

**Investor  
Presentation** June 2011

**GENERAC®**



**powering ahead**



# Forward Looking Statements



Certain statements contained in this presentation, as well as other information provided from time to time by Generac Holdings Inc. or its employees, may contain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements.

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# Generac Business Overview



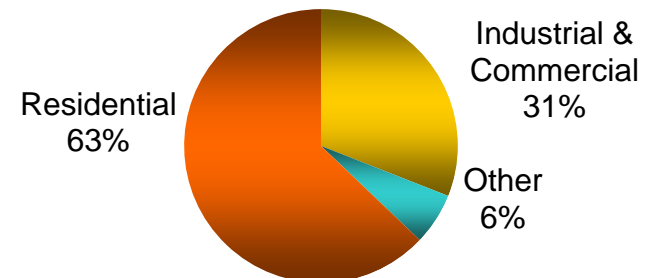
## Business Overview –

- Leading designer and manufacturer of standby and portable generators
- Powerful macro industry fundamentals
- Comprehensive line of innovative product solutions for diverse and attractive end markets
- Extensive multi-channel distribution and service network
- Value based culture driving superior margins

### Key Stats –

- Founded: 1959
- Distribution: over 17,000 outlets
- Geographic concentration: approx 99% North America
- Employees: 1,444 at 12/31/10, ~120 engineers on staff
- Over 1 million sq ft manufacturing & distribution space
- Headquartered in southeast Wisconsin

### 2010 Sales: \$593mm

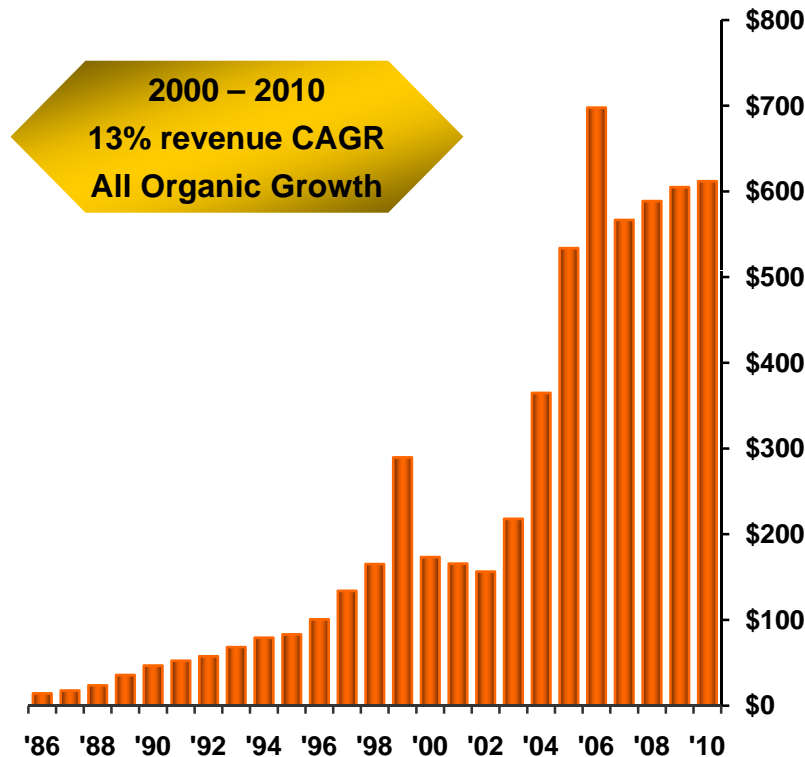


# Broad Product Offering With Leadership in Targeted Growth Markets



<b>End markets</b>						
	Residential	Light Commercial/Retail	Telecom	Healthcare	Municipal	Industrial/Manufacturing
<b>Power</b>	<p>0.8kW  9,000kW</p>					
<b>Product type</b>						
	Portable Products	Residential standby		Industrial and light commercial standby		
<b>Fuel</b>	Gasoline	Natural gas	Liquid Propane	Bi-Fuel™	Diesel	

# Track Record of Innovation and Organic Growth



## History of Generac Innovation

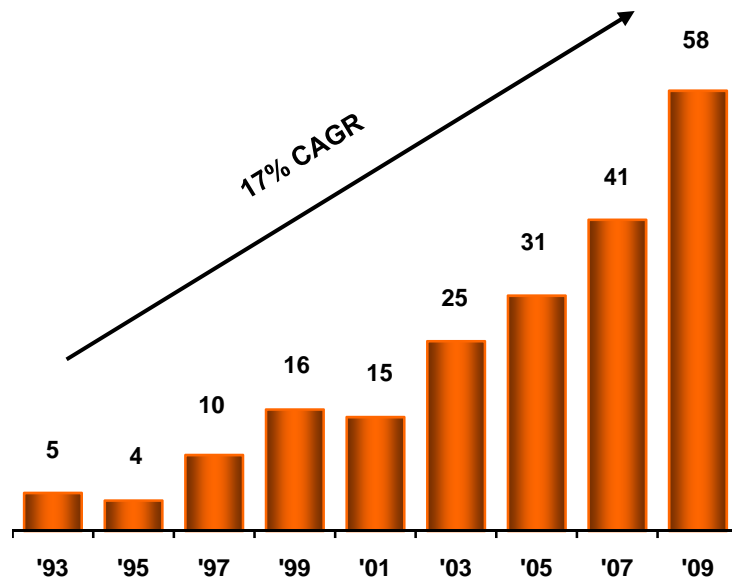
- Developed affordable home standby generator products
- Developed cost effective natural gas light-commercial generator line
- Developed differentiated approach to distribution of residential & commercial generators
- Developed first and only OEM installed Bi-Fuel™ system for industrial and commercial applications
- Developed modular power system (MPS) approach for industrial applications

Note: Represents gross sales excluding freight revenue. Excludes Portable Product sales prior to the division's divestiture in 1998. \$ amounts in millions.

# Powerful Macro Trends Drive Industry Demand



## Growing Number of Power Interruptions<sup>(1)</sup>



## Aging Grid with Favorable Demographics

- 30–50% of T&D network in the U.S. is 40–50 years old
- Undergrounding the grid would cost up to \$4.0 trillion<sup>(2)</sup>
- Aging demographic and consumer preferences driving demand for reliable power
  - ~80% of buyers age 50 and older
  - ~50% of homes valued under \$300k
  - ~85% retro-fit application

**Standby generators are an effective solution for power outages**

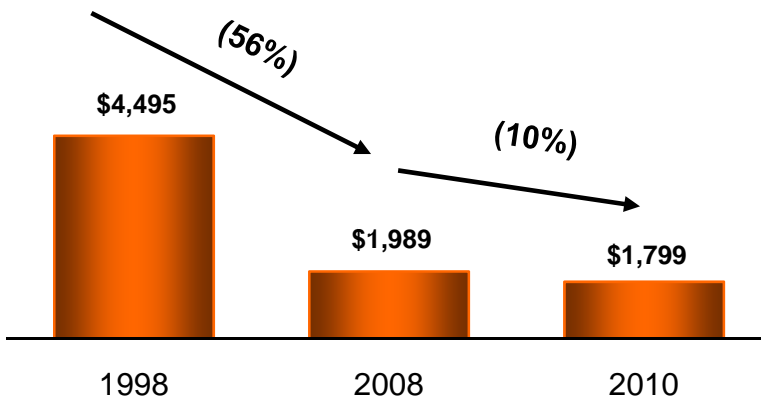
(1) Source: North American Electrical Reliability Council. Affecting more than 50,000 customers.

(2) At \$1mm/mile.

# Residential Products – Significant Penetration Opportunity



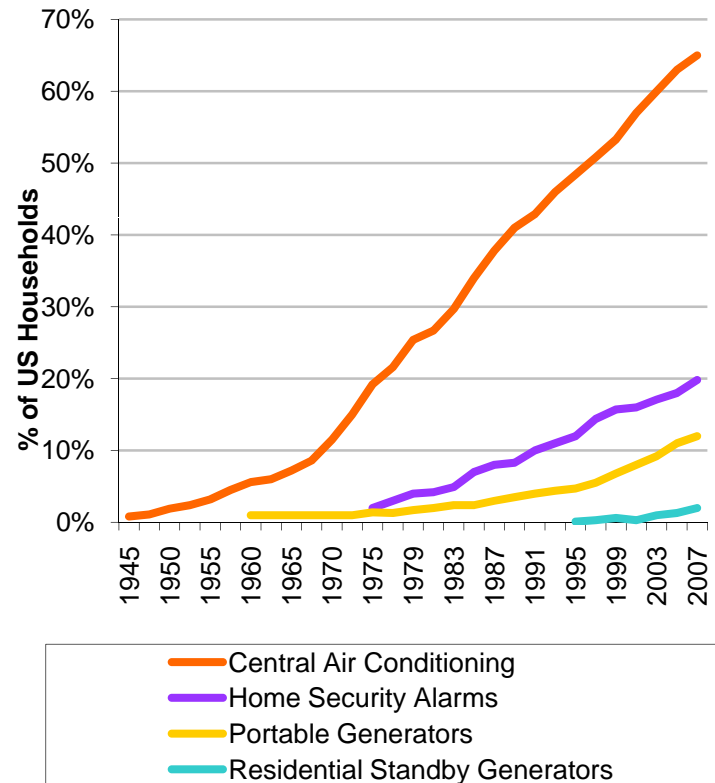
## Affordability fuels adoption



## Automatic Standby Generator Market

- ~13% CAGR over 2003-2010
- ~2% current household penetration
- Generac has 70% market share

## N.A. penetration opportunity

























# Light Commercial and Industrial Products – Compelling ROI



## Cost of 4 Hour Outage per Business<sup>(1)</sup>

## Current and Prospective Customers

Food Sales	■ Grocery and convenience stores	\$26,234	    
Food Service	■ Restaurants	\$20,161	    
Mercantile	■ Retail stores, pharmacies	\$4,892	    
Healthcare	■ Hospitals, nursing homes	\$1,593	  
Telecom	■ Wireless towers	n/a	   

## ROI drives market opportunity

### Light commercial

- Over 2mm locations in the U.S.
- Affordable price point for natural gas units
  - Up to 35% less expensive than comparable diesel generators

### Industrial

- Cost advantage of natural gas for many applications
- Modular applications increase affordability, scalability and redundancy

**Combination of power outage costs and increasing affordability have improved ROI**

(1) Source: SENTECH.



# Differentiated Distribution Model



## Residential Dealers

- Largest network of residential dealers created during the last decade
- Installation, after sale service and product support
- 10,000 technicians trained in 3 years

## Industrial Dealers

- Work with professional engineering firms to develop customized solutions
- Install, support, and service national account sales

### Wholesalers

- Broad access and exposure to electrical & HVAC contractors

### National Retailers

- Broad exposure for brand

### Catalog and E-Commerce

- Broad exposure for brand and products

### Private Label Partners

- Increased points of distribution
- Leverage well known brands

### Direct to National Accounts

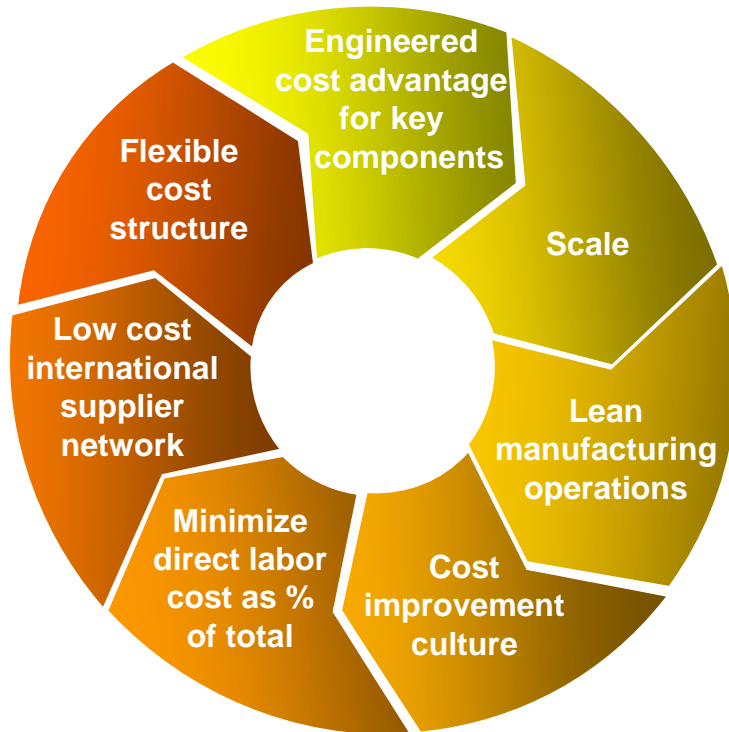
- Direct and coordinated sales approach for nat'l acct customers

**Established and diverse distribution model = growth driver & competitive advantage**

# Advantaged Operating Model



## Generac's Intense Operating Focus



## Engineered Cost Advantage

- Controls
- Engines
- Alternator
- Emissions Systems
- Fuel Systems
- Cooling Package
- Circuit Breakers
- Structural

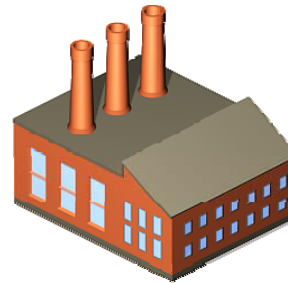


**Value based culture drives best-in-class profitability**



## ***Grow Residential Standby Generator Market***

*– increase penetration of US households*



## ***Gain Industrial Market Share***

*– increase N. American share of commercial & industrial products*



## ***Diversify End Markets***

*– introduce new products & services that leverage brand, distribution, and supply chain*



## ***Enter New Geographies***

*– increase sales of residential, commercial & industrial products outside N. America*

# Grow Residential Standby Generator Market



## Awareness

- Increase use of targeted direct marketing
- Outage response advertising
- Pre-season marketing campaigns



## Availability

- Add dealers in underserved markets
- Expand private label programs to target new distribution channels
- Leverage retail relationships to create awareness



**Honeywell**

## Affordability

- Introduced CorePower product – reduced opening price point
- Focus on reducing total cost of ownership – lower installation costs through innovation



Popular Mechanics Magazine

# Gain Industrial Market Share



## Upgrade & Expand Distribution

- Upgrade / expand current North American distribution footprint for industrial products; Leverage residential and light commercial dealer network
- Grow private label programs to further improve penetration opportunity for commercial gensets



## Build Relationships with Engineers

- Increase % of specifications where Generac is listed as an approved supplier
- Develop relationships with engineering firms responsible for developing project specifications



## Expand Product Offering

- New diesel product offering with exclusive use of Fiat engines introduced in 2010
- Introduce additional products to increase addressable market for our distribution



# Diversify End Markets; Enter New Geographies



## Diversify End Markets

- Development of new products to leverage brand, customer base, supply chain and manufacturing footprint
- Re-entry into power washer market an example of strategy to diversify demand
- Additional new products and services are being evaluated



## Enter New Geographies

- ~1% of sales outside North America
- Build sales and marketing team for Latin American market
- Expand Latin American distribution already in place – add new global distribution
- Build brand leveraging Generac's core technologies

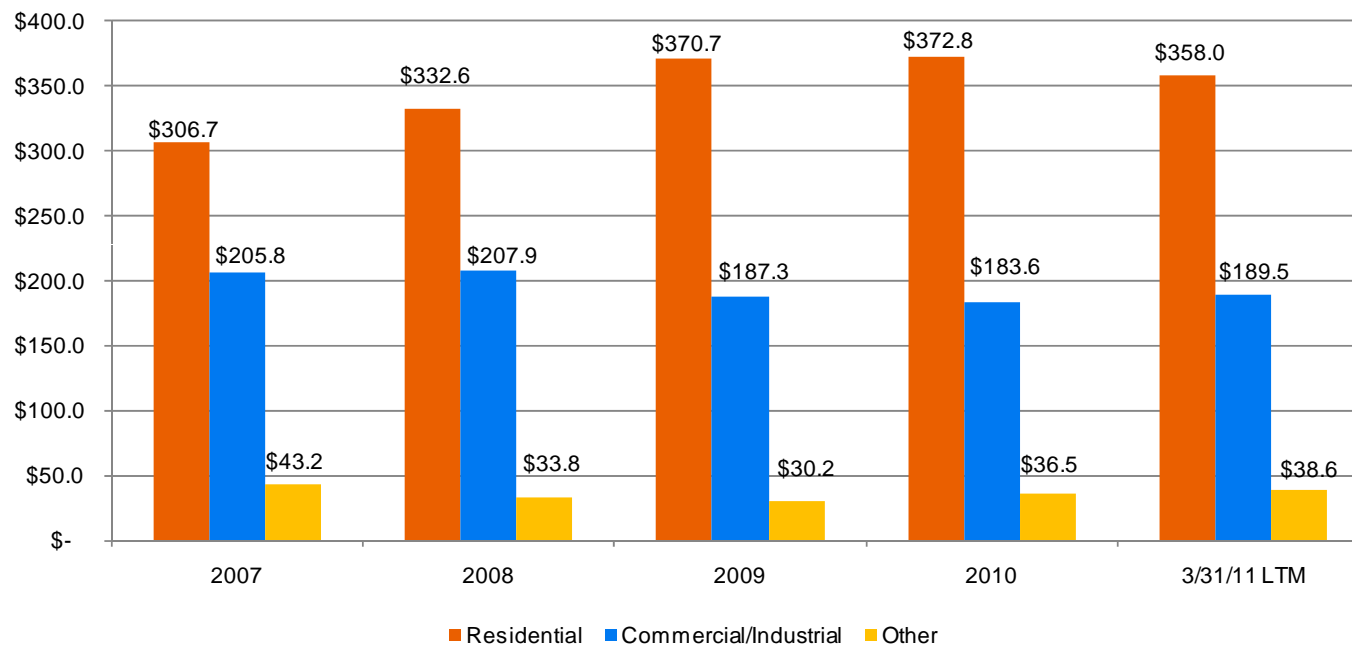


# Net Sales by Product Class



## Net Sales by Product Class

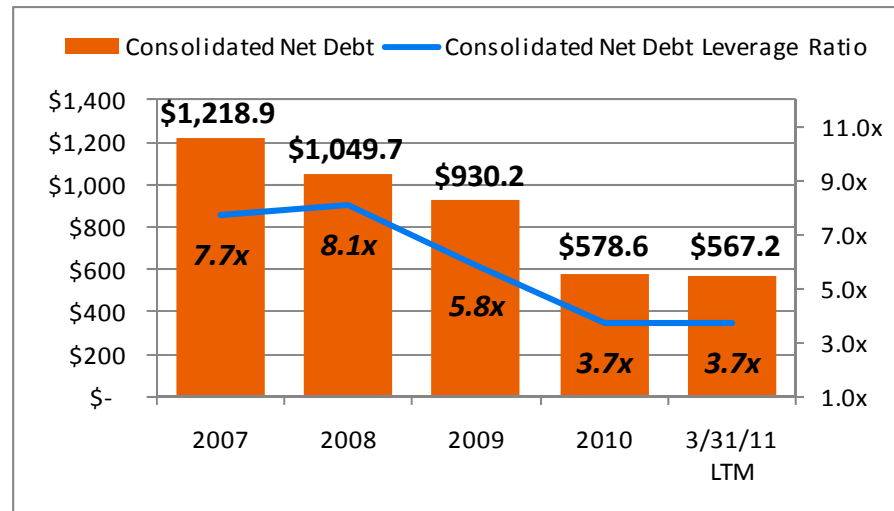
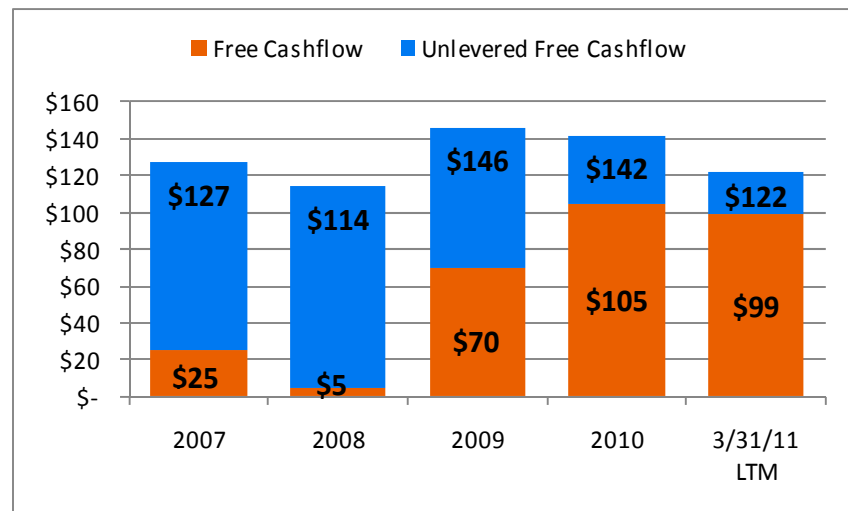
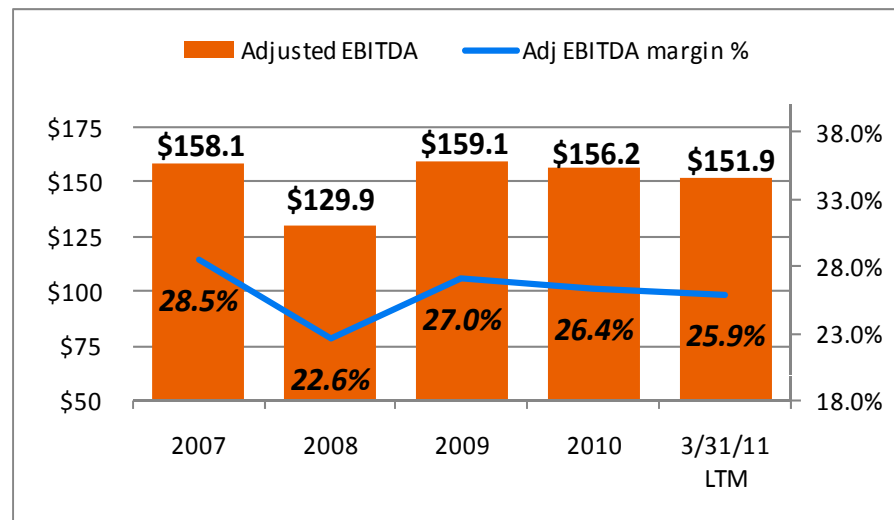
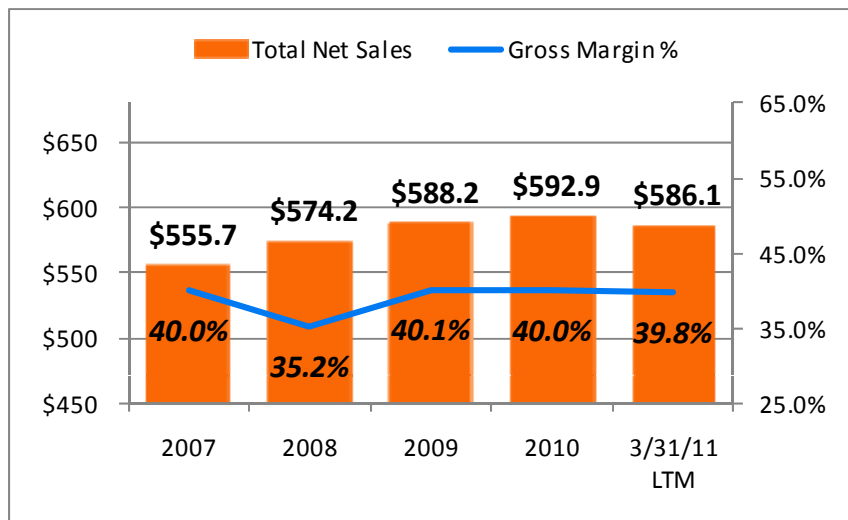
(\$ in millions)



### **2011 SALES OUTLOOK:**

- Expect moderate net sales growth overall in 2011 versus 2010
  - Expect continued C&I recovery in 2011; Anticipate C&I product sales to continue double-digit year-over-year growth
  - Expect challenging U.S. residential investment environment in 2011 offset by strategic growth initiatives; Anticipate residential product sales will be roughly flat with prior year for the remaining three quarters of 2011
  - Assumes no major outage events (i.e. major landed hurricanes)

# Financial Summary



Note: Unlevered free cash flow = Free cash flow plus cash interest expense.



# Q1 2011 & LTM Financial Overview

(\$ in millions)

	<u>Actual Q1 2011</u>	<u>Y/Y % Change</u>	<u>Actual LTM 3/31/11</u>	<u>Y/Y % Change</u>
Residential	\$ 69.2	(17.6%)	\$ 358.0	(2.3%)
Industrial	44.3	15.6%	189.5	5.0%
Other	10.5	24.8%	38.6	21.8%
Net Sales	<u>\$ 124.0</u>	<u>(5.2%)</u>	<u>\$ 586.1</u>	<u>1.3%</u>
Gross Profit	\$ 47.2	(8.2%)	\$ 233.1	(2.8%)
<i>% Margin</i>	38.1%		39.8%	
Adjusted EBITDA	\$ 27.5	(13.7%)	\$ 151.9	(6.3%)
<i>% Margin</i>	22.2%		25.9%	
Net Income	\$ 4.8	96.3%	\$ 59.3	49.2%
Adjusted Net Income	\$ 17.1	(14.8%)	\$ 112.9	20.8%
Adjusted EPS	\$ 0.25	N/M	\$ 1.68	N/M
Free Cash Flow	\$ 11.1	(34.2%)	\$ 99.1	13.6%
Consolidated Net Debt			\$ 567.2	(14.7%)
Consolidated Net Debt Leverage Ratio			3.7x	

# Favorable Tax Attributes



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

- \$1.8 billion asset basis step-up created at 2006 acquisition
  - Amortizes over 15 years
  - Reduces cash tax obligation by approximately \$47mm per year through 2020
- Current NOL balance of \$166mm as of December 31, 2010 provides cash benefit of up to \$58mm

(\$ mm)	Total	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Annual tax amortization	\$1,322	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$122	\$102
Cash tax savings <sup>(1)</sup>	\$509	\$47	\$47	\$47	\$47	\$47	\$47	\$47	\$47	\$47	\$47	\$39
Cash tax savings of NOLs <sup>(2)</sup>	\$58											
<b>Grand total</b>	<b>\$567</b>											

**Results in present value tax savings of approximately \$350-440mm<sup>(3)</sup>**

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

(2) Calculated at a 35.0% federal tax rate on the \$166mm of federal NOL carry forward balance as of December 31, 2010.

(3) Based on annual discount rate of 5-10%; includes both amortization of intangibles and NOL's.

# Key Investment Highlights



- Powerful long-term industry fundamentals
- Industry leader in large, underpenetrated residential standby generator market
- Significant opportunities in light-commercial standby generator market
- Strong culture of product innovation and value
- Unmatched multi-channel distribution network creates sustainable competitive advantages
- Best-in-class profitability and cash flow generation provide stability and support opportunistic growth
- Significant international market opportunity



Never Feel Powerless™



**Appendix**

# Fiscal Year 2011 Guidance Recap



- Expect recovery in C&I market; Expect challenging residential investment environment; Assumes no major outage events (i.e. major landed hurricanes)
- Anticipate moderate net sales growth overall in 2011 versus 2010
  - Double digit y/y sales growth for C&I products
  - Roughly flat y/y sales growth for residential products for remaining three quarters of 2011
- Expect to achieve attractive EBITDA margins, however,
  - Sales mix change will unfavorably impact gross margins versus prior year
  - Commodity and currency increases mostly offset by price increases (realized Q2 2011) and cost reduction projects (realized in H2 2011)
  - Continue to invest prudently in our operating infrastructure
- Interest Expense: \$26-\$29 million, which includes \$24-\$27 million of cash interest and ~\$2 million for deferred financing cost amortization
- Cash Taxes: \$0.5-\$1.0 million
- Depreciation Expense: \$7.5-\$8.0 million
- Amortization Expense: \$48-\$49 million
- Stock Compensation Expense: \$7.0-\$7.5 million
- Capital Expenditures: \$11-\$13 million

# Adjusted EBITDA Reconciliation



(\$ in millions)

	2007	2008	2009	2010
<b>Reported net income</b>	<b>(\$9.7)</b>	<b>(\$556.0)</b>	<b>\$43.1</b>	<b>\$56.9</b>
Interest expense	125.4	108.0	70.9	27.4
Depreciation and amortization	53.8	54.8	59.7	59.4
Income taxes provision (benefit)	(0.6)	0.4	0.3	0.3
Non-cash impairment and other charges	5.3	585.6	(1.6)	(0.3)
Non-cash stock-based compensation expense	0.0	0.0	0.0	6.4
Write-off of deferred financing costs related to debt extinguishment	0.0	0.0	0.0	4.8
Transaction costs and credit facility fees	1.0	1.3	1.2	1.0
Non-cash gains	(18.8)	(65.4)	(14.7)	0.0
Other items per credit agreement	1.7	1.2	0.2	0.4
<b>Adjusted EBITDA</b>	<b>\$158.1</b>	<b>\$129.9</b>	<b>\$159.1</b>	<b>\$156.2</b>

# Adjusted EBITDA Reconciliation



(\$ in thousands)

Net Income to Adjusted EBITDA Reconciliation	Three Months Ended March 31,	
	2011 (unaudited)	2010 (unaudited)
Net income	\$ 4,844	\$ 2,468
Interest expense	6,001	8,492
Depreciation and amortization	13,663	14,652
Income taxes provision	93	82
Non-cash impairment and other charges	446	149
Non-cash share-based compensation expense	2,000	1,246
Write-off of deferred financing costs related to debt extinguishment	-	4,180
Transaction costs and credit facility fees	173	362
Other	264	201
Adjusted EBITDA	<u>\$ 27,484</u>	<u>\$ 31,832</u>

# Adjusted Net Income & Free Cash Flow Reconciliations

**GENERAC**

(\$ in thousands)

Net Income to Adjusted Net Income Reconciliation	Three Months Ended March 31,	
	2011 (unaudited)	2010 (unaudited)
Net income	\$ 4,844	\$ 2,468
Provision for income taxes	93	82
Income before provision for income taxes	4,937	2,550
Amortization of intangible assets	11,727	12,761
Amortization of deferred loan costs	502	739
Write-off of deferred financing costs related to debt extinguishment	-	4,180
Adjusted net income before provision for income taxes	17,166	20,230
Cash income tax expense	(24)	(65)
Adjusted net income	\$ 17,142	\$ 20,165
Free Cash Flow Reconciliation	Three Months Ended March 31,	
	2011 (unaudited)	2010 (unaudited)
Net cash provided by operating activities	\$ 12,671	\$ 18,436
Expenditures for property and equipment	(1,569)	(1,564)
Free Cash Flow	\$ 11,102	\$ 16,872
Cash interest expense	5,744	19,747
Unlevered free cash flow	\$ 16,846	\$ 36,619