to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Amended Credit Agreement or any other Loan Document in similar or different circumstances.

6.2. On and after the Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import, and each reference to the Credit Agreement in any other Loan Document shall be deemed a reference to the Amended Credit Agreement. This Agreement shall constitute a "Loan Document" for all purposes of the Amended Credit Agreement and the other Loan Documents.

SECTION 7. Reserved.

SECTION 8. General.

8.1. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.2. Costs and Expenses. The Borrower agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with the preparation, negotiation and execution of this Agreement, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent in accordance with Section 9.05 of the Amended Credit Agreement.

8.3. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of any executed counterpart of a signature page of this Agreement by telecopy or email transmission shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Agreement shall be deemed to include Electronic Signatures (as defined below), deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be. "Electronic Signatures" means an electronic sound, symbol or process attached to, or associated with, a contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

8.4. Headings. Article and Section headings are used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

8.5. Reaffirmation. The parties hereto confirm that this Agreement is not intended, nor shall it be deemed or construed, to effect a novation of any liens or indebtedness under the Credit Agreement or to terminate or release any liens, security interests or contractual or legal rights securing all or any part of such indebtedness. Furthermore, each of the Reaffirming Parties hereby:

(a) consents to this Agreement and the transactions contemplated hereby and hereby confirms its guarantees, pledges, grants of security interests, acknowledgments, obligations and consents under the Collateral Agreement and the other Security Documents and the other Loan Documents to which it is a party and agrees that notwithstanding the effectiveness of this Agreement and the consummation of the transactions contemplated hereby, such guarantees, pledges, grants of security interests, acknowledgments, obligations and consents shall be, and continue to be, in full force and effect except as expressly set forth herein,

(b) ratifies the Security Documents and the other Loan Documents to which it is a party,

(c) confirms that all of the Liens and security interests created and arising under the Security Documents to which it is a party remain in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged, and having the same perfected status and priority as collateral security for the Obligations as existed prior to giving effect to this Agreement,

(d) agrees that each of the representations and warranties made by each Reaffirming Party in the Security Documents to which it is a party is true and correct as to it in all material respects on and as of the date hereof (except to the extent any such representation or warranty expressly relates to a prior date, in which case such representation or warranty was true and correct in all material respects (without duplication of any materiality qualifier contained therein) as of such prior date), and

(e) agrees that it shall take any action reasonably requested by the Administrative Agent in order to confirm or effect the intent of this Agreement.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the day and year first above written.

GENERAC ACQUISITION CORP.

By: ______________________________
Name:
Title:

GENERAC POWER SYSTEMS, INC.

By: ______________________________
Name:
Title:

GENERAC MOBILE PRODUCTS, LLC

By: ______________________________
Name:
Title:

MAC, INC.

By: ______________________________
Name:
Title:

CHP HOLDINGS, INC.

By: ______________________________
Name:
Title:

COUNTRY HOME PRODUCTS, INC.

By: ______________________________
Name:
Title:

ROUTE 22A & 1 MAIN LLC

By: ______________________________
Name:
Title:

PIKA ENERGY, INC.

By: ______________________________
Name:
Title:

POWER MANAGEMENT HOLDINGS (U.S.), INC.

By: ______________________________
Name:
Title:

GENERAC GRID SERVICES LLC

By: ______________________________
Name:
Title:

ENBALA U.S. POWER INC.

By: ______________________________
Name:
Title:

ECOBEE LTD.

By: ______________________________
Name:
Title:

ENERGY SYSTEMS HOLDINGS INC.

By: ______________________________
Name:
Title:

EAST COAST ENERGY SYSTEMS LLC

By: ______________________________
Name:
Title:

ELECTRONIC ENVIRONMENTS CO. LLC

By: ______________________________
Name:
Title:

WEST COAST ENERGY SYSTEMS LLC

By: ______________________________
Name:
Title:

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: ______________________________
Name:
Title:

CONTINUING TERM LENDER ADDENDUM TO THE
2024 REPLACEMENT TERM LOAN AMENDMENT IN RESPECT OF THE
CREDIT AGREEMENT DATED AS OF FEBRUARY 9, 2012,
AS LAST AMENDED AND RESTATED AS OF JUNE 29, 2022
AS LAST AMENDED AS OF JANUARY 31, 2023

This Lender Addendum (this "Continuing Term Lender Addendum") is referred to in, and is a signature page to, the 2024 Replacement Term Loan Amendment (the "Agreement") to that certain Credit Agreement dated as of February 9, 2012, as amended and restated as of May 30, 2012, as further amended and restated as of May 31, 2013, as further amended by the First Amendment dated as of May 18, 2015, as further amended by the Replacement Term Loan Amendment dated as of November 2, 2016, as further amended by the 2017 Replacement Term Loan Amendment dated as of May 11, 2017, as further amended by the 2017-2 Replacement Term Loan Amendment dated as of December 8, 2017, as further amended by the 2018 Replacement Term Loan Amendment dated as of June 8, 2018, as amended by the 2019 Replacement Term Loan Amendment dated as of December 13, 2019, as amended by the Second Amendment dated as of May 27, 2021, as amended and restated by the Third Amendment dated as of June 29, 2022 and as amended by the First Amendment dated as of January 31, 2023 (the "Credit Agreement"), among Generac Acquisition Corp., a Delaware corporation ("Holdings"), Generac Power Systems, Inc., a Wisconsin corporation (the "Borrower"), the several lenders from time to time party thereto (the "Lenders"), JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"), and the other agents and parties party thereto. Capitalized terms used but not defined in this Continuing Term Lender Addendum have the meanings assigned to such terms in the Agreement or the Credit Agreement, as applicable.

By executing this Continuing Term Lender Addendum, the undersigned institution agrees (A) to the terms of the Agreement and the Credit Agreement as amended thereby (the "Amended Credit Agreement") and (B) on the terms and subject to the conditions set forth in the Agreement and the Amended Credit Agreement, to continue its 2019 New Term Loans as 2024 New Term Loans on the Effective Date in the amount of its 2024 New Term Loan Commitment (it being understood that such continuation shall be effected pursuant to a cashless roll).

Name of Institution: ______________________________

Executing as a **Continuing Term Lender**[1]:

By: ______________________________
Name:
Title:

For any institution requiring a second signature line:

By: ______________________________
Name:
Title:

[1] In no event shall any Lender be able to continue/roll more than their allocation, which allocation shall be at the discretion of the Administrative Agent

REPLACEMENT TERM LENDER ADDENDUM TO THE
2024 REPLACEMENT TERM LOAN AMENDMENT IN RESPECT OF THE
CREDIT AGREEMENT DATED AS OF FEBRUARY 9, 2012,
AS LAST AMENDED AND RESTATED AS OF JUNE 29, 2022,
AS LAST AMENDED AS OF JANUARY 31, 2023

This Lender Addendum (this "Replacement Term Lender Addendum") is referred to in, and is a signature page to, the 2024 Replacement Term Loan Amendment (the "Agreement") to that certain Credit Agreement dated as of February 9, 2012, as amended and restated as of May 30, 2012, as further amended and restated as of May 31, 2013, as further amended by the First Amendment dated as of May 18, 2015, as further amended by the Replacement Term Loan Amendment dated as of November 2, 2016, as further amended by the 2017 Replacement Term Loan Amendment dated as of May 11, 2017, as further amended by the 2017-2 Replacement Term Loan Amendment dated as of December 8, 2017, as further amended by the 2018 Replacement Term Loan Amendment dated as of June 8, 2018, as amended by the 2019 Replacement Term Loan Amendment dated as of December 13, 2019, as amended by the Second Amendment dated as of May 27, 2021, as amended and restated by the Third Amendment dated as of June 29, 2022 and as amended by the First Amendment dated as of January 31, 2023 (the "Credit Agreement"), among Generac Acquisition Corp., a Delaware corporation ("Holdings"), Generac Power Systems, Inc., a Wisconsin corporation (the "Borrower"), the several lenders from time to time party thereto (the "Lenders"), JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"), and the other agents and parties party thereto. Capitalized terms used but not defined in this Replacement Term Lender Addendum have the meanings assigned to such terms in the Agreement or the Credit Agreement, as applicable.

By executing this Replacement Term Lender Addendum as a Replacement Term Lender, the undersigned institution agrees (A) to the terms of the Agreement and the Credit Agreement as amended thereby (the "Amended Credit Agreement") and (B) on the terms and subject to the conditions set forth in the Agreement and the Amended Credit Agreement, to provide 2024 New Term Loans on the Effective Date in the amount of such Replacement Term Lender's 2024 New Term Loan Commitment.

Name of Institution: ______________________________

Executing as a **Replacement Term Lender**:

By: ______________________________
Name:
Title:

For any institution requiring a second signature line:

By: ______________________________
Name:
Title:

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Aaron Jagdfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Generac Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ Aaron Jagdfeld

Name:	Aaron Jagdfeld
Title:	*Chief Executive Officer*

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, York A. Ragen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Generac Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ York A. Ragen

Name:	York A. Ragen
Title:	*Chief Financial Officer*

Exhibit 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Generac Holdings Inc. (the "Company"), does hereby certify that to my knowledge:

1. the Company's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Company's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2024 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2024

/s/ Aaron Jagdfeld

Name:	Aaron Jagdfeld
Title:	*Chief Executive Officer*

Exhibit 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Generac Holdings Inc. (the "Company"), does hereby certify that to my knowledge:

1. the Company's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Company's quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2024 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2024	/s/ York A. Ragen	
	Name:	York A. Ragen
	Title:	*Chief Financial Officer*