

# KeyBanc Industrial Conference

June 1, 2011



**Franklin Electric**

# Financial Performance Summary - 2010

	<u>2010</u>	<u>% +(-)</u> <u>Prior Year</u>	
Sales	\$713.8 M	+ 14%	(+ 12% organic)
Operating Income <sup>1</sup>	\$73.7 M	+ 36%	
EPS <sup>1</sup>	\$1.94	+ 50%	
LTM Return on Invested Capital <sup>2</sup>	16.6%	+ 510 BPS	
Net Debt	\$12.4 M	- 81%	



<sup>1</sup> After non-GAAP adjustments including restructuring and legal settlement charges, and gains on foreign currency forward purchase contract and sale of land and building

<sup>2</sup> Operating income after non-GAAP adjustments / equity + net debt



FRANKLIN ELECTRIC

## Financial Performance Summary

	<u>1<sup>st</sup> Qtr 2011</u>	<u>% +(-) Prior Year</u>
Sales	\$185 M	+ 16%
Operating Income <sup>1</sup>	\$17 M	+ 25%
EPS <sup>1</sup>	\$0.46	+ 35%

<sup>1</sup> After non-GAAP adjustments including restructuring and legal settlement charges, and gains on foreign currency forward purchase contract and sale of land and building



FRANKLIN ELECTRIC

## Financial Performance Summary

### Outlook for 2<sup>nd</sup> Quarter

	<u>% +(-) Prior Year</u>
Consolidated Operating Income (After non-GAAP adjustments) <sup>1</sup>	+ 8 to 12%
Effective Tax Rate	- 500 BPS (16% lower than prior year)

<sup>1</sup> After non-GAAP adjustments including restructuring and legal settlement charges, and gains on foreign currency forward purchase contract and sale of land and building



FRANKLIN ELECTRIC

## Strategic Objective

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

- Groundwater and adjacent pumping systems
- Fueling systems

Global  
Addressable  
Market:

**\$5.2 B**

**\$1.0 B**

LTM 1<sup>st</sup> Qtr.  
2011 Sales:

**\$596 M**

**\$143 M**

FRANKLIN ELECTRIC

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



# 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		

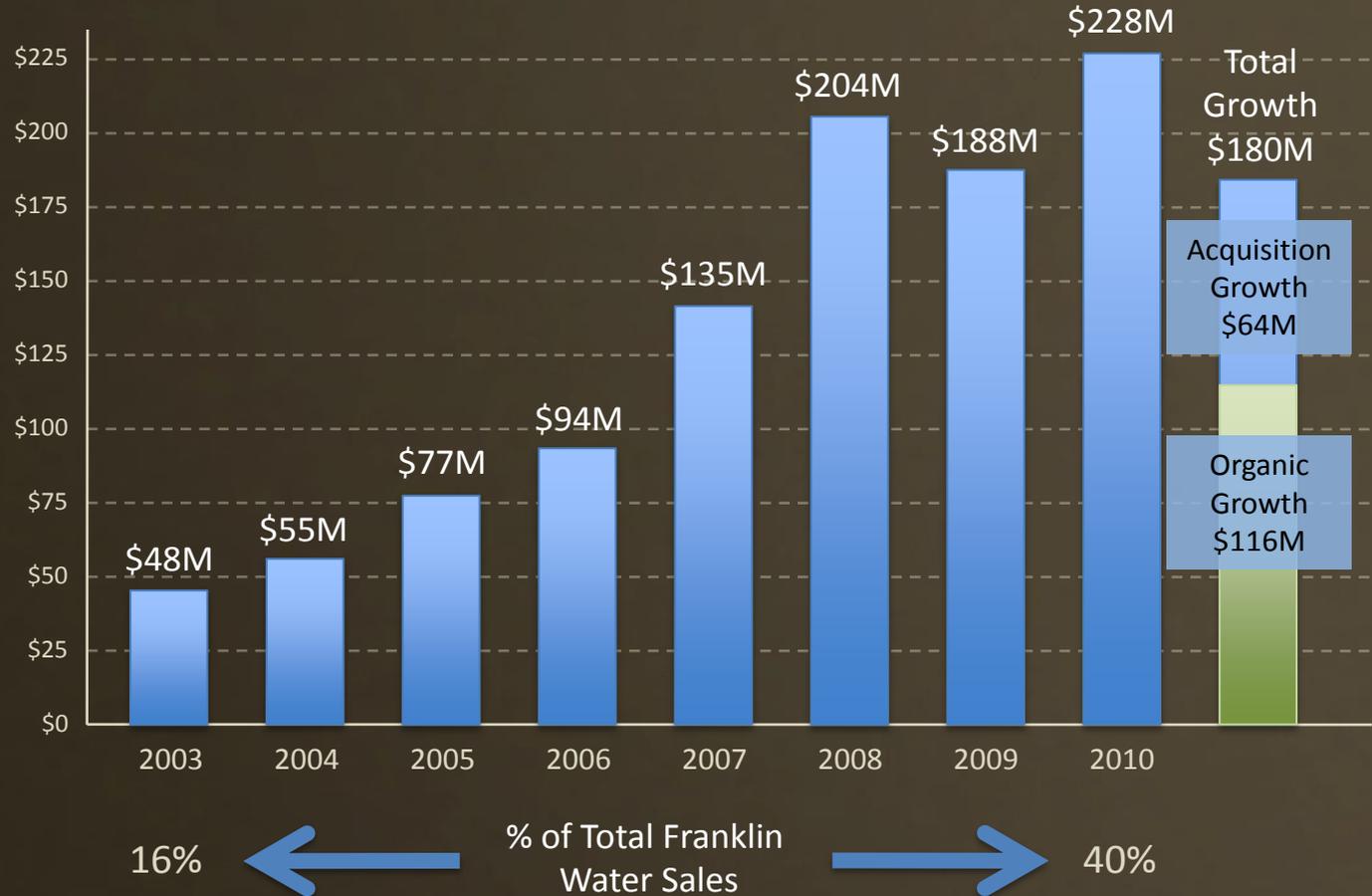


<sup>1</sup> Source UNESCO and management estimates

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

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

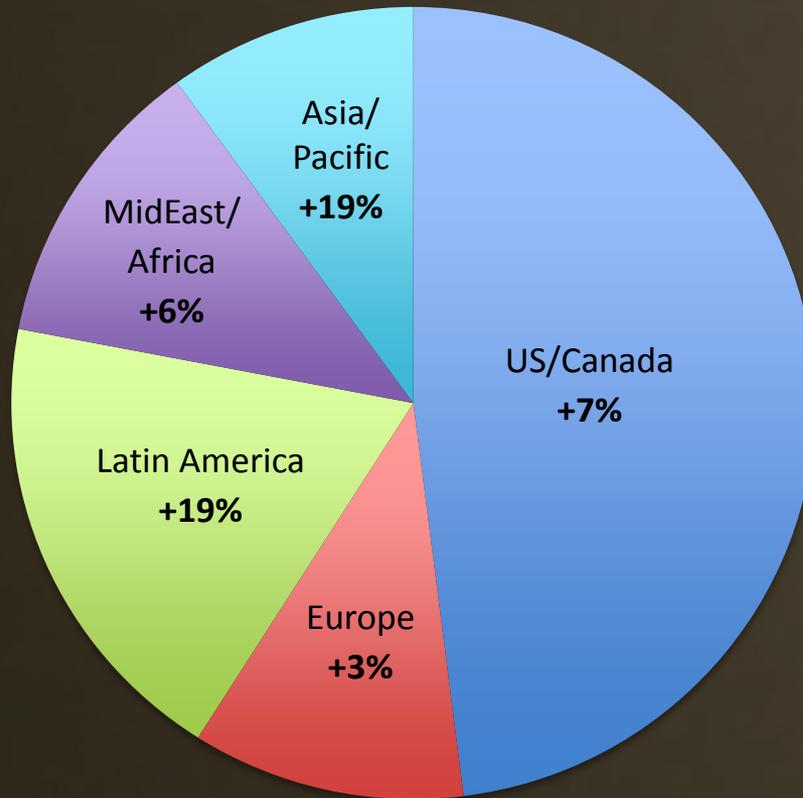
10% Share of Addressable Market



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

## Sales Growth by Region (Q1 2011)

% of Franklin Global Water Sales



## IMPO Acquisition

- \$28 M Sales
- Leader in Groundwater Pumps and Motors in Turkey
- Distribution in Turkey and Throughout Mid-East
- World Class Manufacturing Capability
- Low Cost Manufacturing Base on Door Step of Europe



FRANKLIN ELECTRIC WATER SYSTEMS  
Sales in Developing Regions

## IMPO Acquisition

- \$28 M Sales
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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
- Value for the dollar

# Linares, Mexico Manufacturing Complex



Linares, Mexico Manufacturing Complex

**“Best Manufacturing Plant in Mexico”**

- Business Directive Initiatives Platinum Quality Award

**“Best Manufacturing Plant in Mexico”**

- Best Places to Work Institute

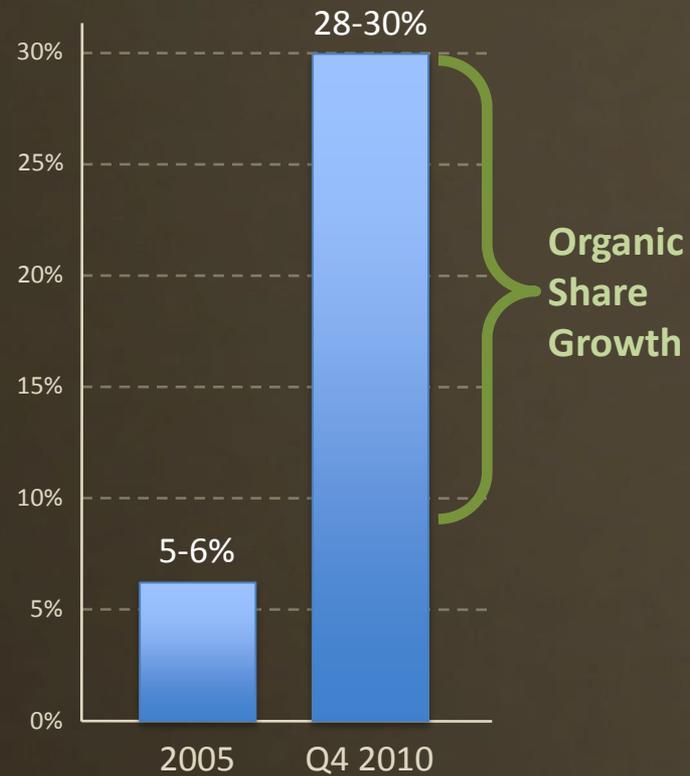
**“Finalist”**

- Industry Week Magazine Best Plants in North America



## 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)

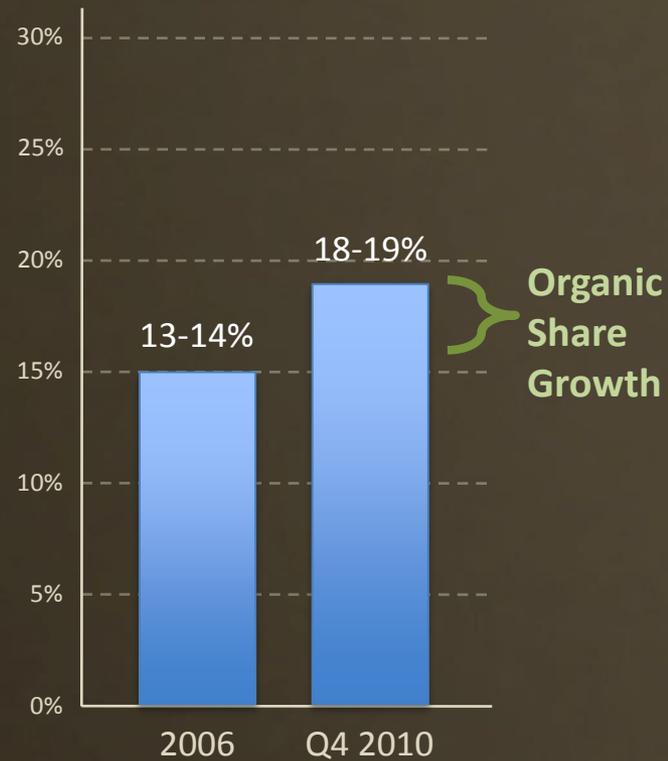


<sup>1</sup> Management estimates based on Trade Association data.



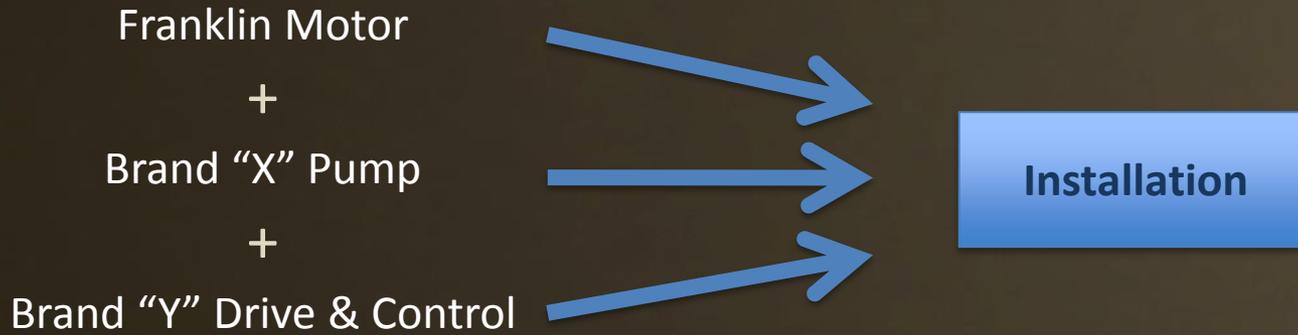
# Pump Share Growth in US/Canada

% 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

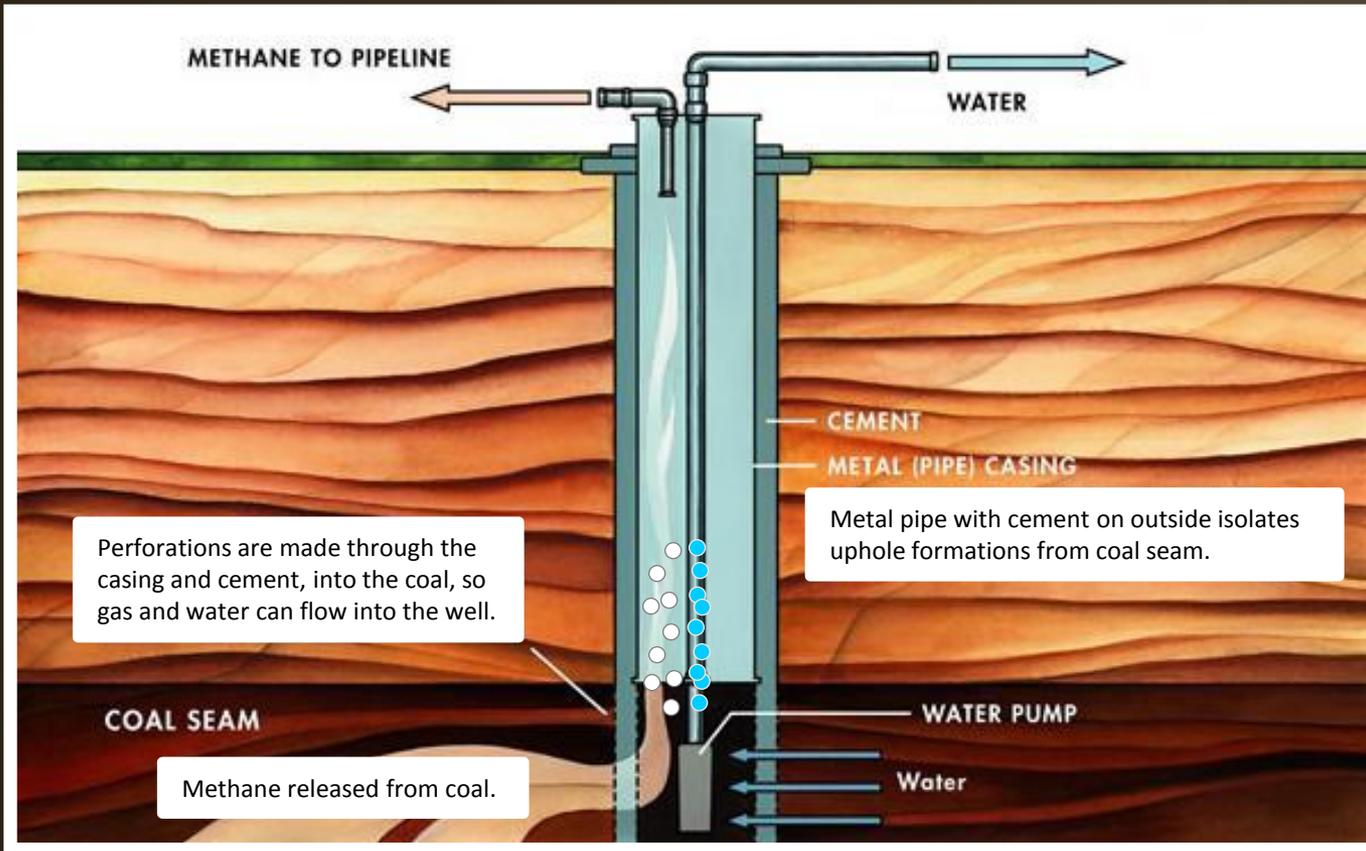


Motor, pump, electronic drive, ancillary equipment  
\$500-800/unit



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 – Franklin System:

(up to 1000 meters depth)

Pump  
Motor  
Drive  
Telemetry  
Discharge head  
Ancillary equipment



Significantly Lower  
Cost than Oil Field  
Pumping Systems

## Solar Groundwater Pumping Systems:

- Franklin system:

Pump  
Motor  
Inverter/Drive



**Annual Market Potential:**  
**≈ \$30-40 M per year**

- Franklin value proposition:
  - Reliability & durability in the field
  - Efficiency (water per unit of sunlight)

FRANKLIN FUELING SYSTEMS  
Fueling Systems Growth

# Product Line Extensions and Geographic Expansion



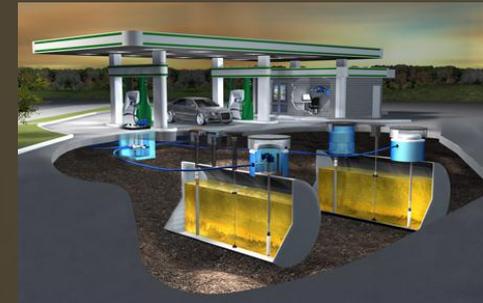
Franklin Submersible  
Motor  
1960s



FE Petro  
Turbine Pump  
1980s



FE Petro Turbine  
and Drive  
1990s

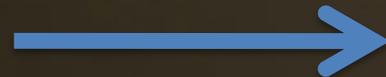


Adjacent Products  
2000s

## International Expansion:



Growing motor vehicle population



Installation of new technologies





FRANKLIN FUELING SYSTEMS

## Annual Sales of Cars & Light Trucks

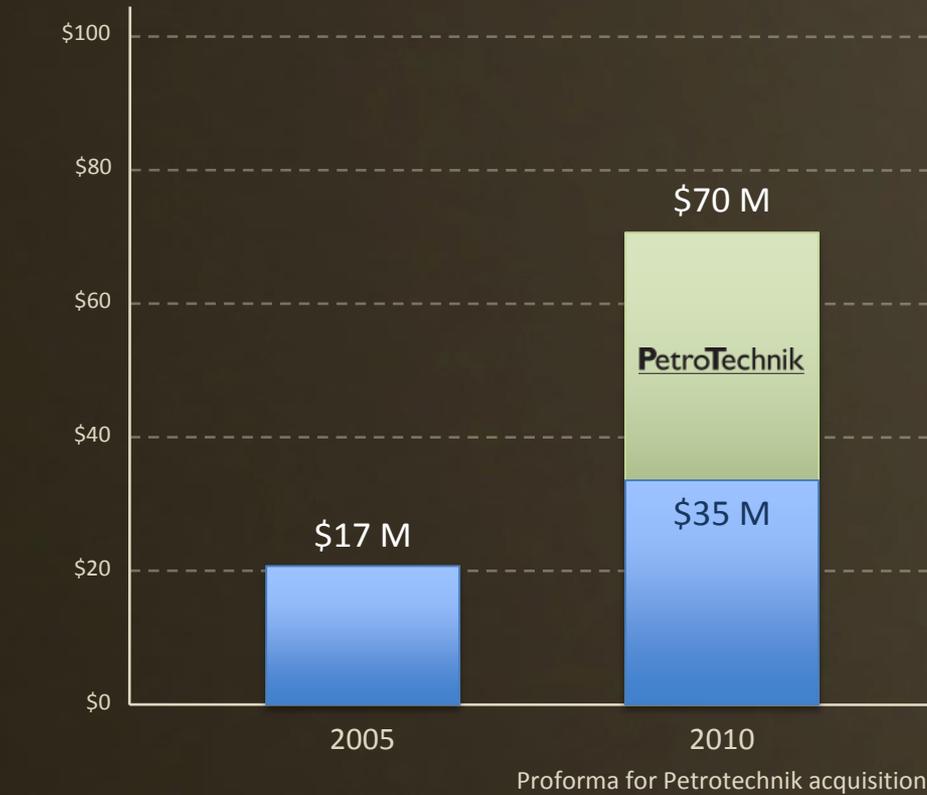
	<u>2000</u>		<u>2010</u>	
North America	20 M	→	13.9 M	
China, India & Latin America	3 M	→	15.6 M	→ Up 5x

# 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

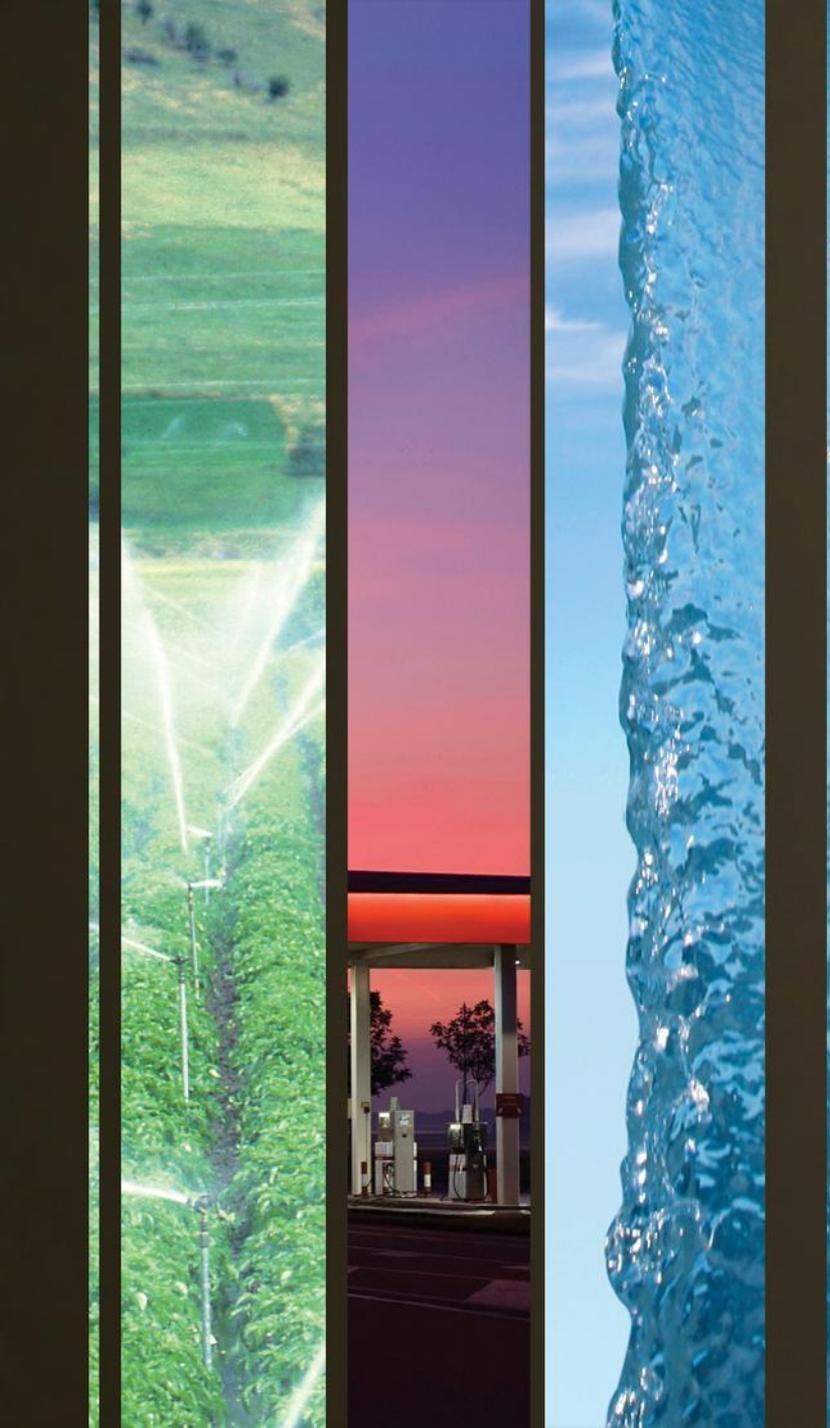


% of Franklin Fueling Sales:

22%

45%





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