UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-34627

GENERAC HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-5654756**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
S45 W29290 Hwy 59, Waukesha, WI	**53189**
(Address of principal executive offices)	(Zip Code)

(262) 544-4811
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company," in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of April 28, 2017, there were 62,834,653 shares of registrant's common stock outstanding.

GENERAC HOLDINGS INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Generac Holdings Inc.
Condensed Consolidated Balance Sheets
(U.S. Dollars in Thousands, Except Share and Per Share Data)

	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 57,494	$ 67,272
Accounts receivable, less allowance for doubtful accounts	223,031	241,857
Inventories	390,908	349,731
Prepaid expenses and other assets	9,261	24,649
Total current assets	680,694	683,509
Property and equipment, net	215,390	212,793
Customer lists, net	46,126	45,312
Patents, net	46,790	48,061
Other intangible assets, net	2,851	2,925
Tradenames, net	159,252	158,874
Goodwill	710,090	704,640
Deferred income taxes	3,915	3,337
Other assets	2,157	2,233
Total assets	$ 1,867,265	$ 1,861,684
Liabilities and stockholders' equity		
Current liabilities:		
Short-term borrowings	$ 28,078	$ 31,198
Accounts payable	159,448	181,519
Accrued wages and employee benefits	22,006	21,189
Other accrued liabilities	91,853	93,068
Current portion of long-term borrowings and capital lease obligations	14,515	14,965
Total current liabilities	315,900	341,939
Long-term borrowings and capital lease obligations	1,007,898	1,006,758
Deferred income taxes	27,376	17,278
Other long-term liabilities	62,129	61,459
Total liabilities	1,413,303	1,427,434
Redeemable noncontrolling interest	33,566	33,138
Stockholders' equity:		
Common stock, par value $0.01, 500,000,000 shares authorized, 70,433,347 and 70,261,481shares issued at March 31, 2017 and December 31, 2016, respectively	705	702
Additional paid-in capital	452,129	449,049
Treasury stock, at cost	(263,636)	(262,402)
Excess purchase price over predecessor basis	(202,116)	(202,116)
Retained earnings	469,508	456,052
Accumulated other comprehensive loss	(36,123)	(40,163)
Stockholders' equity attributable to Generac Holdings Inc.	420,467	401,122
Noncontrolling interests	(71)	(10)
Total stockholders' equity	420,396	401,112
Total liabilities and stockholders' equity	$ 1,867,265	$ 1,861,684

See notes to consolidated financial statements.

Generac Holdings Inc.
Condensed Consolidated Statements of Comprehensive Income
(U.S. Dollars in Thousands, Except Share and Per Share Data)
(Unaudited)

	Three Months Ended March 31, 2017	2016
Net sales	$ 331,814	$ 286,535
Costs of goods sold	221,328	188,475
Gross profit	110,486	98,060
Operating expenses:		
Selling and service	40,184	37,269
Research and development	10,301	8,197
General and administrative	20,973	17,833
Amortization of intangibles	7,183	7,797
Total operating expenses	78,641	71,096
Income from operations	31,845	26,964
Other (expense) income:		
Interest expense	(10,788)	(11,035)
Investment income	5	32
Costs related to acquisitions	(185)	(417)
Other, net	223	387
Total other expense, net	(10,745)	(11,033)
Income before provision for income taxes	21,100	15,931
Provision for income taxes	8,251	5,719
Net income	12,849	10,212
Net income attributable to noncontrolling interests	7	4
Net income attributable to Generac Holdings Inc.	$ 12,842	$ 10,208
Net income attributable to common shareholders per common share - basic:	$ 0.22	$ 0.15
Weighted average common shares outstanding - basic:	62,366,263	66,099,755
Net income attributable to common shareholders per common share - diluted:	$ 0.21	$ 0.15
Weighted average common shares outstanding - diluted:	62,936,126	66,600,040
Comprehensive income attributable to Generac Holdings Inc.	$ 16,387	$ 11,454

See notes to consolidated financial statements.

Generac Holdings Inc.
Condensed Consolidated Statements of Cash Flows
(U.S. Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Operating activities		
Net income	$ 12,849	$ 10,212
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	5,414	4,996
Amortization of intangible assets	7,183	7,797
Amortization of original issue discount and deferred financing costs	490	1,056
Deferred income taxes	6,958	5,069
Share-based compensation expense	2,632	2,485
Other	120	81
Net changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	19,973	8,237
Inventories	(35,338)	(10,752)
Other assets	192	(3,882)
Accounts payable	(24,975)	(6,348)
Accrued wages and employee benefits	697	7,301
Other accrued liabilities	(305)	2,628
Excess tax benefits from equity awards	(436)	(6,729)
Net cash (used in) provided by operating activities	(4,546)	22,151
Investing activities		
Proceeds from sale of property and equipment	35	7
Expenditures for property and equipment	(3,548)	(7,093)
Acquisitions of businesses, net of cash acquired	1,610	(61,280)
Net cash used in investing activities	(1,903)	(68,366)
Financing activities		
Proceeds from short-term borrowings	31,004	8,508
Proceeds from long-term borrowings	1,278	–
Repayments of short-term borrowings	(35,194)	(4,151)
Repayments of long-term borrowings and capital lease obligations	(1,056)	(46)
Cash dividends paid	–	(76)
Taxes paid related to the net share settlement of equity awards	(1,903)	(12,070)
Proceeds from exercise of stock options	1,107	–
Excess tax benefits from equity awards	–	6,729
Net cash used in financing activities	(4,764)	(1,106)
Effect of exchange rate changes on cash and cash equivalents	1,435	834
Net decrease in cash and cash equivalents	(9,778)	(46,487)
Cash and cash equivalents at beginning of period	67,272	115,857
Cash and cash equivalents at end of period	$ 57,494	$ 69,370

See notes to consolidated financial statements.

Generac Holdings Inc.
Notes to Condensed Consolidated Financial Statements
(U.S. Dollars in Thousands, Except Share and Per Share Data)
(Unaudited)

1. Description of Business and Basis of Presentation

Founded in 1959, Generac Holdings Inc. (the Company) is a leading designer and manufacturer of a wide range of power generation equipment and other engine powered products serving the residential, light-commercial and industrial markets. Generac's power products are available globally through a broad network of independent dealers, distributors, retailers, wholesalers and equipment rental companies, as well as sold direct to certain end user customers.

Over the years, the Company has executed a number of acquisitions that support its strategic plan (as discussed in Item 1 of the Annual Report on Form 10-K for the year ended December 31, 2016). A summary of these acquisitions include the following:

- In October 2011, the Company acquired substantially all of the assets of Magnum Products (Magnum), a supplier of generator powered light towers and mobile generators for a variety of industrial applications. The Magnum business is a strategic fit for the Company as it provides diversification through the introduction of new engine powered products, distribution channels and end markets.
- In December 2012, the Company acquired the equity of Ottomotores UK and its affiliates (Ottomotores), with operations in Mexico City, Mexico and Curitiba, Brazil. Ottomotores is a leading manufacturer in the Mexican market for industrial diesel gensets and is a market participant throughout all of Latin America.
- In August 2013, the Company acquired the equity of Tower Light SRL and its wholly-owned subsidiaries (Tower Light). Headquartered outside Milan, Italy, Tower Light is a leading developer and supplier of mobile light towers throughout Europe, the Middle East and Africa.
- In November 2013, the Company purchased the assets of Baldor Electric Company's generator division (Baldor Generators). Baldor Generators offers a complete line of power generation equipment throughout North America with power output up to 2.5MW, which expands the Company's commercial and industrial product lines.
- In September 2014, the Company acquired the equity of Pramac America LLC (Powermate), resulting in the ownership of the Powermate trade name and the right to license the DeWalt brand name for certain residential engine powered tools. This acquisition expands Generac's residential product portfolio in the portable generator category.
- In October 2014, the Company acquired MAC, Inc. (MAC). MAC is a leading manufacturer of premium-grade commercial and industrial mobile heaters for the United States and Canadian markets. The acquisition expands the Company's portfolio of mobile power products and provides increased access to the oil & gas market.
- In August 2015, the Company acquired Country Home Products and its subsidiaries (CHP). CHP is a leading manufacturer of high-quality, innovative, professional-grade engine powered equipment used in a wide variety of property maintenance applications, which are primarily sold in North America under the DR® Power Equipment brand. The acquisition provides an expanded product lineup and additional scale to the Company's residential engine powered products.
- In March 2016, the Company acquired a majority ownership interest in PR Industrial S.r.l and its subsidiaries (Pramac). Headquartered in Siena, Italy, Pramac is a leading global manufacturer of stationary, mobile and portable generators primarily sold under the Pramac® brand. Pramac products are sold in over 150 countries through a broad distribution network.
- In January 2017, the Company acquired Motortech GmbH (Motortech), headquartered in Celle, Germany. Motortech is a leading manufacturer of gaseous-engine control systems and accessories, which are sold globally to gas-engine manufacturers and to aftermarket customers. While the Motortech acquisition was completed in January 2017, it was funded in the fourth quarter of 2016.

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries that are consolidated in conformity with U.S. generally accepted accounting principles (U.S. GAAP). All intercompany amounts and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of March 31, 2017, the condensed consolidated statements of comprehensive income for the three months ended March 31, 2017 and 2016, and the condensed consolidated statements of cash flows for the three months ended March 31, 2017 and 2016 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary for the fair presentation of the financial position, results of operation and cash flows, have been made. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year.

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2016.

New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. This guidance is the culmination of the FASB's joint project with the International Accounting Standards Board to clarify the principles for recognizing revenue. The core principal of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step process that entities should follow in order to achieve that core principal. ASU 2014-09, as amended by ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,* ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, and ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, become effective for the Company in 2018. The guidance can be applied either on a full retrospective basis or on a modified retrospective basis in which the cumulative effect of initially applying the standard is recognized at the date of initial application. While the Company is continuing to assess all potential impacts the standard may have on its financial statements, it believes that the adoption will not have a significant impact on its revenue related to equipment and parts sales, which represent substantially all of the revenue for the Company. The Company has not yet determined its method of adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This guidance is being issued to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the statement of financial position and by disclosing key information about leasing arrangements. The guidance should be applied using a modified retrospective approach and is effective for the Company in 2019, with early adoption permitted. The Company is currently assessing the impact the adoption of this guidance will have on the Company's results of operations and financial position.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*. This guidance is being issued to decrease diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance should be applied on a retrospective basis and is effective for the Company in 2018, with early adoption permitted. The Company does not believe that this guidance will have a significant impact on the presentation of the statement of cash flows.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment*. This guidance is being issued to simplify the subsequent measurement of goodwill by eliminating Step 2 of the goodwill impairment test. Under the new guidance, the recognition of a goodwill impairment charge is calculated based on the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This guidance should be applied on a prospective basis and is effective for the Company in 2020. Early adoption is permitted for goodwill impairment tests performed after January 1, 2017. The Company has early adopted this standard, however it does not believe that this guidance will have a significant impact on the Company's consolidated financial statements.

In the first quarter of 2017, the Company adopted ASU 2016-09, *Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The primary impact of adoption is the prospective recognition of excess tax benefits or deficiencies within the provision for income taxes on the condensed consolidated statement of comprehensive income rather than within additional paid-in capital on the condensed consolidated balance sheet. Further, the Company has elected to continue to estimate forfeitures expected to occur to determine the amount of stock compensation expense recognized each period. The Company also elected to apply the presentation requirements for cash flows related to excess tax benefits or deficiencies prospectively. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any period presented on the condensed consolidated statements of cash flows as such cash flows have historically been presented as a financing activity. There were no cumulative effect adjustments made to equity as of the beginning of the fiscal period, as those provisions of ASU 2016-09 were not applicable or had no impact to the Company.

There are several other new accounting pronouncements issued by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe any of these other accounting pronouncements has had or will have a material impact on the Company's consolidated financial statements.

2. Acquisitions

Acquisition of Pramac

On March 1, 2016, the Company acquired a 65% ownership interest in Pramac for a purchase price, net of cash acquired, of $60,250. Headquartered in Siena, Italy, Pramac is a leading global manufacturer of stationary, mobile and portable generators primarily sold under the Pramac® brand. Pramac products are sold in over 150 countries through a broad distribution network. The acquisition purchase price was funded solely through cash on hand.

The 35% noncontrolling interest in Pramac had an acquisition date fair value of $34,253, and was recorded as a redeemable noncontrolling interest in the condensed consolidated balance sheet, as the noncontrolling interest holder has within its control the right to require the Company to redeem its interest in Pramac. The noncontrolling interest holder has a put option to sell their interests to the Company any time within five years from the date of acquisition. The put option price is either (i) a fixed amount if voluntarily exercised within the first two years after the acquisition, or (ii) based on a multiple of earnings, subject to the terms of the acquisition. Additionally, the Company holds a call option that it may redeem commencing five years from the date of acquisition, or earlier upon the occurrence of certain circumstances. The call option price is based on a multiple of earnings that is subject to the terms of the acquisition. Both the put and call option only provide for the complete transfer of the noncontrolling interest, with no partial transfers of interest permitted.

The redeemable noncontrolling interest is recorded at the greater of the initial fair value, increased or decreased for the noncontrolling interests' share of comprehensive income (loss), or the estimated redemption value, with any adjustments to the redemption value impacting retained earnings, but not net income. However, the redemption value adjustments are reflected in the earnings per share calculation, as detailed in Note 10, "Earnings Per Share," to the condensed consolidated financial statements. The following table presents the changes in the redeemable noncontrolling interest:

	Three Months Ended March 31,	
	2017	2016
Balance at beginning of period	$ 33,138	$ -
Noncontrolling interest of Pramac	-	34,253
Net income	118	16
Foreign currency translation	924	778
Redemption value adjustment	(614)	-
Balance at end of period	$ 33,566	$ 35,047

The Company finalized its purchase price allocation during the first quarter of 2017, based upon its estimates of the fair value of the acquired assets and assumed liabilities. The final purchase price allocation as of the balance sheet date was as follows:

	March 1, 2016
Accounts receivable, net	$ 50,716
Inventories	39,889
Property and equipment, net	19,138
Intangible assets	34,471
Goodwill	46,775
Other assets	7,698
Total assets acquired	198,687
Short-term borrowings	21,741
Accounts payable	40,270
Long-term debt and capital lease obligations (including current portion)	18,599
Other liabilities	23,521
Redeemable noncontrolling interest	34,253
Noncontrolling interest	53
Net assets acquired	$ 60,250

The goodwill ascribed to this acquisition is not deductible for tax purposes. The accompanying condensed consolidated financial statements include the results of Pramac from the date of acquisition through March 31, 2017.

The following unaudited pro forma information of the Company gives effect to this acquisition as though the transaction had occurred on January 1, 2016. Consolidated net sales on a pro forma basis for the three month period ended March 31, 2016 was $315,881. The pro forma impact of this acquisition on net income and earnings per share for the three month period ended March 31, 2016 is not significant due to amortization related to acquired intangible assets and the fair value step-up of inventory in purchase accounting. There was no change from reported net sales, net income or earnings per share to pro forma net sales, net income or earnings per share, respectively, for the three month period ended March 31, 2017. This unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated on January 1, 2016.

3. Derivative Instruments and Hedging Activities

The Company records all derivatives in accordance with Accounting Standards Codification (ASC) 815, *Derivatives and Hedging*, which requires derivative instruments be reported on the condensed consolidated balance sheets at fair value and establishes criteria for designation and effectiveness of hedging relationships. The Company is exposed to market risk such as changes in commodity prices, foreign currencies and interest rates. The Company does not hold or issue derivative financial instruments for trading purposes.

Commodities

The Company is exposed to significant price fluctuations in commodities it uses as raw materials, and periodically utilizes commodity derivatives to mitigate the impact of these potential price fluctuations on its financial results and its economic well-being. These derivatives typically have maturities of less than eighteen months. At March 31, 2017, December 31, 2016 and March 31, 2016, the Company had one, one and zero commodity contracts outstanding, respectively, covering the purchases of copper.

Because these contracts do not qualify for hedge accounting, the related gains and losses are recorded in cost of goods sold in the Company's condensed consolidated statements of comprehensive income. Net gains (losses) recognized for the three months ended March 31, 2017 and 2016 were $183 and $(6), respectively.

Foreign Currencies

The Company is exposed to foreign currency exchange risk as a result of transactions denominated in currencies other than the U.S. Dollar. The Company periodically utilizes foreign currency forward purchase and sales contracts to manage the volatility associated with certain foreign currency purchases and sales in the normal course of business. Contracts typically have maturities of twelve months or less. As of March 31, 2017, December 31, 2016 and March 31, 2016, the Company had nineteen, thirty-eight and nine foreign currency contracts outstanding, respectively.

Because these contracts do not qualify for hedge accounting, the related gains and losses are recorded in cost of goods sold in the Company's condensed consolidated statements of comprehensive income. Net losses recognized for the three months ended March 31, 2017 and 2016 were $201 and $179, respectively.

Interest Rate Swaps

In October 2013, the Company entered into two interest rate swap agreements, and in May 2014, the Company entered into an additional interest rate swap agreement. The Company formally documented all relationships between interest rate hedging instruments and the related hedged items, as well as its risk-management objectives and strategies for undertaking various hedge transactions. These interest rate swap agreements qualify as cash flow hedges, and accordingly, the effective portions of the gains or losses are reported as a component of accumulated other comprehensive loss (AOCL). The cash flows of the swaps are recognized as adjustments to interest expense each period. The ineffective portions of the derivatives' changes in fair value, if any, are immediately recognized in earnings.

Fair Value

The following table presents the fair value of all of the Company's derivatives:

	March 31, 2017	December 31, 2016
Commodity contracts	$ 585	$ 623
Foreign currency contracts	(117)	(150)
Interest rate swaps	(1,016)	(1,739)

The fair value of the commodity contract is included in other assets, the fair value of the foreign currency contracts are included in other accrued liabilities, and the fair value of the interest rate swaps are included in other long-term liabilities in the condensed consolidated balance sheets as of March 31, 2017 and December 31, 2016. Excluding the impact of credit risk, the fair value of the derivative contracts as of March 31, 2017 and December 31, 2016 is a liability of $566 and $1,295, respectively, which represents the amount the Company would need to pay to exit the agreements on those dates.

The amount of gains (losses) recognized in AOCL in the condensed consolidated balance sheets on the effective portion of interest rate swaps designated as hedging instruments for the three months ended March 31, 2017 and 2016 were $440 and $(1,154), respectively. The amount of losses recognized in cost of goods sold in the condensed consolidated statements of comprehensive income for commodity and foreign currency contracts not designated as hedging instruments for the three months ended March 31, 2017 and 2016 were $18 and $185, respectively.

4. Fair Value Measurements

ASC 820-10, *Fair Value Measurement*, defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring basis or nonrecurring basis. ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the pronouncement establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company believes the carrying amount of its financial instruments (cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, short-term borrowings and ABL facility borrowings), excluding Term Loan borrowings, approximates the fair value of these instruments based upon their short-term nature. The fair value of Term Loan borrowings, which have an aggregate carrying value of $904,029, was approximately $913,069 (Level 2) at March 31, 2017, as calculated based on independent valuations whose inputs and significant value drivers are observable.

For the fair value of the assets and liabilities measured on a recurring basis, see the fair value table in Note 3, "Derivative Instruments and Hedging Activities," to the condensed consolidated financial statements. The fair value of all derivative contracts is classified as Level 2. The valuation techniques used to measure the fair value of derivative contracts, all of which have counterparties with high credit ratings, were based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data. The fair value of derivative contracts above considers the Company's credit risk in accordance with ASC 820-10.

5. Accumulated Other Comprehensive Loss

The following presents a tabular disclosure of changes in AOCL during the three months ended March 31, 2017 and 2016, net of tax:

	Foreign Currency Translation Adjustments	Defined Benefit Pension Plan	Unrealized Gain (Loss) on Cash Flow Hedges	Total
Beginning Balance – January 1, 2017	$ (28,047)	$ (11,040)	$ (1,076)	$ (40,163)
Other comprehensive income before reclassifications	3,600	-	440 (1)	4,040
Amounts reclassified from AOCL	-	-	-	-
Net current-period other comprehensive income	3,600	-	440	4,040
Ending Balance – March 31, 2017	$ (24,447)	$ (11,040)	$ (636)	$ (36,123)

	Foreign Currency Translation Adjustments	Defined Benefit Pension Plan	Unrealized Loss on Cash Flow Hedges	Total
Beginning Balance – January 1, 2016	$ (9,502)	$ (11,362)	$ (1,611)	$ (22,475)
Other comprehensive income (loss) before reclassifications	2,400	-	(1,154) (2)	1,246
Amounts reclassified from AOCL	-	-	-	-
Net current-period other comprehensive income (loss)	2,400	-	(1,154)	1,246
Ending Balance – March 31, 2016	$ (7,102)	$ (11,362)	$ (2,765)	$ (21,229)

(1) Represents unrealized gains of $723, net of tax effect of $(283) for the three months ended March 31, 2017.
(2) Represents unrealized losses of $(1,896), net of tax benefit of $742 for the three months ended March 31, 2016.

6. Segment Reporting

Effective in the second quarter of 2016, the Company changed its segment reporting from one reportable segment to two reportable segments - Domestic and International - as a result of the Pramac acquisition and the ongoing strategy to expand the business internationally. The Domestic segment includes the legacy Generac business and the impact of acquisitions that are based in the United States, all of which have revenues that are substantially derived from the U.S. and Canada. The International segment includes the Ottomotores, Tower Light, Pramac and Motortech acquisitions, all of which have revenues that are substantially derived from outside of the U.S. and Canada. Both reportable segments design and manufacture a wide range of power generation equipment and other engine powered products. The Company has multiple operating segments, which it aggregates into the two reportable segments, based on materially similar economic characteristics, products, production processes, classes of customers and distribution methods. All segment information has been retrospectively applied to all periods presented to reflect the new reportable segment structure.

	Net Sales	
	Three Months Ended March 31,	
Reportable Segments	2017	2016
Domestic	$ 248,497	$ 248,017
International	83,317	38,518
Total net sales	$ 331,814	$ 286,535

The Company's product offerings consist primarily of power generation equipment and other engine powered products geared for varying end customer uses. Residential products and commercial & industrial products are each a similar class of products based on similar power output and end customer. The breakout of net sales between residential, commercial & industrial, and other products by product class is as follows:

	Net Sales	
	Three Months Ended March 31,	
Product Classes	2017	2016
Residential products	$ 154,856	$ 158,980
Commercial & industrial products	151,443	102,991
Other	25,515	24,564
Total net sales	$ 331,814	$ 286,535

Management evaluates the performance of its segments based primarily on Adjusted EBITDA, and therefore is reconciled to Income before provision for income taxes below. The computation of Adjusted EBITDA is based on the definition that is contained in the Company's credit agreements.

	Adjusted EBITDA	
	Three Months Ended March 31,	
	2017	2016
Domestic	$ 42,846	$ 46,860
International	4,812	2,949
Total adjusted EBITDA	$ 47,658	$ 49,809
Interest expense	(10,788)	(11,035)
Depreciation and amortization	(12,597)	(12,793)
Non-cash write-down and other adjustments (1)	(166)	127
Non-cash share-based compensation expense (2)	(2,632)	(2,485)
Transaction costs and credit facility fees (3)	(316)	(523)
Business optimization expenses (4)	(100)	(7,106)
Other	41	(63)
Income before provision for income taxes	$ 21,100	$ 15,931

(1) Includes gains/losses on disposal of assets, unrealized mark-to-market adjustments on commodity contracts, foreign currency gains/losses and certain purchase accounting related adjustments.
(2) Represents share-based compensation expense to account for stock options, restricted stock and other stock awards over their respective vesting periods.
(3) Represents transaction costs incurred directly in connection with any investment, as defined in our credit agreement; equity issuance, debt issuance or refinancing; together with certain fees relating to our senior secured credit facilities.
(4) Represents charges relating to business optimization and restructuring costs.

The Company's sales in the United States represented approximately 71% and 83% of total sales for the three months ended March 31, 2017 and 2016, respectively. Approximately 86% and 87% of the Company's identifiable long-lived assets are located in the United States at March 31, 2017 and December 31, 2016, respectively.

7. Balance Sheet Details

Inventories consist of the following:

	March 31, 2017	December 31, 2016
Raw material	$ 229,337	$ 218,911
Work-in-process	4,093	2,950
Finished goods	157,478	127,870
Total	$ 390,908	$ 349,731

Property and equipment consists of the following:

	March 31, 2017	December 31, 2016
Land and improvements	$ 12,585	$ 12,079
Buildings and improvements	125,920	122,747
Machinery and equipment	84,140	81,687
Dies and tools	23,814	23,269
Vehicles	1,615	1,474
Office equipment and systems	67,512	66,929
Leasehold improvements	2,380	2,319
Construction in progress	7,428	8,654
Gross property and equipment	325,394	319,158
Accumulated depreciation	(110,004)	(106,365)
Total	$ 215,390	$ 212,793

8. Product Warranty Obligations

The Company records a liability for product warranty obligations at the time of sale to a customer based upon historical warranty experience. The Company also records a liability for specific warranty matters when they become known and are reasonably estimable. Additionally, the Company sells extended warranty coverage for certain products. The sales of extended warranties are recorded as deferred revenue, which is recognized over the lives of the contracts.

The following is a tabular reconciliation of the product warranty liability, excluding the deferred revenue related to extended warranty coverage:

	Three Months Ended March 31,	
	2017	2016
Balance at beginning of period	$ 31,695	$ 30,197
Product warranty reserve assumed in acquisition	43	840
Payments	(4,560)	(3,652)
Provision for warranty issued	4,160	3,482
Changes in estimates for pre-existing warranties	670	1,037
Balance at end of period	$ 32,008	$ 31,904

The following is a tabular reconciliation of the deferred revenue related to extended warranty coverage:

	Three Months Ended March 31,	
	2017	2016
Balance at beginning of period	$ 31,080	$ 28,961
Deferred revenue contracts issued	1,969	1,144
Amortization of deferred revenue contracts	(1,598)	(1,275)
Balance at end of period	$ 31,451	$ 28,830

Product warranty obligations and extended warranty related deferred revenues are included in the condensed consolidated balance sheets as follows:

	March 31, 2017	December 31, 2016
Product warranty liability		
Current portion - other accrued liabilities	$ 20,232	$ 20,763
Long-term portion - other long-term liabilities	11,776	10,932
Total	$ 32,008	$ 31,695
Deferred revenue related to extended warranties		
Current portion - other accrued liabilities	$ 6,983	$ 6,728
Long-term portion - other long-term liabilities	24,468	24,352
Total	$ 31,451	$ 31,080

9. Credit Agreements

Short-term borrowings included in the condensed consolidated balance sheets consist of the following:

	March 31, 2017	December 31, 2016
ABL facility	$ -	$ -
Other lines of credit	28,078	31,198
Total	$ 28,078	$ 31,198

Long-term borrowings in the condensed consolidated balance sheets include the following:

	March 31, 2017	December 31, 2016
Term loan	$ 929,000	$ 929,000
Original issue discount and deferred financing costs	(26,187)	(26,677)
ABL facility	100,000	100,000
Capital lease obligation	4,724	4,647
Other	14,876	14,753
Total	1,022,413	1,021,723
Less: current portion of debt	13,870	14,399
Less: current portion of capital lease obligation	645	566
Total	$ 1,007,898	$ 1,006,758

The Company's credit agreements originally provided for a $1,200,000 term loan B credit facility (Term Loan) and currently include a $300,000 uncommitted incremental term loan facility. In November 2016, the Company amended its Term Loan to extend the maturity date from May 31, 2020 to May 31, 2023. The Term Loan is guaranteed by all of the Company's wholly-owned domestic restricted subsidiaries, and is secured by associated collateral agreements which pledge a first priority lien on virtually all of the Company's assets, including fixed assets and intangibles, other than all cash, trade accounts receivable, inventory, and other current assets and proceeds thereof, which are secured by a second priority lien. The Term Loan initially bore interest at rates based upon either a base rate plus an applicable margin of 1.75% or adjusted LIBOR rate plus an applicable margin of 2.75%, subject to a LIBOR floor of 0.75%. Beginning in the second quarter of 2014, and measured each quarterly period thereafter, the applicable margin related to base rate loans is reduced to 1.50% and the applicable margin related to LIBOR rate loans is reduced to 2.50%, in each case, if the Borrower's net debt leverage ratio, as defined in the Term Loan, falls below 3.00 to 1.00 for that measurement period. The Company's net debt leverage ratio as of March 31, 2017 was above 3.00 to 1.00. As of March 31, 2017, the Company is in compliance with all covenants of the Term Loan. There are no financial maintenance covenants on the Term Loan.

The Company's credit agreements also provide for a $250,000 senior secured ABL revolving credit facility (ABL Facility). The maturity date of the ABL Facility is May 29, 2020. Borrowings under the ABL Facility are guaranteed by all of the Company's wholly-owned domestic restricted subsidiaries, and are secured by associated collateral agreements which pledge a first priority lien on all cash, trade accounts receivable, inventory, and other current assets and proceeds thereof, and a second priority lien on all other assets, including fixed assets and intangibles of the Company and certain domestic subsidiaries. ABL Facility borrowings bear interest at rates based upon either a base rate plus an applicable margin of 0.50% or adjusted LIBOR rate plus an applicable margin of 1.50%, in each case, subject to adjustments based upon average availability under the ABL Facility.

In May 2015, the Company borrowed $100,000 under the ABL Facility, the proceeds of which were used as a voluntary prepayment towards the Term Loan. As of March 31, 2017, there was $100,000 outstanding under the ABL Facility, leaving $138,097 of availability, net of outstanding letters of credit.

As of March 31, 2017 and December 31, 2016, short-term borrowings consisted of borrowings by our foreign subsidiaries on local lines of credit, which totaled $28,078 and $31,198, respectively.

10. Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the period, exclusive of restricted shares. Except where the result would be anti-dilutive, diluted earnings per share is calculated by assuming the vesting of unvested restricted stock and the exercise of stock options. The following table reconciles the numerator and the denominator used to calculate basic and diluted earnings per share:

	Three Months Ended March 31,	
	2017	**2016**
Numerator		
Net income attributable to Generac Holdings Inc.	$ 12,842	$ 10,208
Redeemable noncontrolling interest redemption value adjustment	614	-
Net income attributable to common shareholders	$ 13,456	$ 10,208
Denominator		
Weighted average shares, basic	62,366,263	66,099,755
Dilutive effect of stock compensation awards (1)	569,863	500,285
Diluted shares	62,936,126	66,600,040
Net income attributable to common shareholders per share		
Basic	$ 0.22	$ 0.15
Diluted	$ 0.21	$ 0.15

(1) Excludes approximately 154,900 stock options for the three month period ended March 31, 2017, and 256,600 stock options and 3,400 shares of restricted stock for the three month period ended March 31, 2016, as the impact of such awards was anti-dilutive.

11. Income Taxes

The effective income tax rates for the three months ended March 31, 2017 and 2016 were 39.1% and 35.9%, respectively. The increase in the effective income tax rate in 2017 was primarily due to non-recurring discrete tax items.

12. Commitments and Contingencies

The Company has an arrangement with a finance company to provide floor plan financing for certain dealers. The Company receives payment from the finance company after shipment of product to the dealer. The Company participates in the cost of dealer financing up to certain limits and has agreed to repurchase products repossessed by the finance company, but does not indemnify the finance company for any credit losses they incur. The amount financed by dealers which remained outstanding under this arrangement at March 31, 2017 and December 31, 2016 was approximately $33,800 and $33,900, respectively.

In the normal course of business, the Company is named as a defendant in various lawsuits in which claims are asserted against the Company. In the opinion of management, the liabilities, if any, which may result from such lawsuits are not expected to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our 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.

The forward-looking statements contained in this quarterly report are based on assumptions that we have made in light of our industry experience and on our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond our control) and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results and cause them to differ materially from those anticipated in the forward-looking statements. The forward-looking statements contained in this quarterly report include estimates regarding:

- our business, financial and operating results, and future economic performance;
- proposed new product and service offerings; and
- management's goals, expectations, objectives and other similar expressions concerning matters that are not historical facts.

Factors that could affect our actual financial results and cause them to differ materially from those anticipated in the forward-looking statements include:

- frequency and duration of power outages impacting demand for our products;
- availability, cost and quality of raw materials and key components used in producing our 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 we may encounter as our business expands globally;
- competitive factors in the industry in which we operate;
- 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; and
- changes in environmental, health and safety laws and regulations.

Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, our 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 our filings with the Securities and Exchange Commission, including in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. Stockholders, potential investors and other readers should consider these factors carefully in evaluating the forward-looking statements.

Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake 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.

Overview

We are a leading designer and manufacturer of a wide range of power generation equipment and other engine powered products serving the residential, light commercial and industrial markets. Power generation is our primary focus, which differentiates us from our primary competitors that also have broad operations outside of the power equipment market. As the only significant market participant focused predominantly on these products, we have one of the leading market positions in the power equipment market in North America and an expanding presence internationally. We believe we have one of the widest ranges of products in the marketplace, including residential, commercial and industrial standby generators, as well as portable and mobile generators used in a variety of applications. Other engine powered products that we design and manufacture include light towers which provide temporary lighting for various end markets; commercial and industrial mobile heaters used in the oil & gas, construction and other industrial markets; and a broad product line of outdoor power equipment for residential and commercial use.

Over the past several years, we have executed a number of acquisitions that support our strategic plan. A summary of these acquisitions can be found in Note 1, "Description of Business and Basis of Presentation," to the condensed consolidated financial statements in Item 1 of this quarterly report on Form 10-Q.

Business Drivers and Operational Factors

In operating our business and monitoring its performance, we pay attention to a number of business drivers and trends as well as operational factors. The statements in this section are based on our current expectations.

Business Drivers and Trends

Our performance is affected by the demand for reliable power generation products, mobile product solutions and other engine powered products by our customer base. This demand is influenced by several important drivers and trends affecting our industry, including the following:

Increasing penetration opportunity. Many potential customers are not aware of the costs and benefits of automatic backup power solutions. We estimate that penetration rates for home standby generators are only approximately 4.0% of U.S. single-family detached, owner-occupied households with a home value of over $100,000, as defined by the U.S. Census Bureau's 2015 American Housing Survey for the United States. The decision to purchase backup power for many light-commercial buildings such as convenience stores, restaurants and gas stations is more return-on-investment driven and as a result these applications have relatively lower penetration rates as compared to buildings used in code-driven or mission critical applications such as hospitals, wastewater treatment facilities, 911 call centers, data centers and certain industrial locations. The emergence of lower cost, cleaner burning natural gas fueled generators has helped to increase the penetration of standby generators in the light-commercial market. We believe by expanding our distribution network, continuing to develop our product line, and targeting our marketing efforts, we can continue to build awareness and increase penetration for our standby and mobile generators for residential, commercial and industrial purposes.

Effect of large scale and baseline power disruptions. Power disruptions are an important driver of customer awareness and have historically influenced demand for generators, both in the United States and internationally. Increased frequency and duration of major power outage events, that have a broader impact beyond a localized level, increases product awareness and may drive consumers to accelerate their purchase of a standby or portable generator during the immediate and subsequent period, which we believe may last for nine to twelve months following a major power outage event for standby generators. Major power disruptions are unpredictable by nature and, as a result, our sales levels and profitability may fluctuate from period to period. In addition, there are smaller, more localized power outages that occur frequently across the United States that drive the baseline level of demand for back-up power solutions. The level of baseline power outage activity occurring across the United States can also fluctuate, and may cause our financial results to fluctuate from year to year.

Impact of residential investment cycle. The market for residential generators is also affected by the residential investment cycle and overall consumer confidence and sentiment. When homeowners are confident of their household income, the value of their home and overall net worth, they are more likely to invest in their home. These trends can have an impact on demand for residential generators. Trends in the new housing market highlighted by residential housing starts can also impact demand for our residential generators. Demand for our outdoor power equipment is also impacted by several of these factors, as well as weather precipitation patterns.

Impact of business capital investment cycle. The global market for our commercial and industrial products is affected by different capital investment cycles, which can vary across the numerous regions around the world in which we participate. These markets include non-residential building construction, durable goods and infrastructure spending as well as investments in the exploration and production of oil & gas, as businesses or organizations either add new locations or make investments to upgrade existing locations or equipment. These trends can have a material impact on demand for these products. The capital investment cycle may differ for the various commercial and industrial end markets that we serve including light commercial, retail, telecommunications, industrial, data centers, healthcare, construction, oil & gas and municipal infrastructure, among others. The market for these products is also affected by general economic and geopolitical conditions as well as credit availability in the geographic regions that we serve. In addition, we believe demand for our mobile power products will continue to benefit from a secular shift towards renting versus buying this type of equipment.

Factors Affecting Results of Operations

We are subject to various factors that can affect our results of operations, which we attempt to mitigate through factors we can control, including continued product development, expanded distribution, pricing, cost control and hedging. Certain operational and other factors that affect our business include the following:

Effect of commodity, currency and component price fluctuations. Industry-wide price fluctuations of key commodities, such as steel, copper and aluminum, along with other components we use in our products, can have a material impact on our results of operations. Also, with the Pramac acquisition in 2016, we have further expanded our commercial and operational presence outside of the United States. This acquisition, along with our existing international presence, exposes us to fluctuations in foreign currency exchange rates that can have a material impact on our results of operations.

We have historically attempted to mitigate the impact of rising commodity, currency and component prices through improved product design and sourcing, manufacturing efficiencies, price increases and select hedging transactions. Our results are also influenced by changes in fuel prices in the form of freight rates, which in some cases are accepted by our customers and in other cases are paid by us.

Seasonality. Although there is demand for our products throughout the year, in each of the past five years approximately 23% to 27% of our net sales occurred in the first quarter, 20% to 25% in the second quarter, 24% to 27% in the third quarter and 25% to 29% in the fourth quarter, with different seasonality depending on the occurrence, timing and severity of major power outage activity in each year. Major outage activity is unpredictable by nature and, as a result, our sales levels and profitability may fluctuate from period to period. The seasonality experienced during a major power outage, and for the subsequent quarters following the event, will vary relative to other periods where no major outage events occurred. We maintain a flexible production and supply chain infrastructure in order to respond to outage-driven peak demand.

Factors influencing interest expense and cash interest expense. Interest expense can be impacted by a variety of factors, including market fluctuations in LIBOR, interest rate election periods, interest rate swap agreements, credit facility pricing grids, and repayments or borrowings of indebtedness. Cash interest expense decreased during the three months ended March 31, 2017 compared to the three months ended March 31, 2016, primarily due to the $25 million voluntary prepayment of Term Loan debt in November 2016 and decreased borrowings at other foreign subsidiaries, partially offset by an increase in the LIBOR rate. Refer to Note 9, "Credit Agreements," to the condensed consolidated financial statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for further information.

Factors influencing provision for income taxes and cash income taxes paid. We had approximately $592 million of tax-deductible goodwill and intangible asset amortization remaining as of December 31, 2016 related to our acquisition by CCMP in 2006 that we expect to generate aggregate cash tax savings of approximately $231 million through 2021, assuming continued profitability and a 39% tax rate. The recognition of the tax benefit associated with these assets for tax purposes is expected to be $122 million annually through 2020 and $102 million in 2021, which generates annual cash tax savings of $48 million through 2020 and $40 million in 2021, assuming profitability and a 39% tax rate. As a result of the asset acquisition of the Magnum business in the fourth quarter of 2011, we had approximately $38.0 million of incremental tax deductible goodwill and intangible assets remaining as of December 31, 2016. We expect these assets to generate aggregate cash tax savings of $14.9 million through 2026 assuming continued profitability and a 39% tax rate. The amortization of these assets for tax purposes is expected to be $3.8 million annually through 2025 and $2.8 million in 2026, which generates an additional annual cash tax savings of $1.5 million through 2025 and $1.1 million in 2026, assuming profitability and a 39% tax rate. Based on current business plans, we believe that our cash tax obligations through 2026 will be significantly reduced by these tax attributes. Other domestic acquisitions have resulted in additional tax deductible goodwill and intangible assets that will generate tax savings, but are not material to our consolidated financial statements.

Results of Operations

Three months ended March 31, 2017 compared to the three months ended March 31, 2016

The following table sets forth our consolidated statement of operations data for the periods indicated:

(U.S. Dollars in thousands)	Three Months Ended March 31, 2017	2016	$ Change	% Change
Net sales	$ 331,814	$ 286,535	$ 45,279	15.8%
Cost of goods sold	221,328	188,475	32,853	17.4%
Gross profit	110,486	98,060	12,426	12.7%
Operating expenses:				
Selling and service	40,184	37,269	2,915	7.8%
Research and development	10,301	8,197	2,104	25.7%
General and administrative	20,973	17,833	3,140	17.6%
Amortization of intangible assets	7,183	7,797	(614)	-7.9%
Total operating expenses	78,641	71,096	7,545	10.6%
Income from operations	31,845	26,964	4,881	18.1%
Total other income (expense), net	(10,745)	(11,033)	288	-2.6%
Income before provision for income taxes	21,100	15,931	5,169	32.4%
Provision for income taxes	8,251	5,719	2,532	44.3%
Net income	12,849	10,212	2,637	25.8%
Net income attributable to noncontrolling interests	7	4	3	75.0%
Net income attributable to Generac Holdings Inc.	$ 12,842	$ 10,208	2,634	25.8%

The following table sets forth our reportable segment information for the periods indicated:

(U.S. Dollars in thousands)	Net Sales Three Months Ended March 31, 2017	2016	$ Change	% Change
Domestic	$ 248,497	$ 248,017	480	0.2%
International	83,317	38,518	44,799	116.3%
Total net sales	$ 331,814	$ 286,535	45,279	15.8%

	Adjusted EBITDA Three Months Ended March 31, 2017	2016	$ Change	% Change
Domestic	$ 42,846	$ 46,860	(4,014)	-8.6%
International	4,812	2,949	1,863	63.2%
Total Adjusted EBITDA	$ 47,658	$ 49,809	(2,151)	-4.3%

The following table sets forth our product class information for the periods indicated:

(U.S. Dollars in thousands)	Three Months Ended March 31, 2017	2016	$ Change	% Change
Residential products	$ 154,856	$ 158,980	(4,124)	-2.6%
Commercial & industrial products	151,443	102,991	48,452	47.0%
Other	25,515	24,564	951	3.9%
Total net sales	$ 331,814	$ 286,535	45,279	15.8%

Net sales. The increase in Domestic sales for the three months ended March 31, 2017 was primarily due to increased shipments of C&I stationary and mobile products, along with specialty outdoor power equipment. This strength was largely offset by lower shipments of home standby and portable generators due to excess levels of field inventory entering the first quarter of 2017.

The increase in International sales for the three months ended March 31, 2017 was primarily due to the contribution from the recent acquisitions of Pramac and Motortech. The growth was also due to increased organic shipments of C&I products, most notably within the Latin America and European regions.

The total net sales contribution from non-annualized recent acquisitions to the three months ended March 31, 2017 was $40.5 million.

Gross profit. Gross profit margin for the first quarter of 2017 was 33.3% compared to 34.2% in the prior-year first quarter. The prior-year included $2.7 million of business optimization and restructuring costs classified within cost of goods sold to address the significant and extended downturn for capital spending within the oil & gas industry. Excluding the impact of these charges, gross margin in the prior-year was 35.2%. The decline in gross margin was primarily due to the mix impact from the recent Pramac acquisition, and unfavorable organic product mix.

Operating expenses. Operating expenses increased $7.5 million, or 10.6%, as compared to the first quarter of 2016. The prior-year included $4.4 million of business optimization and restructuring costs classified within operating expenses to address the downturn for capital spending within the oil & gas industry. Excluding the impact of these charges, operating expenses increased $12.0 million, or 17.9%, as compared to the prior year. The increase was primarily driven by the addition of recurring operating expenses associated with the recent acquisitions of Pramac and Motortech.

Other expense. The decrease in other expense was primarily due to a decrease in interest expense due to the $25 million voluntary prepayment of Term Loan debt in November 2016 and decreased borrowings at other foreign subsidiaries.

Provision for income taxes. The effective income tax rates for the three months ended March 31, 2017 and 2016 were 39.1% and 35.9%, respectively. The increase in the effective income tax rate in 2017 was primarily due to non-recurring discrete tax items.

Net income attributable to Generac Holdings Inc. The prior-year net income attributable to Generac Holdings Inc. includes $7.1 million of pre-tax business optimization and restructuring costs to address the downturn for capital spending within the oil & gas industry. Excluding the impact of these charges, the decline was primarily driven by lower operating earnings as outlined above and higher provision for income taxes recorded during the current year quarter.

Adjusted EBITDA. Adjusted EBITDA margins for the Domestic segment for the three months ended March 31, 2017 were 17.2% of net sales compared to 18.9% in the prior-year first quarter. Adjusted EBITDA margin in the current year was impacted by overall unfavorable product mix and increased promotional activities. These impacts were partially offset by the net favorable impact of higher pricing and lower costs, including realized cost-savings from previous business optimization actions.

Adjusted EBITDA margins for the International segment, before deducting for noncontrolling interests, for the three months ended March 31, 2017 were 5.8% of net sales compared to 7.7% in the prior-year first quarter. The decline was primarily due to the Pramac acquisition.

Adjusted Net Income. Adjusted Net Income of $25.8 million for the three months ended March 31, 2017 decreased 16.5% from $30.9 million for the three months ended March 31, 2016, due to the factors outlined above and increases in cash income tax expense.

See “Non-GAAP Measures” for a discussion of how we calculate Adjusted EBITDA and Adjusted Net Income and the limitations on their usefulness.

Liquidity and Financial Condition

Our primary cash requirements include payment for our raw material and component supplies, salaries & benefits, operating expenses, interest and principal payments on our debt and capital expenditures. We finance our operations primarily through cash flow generated from operating activities and, if necessary, borrowings under our ABL Facility.

Our credit agreements originally provided for a $1.2 billion Term Loan and currently include a $300.0 million uncommitted incremental term loan facility. The Term Loan matures on May 31, 2023. The Term Loan initially bore interest at rates based upon either a base rate plus an applicable margin of 1.75% or adjusted LIBOR rate plus an applicable margin of 2.75%, subject to a LIBOR floor of 0.75%. Beginning in the second quarter of 2014, and measured each subsequent quarter thereafter, the applicable margin related to base rate loans is reduced to 1.50% and the applicable margin related to LIBOR rate loans is reduced to 2.50%, to the extent that our net debt leverage ratio, as defined in the Term Loan, is below 3.00 to 1.00 for that measurement period. Our net debt leverage ratio as of March 31, 2017 was above 3.00 to 1.00. As of March 31, 2017, we are in compliance with all covenants of the Term Loan. There are no financial maintenance covenants on the Term Loan.

Our credit agreements also provide for the $250.0 million ABL Facility. The maturity date of the ABL Facility is May 29, 2020. In May 2015, we borrowed $100.0 million under the ABL Facility, the proceeds of which were used as a voluntary prepayment of Term Loan borrowings. As of March 31, 2017, there was $100.0 million outstanding under the ABL Facility, and we are in compliance with all of its covenants.

At March 31, 2017, we had cash and cash equivalents on hand of $54.4 million and $138.0 million of availability under our ABL Facility, net of outstanding letters of credit.

In August 2015, our Board of Directors approved a $200.0 million stock repurchase program, which we completed in the third quarter of 2016. In October 2016, our Board of Directors approved another stock repurchase program, under which we may repurchase an additional $250.0 million of common stock over 24 months from time to time; in amounts and at prices we deem appropriate, subject to market conditions and other considerations. Since the inception of both programs, we have repurchased 7,272,206 shares of our common stock for $249.9 million, all funded with cash on hand. There were no share repurchases during the three months ended March 31, 2017 and 2016.

See Note 9, "Credit Agreements" to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Long-term Liquidity

We believe that our cash flow from operations and availability under our ABL Facility, combined with relatively low ongoing capital expenditure requirements and favorable tax attributes (which result in a lower cash tax rate as compared to the U.S. statutory tax rate) provide us with sufficient capital to continue to grow our business in the future. We will use a portion of our cash flow to pay interest and principal on our outstanding debt as well as repurchase shares of our common stock, impacting the amount available for working capital, capital expenditures and other general corporate purposes. As we continue to expand our business, we may require additional capital to fund working capital, capital expenditures or acquisitions.

Cash Flow

Three months ended March 31, 2017 compared to the three months ended March 31, 2016

The following table summarizes our cash flows by category for the periods presented:

(U.S. Dollars in thousands)	Three Months Ended March 31, 2017	2016	$ Change	% Change
Net cash (used in) provided by operating activities	$ (4,546)	$ 22,151	$ (26,697)	-120.5%
Net cash used in investing activities	(1,903)	(68,366)	66,463	-97.2%
Net cash used in financing activities	(4,764)	(1,106)	(3,658)	330.7%

The decrease in net cash from operating activities was primarily driven by higher working capital investment during the current year quarter including an increase in finished goods for residential products as inventory levels were replenished to more normalized levels following the strong demand experienced during the fourth quarter of 2016.

Net cash used in investing activities for the three months ended March 31, 2017 primarily represents cash payments for the purchase of property and equipment. Net cash used in investing activities for the three months ended March 31, 2016 primarily represents cash payments of $61.3 million related to the acquisition of Pramac and $7.1 million for the purchase of property and equipment. The Motortech acquisition was completed in the first quarter of 2017, but was funded in the fourth quarter of 2016.

Net cash used in financing activities for the three months ended March 31, 2017 primarily represents $36.2 million of debt repayments ($35.2 million of short-term borrowings and $1.0 million of long-term borrowings), partially offset by $32.3 million cash proceeds from borrowings ($31.0 million short-term and $1.3 million long-term).

Net cash used in financing activities for the three months ended March 31, 2016 primarily represents payments of $12.1 million of taxes related to the net share settlement of equity awards and $4.2 million for the repayment of short-term borrowings. These payments were partially offset by $8.5 million cash proceeds from short-term borrowings and a $6.7 million cash inflow related to excess tax benefits of equity awards.

Contractual Obligations

There have been no material changes to our contractual obligations since the February 24, 2017 filing of our Annual Report on Form 10-K for the year ended December 31, 2016.

Off-Balance Sheet Arrangements

There have been no material changes to off-balance sheet arrangements since the February 24, 2017 filing of our Annual Report on Form 10-K for the year ended December 31, 2016.

Critical Accounting Policies

There have been no material changes in our critical accounting policies since the February 24, 2017 filing of our Annual Report on Form 10-K for the year ended December 31, 2016.

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2016, in preparing the financial statements in accordance with U.S. GAAP, we are required to make estimates and assumptions that have an impact on the asset, liability, revenue and expense amounts reported. These estimates can also affect our supplemental information disclosures, including information about contingencies, risk and financial condition. We believe, given current facts and circumstances, that our estimates and assumptions are reasonable, adhere to U.S. GAAP and are consistently applied. Inherent in the nature of an estimate or assumption is the fact that actual results may differ from estimates and estimates may vary as new facts and circumstances arise. We make routine estimates and judgments in determining net realizable value of accounts receivable, inventories, property and equipment, and prepaid expenses. We believe that our most critical accounting estimates and assumptions are in the following areas: goodwill and other intangible asset impairment assessment; business combinations and purchase accounting; defined benefit pension obligations; estimates of product warranty and other contingencies; income taxes and share based compensation.

Non-GAAP Measures

Adjusted EBITDA

The computation of Adjusted EBITDA attributable to Generac Holdings Inc. is based on the definition of EBITDA contained in our credit agreement dated as of May 31, 2013, as amended. To supplement our condensed consolidated financial statements presented in accordance with U.S. GAAP, we provide the computation of Adjusted EBITDA attributable to the Company, taking into account certain charges and gains that were recognized during the periods presented.

We view Adjusted EBITDA as a key measure of our performance. We present Adjusted EBITDA not only due to its importance for purposes of our credit agreements but also because it assists us in comparing our performance across reporting periods on a consistent basis as it excludes items that we do not believe are indicative of our core operating performance. Our management uses Adjusted EBITDA:

- for planning purposes, including the preparation of our annual operating budget and developing and refining our internal projections for future periods;
- to allocate resources to enhance the financial performance of our business;
- as a benchmark for the determination of the bonus component of compensation for our senior executives under our management incentive plan, as described further in our 2017 Proxy Statement;
- to evaluate the effectiveness of our business strategies and as a supplemental tool in evaluating our performance against our budget for each period; and
- in communications with our Board of Directors and investors concerning our financial performance.

We believe Adjusted EBITDA is used by securities analysts, investors and other interested parties in the evaluation of the Company. Management believes the disclosure of Adjusted EBITDA offers an additional financial metric that, when coupled with U.S. GAAP results and the reconciliation to U.S. GAAP results, provides a more complete understanding of our results of operations and the factors and trends affecting our business. We believe Adjusted EBITDA is useful to investors for the following reasons:

- Adjusted EBITDA and similar non-GAAP measures are widely used by investors to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon financing and accounting methods, book values of assets, tax jurisdictions, capital structures and the methods by which assets were acquired;
- investors can use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of our company, including our ability to service our debt and other cash needs; and
- by comparing our Adjusted EBITDA in different historical periods, our investors can evaluate our operating performance excluding the impact of items described below.

The adjustments included in the reconciliation table listed below are provided for under our Term Loan and ABL Facility, and also are presented to illustrate the operating performance of our business in a manner consistent with the presentation used by our management and Board of Directors. These adjustments eliminate the impact of a number of items that:

- we do not consider indicative of our ongoing operating performance, such as non-cash write-downs and other charges, non-cash gains, write-offs relating to the retirement of debt, severance costs and other restructuring-related business optimization expenses;
- we believe to be akin to, or associated with, interest expense, such as administrative agent fees, revolving credit facility commitment fees and letter of credit fees; or
- are non-cash in nature, such as share-based compensation.

We explain in more detail in footnotes (a) through (e) below why we believe these adjustments are useful in calculating Adjusted EBITDA as a measure of our operating performance.

Adjusted EBITDA does not represent, and should not be a substitute for, net income or cash flows from operations as determined in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of the limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- several of the adjustments that we use in calculating Adjusted EBITDA, such as non-cash write-downs and other charges, while not involving cash expense, do have a negative impact on the value of our assets as reflected in our consolidated balance sheet prepared in accordance with U.S. GAAP; and
- other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Furthermore, as noted above, one of our uses of Adjusted EBITDA is as a benchmark for determining elements of compensation for our senior executives. At the same time, some or all of these senior executives have responsibility for monitoring our financial results, generally including the adjustments in calculating Adjusted EBITDA (subject ultimately to review by our Board of Directors in the context of the Board's review of our quarterly financial statements). While many of the adjustments (for example, transaction costs and credit facility fees), involve mathematical application of items reflected in our financial statements, others involve a degree of judgment and discretion. While we believe all of these adjustments are appropriate, and while the quarterly calculations are subject to review by our Board of Directors in the context of the Board's review of our quarterly financial statements and certification by our Chief Financial Officer in a compliance certificate provided to the lenders under our Term Loan and ABL Facility credit agreements, this discretion may be viewed as an additional limitation on the use of Adjusted EBITDA as an analytical tool.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using Adjusted EBITDA only supplementally.

The following table presents a reconciliation of net income to Adjusted EBITDA attributable to Generac Holdings Inc.:

(U.S. Dollars in thousands)	Three Months Ended March 31, 2017	2016
Net income attributable to Generac Holdings Inc.	$ 12,842	$ 10,208
Net income attributable to noncontrolling interests (a)	7	4
Net income	12,849	10,212
Interest expense	10,788	11,035
Depreciation and amortization	12,597	12,793
Provision for income taxes	8,251	5,719
Non-cash write-down and other adjustments (b)	166	(127)
Non-cash share-based compensation expense (c)	2,632	2,485
Transaction costs and credit facility fees (d)	316	523
Business optimization expenses (e)	100	7,106
Other	(41)	63
Adjusted EBITDA	47,658	49,809
Adjusted EBITDA attributable to noncontrolling interests	956	684
Adjusted EBITDA attributable to Generac Holdings Inc.	$ 46,702	$ 49,125

(a) Includes the noncontrolling interests' share of expenses related to Pramac purchase accounting, including the step-up in value of inventories and intangible amortization, of $1.1 million and $1.2 million for the three months ended March 31, 2017 and 2016, respectively.

(b) Represents the following non-cash charges: gains/losses on disposals of assets, unrealized mark-to-market adjustments on commodity contracts, foreign currency gains/losses and certain purchase accounting related adjustments. We believe that adjusting net income for these non-cash charges is useful for the following reasons:

- The gains/losses on disposals of assets result from the sale of assets that are no longer useful in our business and therefore represent gains or losses that are not from our core operations;
- The adjustments for unrealized mark-to-market gains and losses on commodity contracts represent non-cash items to reflect changes in the fair value of forward contracts that have not been settled or terminated. We believe it is useful to adjust net income for these items because the charges do not represent a cash outlay in the period in which the charge is incurred, although Adjusted EBITDA must always be used together with our U.S. GAAP statements of comprehensive income and cash flows to capture the full effect of these contracts on our operating performance; and
- The purchase accounting adjustments represent non-cash items to reflect fair value at the date of acquisition, and therefore do not reflect our ongoing operations.

(c) Represents share-based compensation expense to account for stock options, restricted stock and other stock awards over their respective vesting period.

(d) Represents transaction costs incurred directly in connection with any investment, as defined in our credit agreement, equity issuance or debt issuance or refinancing, together with certain fees relating to our senior secured credit facilities, such as administrative agent fees and credit facility commitment fees under our Term Loan and ABL Facility, which we believe to be akin to, or associated with, interest expense and whose inclusion in Adjusted EBITDA is therefore similar to the inclusion of interest expense in that calculation.

(e) For the three months ended March 31, 2017, represents severance and other non-recurring restructuring charges related to the consolidation of certain of our facilities. For the three months ended March 31, 2016, primarily represents charges relating to business optimization and restructuring costs to address the significant and extended downturn for capital spending within the oil & gas industry. These charges represent expenses that are not from our core operations and do not reflect our ongoing operations.

Adjusted Net Income

To further supplement our condensed consolidated financial statements in accordance with U.S. GAAP, we provide the computation of Adjusted Net Income attributable to the Company, which is defined as net income before noncontrolling interest and provision for income taxes adjusted for the following items: cash income tax expense, amortization of intangible assets, amortization of deferred financing costs and original issue discount related to our debt, intangible impairment charges, certain transaction costs and other purchase accounting adjustments, losses on extinguishment of debt, business optimization expenses, certain other non-cash gains and losses, and adjusted net income attributable to noncontrolling interests, as set forth in the reconciliation table below.

We believe Adjusted Net Income is used by securities analysts, investors and other interested parties in the evaluation of our company's operations. Management believes the disclosure of Adjusted Net Income offers an additional financial metric that, when used in conjunction with U.S. GAAP results and the reconciliation to U.S. GAAP results, provides a more complete understanding of our ongoing results of operations, and the factors and trends affecting our business.

The adjustments included in the reconciliation table listed below are presented to illustrate the operating performance of our business in a manner consistent with the presentation used by investors and securities analysts. Similar to the Adjusted EBITDA reconciliation, these adjustments eliminate the impact of a number of items we do not consider indicative of our ongoing operating performance or cash flows, such as amortization costs, transaction costs and write-offs relating to the retirement of debt. We also make adjustments to present cash taxes paid as a result of our favorable tax attributes.

Similar to Adjusted EBITDA, Adjusted Net Income does not represent, and should not be a substitute for, net income or cash flows from operations as determined in accordance with U.S. GAAP. Adjusted Net Income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of the limitations are:

- Adjusted Net Income does not reflect changes in, or cash requirements for, our working capital needs;
- although amortization is a non-cash charge, the assets being amortized may have to be replaced in the future, and Adjusted Net Income does not reflect any cash requirements for such replacements; and
- other companies may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure.

The following table presents a reconciliation of net income to Adjusted Net Income attributable to Generac Holdings Inc.:

	Three Months Ended March 31,	
(U.S. Dollars in thousands, except share and per share data)	**2017**	**2016**
Net income attributable to Generac Holdings Inc.	$ 12,842	$ 10,208
Net income attributable to noncontrolling interests	7	4
Net income	12,849	10,212
Provision for income taxes	8,251	5,719
Income before provision for income taxes	21,100	15,931
Amortization of intangible assets	7,183	7,797
Amortization of deferred finance costs and original issue discount	490	1,056
Transaction costs and other purchase accounting adjustments (a)	585	1,247
Business optimization expenses	100	7,106
Adjusted net income before provision for income taxes	29,458	33,137
Cash income tax expense (b)	(3,087)	(1,820)
Adjusted net income	26,371	31,317
Adjusted net income attributable to noncontrolling interests	582	430
Adjusted net income attributable to Generac Holdings Inc.	$ 25,789	$ 30,887
Adjusted net income per common share attributable to Generac Holdings Inc. - diluted:	$ 0.41	$ 0.46
Weighted average common shares outstanding - diluted:	62,936,126	66,600,040

(a) Represents transaction costs incurred directly in connection with any investment, as defined in our credit agreement, equity issuance or debt issuance or refinancing, and certain purchase accounting adjustments.

(b) Amount for the three months ended March 31, 2017 is based on an anticipated cash income tax rate of approximately 15% for the full year ended 2017. Amount for the three months ended March 31, 2016 is based on an anticipated cash income tax rate of approximately 9% for the full year ended 2016. Cash income tax expense for the respective periods is based on the projected taxable income and corresponding cash tax rate for the full year after considering the effects of current and deferred income tax items, and is calculated for each respective period by applying the derived full year cash tax rate to the period's pretax income.

New Accounting Standards

Refer to Note 1, “Description of Business and Basis of Presentation,” to the condensed consolidated financial statements for further information on the new accounting standards applicable to the Company.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to Note 3, "Derivative Instruments and Hedging Activities," to the condensed consolidated financial statements for a discussion of changes in commodity, currency and interest rate related risks and hedging activities. Otherwise, there have been no material changes in market risk from the information provided in Item 7A (Quantitative and Qualitative Disclosures About Market Risk) of our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

In March 2016, the Company acquired a 65% ownership interest in Pramac. As a result of the acquisition, we are in the process of reviewing the internal control structure of Pramac and, if necessary, will make appropriate changes as we incorporate our controls and procedures into the acquired business.

Other than the continuing assessment of controls for the Pramac acquisition noted above, there have been no changes during the three months ended March 31, 2017 in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in legal proceedings primarily involving product liability, employment matters and general commercial disputes arising in the ordinary course of our business. As of March 31, 2017, we believe that there is no litigation pending that would have a material effect on our results of operations or financial condition.

Item 1A. Risk Factors

There have been no material changes in our risk factors since the February 24, 2017 filing of our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes our stock repurchase activity for the three months ended March 31, 2017, which consisted of the withholding of shares upon the vesting of restricted stock awards to pay related withholding taxes on behalf of the recipient:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs	Approximate Dollar Value Of Shares That May Yet Be Purchased Under The Plans Or Programs
01/01/2017 – 01/31/2017	-	-	-	200,120,516
02/01/2017 – 02/28/2017	27,242	$ 40.74	-	200,120,516
03/01/2017 – 03/31/2017	3,123	40.04	-	200,120,516
Total	30,365	$ 40.66		

For equity compensation plan information, please refer to our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 6. Exhibits

See "Exhibit Index" for documents filed herewith and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Generac Holdings Inc.

By: /s/ York A. Ragen

York A. Ragen
Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Dated: May 5, 2017

EXHIBIT INDEX

Item 6.

Exhibits Number	Description
10.1*	Generac Holdings Inc. Deferred Stock Unit Plan for Non-Employee Directors in accordance with the Generac Holdings Inc. Amended and Restated 2010 Equity Incentive Plan, effective April 1, 2017.
10.2*	Generac Holdings Inc. Non-Employee Director Compensation Summary.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related Notes to Condensed Consolidated Financial Statements.

*   Filed herewith.
** Furnished herewith.

Exhibit 10.1

GENERAC HOLDINGS INC.

DEFERRED STOCK UNIT PLAN
FOR NON-EMPLOYEE DIRECTORS

(Effective April 1, 2017)

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GENERAC HOLDINGS INC.
DEFERRED STOCK UNIT PLAN
FOR NON-EMPLOYEE DIRECTORS

Article 1

Establishment and Purpose

1.1 Establishment of the Plan

Generac Holdings Inc. (the "Company") is establishing the Generac Holdings Inc. Deferred Stock Unit Plan for Non-Employee Directors in accordance with the Generac Holdings Inc. Amended and Restated 2010 Equity Incentive Plan, effective April 1, 2017.

1.2 Purpose

The purpose of the Plan is to permit each Non-Employee Director to voluntarily defer all or part of his or her Director's Fees that he or she would otherwise receive in Shares.

1.3 Status of Plan Under ERISA

A Non-Employee Director is not an employee of the Company. A Non-Employee Director is treated as an independent contractor for federal tax purposes with regard to the service that he or she provides to the Company. As a result, the Plan is not subject to ERISA.

1.4 Compliance with Section 409A

To the extent the Plan provides deferred compensation under Section 409A of the Code, the Plan is intended to comply with Section 409A. The Plan is intended to be interpreted consistent with the requirements of Section 409A of the Code.

Article 2

Definitions

The following terms have the meanings described in this Article unless the context clearly indicates another meaning. All references in the Plan to specific articles or sections refer to Articles or Sections of the Plan unless otherwise stated.

2.1 Account

"Account" means the bookkeeping record of a Participant's benefits under the terms of the Plan. A Participant's Account may be divided into separate subaccounts as provided in the Plan.

2.2 Affiliate

"Affiliate" means a company that is considered a single employer with the Company under the controlled group rules in Sections 414(b) and (c) of the Code.

2.3 Annual Stock Grant

"Annual Stock Grant" means the annual grant of Shares made by the Company to each Non-Employee Director after the release of the Company's first quarter financial information for each Calendar Year.

2.4 Beneficiary

"Beneficiary" means the beneficiary designated in writing by a Participant to receive benefits from the Plan in the event of the Participant's death. The Beneficiary must be designated on a form provided by the Plan Administrator, and a Participant may change the Beneficiary designation at any time by signing a new form and delivering it to the Plan Administrator.

If a Participant designates a trust as Beneficiary, the Plan Administrator will determine the rights of the trustee without responsibility for determining the validity, existence, or provisions of the trust. Further, the Plan Administrator will not have responsibility for the application of sums paid to the trustee or for the discharge of the trust.

If no Beneficiary survives a Participant, payment will be made to the Participant's estate or as otherwise described in the Beneficiary designation form received by the Company.

The facts shown by the records of the Plan Administrator at the time of death shall be conclusive as to the identity of the proper payee and the amount properly payable. The distribution made in accordance with such facts shall constitute a complete discharge of all obligations under the provisions of the Plan.

2.5 Board of Directors

"Board of Directors" means the Board of Directors of the Company.

2.6 Calendar Year

"Calendar Year" means the period of January 1 through the following December 31.

2.7 Change of Control

"Change of Control" means a Change of Control as defined in Section 2.12 of the Generac Holdings Inc. Amended and Restated 2010 Equity Incentive Plan.

2.8 Code

"Code" means the Internal Revenue Code of 1986, as amended, including any applicable regulations.

2.9 Company

"Company" means Generac Holdings Inc., a Delaware corporation.

2.10 Deferred Stock Unit

"Deferred Stock Unit" means the right to receive one Share subject to the terms and conditions of the Plan. If during the period the Participant holds any Deferred Stock Units granted under this Plan, the Company pays a dividend with respect to its Shares, the Participant's Account shall be credited with an additional number of Deferred Stock Units having a value equal to the dividends that would have been paid to the Participant if one Share had been issued to the Participant for each Deferred Stock Unit granted to the Participant as set forth in this Plan, based on the fair market value of a Share as of the close of business on the applicable dividend payment date and rounded to the nearest whole Share. Any such additional Deferred Stock Units shall be considered Deferred Stock Units under this Plan and shall also be credited with additional Deferred Stock Units as dividends, if any, are declared and shall be subject to the same restrictions and conditions as the Deferred Stock Units with respect to which they were credited.

2.11 Director's Fees

"Director's Fees" means the Retainer Fees and the Annual Stock Grant to be paid in shares to a Participant by the Company and its Affiliates for service on its Board of Directors.

2.12 Distributable Event

"Distributable Event" means an event for which a distribution of benefits is made under Section 5.1.

2.13 Elective Deferrals

"Elective Deferrals" means amounts deferred under Section 5.1 from the Director's Fees otherwise payable to a Participant.

2.14 ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.15 Gross Misconduct

"Gross Misconduct" means any of the following, with respect to the Participant's service as a member of the Board of Directors:

(a) Theft or embezzlement from the Company or any Affiliate; or

(b) Gross negligence, fraud or willful violation of any law or significant policy of the Board of Directors, resulting in a material adverse effect on the Company or any Affiliate.

However, the term "Gross Misconduct" shall not include ordinary negligence or failure to act, whether due to an error in judgment or otherwise, if the Participant has exercised substantial efforts in good faith to perform his or her duties as a member of the Board of Directors.

2.16 Non-Employee Director

"Non-Employee Director" means a person who is a member of the Board of Directors of the Company, and is not a common law employee of the Company or any Affiliate.

2.17 Participant

"Participant" means a Non-Employee Director who elects to participate in the Plan and has an Account under the Plan.

2.18 Plan

"Plan" means the Generac Holdings Inc. Deferred Stock Unit Plan for Non-Employee Directors.

2.19 Plan Administrator

"Plan Administrator" means the Company or the individual or committee designated by the Company as the Plan Administrator under Article 6.

2.20 Retainer Fees

"Retainer Fees" means the quarterly Retainer Fees paid to a Participant by the Company for service on its Board of Directors.

2.21 Separation from Service

"Separation from Service" means a "separation from service" under Section 409A of the Code. Generally, this occurs if all of the following requirements are satisfied with regard to a Participant:

(a) The Participant ceases to be a member of the Company's Board of Directors and does not have an expectation of being reappointed;

(b) The Participant does not have any other contract to provide services to the Company or any expectation of a contract; and

(c) The Participant is not an employee of the Company.

For purposes of this Section, the term "Company" includes the Company's Affiliates.

2.22 Share

"Share" means a share of common stock of the Company, par value $0.01 per share, or such other class or kind of shares or other securities resulting from the application of Article 12 of the Generac Holdings Inc. Amended and Restated 2010 Equity Incentive Plan.

2.23 Total Disability

"Total Disability" means a "disability" under Section 409A of the Code. A Participant has a Total Disability if the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable mental or physical impairment which can be expected to result in death or can be expected to last for a continuous period of at least 12 months. The existence of the disability will be established by the certification of a physician or physicians selected by the Company.

Article 3

Participation

Each Non-Employee Director is eligible to participate in the Plan beginning on the later of:

(a) April 1, 2017; or

(b) The first day of the quarter of each Calendar Year (i.e., January 1, April 1, July 1 and October 1) coincident with or after the person becomes a Non-Employee Director.

A Participant will no longer be eligible to defer Directors Fees in a Calendar Year beginning after the Participant becomes an employee of the Company or its Affiliates.

Article 4

Amounts Credited to a Participant's Account

4.1 A Participant's Account

The Company will maintain an Account for each Participant to record the Participant's Deferred Stock Units under the terms of the Plan. Amounts will be credited to the Participant's Account as provided in this Article.

The Account is for bookkeeping purposes only. The Company is not required to fund the amount credited to the Account. The Participant is a general unsecured creditor of the Company. The Company will pay benefits to the Participant from the Company's general assets at the time and in the manner provided in Article 5. As a result, the Plan is a mere promise by the Company to make benefit payments in the future.

4.2 Amounts Credited Based Upon Elective Deferrals

The Company shall credit a Participant's Account with the amount of a Participant's Elective Deferrals as follows:

(a) **Time of Election** Before the beginning of each Calendar Year, a Participant will make an irrevocable written election to make Elective Deferrals from Director Fees earned during that Calendar Year. But the following special rules apply:

(1) If a person initially becomes a Participant during a Calendar Year beginning on or after January 1, 2018, the Participant may make an election within 30 days after the person becomes a Participant to make Elective Deferrals from Retainer Fees earned during any quarter beginning after the election is made. The amount of the Participant's Retainer Fees earned after the election shall be determined consistent with Treasury regulations relating to Section 409A of the Code.

(2) A Participant may elect to make Elective Deferrals from the Annual Stock Grant declared in 2017 at any time before the date the Annual Stock Grant is declared by the Board of Directors.

(3) If a Participant does not make a new election for a Calendar Year, the Participant's election from the prior Calendar Year will be continued.

(b) **Separate Elections Permitted** A Participant may make separate elections with regard to Elective Deferrals from Retainer Fees and the Annual Stock Grant. The Participant's election shall specify the percentage of each applicable type of Director's Fees that will be an Elective Deferral. The percentage may be 0%, 50% or 100%. The Plan Administrator may also periodically establish additional rules relating to a Participant's Elective Deferrals.

(c) **Irrevocability of Election** Except to the extent permitted under paragraph (a)(1) or (2) above, a Participant's election to make Elective Deferrals during a Calendar Year is irrevocable after the last day of the prior Calendar Year.

(d) **Crediting of Elective Deferrals to Accounts** A Participant's Elective Deferrals shall be converted to Deferred Stock Units credited to his or her Account immediately following the second business day after the public disclosure of the Company's financial results for the prior fiscal quarter.

4.3 Vesting Events

A Participant will be fully vested in the Deferred Stock Units credited to his or her Account attributable to Elective Deferrals of Retainer Fees as of the date the Deferred Stock Units are credited to the Participant's Account. A Participant will be fully vested in the Deferred Stock Units credited to his or her Account attributable to Elective Deferrals of an Annual Stock Grant as of the earliest of the following Vesting Events:

(a) The date the Deferred Stock Units attributable to the Elective Deferral of any Annual Stock Grant declared for a Calendar Year after 2017 are credited to the Participant's Account.

(b) The one year anniversary of the date the Deferred Stock Units attributable to the Elective Deferral of the Annual Stock Grant declared for the 2017 Calendar Year are credited to the Participant's Account.

(c) The date of the Participant's death while a member of the Board of Directors.

(d) The date the Participant incurs a Total Disability while a member of the Board of Directors.

(e) The date a Change of Control of the Company occurs.

If a Participant ceases to be a member of the Board of Directors before any of these Vesting Events occur, he or she will forfeit all unvested Deferred Stock Units under the Plan. In addition, if a Participant ceases to be a member of the Board of Directors at any time as a result of the Participant's Gross Misconduct, he or she will forfeit all vested and unvested Deferred Stock Units under the Plan.

Article 5

Distribution of Benefits

5.1 Distributable Events

A Participant shall have a Distributable Event on the first to occur of the following:

(a) The date the Participant has a Separation from Service for a reason other than the Participant's death.

(b) The date the Participant dies.

(c) The date there is a Change of Control.

5.2 Time and Form of Payment

A Participant will receive Shares equal to the vested Deferred Stock Units credited to his or her Account in a single lump sum payment on the 30th day after the Distributable Event.

Notwithstanding anything herein to the contrary, no payment of Shares that are payable upon a participant's Separation from Service shall be made to any Participant who is a "specified employee" for purposes of Code Section 409A until the earlier to occur of the date that is six months and one day after such participant's Separation from Service or the date of such participant's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 5.2 shall be paid to the Participant.

5.3 Payment to Beneficiary

If a Participant dies, Shares equal to the vested Deferred Stock Units credited to the Participant's Account will be paid to his or her Beneficiary as provided in Section 5.1(b).

5.4 Tax Withholding

The Participant shall be responsible and liable for any and all income tax, social insurance, payroll tax, payment on account or other tax-related items, whether imposed under the applicable law of any federal, state, local or foreign jurisdiction, related to the payment of the Participant's Shares ("Tax-Related Items"). The Company will not withhold for any such Tax-Related Items unless required by law. Any applicable federal, state, or local income taxes will be withheld from the payment of benefits.

5.5 Spendthrift Provision

No benefit or interest under the Plan is subject in any manner to assignment or alienation, whether voluntary or involuntary. Any assignment or alienation of benefits will be void.

5.6 Rights as Shareholder

A Participant shall not have any rights of a shareholder with respect to the Deferred Stock Units unless and until the Deferred Stock Units are settled by the delivery of Shares.

Article 6

Administration

6.1 Plan Administrator

The individual or committee designated by the Company has the sole responsibility for the administration of the Plan and is designated as Plan Administrator.

6.2 Powers of Plan Administrator

The Plan Administrator has all discretionary powers necessary to administer the Plan, including, but not limited to, the following:

(a) Maintain records pertaining to the Plan.

(b) Interpret the terms and provisions of the Plan.

(c) Establish procedures by which a Participant may apply for benefits under the Plan and appeal a denial of benefits.

(d) Determine a Participant's rights under the Plan.

(e) Administer the appeal procedure provided in this Article.

(f) Delegate specific responsibilities for the operation and administration of the Plan to such employees or agents as it deems advisable and necessary.

Article 7

Miscellaneous

7.1 No Rights to Continue as Board Member

The existence of the Plan does not grant a Participant any legal right to continue as a member of the Company's Board of Directors, nor affect the right of the Company or the shareholders to remove a Participant from the Board of Directors.

7.2 Amendment

The Company has the right to amend or terminate the Plan at any time by action of its Board of Directors. However, no amendment or termination may reduce an amount credited to a Participant's Account.

7.3 Termination

The Board of Directors may terminate the Plan at any time. If the Plan is terminated, the Participant may not defer any additional Director Fees. A Participant's benefits will be paid at the earlier of the following times:

(a) If the Participant has a Distributable Event under Section 5.1, at the time provided in Section 5.1; or

(b) The time for payment provided under Treas. Reg. §1.409A-3(j)(4)(ix).

7.4 Severability

The unenforceability of any provision of the Plan will not affect the enforceability of the remaining provisions of the Plan.

7.5 Compliance with Law

The issuance and transfer of Shares shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Shares may be listed. No Shares shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

7.6 <u>Limitation of Liability</u>

Neither the Company nor any of its directors, officers, employees, agents or representatives (including specifically the Plan Administrator) shall have any obligation to take any action to prevent the assessment of any tax or penalty on any Participant under Section 409A of the Code, and such parties or the Company will have no liability to any Participant for such tax or penalty.

7.7 <u>Governing Law and Venue</u>

The provisions of the Plan will be governed by the laws of the state of Wisconsin. Further, any legal action brought against the Plan, or against the Plan Administrator or Company in connection with the Plan, must be brought in the Federal District Court for the Eastern District of Wisconsin.

Exhibit 10.2

Generac Holdings, Inc.
Non-Employee Director Compensation Summary

1. Purpose and Scope. The Board of Directors of Generac Holdings, Inc. (the "Company"), to reflect the current compensation practices of the Company as approved by the Board, has set forth the following summary describing the amounts and form in which Non-Employee Directors of the Company shall be paid for their service in such capacity. This summary is not intended to supersede or modify the Company's Amended and Restated 2010 Equity Incentive Plan ("Incentive Plan"). Any terms herein which are not otherwise defined shall be as defined in the Incentive Plan. To the extent any terms or conditions contained within this summary conflict with the Incentive Plan, the Incentive Plan shall be determinative and controlling.

2. Eligibility. Each Non-Employee Director shall be eligible to receive the compensation provided hereunder. Directors who are also employees of the Company, its subsidiaries or affiliates do not receive additional compensation for service as a Director, and shall not be eligible to receive any compensation contemplated herein.

3. Quarterly Retainer Fees[1].

3.1 Quarterly Retainer Fees. Each Non-Employee Director shall receive Retainer Fees in the amount of $17,500, whether in the form of cash or Shares (or otherwise permitted herein), that shall be made on a pro-rated quarterly basis commencing on the same date as the issuance of the Annual Stock Grant, and thereafter awarded following the second full business day after the date of the public disclosure of the Company's financial results for each fiscal quarter.

3.2 Other Quarterly Retainer Fees. Each Non-Employee Director who is appointed to serve as a Committee Chair or as the Lead Director shall receive additional Retainer Fees, whether in the form of cash or Shares (or otherwise permitted herein), that shall be made on a pro-rated quarterly basis commencing on the same date as the issuance of the Annual Stock Grant, and thereafter awarded following the second full business day after the date of the public disclosure of the Company's financial results for each fiscal quarter. The amount of the Committee Chair and Lead Director Other Quarterly Retainer Fees shall be as follows:

(a) The Chair of the Audit Committee shall be paid $5,000;

(b) The Chair of the Compensation Committee shall be paid $2,500;

(c) The Chair of the Nominating and Governance Committee shall be paid $2,500; and

(d) The Lead Director shall be paid $6,250.

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[1] Although the Company presently pays Directors their Quarterly Retainer Fees in arrears, commencing in Q4 2017 Directors shall be credited and paid Quarterly Retainer Fees for their services in the current quarter.

4. Annual Stock Grant. Annually, on a pro-rated basis as applicable, each Non-Employee Director will receive an award of Shares in the amount of $100,000. Except as otherwise provided herein, such Annual Stock Grant will be issued in non-restricted Shares which shall be fully vested on the date of the award grant. Unless otherwise specified by the Board, the Annual Stock Grant shall be awarded following the second full business day after the date of the public disclosure of the Company's financial results for the first quarter of the fiscal year.

5. Form of Award.

(a) Subject to the limitations otherwise set forth herein, each Non-Employee Director may choose to receive some or all of his or her Retainer Fees and Annual Stock Grant in (i) cash, (ii) vested Shares, or (iii) Deferred Stock Units ("DSU").

(b) Any election regarding the form of payment as provided in Section 5(a) must be received by the Company, within the time period pre-determined by the Company, and in writing in accordance with the manner, form and guidelines established by the Company, as may be amended from time to time by the Board.

(c) To the extent a Non-Employee Director elects to receive all or a portion of his or her Retainer Fees or Annual Stock Grant in DSUs under Section 5(a)(iii), such DSUs shall be granted in accordance with, and subject to, the terms and conditions of the Company's Deferred Stock Unit Plan for Non-Employee Directors attached hereto as Appendix A.

(d) Notwithstanding anything to the contrary herein, Non-Employee Directors may not elect to receive cash in lieu of Shares for the Annual Stock Grant unless he or she has met the stock ownership target requirements set forth in Section 7.

6. Reimbursement of Expenses. The Company shall reimburse each Non-Employee Director for his or her reasonable business expenses incurred in connection with the performance of his or her duties, including reasonable travel and other expenses incurred by the Non-Employee Director to attend Board and Committee meetings. Each Non-Employee Director shall provide to the Company such receipts and other records related to such reimbursable expenses as the Company may require.

7. Stock Ownership Target Requirements. Non-Employee Directors must own, within five years of their initial election to the Board, Shares having a value equal to three times the amount of their annualized Retainer Fees. Stock ownership for purposes of these guidelines includes Shares and DSUs.

8. Administration. The Compensation Committee has the authority to construe, interpret, prescribe, amend and rescind rules relating to the administration of Non-Employee Director Compensation, as well as the power to delegate such authority to any officer of the Company or their designee.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Aaron Jagdfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Generac Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

/s/ Aaron Jagdfeld

Name: Aaron Jagdfeld

Title: *Chief Executive Officer*

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, York A. Ragen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Generac Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

/s/ York A. Ragen

Name: York A. Ragen

Title: *Chief Financial Officer*

Exhibit 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Executive Officer of Generac Holdings Inc. (the “Company”), does hereby certify that to my knowledge:

1. the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2017 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2017

/s/ Aaron Jagdfeld

Name: Aaron Jagdfeld

Title: *Chief Executive Officer*

Exhibit 32.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Chief Financial Officer of Generac Holdings Inc. (the "Company"), does hereby certify that to my knowledge:

1. the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Company's quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2017 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2017

/s/ York A. Ragen

Name: York A. Ragen

Title: *Chief Financial Officer*