



# Baird Industrial Conference

November 2010



## Topics:

- YTD financial summary
- Market focus and position
- Growth initiatives

# Financial Performance Summary

	9 mos. YTD <u>2010</u>	% +(-) <u>Prior</u>	
Sales	\$539 M	+ 12%	(+ 11% organic)
Operating Income <sup>1</sup>	\$59.3 M	+ 49%	
EPS <sup>1</sup>	\$1.55	+ 64%	
Gross Profit Margin	32.3%	+ 270 BPS	
LTM Return on Invested Capital <sup>2</sup>	16.1%	+ 620 BPS	
Net Debt/Equity	7.4%	- 1350 BPS	

<sup>1</sup> Before restructuring charge and legal settlement

<sup>2</sup> Operating income before restructuring, legal settlement / (equity + net debt)



## Strategic Objective

To be the world's leading supplier to two global distribution channels:

- Groundwater and adjacent pumping systems
- Fueling systems

Addressable  
Market:

**\$5.2 B**

**\$1.0 B**

Sales LTM  
9/30/10:

**\$563 M**

**\$119 M**



# Global Market Leadership

## Major Product Categories

### Franklin Market Share Rank

#### Water Systems

Groundwater Pumping	#1 (Global)
Residential Wastewater Pumping	#2 (North & South America)

#### Fueling Systems

Fuel Transfer Systems (Pumping & Containment)	#1 (Global)
Fuel & Vapor Management Systems	#2 (Global)



# Water Systems Growth

Product Line Extensions and Geographic Expansion



Franklin Submersible Motor  
1950s



Motors, Controls and Drives  
1990s



Motors, Pumps, Drives and Controls  
2004



Adjacent Pumping Systems  
2006

→ Developing Regions

→ Pump share growth in US/Canada

→ Packaged systems

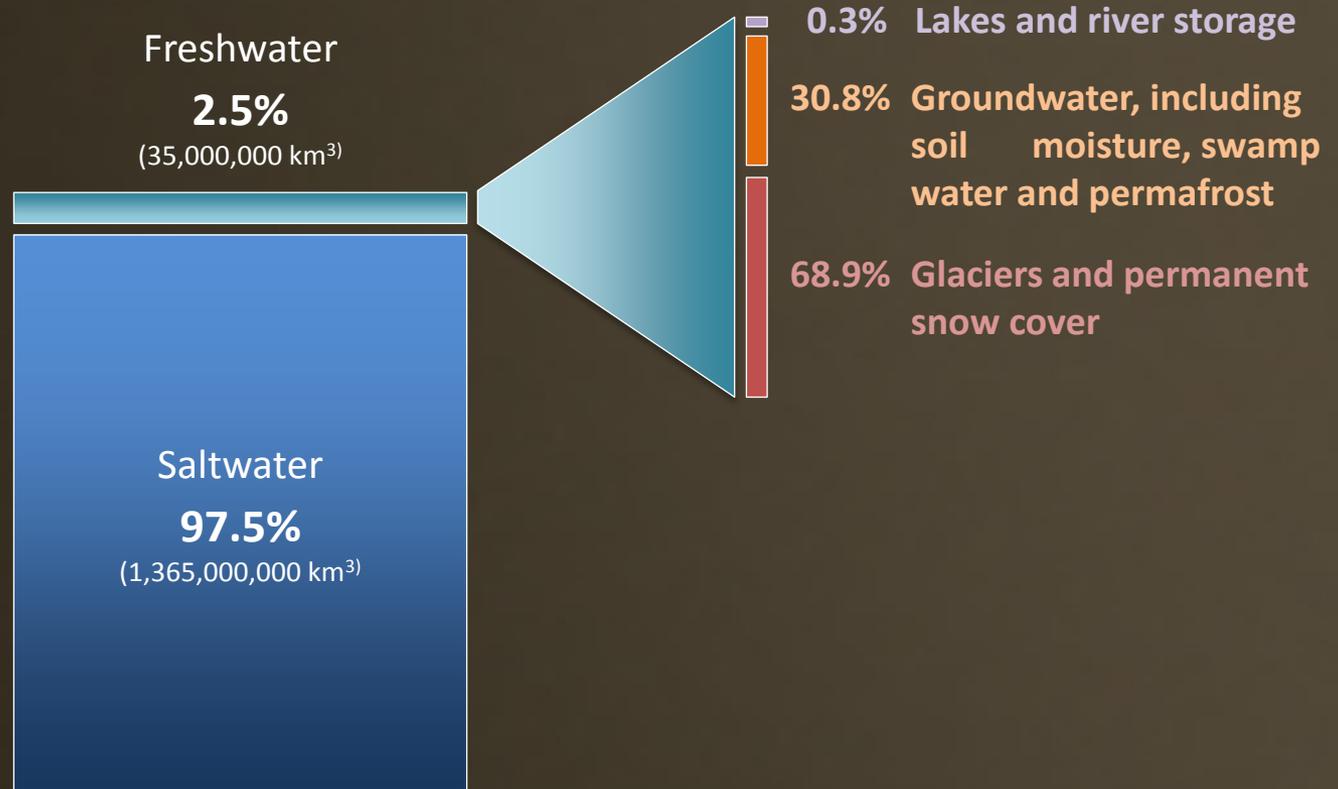




FRANKLIN ELECTRIC WATER SYSTEMS

# Growth in Developing Regions

## Global Water Supply



Source: Igor A. Shiklomanov, State Hydrological Institute (SHI, St. Petersburg) and United Nations Educational, Scientific and Cultural Organization (UNESCO, Paris), 1999.

# Growth in Developing Regions

Water Withdrawals by Region<sup>1</sup>

km<sup>3</sup>/year

US/Canada 700

Western Europe 400

Latin America 350

Eastern Europe<sup>2</sup> 200

Mideast/Africa 400

Asia Pacific 2,100

Total 4,150

**74% in  
Developing  
Regions**



<sup>1</sup> Source UNESCO and management estimates

<sup>2</sup> Russia, Ukraine, Belarus

# Growth in Developing Regions

## Water Withdrawals by Region<sup>1</sup>

	<u>km<sup>3</sup>/year</u>	<u>Growth Trend</u>	<u>% Withdrawals for Agriculture Use</u>
US/Canada	700	Flat	40%
Western Europe	400	Flat	20%
Latin America	350	Growing	90%
Eastern Europe <sup>2</sup>	200	Growing	70%
Mideast/Africa	400	Growing	80%
Asia Pacific	<u>2,100</u>	Growing	90%
Total	4,150		

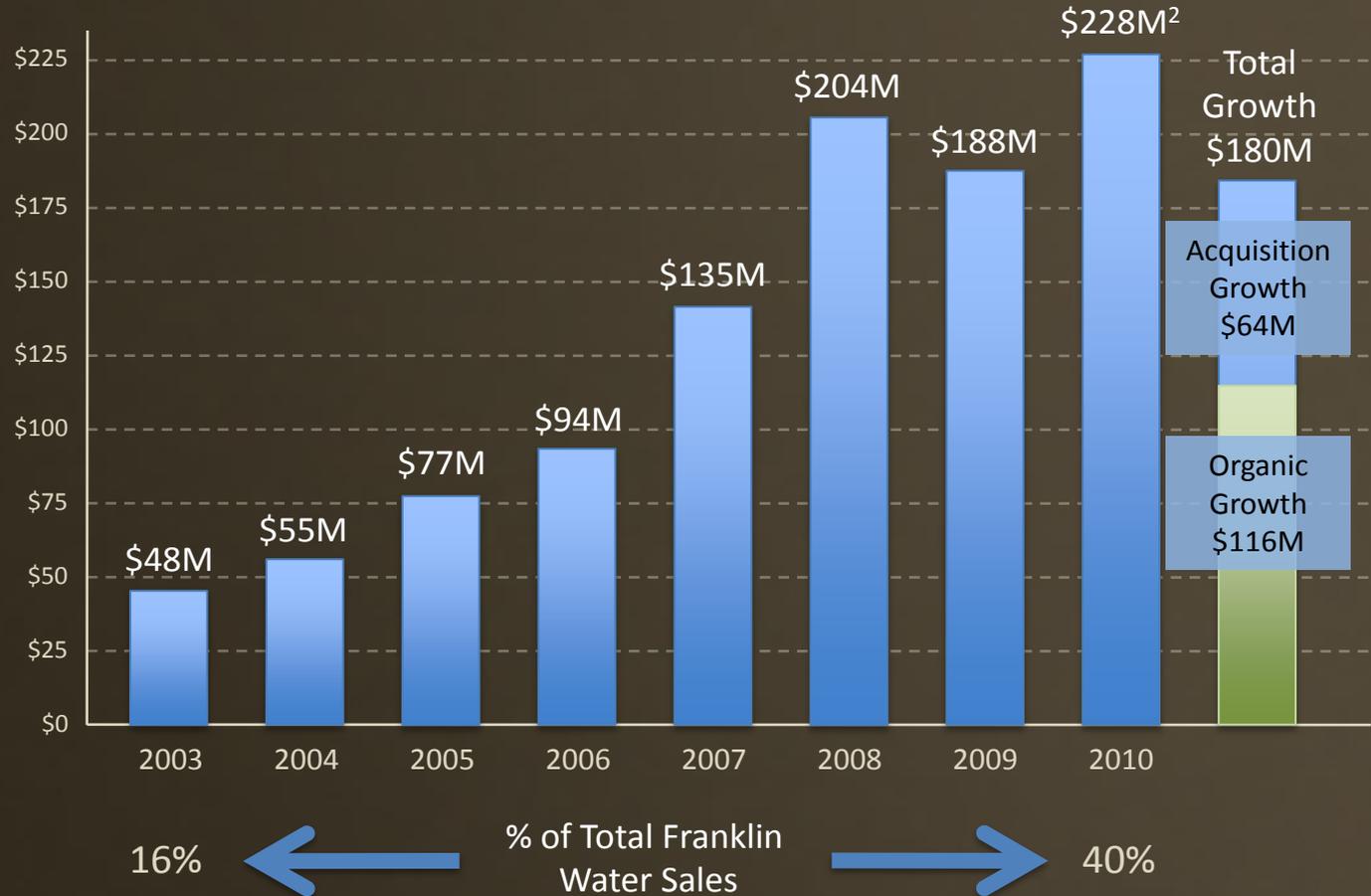


<sup>1</sup> Source UNESCO and management estimates

<sup>2</sup> Russia, Ukraine, Belarus

# Sales in Developing Regions<sup>1</sup>

10% Share of Addressable Market

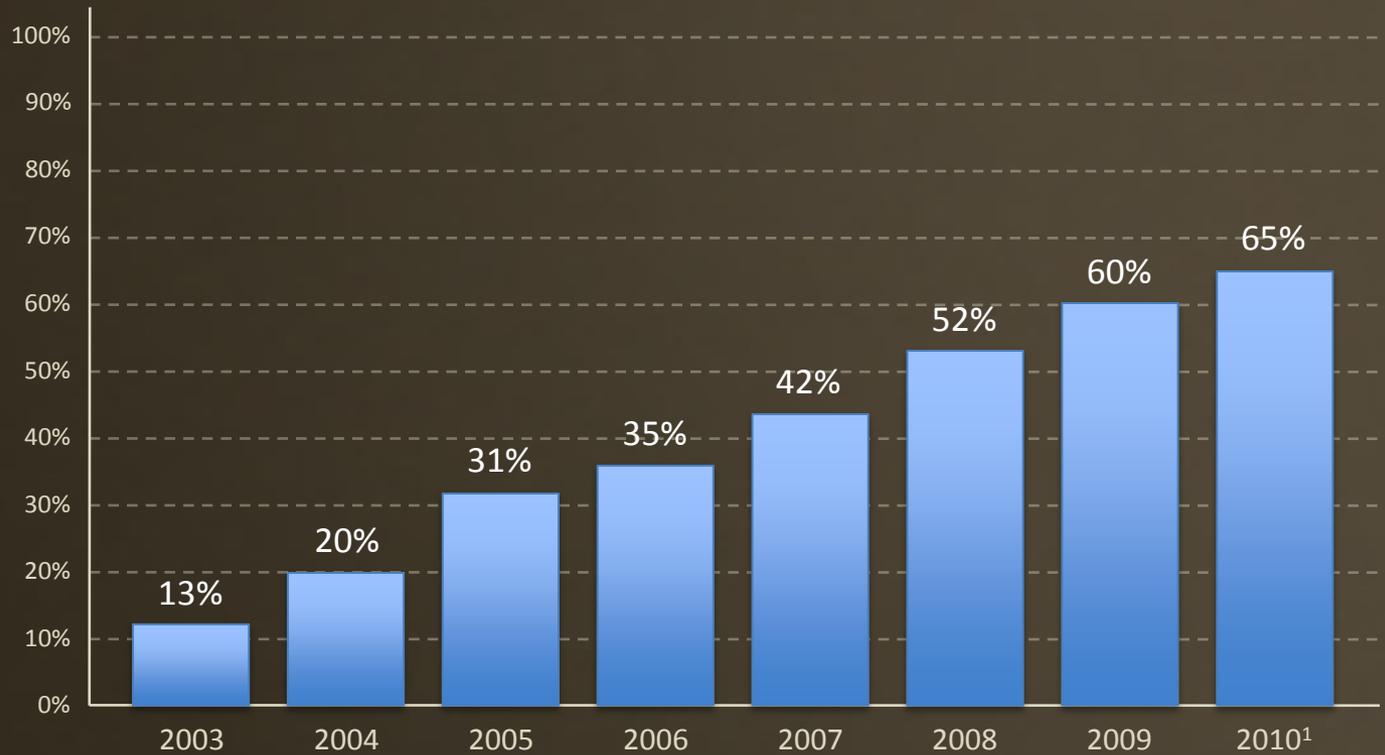


<sup>1</sup> Latin America, Asia/Pacific, Mideast, Africa, Eastern Europe

<sup>2</sup> 9 months 2010 annualized

# Manufacturing in Low Cost Regions

% of Total Water Systems Manufacturing Man-hours



<sup>1</sup> 2010 is an estimated full year projection

# New Manufacturing in Low Cost Regions

Linares, Mexico



300,000 sq. ft.

Brno, Czech Republic



80,000 sq. ft.

Suzhou, China



60,000 sq. ft.



# Manufacturing in Low Cost Regions



“Best Manufacturing Plant in Mexico”

- Business Directive Initiatives Platinum Quality Award

“Best Manufacturing Plant in Mexico”

- Best Places to Work Institute

“Finalist”

- Industry Week Magazine Best Plants in North America





FRANKLIN ELECTRIC WATER SYSTEMS

## Pump Share Growth in US/Canada

Objective:

Expand share of \$1.2 B addressable market in the US/Canada

Strategy:

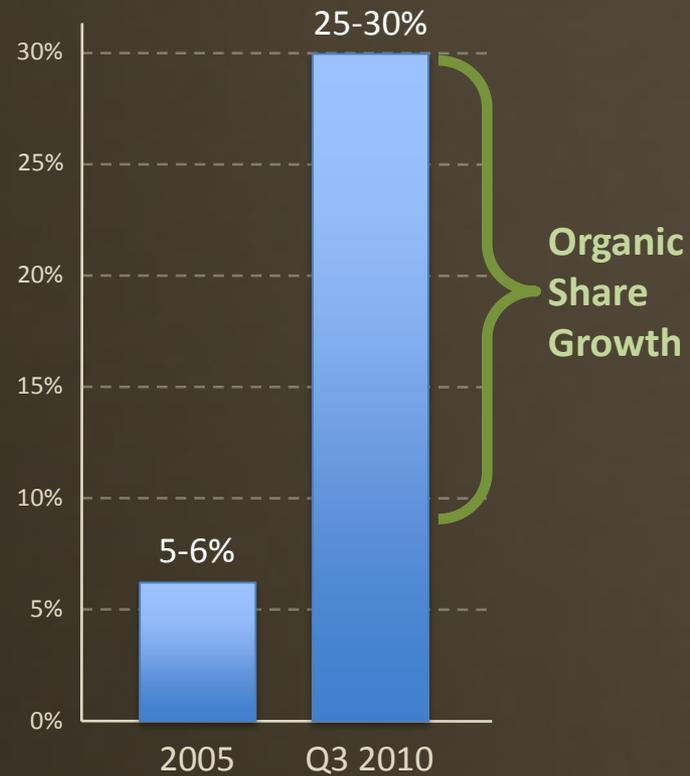
Use strong motor customer relationships to expand pump sales

Focus on the needs of the installing contractor:

- Product reliability
- Training and technical support

## Pump Share Growth in US/Canada

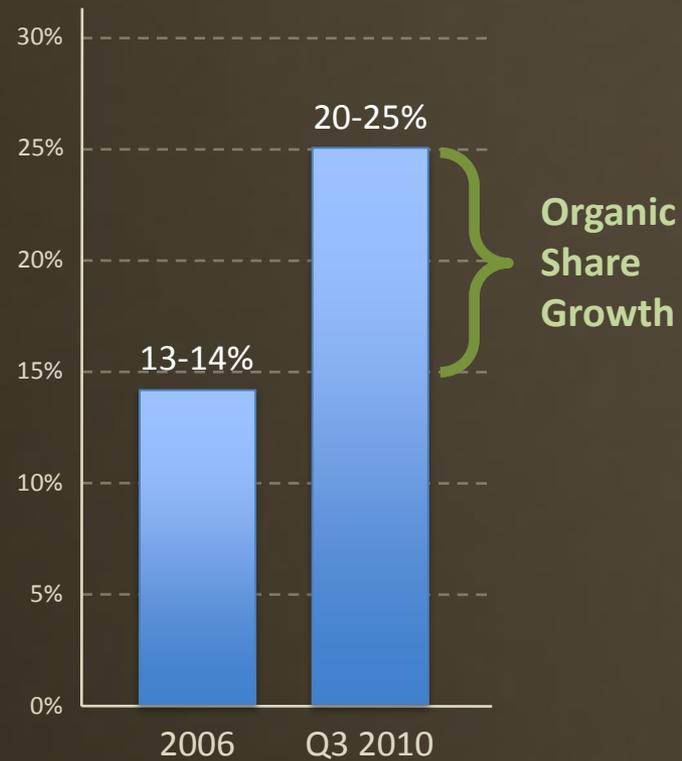
% Franklin Share - Residential Groundwater Pumps<sup>1</sup>  
(4" Submersibles + Jets)  
(Year of market entry to most recent quarter)



<sup>1</sup> Management estimates based on Trade Association data.

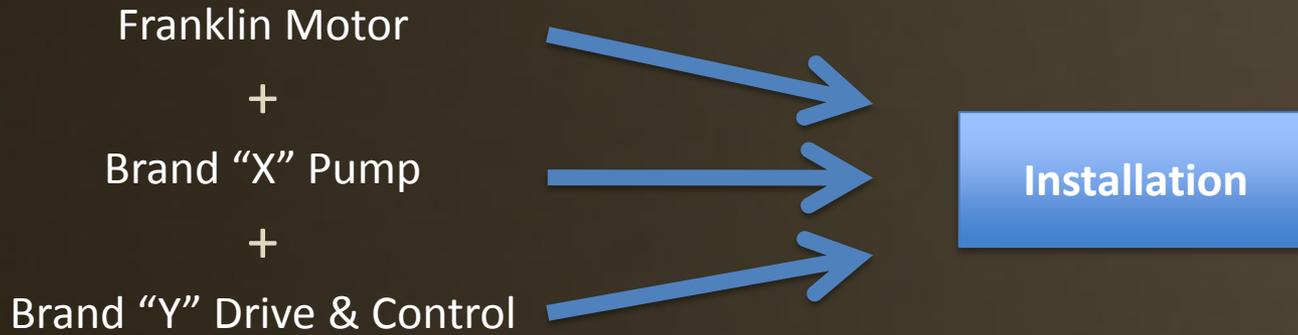
# Pump Share Growth in US/Canada

% Franklin Share - Residential Wastewater Pumps<sup>1</sup>  
(Sump, Sewage, Effluent, Utility  $\leq$  2 hp)  
(Year of market entry to most recent quarter)



<sup>1</sup> Management estimates based on Trade Association data.

# Extend Product Lines to Include More Packaged Systems



# Extend Product Lines to Include More Packaged Systems



## Contractor benefit:

- Simplified installation
- Performance guarantee

## Franklin benefit:

- More revenue per installation



Motor only  
\$100-200/unit



Motor & pump  
\$200-300/unit

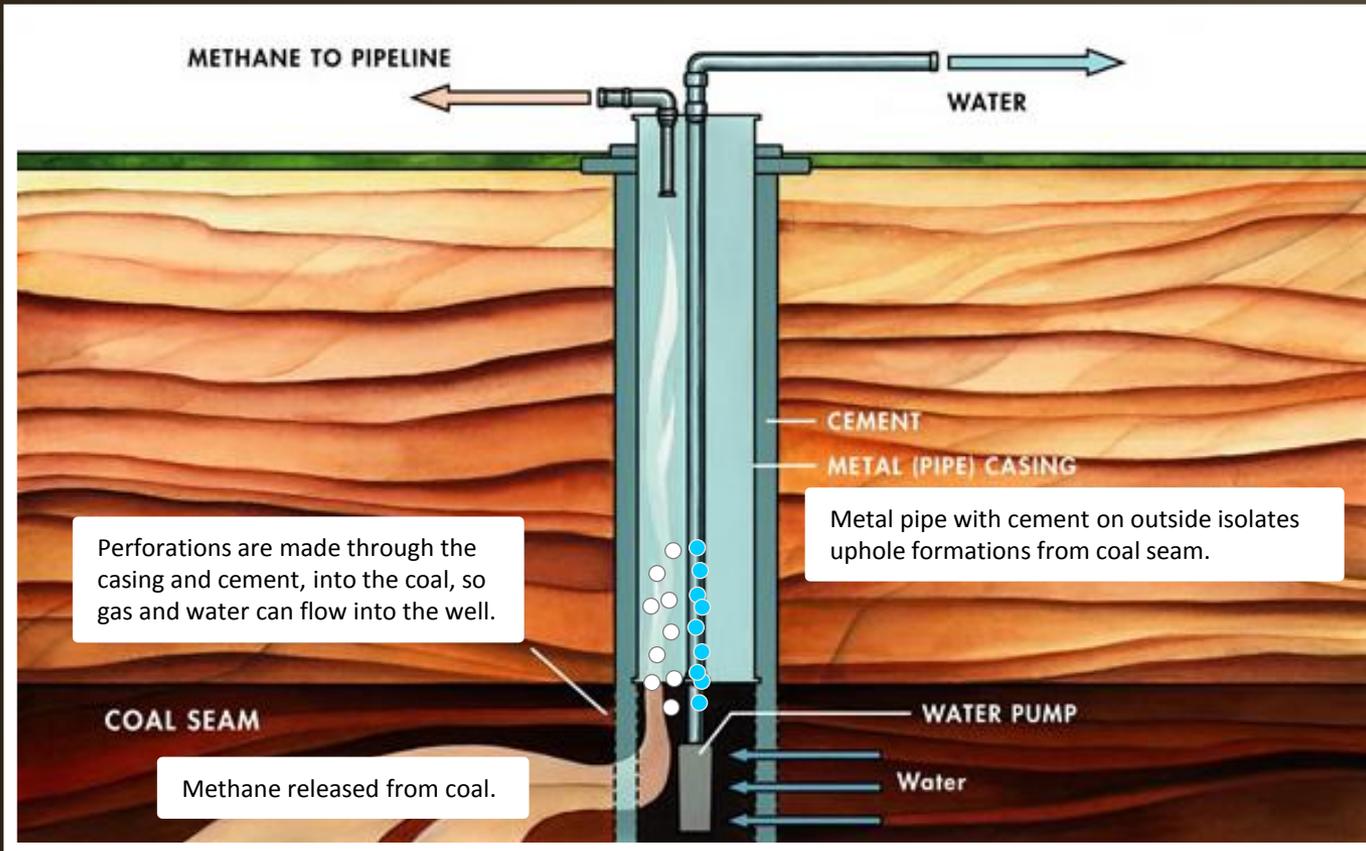


Motor, pump, electric drive,  
ancillary equipment  
\$500-800/unit



# Extend Product Lines to Include More Packaged Systems

## Coal Seam Natural Gas:



FRANKLIN ELECTRIC WATER SYSTEMS

## Extend Product Lines to Include More Packaged Systems

Coal Seam Natural Gas – Current Systems:

Nodding Donkey

(\$100,000 to \$150,000 per well)



Oil Field Pump System

(\$50,000 to \$70,000 per well)





FRANKLIN ELECTRIC WATER SYSTEMS

## Extend Product Lines to Include More Packaged Systems

Coal Seam Natural Gas – Franklin System:  
(up to 1000 meters depth)

Pump  
Motor  
Drive  
Telemetry  
Discharge head  
Ancillary equipment

} ≈ \$30,000/well



FRANKLIN ELECTRIC WATER SYSTEMS

## Extend Product Lines to Include More Packaged Systems

Solar Groundwater Pumping Systems:

- Franklin system:

Pump  
Motor  
Inverter/Drive



**Annual Market Potential:**  
≈ \$25-35 M per year

- Franklin value proposition:
  - Deliver maximum water per unit of sunlight (efficiency)
  - Reliability
  - Ease of installation

# Product Line Extensions and Geographic Expansion



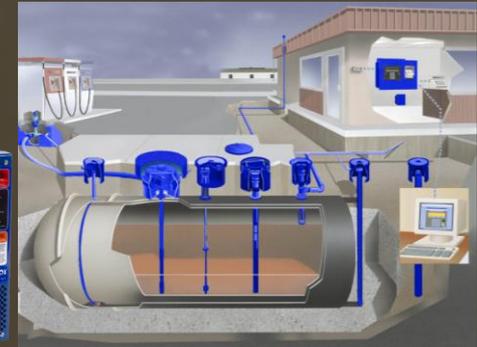
Franklin Submersible  
Motor  
1960s



FE Petro  
Turbine Pump  
1980s



FE Petro Turbine  
and Drive  
1990s



Adjacent Products  
2000s

## International Expansion:



Growing motor vehicle population



Installation of new technologies





FRANKLIN FUELING SYSTEMS

## Annual Sales of Cars & Light Trucks

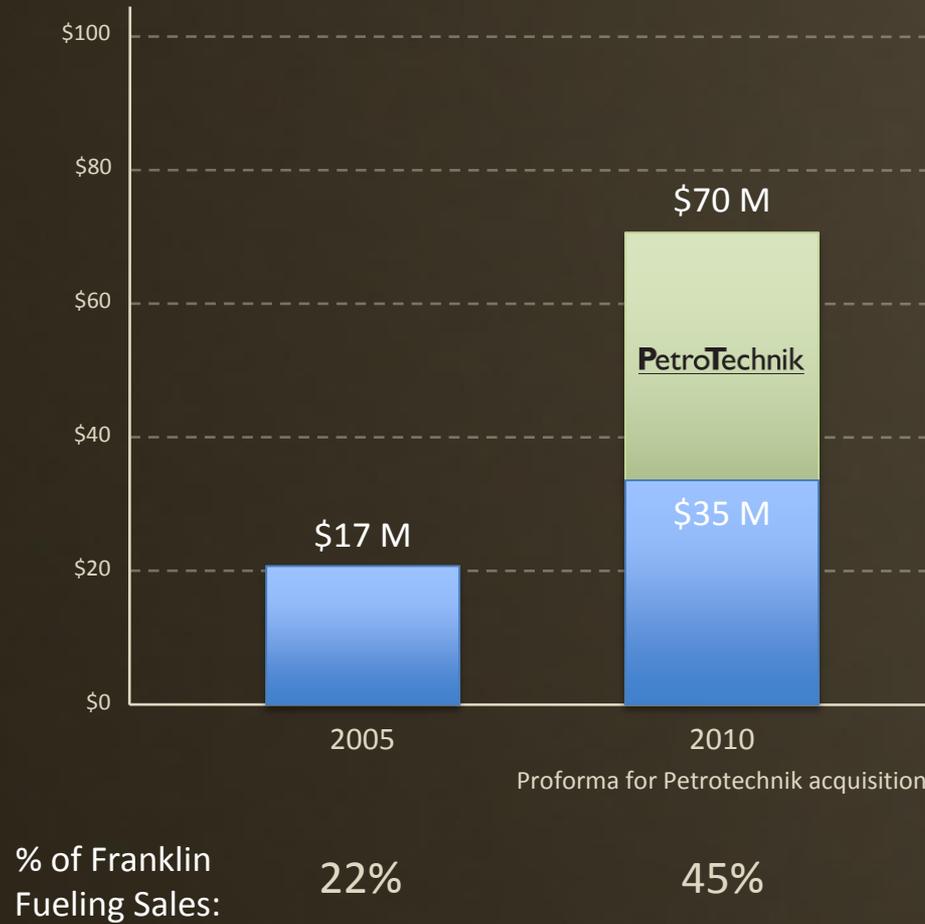
	<u>2000</u>	<u>FCST</u> <u>2010</u>	
North America	20 M	14 M	
China, India & Latin America	3 M	15 M	 Up 500%

# Installation of New Technologies in International Markets

	US (175,000 stations)	Rest of World (500,000 stations)
Stations with pressure pumping technology	97%	23%
Stations with vapor recovery systems	60-80% (on board)	17%
Stations with fuel management systems	75%	36%



# International Sales Growth



FRANKLIN ELECTRIC

2010

- Double-digit organic sales growth
- Superior return on invested capital
- Strong balance sheet
- Robust global growth opportunities

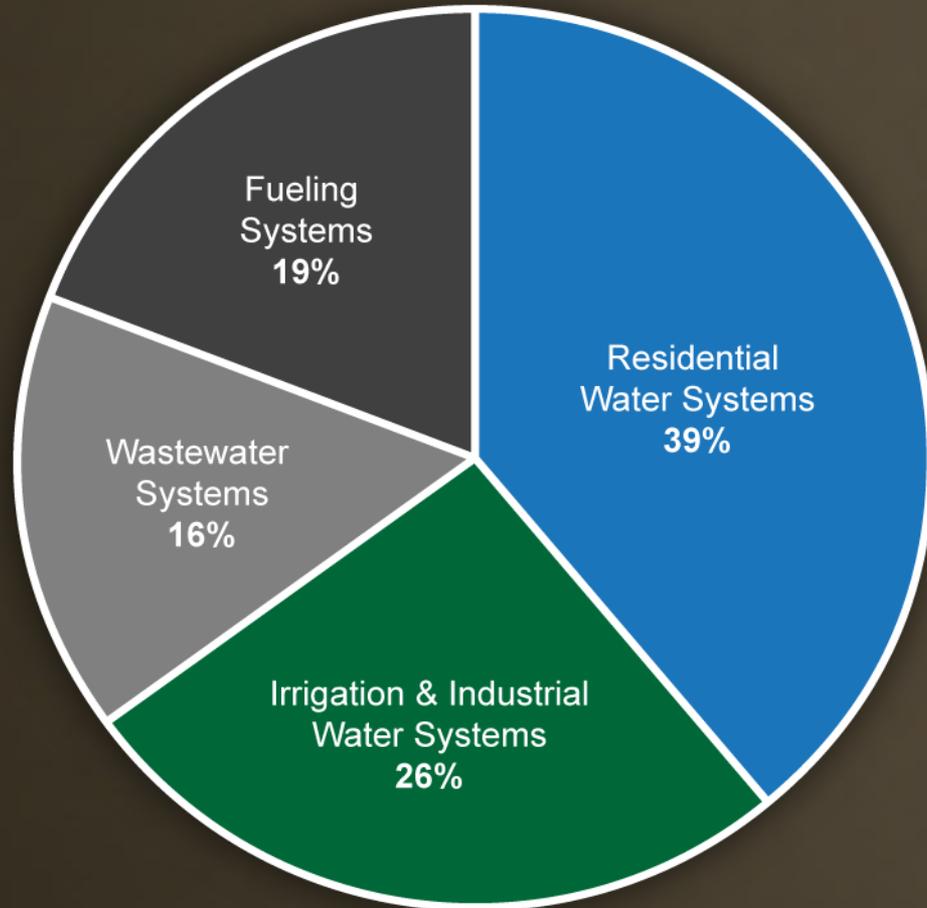


BAIRD INDUSTRIAL CONFERENCE

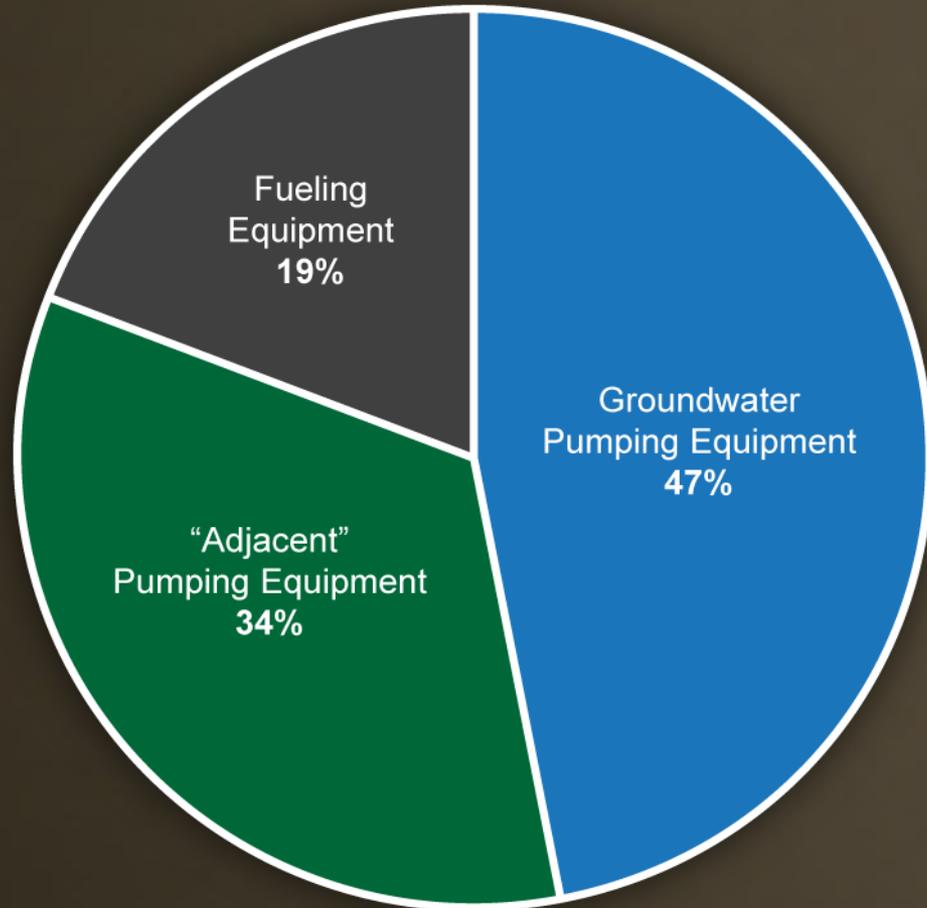
# Appendix



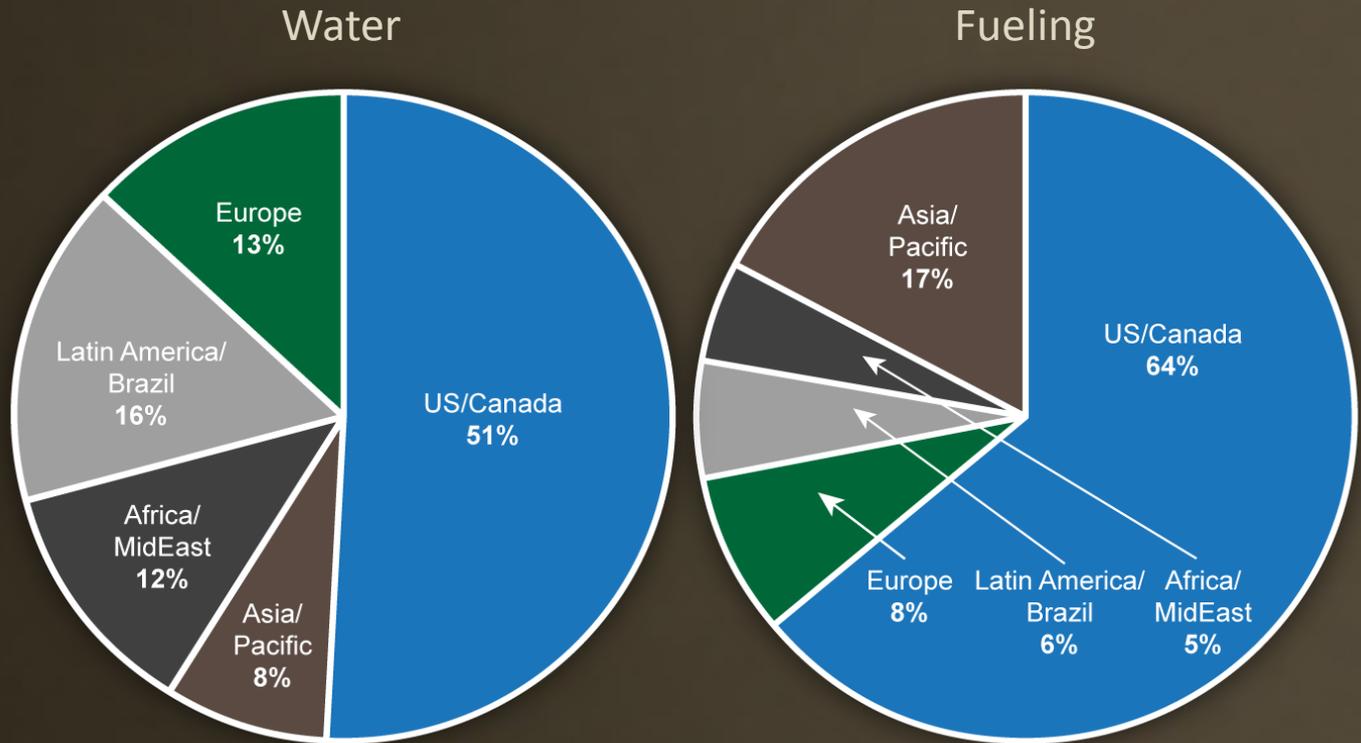
## 2010 Forecasted Sales by End Market



## 2010 Forecasted Sales by Product Type



# 2010 Forecasted Sales by Geographic Region



## Outlook

4<sup>th</sup> Qtr. 2010 versus 4<sup>th</sup> Qtr. 2009 (assuming current exchange rates)

- Consolidated sales up 15-20%
- Consolidated EPS will be flat to up modestly
  - Water:  
Sales up 6-8% and operating income down 5-10%
  - Fueling:  
Sales up 50-60% and operating income up 30-35%  
(including impact of Petrotechnik acquisition)