



# Baird Industrial Conference

November 10, 2015



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# Forward Looking Statements

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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.

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 Generac products; availability, cost and quality of raw materials and key components used in producing Generac products; the impact on our results of possible fluctuations in interest rates and foreign currency exchange rates; 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; difficulties Generac may encounter as its business expands globally; competitive factors in the industry in which Generac operates; Generac's dependence on its distribution network; Generac's ability to invest in, develop or adapt to changing technologies and manufacturing techniques; loss of key management and employees; increase in product and other liability claims or recalls; and changes in environmental, health and safety laws and regulations.

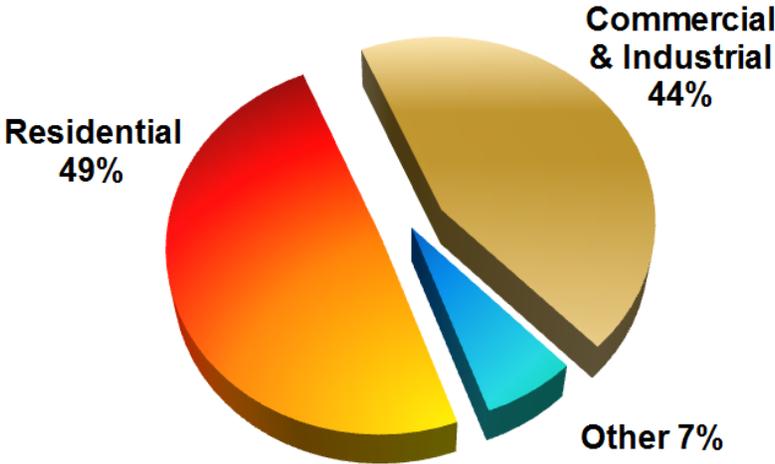
Should one or more of these risks or uncertainties materialize, Generac's actual results may vary in material respects from those projected in any forward-looking statements. A detailed discussion of these and other factors that may affect future results is contained in Generac's filings with the Securities and Exchange Commission ("SEC"), particularly in the Risk Factors section of our 2014 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.

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

**9/30/15 LTM Sales: \$1.363 billion**



Approx. **4.0 million ft<sup>2</sup>** of manufacturing, distribution and fulfillment capacity located in the **U.S., Mexico, Italy, UK and Brazil.**

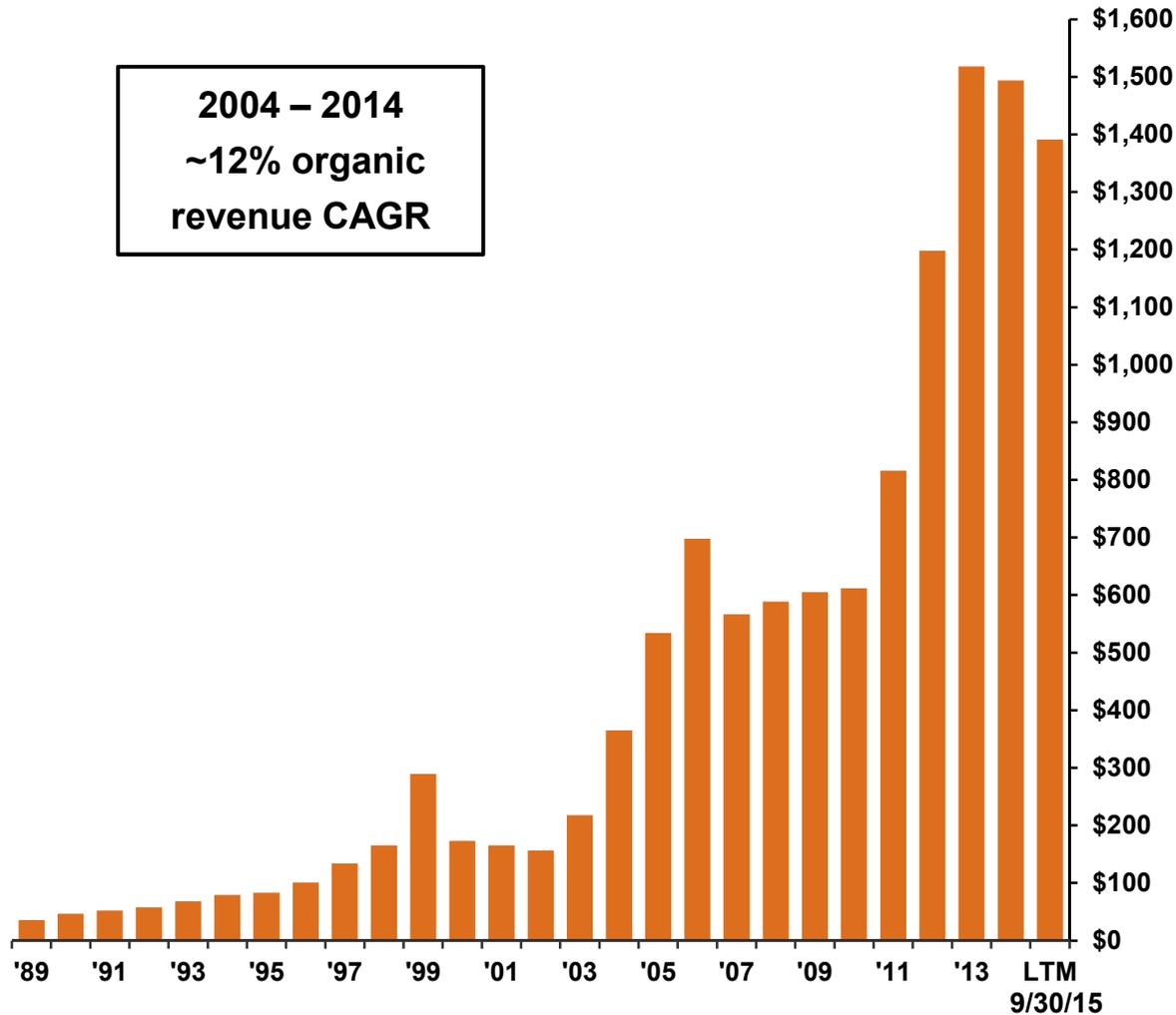
**Eight acquisitions completed since 2011**, including recent strategic acquisitions of MAC and Country Home Products

Approx. **3,600 employees** (as of 12/31/2014)

# Track Record of Innovation & Growth



**2004 – 2014**  
**~12% organic**  
**revenue CAGR**



## 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 12/31/14, over 170 U.S. and international patents and patent applications
- 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 – 2015; see slide titled “Summary of Acquisitions” for further details.

# Residential Stationary Products



## 6kW to 60kW



**Air-cooled Home Standby Generators**

Emergency backup – small to medium homes



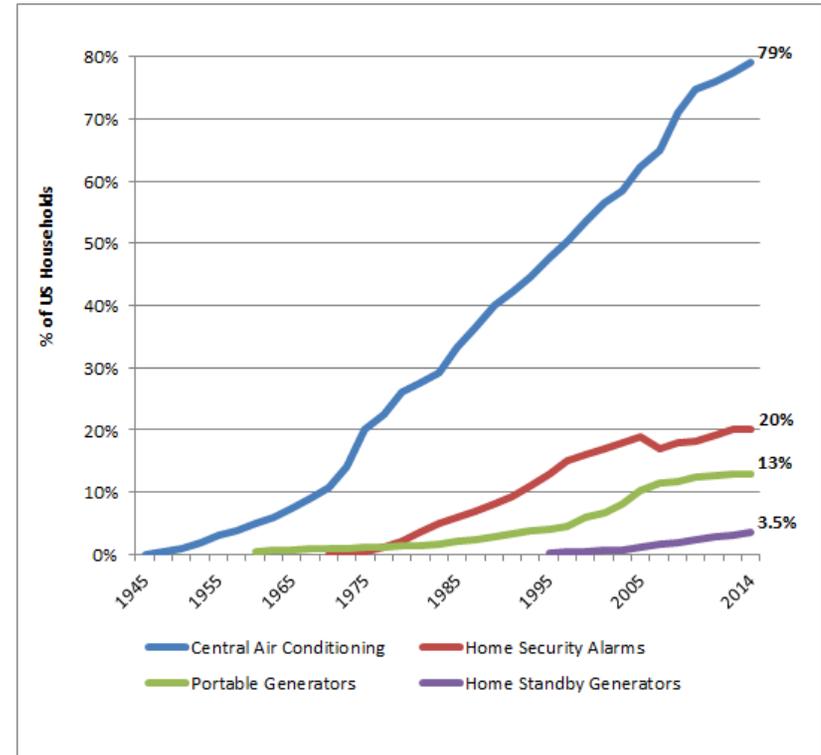
**Liquid-cooled Home Standby Generators**

Emergency backup – larger homes & small businesses

### 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:** ~ 75% share of domestic home standby market with significant barriers to entry
- **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 2004-2014

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



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

- ~75% of buyers age 50 and older
- 45-50% of homes valued under \$300k
- 80-85% retro-fit application

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

# Engine Powered Tools (EPT)



## Portable & Inverter Generators

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



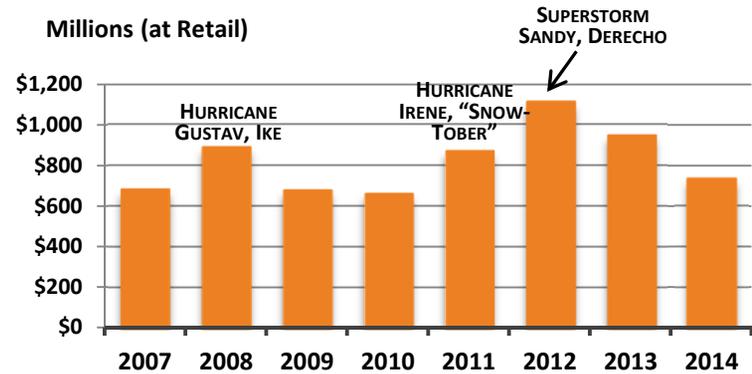
## Chore-Related Outdoor Power Equipment

Wide variety of property maintenance applications – residential, light commercial, municipal and farm

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



## PORTABLE GENERATOR MARKET



Source: Frost & Sullivan, SBI, EGSA, Generac estimates

### Long-Term Growth Themes

- **Portable generator market leader:** further enhances brand awareness; demand driven by aging/underinvested grid and baseline outages augmented with major events
- **Diversification with “chore” products:** expanding line of other engine-powered products that is not dependent on power outage activity
- **Recent CHP acquisition:** significantly expands EPT 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

**Estimated Annual Market between \$1.7B to \$2.4B<sup>(1)</sup>**



(1) Source: Frost & Sullivan, SBI, EGSA, Generac estimates; based on sales price to Generac customers

# C&I Stationary Products



## 20kW to 3.25MW<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**

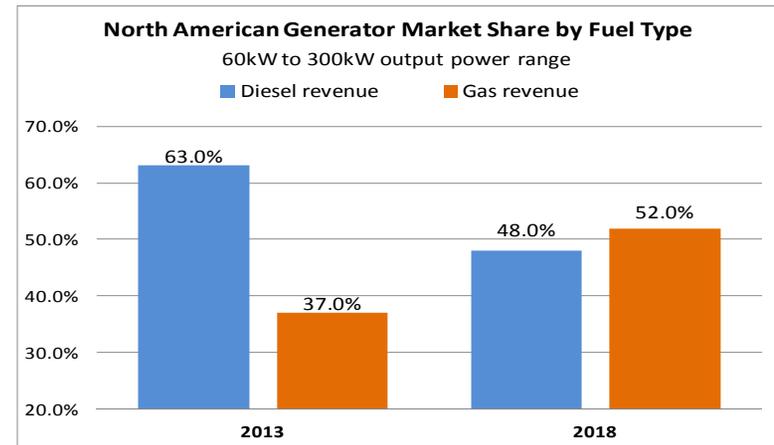
Emergency backup – small to mid-sized retail, telecom, municipal

(1) Up to 3.25MW 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:** future acquisitions to accelerate 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

## Natural Gas vs. Diesel Market Growth<sup>(2)</sup>



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

- Nat gas gensets up to 35% less expensive
- Lower operating costs than diesel - improved ROI

## ~\$3B Domestic, ~\$18B Global Market<sup>(1)</sup>

**Non-Residential Construction**



**Telecom**



**Commercial Healthcare**



**Retro-Fit Application**



**Data Centers Government Industrial**



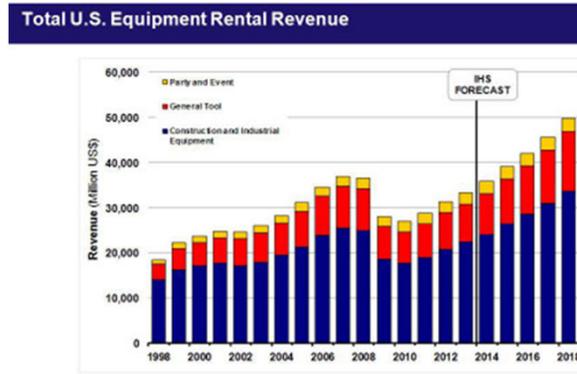
# C&I Mobile Products



## Light Towers, Mobile Generators, Pumps & Heaters

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

## Mobile Equipment - Rental vs. Buy



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

- Overall industry projected to grow at ~ 9% CAGR from 2014-18
- Construction and industrial projected to grow at a similar level

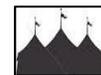
### Long-Term Growth Themes

- **Secular shift toward renting:** mobile products platform benefitting from shift toward renting in lieu of buying
- **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
- **Diversification into new products:** entry into adjacent “engine-powered” rental equipment categories, both organically and through acquisitions

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



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



#### EVENT

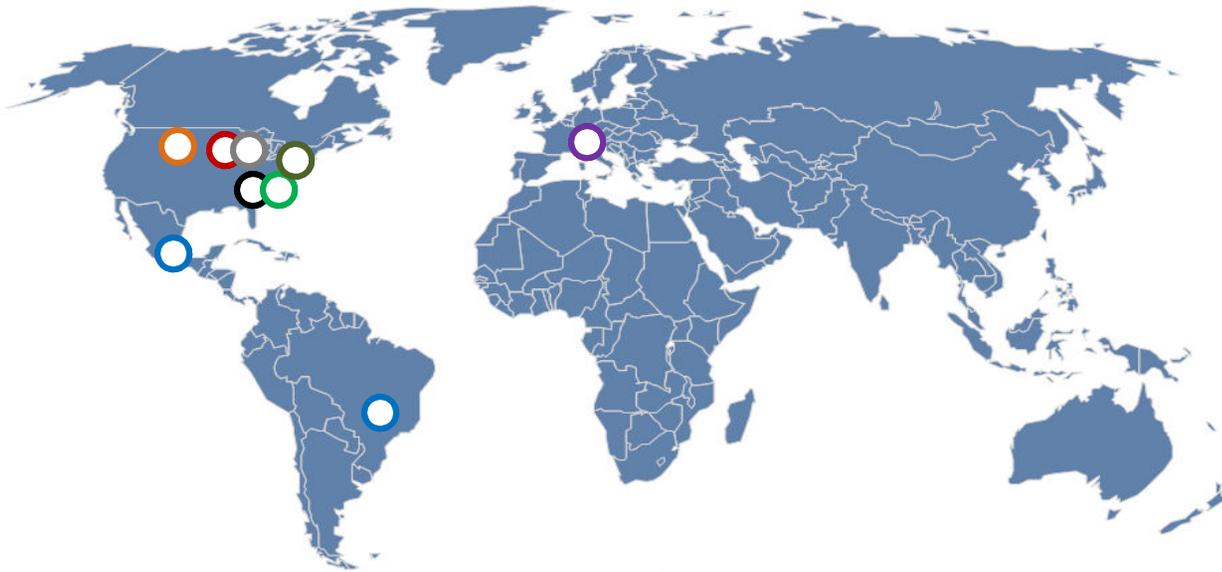


#### GENERAL RENTAL

- 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

# Summary of Acquisitions

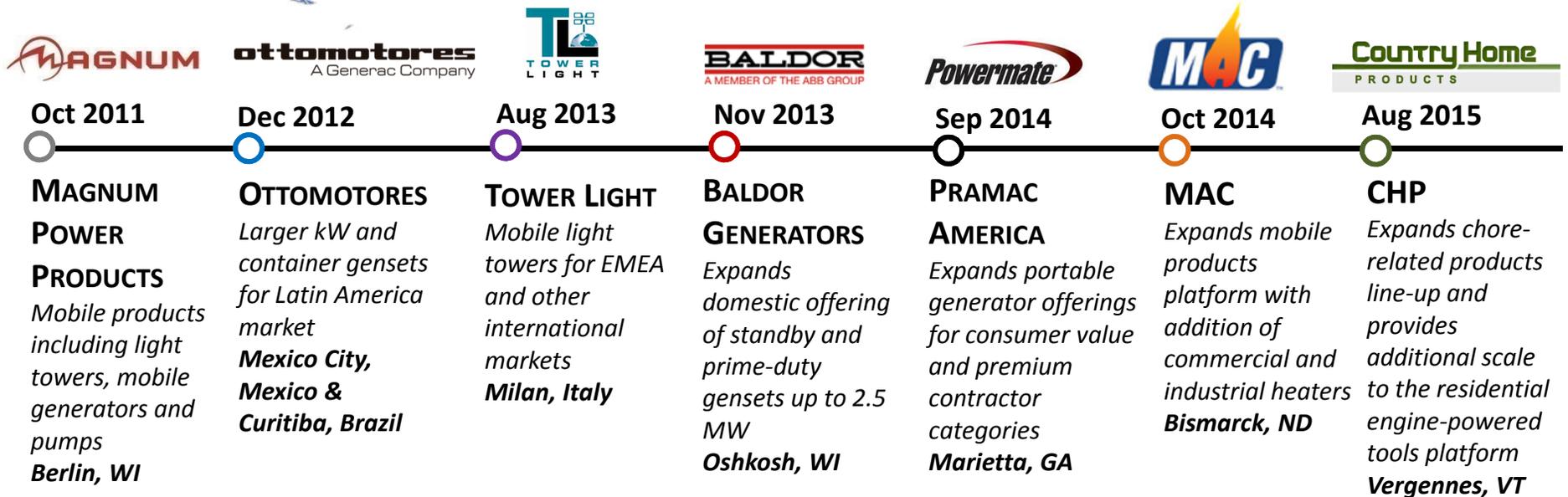


## Revenue synergies

- ✓ 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



10 Represents relatively smaller acquisition of Gen-Tran completed in February 2012 (manual transfer switches for portable generators - Alpharetta, GA)

# Differentiated Distribution Model



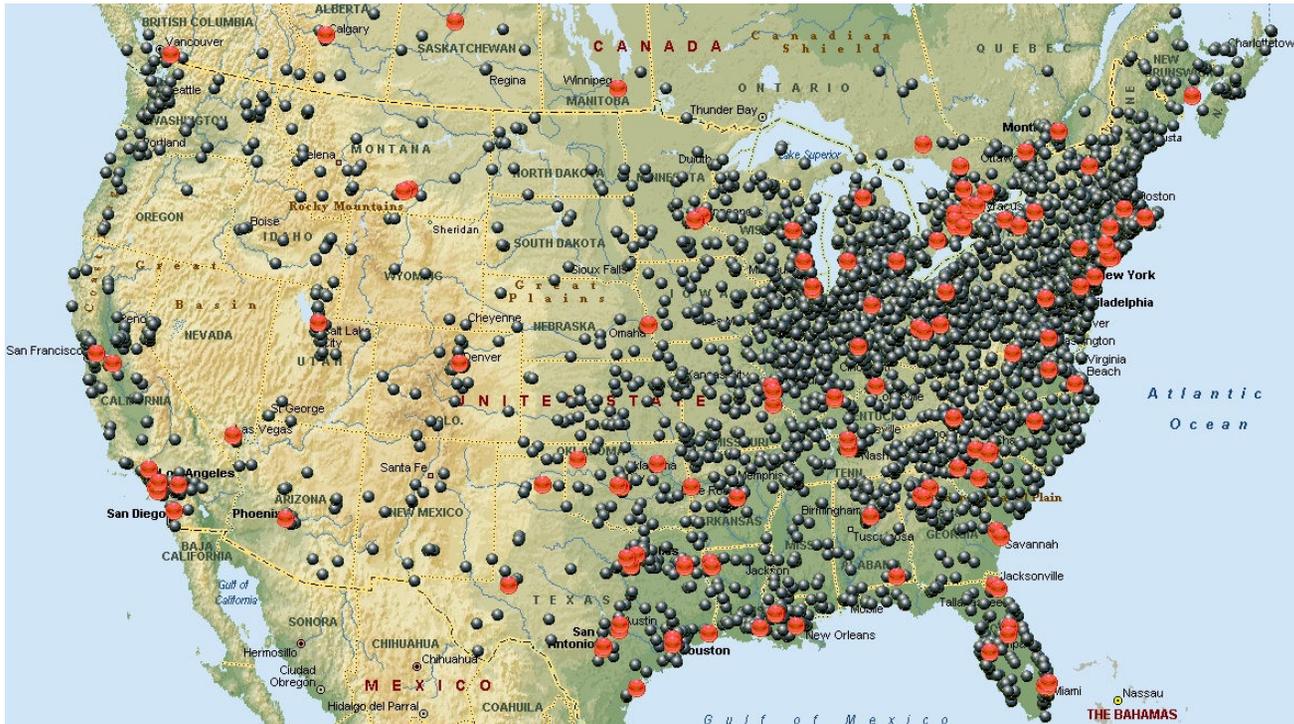
**Residential & Light Commercial  
Distribution (legacy Generac):**

● = ~ 5,300 Res/Comm Dealers

**Commercial & Industrial  
Distribution (legacy Generac):**

● = ~ 135 Industrial Dealer and GAIN Dealer Locations

- Res/Comm Dealers
- National Retailers
- Catalog and E-Commerce
- Wholesalers
- Direct to Consumer
- Private Label Partners



- Industrial Distributors
- National Accounts
- Equipment Rental Yards
- Oil and Gas Accounts
- Gov't and Military

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

# Innovative Sales and Marketing Tools



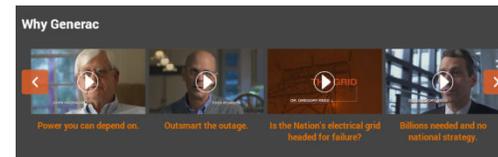
## Finding the most “likely” prospect

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



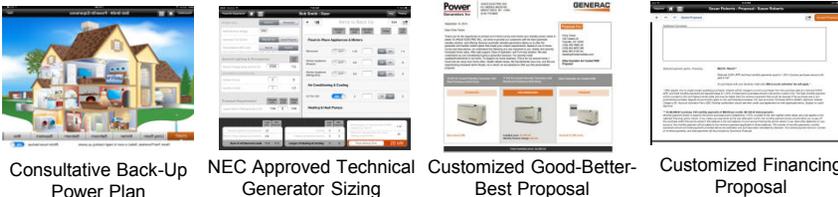
## Driving optimized media selection

- “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



## 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
- Sales process excellence to improve spec rates, quoting and close rates



## Diversify End Markets with new products and services

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

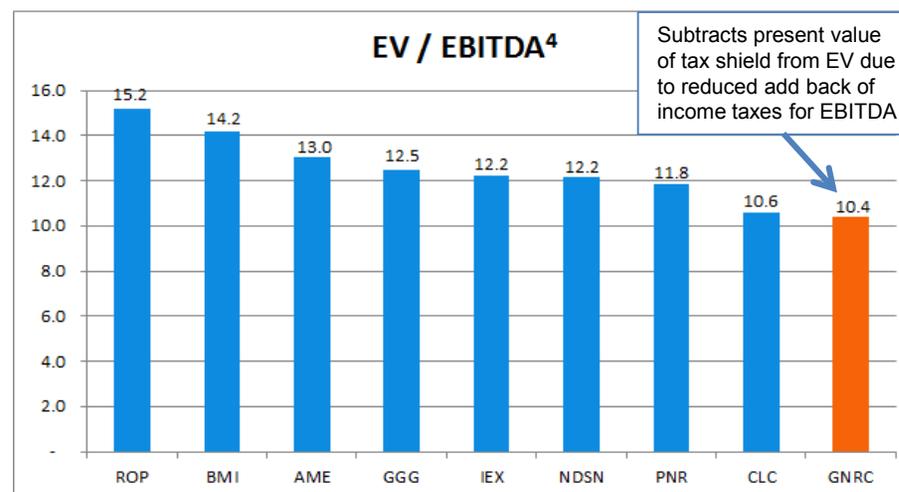
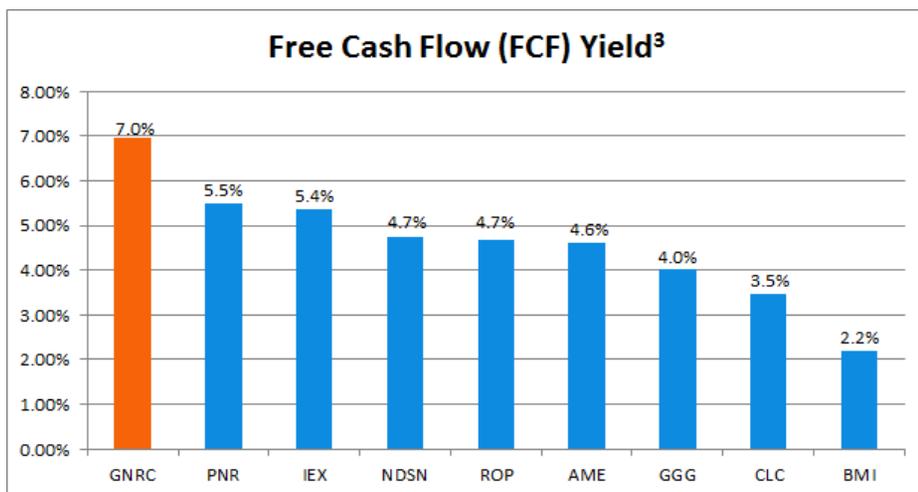
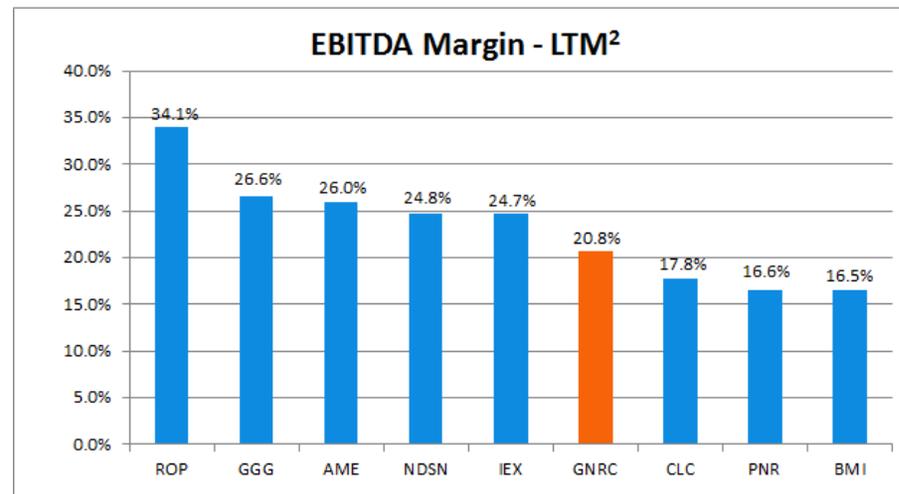
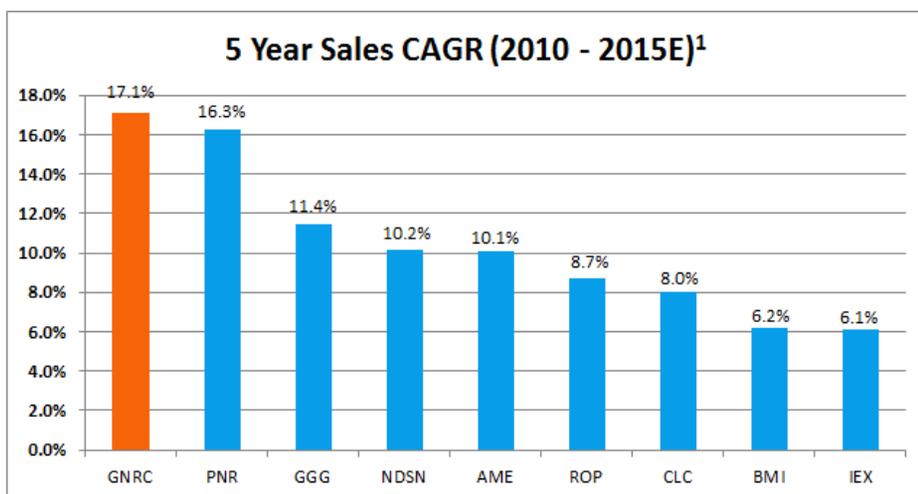


## Enter New Geographies

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

# 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 November 5, 2015.

(1) Figures represent a five-year compound annual growth rate calculated by comparing the base year 2010 to the analyst consensus revenue forecast for 2015 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.

# 2015 Business Outlook

As reported on October 28, 2015



## **Consolidated net sales: approximately \$1.3 billion**

- Assumes record low power outage environment experienced YTD Q3 2015 continues into Q4
  - Residential products: down between 8 to 9% (due to challenging power outage environment)
  - C&I products: down between 15 to 16% (given telecom and oil & gas headwinds)
- Potential residential sales upside IF power outages improve during Q4 2015 compared to the continuation of record low levels assumed in current guidance

## **Adjusted EBITDA: approximately \$270 million**

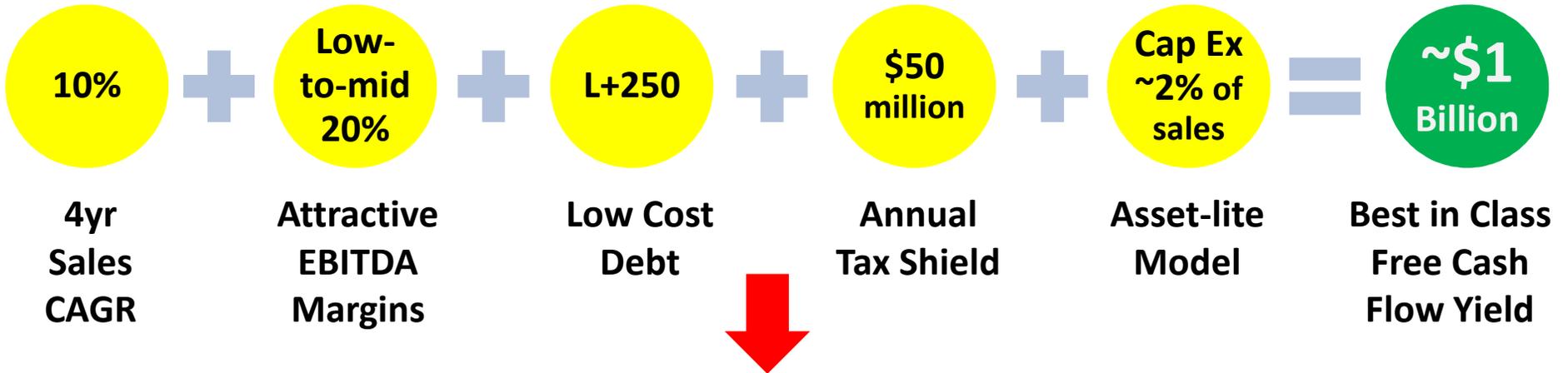
### **Cash income taxes:**

- **Cash tax rate for full-year 2015:** anticipated to be **approximately 4%** of pretax income
- **Cash taxes going forward:** ~ **36% tax rate** on pre-tax profits **less ~ \$50 million** annual tax shield

**Free cash flow:** anticipate free cash flow well over \$100 million during 2H 2015 from inventory monetization as well as seasonally stronger second half

# Free Cash Flow Targets

## 2015-2018 Free Cash Flow Generation:

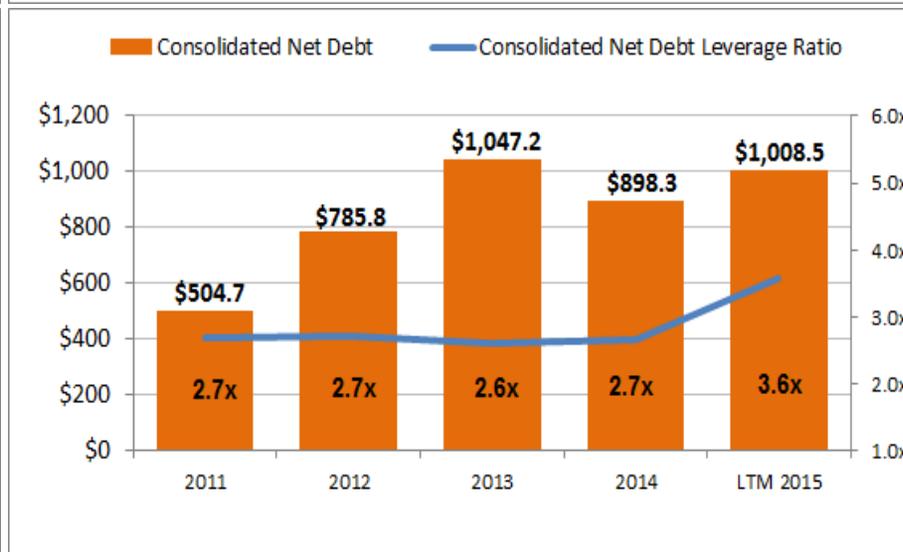
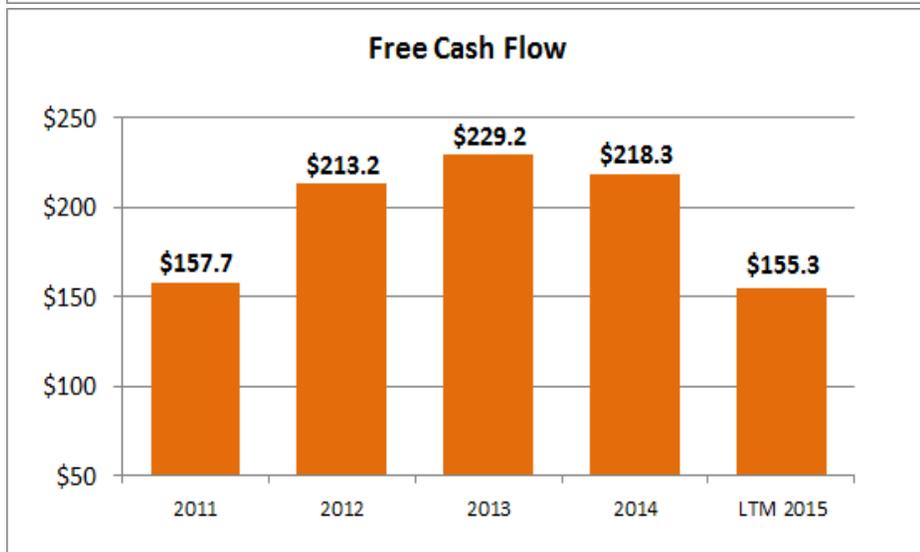
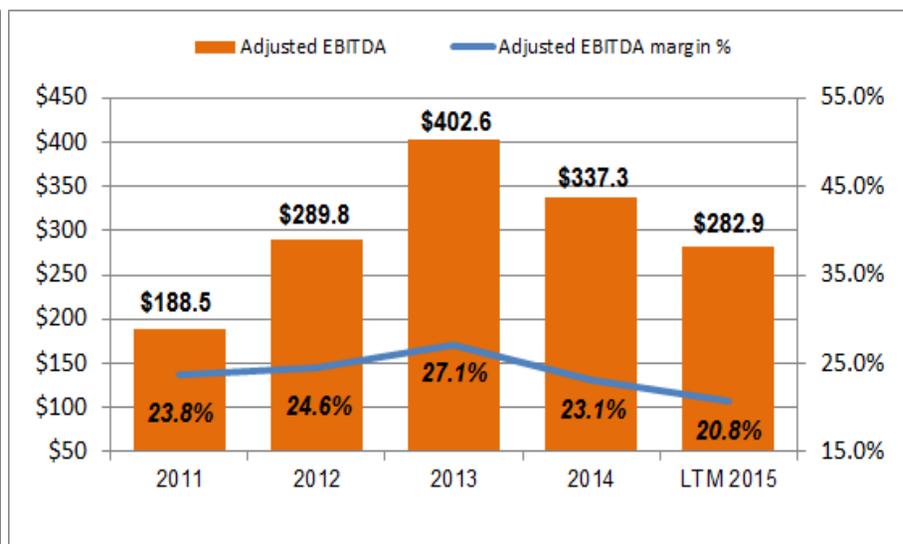
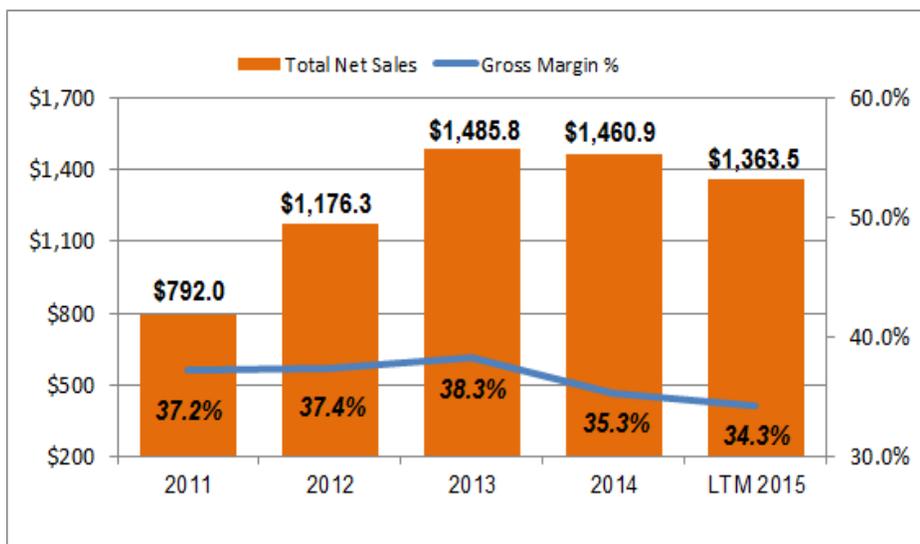


## Priority Uses of Capital:



# Appendix

# Financial Summary



# Generac (GNRC)

## Investment Highlights

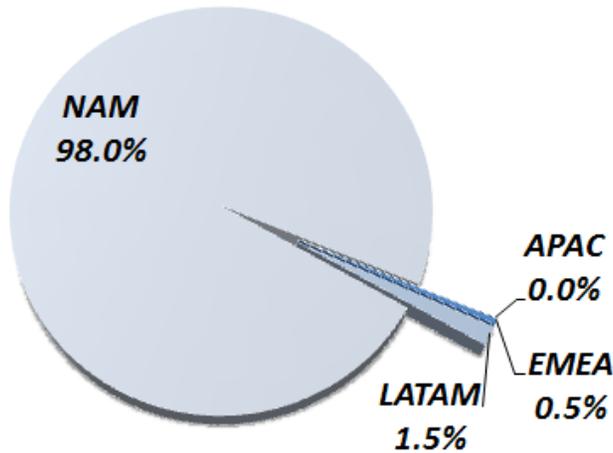


<b>Best in class organic revenue growth</b>	<ul style="list-style-type: none"> <li>■ ~ <b>12% CAGR</b> in organic revenue over the last 10 years (2004-2014)</li> <li>■ Low penetration in key markets, especially home standby market at only ~3.5% penetrated with <b>every 1% increase representing ~ \$2 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>■ Unmatched 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 consistently 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 \$3.75 to \$4.50 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> – 9% of 2014 revenue outside of U.S. and Canada</li> </ul>

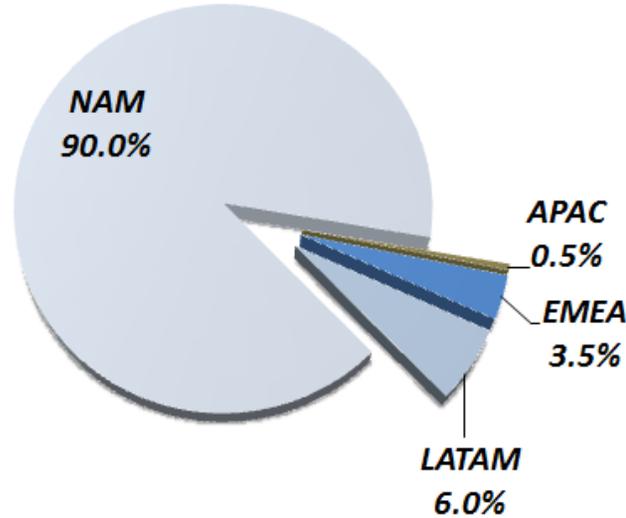
**Leading “Industrial Technology” Company**

# Sales by Region & Product

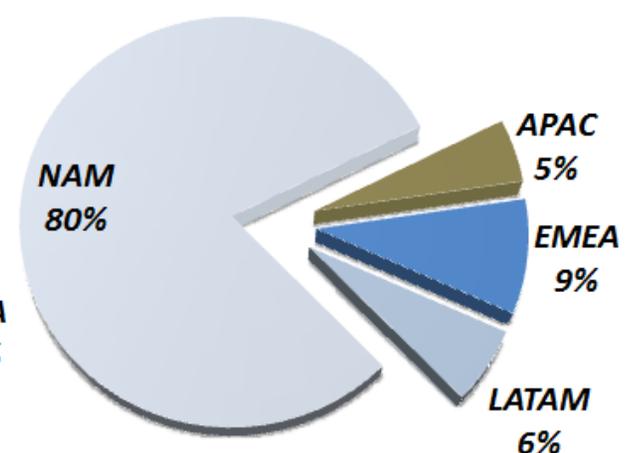
2010 Sales by Region



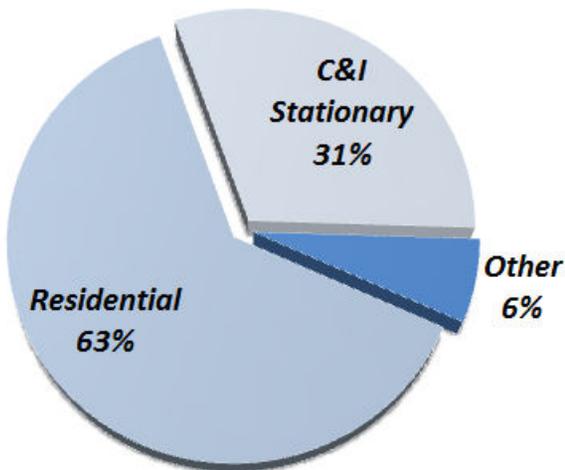
2014 Sales by Region



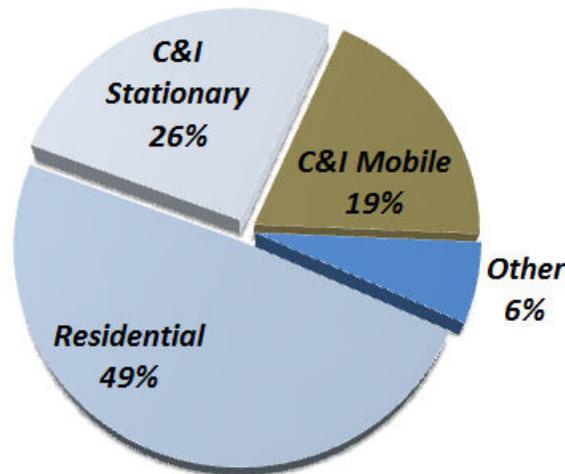
2018E Sales by Region



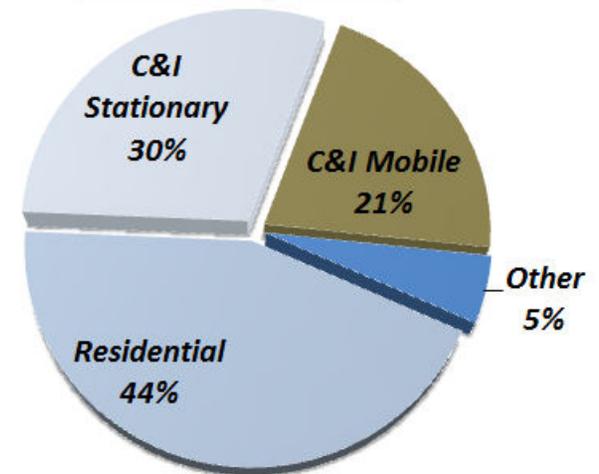
2010 Sales by Product



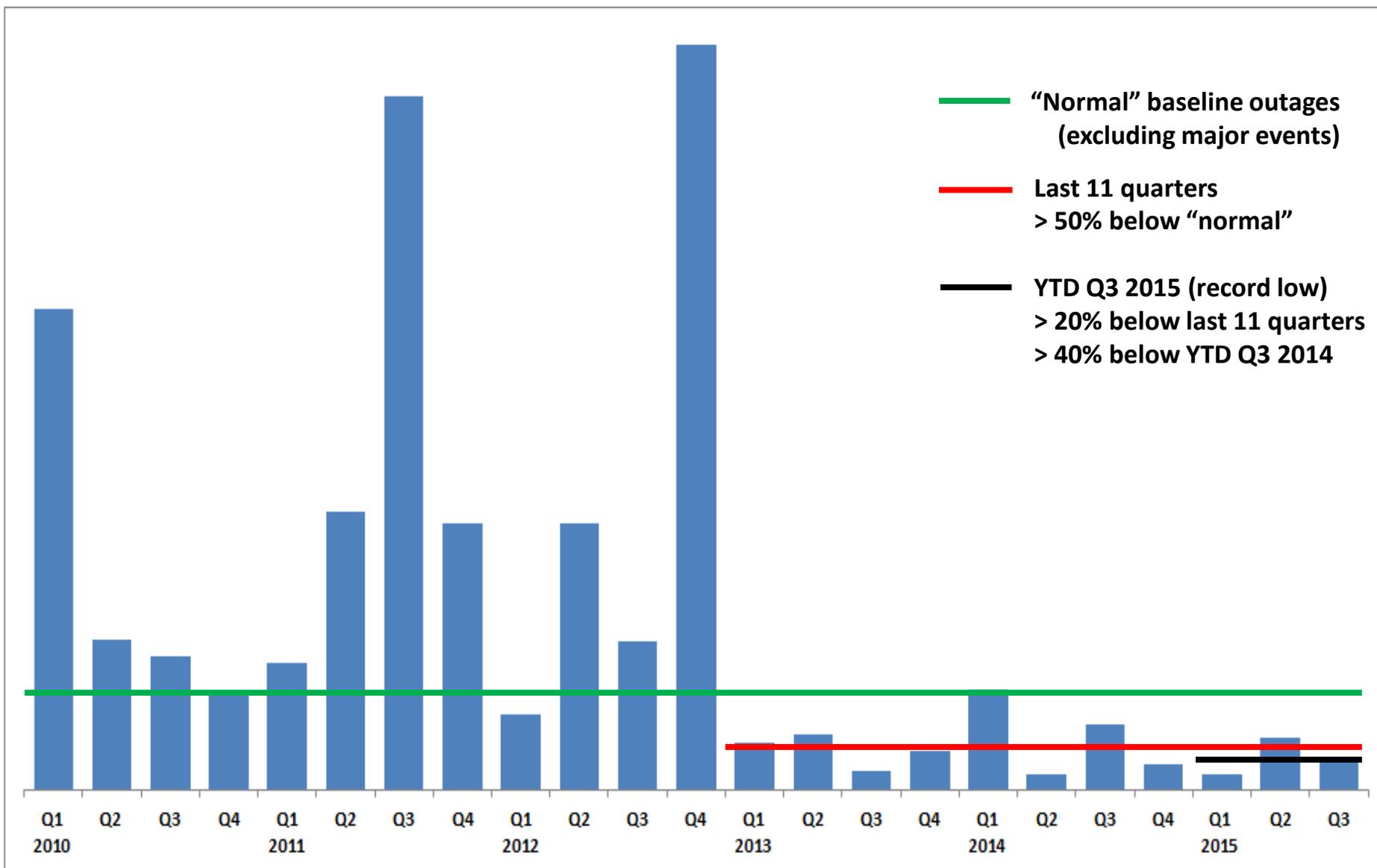
2014 Sales by Product



2018E Sales by Product



# 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
- Current NOL balance of \$22 million as of September 30, 2015 provides cash benefit of up to \$8 million

(\$ mm)	Total	2015	2016	2017	2018	2019	2020	2021	2022+
Annual tax amortization	\$913	\$130	\$130	\$130	\$130	\$130	\$130	\$108	\$27
Cash tax savings <sup>(1)</sup>	\$352	\$50	\$50	\$50	\$50	\$50	\$50	\$41	\$10
Cash tax savings of NOLS <sup>(2)</sup>	\$8								
<b>Grand Total</b>	<b>\$360</b>								

**Results in present value tax savings of ~ \$250-\$300 million<sup>(3)</sup> or \$3.75-\$4.50 per share**

(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 \$22 million of federal NOL carry forward balance as of September 30, 2015.

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

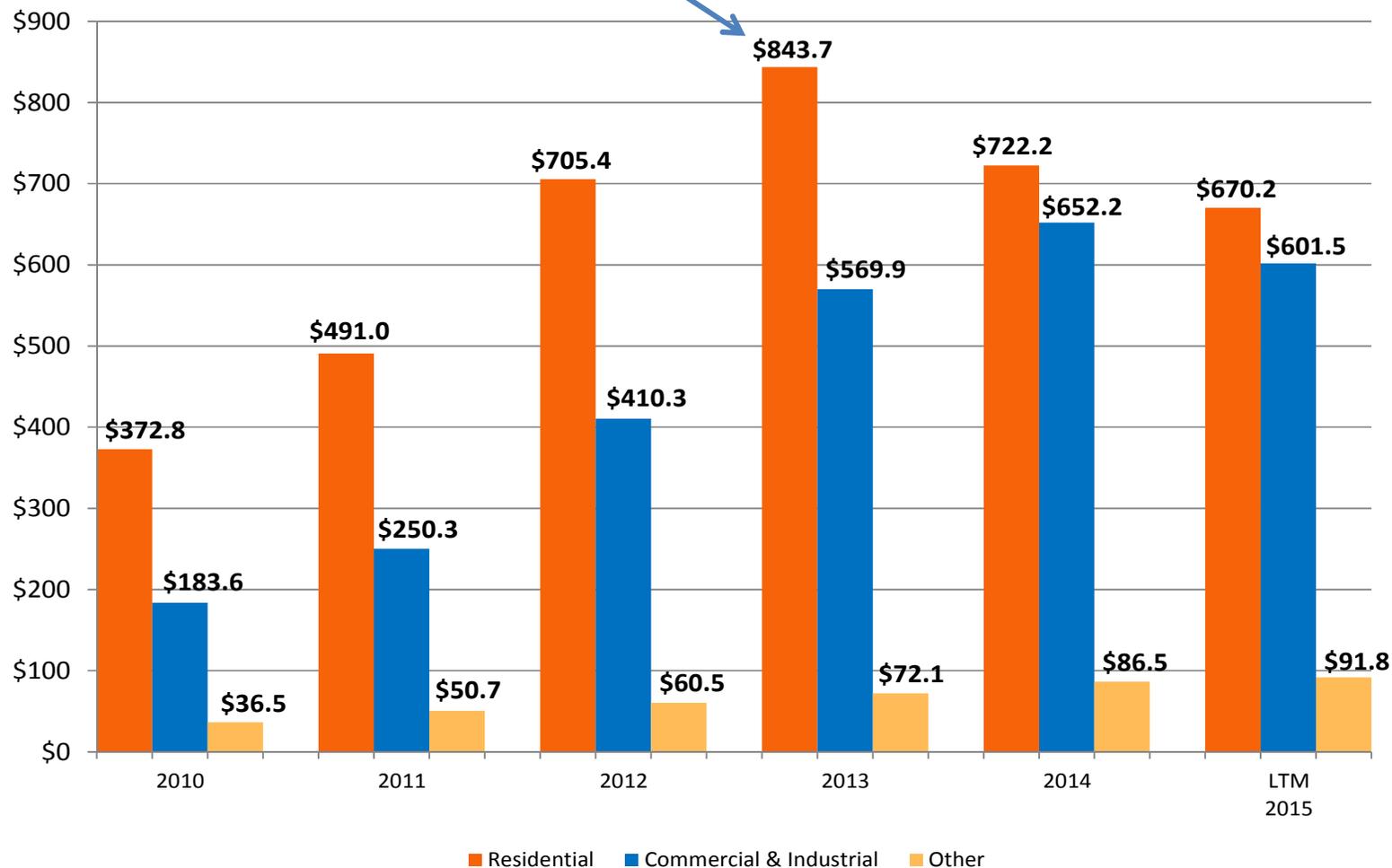
# Net Sales by Product Class



(\$ in millions)

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

~12% organic sales CAGR for Residential Products since 2010



# Q3 2015 & LTM Financial Overview



(\$ in millions)

	Actual Q3 2015 (unaudited)	Y/Y % Change	Actual LTM Q3 2015 (unaudited)	Y/Y % Change
Residential	\$ 185.0	0.7%	\$ 670.2	(7.7%)
Industrial	148.2	1.2%	601.5	(3.8%)
Other	26.1	17.8%	91.8	12.5%
<b>Net Sales</b>	<b>\$ 359.3</b>	<b>2.0%</b>	<b>\$ 1,363.5</b>	<b>(4.9%)</b>
Gross Profit	\$ 130.3	0.0%	\$ 467.2	(10.7%)
% Margin	36.3%		34.3%	
<b>Adjusted EBITDA</b>	<b>\$ 81.2</b>	<b>(2.3%)</b>	<b>\$ 282.9</b>	<b>(18.9%)</b>
<b>% Margin</b>	<b>22.6%</b>		<b>20.8%</b>	
Net Income (1)	\$ 34.0	(6.7%)	\$ 118.0	(32.1%)
Adjusted Net Income	\$ 63.4	9.6%	\$ 201.3	(17.3%)
<b>Adjusted EPS</b>	<b>\$ 0.92</b>	<b>10.9%</b>	<b>\$ 2.88</b>	<b>(17.0%)</b>
Free Cash Flow	\$ 29.4	(38.5%)	\$ 155.3	(25.4%)
Consolidated Net Debt			\$ 1,008.5	12.3%
Consolidated Net Debt Leverage Ratio			3.6x	

(1) Q3 2015 and LTM 2015 periods include a \$2.4 million pre-tax loss on change in contractual interest rate; LTM 2015 period also includes a loss on extinguishment of debt of \$5.0 million and \$1.4 million of business optimization expenses. Q3 2014 and LTM 2014 periods include a loss on extinguishment of debt of \$1.8 million; LTM 2014 period also includes a \$16.0 million pre-tax gain on change in contractual interest rate and a \$4.9 million pre-tax gain on re-measurement of contingent consideration.

# Adjusted EBITDA Reconciliation



(\$ in millions)

	2011	2012	2013	2014	2015 LTM
<b>Reported net income</b>	<b>\$ 324.6</b>	<b>\$ 93.2</b>	<b>\$ 174.5</b>	<b>\$ 174.6</b>	<b>\$ 118.0</b>
Interest expense	23.7	49.1	54.4	47.2	44.0
Depreciation and amortization	56.1	54.2	36.8	34.7	38.7
Income taxes provision (benefit)	(237.7)	63.1	104.2	83.7	56.3
Non-cash write-down and other charges	10.4	0.2	0.1	(3.9)	4.9
Non-cash share-based compensation expense	8.6	10.8	12.4	12.6	10.1
Loss on extinguishment of debt	0.4	14.3	15.3	2.1	5.0
(Gain) loss on change in contractual interest rate	-	-	-	(16.0)	2.4
Transaction costs and credit facility fees	1.7	4.1	3.9	1.9	1.3
Other	0.5	0.7	1.0	0.3	2.2
<b>Adjusted EBITDA</b>	<b>\$ 188.5</b>	<b>\$ 289.8</b>	<b>\$ 402.6</b>	<b>\$ 337.3</b>	<b>\$ 282.9</b>

# Adjusted EBITDA Reconciliation



(\$ in thousands)

Net income to Adjusted EBITDA reconciliation	Three months ended September 30,		LTM September 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Net income	\$ 34,036	\$ 36,497	\$ 117,955	\$ 173,741
Interest expense	10,210	12,294	44,045	47,414
Depreciation and amortization	10,597	8,789	38,745	35,017
Income taxes provision	19,218	18,365	56,328	96,225
Non-cash write-down and other charges	2,115	1,099	4,891	(4,610)
Non-cash share-based compensation expense	1,799	3,200	10,098	12,300
Loss on extinguishment of debt	-	1,836	5,043	1,836
(Gain) loss on change in contractual interest	2,381	-	2,381	(16,014)
Transaction costs and credit facility fees	317	889	1,260	2,425
Other	499	91	2,179	403
<b>Adjusted EBITDA</b>	<b>\$ 81,172</b>	<b>\$ 83,060</b>	<b>\$ 282,925</b>	<b>\$ 348,737</b>

# Adjusted Net Income and Free Cash Flow Reconciliations



(\$ in thousands)

## Net income to Adjusted net income reconciliation

	Three Months Ended September 30,		LTM September 30,	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Net income	\$ 34,036	\$ 36,497	\$ 117,955	\$ 173,741
Income taxes provision	19,218	18,365	56,328	96,225
Income before provision for income taxes	53,254	54,862	174,283	269,966
Amortization of intangible assets	6,285	5,277	22,763	22,007
Amortization of deferred financing costs and OID	1,024	1,824	6,138	6,070
Loss on extinguishment of debt	-	1,836	5,043	1,836
(Gain) loss on change in contractual interest rate	2,381	-	2,381	(16,014)
Transaction costs and credit facility fees	979	565	1,699	(3,446)
Business optimization expenses	5	-	1,743	-
Adjusted net income before provision for income taxes	63,928	64,364	214,050	280,419
Cash income tax expense	(500)	(6,470)	(12,788)	(37,171)
<b>Adjusted net income</b>	<b>\$ 63,428</b>	<b>\$ 57,894</b>	<b>\$ 201,262</b>	<b>\$ 243,248</b>

## Free Cash Flow Reconciliation

Net cash provided by operating activities	\$ 35,280	\$ 57,226	\$ 187,334	\$ 247,242
Expenditures for property and equipment	(5,850)	(9,405)	(32,075)	(39,235)
<b>Free cash flow</b>	<b>\$ 29,430</b>	<b>\$ 47,821</b>	<b>\$ 155,259</b>	<b>\$ 208,007</b>