

**GENERAC®**

# INVESTOR PRESENTATION

AUGUST 2021



**"Generac's mission is to ensure peace of mind by developing power products and solutions that make the world safer, brighter, and more productive."**

# INVESTOR RELATIONS



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# FORWARD LOOKING STATEMENTS

Certain statements contained in this news release, 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. 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.

Any such forward looking statements are not guarantees of performance or results, and involve risks, uncertainties (some of which are beyond the Company's control) and assumptions. Although Generac believes any forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect Generac's actual financial results and cause them to differ materially from those anticipated in any forward-looking statements, including:

- frequency and duration of power outages impacting demand for our products;
- availability, cost and quality of raw materials and key components from our global supply chain and labor needed in producing our products;
- the impact on our results of possible fluctuations in interest rates, foreign currency exchange rates, commodities, product mix and regulatory tariffs;
- the possibility that the expected synergies, efficiencies and cost savings of our acquisitions will not be realized, or will not be realized within the expected time period;
- the risk that our acquisitions will not be integrated successfully;
- the duration and scope of the impacts of the COVID-19 pandemic are uncertain and may or will continue to adversely affect our operations, supply chain, and distribution for certain of our products and services;
- difficulties we may encounter as our business expands globally or into new markets;
- our dependence on our distribution network;
- our ability to invest in, develop or adapt to changing technologies and manufacturing techniques;
- loss of our key management and employees;
- increase in product and other liability claims or recalls;
- failures or security breaches of our networks, information technology systems, or connected products; and

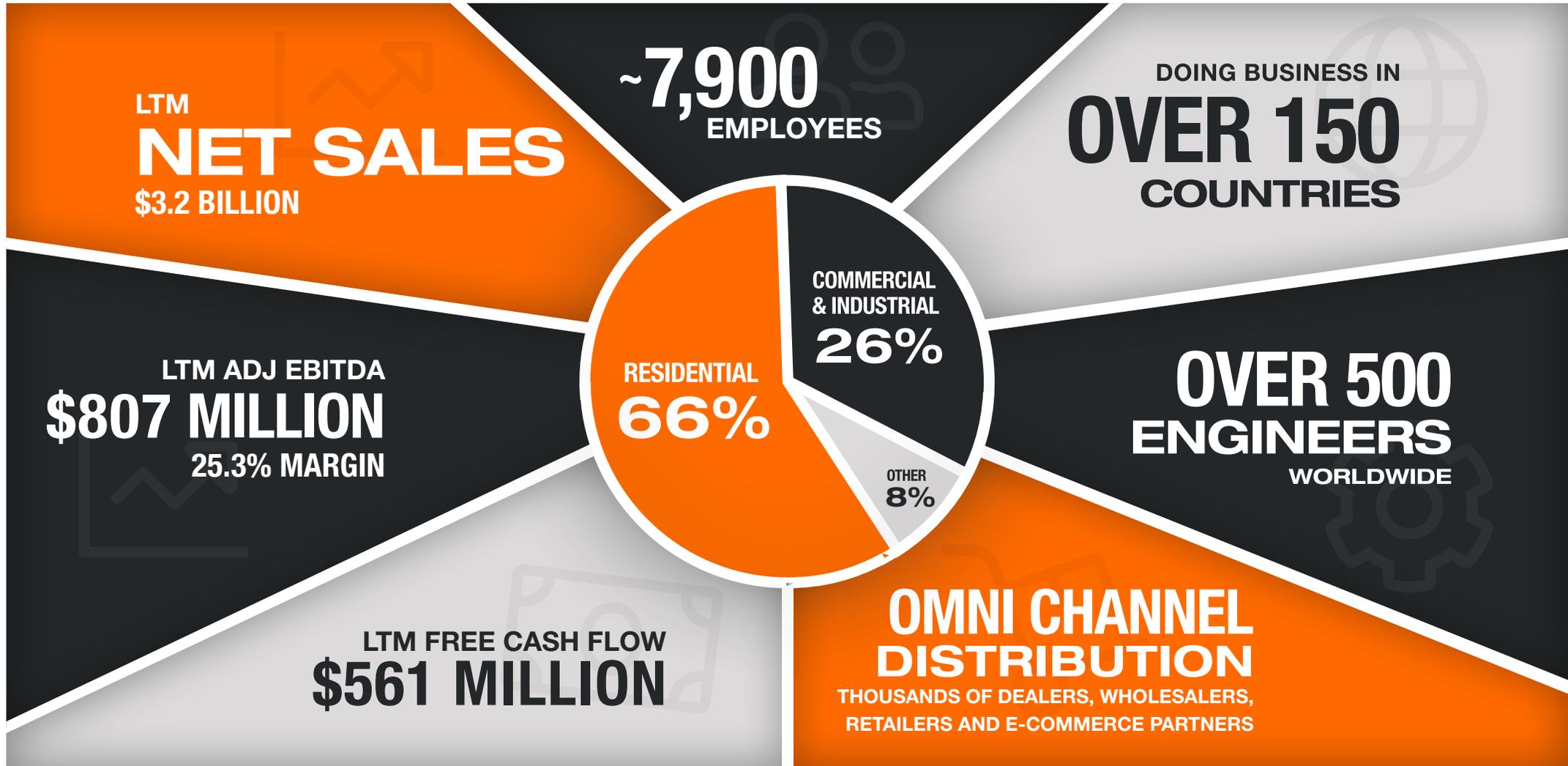
- changes in environmental, health and safety, or product compliance laws and regulations affecting our products, operations, or customer demand.

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. In the current environment, some of the above factors have materialized and may or will continue to be impacted by the COVID-19 pandemic, which may cause actual results to vary from these forward-looking statements. A detailed discussion of these and other factors that may affect future results is contained in Generac's filings with the U.S. Securities and Exchange Commission ("SEC"), particularly in the Risk Factors section of the 2020 Annual Report on Form 10-K and in its periodic reports 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 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.

# GENERAC BY THE NUMBERS

**GENERAC**<sup>®</sup>



# MEGA TRENDS

**GENERAC®**

## "Grid 2.0" - Evolution of the traditional electrical utility model

Technology, regulation and the “electrification of everything” will create Clean Energy and Grid Services opportunities

## Attitudes around global warming and climate change are changing

Expectation of more severe weather driving power outages

## Natural Gas will be an important fuel of the future

Huge supply & increasing demand for applications beyond standby power

## Legacy infrastructure needs major investment cycle

Rebuilding of transportation, water & power will take decades

## Telecommunications infrastructure shifting to next generation

5G will enable new technologies requiring significant improvement in network uptime

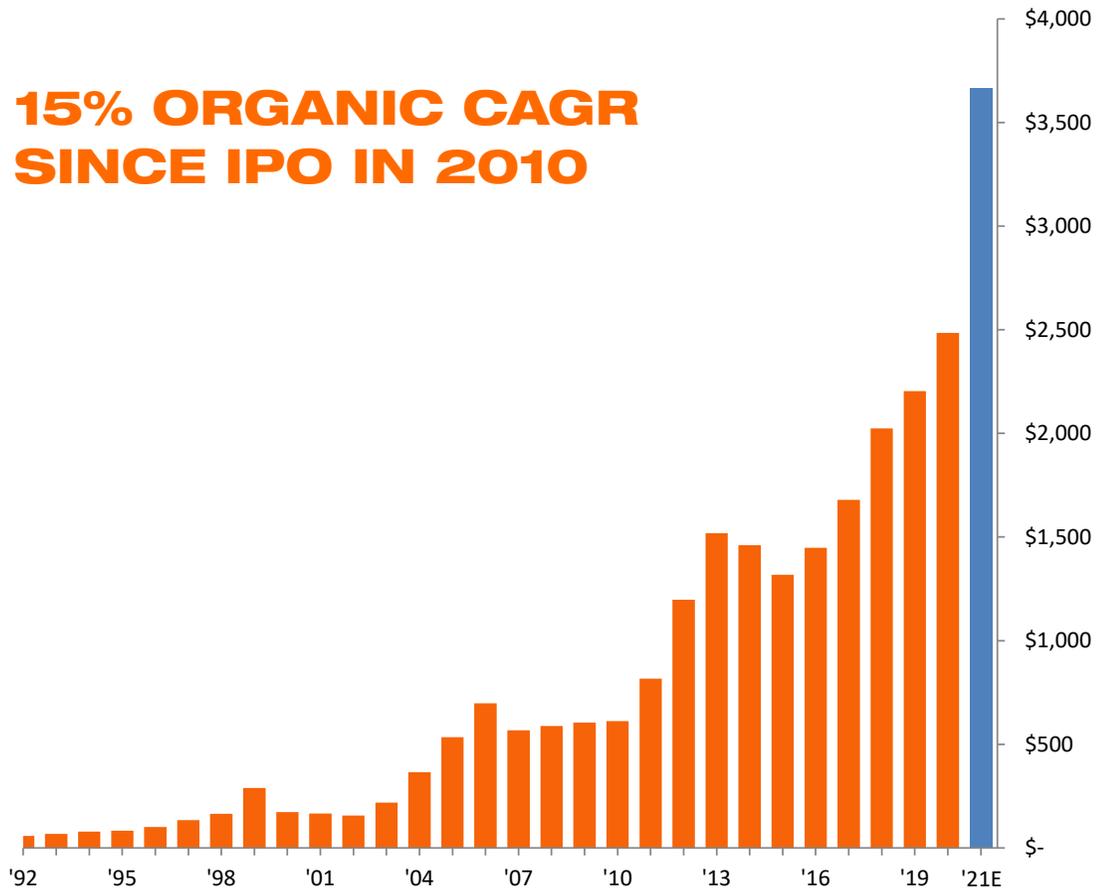
## Home as a Sanctuary

Working, learning, shopping, entertaining, aging in place, and in general, spending more time at home



# MACRO INVESTMENT THEMES

**15% ORGANIC CAGR SINCE IPO IN 2010**



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 – present; see slide titled "Summary of Acquisitions" for further details. 2021 figure assumes midpoint of guidance.

## CREATING A LEADING "ENERGY TECHNOLOGY SOLUTIONS" COMPANY

### Power Quality Issues Continue To Increase

- Power outage severity increasing significantly over LT baseline average during 2017-2021
- Aging and under-invested electrical grid more vulnerable to unpredictable and severe weather
- Aging population and overall consumers are more dependent on power

### Home Standby Market Growth Opportunity is Massive

- ~5.0% of US HH's have a HSB today (TAM=55M HH's)
- Every 1.0% of penetration is approximately \$2.5 billion market opportunity (at retail)
- Generac's 75%+ share due to unique go to market strategy

### California and Texas markets for backup power increasing significantly

- Represents two largest addressable market opportunities within U.S. for home standby generators
- HSB penetration rates in both states well below national average of ~5.0% (CA ~1%, TX ~3%)
- California - numerous power shutoff events impacting millions of customers in an attempt to mitigate risk of wildfires
- Texas – recent major outage event expected to accelerate demand for backup power over the next several quarters

### Energy Storage & Monitoring Markets Developing Quickly

- New markets focused on energy cost reduction and resiliency
- Battery cost and performance continue to improve
- Generac uniquely positioned with distribution, marketing & brand

### Natural Gas Generators Driving Superior Growth Rates

- Cleaner, greener & more cost effective for on-site power
- US is ~40% gas gen sales annually and growing 2x diesel
- Global opportunity is nascent – low-single digits percentage of market

### Rollout of 5G Will Require Improved Network Reliability

- 5G will enable many new technologies - uptime critical
- ~400K cell towers in U.S., ~40% penetration, Generac #1 market share
- Technology to rollout globally – Generac footprint can serve

# ENERGY TECHNOLOGY SOLUTIONS

# GENERAC®

## CONNECTIVITY & GRID SERVICES



Mobile **Link™**



DER: Distributed Energy Resource – Generates, Stores or Manages Power

### Residential DERs



Air-cooled Home Standby Generators

Liquid-cooled Home Standby Generators



### Energy Storage & Management DERs



PWRCell Battery Storage

Energy Monitoring & Management



### Commercial & Industrial DERs



Gaseous Generators Up to 1MW

Liquid-cooled commercial generators



Transfer Switches

### Other Capabilities

Portable Generators



Chore Products



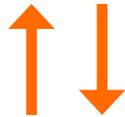
Mobile Products



# GENERAC'S EVOLVING BUSINESS MODEL ...

Increasing use of renewables leading to variability of supply and grid instability

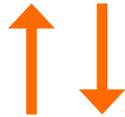
**ISO/Utilities/Energy Retailers**



Address peaks in electricity demand

Provides resiliency from outages

**Virtual Power Plant (VPP) Network**



Digital platform enables assets to be connected more seamlessly as DERs

**Connectivity + Software Platform** 



**Generac DER ASSETS**  
**GENERATE/STORE/MANAGE POWER**  
**Residential + C&I End Users**

**Smart Grid Ready**



**Evolution into Energy Technology Solutions Company**

# ...ALIGNED WITH CHANGING LEGACY ELECTRICAL UTILITY MODEL

## **GENERAC'S CAPABILITIES PROVIDE UNIQUE POSITION TO ENABLE UTILIZATION OF PRODUCTS AS DERs ON A VERY LARGE SCALE**

### **Current**

- Generators: backup and beyond standby
- Battery storage systems
- Energy monitoring devices
- Energy management devices
- Connectivity
- Grid services – Enbala software platform
- DER assets and devices are Smart Grid Ready

### **Near Term**

- Generator integration within battery storage
- Next-gen load control with energy management devices
- DC generator integrated into battery storage system
- Develop roadmap for full suite of grid-support solutions
- AC-coupled inverter for retrofit solar market
- Generac branded microinverter

### **Future**

- Generac's Smart Grid Ready DER assets aggregated into Virtual Power Plant (VPP) solutions
- Bundling VPP solutions with vertical operational services that enable more turnkey solutions
- Develop various new grid services revenue streams
- Performance services that deliver megawatts of power to various customers



# ENERGY TECHNOLOGY – GENERAC'S ENERGY STORAGE SOLUTION

**GENERAC®**

## MORE POWER

- 9/11 kW Max. Continuous
- 50A Motor Starting Current

## MORE CAPACITY

- 3.0 kWh Battery Modules
- 9 - 18 kWh per Cabinet

## LOAD MANAGEMENT

- 50A and 100A Automatic Smart Management Modules



## OUTDOOR RATED

- Type 3R Battery Cabinet
- 10 to 50°C Operating Temperature Range

## WHOLE HOME BACKUP

- 200 A and 100A Whole Home Transfer Switches

**Coming Soon – Generator Integration, AC-Coupled Solution, Next-Gen Load Control, Integrated DC-Generator, Smart Grid Ready**

**PWRcell Whole Home Backup...  
CLEAN & SIMPLE**



# 2021 ACQUISITIONS



## DEEP SEA ELECTRONICS

- Founded 1975
- Headquartered Hunmanby, UK
- Closed June 1st

### Company Profile

- Designer and manufacturer of advanced controls for a range of energy technology applications.

### Strategic Rationale

- Bolster electronics and controls capabilities.
- Accelerate product roadmap for the future by adding technical expertise and engineering bandwidth.
- Help advance Generac product use beyond standby power applications.
- Complex, systems-level controls for distributed generation, storage and other DER assets used in microgrid applications.
- DSE's solutions will help enable the decentralized power grid of the future.



## Chilicon Power

- Founded 2010
- Headquartered Los Angeles, CA
- Closed July 2nd

### Company Profile

- Designer and provider of grid-interactive microinverter and monitoring solutions for the solar market.

### Strategic Rationale

- Dramatically increase SAM via entry into solar-only inverter market, which represents 75-80% of residential solar installations.
- Global residential solar-only inverter market estimated to reach ~\$4.5B by 2023 from ~\$2.5B in 2020.
- Microinverters expand Clean Energy suite of solutions and deepen relationships with solar channel partners and installers.
- Apply proven Generac playbook previously used for other clean energy acquisitions with a focus on scaling the business.



# GLOBAL DISTRIBUTION CHANNELS

## Residential and C&I Dealer Network

- International network of over 10,000 dealers
- Installation and after sale service support
- Work with professional engineering firms to develop customized solutions
- Thousands of technicians trained each year
- Support for global large account sales

## Significant Omni-Channel Distribution

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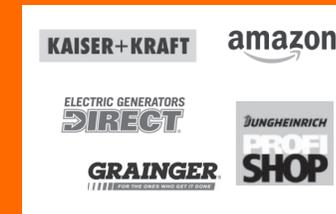
## Other Key Channels



Electrical Wholesalers



Mass Retailers



Catalog and E-Commerce



Licensing Partners



Direct to Global Accounts



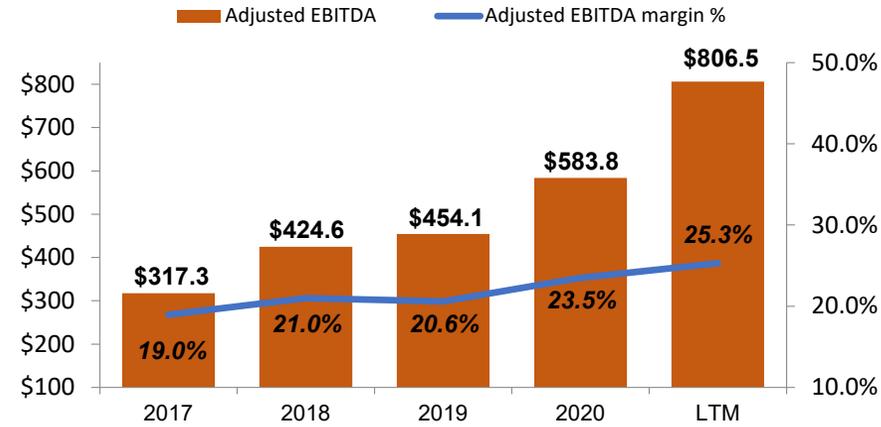
Direct to Consumer



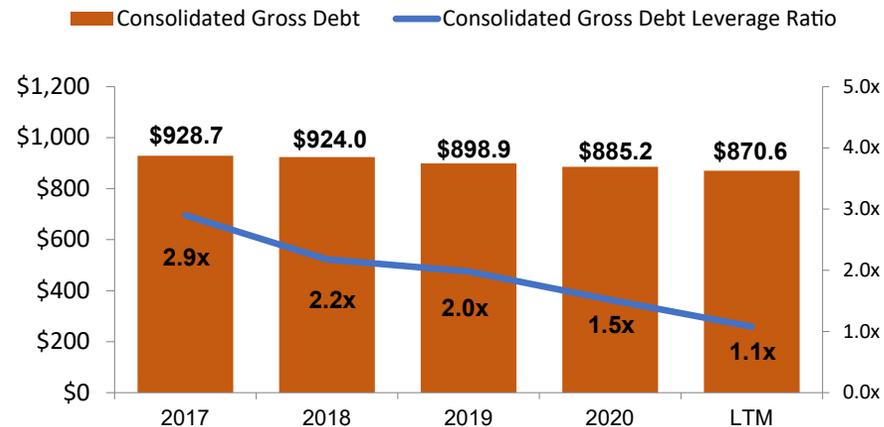
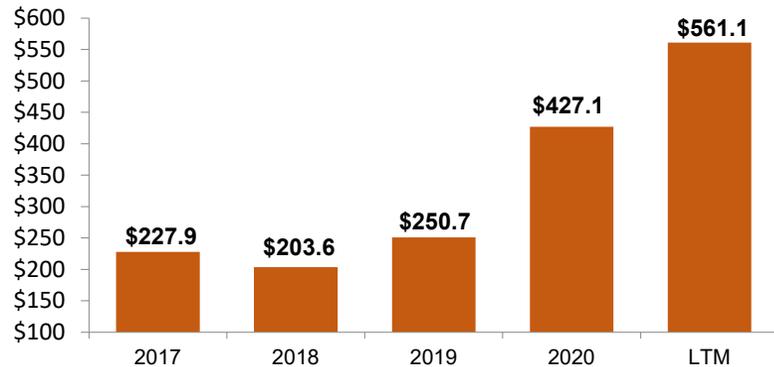
Clean Energy

# FINANCIAL SUMMARY

(\$'S IN MILLIONS)



## Free Cash Flow



Note: Adjusted EBITDA margin calculated using adjusted EBITDA before deducting for non-controlling interest.

# CAPITAL DEPLOYMENT PRIORITIES

1	Organic Growth	<ul style="list-style-type: none"><li>  Invest in technology, innovation, and R&amp;D capabilities</li><li>  Capacity expansion; Global systems; High ROI automation</li></ul>	Asset Lite
2	Pay Down Debt	<ul style="list-style-type: none"><li>  Target 2-3x leverage</li><li>  Term Loan matures 2026, ABL matures 2026</li><li>  \$500mm notional swapped fixed</li></ul>	Deleveraging Story
3	M&A	<ul style="list-style-type: none"><li>  Demonstrated ability to execute; 19 deals since 2011</li><li>  Accelerates “Powering Our Future” strategic plan</li><li>  Seek high synergy opportunities with above WACC returns</li></ul>	Accelerate the strategy
4	Return of Capital	<ul style="list-style-type: none"><li>  As future cash flow permits, will evaluate options opportunistically</li><li>  \$250mm remaining on current share repurchase authorization</li></ul>	Opportunistic

**Strong balance sheet and cash flow generation enables disciplined and balanced approach toward capital deployment that creates value for shareholders**

# 2021 BUSINESS OUTLOOK

(AS REPORTED ON JULY 28, 2021)

**GENERAC**<sup>®</sup>

## Consolidated net sales

- Consolidated revenue: increase between 47% to 50%
- Approximately 3% favorable impact from acquisitions and foreign currency
- Does not assume benefit of another major outage event in the second half of year

## Adjusted EBITDA margins

- Between 24.5 to 25.0%

## Cash income tax rate

- Between 21.0 to 21.5%

## Free cash flow

- Conversion of adjusted net income of approximately 90%



**Expect to Utilize Strong Free Cash Flow Generation to Increase Shareholder Value**

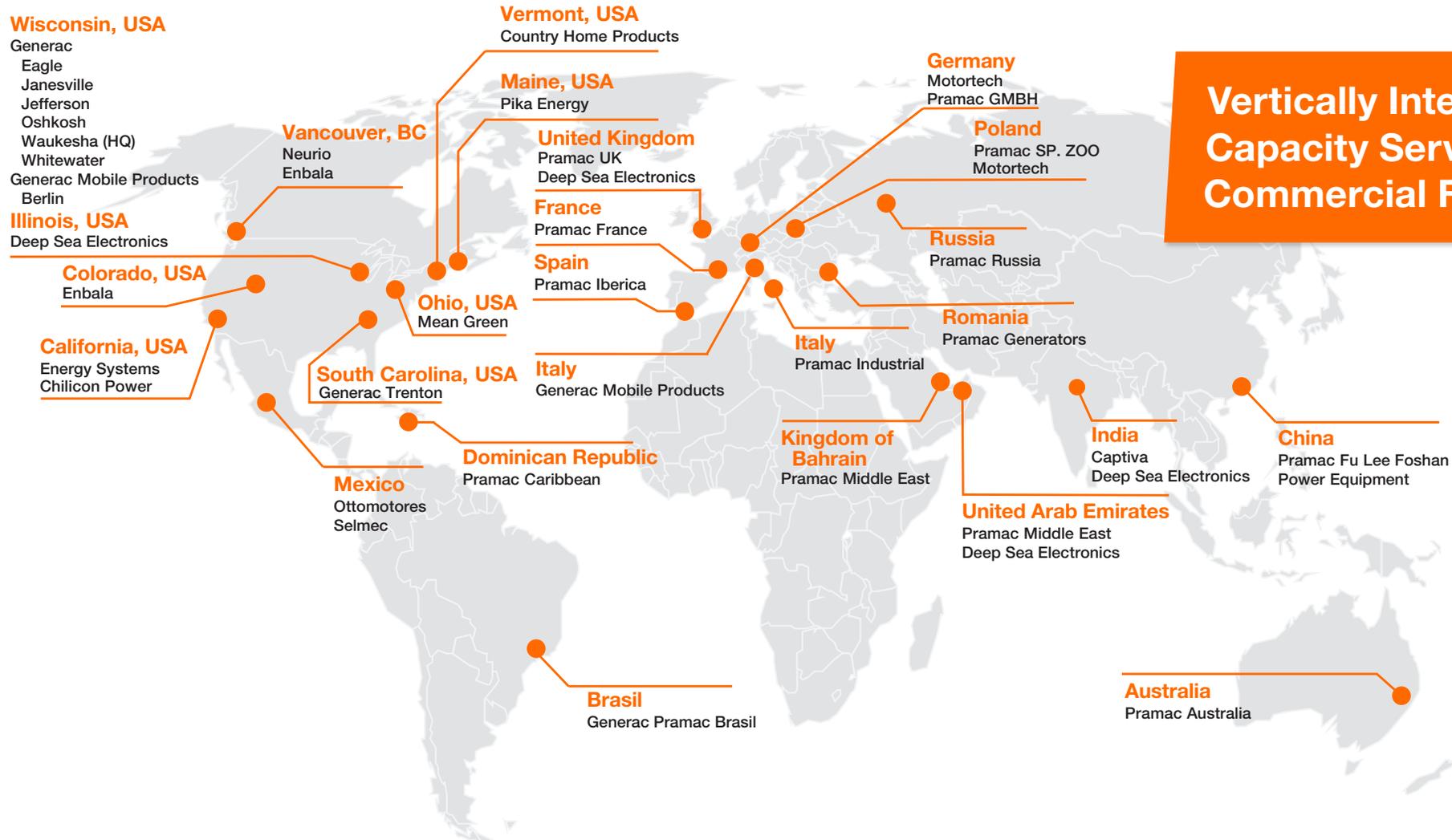
# APPENDIX

**GENERAC**<sup>®</sup>



# GENERAC WORLDWIDE LOCATIONS

**GENERAC**<sup>®</sup>



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

# SUMMARY OF ACQUISITIONS

## Acquisitions Prior to 2016

	OCT. 2011
	DEC. 2012
	AUG. 2013
	NOV. 2013
	OCT. 2014
	AUG. 2015

**MAR. 2016**

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

**JAN. 2017**

Gaseous-engine control systems and accessories sold to engine OEMs and aftermarket customers **Celle, Germany**

**JUN. 2018**

Larger kW and container gensets; service and remote monitoring platform for Latin America market **Mexico City, Mexico**

**FEB. 2019**

Captiva Energy Solutions, founded in 2010 and headquartered in Kolkata, India specializes in customized industrial generators. **Kolkata, India**

**MAR. 2019**

The leading energy data company focused on metering technology and sophisticated analytics to optimize energy use **Vancouver, BC**

**APR. 2019**

Leading manufacturer of smart storage solutions and smart batteries **Portland, ME**

**SEP. 2020**

Leading manufacturer of an innovative commercial line of battery powered turf care products **Ross, OH**

**OCT. 2020**

Leading provider of distributed energy optimization and control software for the electrical grid **Denver, CO**

**JUN. 2021**

Designer and manufacturer of advanced controls for a range of energy technology applications **Hunmanby, UK**

**JUL. 2021**

Designer and provider of grid-interactive microinverter and monitoring solutions for the solar market **Los Angeles, CA**

## Acquisitions used to accelerate Powering Our Future strategy

### Revenue synergies

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

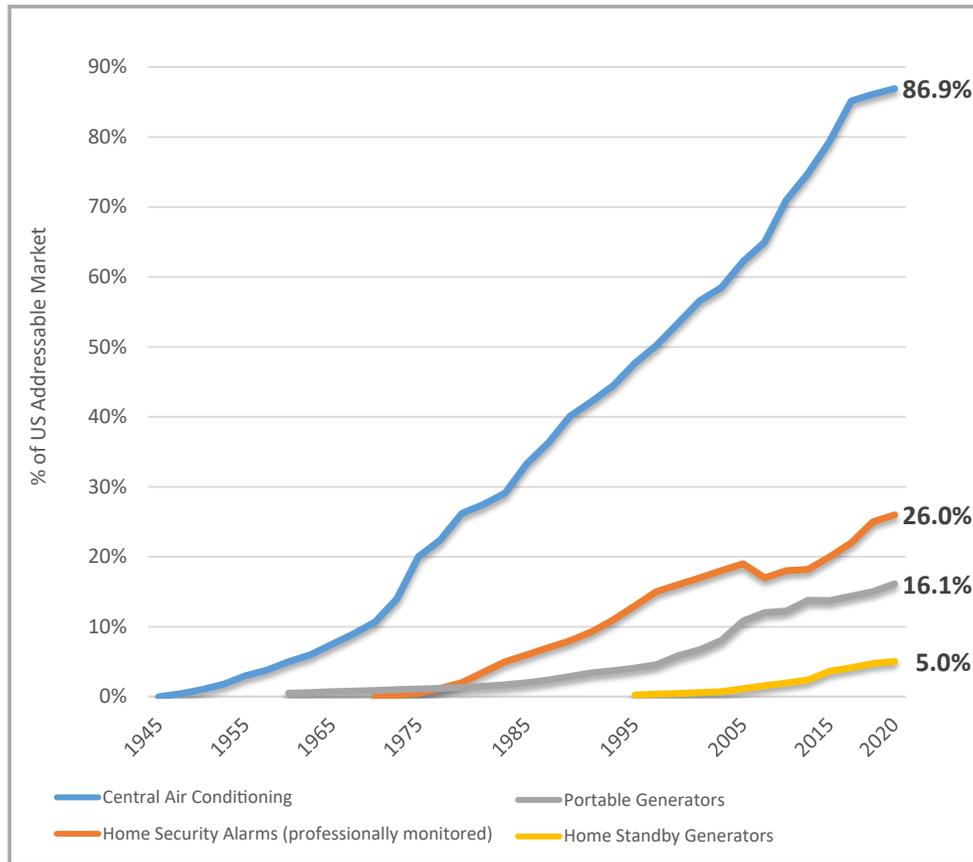
### Cost synergies

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

Smaller acquisitions of Gen-Tran completed in February 2012 (manual transfer switches for portable generators -Alpharetta, GA); Pramac America in September 2017 (portable generators – Marietta, GA); Energy Systems in July 2020 (industrial distributor – Stockton, CA)

# HSB: A PENETRATION STORY

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



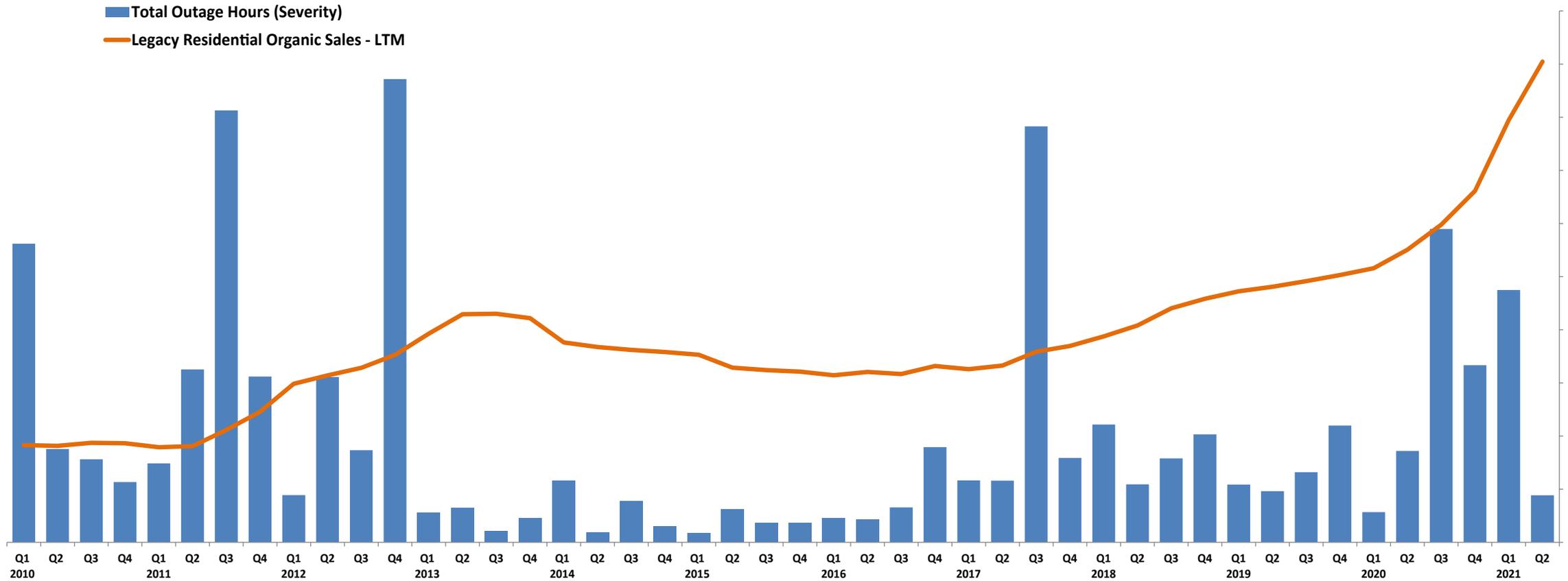
### Aging Population Fits Demographic

- ~65% of buyers age 60 and older
- ~Median home value of approximately \$425k
- ~80% retro-fit application
- ~\$130K median household income
- Between 8-10% replacement units

**Every 1% of increased penetration equals  
~\$2.5 billion of market opportunity**

(1) Source: Company estimates; based on addressable market for HSB generators consisting of all single-family detached, owner-occupied homes valued > \$125K; 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 and focuses on the professionally monitored market.

# EXPANDING POWER OUTAGE SEVERITY<sup>(1)</sup>

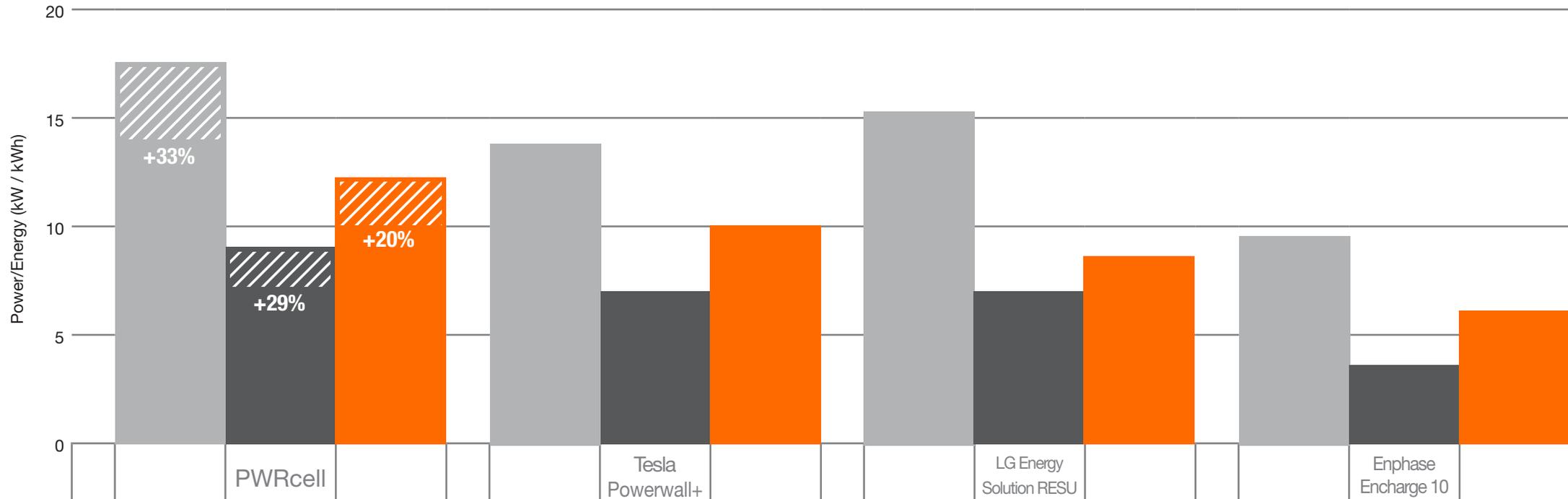


(1) Represents power outage hours for mainland U.S. only

**Elevated Baseline Outages + Major Events + Home as a Sanctuary = Catalysts for Growth**

# PWRCELL® WHOLE HOME POWER COMPARISON

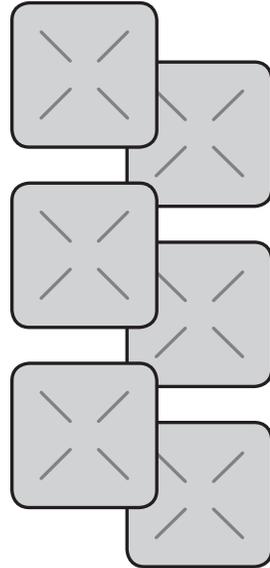
USEABLE ENERGY    CONTINUOUS POWER    PEAK POWER



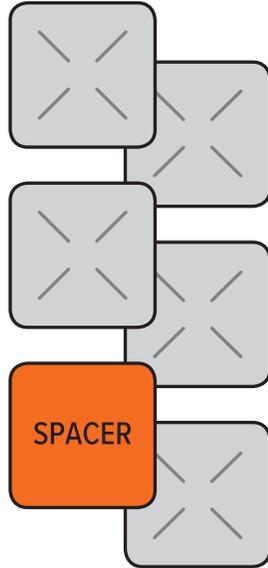
	PWRcell	Tesla	LG Energy Solution	Enphase
Useable Energy	18kWh	13.5kWh	16kWh	10.1kWh
Continuous Power	9kW	7kW	7kW	3.8kW
Peak Power (seconds)	12kW	10kW	7kW	5.76kW

Note: Shaded lines represent market leading advantage in terms of power capability, with specific percentages as compared to Tesla

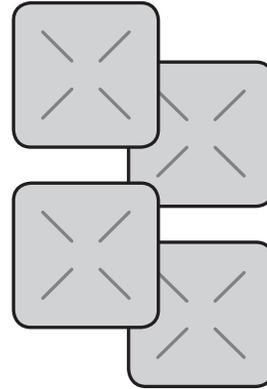
# PWRCELL® WHOLE HOME POWER SCALABLE MODULAR APPROACH



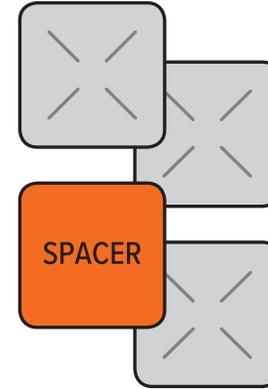
OR



OR



OR



# of Modules	6	5	4	3
Old Capacity (kWh)	17.1	14.3	11.4	8.6
<b>New Capacity (kWh)</b>	<b>18</b>	<b>15</b>	<b>12</b>	<b>9</b>



# RAPIDLY BUILDING CLEAN ENERGY DISTRIBUTION

**GENERAC®**

## NATIONAL



sunnova

## REGIONAL



## LONG TAIL



# ENBALA'S REVENUE MODEL



## Current SaaS Model - \$/MW Assets Connected/year

- Fundamentally a Software-as-a-Service business
- Enbala is paid as assets/devices are connected to the platform on a recurring basis



## Current Performance Model - \$/MW Delivered/year

- Fundamentally a pay-for-performance business
- Enbala is paid by utilities for the energy performance delivered



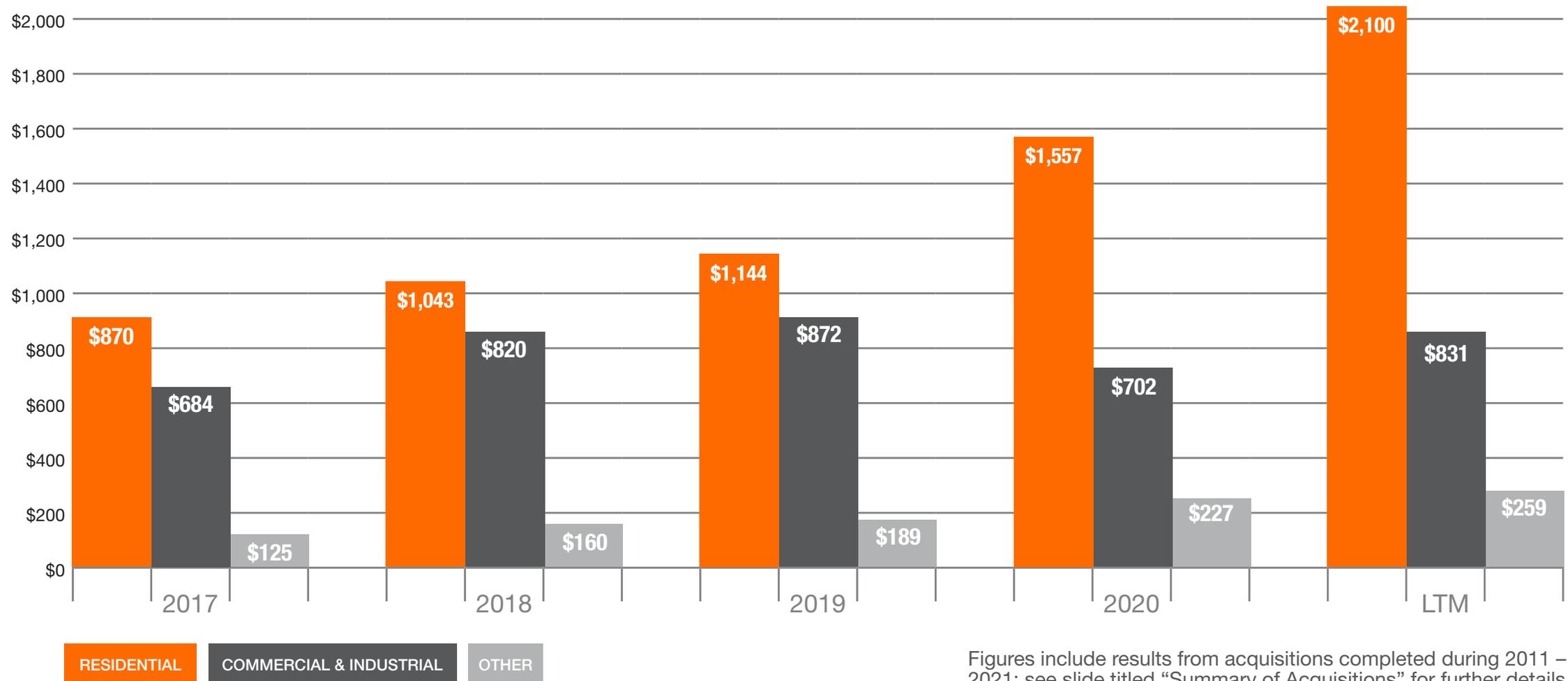
## Enbala Opportunities:

- Energy imbalance markets
- Real time capacity markets
- Emerging wholesale markets from FERC Order 2222
- Predictive energy management for customers
- Ancillary Service, Frequency Control and other aggregation markets

# NET SALES BY PRODUCT CLASS



(\$'S IN MILLIONS)



Figures include results from acquisitions completed during 2011 – 2021; see slide titled “Summary of Acquisitions” for further details.

# Q2 2021 & LTM FINANCIAL OVERVIEW



(\$'S IN MILLIONS)

	Actual Q2 2021 (unaudited)	Y/Y % Change	Actual LTM (unaudited)	Y/Y % Change
Residential	\$600.0	75.8%	\$2,099.7	67.1%
Industrial	254.3	64.2%	831.5	9.5%
Other	65.7	29.8%	258.7	29.8%
Net Sales	\$920.0	68.2%	\$3,189.9	44.0%
Gross Profit	\$339.7	62.6%	1,237.9	50.8%
% Margin	36.9%			38.8%
<b>Adjusted EBITDA</b>	<b>\$217.7</b>	<b>76.8%</b>	<b>\$806.5</b>	<b>73.7%</b>
<b>% Margin (1)</b>	<b>23.7%</b>		<b>25.3%</b>	
Net Income - GHI (2)	\$127.0	92.1%	\$516.0	101.7%
Adjusted Net Income - GHI	\$153.2	73.2%	\$574.6	74.1%
<b>Adjusted EPS - GHI</b>	<b>\$2.39</b>	<b>71.1%</b>	<b>\$8.98</b>	<b>71.8%</b>
Free Cash Flow	\$96.3	8.2%	\$561.1	60.7%
Consolidated Gross Debt			\$870.6	
Consolidated Gross Debt Leverage Ratio			1.1x	

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

# ADJUSTED EBITDA RECONCILIATION

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(\$'S IN MILLIONS)

	2017	2018	2019	2020	LTM
<b>Net income</b>	<b>\$159.6</b>	<b>\$241.2</b>	<b>\$252.3</b>	<b>\$347.2</b>	<b>\$518.1</b>
Interest expense	42.7	41.0	41.5	33.0	31.5
Depreciation and amortization	52.0	47.4	60.8	68.8	75.3
Income taxes provision	44.1	69.9	67.3	99.0	152.8
Non-cash write-down and other charges	5.8	3.5	0.8	(0.3)	(4.4)
Non-cash share-based compensation expense	10.2	14.6	16.7	20.9	23.3
Loss on extinguishment of debt	-	1.3	0.9	-	0.8
Transaction costs and credit facility fees	2.1	3.9	2.7	2.2	7.6
Loss on pension settlement, restructuring and other	0.8	1.8	11.0	13.1	1.5
<b>Adjusted EBITDA</b>	<b>\$317.3</b>	<b>\$424.6</b>	<b>\$454.0</b>	<b>\$583.8</b>	<b>\$806.5</b>
Adjusted EBITDA attributable to noncontrolling interests	(6.1)	(7.8)	(5.0)	(2.4)	(6.5)
<b>Adjusted EBITDA attributable to Generac Holdings, Inc.</b>	<b>\$311.2</b>	<b>\$416.8</b>	<b>\$449.0</b>	<b>\$581.4</b>	<b>\$799.9</b>

# ADJUSTED EBITDA RECONCILIATION



(\$'S IN MILLIONS)

## Net income to Adjusted EBITDA reconciliation

	Three months ended June 30,		LTM Ended June 30,	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
Net income attributable to Generac Holdings, Inc.	\$127,036	\$66,145	\$516,000	\$255,793
Net income attributable to noncontrolling interests	873	(2,553)	2,069	(3,957)
Net income	127,909	63,592	518,069	251,836
Interest expense	7,721	7,932	31,450	37,805
Depreciation and amortization	21,229	16,803	75,320	66,339
Income taxes provision	46,362	18,473	152,786	61,404
Non-cash write-down and other charges	1,173	(893)	(4,413)	1,872
Non-cash share-based compensation expense	6,973	5,400	23,329	18,740
Loss on extinguishment of debt	831	-	831	926
Transaction costs and credit facility fees	5,172	358	7,645	1,627
Loss on pension settlement, restructuring and other	309	11,475	1,465	23,717
Adjusted EBITDA	217,679	123,139	806,481	464,266
Adjusted EBITDA attributable to noncontrolling interests	(2,015)	(132)	(6,535)	(2,182)
<b>Adjusted EBITDA attributable to Generac Holdings, Inc.</b>	<b>\$215,664</b>	<b>\$123,007</b>	<b>\$799,946</b>	<b>\$462,083</b>

# ADJUSTED NET INCOME AND FREE CASH FLOW RECONCILIATIONS

**GENERAC®**

(\$'S IN MILLIONS)

	Three months ended June 30,		LTM Ended June 30,	
	2021 (unaudited)	2020 (unaudited)	2021 (unaudited)	2020 (unaudited)
<b>Net income to Adjusted net income reconciliation</b>				
Net income attributable to Generac Holdings, Inc.	\$127,036	\$66,145	\$516,000	\$255,793
Net income attributable to noncontrolling interests	873	(2,553)	2,069	(3,957)
Net income	127,909	63,592	518,069	251,836
Provision for income taxes	46,362	18,473	152,786	61,404
Income before provision for income taxes	174,271	82,065	670,855	313,240
Amortization of intangible assets	11,052	7,667	36,863	31,499
Amortization of deferred financing costs and OID	649	644	2,607	3,622
Loss on extinguishment of debt	831	-	831	926
Transaction costs and credit facility fees	4,954	191	4,084	(103)
Loss on pension settlement, restructuring and other	-	11,460	(3,646)	24,222
Adjusted net income before provision for income taxes	191,757	102,027	711,594	373,406
Cash income tax expense	(37,406)	(13,877)	(133,775)	(44,552)
Adjusted net income	\$154,351	\$88,150	\$577,819	\$328,854
Adjusted net income attributable to noncontrolling interests	(1,121)	342	(3,235)	1,131
<b>Adjusted net income attributable to Generac Holdings, Inc.</b>	<b>\$153,230</b>	<b>\$88,492</b>	<b>\$574,584</b>	<b>\$329,985</b>
<b>Free Cash Flow Reconciliation</b>				
Net cash provided by operating activities	\$122,450	\$101,768	\$648,412	\$399,387
Proceeds from beneficial interests in securitization transactions	651	706	2,690	\$2,558
Expenditures for property and equipment	(26,753)	(13,438)	(90,018)	(52,758)
<b>Free cash flow</b>	<b>\$96,348</b>	<b>\$89,036</b>	<b>\$561,084</b>	<b>\$349,187</b>