



1st Quarter 2021 Earnings Conference Call

April 22, 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 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 April 21, 2021.

Conference Call Logistics

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The release, accompanying slides and replay webcast are available online at www.graco.com/ir

Telephone replay will be available after 2 p.m. ET, April 22, 2021. The replay by telephone will be available through 2 p.m. ET, April 29, 2021.

- ▶ 855-859-2056 – Conference ID #6165727
- ▶ 404-537-3406 – with the same conference ID #, for international participants

Financial Results

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Statement of Earnings

\$ in millions except per share amounts

Net Sales

Gross Profit

% of Net Sales

Operating Earnings

% of Net Sales

Net Earnings

% of Net Sales

Diluted Earnings Per Share

Diluted Shares in Millions

Net Earnings, Adjusted (1)

Diluted Earnings Per Share, Adjusted (1)

	First Quarter		
	2021	2020	Change
Net Sales	\$ 454.1	\$ 373.6	22 %
Gross Profit	247.3	198.6	25 %
% of Net Sales	54.5%	53.2%	1.3 pts
Operating Earnings	128.3	89.8	43 %
% of Net Sales	28%	24%	4 pts
Net Earnings	\$ 105.7	\$ 72.8	45 %
% of Net Sales	23%	19%	4 pts
Diluted Earnings Per Share	\$ 0.61	\$ 0.42	45 %
Diluted Shares in Millions	173.8	172.6	1 %
Net Earnings, Adjusted (1)	\$ 101.6	\$ 65.0	56 %
Diluted Earnings Per Share, Adjusted (1)	\$ 0.58	\$ 0.38	53 %

(1) 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 page 5 for a reconciliation of the adjusted non-GAAP financial measures to GAAP.

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	First Quarter		
	2021	2020	Change
\$ in millions except per share amounts			
Income taxes, as reported	\$ 20.0	\$ 9.3	115 %
Excess tax benefit from option exercises	4.1	7.8	
Income taxes, adjusted	<u>\$ 24.1</u>	<u>\$ 17.1</u>	<u>41 %</u>
Effective income tax rate			
As reported	16%	11%	
Adjusted	19%	21%	
Net earnings, as reported	\$ 105.7	\$ 72.8	45 %
Excess tax benefit from option exercises	(4.1)	(7.8)	
Net earnings, adjusted	<u>\$ 101.6</u>	<u>\$ 65.0</u>	<u>56 %</u>
Weighted average diluted shares, in millions	173.8	172.6	
Diluted earnings per share			
As reported	\$ 0.61	\$ 0.42	45 %
Adjusted	\$ 0.58	\$ 0.38	53 %

Net Sales

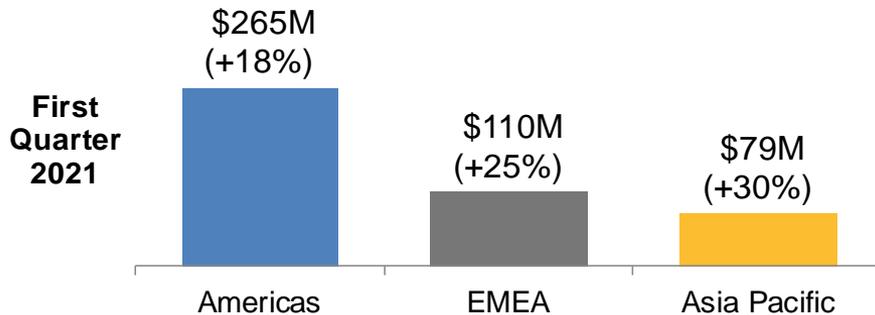


Components of Net Sales Changes

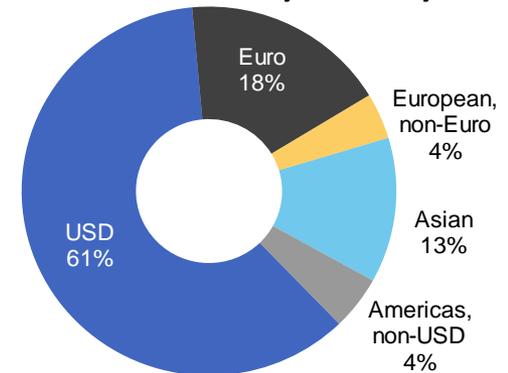
First Quarter March 2021

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	12 %	7 %	35 %	17 %	18 %	25 %	19 %
Acquisitions and Divestitures	0 %	(3)%	0 %	1 %	(1)%	(3)%	(1)%
Currency	4 %	2 %	3 %	0 %	8 %	8 %	4 %
Total	16 %	6 %	38 %	18 %	25 %	30 %	22 %

Net Sales by Region



2021 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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2020 Operating earnings (\$M and % of net sales)

Translation effect

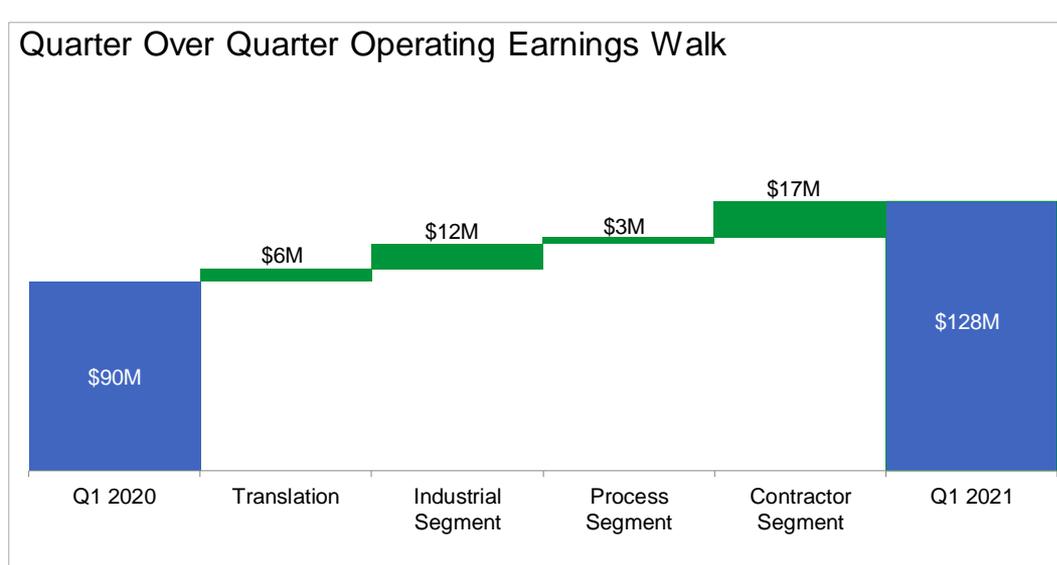
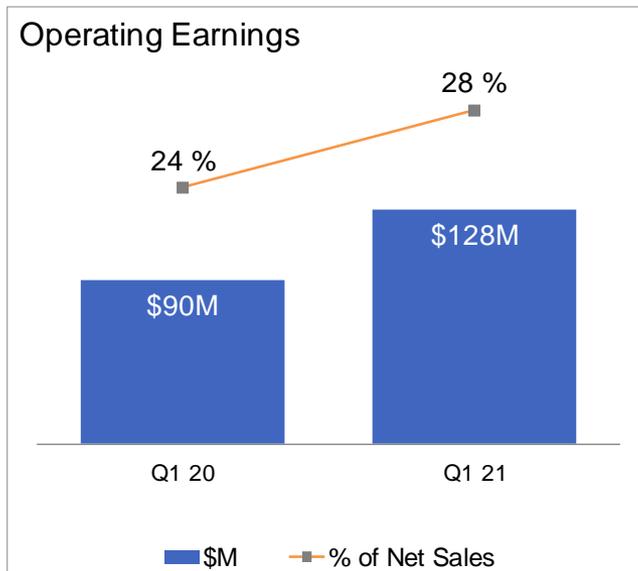
Volume and product and channel mix

Increase in sales and earnings-based costs

Volume effect on expense leverage

2021 Operating earnings (\$M and % of net sales)

First Quarter		
\$	90	24 %
	6	1
	43	1
	(9)	(2)
	(2)	4
\$	128	28 %



First Quarter 2021

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Net Sales	<ul style="list-style-type: none">▶ Up 22 percent from 2020, up 18 percent at consistent translation rates
Gross Margin	<ul style="list-style-type: none">▶ Rate up 1.3 percentage points from 2020<ul style="list-style-type: none">▪ Favorable effects of changes in currency translation rates, realized pricing and higher production volume were partially offset by unfavorable impact of material costs and mix
Operating Earnings	<ul style="list-style-type: none">▶ Operating earnings up \$38 million, 43%<ul style="list-style-type: none">▪ Increase in volume driving operating earnings growth
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 the quarter was 16%, up 5 percentage points from first quarter 2020<ul style="list-style-type: none">▪ Increase in the effective rate due primarily to a decrease in excess tax benefits related to stock option exercises

Outlook

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2021 Organic Net Sales by Segment - Compared to 2020

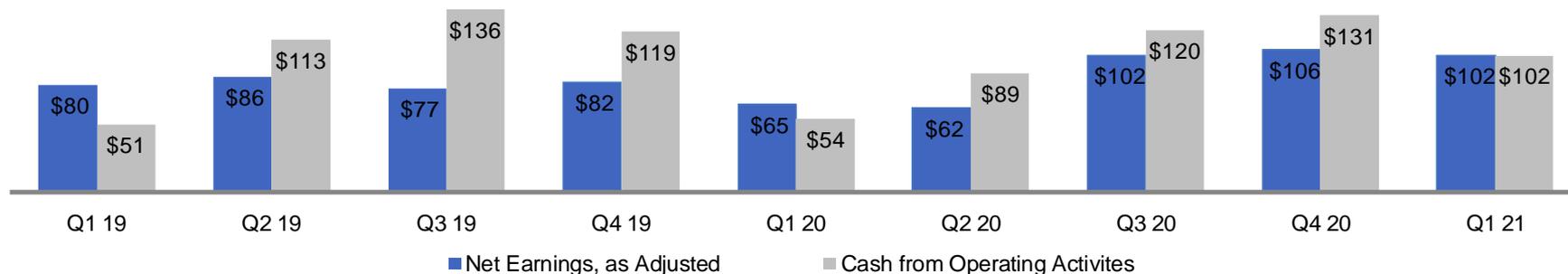
	January	February	March
Industrial Segment	9%	7%	19%
Process Segment	(6%)	1%	10%
Contractor Segment	64%	21%	31%
	21%	10%	22%

- ▶ Booking and billing improvement continued in the first quarter of 2021
- ▶ All three segments had organic revenue growth in the quarter with strong double-digit increases in the Contractor and Industrial segments
- ▶ Outlook for the business remains positive as we enter the second quarter
- ▶ Since the quarter ended, weekly order rates have remained at levels that are similar to what we saw in March. Comparisons to last year's bookings are not meaningful due to the sharp decline in business experienced a year ago
- ▶ Uncertainty remains in both the supply chain and demand environment that may affect certain end markets and geographies for the remainder of the year

Cash Flow and Liquidity



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



2021 Significant Uses of Cash (\$M)

	2021	2020
Dividends	\$ 32	\$ 29
Capital Expenditures	21	19
Share Repurchases, Net of Issued	-	45

- ▶ Net cash provided by operating activities was \$102 million in 2021 vs. \$54 million in 2020
 - Changes in working capital elements are in line with volume
- ▶ Capital expenditures of \$21 million
- ▶ Debt, including notes payable, was \$182 million – up \$10 million from December 2020
 - Interest expense \$2 million comparable to 2020

Other Discussion Items



Cap Ex	<ul style="list-style-type: none">▶ Capital expenditure expectations of approximately \$140 million in 2021, including approximately \$90 million in facility 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 quarter. 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 second 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

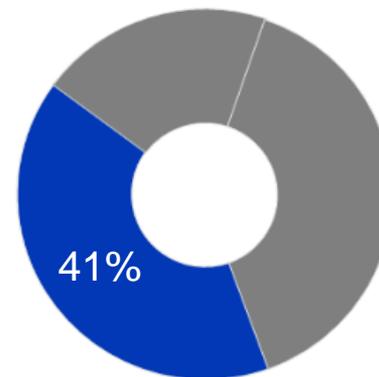
Industrial Segment Results



\$ in millions

	First Quarter		
	2021	2020	Change
Net Sales			
Americas	\$ 80	\$ 75	8%
EMEA	57	46	23
Asia Pacific	48	38	26
Total	\$ 185	\$ 159	16%
Operating Earnings	\$ 65	\$ 50	30%
% of sales	35 %	32 %	

2021 Industrial Segment
Q1 Net Sales as % of Graco



Components of Net Sales Change

	Q1 2021	Q1 2021
Americas		
Volume & Price	8 %	
Acquisitions	0 %	
Currency	0 %	
Total	8 %	
Asia Pacific		
Volume & Price		19 %
Acquisitions		0 %
Currency		7 %
Total		26 %
EMEA		
Volume & Price	14 %	
Acquisitions	0 %	
Currency	9 %	
Total	23 %	
Segment Total		
Volume & Price		12 %
Acquisitions		0 %
Currency		4 %
Total		16 %

Industrial Segment Results



Change in % of net sales

2020 Operating Earnings

Volume and product and channel mix

Increase in sales and earnings-based costs

Volume effect on expense leverage

2021 Operating Earnings

First Quarter

32 %

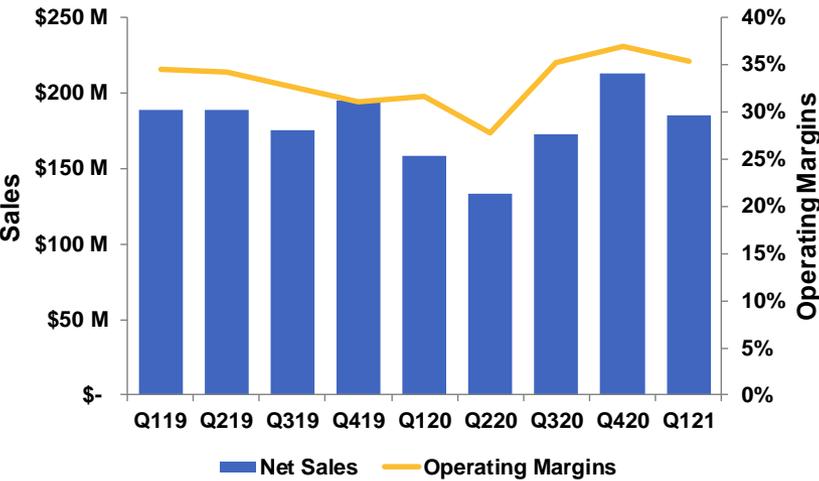
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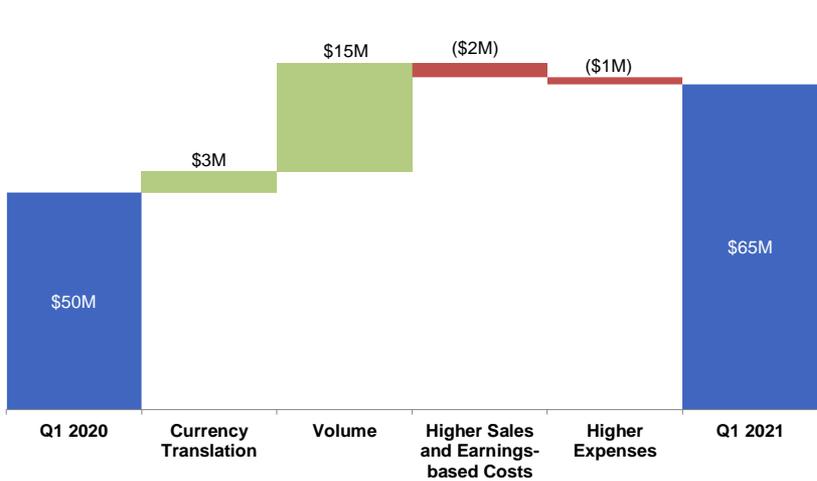
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35 %

Industrial Segment Net Sales and Operating Margins



Industrial Segment Operating Earnings QTD



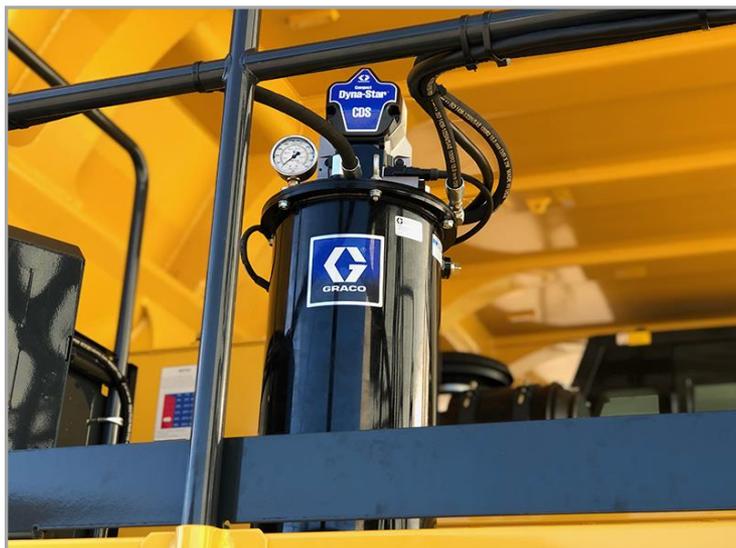
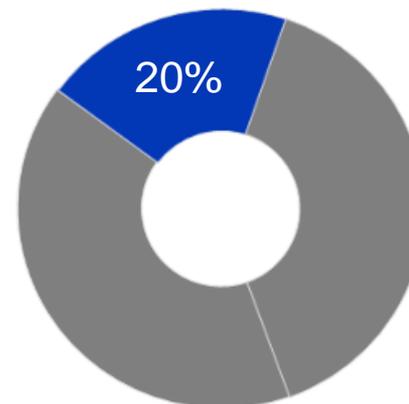
Process Segment Results



\$ in millions

	First Quarter		
	2021	2020	Change
Net Sales			
Americas	\$ 57	\$ 55	3 %
EMEA	14	16	(6)
Asia Pacific	20	15	30
Total	\$ 91	\$ 86	6%
Operating Earnings	\$ 22	\$ 18	20 %
% of sales	24 %	21 %	

2021 Process Segment
Q1 Net Sales as % of Graco



Components of Net Sales Change

	Q1 2021
Americas	
Volume & Price	2 %
Acquisitions & Divestitures	1 %
Currency	0 %
Total	3 %
EMEA	
Volume & Price	(3)%
Acquisitions & Divestitures	(7)%
Currency	4 %
Total	(6)%

	Q1 2021
Asia Pacific	
Volume & Price	38 %
Acquisitions & Divestitures	(15)%
Currency	7 %
Total	30 %
Segment Total	
Volume & Price	7 %
Acquisitions & Divestitures	(3)%
Currency	2 %
Total	6 %

Process Segment Results



Change in % of net sales

2020 Operating Earnings

Currency Translation

Volume, product and channel mix

Effect of acquired and divested business operations

Increase in sales and earnings-based costs

Volume effect on expense leverage

2021 Operating Earnings

First Quarter

21 %

1

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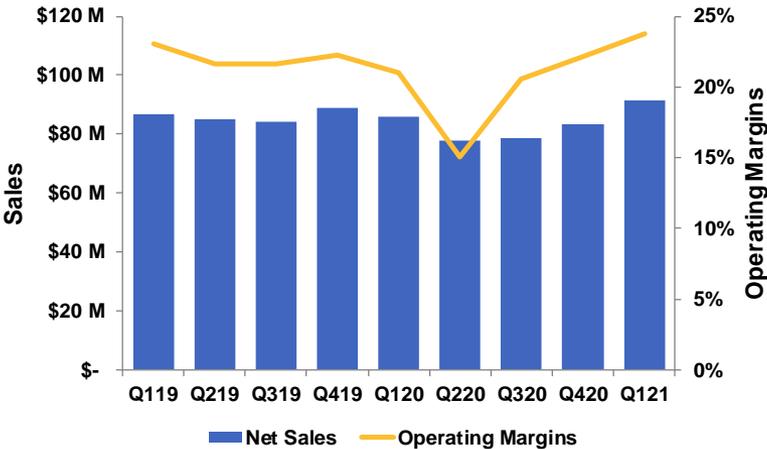
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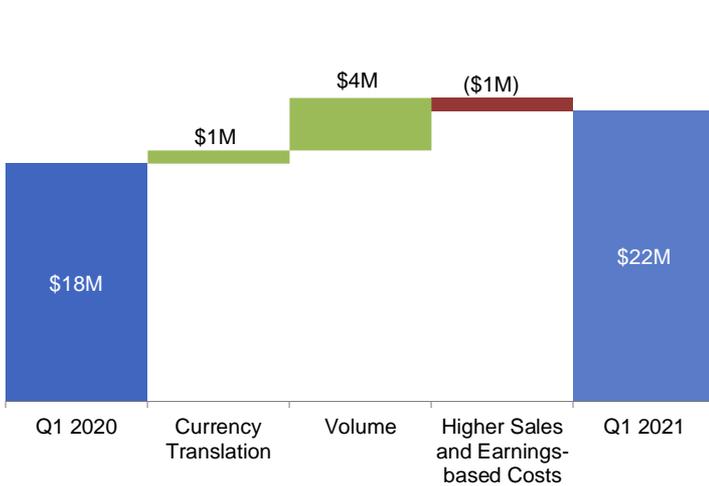
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24 %

Process Segment Net Sales and Operating Margins



Process Segment Operating Earnings QTD



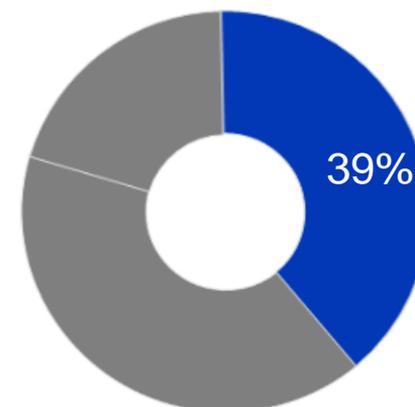
Contractor Segment Results



\$ in millions

	First Quarter		
	2021	2020	Change
Net Sales			
Americas	\$ 128	\$ 95	34%
EMEA	39	26	50
Asia Pacific	11	8	46
Total	\$ 178	\$ 129	38%
Operating Earnings	\$ 48	\$ 29	68%
% of sales	27 %	22 %	

2021 Contractor Segment
Q1 Net Sales as % of Graco



Components of Net Sales Change

	Q1 2021
Americas	
Volume & Price	34 %
Acquisitions	0 %
Currency	0 %
Total	34 %
EMEA	
Volume & Price	38 %
Acquisitions	0 %
Currency	12 %
Total	50 %

	Q1 2021
Asia Pacific	
Volume & Price	36 %
Acquisitions	0 %
Currency	10 %
Total	46 %
Segment Total	
Volume & Price	35 %
Acquisitions	0 %
Currency	3 %
Total	38 %

Contractor Segment Results

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Change in % of net sales

2020 Operating Earnings

Currency translation

Increase in sales and earnings-based costs

Volume effect on expense leverage

2021 Operating Earnings

First Quarter

22 %

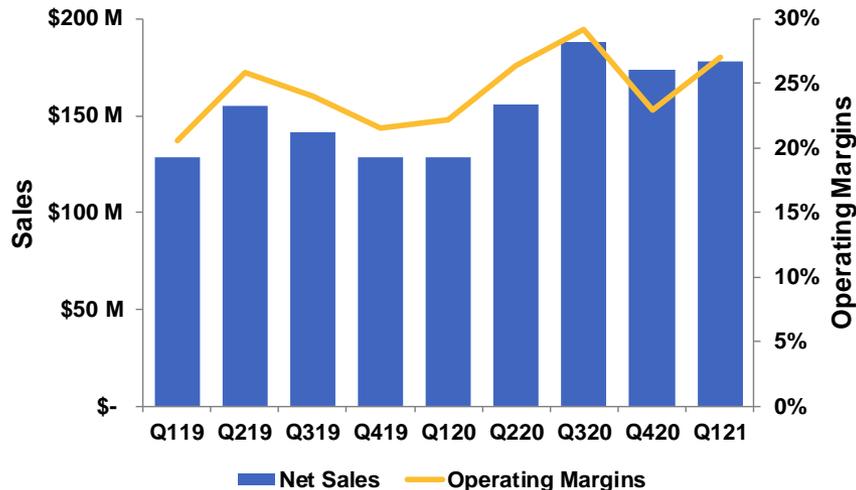
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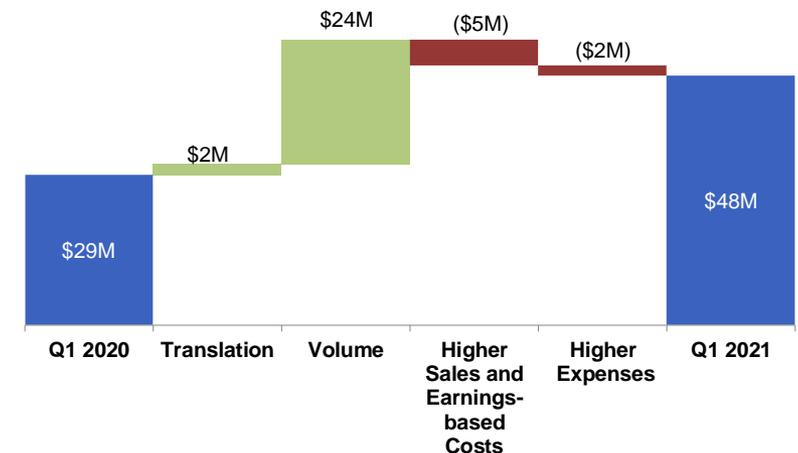
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27 %

Contractor Segment Net Sales and Operating Margins



Contractor Segment Operating Earnings QTD





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