



Investor Presentation

Second Quarter 2021

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 Part 1, Item 1A of the Company's Form 10-K, and the current Quarterly Report on Form 10-Q.

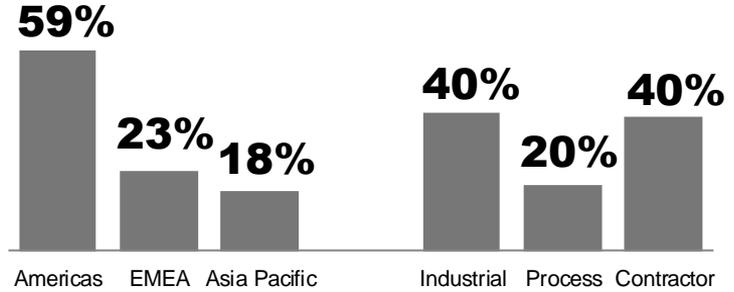
Distribution of Global Sales



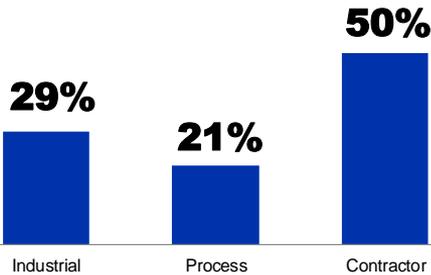
Worldwide

\$961 M

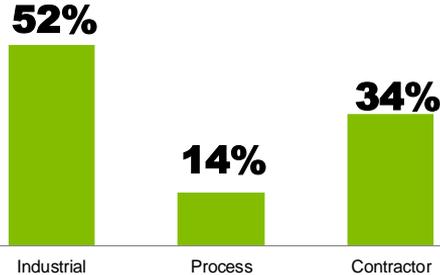
June 2021
Year to Date



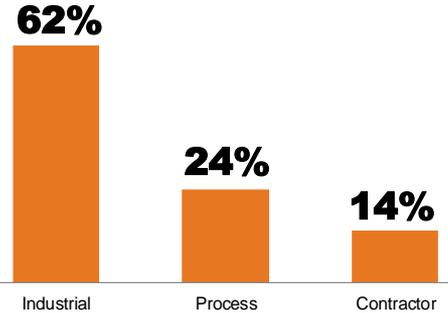
Americas



EMEA

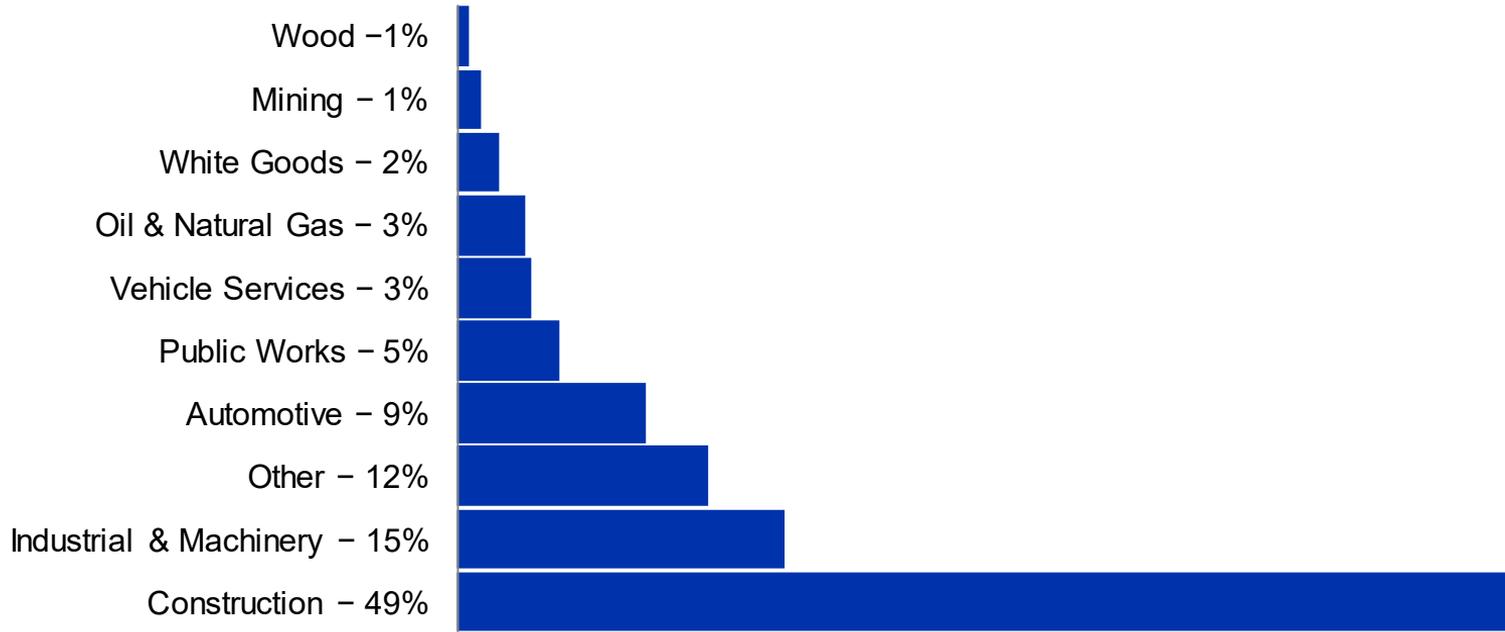


Asia Pacific



2020 Net Sales by End Market

////////////////////





Graco is part of your
everyday life.





Graco is part of your
everyday life.



Diversified Fluid Handling Business



Niche

Difficult applications; corrosive,
viscous, hard-to-move materials

5.5%+

Organic Revenue CAGR*

~40%

Of revenue is parts
& accessories

*20-year average, constant currency

High Customer Value, Strong Product Differentiation



Low Volume, High Mix Delivers Customer ROI

Average Number of Units Sold Per Day	No. of SKUs		2020 Sales (\$ in millions)	
0 - 1	63,900	93%	\$ 840	51%
2 - 5	2,800	4%	\$ 266	16%
6 - 10	800	1%	\$ 120	7%
11 - 15	300	0%	\$ 59	4%
Greater than 15	800	1%	\$ 365	22%
Graco 2020 Sales	68,600		\$1,650	

Highly-valued products at low volumes

51%

of our revenue comes from products that we sell

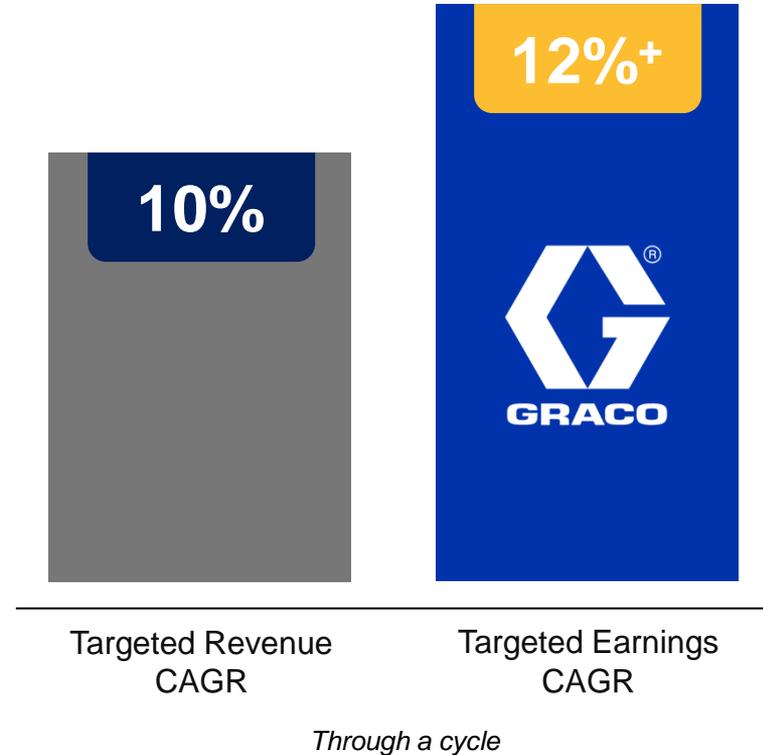
zero to one per day

Growth Plans and Earnings Drivers

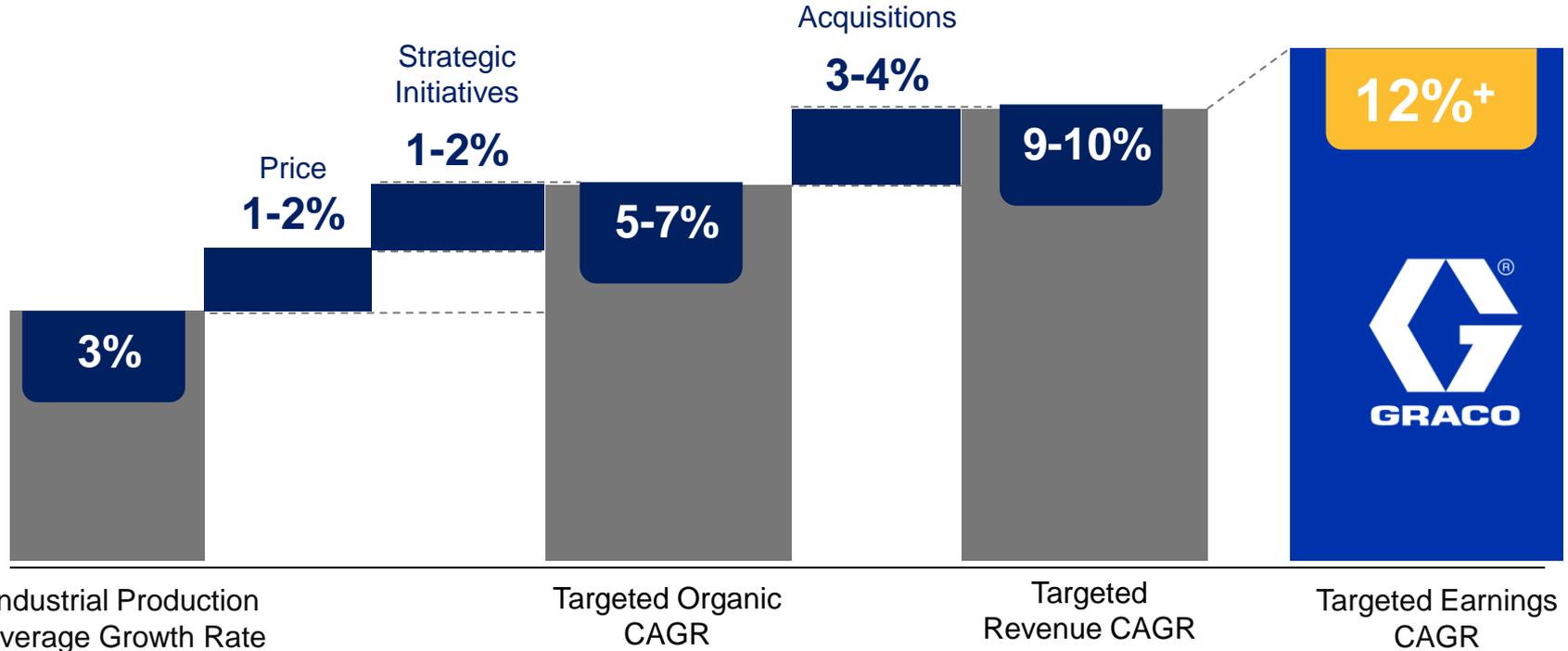


Strategic Initiatives

- ▶ New Product Development
- ▶ New Markets
- ▶ Global Expansion
- ▶ Acquisitions
- ▶ End-user Conversion



Growth Plans and Earnings Drivers





Exceptional Returns

5.5%+

Organic Revenue CAGR

29%

Return on Invested Capital

42%

Return on Equity

19%

Return on Assets

Based on a 20-year average, constant currency

Business Model



- ▶ Brand Promise
- ▶ Operational Excellence
- ▶ Engineering & Manufacturing Excellence
- ▶ Extensive Reach



Our Brand Promise

- ▶ **Innovation** – Leading with technologically-advanced features, pioneering design, high performance and unparalleled reliability
- ▶ **Quality** – Our customers invest in high-quality products built to last for years of reliable service
- ▶ **A+ Service** – We're guided by a mindset of integrity and a customer service view centered on collaboration and relationships, not transactions



**Engineering
Excellence**

Target
**Double-Digit
Returns**
new product

Annual R&D Investment

More than
2.5x*
our peer group

4.2%*
as a percent of sales
versus peers at 1.7%

* Peers: ITW, CSL, DOV, CFX, IEX, NDSN, WTS, FLS, based on a 5-year average, 2016 - 2020.

Manufacturing Excellence



> 80%

Production based in the US

Goal is

Zero

cost change
on the same basket of goods (yoy)

< 1%

Warranty costs

Service Excellence



Same Day

Orders in by noon,
ship the same day

96%+

In-stock service level
(goal is > 92%)



Extensive Reach

30,000+
Outlets/Distributors

Customers in over

100

countries

Facilities in

12

countries

Installed base

~100

years old

Company Segments



- ▶ Industrial
- ▶ Process
- ▶ Contractor

Industrial



2021 First Half Performance

\$389M



Segment Revenue

28%



Organic

34.6%



Operating Margin
+470 basis points

Industrial

Key End Markets

- ▶ General industrial
- ▶ Automotive
- ▶ Res & non-res construction
- ▶ Alternative energy & others

Growth Drivers & Trends

- ▶ Factory movement & upgrades
- ▶ Automation
- ▶ Technology upgrades
- ▶ Energy-efficiency upgrades
- ▶ Material changes

Select Representative Industry Participants:

Public : Nordson, Carlisle, Exel

Private: Wagner and many other regional players



Process



2021 First Half Performance

\$189M

▲ Segment Revenue

17%

▲ Organic

23.0%

▲ Operating Margin
+480 basis points

Process

Key End Markets

- ▶ Pharma, food & beverage
- ▶ Vehicle services
- ▶ Oil & natural gas
- ▶ Environmental
- ▶ Semiconductor & others

Growth Drivers & Trends

- ▶ Factory movements and upgrades
- ▶ Technology upgrades
- ▶ Energy-efficiency upgrades
- ▶ Asset life maintenance
- ▶ Commodities extraction
- ▶ Environmental regulations

Select Representative Industry Participants:

Public: IDEX, Dover, Ingersoll Rand

Private: Lincoln, Vogel, Bijur, Hannay, Coxreels and many other regional players



Contractor



2021 First Half Performance

\$383M



Segment Revenue

32%



Organic

25.6%



Operating Margin
+110 basis points

Contractor

Key End Markets

- ▶ Res & non-res construction
- ▶ Res & non-res remodeling
- ▶ Transportation Infrastructure

Growth Drivers & Trends

- ▶ End user conversion from brush and roll
- ▶ Product innovation & channel expansion
- ▶ Housing & new construction
- ▶ Infrastructure spending
- ▶ Regional labor rates
- ▶ New markets
- ▶ Material changes

Select Representative Industry Participants:

Private: Wagner/Titan, Campbell Hausfeld, Bedford, China copiers and other regional players



Capital Allocation



Long-Term Cash Deployment Priorities



Organic Growth

- ▶ International footprint
- ▶ Product development
- ▶ Production capacity and capabilities

Acquisitions

- ▶ Supplement to organic growth
- ▶ Leverage our strengths

Shareholder Return

- ▶ Solid dividend history
- ▶ Approximately 18.5 million shares remaining on repurchase authorization

- ▶ Drive long-term, above-market growth
- ▶ Premium products that deliver strong ROI for end users
- ▶ Leading industry positions
- ▶ Serve niche markets where customers are willing to purchase quality, technology-based products
- ▶ Products perform critical functions
- ▶ High margin, high recurring revenue
- ▶ Consistent investments in capital and growth initiatives
- ▶ Shareholder-minded management
- ▶ Financial strength



Key Investment Attributes

Acquisitions





Acquisition

▶ Industrial

EQ EcoQuip[®]
VAPOR ABRASIVE™ BLAST EQUIPMENT

GE-BLASTER[®]
WET-ABRASIVE BLASTING EQUIPMENT

hildebrand
TECHNOLOGY

SAT
SurfaceAluminiumTech

Gema

MULTIMAQ
sprayway

machine
TECHNOLOGIES

Advanjet

2012

2013

2014

2014

2015

2015

2017

2018



Acquisition

► Process



2013



2014



2015



2015



2016



2019

Financial Results



Financial Performance June YTD

30%

Revenue

53.2%

Gross Margin

110%

EPS

112%

Net Income

(As Reported)

Financial Results

Statement of Earnings

\$ in millions except per share amounts

Net Sales

Second Quarter			June Year to Date		
2021	2020	Change	2021	2020	Change
\$ 507.2	\$ 366.9	38 %	\$ 961.3	\$ 740.5	30 %

Gross Profit

% of Net Sales

263.9	182.5	45 %	511.2	381.2	34 %
52.0%	49.8%	2.2 pts	53.2%	51.5%	1.7 pts

Operating Earnings

% of Net Sales

133.8	44.8	199 %	262.1	134.6	95 %
26%	12%	14 pts	27%	18%	9 pts

Net Earnings

% of Net Sales

\$ 110.1	\$ 28.8	282 %	\$ 215.8	\$ 101.7	112 %
22%	8%	14 pts	22%	14%	8 pts

Diluted Earnings Per Share

Diluted Shares in Millions

\$ 0.63	\$ 0.17	271 %	\$ 1.24	\$ 0.59	110 %
174.6	170.5	2 %	174.2	171.6	2 %

Operating Earnings, Adjusted (1)

Net Earnings, Adjusted (1)

Diluted Earnings Per Share, Adjusted (1)

\$ 133.8	\$ 79.8	68 %	\$ 262.1	\$ 169.6	55 %
\$ 108.0	\$ 62.3	73 %	\$ 209.6	\$ 127.5	65 %
\$ 0.62	\$ 0.37	68 %	\$ 1.20	\$ 0.74	62 %

(1) Operating earnings, net earnings and diluted earnings per share for 2021 and 2020 have been adjusted to provide a more consistent basis of comparison of on-going results. See following page for a reconciliation of the adjusted non-GAAP financial measures to GAAP.

Financial Results Adjusted for Comparability

Excluding the impacts of impairment charges and excess tax benefits related to stock option exercises presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements of adjusted operating earnings, income taxes, effective income tax rates, net earnings and diluted earnings per share follows:

Non-GAAP Reconciliation

\$ in millions except per share amounts

Operating earnings, as reported

Impairment

Operating earnings, adjusted

Income taxes, as reported

Impairment tax benefit

Excess tax benefit from option exercises

Income taxes, adjusted

Effective income tax rate

As reported

Adjusted

Net earnings, as reported

Impairment, net

Excess tax benefit from option exercises

Net earnings, adjusted

Weighted average diluted shares, in millions

Diluted earnings per share

As reported

Adjusted

	Second Quarter			June Year to Date		
	2021	2020	Change	2021	2020	Change
Operating earnings, as reported	\$ 133.8	\$ 44.8	199 %	\$ 262.1	\$ 134.6	95 %
Impairment	-	35.0		-	35.0	
Operating earnings, adjusted	\$ 133.8	\$ 79.8	68 %	\$ 262.1	\$ 169.6	55 %
Income taxes, as reported	\$ 21.6	\$ 13.2	64 %	\$ 41.7	\$ 22.5	85 %
Impairment tax benefit	-	1.2		-	1.2	
Excess tax benefit from option exercises	2.1	0.3		6.2	8.0	
Income taxes, adjusted	\$ 23.7	\$ 14.7	61 %	\$ 47.9	\$ 31.7	51 %
Effective income tax rate						
As reported	16%	31%		16%	18%	
Adjusted	18%	19%		19%	20%	
Net earnings, as reported	\$ 110.1	\$ 28.8	282 %	\$ 215.8	\$ 101.7	112 %
Impairment, net	-	33.8		-	33.8	
Excess tax benefit from option exercises	(2.1)	(0.3)		(6.2)	(8.0)	
Net earnings, adjusted	\$ 108.0	\$ 62.3	73 %	\$ 209.6	\$ 127.5	65 %
Weighted average diluted shares, in millions	174.6	170.5		174.2	171.6	
Diluted earnings per share						
As reported	\$ 0.63	\$ 0.17	271 %	\$ 1.24	\$ 0.59	110 %
Adjusted	\$ 0.62	\$ 0.37	68 %	\$ 1.20	\$ 0.74	62 %

Second Quarter 2021 Results

Net Sales	<ul style="list-style-type: none">▶ Up 38 percent from 2020, up 34 percent at consistent translation rates
Gross Margin	<ul style="list-style-type: none">▶ Rate up 2.2 percentage points from 2020<ul style="list-style-type: none">▪ Favorable effects of changes in currency translation rates, realized pricing, higher production volume and favorable product and channel mix were partially offset by unfavorable impact of higher product costs
Operating Earnings	<ul style="list-style-type: none">▶ Operating earnings up \$89 million<ul style="list-style-type: none">▪ 2020 non-cash impairment \$35M▪ Increase in volume driving operating earnings growth▪ Increases in sales and earnings based costs on higher sales volume
Other Expense	<ul style="list-style-type: none">▶ Comparable to second quarter 2020
Taxes	<ul style="list-style-type: none">▶ Effective tax rate for the quarter was 16%, down 15 percentage points from second quarter 2020<ul style="list-style-type: none">▪ Decrease in the effective tax rate is due primarily to non-deductible impairment charges in second quarter 2020

First Half 2021 Results

Net Sales	<ul style="list-style-type: none">▶ Up 30 percent from 2020, up 26 percent at consistent translation rates
Gross Margin	<ul style="list-style-type: none">▶ Rate up 1.7 percentage points from 2020<ul style="list-style-type: none">▪ Favorable effects of changes in currency translation rates, realized pricing, higher production volume and favorable product and channel mix were partially offset by unfavorable impact of higher product costs
Operating Earnings	<ul style="list-style-type: none">▶ Operating earnings up \$128 million<ul style="list-style-type: none">▪ 2020 non-cash impairment \$35M▪ Increase in volume driving operating earnings growth▪ Increases in sales and earnings based costs on higher sales volume
Other Expense	<ul style="list-style-type: none">▶ Decreased \$5 million<ul style="list-style-type: none">▪ Driven by market value fluctuations on investments held to fund certain retirement benefits liabilities
Taxes	<ul style="list-style-type: none">▶ Effective tax rate for June year to date was 16%, down 2 percentage points from the comparable period in 2020<ul style="list-style-type: none">▪ Decrease in the effective tax rate is due primarily to non-deductible impairment charges in 2020, partially offset by changes in excess tax benefits related to stock option exercises

Financial Results

Components of Net Sales Changes

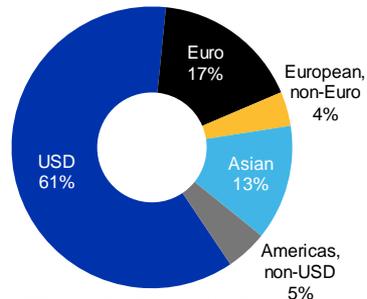
Second Quarter June 2021

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	46 %	29 %	29 %	32 %	49 %	31 %	35 %
Acquisitions and Divestitures	1 %	(7)%	0 %	0 %	0 %	(6)%	(1)%
Currency	6 %	3 %	3 %	1 %	11 %	9 %	4 %
Total	53 %	25 %	32 %	33 %	60 %	34 %	38 %

Year to Date June 2021

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	28 %	17 %	32 %	25 %	32 %	28 %	27 %
Acquisitions and Divestitures	0 %	(5)%	0 %	0 %	(1)%	(4)%	(1)%
Currency	5 %	3 %	3 %	0 %	10 %	8 %	4 %
Total	33 %	15 %	35 %	25 %	41 %	32 %	30 %

June 2021 YTD Net Sales by Currency



Asian currencies include:

AUD, CNY, KRW, JPY

European, non-Euro currencies include: CHF, GBP, RON

Americas, non-USD currencies include:

BRL, CAD, MXN

Other Items

Cap Ex	<ul style="list-style-type: none">▶ Capital expenditure expectations of approximately \$150 million in 2021, including approximately \$90 million in facilities expansion
Expenses	<ul style="list-style-type: none">▶ Unallocated corporate expenses in 2021 are expected to be approximately \$30 million
Shares	<ul style="list-style-type: none">▶ No share repurchases were made in the first half of the year. We may make share repurchases in 2021 via opportunistic open market transactions or short-dated accelerated share repurchase (“ASR”) programs
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 2020, the movement in foreign currencies would be a benefit of approximately 2% on net sales and 5% on earnings in 2021, with the most significant impact in the first half of the year
Taxes	<ul style="list-style-type: none">▶ We anticipate the effective tax rate for the third quarter and the full year to be between 18% - 19%, 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
Fiscal Year 2021	<ul style="list-style-type: none">▶ There will be 53 weeks in fiscal 2021, with 14 weeks in the fourth quarter compared to 52 weeks in fiscal 2020, with 13 weeks in the fourth quarter

2022 Change in Organizational Structure

- ▶ Effective January 1, 2022, our high performance coatings and foam product offerings within the Applied Fluid Technologies division of the Industrial segment will be realigned and managed under the Contractor segment. High performance coatings and foam equipment consists of two-component proportioning systems to spray foam for insulating building walls, roofs, water heaters, refrigerators, hot tubs and other items, and polyurea coatings applied on storage tanks, pipes, roofs, truck beds, concrete and other items. These product offerings also include equipment that sprays specialty coatings for protection and fireproofing and vapor-abrasive blasting equipment. The change will allow segment leadership to address overlap of markets, products, end users and distributors between the contractor-focused businesses.
- ▶ Segment operating results will be reported under the new organizational structure in the first quarter of 2022, in connection with the effective date of the realignment. Historic segment information restated to conform to the new organizational structure is available as supplemental financial information on the Company's website at www.graco.com.



Move | Measure | Mix | Control | Dispense | Spray

WORLDWIDE LEADERS IN FLUID HANDLING

www.graco.com