

# GENERAC®

Investor Presentation  
June 2010

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# Generac business overview



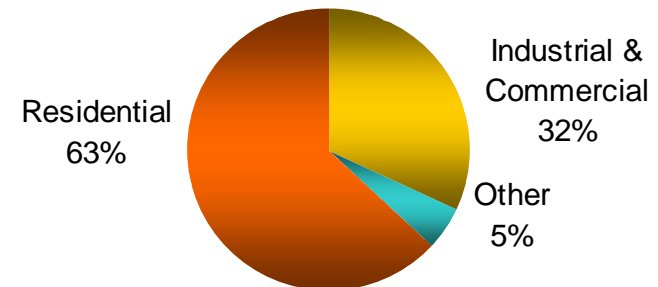
## Business Overview –

- Leading pure play 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 98% North America
- Employees: 1,354 at 12/31/09, over 100 engineers on staff
- Over 1 million sq ft manufacturing & distribution space
- Headquartered in southeast Wisconsin

2009 sales: \$588mm

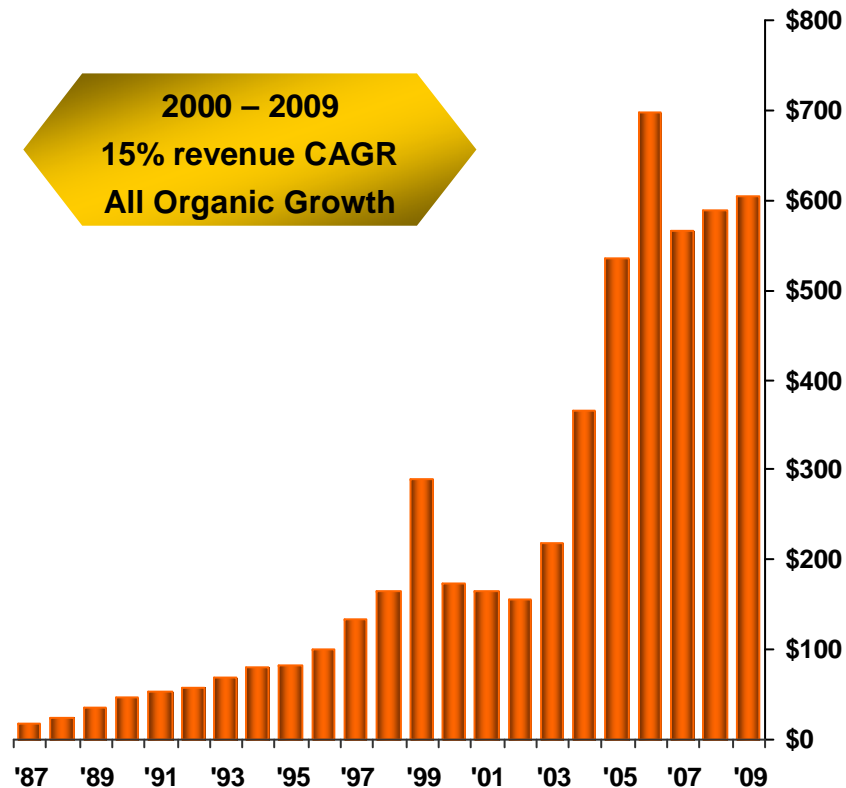


# Broad product offering with leadership in targeted growth markets



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

# Track record of innovation and organic growth



## History of Generac Innovation

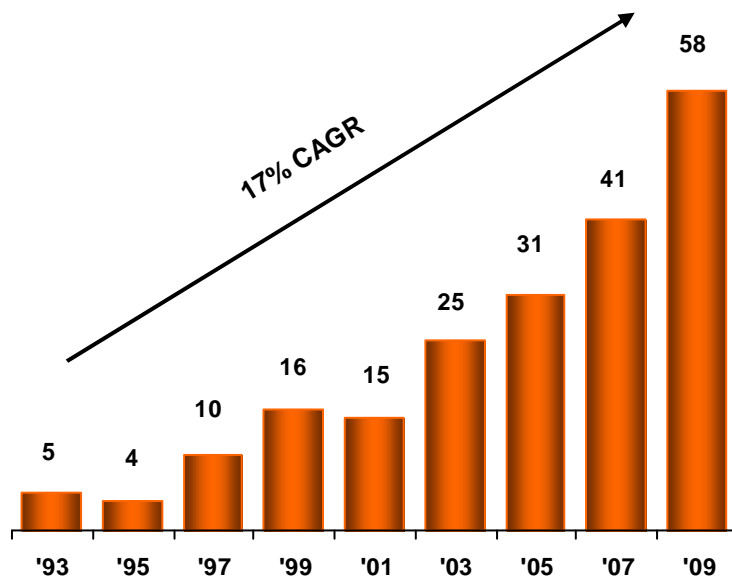
- Developed affordable home standby generator products
- Developed cost effective natural gas light-commercial generator line
- Developed differentiated approach to distribution of residential & commercial generators
- Developed first and only OEM installed Bi-Fuel™ system for industrial and commercial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

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

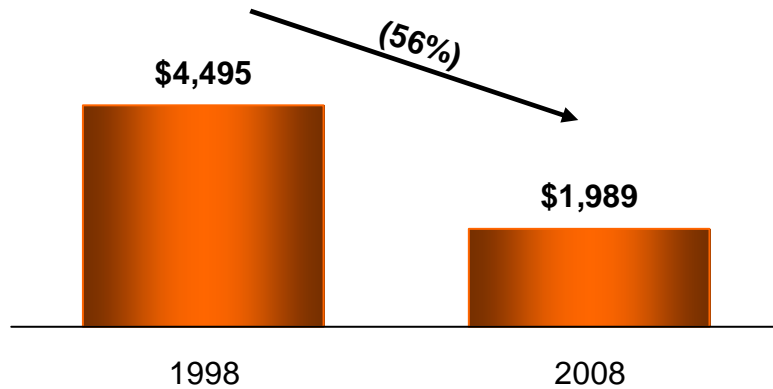
<sup>(1)</sup> Source: North American Electrical Reliability Council. Affecting more than 50,000 customers

<sup>(2)</sup> At \$1mm/mile

# Residential products – Significant penetration opportunity



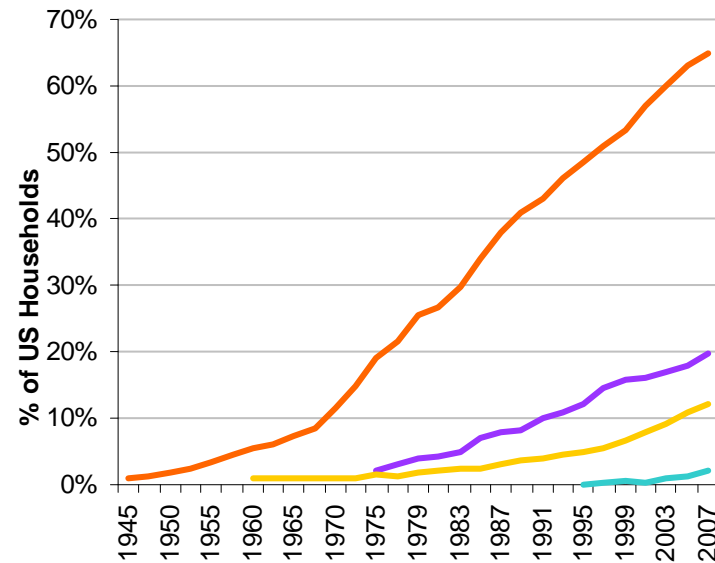
## Affordability fuels adoption



## Automatic Standby Generator Market

- 16% CAGR over 2003-2008
- 2% current household penetration
- Generac has 70% market share

## N.A. penetration opportunity

























- Central Air Conditioning
- Home Security Alarms
- Portable Generators
- Residential Standby Generators

# Light commercial and industrial products – Compelling ROI

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## Cost of 4 hours 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

**Combination of power outage costs and increasing affordability have improved industrial and light commercial customers' ROI**

<sup>(1)</sup> Source: SENTECH



# Differentiated distribution model

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## 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

### Electrical Wholesalers

- Broad access and exposure to electrical contractors

### National Retailers

- Broad exposure for brand

### Catalog and E-Commerce

- Broad exposure for brand and products

### Private Label Partners

- Increased points of distribution

### Direct to National Accounts

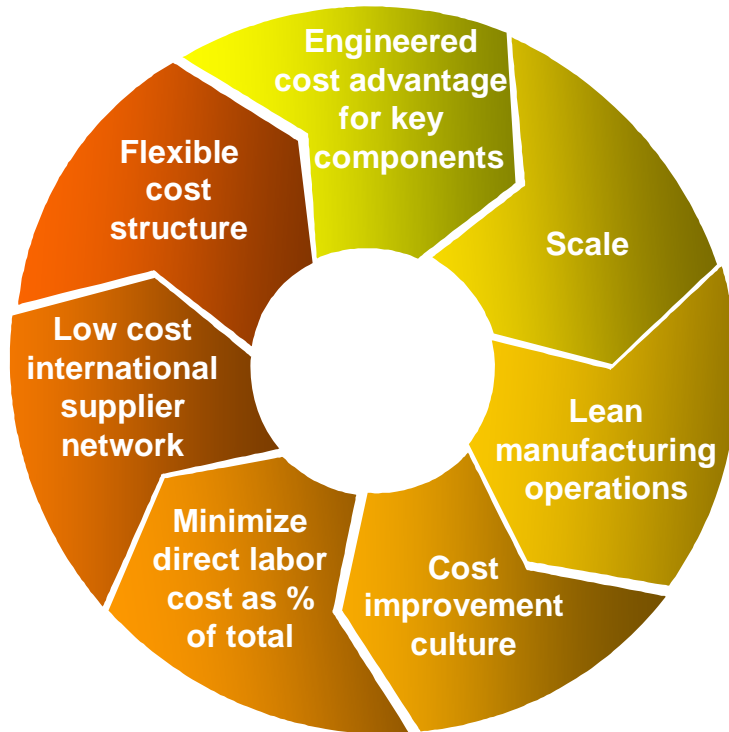
- Direct and coordinated sales approach for large customers

**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**

# Growth strategy: Increase penetration and awareness

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## Affordability

- Introducing a new 7kW entry level price point home standby product in 2010
- Lower cost light commercial natural gas products driving higher growth rates versus traditional diesel generators



*Popular Mechanics Magazine*

## Distribution

- Continued effort to add dealers in underserved markets
- Focus on new home construction opportunity
- Leverage retail relationships to create awareness
- Expanding private label programs

## Marketing

- Increase use of direct marketing campaigns
- Outage response advertising
- Build brand awareness



# Growth strategy: Gain market share



## Industrial Opportunity

- Competing through innovative technologies - MPS & Bi-Fuel
- Differentiated diesel product offering increases market share opportunity
- Focus on natural gas generators benefits from clean fuel movement

## Portables Opportunity

- Rapid growth in market share since market re-entry in 2008
- Leverages sourcing, manufacturing, distribution and brand recognition
- Wide breadth of product offering versus competitors

# Growth strategy: New products & new distribution



## New Product Pipeline

- Demonstrated history of new product innovations
- Over 100 engineers on staff
- Advanced R&D product development pipeline
- Capability to rapidly launch new products

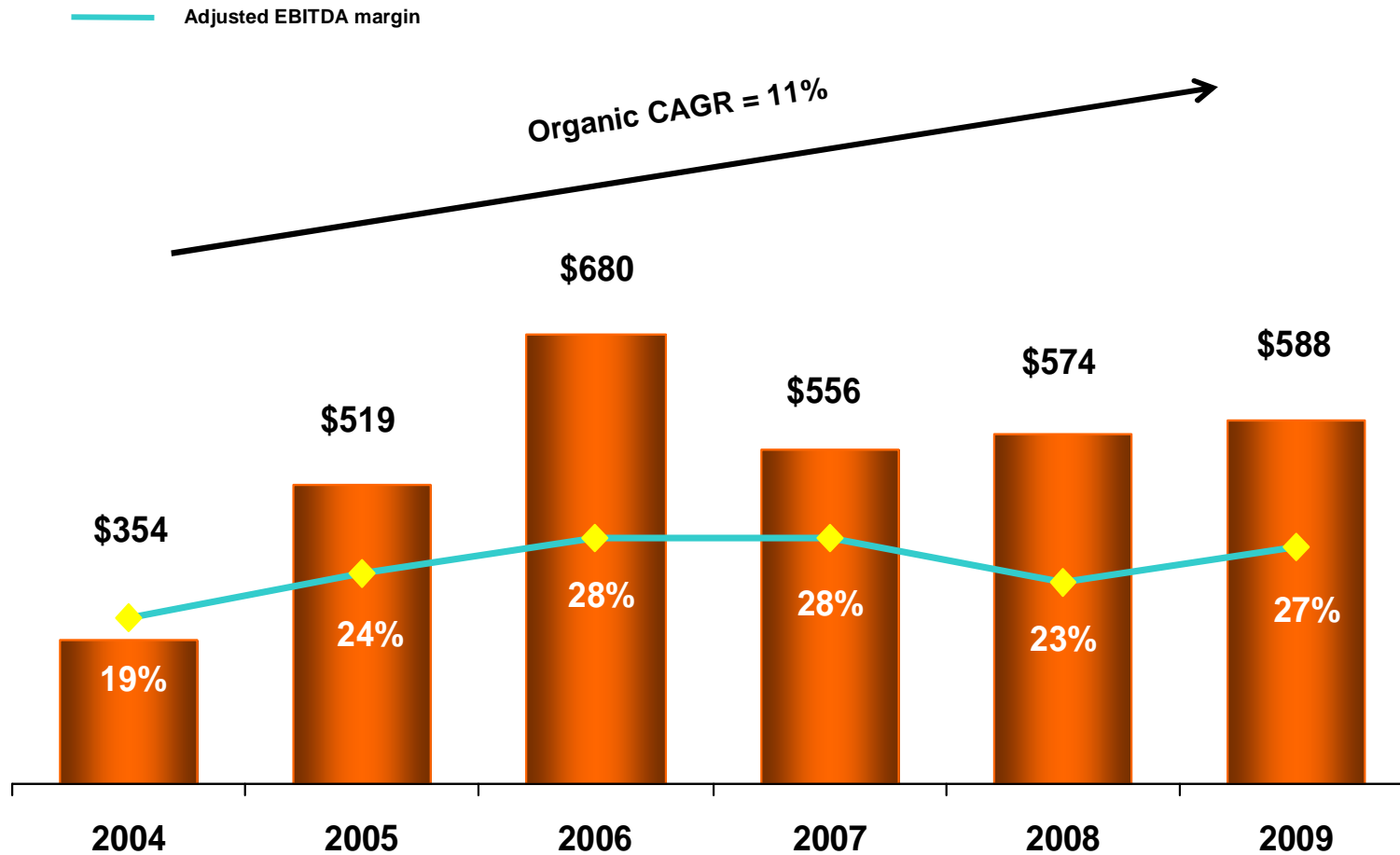
## Expanding Market Reach

- Continued expansion of current distribution
- International distribution expansion
- Focus on higher growth vertical market segments
- Additional private label opportunities
- Expanding industrial national accounts business

# Sales growth and profitability

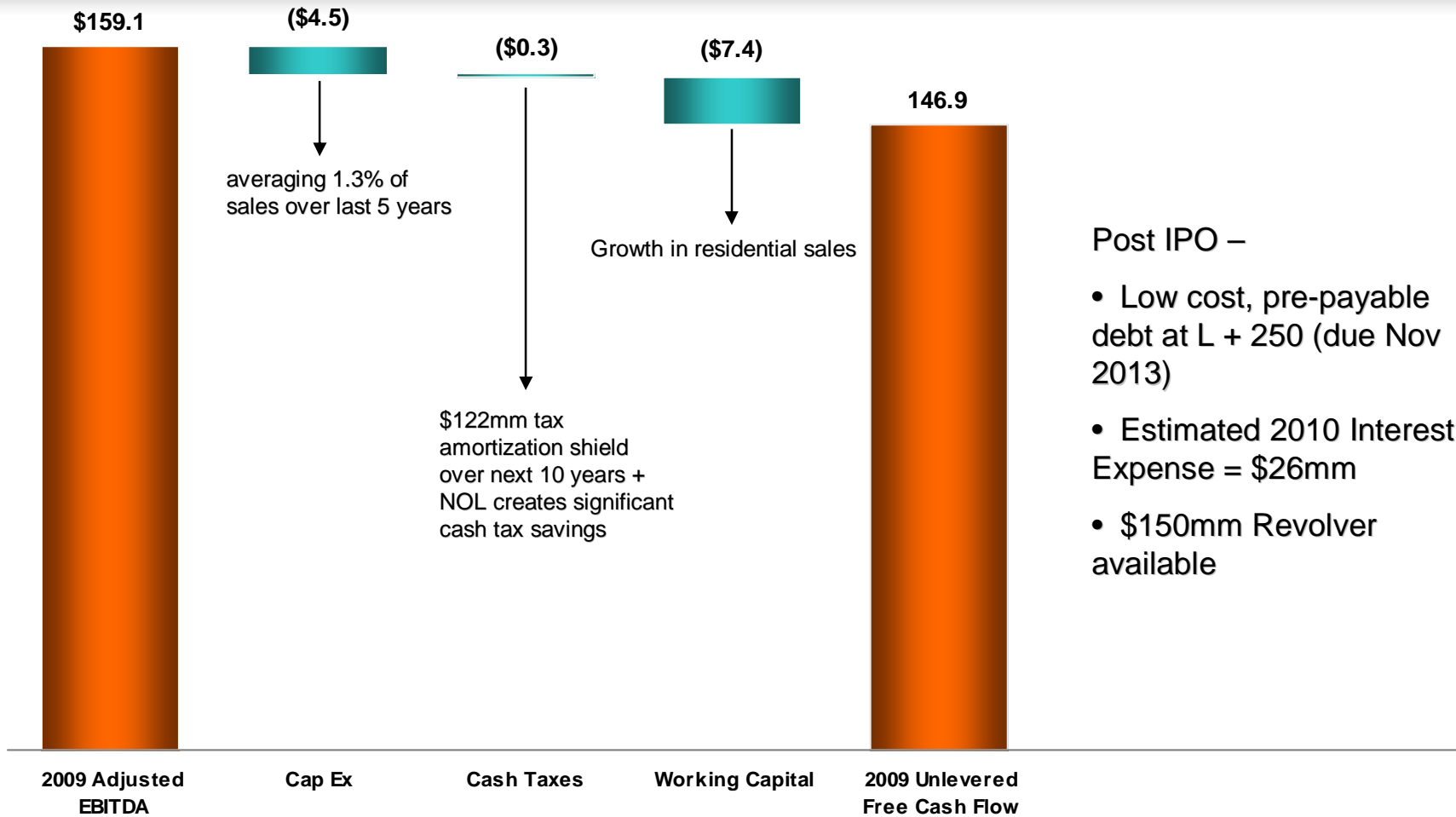


## Sales and Adjusted EBITDA Margin



Note: amounts in \$ million

# Strong free cash flow



Post IPO –

- Low cost, pre-payable debt at L + 250 (due Nov 2013)
- Estimated 2010 Interest Expense = \$26mm
- \$150mm Revolver available

**Low capital requirements, significant tax benefits, and efficient capital structure → Strong free cash flow**

# Q1 2010 Overview

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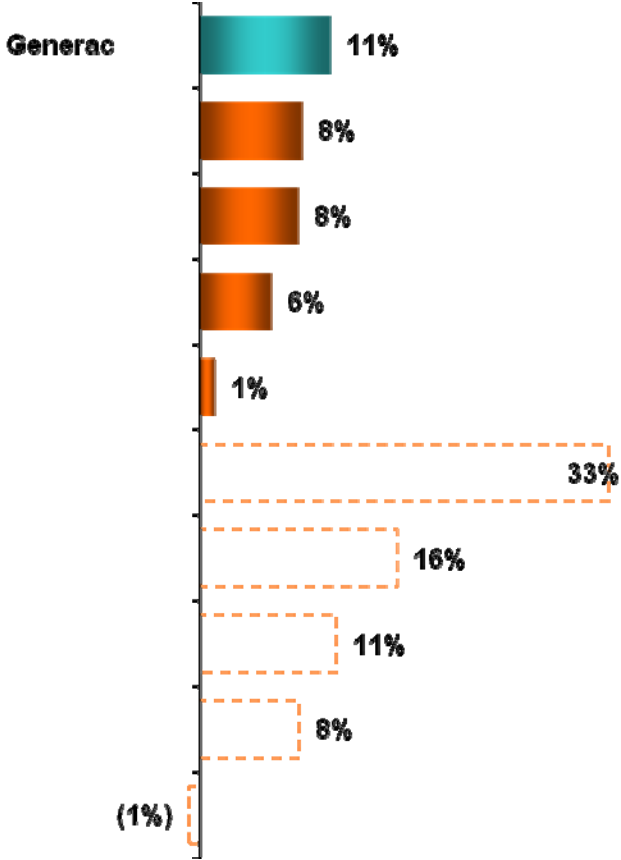
<b>(\$mm)</b>	<b>Q1 2010</b>	<b>YoY % Change</b>
Revenue	\$130.7	(6.9%)
Gross Profit	\$51.4	8.2%
<i>% Margin</i>	39.3%	
Adjusted EBITDA	\$31.8	10.2%
<i>% Margin</i>	24.3%	
Cash From Operations	\$18.4	
Capital Expenditures	\$1.2	
Net Debt	\$665.1	(28.5%)
Consolidated Net Debt Leverage Ratio	4.1x	



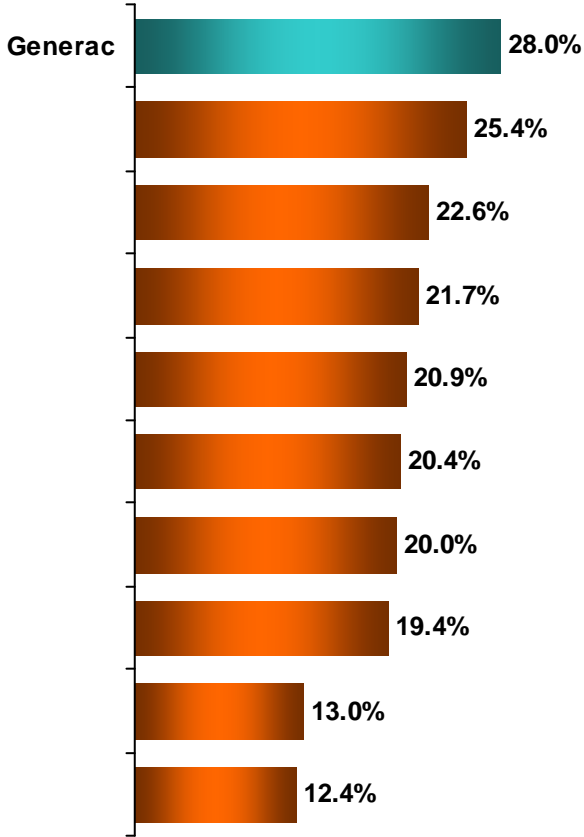
# Strong organic sales growth and profitability



5-Year Sales CAGR vs. Peers



LTM Q1 2010 EBITDA Margin vs. Peers



Companies for which acquisitions comprise a substantial part of revenue growth

Peer Group consists of AME, BMI, ESE, GGG, IEX, ITRI, KDN, NDSN, and ROP.

# Key Investment Highlights



- Powerful long-term industry fundamentals
- Low penetration of residential and light commercial standby generators
- Differentiated operating model creates sustainable competitive advantages
- Driving growth through innovation and distribution expansion
- Best-in-class growth, profitability and cash flow generation



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**Appendix**

# Adjusted EBITDA reconciliation

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(\$mm)

	2004	2005	2006	2007	2008	2009	Q1 2009	Q1 2010
<b>Reported net income</b>	<b>\$60.2</b>	<b>\$121.3</b>	<b>(\$3.2)</b>	<b>(\$9.7)</b>	<b>(\$556.0)</b>	<b>\$43.1</b>	<b>\$5.8</b>	<b>\$2.5</b>
Interest expense	0.2	0.3	19.0	125.4	108.0	70.9	18.0	8.5
Depreciation and amortization	4.6	5.0	14.2	53.8	54.8	59.7	14.7	14.7
Income taxes provision (benefit)	0.5	0.7	5.5	(0.6)	0.4	0.3	0.1	0.1
Non-cash impairment and other charges	0.2	0.4	7.4	5.3	585.6	(1.6)	(1.2)	0.1
Non-cash stock-based compensation expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2
Write-off of deferred financing costs related to debt extinguishment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.2
Transaction costs and credit facility fees	0.0	0.0	149.9	1.0	1.3	1.2	0.4	0.4
Non-cash gains	0.0	(1.3)	0.0	(18.8)	(65.4)	(14.7)	(9.1)	0.0
Business optimization expenses	2.5	0.5	0.5	1.9	1.0	0.0	0.0	0.1
Sponsor fees	0.0	0.0	0.1	0.5	0.5	0.5	0.1	0.1
Letter of credit fees	0.0	0.0	0.0	0.3	0.2	0.1	0.0	0.0
Other state taxes	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Holding company interest income	0.0	0.0	(0.1)	(1.1)	(0.6)	(0.4)	0.0	(0.0)
<b>Adjusted EBITDA</b>	<b>\$68.2</b>	<b>\$126.9</b>	<b>\$193.3</b>	<b>\$158.1</b>	<b>\$129.9</b>	<b>\$159.1</b>	<b>\$28.9</b>	<b>\$31.8</b>