



# Investor Presentation

*Fourth Quarter and  
Year-end 2015*

## 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 most recent Quarterly Report on Form 10-Q and the Company's January 25, 2016 News Release.



- ✓ **Overview**
- ◆ Enduring Business Model
- ◆ Strategies for Long-Term Growth
  - Invest in New Products
  - Expand Geographically
  - Target New Markets
  - Make Acquisitions
- ◆ Company Performance

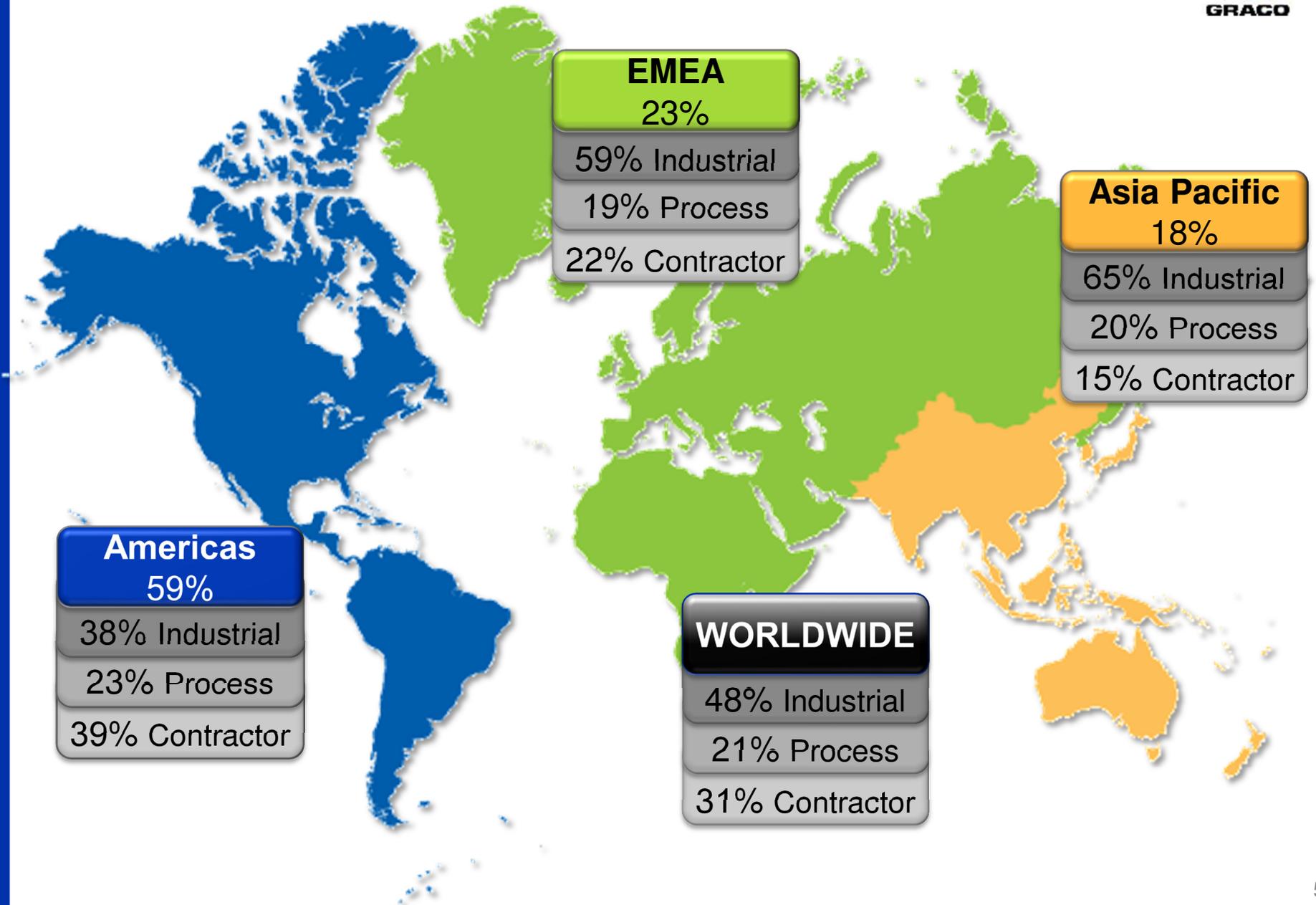


## Business Overview

- Graco manufactures premium equipment to pump, move, meter, mix and dispense a wide variety of fluids and coatings
  - Difficult to handle materials with high viscosities
  - Abrasive and corrosive properties
  - Multiple component materials that require precise ratio control
  - Serving a broad number of end markets
- A strong business formula for sustained margin generation
  - High customer value through product differentiation
  - Manufacturing and engineering drive cost savings, reliability and quality

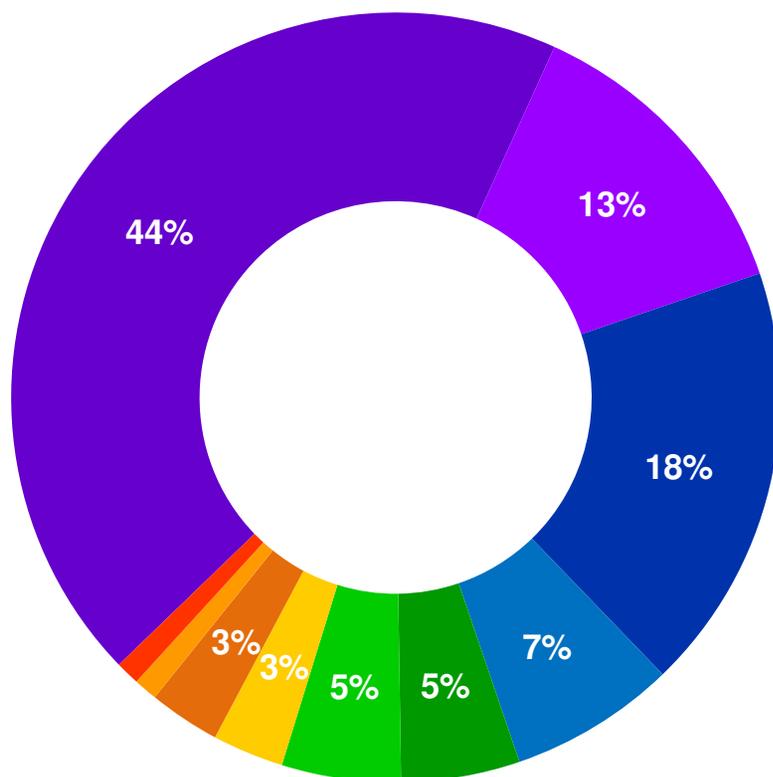


# 2015 Sales — \$1,286 Million





## 2014 Sales by End Market\*



- ▶ Residential & Non-Residential Construction – 44%
- ▶ Automotive – 13%
- ▶ Industrial & Machinery – 18%
- ▶ Other – 7%
- ▶ Oil and Natural Gas – 5%
- ▶ Public Works – 5%
- ▶ Vehicle Services – 3%
- ▶ Mining – 3%
- ▶ Wood – 1%
- ▶ White Goods – 1%

\* Proforma for acquisitions completed prior to year-end 2015. Graco management estimate

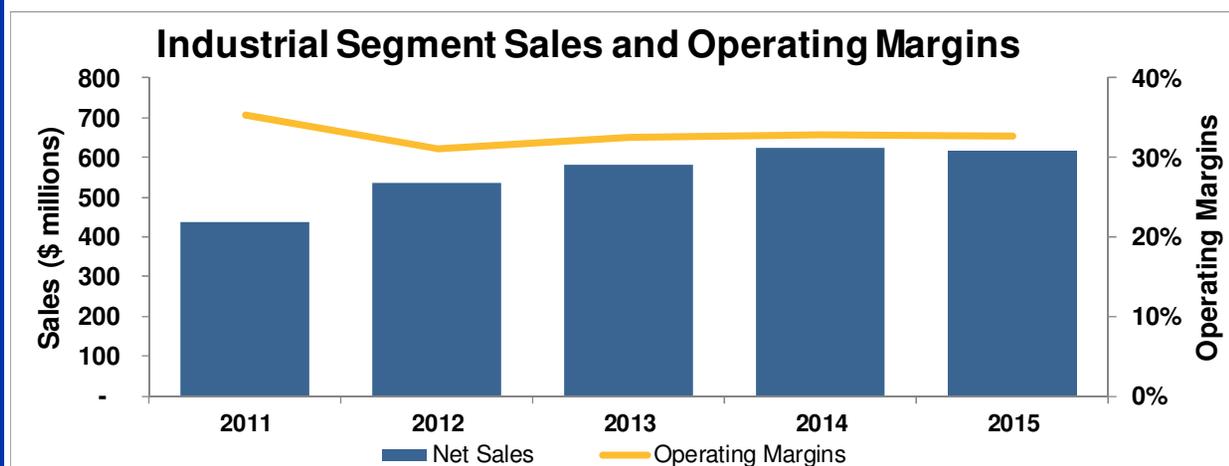
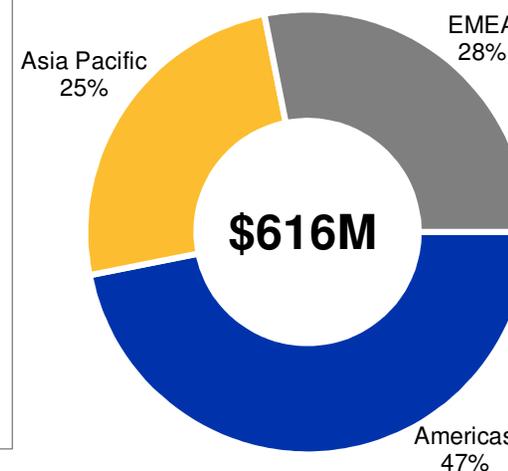


# Industrial Equipment Segment

- Growth Drivers and Trends
  - Factory movements and upgrades
  - Integration of equipment with factory data and control systems
  - Reducing energy consumption
  - Material changes driving demand
- Other Representative Industry Participants
  - Exel, Wagner, Carlisle Companies and regional players



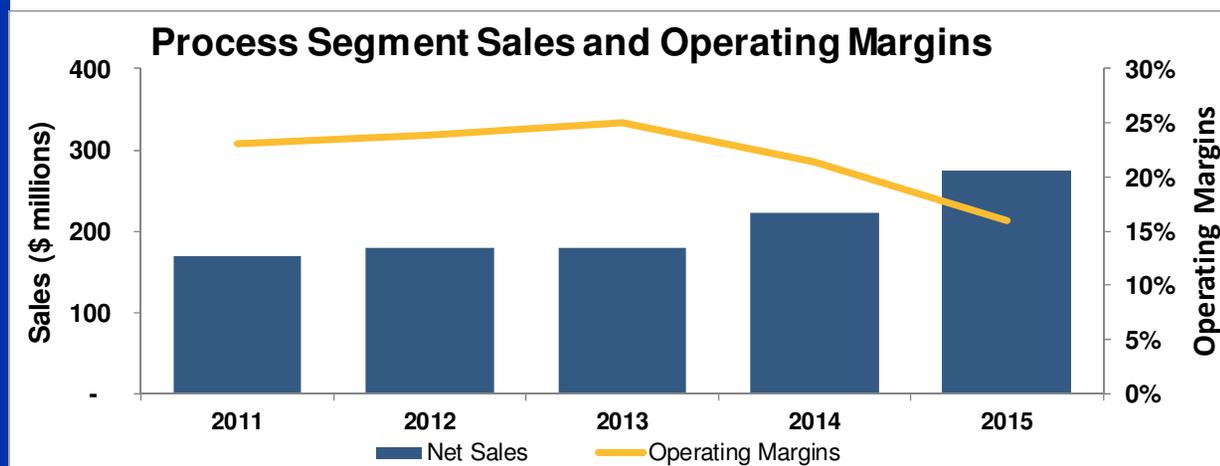
## 2015 Sales



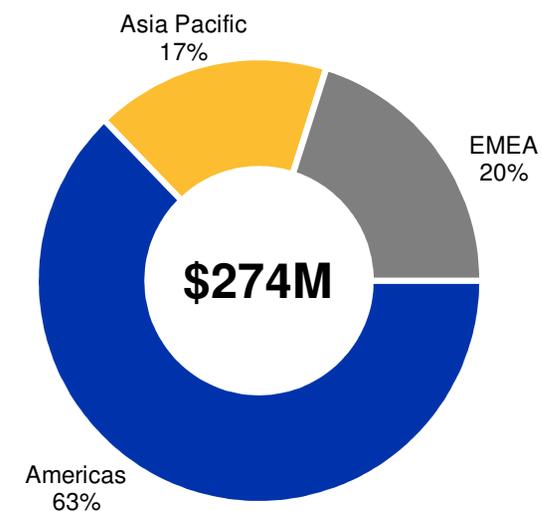


## Process Equipment Segment

- Growth Drivers and Trends
  - Fill product lines for a single source solution
  - Targeting competition in the industrial lubrication market
  - Acquisitions completed in 2014 and 2015, as well as \$4 million in incremental investment in 2015 for regional and product growth initiatives. Positioning for long-term growth, but a headwind on short-term operating margins
- Other Representative Industry Participants
  - IDEX, Dover, IR, Lincoln, Vogel, Bijur, Hannay, Coxreels, and regional players



### 2015 Sales



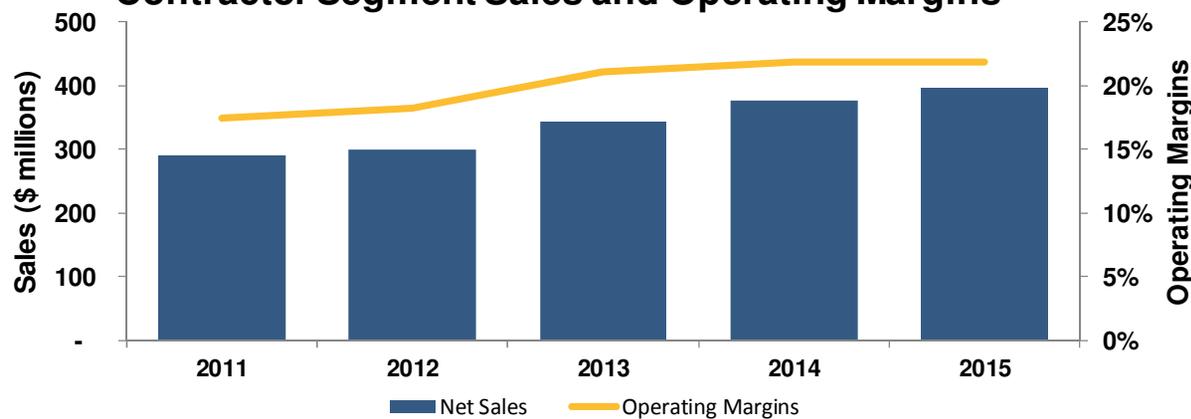


## Contractor Equipment Segment

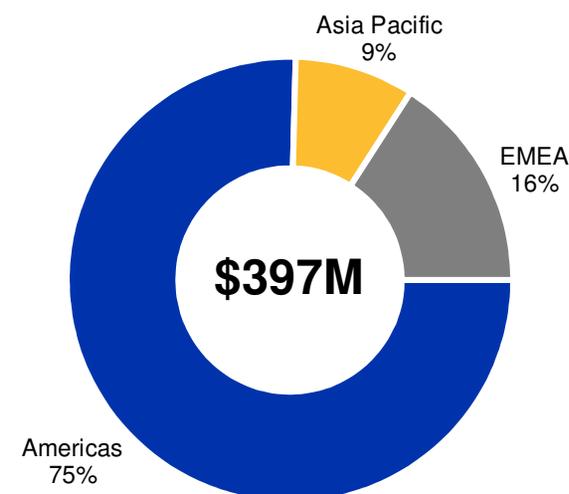
- Growth Drivers and Trends
  - Conversion of end users from manual application methods to equipment is a major focus outside North America
  - Application of texture & cementitious materials
  - Entry level product & channel expansion
  - Expanding pavement maintenance product line & channel
- Other Representative Industry Participants
  - Wagner, TTI, Campbell Hausfeld, Larius, Bedford, QTech, and regional players



### Contractor Segment Sales and Operating Margins



### 2015 Sales





- ◆ Overview
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# High Customer Value, Strong Product Differentiation



# Manufacturing and Engineering Excellence



- 80%+ of production is based in the United States
  - High-quality, efficient, engaged labor force
  - Centralization allows for leverage of overhead
  - A currency mismatch of sales to COGS exists, however
- Continuous improvement culture
  - Unique Graco cost-to-produce measurement tool
- Ongoing capital investment
  - Plant efficiency
  - Cost reductions
  - Capacity
- New product development initiatives include value engineering focus
- Low overall warranty costs



## Low Volume, High Mix Delivers Customer ROI



Average Number of Units Sold Per Day	# of SKUs	2014 Sales (\$ in millions)
0 - 1	39,188 (91%)	\$516 (49%)
2 - 5	2,552 (6%)	\$197 (19%)
6 - 10	612 (1%)	\$85 (8%)
11 - 15	216 (1%)	\$45 (4%)
Greater than 15	547 (1%)	\$217 (20%)
<b>Legacy Graco Total</b>	<b>43,115</b>	<b>\$1,060</b>
Plus: Acquired and Non Graco-branded		\$164
<b>Graco 2014 Sales</b>		<b>\$1,224</b>



- ◆ Overview
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# Graco's Growth Plans and Earnings Drivers



3% - 5%

Industrial  
Production  
Average  
Growth  
Rate

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



12%+

Graco  
Targeted  
Earnings  
CAGR

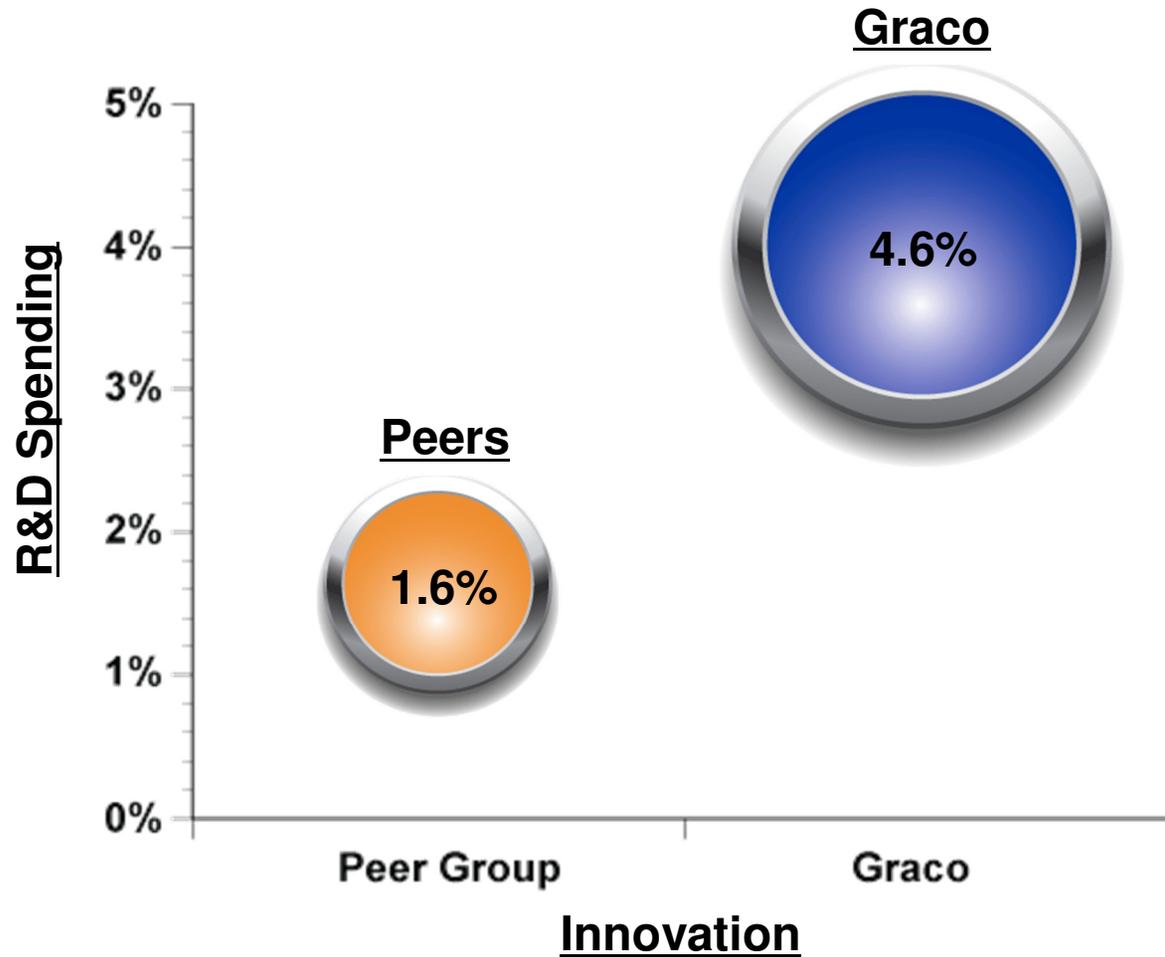


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# Targeting Growth Through New Products & Markets



New Product Development Expense as a Percentage of Revenues – 2015 \*

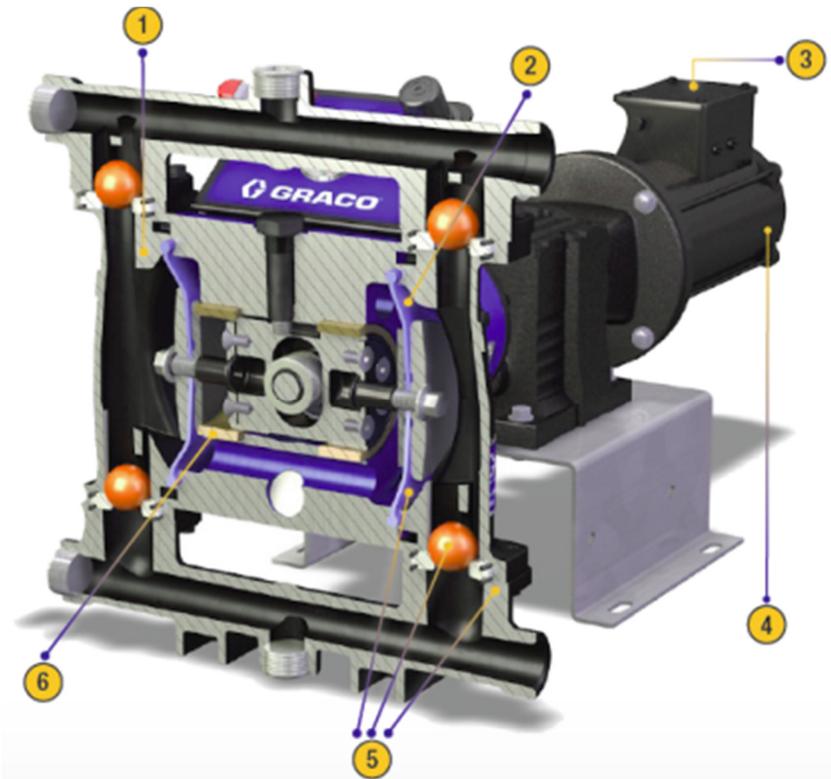


\* Peer average R&D spending as a percentage of revenues based on 2014 data

# Process – Husky™ 1050e



## A revolutionary diaphragm pump that operates on electricity



### 1 Durable Pump Technology

- Handles slurries and abrasives all without damage to the pump
- Gentle on shear sensitive material

### 2 Diaphragm Pump

- Runs dry
- No rotating or mechanical seals
- Self priming

### 5 Fluid Section

- Create the pump you need with multiple material offerings for manifolds, seats, balls, and diaphragms

### 6 Patented Air Charged Drive

- Increase diaphragm life without compromising your fluid
- Ability to reduce pulsation on fluid outlet
- Stalls under pressure without additional switches and controls



## Contractor – Professional Gas Airless Upgrade

- **New Standard Series**
  - No frills, Day-In-Day-Out Performance/Reliability at an Attractive Price
- **New ProContractor Series**
  - Full Featured Heavy-Duty Performance/Reliability for “New Construction” Job Sites – Hose Reel, MaxLife® Pump, Pressure Gauge, Heavy-Duty Frame

### Standard Series



### ProContractor™ Series



# Industrial – Reactor<sup>®</sup> 2 Hydraulic



## Advancing the Industry through improved control

- On board data recording of key process parameters
- Graco InSite<sup>™</sup> – Remote Reporting Technology
  - Real-time remote viewing of machine status w/ PC or smart device
  - Cloud storage of all key processing parameters
- Drum level indicators
- Recipe storage
- QR code troubleshooting link
  - Graco managed website with troubleshooting content



# Industrial – Therm-O-Flow® Bulk Hot Melt System



- For hot melt adhesives in 55 gal drums
- Offers fast melt rates and throughput capability two times greater than the leading competitor
- Updated to include Graco Control Architecture™
- Advanced temperature controls eliminate scorched material, material degradation & rework

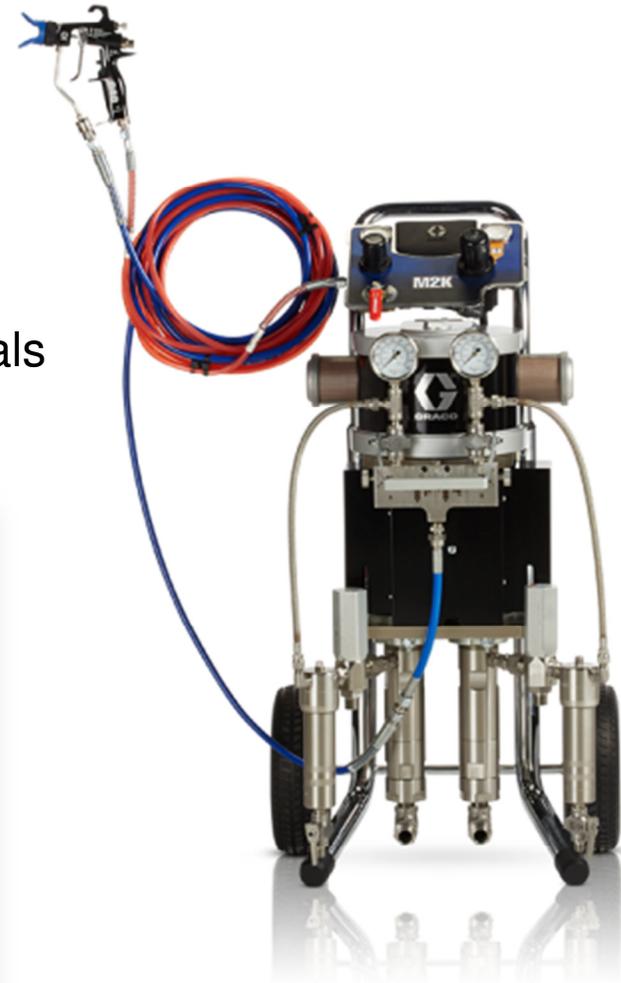


## Industrial – M2K



### Fixed Ratio, Entry Level Mechanical Proportioner

- Increases mix material accuracy to improve finish quality and reduce material waste compared to hand mixing
- Compact size makes it faster and easier to flush, saving time and disposal costs
- Ideal for lower volume two component materials



## Industrial – Pro Xp™ Auto



- Increases spray performance and transfer efficiency
- 24/7 gun monitoring tracks performance
- Easily adapts to changing voltage needs
- Fits almost any system requirement
- Service reminders eliminate guesswork





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- ◆ Company Performance



## Acquired December 2014



- A manufacturer and distributor of finishing products in Brazil
- Establishes Graco's first operational presence in market
- While small, Multimaq has an existing customer base and knowledgeable sales force
- Allows us to enhance our long-term competitive position in Brazil





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# Oil & Natural Gas – Chemical Injection Pumps



**Pumping solution for precise injection of chemicals into producing wells and pipelines**

- Utilizes proven Graco technology
- Complete product line offering available
- Available with electric, solar, and pneumatic drives
- Control options include cellular-based operation

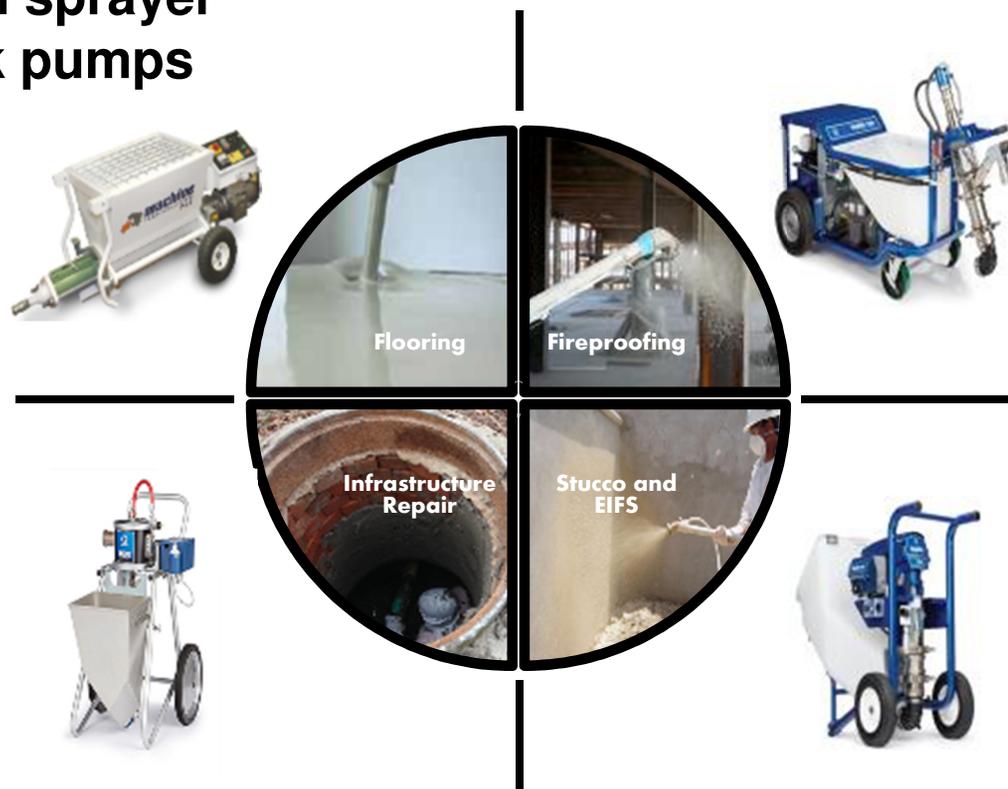




# Industrial – ToughTek™

## Big performance, from a small sprayer – Grab the power of ToughTek pumps

- Utilizes proven Graco technology
- Expands presence in several attractive markets
- Strong fit with existing products
  - Fireproofing
  - Flooring
  - Insulation
  - Surface preparation
  - Protective coatings
  - Airless spray
  - Joint filling



# Contractor – TrueCoat® 360™ Series



Painting just got easier – It's in the Bag!

- Spray in ANY direction, even upside down
- Handles unthinned paints and stains
- Easy cleanup – reuse or toss the bag



JUST FILL  
SQUEEZE  
& SPRAY



**TrueCoat 360**  
ELECTRIC AIRLESS SPRAYER

\$129



**TrueCoat 360 DS**  
DUAL SPEED ELECTRIC AIRLESS SPRAYER

\$169



**TrueCoat 360 DSP**  
DUAL SPEED PREMIUM  
ELECTRIC AIRLESS SPRAYER

\$199



**NEW**  
**TrueCoat 360 VSP**  
VARIABLE SPEED PREMIUM  
ELECTRIC AIRLESS SPRAYER

\$259

# Process – Chemsafe™ Diaphragm Pumps



## Pumping Solution for Corrosive Chemicals

- Features 100% PTFE or UHMW polyethylene fluid paths
- PTFE over-molded diaphragm
- CNC machined design insures precision fit and superior chemical containment
- Full line available in 1.5", 1", 1/2", 3/8", 1/4" models





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## Recent Acquisitions

-  **QED™**  
Environmental Systems
-  **EcoQuip®**  
VAPOR ABRASIVE™ BLAST EQUIPMENT
-  **Alco Valves Group**
-  **GEO-BLASTER®**  
WET-ABRASIVE BLASTING EQUIPMENT
-  **MULTIMAQ**  
sprayway
-  **HiP™ High Pressure Equipment Company**
-  **WHITE KNIGHT™**  
*.....simply driven™*
-  **LANDTEC®**  
 **Geotech**  
A subsidiary of LANDTEC



# Announced January 2016....



*Landfill gas analyzers, flow meters, remediation pumps, landfill gas well-heads, and accessories*

Liquids Management		Gas Management
Remediation Pumping	Groundwater Sampling	
<p><b>EPS</b> Electric Submersible Remediation Pumps</p> <p><b>QED</b> AODD Remediation Packages</p> <p><b>QED</b> Solar Remediation Pumps</p> <p><b>QED</b> Peristaltic Sampling Pumps</p> <p><b>QED</b> Water Quality Analytical</p>	<p><b>Level Logger</b></p> <p><b>Multi-level Systems (monitoring groundwater &amp; gas)</b></p> <p><b>QED</b> Electric Submersible Pumps</p>	<p><b>LANDETEC Gas Analyzers</b></p> <p><b>Gas Extraction Monitoring System</b></p> <p><b>Wireless Dataloggers</b></p> <p><b>QED</b> Self-regulating Valve</p>

# Overview



## Geotechnical Instruments

### Products & Applications

- Portable and fixed gas analyzers for landfill, biogas, and medical applications

### Will become part of QED Environmental Systems

- ~50 employees
- Located in Leamington Spa, UK
- Geotech's UK location and EMEA footprint provides a platform for QED's EMEA expansion

## Landtec

### Products & Applications

- Landfill gas wellheads and gas analyzers for landfill, biogas, and medical applications

### Will become part of QED Environmental Systems

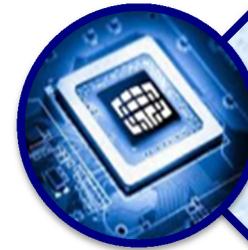
- ~25 employees
- Located in Colton California
- Landtec's Colton CA manufacturing & calibration operations will be consolidated into QED's Dexter, MI location



Geotech Gas Analyzer

Landtec Gas Wellhead

- **White Knight** - Manufactures high purity and ultra-high purity fluid handling equipment used to deliver, circulate, reclaim and transport aggressive chemical fluids and slurries



**Semiconductor  
Fabrication**



**Solar Panel  
Fabrication**



**Flat Panel Display  
/ LED / Electronics  
Fabrication**



**Chemical**

# Acquisition – High Pressure Equipment

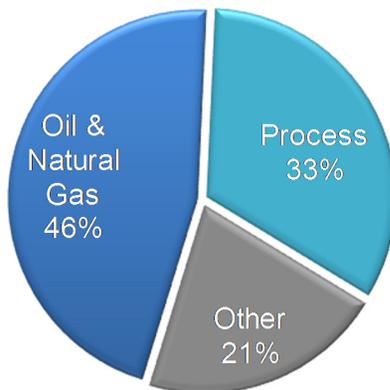


- High Pressure Equipment Company (HiP®), an Erie, Pennsylvania based manufacturer of high quality, high pressure valves used in Oil & Natural Gas (O&NG) and other industrial processes was acquired on January 20, 2015

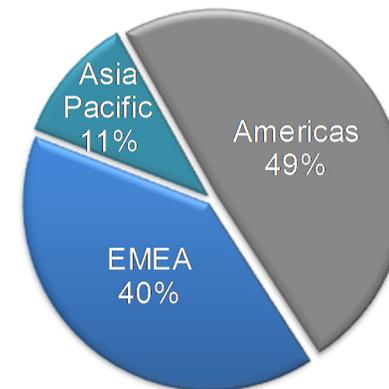


- The acquisition was an all cash transaction which closed for \$160 million

Sales by Industry\*



Geographic Mix\*



\* Management estimates

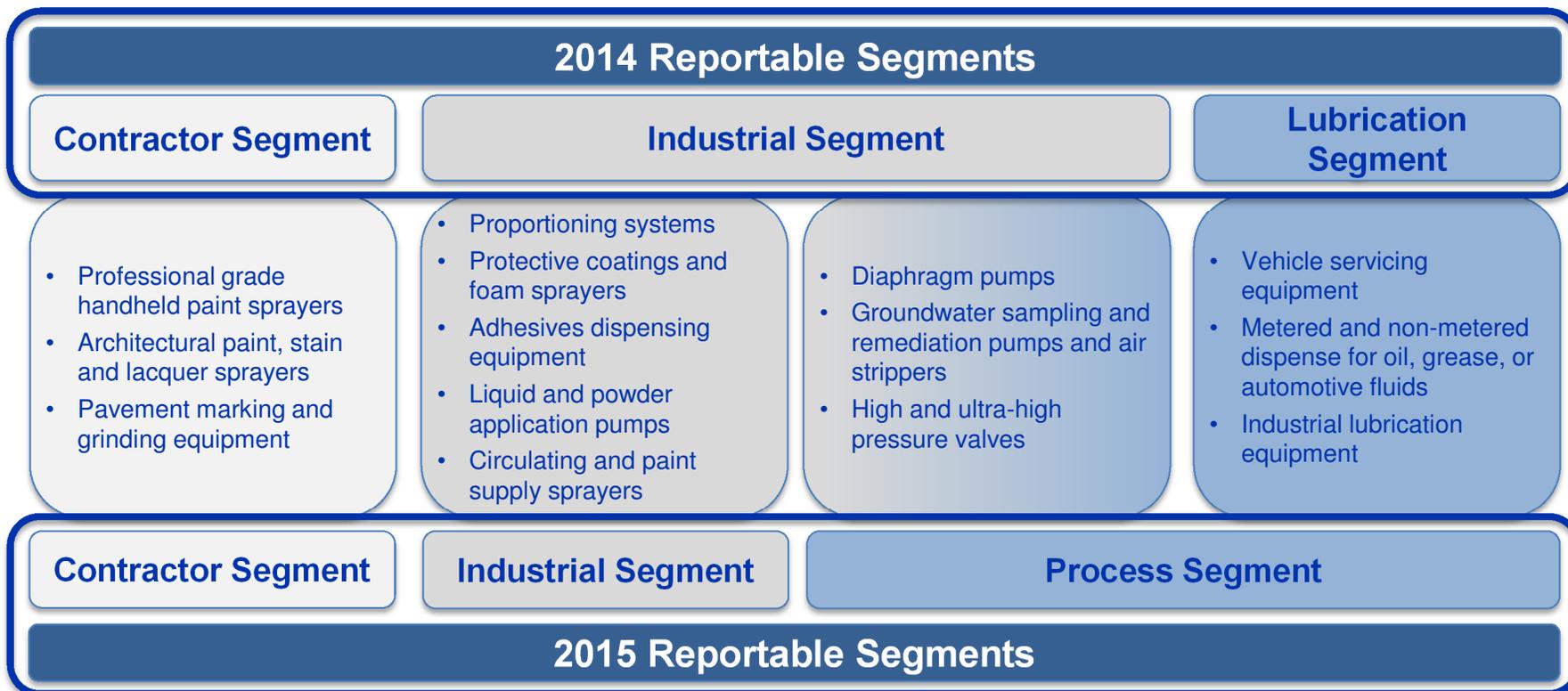


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# Change in Segment Reporting



- The Company revised the presentation of its financial reporting segments, during Q1, into the following three segments:
  - Industrial - includes Industrial Products and Applied Fluid Technologies divisions
  - Process - includes Process, Oil and Natural Gas, and Lubrication divisions
  - Contractor - remains unchanged
- Change aligns the types of products offered and markets served within the segments



# Graco Reported Results



\$ millions except EPS	Fourth Quarter			Year-to-Date		
	2015	2014	Change	2015	2014	Change
Sales	\$ 325.6	\$ 306.0	6 %	\$1,286.5	\$1,221.1	5 %
Gross Profit	171.8	164.8	4 %	684.7	666.7	3 %
% of Sales	52.8 %	53.8 %	(1.0) pts	53.2 %	54.6 %	(1.4) pts
Operating Earnings	76.1	69.5	10 %	302.1	308.9	(2)%
% of Sales	23.4 %	22.7 %	0.7 pts	23.5 %	25.3 %	(1.8) pts
Held Separate Investment Income, Net	(0.9)	3.2		(191.6)	26.0	
Net Earnings	\$ 53.5	\$ 49.0	9 %	\$ 345.7	\$ 225.6	53 %
% of Sales	16.4 %	16.0 %	0.4 pts	26.9 %	18.5 %	8.4 pts
Diluted Earnings Per Share	\$ 0.94	\$ 0.80	18 %	\$ 5.86	\$ 3.65	61 %
<i>Diluted Shares in Millions</i>	<i>57.3</i>	<i>61.0</i>		<i>59.0</i>	<i>61.7</i>	

- Changes in currency translation rates reduced sales, operating earnings, and net earnings by approximately \$12 million, \$7 million and \$5 million, respectively, for the quarter and \$58 million, \$32 million and \$20 million, respectively, for the year
- Non-recurring income tax benefits in the second quarter increased year-to-date net earnings by a total of \$9 million, or \$0.15 per diluted share
- Federal R&D tax credit reinstated in fourth quarter. Fourth quarter 2015 includes full year benefit of \$3 million, consistent with fourth quarter 2014
- In April, the Company sold the Held Separate business assets acquired in 2012. Net earnings and diluted EPS excluding investment income are:

	Fourth Quarter		Year-to-Date	
	2015	2014	2015	2014
Adjusted Net Earnings	\$ 52.9 M	\$ 45.5 M	\$ 204.3 M	\$ 198.8 M
Diluted EPS as adjusted	\$ 0.93	\$ 0.75	\$ 3.46	\$ 3.22

See page 41 for detailed information on the sale

## Divestiture of Held Separate Business Assets



- April 1, 2015, pursuant to the Federal Trade Commission final order, the Company sold the Liquid Finishing business assets for \$610 million
- Net earnings include gain on the sale, after transaction costs and tax, and investment income of \$1 million (\$0.01 per diluted share) for the quarter (post-closing adjustments) and \$141 million (\$2.40 per diluted share) year-to-date
- Reconciliation of the non-GAAP measurement of net earnings excluding investment income and expense follows (in millions except per share amounts):

	Fourth Quarter		Year-to-Date	
	2015	2014	2015	2014
Net earnings as reported	\$ 53.5	\$ 49.0	\$ 345.7	\$ 225.6
Held separate investment (income), net	(0.9)	(3.2)	(191.6)	(26.0)
Income tax effect on Held Separate income	0.3	(0.3)	50.2	(0.8)
Adjusted net earnings	\$ 52.9	\$ 45.5	\$ 204.3	\$ 198.8
Diluted EPS as reported	\$ 0.94	\$ 0.80	\$ 5.86	\$ 3.65
Diluted EPS as adjusted	0.93	0.75	3.46	3.22



## Tax Items

- The effective tax rate was 27% for the quarter consistent with fourth quarter 2014
  - The 2015 rate benefits from foreign earnings taxed at lower rates outside the U.S. The 2014 rate benefited from post-tax dividend income in fourth quarter
  - Federal R&D tax credit reinstated in fourth quarter. Fourth quarter 2015 includes full year benefit of \$3 million, consistent with fourth quarter 2014
- The year-to-date effective income tax rate of 27% is lower than the 2014 rate of 28%
  - A change in the Company's assertion with respect to reinvestment of foreign earnings decreased deferred income taxes related to undistributed foreign earnings by \$7 million and reduced the year-to-date effective tax rate compared to last year
  - Higher post-tax dividend income, foreign earnings taxed at lower rates and an additional non-recurring tax benefit of \$2 million further reduced the year-to-date effective tax rate. Those reductions were partially offset by the tax rate effects of the gain on the sale of the Liquid Finishing assets
- Tax rate for 2016 is expected to be approximately 31%

# 2015 Sales Data



## Components of Net Sales Change Fourth Quarter December 2015

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	5 %	(2)%	15 %	10 %	—	1 %	6 %
Acquisitions	2 %	16 %	—	4 %	4 %	5 %	4 %
Currency	(5)%	(3)%	(4)%	(1)%	(9)%	(4)%	(4)%
<b>Total</b>	<b>2 %</b>	<b>11 %</b>	<b>11 %</b>	<b>13 %</b>	<b>(5)%</b>	<b>2 %</b>	<b>6 %</b>

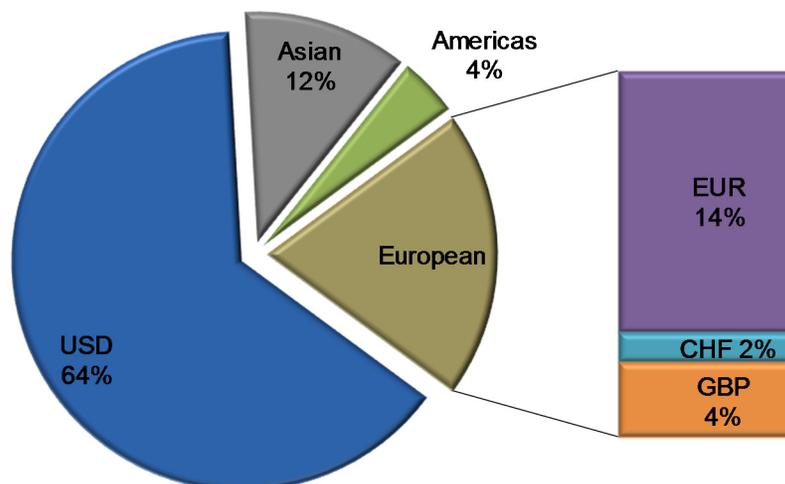
## Year-to-Date December 2015

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	3 %	1 %	9 %	7 %	1 %	—	4 %
Acquisitions	2 %	26 %	—	5 %	8 %	6 %	6 %
Currency	(6)%	(4)%	(3)%	(1)%	(13)%	(5)%	(5)%
<b>Total</b>	<b>(1)%</b>	<b>23 %</b>	<b>6 %</b>	<b>11 %</b>	<b>(4)%</b>	<b>1 %</b>	<b>5 %</b>

## Sales by Currency 2015

Asian currencies include:  
AUD, CNY/RMB, KRW,  
JPY

Americas currencies  
include:  
CAD, BRL, MXN



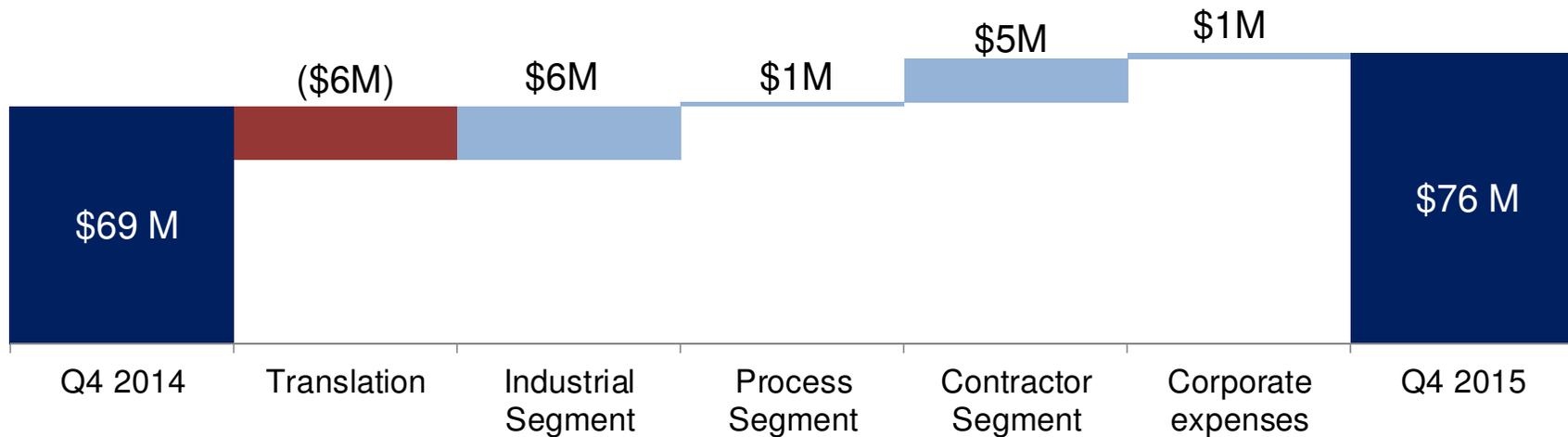
# Operating Earnings



## Change in Operating Earnings

	Fourth Quarter		Year-to-Date	
2014 Operating Earnings (\$M and % of sales)	\$ 69	23 %	\$ 309	25 %
Translation effect	(6)	(2)	(30)	(1)
Mix, pricing and product cost	9	—	31	—
Effect of acquired businesses on operating earnings leverage	—	(1)	7	(1)
Effect of inventory step-up, net, and acquisition costs for acquired businesses	3	1	—	—
Incremental investment in growth initiatives	(1)	—	(4)	—
Unallocated corporate expenses (pension, stock compensation)	1	—	(5)	(1)
Volume effect on expense leverage	1	2	(6)	1
2015 Operating Earnings (\$M and % of sales)	<u>\$ 76</u>	<u>23 %</u>	<u>\$ 302</u>	<u>23 %</u>

## Quarter Over Quarter Operating Earnings Walk



## Notable Info from Q4 2015 Earnings Release & Call



- Subsequent to year-end, completed acquisitions for \$49 million. These acquisitions will be included in the Process segment
- Capital expenditure expectations of approximately \$40 million in 2016 do not include building expansion for the Contractor business which is nearing capacity
- Unallocated corporate expenses in 2016 are expected to be similar to 2015
- Opportunistic share repurchases will continue via open market transactions and/or short-dated accelerated share repurchase programs
- At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2015, the unfavorable movement in foreign currencies would be a headwind of approximately 2% on sales and 5% on earnings, with the greatest headwind in the first half

# Current Environment



	Americas	EMEA	Asia Pacific
Industrial Segment	 <p><b>Improving:</b> Res &amp; Non-Res Construction  <b>Stable:</b> General Industrial, aerospace and marine  <b>Challenging:</b> Heavy Machinery, Latin Am</p>	 <p><b>Stable:</b> Western Europe  <b>Challenging:</b> Currency, Geopolitical  <b>Easing:</b> Russia comps in 2016</p>	 <p><b>Stable:</b> General Industrial, Adhesive Dispense  <b>Challenging:</b> Marine, Mining  <b>Spotty:</b> Project Activity</p>
Contractor Segment	 <p><b>Long Runway:</b> Residential and Commercial Construction  <b>Focus Sectors:</b> Pro Paint, General Construction and DIY  <b>Challenging:</b> Q1 comparable</p>	 <p><b>Favorable:</b> North &amp; Central Europe  <b>Challenging:</b> Currency and Geopolitical</p>	 <p><b>Favorable:</b> Japan, Korea and India  <b>Challenging:</b> Gen Construction, Equipment Adoption Rates</p>
Process Segment	 <p><b>Favorable:</b> Technology applications  <b>Stable:</b> Vehicle Services  <b>Challenging:</b> Oil &amp; Natural Gas</p>	 <p><b>Stable:</b> Western Europe  <b>Challenging:</b> Currency, Geopolitical, and Oil &amp; Natural Gas</p>	 <p><b>Stable:</b> Process applications  <b>Challenging:</b> Mining, Oil &amp; Natural Gas</p>

# 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

- ▶ Dividend Payout Ratio ~30%
- ▶ Approximately 4 Million Shares Remaining on Authorization

## Key Investment Attributes

- Strategies that will drive long-term, above-market growth
- Premium products that provide a strong ROI for end users
- Leading industry positions
- Serves niche markets where customers are willing to purchase quality, technology-based products
- Products perform critical functions
- Consistent investments in capital and growth initiatives
- Shareholder-minded management
- Financial strength





# Financial Summary 2015

*Appendix*

## Financial Results – Year to Date



(\$ Millions except EPS)	2015	2014	Change
Sales	\$ 1,286.5	\$ 1,221.1	5%
Gross Profit Rate	53.2%	54.6%	
Operating Expenses	382.6	357.8	7%
Operating Earnings	302.1	308.9	(2%)
Net Earnings	\$ 345.7	\$ 225.6	53%
Earnings Per Share	\$ 5.86	\$ 3.65	61%

In April, the Company sold the Held Separate business assets acquired in 2012. Calculation of the non-GAAP measurement of net earnings excluding investment income and expense follows (in millions except per share amounts):

	2015	2014
Net earnings as reported	\$ 345.7	\$ 225.6
Held separate investment (income), net	(191.6)	(26.0)
Income tax effect on Held Separate income	50.2	(0.8)
Adjusted net earnings	\$ 204.3	\$ 198.8
Diluted EPS as reported	\$ 5.86	\$ 3.65
Diluted EPS as adjusted	3.46	3.22

## Full Year 2015 Results



- Sales increased 5 percent, 10 percent at consistent exchange rates, including 6 percentage points from acquired operations
- Gross profit margin of 53 percent, down 1½ percentage points from last year
  - Due mostly to changes in currency translation rates. Favorable effects of realized pricing and lower material costs offset the impact of lower average gross margin rates of acquired operations
- Operating expenses were 7 percent higher than last year
  - Expenses of acquired operations, spending on regional and product expansion initiatives and an increase in unallocated corporate expenses; mostly pension, stock compensation and new central warehouse costs, partially offset by currency translation
- Backlog is down \$8 million from 2014
- Non-recurring income tax benefits increased net earnings by a total of \$9 million, or \$0.15 per diluted share year-to-date
- Net earnings increased by 53 percent compared to last year and diluted EPS was \$5.86 including the gain on the sale of the Held Separate business assets and non-recurring income tax benefits

## Financial Results – Fourth Quarter



(\$ Millions except EPS)	2015	2014	Change
Sales	\$ 325.6	\$ 306.0	6%
Gross Profit Rate	52.8%	53.8%	
Operating Expenses	95.7	95.3	0%
Operating Earnings	76.1	69.5	10%
Net Earnings	\$ 53.5	\$ 49.0	9%
Earnings Per Share	\$ 0.94	\$ 0.80	18%

In April, the Company sold the Held Separate business assets acquired in 2012. Calculation of the non-GAAP measurement of net earnings excluding investment income and expense follows (in millions except per share amounts):

	2015	2014
Net earnings as reported	\$ 53.5	\$ 49.0
Held separate investment (income), net	(0.9)	(3.2)
Income tax effect on Held Separate income	0.3	(0.3)
Adjusted net earnings	\$ 52.9	\$ 45.5
Diluted EPS as reported	\$ 0.94	\$ 0.80
Diluted EPS as adjusted	0.93	0.75

## Fourth Quarter 2015 Results



- Sales increased 6 percent, 10 percent at consistent exchange rates, including 4 percentage points from acquired operations
- Gross profit margin of 53 percent, down 1 percentage point from last year
  - Due mostly to changes in currency translation rates. Favorable effects of realized pricing and lower material costs offset the impact of lower average gross margin rates of acquired operations
- Operating expenses were flat to fourth quarter last year
- Net earnings increased by 9 percent compared to fourth quarter last year and diluted EPS was \$0.94



# Financial Summary 2015

*Appendix*

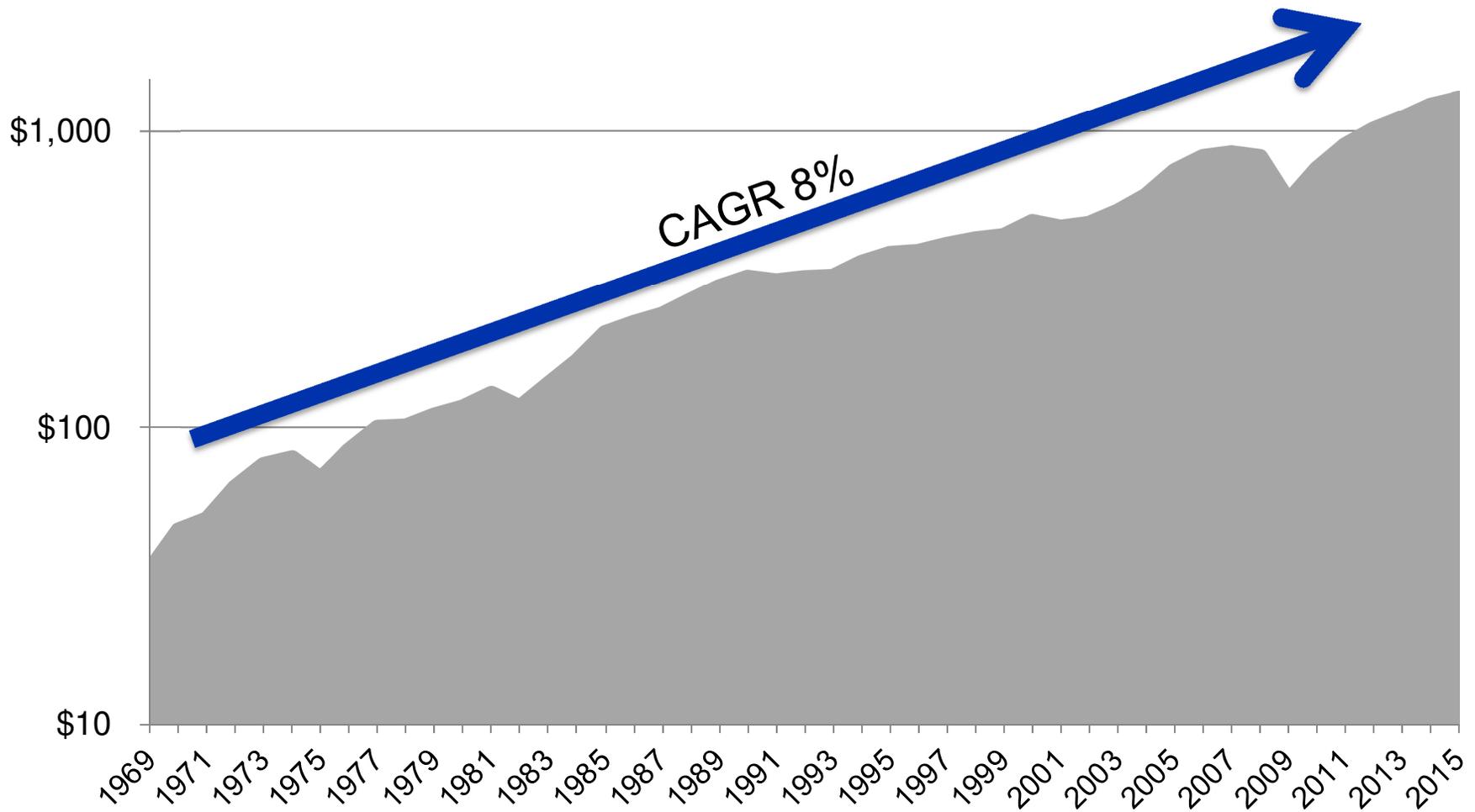
# Financial Performance



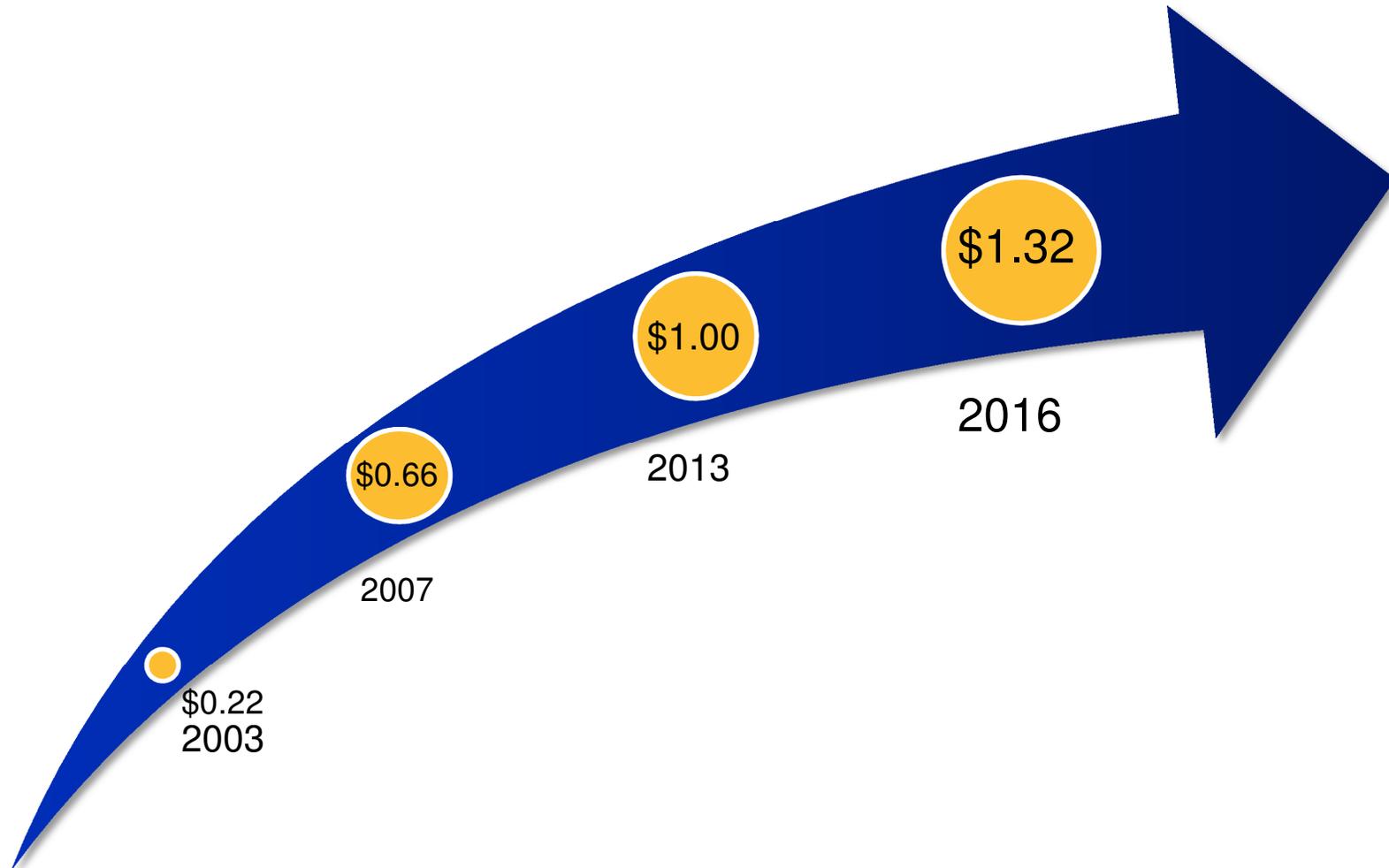
## Sales and Operating Margin



# Historic Sales (\$ Millions)



# Stock Dividend Growth



# Strong Cash Generation



(\$ Millions)	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Cash Flows	\$ 190	\$ 241	\$ 243	\$ 190	\$ 162	\$ 101	\$ 147	\$ 162	\$ 177
% of Net Income	55%	107%	115%	127%	114%	98%	300%	134%	116%
Capital Expenditures	42	31	23	18	24	17	11	29	37
Free Cash Flow	\$ 148	\$ 210	\$ 220	\$ 172	\$ 138	\$ 84	\$ 136	\$ 133	\$ 140

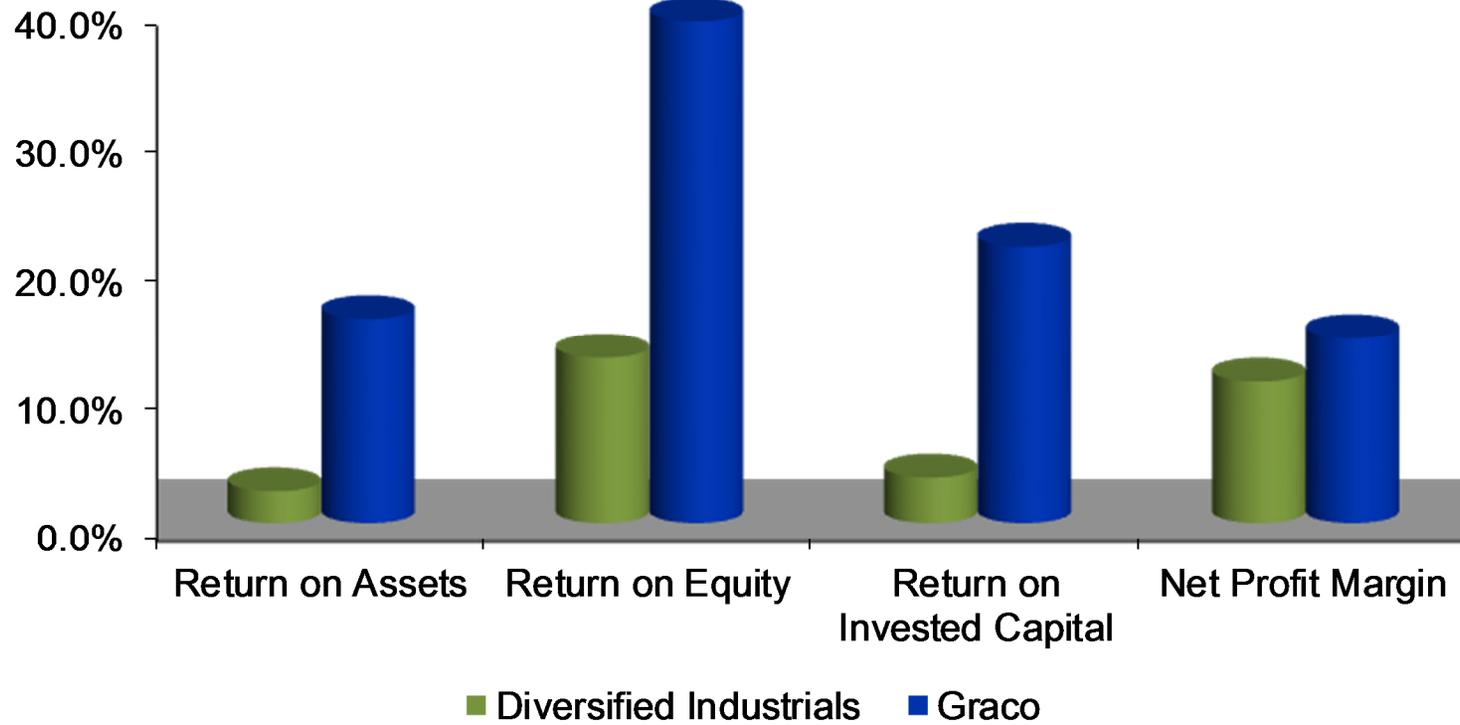
Divestiture of Liquid Finishing Held Separate assets - sale completed in Q2 2015

- Gain on the sale, net of expenses, was \$141 million and reflected in net income.
- Effect of taxes on the gain, transaction costs and foundation contribution are included in operating cash flows: payments total \$67 million in 2015

(\$ Millions)	2015	2014	2013	2012	2011	2010	2009	2008	2007
Dividends	\$ 69	\$ 66	\$ 61	\$ 54	\$ 51	\$ 48	\$ 45	\$ 45	\$ 43
Acquisitions	189	185	12	667	2	-	-	55	-
Share Repurchases *	256	165	26	(29)	21	11	(6)	101	206
	\$ 514	\$ 416	\$ 99	\$ 692	\$ 74	\$ 59	\$ 39	\$ 201	\$ 249

\* Net of shares issued

# Capital Efficiency – 5 Year Average



Source: Interactive Data, MSN Money



move

measure

mix

control

dispense

spray

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