



2nd Quarter 2022 Earnings Conference Call

July 28, 2022

Safe Harbor



Today's presentation includes forward-looking statements that reflect management's current expectations about the Company's future business and financial performance.

These statements are subject to certain risks and uncertainties that could cause actual results to differ from anticipated results.

Factors that could cause actual results to differ from anticipated results are identified in Item 1A of the Company's Form 10-K, and Item 1A of the most recent Quarterly Report on Form 10-Q and also the Company's Earnings Release dated July 27, 2022.

Financial Results

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Statement of Earnings

\$ in millions except per share amounts

	Second Quarter			June Year to Date		
	2022	2021	Change	2022	2021	Change
Net Sales	\$ 548.5	\$ 507.2	8 %	\$1,042.8	\$ 961.3	8 %
Gross Profit	269.1	263.9	2 %	523.5	511.2	2 %
% of Net Sales	49.0%	52.0%	(3.0) pts	50.2%	53.2%	(3.0) pts
Operating Earnings	148.7	133.8	11 %	277.0	262.1	6 %
% of Net Sales	27%	26%	1 pts	27%	27%	0 pts
Net Earnings	\$ 117.4	\$ 110.1	7 %	\$ 218.2	\$ 215.8	1 %
% of Net Sales	21%	22%	(1) pts	21%	22%	(1) pts
Diluted Net Earnings Per Share	\$ 0.68	\$ 0.63	8 %	\$ 1.26	\$ 1.24	2 %
Diluted Shares in Millions	172.7	174.6	(1)%	173.7	174.2	(0)%
Net Earnings, Adjusted (1)	\$ 117.0	\$ 108.0	8 %	\$ 216.3	\$ 209.6	3 %
Diluted Net Earnings Per Share, Adjusted (1)	\$ 0.68	\$ 0.62	10 %	\$ 1.25	\$ 1.20	4 %

(1) Net earnings and diluted net earnings per share for 2022 and 2021 have been adjusted to provide a more consistent basis of comparison of on-going results. See page 17 for a reconciliation of the adjusted non-GAAP financial measures to GAAP.

Net Sales



Components of Net Sales Change

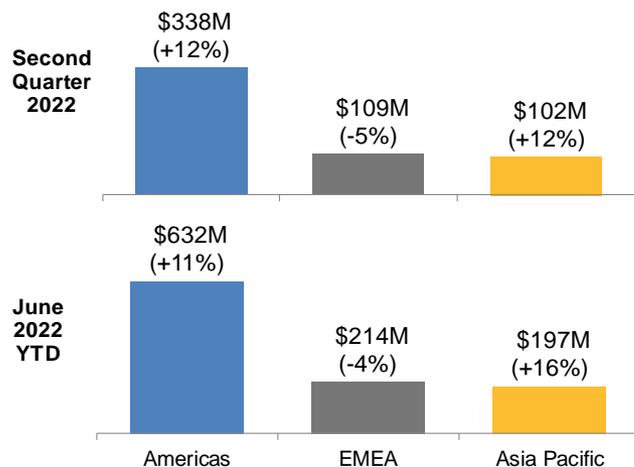
2022 Second Quarter

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	15 %	27 %	3 %	11 %	5 %	16 %	11 %
Acquisitions	0 %	3 %	0 %	1 %	0 %	0 %	1 %
Currency	(5)%	(2)%	(3)%	0 %	(10)%	(4)%	(4)%
Total	10 %	28 %	0 %	12 %	(5)%	12 %	8 %

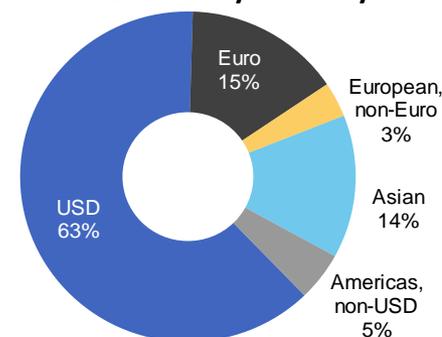
2022 June Year to Date

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	15 %	27 %	2 %	11 %	3 %	19 %	11 %
Acquisitions	0 %	2 %	0 %	1 %	1 %	0 %	0 %
Currency	(5)%	(2)%	(2)%	(1)%	(8)%	(3)%	(3)%
Total	10 %	27 %	0 %	11 %	(4)%	16 %	8 %

Net Sales by Region



2022 Net Sales by Currency



Asian currencies include: AUD, CNY, JPY, KRW. European, non-euro currencies include: CHF, GBP, RON. Americas, non-USD currencies include: BRL, CAD, MXN.

Operating Earnings

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2021 Operating Earnings, as Reported (\$M and % of sales)

Translation effect

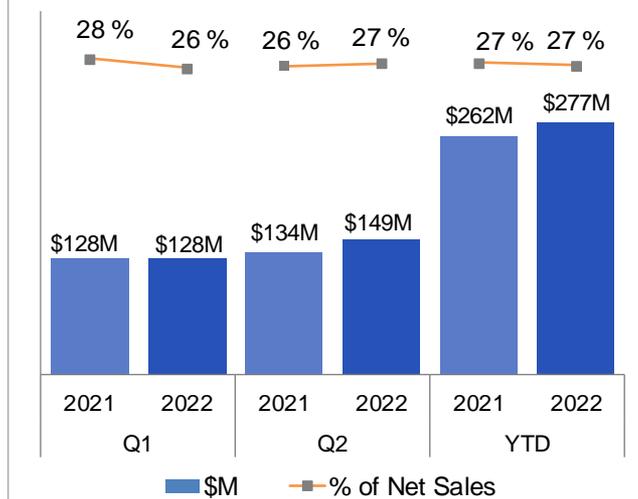
Product cost, pricing, sales volume

Volume effect on expense leverage

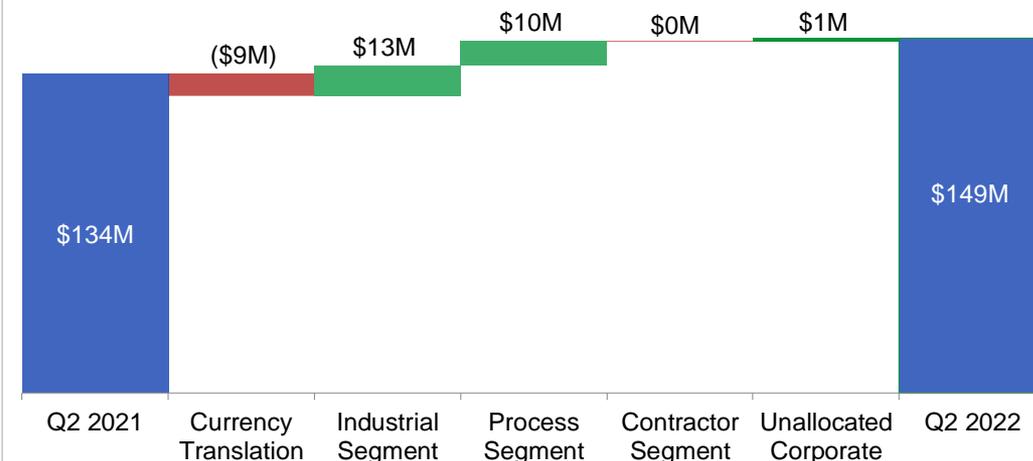
2022 Operating Earnings, as Reported (\$M and % of sales)

Second Quarter		June Year to Date			
\$	134	26 %	\$	262	27 %
	(9)	(1)		(14)	0
	18	(2)		31	(2)
	6	4		(2)	2
\$	149	27 %	\$	277	27 %

Operating Earnings



Quarter Over Quarter Operating Earnings Walk



Second Quarter 2022

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Net Sales	<ul style="list-style-type: none">▶ Up 8 percent from 2021, up 12 percent at consistent translation rates. Sales from acquired businesses contributed 1 percentage point
Gross Margin	<ul style="list-style-type: none">▶ Margin rate down 3 percentage points from 2021<ul style="list-style-type: none">▪ Realized pricing not enough to offset the unfavorable impact of higher product costs caused by ongoing supply chain and inflationary challenges and unfavorable impact of currency translation rates▶ Product costs have accelerated in second quarter▶ Margin dollars up on volume and realized pricing
Operating Earnings	<ul style="list-style-type: none">▶ Up \$15 million compared to second quarter 2021<ul style="list-style-type: none">▪ Realized pricing, increase in sales volume and lower expenses, including lower sales and earnings-based cost, offset higher product cost and the unfavorable effect of currency translation
Interest Expense	<ul style="list-style-type: none">▶ Decreased \$1 million<ul style="list-style-type: none">▪ During first quarter, repaid \$75 million private placement debt
Taxes	<ul style="list-style-type: none">▶ Adjusted effective tax rate for the quarter was 20 percent, second quarter 2021 adjusted effective tax rate was 18 percent<ul style="list-style-type: none">▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises▪ Increase primarily due to unfavorable effects of foreign earnings taxed at higher rates than the U.S.

June Year to Date 2022

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Net Sales	<ul style="list-style-type: none">▶ Up 8 percent from 2021, up 11 percent at consistent translation rates. Acquired businesses had no significant impact
Gross Margin	<ul style="list-style-type: none">▶ Margin rate down 3 percentage points from 2021<ul style="list-style-type: none">▪ Realized pricing not enough to offset the unfavorable impact of higher product costs caused by ongoing supply chain and inflationary challenges and unfavorable impact of currency translation rates▶ Margin dollars up on volume and realized pricing
Operating Earnings	<ul style="list-style-type: none">▶ Up \$15 million compared to June 2021<ul style="list-style-type: none">▪ Increase in sales volume offset higher costs, including allowances for credit losses on customer receivables in Russia and Belarus of \$3 million taken in first quarter and the unfavorable effect of currency translation
Interest Expense	<ul style="list-style-type: none">▶ Increased \$2 million<ul style="list-style-type: none">▪ During first quarter, repaid \$75 million private placement debt. \$3.5M prepayment fee recorded as interest expense
Taxes	<ul style="list-style-type: none">▶ Adjusted effective tax rate for the year to date was 20 percent, the adjusted effective rate in 2021 was 19 percent<ul style="list-style-type: none">▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises▪ Increase primarily due to unfavorable effects of foreign earnings taxed at higher rates than the U.S.

Outlook



Constant currency basis and excluding acquisitions completed in the prior 12 months

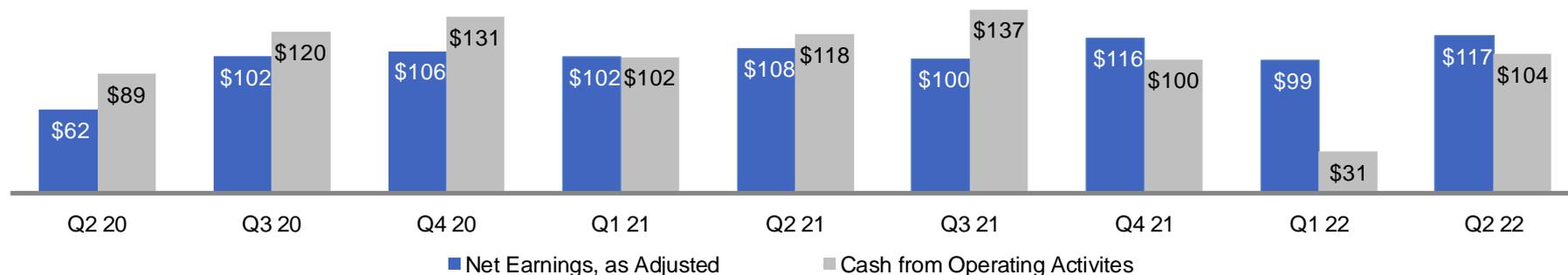
	Americas	EMEA	Asia Pacific	Total
Current Environment	Sales Growth Q2 2022 11% June 2022 YTD 11%	Sales Growth Q2 2022 5% June 2022 YTD 3%	Sales Growth Q2 2022 16% June 2022 YTD 19%	Sales Growth Q2 2022 11% June 2022 YTD 11%
Industrial Segment	 Sales Growth Q2 2022 19% June 2022 YTD 18%	 Sales Growth Q2 2022 12% June 2022 YTD 13%	 Sales Growth Q2 2022 13% June 2022 YTD 12%	Sales Growth Q2 2022 15% June 2022 YTD 15%
Process Segment	 Sales Growth Q2 2022 25% June 2022 YTD 22%	 Sales Growth Q2 2022 18% June 2022 YTD 18%	 Sales Growth Q2 2022 42% June 2022 YTD 46%	Sales Growth Q2 2022 27% June 2022 YTD 27%
Contractor Segment	 Sales Growth Q2 2022 5% June 2022 YTD 5%	 Sales Growth Q2 2022 (5%) June 2022 YTD (11%)	 Sales Growth Q2 2022 (2%) June 2022 YTD 6%	Sales Growth Q2 2022 3% June 2022 YTD 2%
Full Year 2022 Outlook				High Single-Digit

For the full-year 2022, the Company continues to target high single-digit sales growth on an organic, constant currency basis. Demand in the Americas remains strong, but end markets in EMEA slowed during the quarter as a result of unfavorable macroeconomic conditions, which are expected to continue to impact the Company for the remainder of the year. Pandemic-related shutdowns in the Asia Pacific region also affected incoming order rates, however, once lifted, these rates significantly improved.

Cash Flow and Liquidity



Net Earnings, as Adjusted, and Cash from Operating Activities
\$ in millions



Significant Uses of Cash (\$M)

	2022	2021
Share Repurchases, Net of Issued	\$ 97	\$ -
Capital Expenditures	89	55
Dividends	71	63
Net Payments on Debt	61	9
Acquisitions	25	19

- ▶ Net cash provided by operating activities was \$135 million in 2022 vs. \$220 million in 2021
 - Inventory increased to meet higher demand; higher incentive payout reduced net cash from operations in first quarter. Remaining working cash items in line with volume
- ▶ Capital expenditures of \$89 million, including \$48 million on expansion projects
- ▶ Repurchased 1.7 million shares through June 2022. Shares repurchased, net of shares issued, \$97 million
- ▶ Debt, including notes payable, was \$131 million – down \$63 million from December 2021
 - During first quarter 2022, repaid \$75 million of private placement debt plus \$3.5 million prepayment fee which was recognized as interest expense

Other Discussion Items

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Cap Ex	<ul style="list-style-type: none">▶ Capital expenditure expectations of approximately \$215 million in 2022, including approximately \$140 million in facility expansion projects
Expenses	<ul style="list-style-type: none">▶ Unallocated corporate expenses in 2022 are expected to be approximately \$27 - \$30 million
Shares	<ul style="list-style-type: none">▶ 1.7 million shares were repurchased through June 2022. We may make opportunistic purchases going forward
Currency	<ul style="list-style-type: none">▶ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2021, the movement in foreign currencies would have an unfavorable impact of approximately 3 percent on net sales and 7 percent on earnings in 2022
Taxes	<ul style="list-style-type: none">▶ We anticipate the effective tax rate for the third quarter and the full year to be between 19 – 20 percent, excluding any impact from excess tax benefits related to stock option exercises and other one time items. Actual results and mix of earnings may materially impact the expected tax rate
Russia	<ul style="list-style-type: none">▶ Sales to Russia and Belarus accounted for approximately 1½ percent of total net sales in 2021. During first quarter 2022, we recognized credit loss allowances of \$3 million. We have suspended all new sales into Russia and Belarus
Pricing	<ul style="list-style-type: none">▶ Due to increasing product costs, we are implementing an interim price increase across all segments and regions
Fiscal Year 2022	<ul style="list-style-type: none">▶ There are 52 weeks in fiscal 2022, with 13 weeks in the fourth quarter compared to 53 weeks in fiscal 2021, with 14 weeks in the fourth quarter

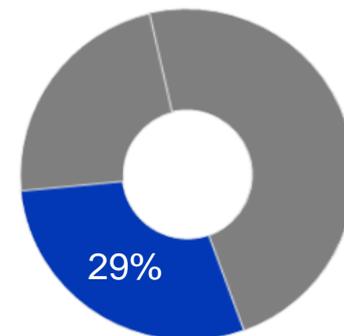
Industrial Segment Results



\$ in millions

	Second Quarter			June Year to Date		
	2022	2021	Change	2022	2021	Change
Net Sales						
Americas	\$ 61	\$ 52	19 %	\$ 116	\$ 98	18 %
EMEA	46	46	0	93	91	3
Asia Pacific	51	47	9	94	85	9
Total	\$ 158	\$ 145	10 %	\$ 303	\$ 274	10 %
Operating Earnings	\$ 55	\$ 46	21%	\$ 108	\$ 88	22 %
% of sales	35 %	32 %		36 %	32 %	

June YTD 2022 Industrial Segment Net Sales as % of Graco



Components of Net Sales Change

	Q2 2022	June YTD 2022
Americas		
Volume & Price	19 %	18 %
Acquisitions	0 %	0 %
Currency	0 %	0 %
Total	19 %	18 %
EMEA		
Volume & Price	12 %	13 %
Acquisitions	0 %	0 %
Currency	(12)%	(10)%
Total	0 %	3 %

	Q2 2022	June YTD 2022
Asia Pacific		
Volume & Price	13 %	12 %
Acquisitions	0 %	0 %
Currency	(4)%	(3)%
Total	9 %	9 %
Segment Total		
Volume & Price	15 %	15 %
Acquisitions	0 %	0 %
Currency	(5)%	(5)%
Total	10 %	10 %

Industrial Segment Results

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Change in % of net sales

2021 Operating Earnings

Currency Translation

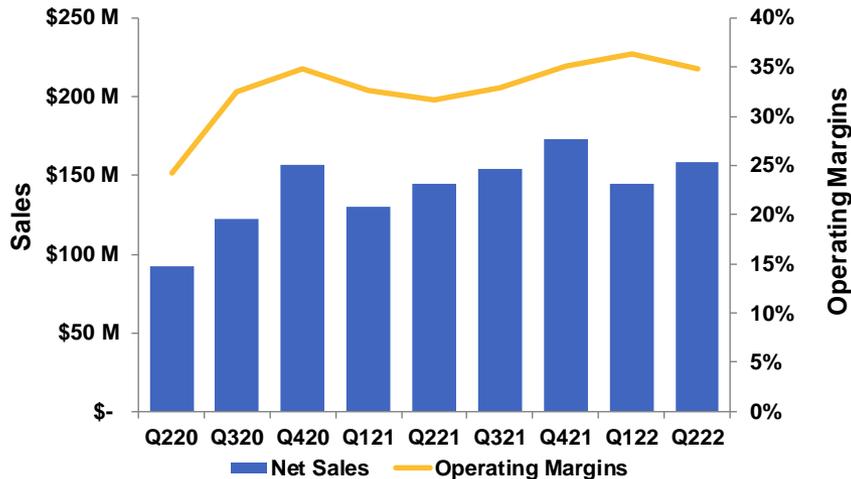
Product cost and product and channel mix

Volume effect on expense leverage

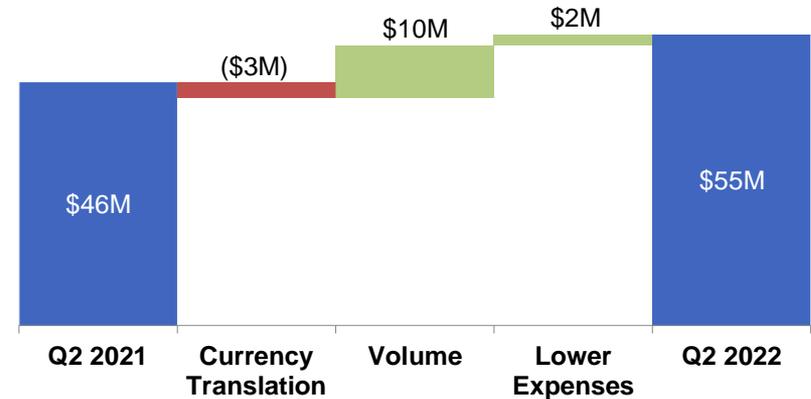
2022 Operating Earnings

	Second Quarter	June Year to Date
	32 %	32 %
	(1)	0
	(1)	(1)
	5	5
	35 %	36 %

Industrial Segment Net Sales and Operating Margins



Industrial Segment Operating Earnings QTD



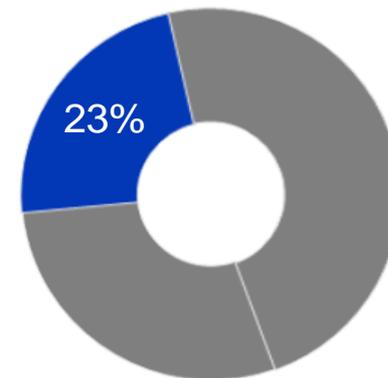
Process Segment Results



\$ in millions

	Second Quarter			June Year to Date		
	2022	2021	Change	2022	2021	Change
Net Sales						
Americas	\$ 77	\$ 60	29 %	\$ 145	\$ 116	25 %
EMEA	18	15	12	36	31	14
Asia Pacific	30	22	38	59	42	43
Total	\$ 125	\$ 97	28 %	\$ 240	\$ 189	27 %
Operating Earnings	\$ 31	\$ 22	43 %	\$ 59	\$ 43	35 %
% of sales	25 %	22 %		24 %	23 %	

June YTD 2022 Process Segment Net Sales as % of Graco



Components of Net Sales Change

	Q2 2022	June YTD 2022	Q2 2022	June YTD 2022
Americas				
Volume & Price	25 %	22 %		
Acquisitions	4 %	3 %		
Currency	0 %	0 %		
Total	29 %	25 %		
EMEA				
Volume & Price	18 %	18 %		
Acquisitions	1 %	0 %		
Currency	(7)%	(4)%		
Total	12 %	14 %		
Asia Pacific				
Volume & Price	42 %	46 %		
Acquisitions	1 %	0 %		
Currency	(5)%	(3)%		
Total	38 %	43 %		
Segment Total				
Volume & Price	27 %	27 %		
Acquisitions	3 %	2 %		
Currency	(2)%	(2)%		
Total	28 %	27 %		

Process Segment Results

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Change in % of net sales

2021 Operating Earnings

Currency translation

Product cost and product and channel mix

Volume effect on expense leverage

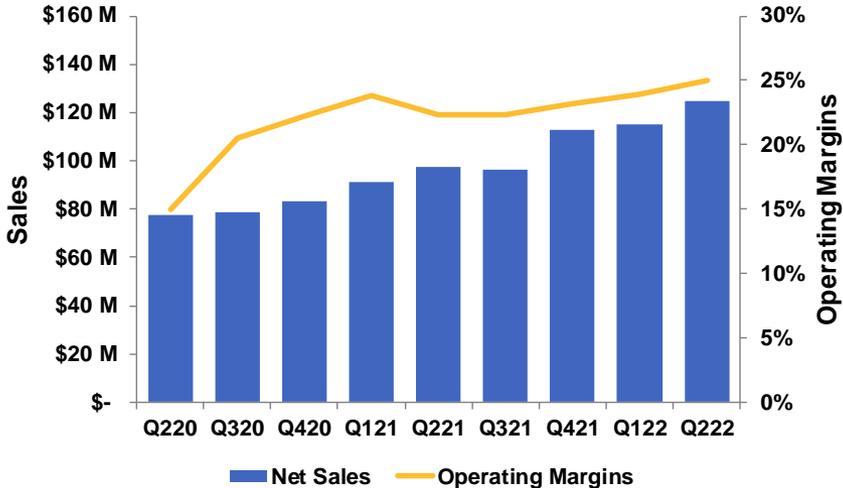
2022 Operating Earnings

Second Quarter

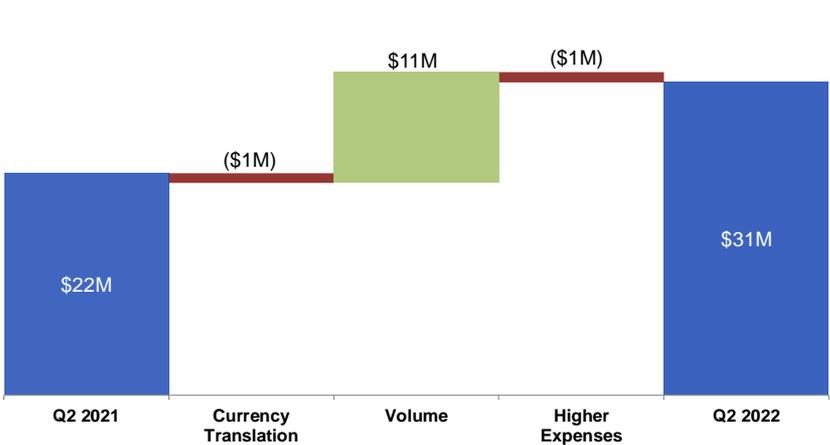
June Year to Date

22 %	23 %
0	(1)
(3)	(3)
6	5
25 %	24 %

Process Segment Net Sales and Operating Margins



Process Segment Operating Earnings QTD



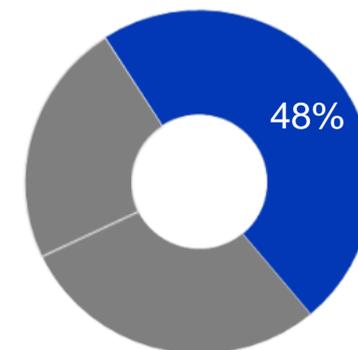
Contractor Segment Results



\$ in millions

	Second Quarter			June Year to Date		
	2022	2021	Change	2022	2021	Change
Net Sales						
Americas	\$ 200	\$ 190	5 %	\$ 370	\$ 352	5 %
EMEA	45	53	(14)	86	103	(16)
Asia Pacific	21	23	(7)	44	43	1
Total	\$ 266	\$ 266	0 %	\$ 500	\$ 498	0 %
Operating Earnings	\$ 68	\$ 74	(7)%	\$ 127	\$ 145	(12)%
% of sales	26 %	28 %		25 %	29 %	

June YTD 2022 Contractor Segment Net Sales as % of Graco



Components of Net Sales Change

	Q2 2022	June YTD 2022
Americas		
Volume & Price	5 %	5 %
Acquisitions	0 %	0 %
Currency	0 %	0 %
Total	5 %	5 %
EMEA		
Volume & Price	(5)%	(11)%
Acquisitions	0 %	2 %
Currency	(9)%	(7)%
Total	(14)%	(16)%

	Q2 2022	June YTD 2022
Asia Pacific		
Volume & Price	(2)%	6 %
Acquisitions	0 %	0 %
Currency	(5)%	(5)%
Total	(7)%	1 %
Segment Total		
Volume & Price	3 %	2 %
Acquisitions	0 %	0 %
Currency	(3)%	(2)%
Total	0 %	0 %

Contractor Segment Results

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Change in % of net sales

2021 Operating Earnings

Currency translation

Product cost and product and channel mix

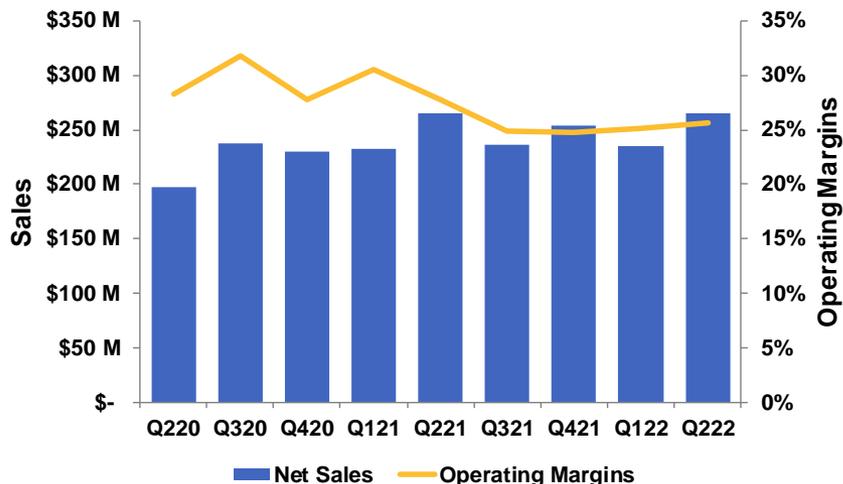
Change in sales and earnings-based costs

Volume effect on expense leverage

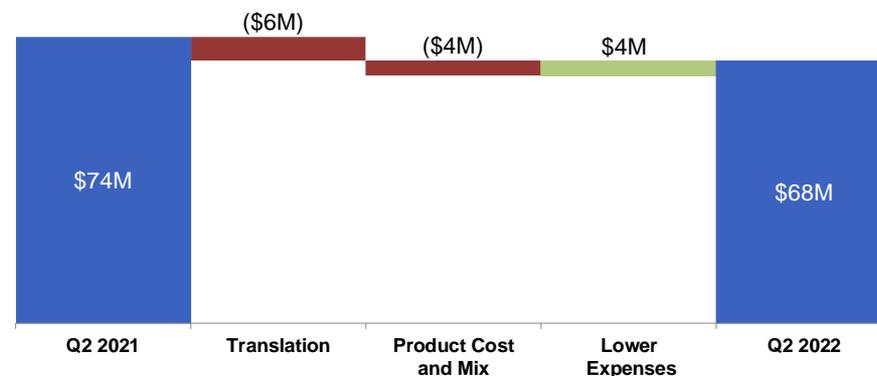
2022 Operating Earnings

	Second Quarter	June Year to Date
	28 %	29 %
Currency translation	(1)	(1)
Product cost and product and channel mix	(3)	(4)
Change in sales and earnings-based costs	1	1
Volume effect on expense leverage	1	0
	26 %	25 %

Contractor Segment Net Sales and Operating Margins



Contractor Segment Operating Earnings QTD



Financial Results Adjusted for Comparability

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Excess tax benefit from stock option exercises has caused fluctuation in the Company's financial results. Excluding the impact of this benefit presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements follows:

Non-GAAP Reconciliation

In millions except per share amounts

	Second Quarter			June Year to Date		
	2022	2021	Change	2022	2021	Change
Income taxes, as reported	\$ 29.0	\$ 21.6	34 %	\$ 51.1	\$ 41.7	22 %
Excess tax benefit from option exercises	0.4	2.1		1.9	6.2	
Income taxes, adjusted	<u>\$ 29.4</u>	<u>\$ 23.7</u>	<u>23 %</u>	<u>\$ 53.0</u>	<u>\$ 47.9</u>	<u>10 %</u>
Effective income tax rate						
As reported	20%	16%		19%	16%	
Adjusted	20%	18%		20%	19%	
Net earnings, as reported	\$ 117.4	\$ 110.1	7 %	\$ 218.2	\$ 215.8	1 %
Excess tax benefit from option exercises	(0.4)	(2.1)		(1.9)	(6.2)	
Net earnings, adjusted	<u>\$ 117.0</u>	<u>\$ 108.0</u>	<u>8 %</u>	<u>\$ 216.3</u>	<u>\$ 209.6</u>	<u>3 %</u>
Weighted average diluted shares	172.7	174.6		173.7	174.2	
Diluted earnings per share						
As reported	\$ 0.68	\$ 0.63	8 %	\$ 1.26	\$ 1.24	2 %
Adjusted	\$ 0.68	\$ 0.62	10 %	\$ 1.25	\$ 1.20	4 %



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