

# Investor Presentation **September 2011**

# GENERAC®



# powering ahead



# 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," "project," "plan," "intend," "believe," "confident," "may," "should," "can have," "likely," "future" 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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# Generac Business Overview



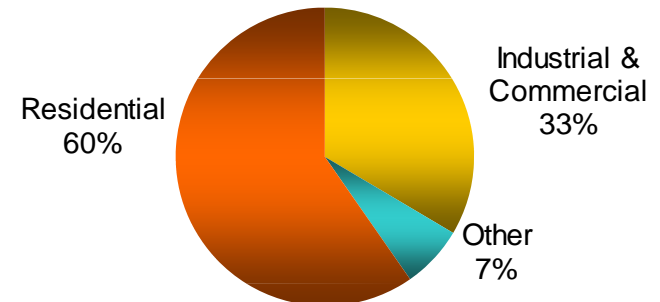
## Business Overview –

- 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

**6/30/11 LTM Sales:  
\$607mm**

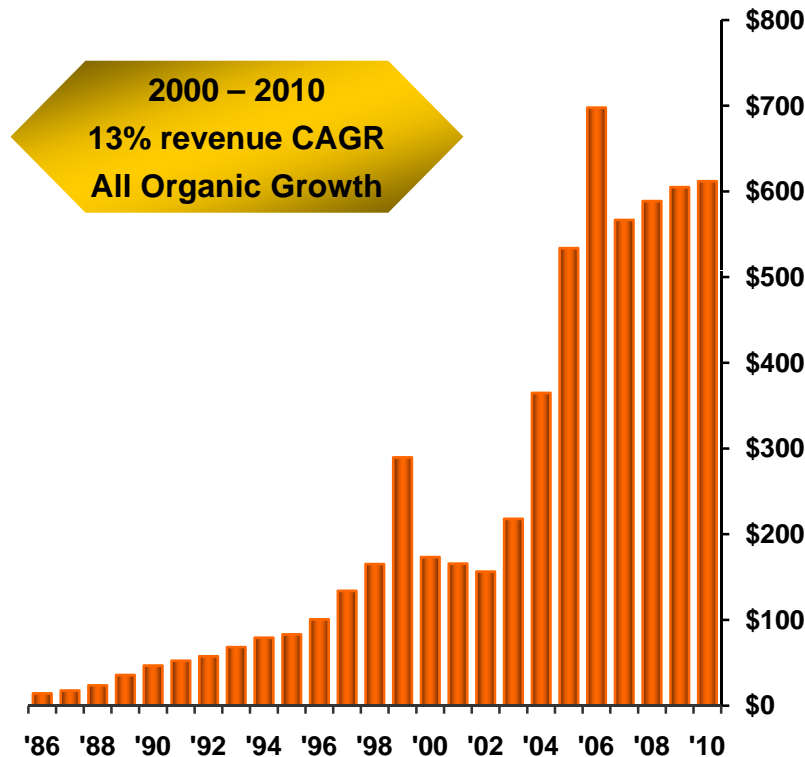


# Broad Product Offering With Leadership in Targeted Growth Markets



<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 Products</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

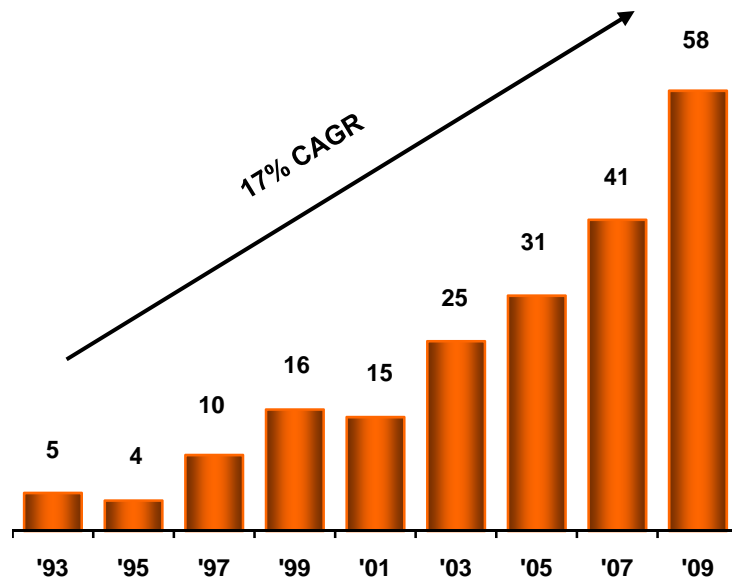
- Developed affordable home standby generator products
- Developed cost effective natural gas light-commercial generator line
- Developed differentiated approach to distribution of residential & commercial generators
- Developed first and only OEM installed Bi-Fuel™ system for industrial and commercial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

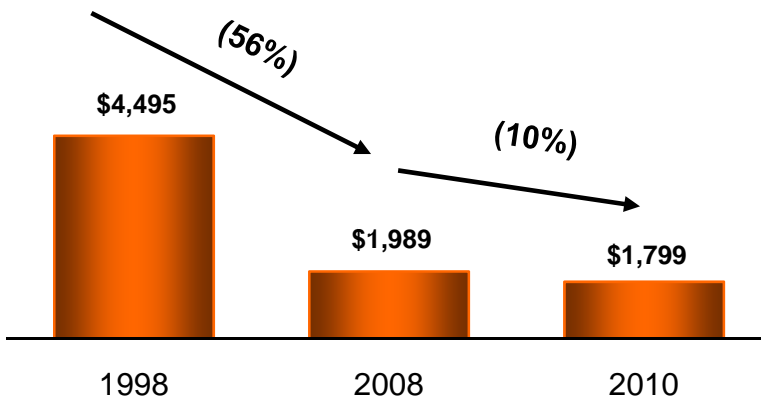
(1) Source: North American Electrical Reliability Council. Affecting more than 50,000 customers.

(2) At \$1mm/mile.

# Residential Products – Significant Penetration Opportunity



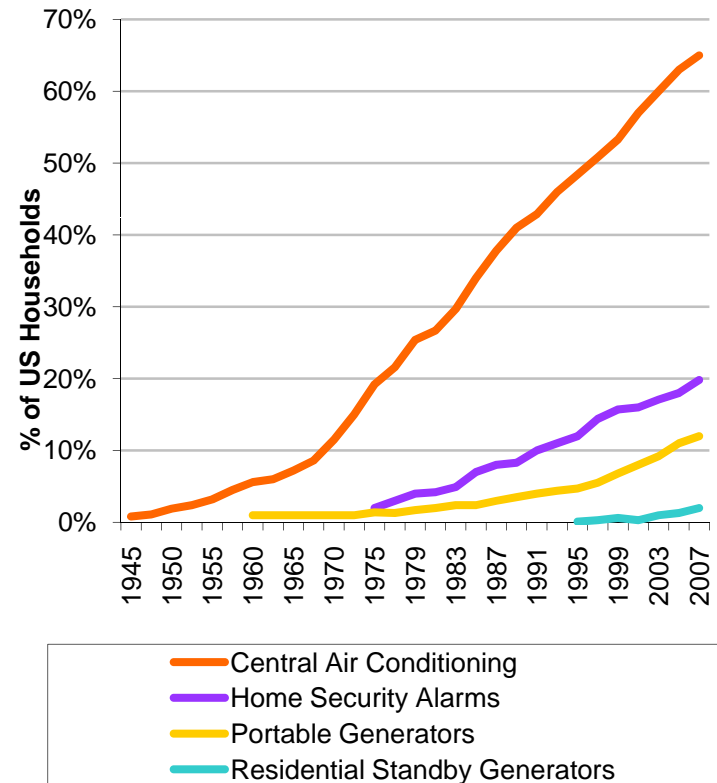
## Affordability fuels adoption



## 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	<ul style="list-style-type: none"> <li>Grocery and convenience stores</li> </ul>	\$26,234	    
Food Service	<ul style="list-style-type: none"> <li>Restaurants</li> </ul>	\$20,161	    
Mercantile	<ul style="list-style-type: none"> <li>Retail stores, pharmacies</li> </ul>	\$4,892	    
Healthcare	<ul style="list-style-type: none"> <li>Hospitals, nursing homes</li> </ul>	\$1,593	  
Telecom	<ul style="list-style-type: none"> <li>Wireless towers</li> </ul>	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

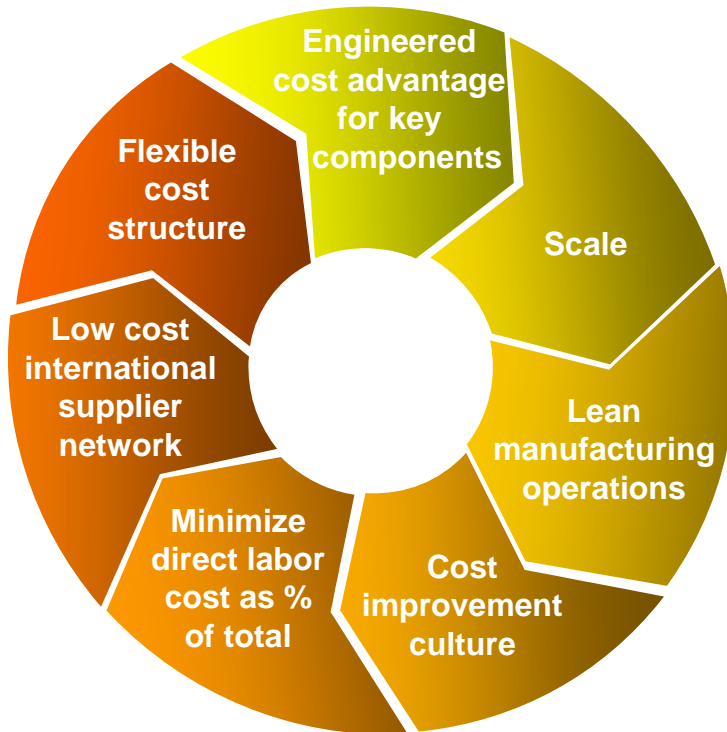
- Direct and coordinated sales approach for nat'l acct customers

**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

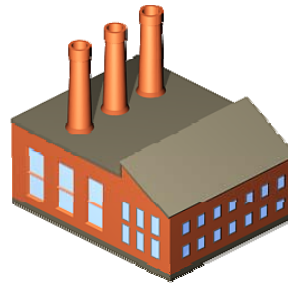


**Value based culture drives best-in-class profitability**



## ***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

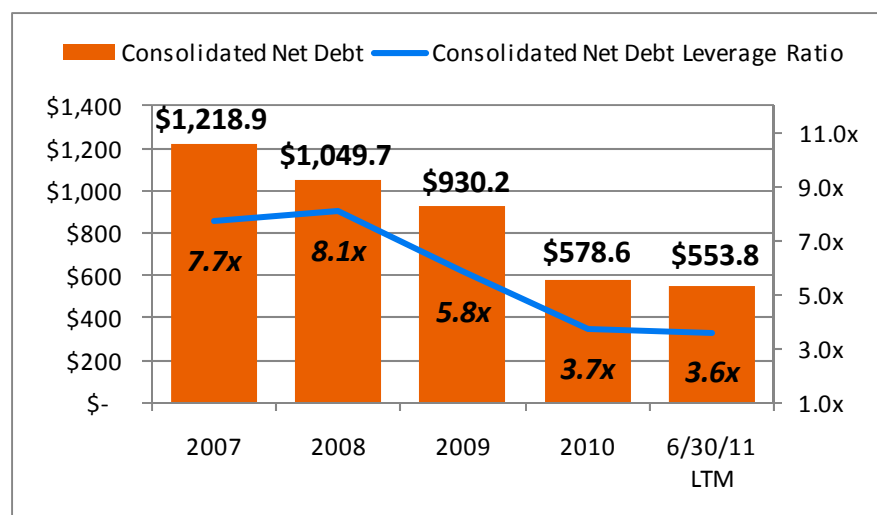
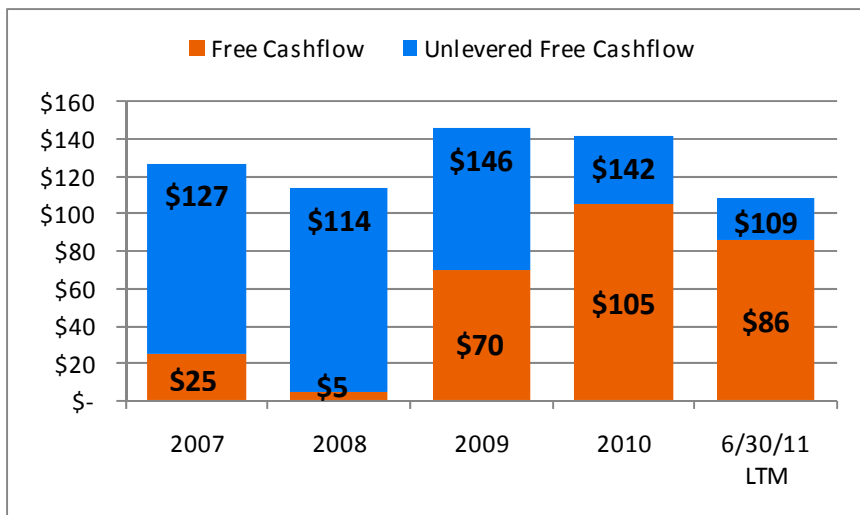
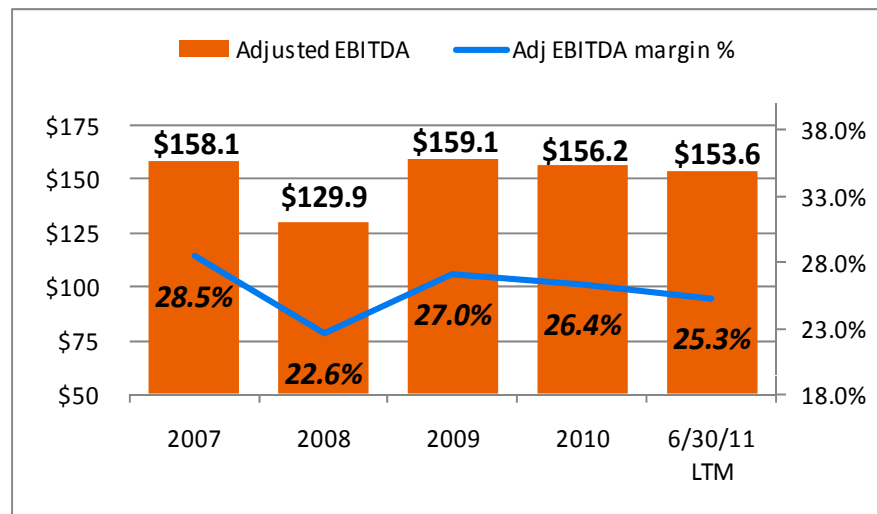
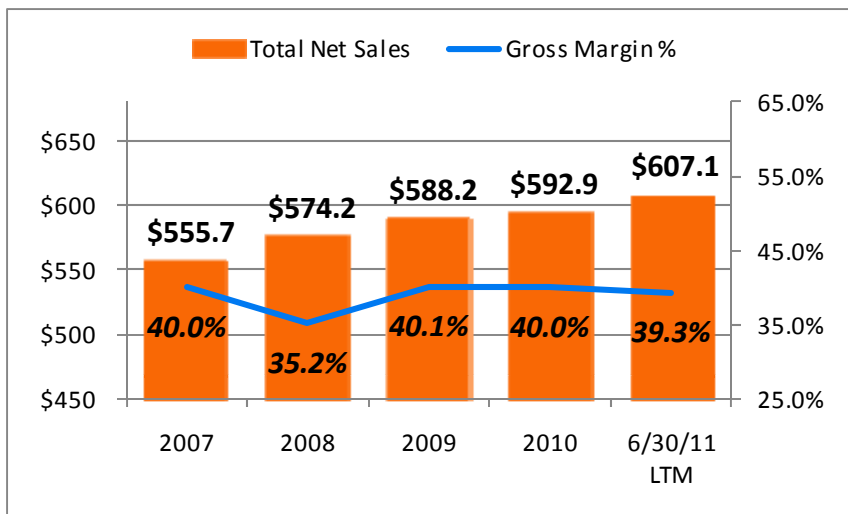


## Enter New Geographies

- ~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



# Financial Summary



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

# Raised 2<sup>nd</sup> Half 2011 Business Outlook



■ **Previous outlook assumed no major outage events**

- July 2011 – Chicago area ~750,000 homes without power
- August 2011 – East Coast ~5,000,000 homes without power

Revised Business Outlook	2nd Half 2011	
	Q3 2011	Q4 2011
Residential product net sales	up over 50% vs. prior year; Portables driven	up 15-20% vs. prior year; HSB driven
Commercial & Industrial product net sales	reaffirm solid double digit growth for full year	
Gross margins	roughly in-line w/ Q2 2011	up sequentially from Q3 2011
Operating Expenses	Up sequentially from Q2 2011	
	Higher operating leverage vs. PY	Lower operating leverage vs. PY
Earnings	meaningful increase vs. previous outlook	

*Previous Outlook = Flat vs. Prior Year*



# 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™



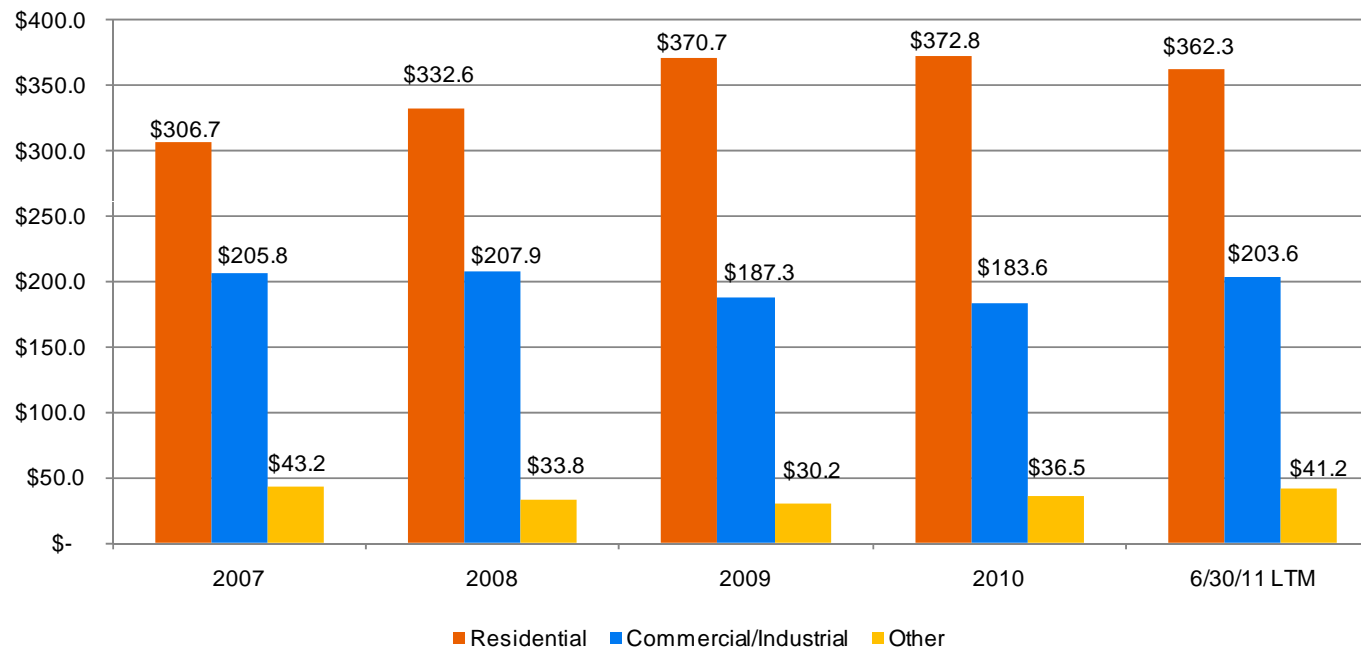
**Appendix**

# Net Sales by Product Class



## Net Sales by Product Class

(\$ in millions)



# Q2 2011 & LTM Financial Overview

(\$ in millions)

	<u>Actual Q2 2011</u>	<u>Y/Y % Change</u>	<u>Actual LTM 6/30/11</u>	<u>Y/Y % Change</u>
Residential	\$ 92.2	4.9%	\$ 362.3	(0.3%)
Industrial	57.3	32.4%	203.5	18.0%
Other	11.8	27.5%	41.2	22.3%
Net Sales	<u>\$ 161.4</u>	14.9%	<u>\$ 607.1</u>	6.6%
Gross Profit	\$ 60.4	10.2%	\$ 238.7	1.9%
<i>% Margin</i>	37.4%		39.3%	
Adjusted EBITDA	\$ 37.6	4.6%	\$ 153.6	(2.8%)
<i>% Margin</i>	23.3%		25.3%	
Net Income	\$ 15.3	19.1%	\$ 61.7	48.5%
Adjusted Net Income	\$ 27.7	5.8%	\$ 114.4	15.2%
Adjusted EPS	\$ 0.41	5.1%	\$ 1.70	N/M
Free Cash Flow	\$ 13.5	(49.6%)	\$ 85.8	(9.4%)
Consolidated Net Debt			\$ 553.8	(13.2%)
Consolidated Net Debt Leverage Ratio			3.6x	

# 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 June 30,		Six Months Ended June 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Net income	\$ 15,289	\$ 12,834	\$ 20,133	\$ 15,302
Interest expense	5,934	5,720	11,935	14,212
Depreciation and amortization	13,860	14,859	27,523	29,511
Income taxes provision	87	77	180	159
Non-cash impairment and other charges (1)	158	415	604	564
Non-cash share-based compensation expense (2)	1,717	1,713	3,717	2,959
Write-off of deferred financing costs related to debt extinguishment	186	-	186	4,180
Transaction costs and credit facility fees	258	305	431	667
Other	127	35	391	236
Adjusted EBITDA	\$ 37,616	\$ 35,958	\$ 65,100	\$ 67,790

# Adjusted Net Income & Free Cash Flow Reconciliations

**GENERAC**

(\$ in thousands)

Net income to Adjusted net income reconciliation	Three Months Ended June 30,		Six Months Ended June 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Net income	\$ 15,289	\$ 12,834	\$ 20,133	\$ 15,302
Provision for income taxes	87	77	180	159
Income before provision for income taxes	15,376	12,911	20,313	15,461
Amortization of intangible assets	11,856	12,921	23,583	25,682
Amortization of deferred loan costs	494	562	996	1,301
Write-off of deferred financing costs related to debt extinguishment	186	-	186	4,180
Adjusted net income before provision for income taxes	27,912	26,394	45,078	46,624
Cash income tax expense	(256)	(245)	(280)	(310)
Adjusted net income	\$ 27,656	\$ 26,149	\$ 44,798	\$ 46,314
<b>Free Cash Flow Reconciliation</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2011</b> (unaudited)	<b>2010</b> (unaudited)	<b>2011</b> (unaudited)	<b>2010</b> (unaudited)
Net cash provided by operating activities	\$ 15,314	\$ 28,209	\$ 27,984	\$ 46,645
Expenditures for property and equipment	(1,835)	(1,471)	(3,404)	(3,035)
Free Cash Flow	\$ 13,479	\$ 26,738	\$ 24,580	\$ 43,610
Cash interest expense	5,573	5,351	11,478	25,316
Unlevered free cash flow	\$ 19,052	\$ 32,089	\$ 36,058	\$ 68,926