

# Investor Presentation

September 2016



**GENERAC**<sup>®</sup>

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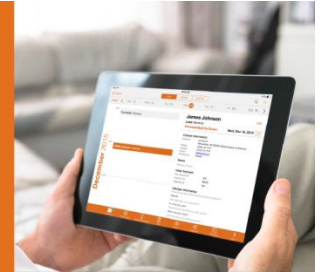
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**GENERAC**<sup>®</sup>

# Forward Looking Statements

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Forward-looking statements give Generac's current expectations and projections relating to the Company's 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.

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Should one or more of these risks or uncertainties materialize, Generac's 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 Generac's filings with the Securities and Exchange Commission ("SEC"), particularly in the Risk Factors section of our 2015 Annual Report on Form 10K and in its periodic reports on Form 10Q. Stockholders, potential investors and other readers should consider these factors carefully in evaluating the forward-looking statements. Any forward-looking statement made by Generac in this presentation speaks only as of the date on which it is made. Generac undertakes 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.

# About Generac

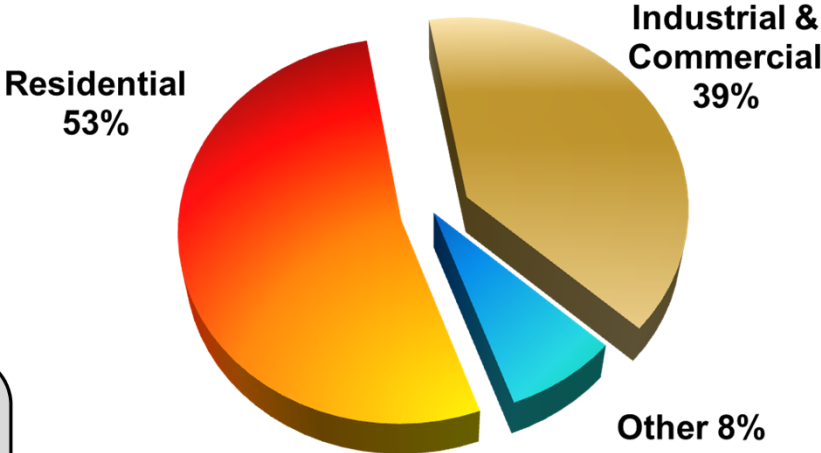


Leading designer and manufacturer of a wide range of **power generation equipment** and **other engine powered products**

**Variety of end markets** include residential, light commercial, industrial, oil & gas, and construction

**Global distribution network** of independent dealers, distributors, retailers, wholesalers and equipment rental companies, and also sold direct to certain end users

**2016 LTM Sales: \$1.371 billion**

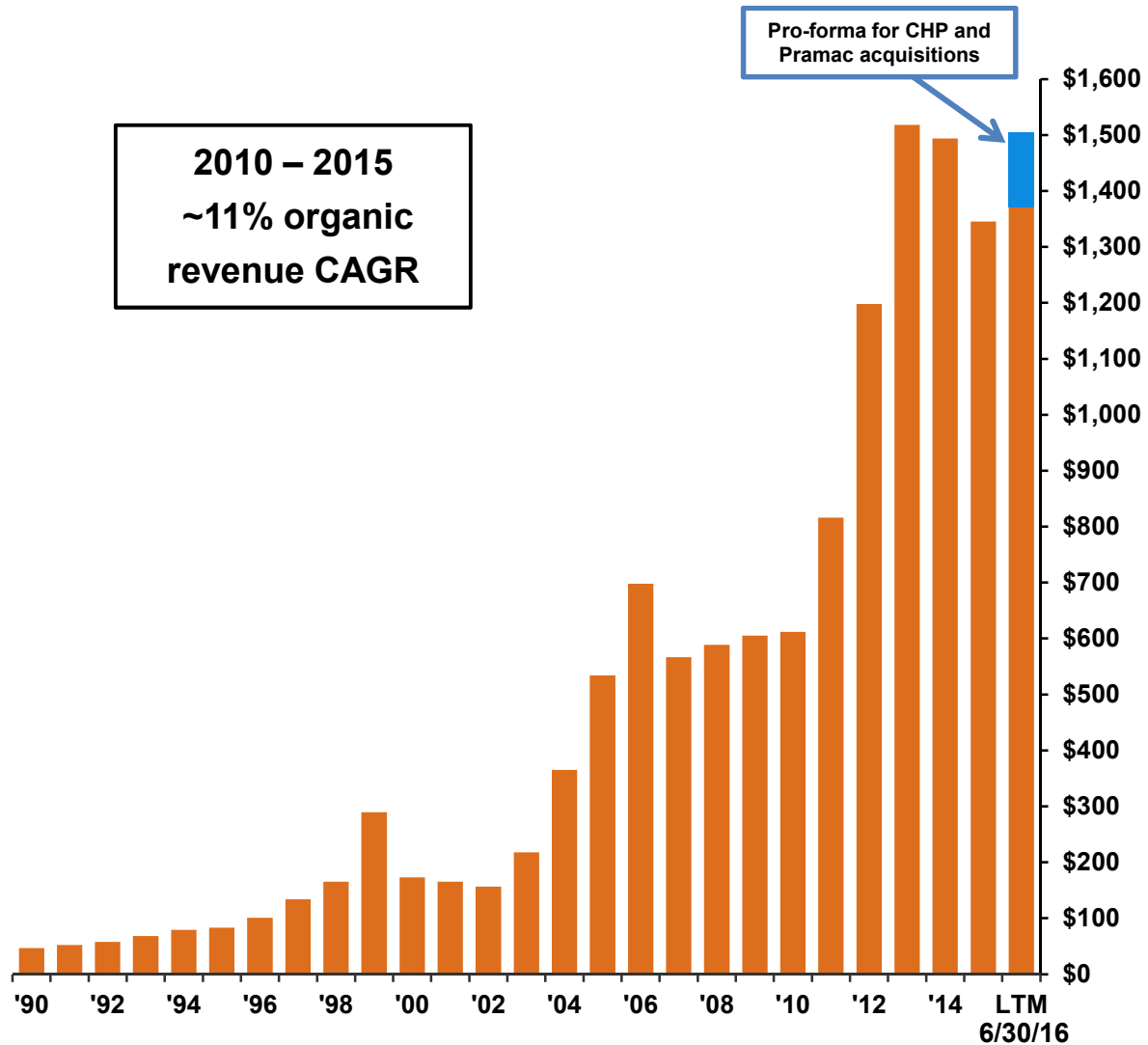


Global manufacturing, distribution, fulfillment and commercial footprint with 25 facilities located in the **U.S., Latin America, Europe and Asia.**

**Nine acquisitions completed since 2011**, including recent strategic acquisitions of Country Home Products and Pramac

Approx. **3,800 employees** (as of 3/1/2015)

# Track Record of Innovation & Growth



## History of Innovation Driving Organic Growth

- Commercialized affordable home standby generators and light-commercial generators
- Differentiated distribution model
- Over 250 engineers on staff as of 12/31/15
- Natural gas and Bi-Fuel™ expertise
- Modular Power System (MPS) approach for industrial applications
- A.M.P.™ targeted marketing process and PowerPlay™ in-home selling solution for home standby generators
- Continued focus on new product introductions

Note: \$ amounts in millions. Represents gross sales excluding freight revenue. Excludes "Portable Product" sales prior to the division's divestiture in 1998. Figures include results from acquisitions completed during 2011 – 2016; see slide titled "Summary of Acquisitions" for further details.

# Consumer Power Products



**Air-cooled Home Standby Generators**

Emergency backup – small to medium homes



**Liquid-cooled Home Standby Generators**

Emergency backup – larger homes & small businesses



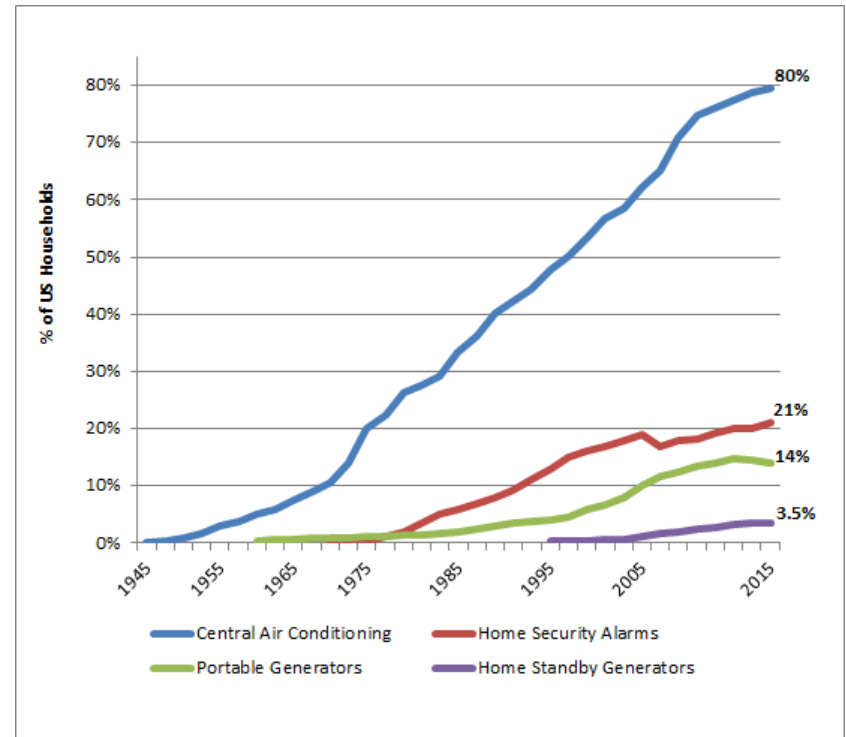
**Portable & Inverter Generators**

Emergency home backup, construction, recreation & other light duty uses

## Long-Term Growth Themes

- **Key drivers:** aging and underinvested grid, favorable demographics, heightened power outages
- **Low penetration of emerging HSB category:** ~3.5% of addressable households within the U.S.
- **Market leader:** leading share of domestic HSB market with significant barriers to entry; high-20% share of portable generator market
- **Key strategic initiatives:** further improve lead generation, close rates and reduce total system cost
- **Strong historical organic growth:** ~10% CAGR for home standby generators from 2010-2015

## North American Penetration Opportunity<sup>(1)</sup>



(1) Source: Company estimates; based on addressable market for HSB generators consisting of all single-family detached, owner-occupied homes valued > \$100K; portables and central A/C use all single-family homes regardless of value; penetration rate for home security alarms was estimated from a variety of industry sources

## Aging Population Fits Demographic<sup>(2)</sup>

- ~75% of buyers age 50 and older
- 45-50% of homes valued under \$300k
- ~80% retro-fit application

**Every 1% of increased penetration equals ~ \$2 billion of market opportunity**

# C&I Stationary Products



## 20kW to 3.5MW<sup>(1)</sup>



**Larger kW & Container Gensets**

Prime and emergency backup – both regulated and non-regulated markets



**Industrial Stationary Generators**

Emergency backup – large healthcare, telecom, municipal, manufacturing



**Commercial Stationary Generators**

Emergency backup – small to mid-sized retail, telecom, municipal

(1) Up to 3.5MW for single-engine generators; Modular Power Systems (MPS) extend up to 100MW

### Long-Term Growth Themes

- **Natural gas generators:** gaining share vs. diesel
- **Market share gains:** larger-kW product offering, distribution optimization, sales process excellence
- **International expansion:** recent Pramac acquisition accelerates expansion into other regions of the world
- **“Optional standby” market:** low penetration within the light commercial/retail market
- **Telecom:** growing importance of backup power for critical telecommunications infrastructure

- Acquired in March 2016
- Based in Siena, Italy
- Leading global manufacturer of C&I stationary and mobile generators, and portable generators
- Products sold into over 150 countries worldwide through a broad distribution network
- Significantly expands geographic footprint and doubles international sales mix outside U.S. & Canada



**Elevates Generac to a major player in the global power generation market**



## ~\$3B Domestic, >\$16B Global Market<sup>(2)</sup>

**Non-Residential Construction**



**Telecom**



**Commercial Healthcare**



**Retro-Fit Application**



**Data Centers**



**Government**



**Industrial**



(2) Frost & Sullivan, SBI, EGSA, Generac estimates

# C&I Mobile Products



## Light Towers

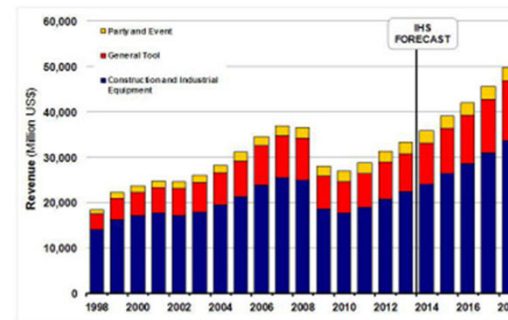
## Mobile Generators

## Heaters & Pumps

- Temporary lighting, power, heating and de-watering
- Construction, energy, special events, road development, airlines and other general rental markets
- Rental equipment companies a key channel

## Mobile Equipment - Rental vs. Buy

Total U.S. Equipment Rental Revenue



Source: ARA Rental Market Monitor, IHS Economics - December 2014 forecast

- Overall industry projected to grow at ~ 6% CAGR from 2015-19
- Construction and industrial projected to grow at a similar level

### Long-Term Growth Themes

- **Secular shift toward renting:** mobile products platform benefitting from shift toward renting in lieu of buying
- **Diversification into new products:** entry into adjacent “engine-powered” rental equipment categories, both organically and through acquisitions
- **Long-term domestic energy production:** multi-decade upcycle for mobile support equipment that is essential to oil & gas drilling and production sites
- **Flaring restrictions:** regulatory environment increasing demand for gaseous fueled generators that run on well gas

### RENTAL MARKET: ~\$12B ANNUAL SPEND



#### SPECIALTY RENTS – MINING, OIL & GAS



#### EVENT



#### GENERAL RENTAL

- POWER, LIGHTING & HVAC
- PRESSURE WASHERS & PUMPS
- PLUMBING & PIPES
- AIR COMPRESSOR EQUIPMENT
- COMPACTION
- CONCRETE & MASONRY
- EARTHMOVING EQUIPMENT
- FORKLIFT & MATERIAL HANDLING
- POWER TOOLS & SURVEY
- SURFACE PREPARATION
- TRENCH SAFETY
- VEHICLES & TRAFFIC CONTROL
- WELDERS

Source: Generac estimates; Public Reports, Third-Party Industry Reports



# Power Equipment



## Chore-Related Outdoor Power Equipment

- Pressure washers
- Water pumps
- Field & brush mowers
- Trimmer mowers
- Chippers & shredders
- Log splitters
- Lawn & leaf vacuums
- Stump grinders

Wide variety of property maintenance applications:

- Larger-acreage residential
- Light commercial
- Municipal
- Farm

## Long-Term Growth Themes

- **Diversification with “chore” products:** expanding line of other engine-powered products that is not dependent on power outage activity
- **Recent CHP acquisition:** significantly expands power equipment platform and provides additional scale to better optimize production and supply chain
- **Revenue synergies:** attractive cross-selling opportunities for CHP products with nat'l retailers, plus expanded D2C capabilities for legacy residential products
- **D2C marketing best practices:** leverage CHP's consumer marketing expertise to further broaden the appeal of home standby generators

## Country Home PRODUCTS



- Acquired in August 2015
- Based in Vergennes, VT
- Expands chore-related products line-up by adding a broad line of specialty outdoor power equipment
- Provides additional scale to the residential power equipment platform
- Products are largely sold in North America through catalogs, outdoor power equipment dealers, and select regional retailers

**Estimated Potential Annual Market**  
~\$3B<sup>(1)</sup>



(1) Source: Generac estimates; based on sales price to Generac customers

# Summary of Acquisitions



## Acquisitions used to accelerate Powering Ahead strategy

### Revenue synergies

- ✓ New products, customers, end markets
- ✓ Numerous cross-selling opportunities
- ✓ Geographic and international expansion

### Cost synergies

- ✓ Strategic global sourcing initiatives
- ✓ Innovation and cost-reduction engineering
- ✓ Adopt Generac's lean cost culture
- ✓ Operational excellence focus



Oct 2011



Oct 2014



**MOBILE PRODUCTS**  
Mobile products including light towers, generators, pumps and heaters  
**Berlin, WI**  
**Bismarck, ND**

**ottomotores**  
A Generac Company

Dec 2012



**OTTOMOTORES**  
Larger kW and container gensets for Latin America market  
**Mexico City, Mexico & Curitiba, Brazil**



Aug 2013



**TOWER LIGHT**  
Mobile light towers for EMEA and other international markets  
**Milan, Italy**

**BALDOR**  
A MEMBER OF THE ABB GROUP

Nov 2013



**BALDOR GENERATORS**  
Expands domestic offering of standby and prime-duty gensets up to 2.5 MW  
**Oshkosh, WI**



Sep 2014



**PRAMAC AMERICA**  
Expands portable generator offerings for consumer value and premium contractor categories  
**Marietta, GA**

**Country Home PRODUCTS**

Aug 2015



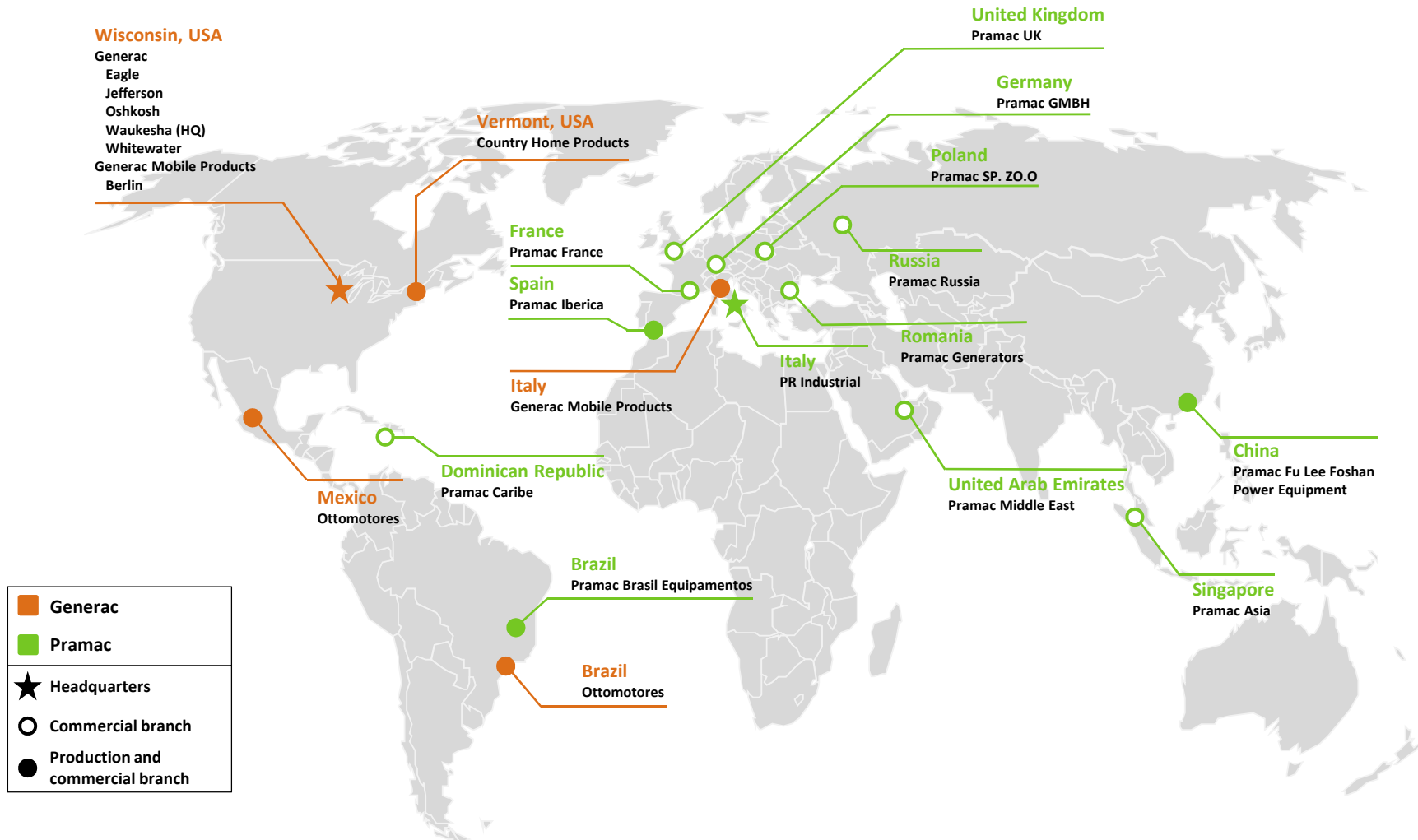
**CHP**  
Expands chore-related products line-up and provides additional scale to the residential engine-powered tools platform  
**Vergennes, VT**



Mar 2016



**PRAMAC**  
Stationary, mobile and portable generators sold into over 150 countries worldwide  
**Siena, Italy**



**Vertically Integrated Manufacturing Capacity Serving a Globally Diverse Commercial Footprint**

# GLOBAL DISTRIBUTION CHANNELS



## RESIDENTIAL AND C&I DEALER NETWORK

- International network of over 6,000 dealers
- Legacy Generac domestic network
  - ~5,300 residential & light commercial dealers
  - ~135 industrial distributor and GAIN dealer locations
- Installation and after sale service support
- Work with professional engineering firms to develop customized solutions
- Over 4,000 technicians trained every year
- Support for global large account sales
- Multiple programs to support all product segments and investment levels



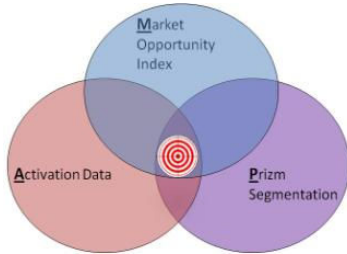
Significant Omni-Channel Distribution Creates Barriers to Entry

# Innovative Sales and Marketing Tools



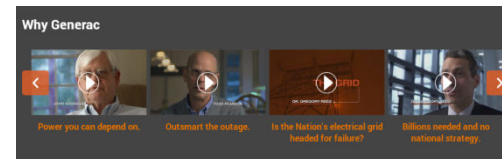
## Finding the most “likely” prospect

- A.M.P.™ targeted marketing process
- Advanced data analytics



## Driving optimized media selection

- “Power You Control” and “Just A Drop” national TV ad campaigns
- Direct mail, telemarketing, etc.



## Improving close rates

- PowerPlay™ in-home selling solution
- IHC University sales training
- Reducing total cost of ownership



Consultative Back-Up Power Plan



NEC Approved Technical Generator Sizing



Customized Good-Better-Best Proposal



Customized Financing Proposal

## Scheduling in-home consultations (IHC)

- Generac Lead Team qualifies sales prospects



- ✓ TYPE OF HOME
- ✓ COVERAGE OPTIONS
- ✓ BUDGET
- ✓ OUTAGE HISTORY
- ✓ PAIN POINTS
- ✓ SCHEDULING

LEAD GENERATION



GENERAC  
LEAD TEAM  
QUALIFICATION



IN HOME  
CONSULTATION



CLOSED SALE

GLT FOLLOW-UP



INSTALLATION



## Grow Residential Standby Generator Market

- Increase awareness, availability and affordability
- Generate more sales leads
- Improve close rates
- Reduce total overall cost of home standby system
- Grow residential dealer base
- Continued focus on product expansion and innovation



## Gain Industrial Market Share

- Leverage expanded diesel and natural gas product offering
- Better optimize distribution partners to market, sell and support expanded product range
- Expand relationships with specifying engineers to increase spec rates
- Sales process excellence to improve quoting and close rates



## Diversify End Markets with new products and services

- Leverage brands, distribution and supply chain
- Organic expansion through innovation
- Evaluate other adjacent engine powered products through acquisitions



## Enter New Geographies

- Leverage Ottomotores, Tower Light and Pramac acquisitions and execute on synergies
- Drive growth in int'l markets with additional investment and focus
- Evaluate additional regions for future expansion through organic growth and acquisitions

# 2016 Business Outlook

As reported on August 2, 2016

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## **Consolidated net sales: increase between 6 to 8%; core organic sales decline between 10 to 13%**

- Assumes power outage severity for 2H 2016 is consistent with the levels experienced during 1H 2016, which remain at very low levels
  - **Residential products:** increase in the mid-to-high single digits (due to CHP acquisition), with an organic decline in the low-to-mid single digit range (ongoing HSB market declines in the Northeast)
  - **C&I products:** increase in the low-to-mid single digit range (due to Pramac acquisition), with organic net sales down in the low-20% range (continued weakness in oil & gas markets, low capital spending from telecom customers, soft non-resi bid-spec market, Brexit-related uncertainty)
- Potential residential sales upside IF baseline power outage environment improves or if there is a major outage event during 2016

## **Adjusted EBITDA margins: approximately 19.5%**

### **Cash income taxes:**

- **Cash tax rate for full-year 2016:** anticipated to be **approximately 5%** of pretax income
- **Cash taxes going forward:** ~ **36% tax rate** on pre-tax profits **less ~ \$50 million** annual tax shield

**Free cash flow:** anticipated to be strong with over \$100 million in the second half

# Generac (GNRC)

## Investment Highlights



<b>Best in class organic revenue growth</b>	<ul style="list-style-type: none"> <li>■ ~ <b>11% CAGR</b> in organic revenue over the last 5 years (2010-2015)</li> <li>■ Low penetration in key markets, especially home standby market at only ~3.5% penetrated with <b>every 1% increase representing ~ \$2 billion market opportunity</b></li> <li>■ <b>Key macro drivers:</b> aging and underinvested grid; favorable demographics; increasing number of power disruptions; increasing reliance on uninterrupted power and data; natural gas gensets gaining share vs. diesel</li> </ul>
<b>Market leader with significant barriers to entry</b>	<ul style="list-style-type: none"> <li>■ ~ <b>75% share</b> of domestic home standby market</li> <li>■ Expanding global distribution network – with unmatched domestic multi-channel distribution led by ~ <b>5,300 residential &amp; light commercial dealers</b></li> <li>■ Exclusive <b>focus</b> on power generation and engine powered products</li> <li>■ Considerable <b>sourcing and manufacturing scale</b></li> </ul>
<b>Superior financial profile</b>	<ul style="list-style-type: none"> <li>■ GMs over past five years in the <b>mid-to-high-30% range</b>, EBITDA margins in <b>low-to-mid-20% range</b></li> <li>■ Favorable tax structure worth an <b>estimated \$3.00 to \$3.75 per share</b> in present value tax savings</li> <li>■ Strong track record of free cash flow conversion and de-levering balance sheet</li> </ul>
<b>Strong product, market and geographic expansion opportunities</b>	<ul style="list-style-type: none"> <li>■ Proven track record in completing <b>strategic acquisitions and introducing new products</b></li> <li>■ <b>Significant international market opportunity</b> – 10% of 2015 revenue outside of U.S. and Canada, over 20% on a pro-forma basis with Pramac acquisition</li> <li>■ Expanding and globally diverse manufacturing and commercial footprint</li> </ul>

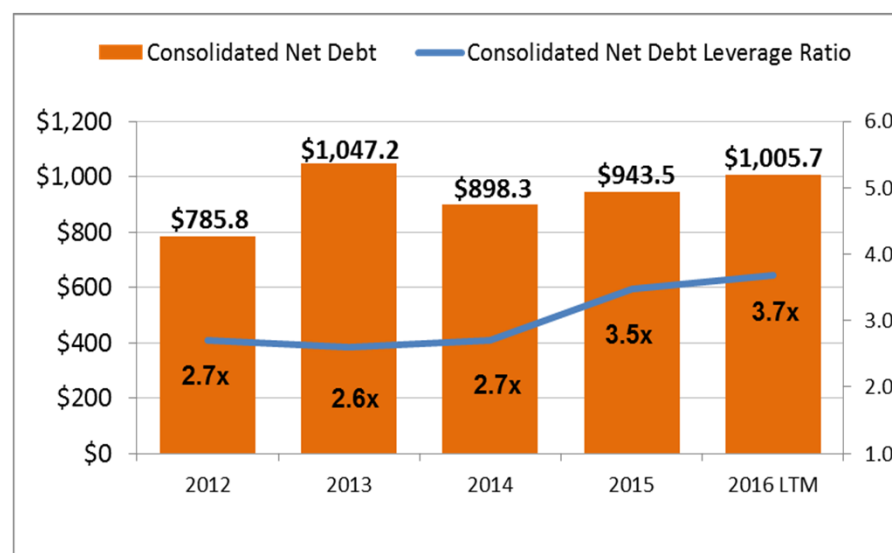
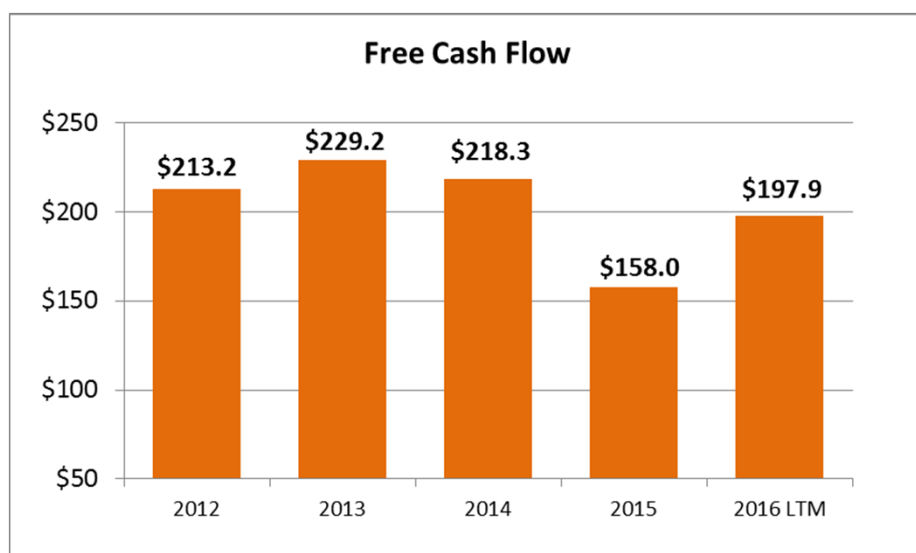
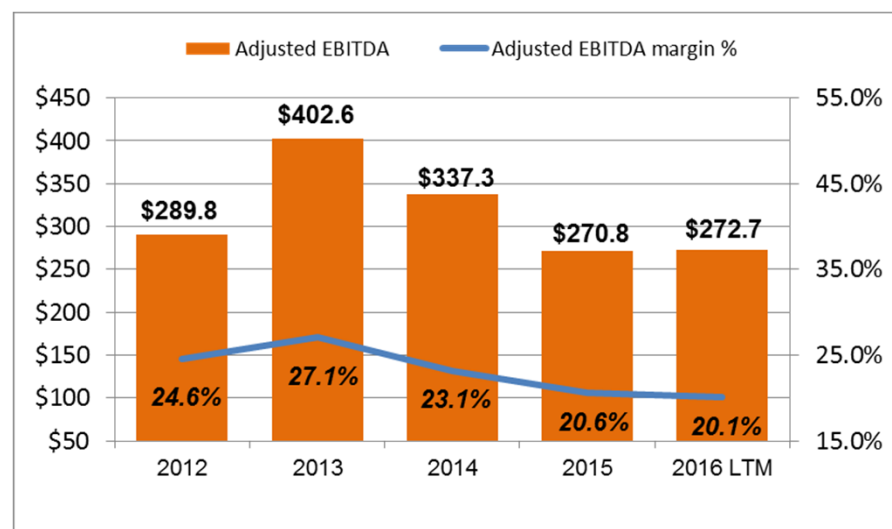
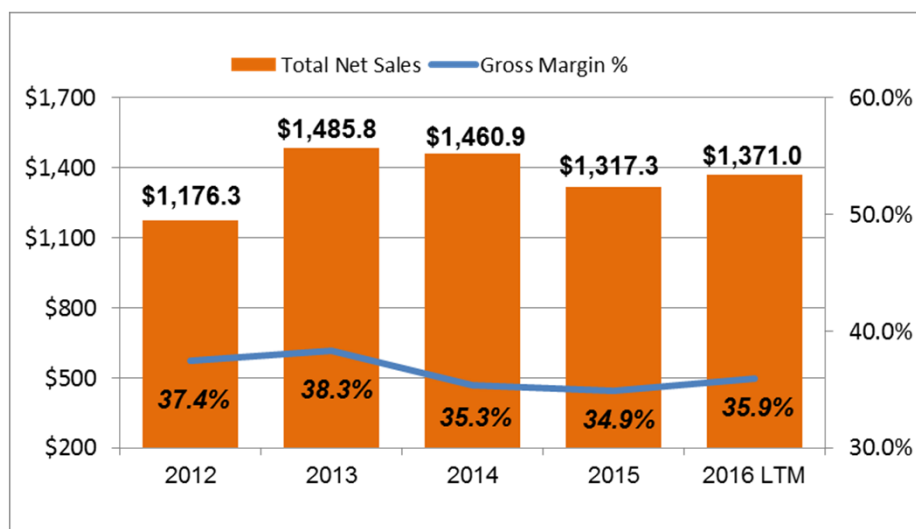
**Leading “Industrial Technology” Company**



# APPENDIX



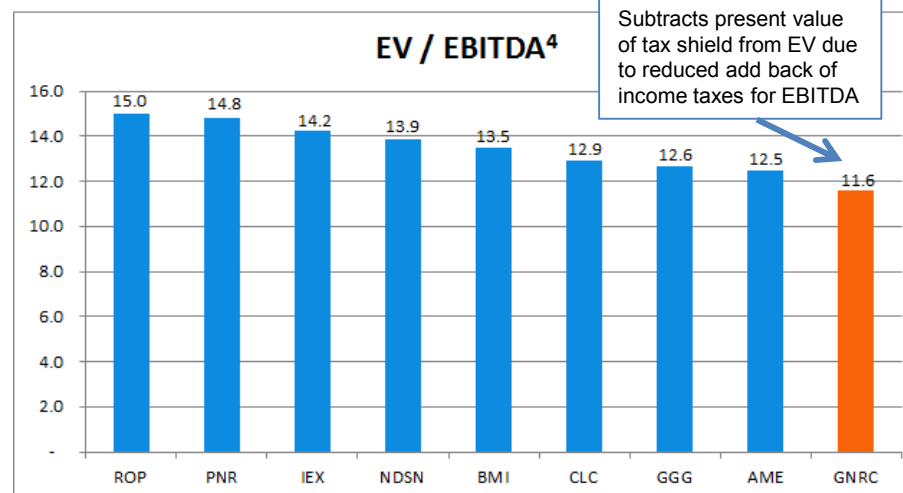
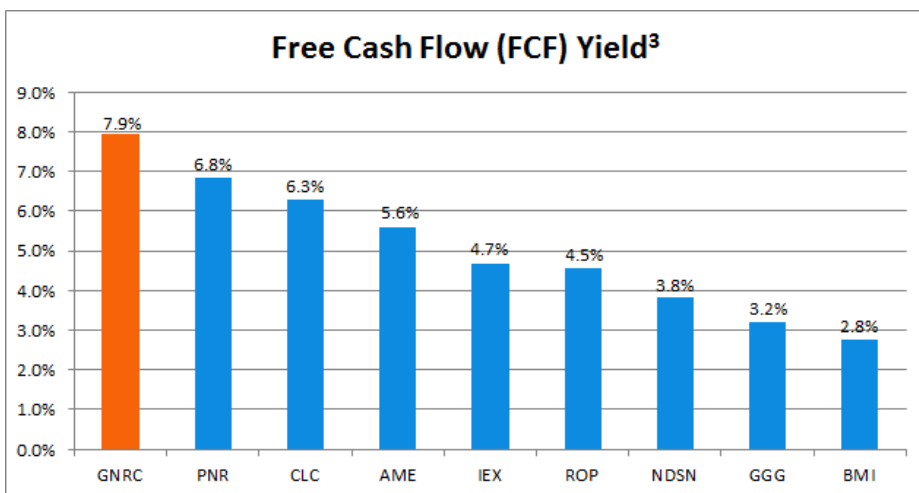
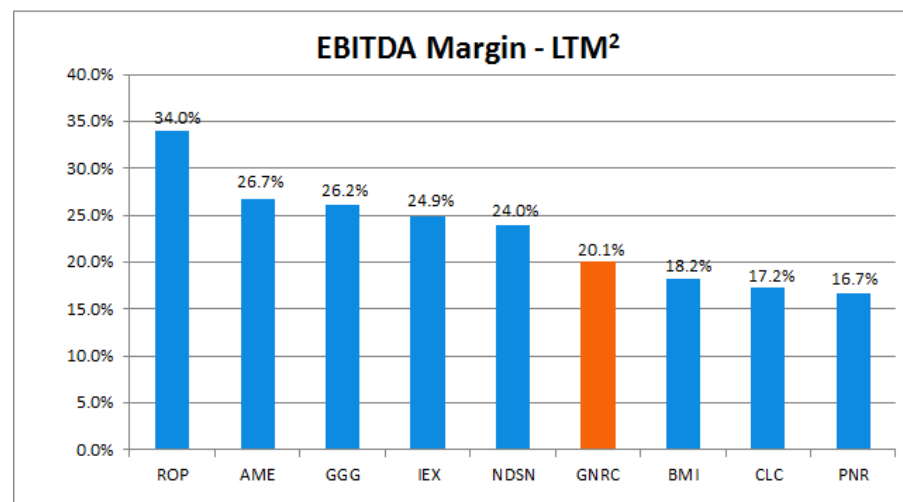
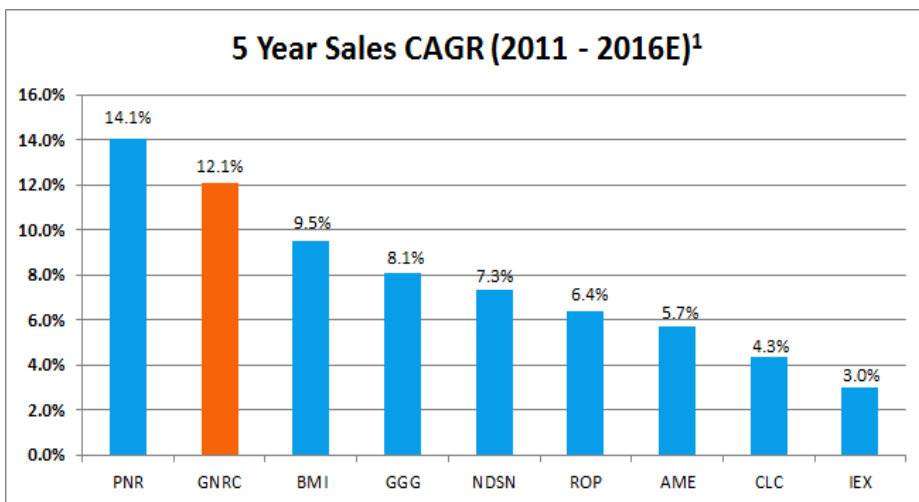
# Financial Summary



Note: Gross margin for 2016 LTM excludes a \$2.7 million non-recurring charge relating to business optimization and restructuring costs to address the significant and extended downturn in capital spending within the oil & gas industry and a \$3.4 million non-recurring expense related to a pre-tax purchase accounting inventory step-up adjustment related to Pramac. Adjusted EBITDA margin for 2016 LTM calculated using adjusted EBITDA before deducting for non-controlling interest.

# Relative Performance

## Compared with Industrial Technology Peers



Source: Thomson One, Company Filings Note: Charts for Free Cash Flow Yield and Enterprise Value / NTM EBITDA use closing share prices as of September 6, 2016.

(1) Figures represent a five-year compound annual growth rate calculated by comparing the base year 2011 to the analyst consensus revenue forecast for 2016 for each company.

(2) Adjusted EBITDA figures were used for GNRC. For all other companies, EBITDA is calculated as Operating Income plus D&A .

(3) Determined by taking the ratio of FCF (Operating Cash Flow less Capex) on an LTM basis compared to Market Capitalization.

(4) Based on recent enterprise value to consensus NTM EBITDA estimates. Figure for GNRC determined by subtracting the value of the tax shield in determining enterprise value.

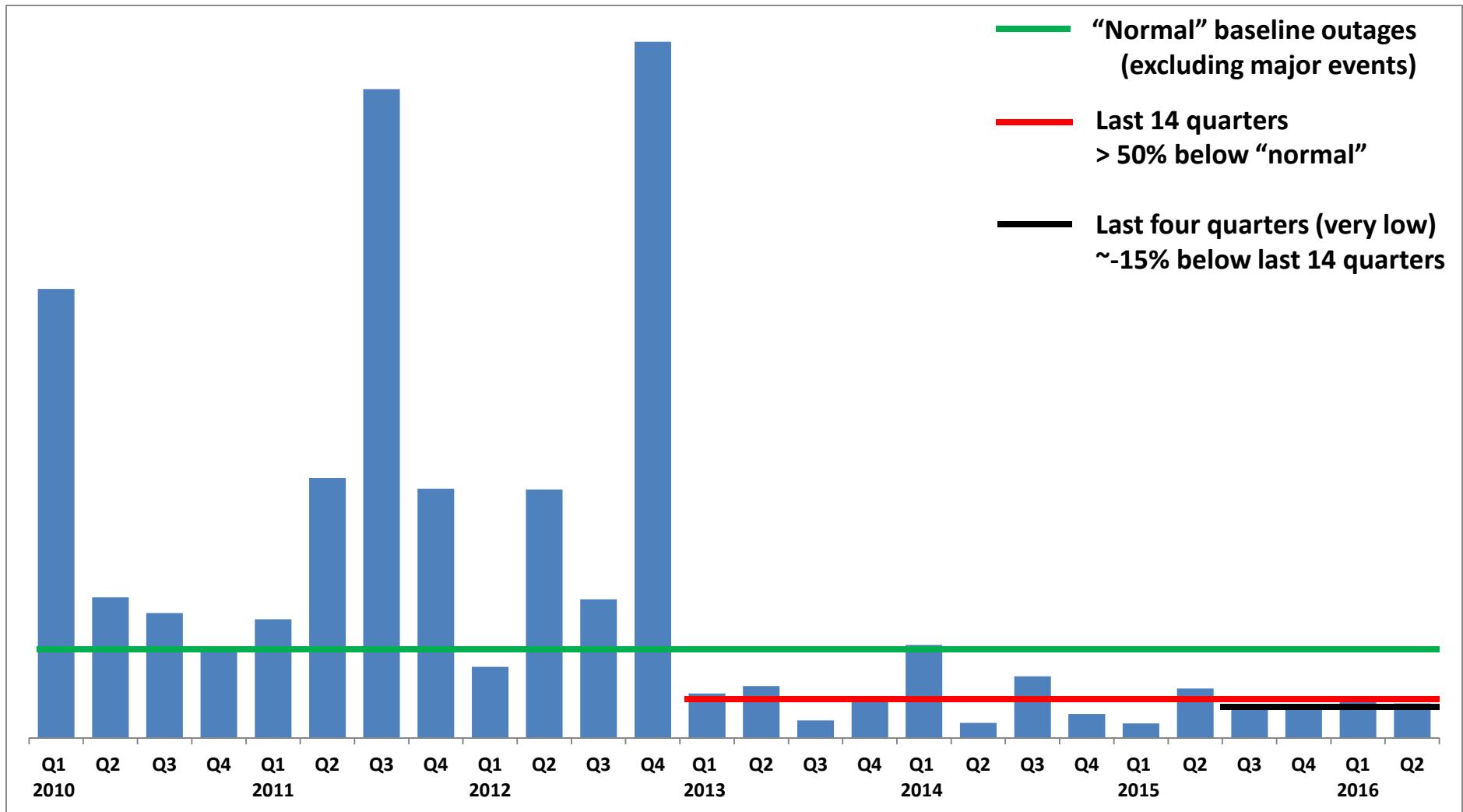
# Financial Policy

## Priority Uses of Capital



		Historical	Expected
1	<b>Continue to invest in business</b>	~ 11% CAGR organic revenue over past 5 years (2010-2015)	<ul style="list-style-type: none"> <li>Support market-driven R&amp;D</li> <li>Invest in high-ROI capital spending projects and capacity expansion</li> <li>Capex consistently only ~ 2% of sales</li> </ul>
2	<b>Publicly-stated credit agreement leverage target of 2-3X EBITDA (while meeting Excess Cash Flow payment requirements per Credit Agreement)</b>	<ul style="list-style-type: none"> <li>Credit agreement leverage ratio*: 3.7X at end of Q2 2016, 3.6X pro-forma basis</li> </ul> <p>* Net debt calculation places a cap on cash</p>	<ul style="list-style-type: none"> <li>Comfortable with current leverage metrics at current cost of TLB debt of 3.5%</li> <li>Higher priority on debt paydown <b>IF</b> interest rates rise (current LIBOR floor of 0.75%) and/or net leverage ratio exceeds 3.0X</li> <li>Maintain strong liquidity profile</li> </ul>
3	<b>Explore acquisitions for external growth</b>	<ul style="list-style-type: none"> <li>Nine acquisitions completed since 2011</li> </ul>	<ul style="list-style-type: none"> <li>Seek high-synergy acquisitions in line with Powering Ahead strategy</li> </ul>
4	<b>Return of capital to shareholders</b>	<ul style="list-style-type: none"> <li>Special dividends issued in Q2 2012 and Q2 2013</li> <li>\$135 million of share repurchases completed under \$200 million program authorized in August 2015</li> </ul>	<ul style="list-style-type: none"> <li>As future cash flow permits, may consider further return of capital to shareholders</li> </ul>

# Total Outage Hours (Severity)



# Favorable Tax Attributes



## Tax attributes and 338(h)10 election overview

- \$1.9 billion combined asset basis step-up created through 2006 acquisition of Generac and other acquisitions
  - Each amortizes over 15 years
  - Reduces cash tax obligation by approx. \$50 million per year through 2021

(\$ mm)	Total	2016	2017	2018	2019	2020	2021	2022+
<b>Annual tax amortization</b>	\$783	\$130	\$130	\$130	\$130	\$130	\$107	\$26
<b>Cash tax savings<sup>(1)</sup></b>	<b>\$301</b>	<b>\$50</b>	<b>\$50</b>	<b>\$50</b>	<b>\$50</b>	<b>\$50</b>	<b>\$41</b>	<b>\$10</b>

**Results in present value tax savings of ~ \$200-\$250 million<sup>(2)</sup> or \$3.00-\$3.75 per share**

(1) Assuming continued profitability and no limitations at an assumed 38.5% federal and state tax rate.

(2) Based on annual discount rate of between 5 and 10%

# Comparison - Tesla Powerwall



## Standalone Backup Power Comparison – Battery vs. HSB generator

	Tesla Powerwall battery	Generac Guardian HSB generator
Size	10 kWh	22 kW
Backup power duration	2 to 8 hrs. based on load	<b>Unlimited</b>
Power capacity - continuous	2.0 kW	22.0/19.5 kW LP/NG
Power capacity - peak	3.3 kW	22.0/19.5 kW LP/NG
House backup potential	Very limited appliances <sup>(1)</sup>	<b>Whole house</b>
Cost of unit	\$3,500 (to installer)	\$4,799 MSRP
Cost to install (approx.)	\$5,750	\$3,200
Total system cost (approx.)	\$9,600 (incl. unit markup)	\$8,000
<b>Total system cost - 48 hrs. backup protection (approx.)</b>	<b>\$30,000 (requires 6 units - see below)</b>	<b>\$8,000</b>



16/20/22 kW



Generator Model	006459-0, 006461-0, 006462-0, 006721-0 (16 kW)	006729-0, 006730-0, (20 kW)	006551-0, 006552-0 (22 kW)
Rated Maximum Continuous Power Capacity (LP)	16,000 Watts*	20,000 Watts*	22,000 Watts*
Rated Maximum Continuous Power Capacity (NG)	16,000 Watts*	18,000 Watts*	19,500 Watts*
Rated Voltage	240	240	240
Rated Maximum Continuous Load Current – 240 Volts (LP/NG)	66.6/66.6	83.3/75	91.6/81.3
Total Harmonic Distortion	Less than 5%	Less than 5%	Less than 5%
Main Line Circuit Breaker	65 Amp	90 Amp	100 Amp
Phase	1	1	1
Number of Rotor Poles	2	2	2
Rated AC Frequency	60 Hz	60 Hz	60 Hz
Power Factor	1.0	1.0	1.0
Battery Requirement (not included)	Group 26R, 12 Volts and 325 CCA Minimum		
Unit Weight (lb/kg)	513/232.7 (Steel) 448/203.2 (Aluminum)	516/234.1	526/238.6
Dimensions (L x W x H) in/mm	66	48 x 25 x 29/1218 x 638 x 732	67
Sound output in dB(A) at 23 ft (7 m) with generator operating at normal load**	66	66	67
Sound output in dB(A) at 23 ft (7 m) with generator in Quiet-Test™ low-speed exercise mode**	60	60	58
Exercise duration	5 min	5 min	5 min

Inputs	Notes
Capacity of Powerwall battery (kWh)	10
Battery cost (to installer)	\$ 3,500
Markup on battery (approx.)	10% Battery cost to end user \$ 3,850
Inverter cost (approx.)	\$ 3,000 Converts DC/AC, also serves as a charger/monitor and the intelligence/controls to the system
Professional install cost/other equipment (approx.)	\$ 2,750 Labor, permits, software and electrical equipment to wire out the circuits to be backed up
Installation cost increase per each add'l unit	5% Insufficient information available, this is an approximate estimate
Avg kW use per hour	1.25 National average is ~ 1.25 kW per hour
Duration of backup power desired (hours)	48 Assumes no other alternative energy source (e.g. solar panels)
Outputs	
Number of battery units needed	6.0 Per Tesla, limit is 9 units maximum to be installed together
Retail cost of battery units	\$ 23,100
Cost of installation	\$ 7,188
<b>Total system cost - 48 hrs. backup protection</b>	<b>\$ 30,288</b>

### Specs



**Technology**  
Wall mounted, rechargeable lithium ion battery with liquid thermal control.

**Models**  
10 kWh \$3,500  
For backup applications  
7 kWh \$3,000  
For daily cycle applications

**Warranty**  
10 years

**Efficiency**  
92% round-trip DC efficiency

**Power**  
2.0 kW continuous, 3.3 kW peak

**Voltage**  
360 – 460 volts

**Current**  
5.8 amp nominal, 8.6 amp peak output

**Compatibility**  
Single phase and three phase utility grid compatible.

**Operating Temperature**  
-4°F to 110°F / -20°C to 43°C

**Enclosure**  
Rated for indoor and outdoor installation.

**Installation**  
Requires installation by a trained electrician. DC-AC inverter not included.

**Weight**  
220 lbs / 100 kg

**Dimensions**  
51.2" x 33.9" x 7.1"  
1300 mm x 860 mm x 180 mm

**Certification**  
NRTL listed to UL standards

**Tesla battery primarily serves different market than emergency backup power – More of a supplement to solar/peak-shaving applications**

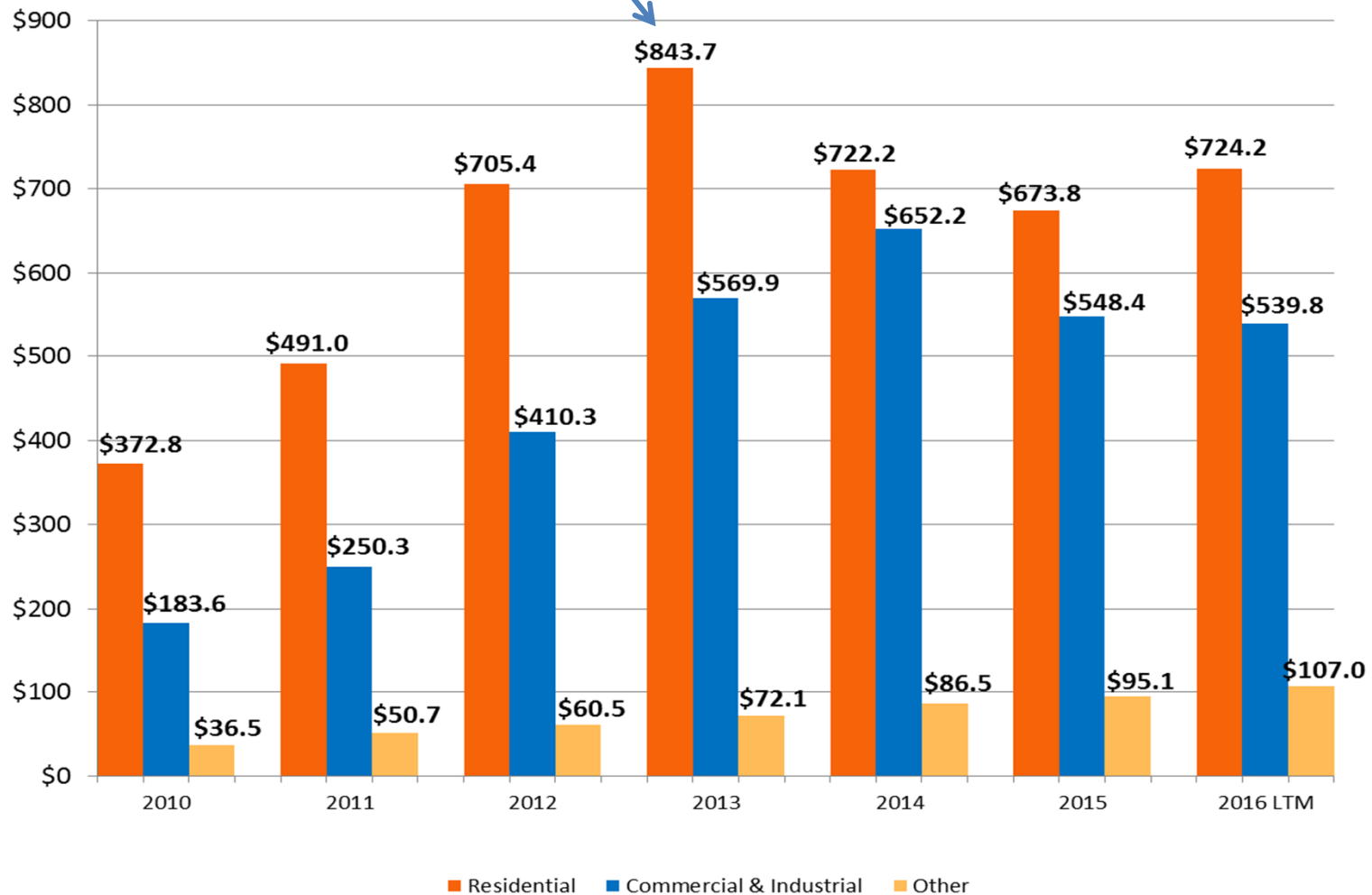
# Net Sales by Product Class



(\$ in millions)

Includes ~\$140mm of excess backlog related to Superstorm Sandy

~10% organic sales CAGR for Residential Products since 2010



Figures include results from acquisitions completed during 2011 – 2016; see slide titled “Summary of Acquisitions” for further details.



# Q2 2016 & LTM Financial Overview



(\$ in millions)	Actual	Y/Y %	Actual	Y/Y %
	Q2 2016	Change	LTM Q2 2016	Change
	(unaudited)			
Residential	\$ 181.7	36.2%	\$ 724.2	8.3%
Industrial	156.7	16.5%	539.8	(10.0%)
Other	28.9	42.3%	107.0	21.9%
<b>Net Sales</b>	<b>\$ 367.4</b>	<b>27.4%</b>	<b>\$ 1,371.0</b>	<b>1.1%</b>
Gross Profit (1)	\$ 130.3	29.5%	492.5	4.1%
% Margin	35.5%		35.9%	
<b>Adjusted EBITDA - GHI</b>	<b>\$ 62.3</b>	<b>18.8%</b>	<b>\$ 272.7</b>	<b>(4.3%)</b>
<b>% Margin (2)</b>	<b>17.4%</b>		<b>20.1%</b>	
Net Income - GHI (3) (4)	\$ 20.9	40.7%	\$ 74.3	(38.3%)
Adjusted Net Income - GHI	\$ 42.7	21.0%	\$ 202.3	3.4%
<b>Adjusted EPS - GHI</b>	<b>\$ 0.64</b>	<b>27.7%</b>	<b>\$ 2.99</b>	<b>7.1%</b>
Free Cash Flow	\$ 52.2	507.1%	\$ 197.9	13.9%
Consolidated Net Debt			\$ 1,005.7	
Consolidated Net Debt Leverage Ratio			3.7x	

(1) Excludes a \$2.7 million non-recurring charge relating to business optimization and restructuring costs to address the significant and extended downturn in capital spending within the oil & gas industry and \$3.4 million of non-recurring expense related to a pre-tax purchase accounting inventory step-up adjustment related to Pramac .

(2) Adjusted EBITDA margin calculated using adjusted EBITDA before deducting for non-controlling interest.

(3) Full year 2016 includes a \$7.1 million charge relating to business optimization and restructuring costs to address the significant and extended downturn for capital spending within the oil & gas industry, consisting of \$2.684 million classified within cost of goods sold and \$4.4 million classified within operating expenses and \$3.4 million of non-recurring expense related to a pre-tax purchase accounting inventory step-up adjustment related to Pramac classified in cost of goods sold.

(4) The Q2 2016 LTM period includes a \$40.7 million pre-tax charge for the impairment of certain intangible assets.

# Adjusted EBITDA Reconciliation



(\$ in millions)

	2012	2013	2014	2015	2016 LTM
<b>Net income</b>	\$ 93.2	\$ 174.5	\$ 174.6	\$ 77.7	\$ 74.4
Interest expense	49.1	54.4	47.2	42.8	43.2
Depreciation and amortization	54.2	36.8	34.7	40.3	47.6
Income taxes provision (benefit)	63.1	104.2	83.7	45.2	43.2
Non-cash write-down and other charges	0.2	0.1	(3.9)	44.6	52.5
Non-cash share-based compensation expense	10.8	12.4	12.6	8.2	8.5
Loss on extinguishment of debt	14.3	15.3	2.1	4.8	-
(Gain) loss on change in contractual interest rate	-	-	(16.0)	2.4	2.4
Transaction costs and credit facility fees	4.1	3.9	1.9	2.2	2.3
Other	0.7	1.0	0.3	2.4	0.8
<b>Adjusted EBITDA</b>	<b>289.8</b>	<b>402.6</b>	<b>337.3</b>	<b>270.8</b>	<b>275.0</b>
Adjusted EBITDA attributable to noncontrolling interests	-	-	-	-	(2.3)
<b>Adjusted EBITDA attributable to Generac Holdings, Inc.</b>	<b>\$ 289.8</b>	<b>\$ 402.6</b>	<b>\$ 337.3</b>	<b>\$ 270.8</b>	<b>\$ 272.7</b>

# Adjusted EBITDA Reconciliation



(\$ in thousands)

Net income to Adjusted EBITDA reconciliation	Three months ended June 30,		LTM Ended June 30,	
	2016	2015	2016	2015
	(unaudited)			
Net income attributable to Generac Holdings, Inc.	\$ 20,888	\$ 14,844	\$ 74,314	\$ 120,416
Net income attributable to noncontrolling interests	(55)	-	(59)	-
Net income	20,943	14,844	74,373	120,416
Interest expense	11,380	10,763	43,227	46,129
Depreciation and amortization	13,650	10,129	47,613	36,937
Income taxes provision	11,921	8,628	43,230	55,475
Non-cash write-down and other charges	2,909	404	11,804	3,875
Non-cash share-based compensation expense	2,901	2,582	8,537	11,499
Tradenname and goodwill impairment	-	-	40,687	-
Loss on extinguishment of debt	-	3,427	-	6,879
(Gain) loss on change in contractual interest rate	-	-	2,381	-
Transaction costs and credit facility fees	237	481	2,327	1,832
Other	(15)	1,164	812	1,771
Adjusted EBITDA	63,926	52,422	274,991	284,813
Adjusted EBITDA attributable to noncontrolling interests	(1,623)	-	(2,307)	-
<b>Adjusted EBITDA attributable to Generac Holdings, Inc.</b>	<b>\$ 62,303</b>	<b>\$ 52,422</b>	<b>\$ 272,684</b>	<b>\$ 284,813</b>

# Adjusted Net Income and Free Cash Flow Reconciliations



## Net income to Adjusted net income reconciliation

(\$ in thousands)

	Three months ended June 30,		LTM Ended June 30,	
	2016	2015	2016	2015
	(unaudited)			
Net income attributable to Generac Holdings, Inc.	\$ 20,888	\$ 14,844	\$ 74,314	\$ 120,416
Net income attributable to noncontrolling interests	(55)	-	(59)	-
Net income	20,943	14,844	74,373	120,416
Provision for income taxes	11,921	8,628	43,230	55,475
Income before provision for income taxes	32,864	23,472	117,603	175,891
Amortization of intangible assets	8,217	5,980	28,430	21,755
Amortization of deferred financing costs and OID	1,066	1,639	4,207	6,938
Tradenname and goodwill impairment	-	-	40,687	-
Loss on extinguishment of debt	-	3,427	-	6,879
(Gain) loss on change in contractual interest rate	-	-	2,381	-
Transaction costs and credit facility fees	3,443	240	6,897	1,579
Business optimization expenses	-	1,444	7,315	1,444
Adjusted net income before provision for income taxes	45,590	36,202	207,520	214,486
Cash income tax expense	(1,450)	(920)	(3,322)	(18,758)
Adjusted net income	\$ 44,140	\$ 35,282	\$ 204,198	\$ 195,728
Adjusted net income attributable to noncontrolling interests	(1,451)	-	(1,881)	-
<b>Adjusted net income attributable to Generac Holdings, Inc.</b>	<b>\$ 42,689</b>	<b>\$ 35,282</b>	<b>\$ 202,317</b>	<b>\$ 195,728</b>
<b>Free Cash Flow Reconciliation</b>				
Net cash provided by operating activities	\$ 59,084	\$ 16,322	\$ 228,275	\$ 209,280
Expenditures for property and equipment	(6,911)	(7,730)	(30,397)	(35,630)
<b>Free cash flow</b>	<b>\$ 52,173</b>	<b>\$ 8,592</b>	<b>\$ 197,878</b>	<b>\$ 173,650</b>