



Investor Presentation

1st Half 2017

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.

✓ Overview

- ◆ Enduring Business Model
- ◆ Strategies for Long-Term Growth
 - Invest in New Products
 - Global Expansion
 - Target New Markets
 - Make Acquisitions
- ◆ Company Performance

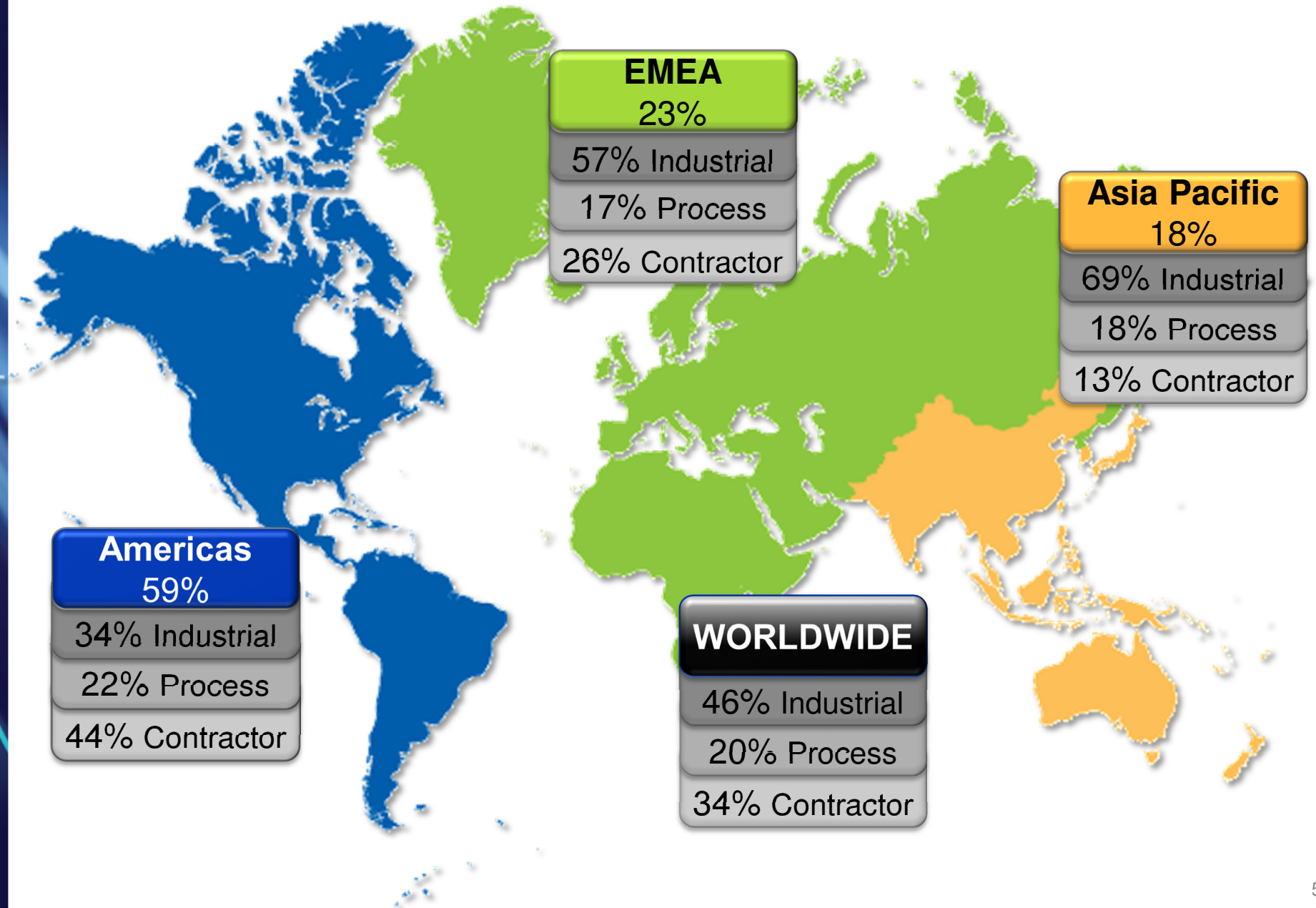
Business Overview



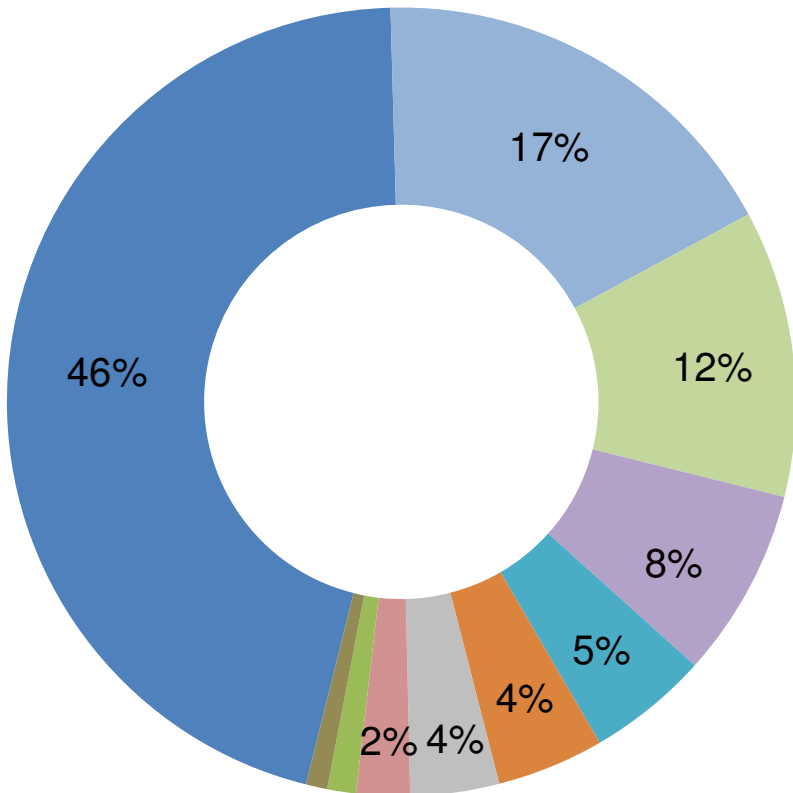
- ▶ Graco manufactures premium equipment to pump, move, meter, mix and dispense a wide variety of fluids and coatings
 - Difficult to handle materials with high viscosities
 - Abrasive and corrosive properties
 - Multiple component materials that require precise ratio control
 - Serving a broad number 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



Year-to-Date June 2017 Sales – \$720 Million



2016 Sales by End Market



- ▶ Residential & Non-Residential Construction – 46%
- ▶ Industrial & Machinery – 17%
- ▶ Automotive – 12%
- ▶ Other – 8%
- ▶ Oil and Natural Gas – 5%
- ▶ Public Works – 4%
- ▶ Vehicle Services – 4%
- ▶ Mining – 2%
- ▶ Wood – 1%
- ▶ White Goods – 1%

Industrial Equipment Segment

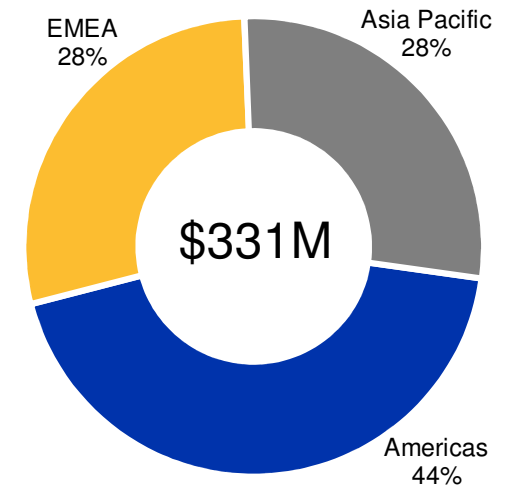
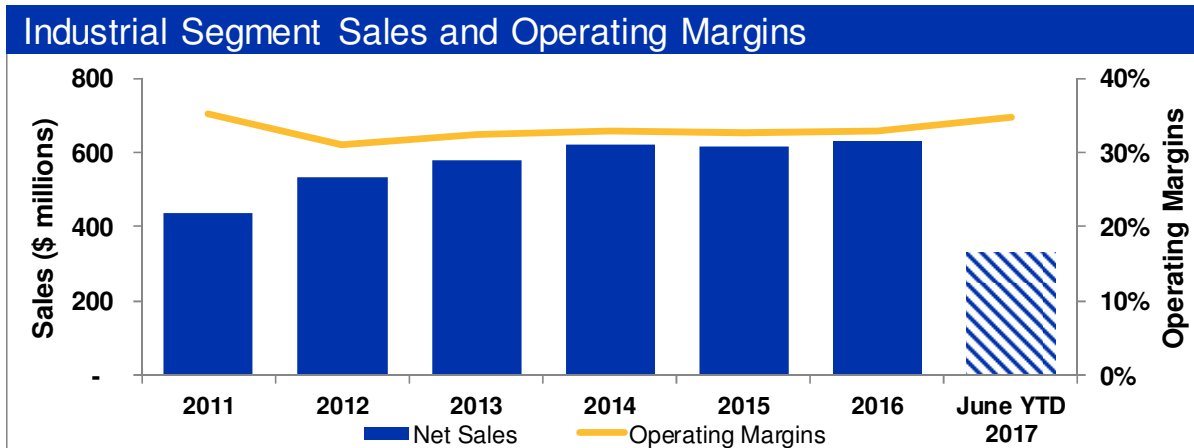


- ▶ Growth Drivers and Trends
 - Factory movements and upgrades
 - Integration of equipment with factory data and control systems
 - Reducing energy consumption
 - Material changes driving demand

- ▶ Other Representative Industry Participants
 - Exel, Wagner, Carlisle Companies, Nordson and regional players



June YTD 2017 Sales



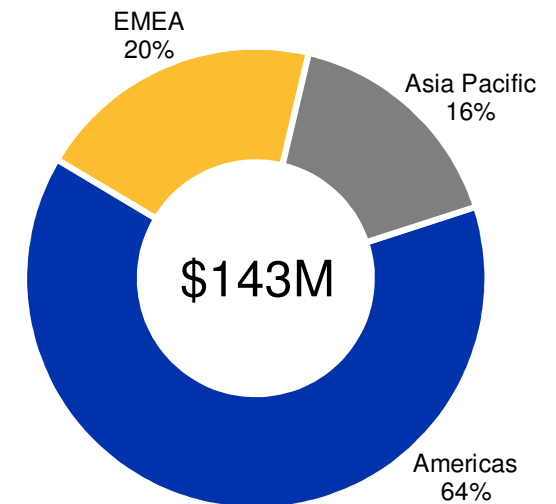
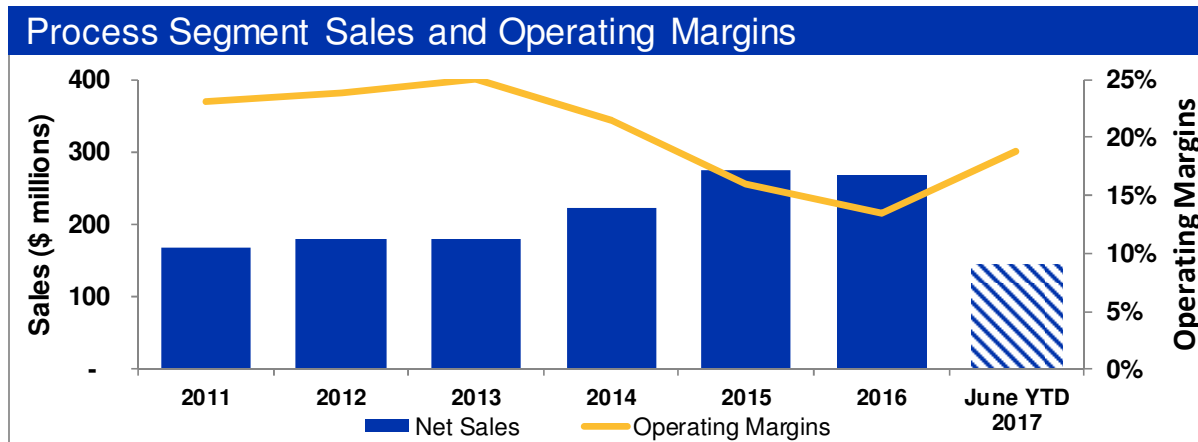
Process Equipment Segment



- ▶ Growth Drivers and Trends
 - Targeting new products and new markets
 - Fill product lines for a single source solution
 - Focus on spec'ing in product at large OEM's
- ▶ Other Representative Industry Participants
 - IDEX, Dover, IR, Lincoln, Vogel, Bijur, Hannay, Coxreels and regional players



June YTD 2017 Sales



Contractor Equipment Segment



► Growth Drivers and Trends

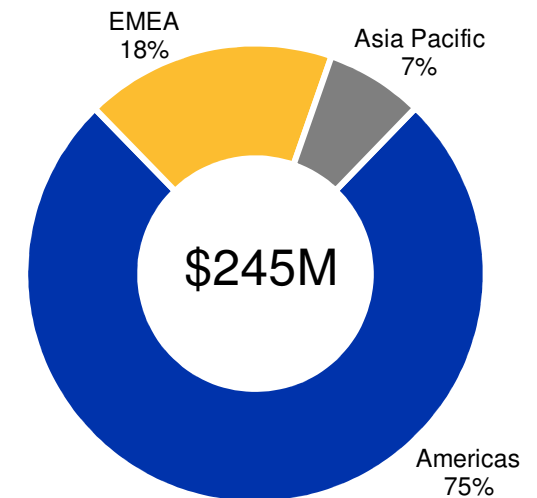
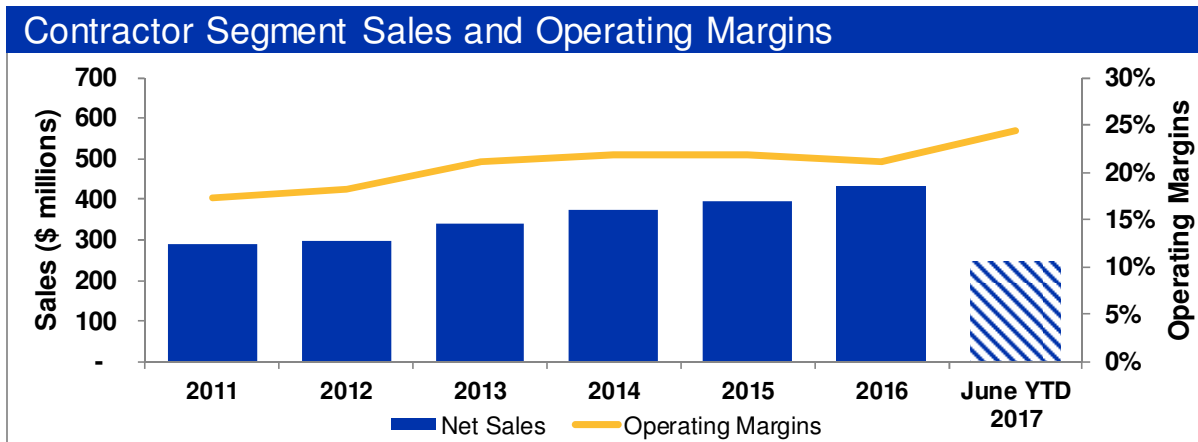
- Conversion of end users from manual application methods to equipment is a major focus outside North America
- Application of texture & cementitious materials
- Entry level product & channel expansion
- Expanding pavement maintenance product line and channel



► Other Representative Industry Participants

- Wagner, Titan, Campbell Hausfeld, Bedford, QTech and regional players

June YTD 2017 Sales



- ◆ Overview
- ✓ **Enduring Business Model**
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High Customer Value, Strong Product Differentiation



Manufacturing & Engineering Excellence



- ▶ 80%+ of production is based in the United States
 - High-quality, efficient, engaged labor force
 - Centralization allows for leverage of overheads
 - 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	2016 Sales (\$ in millions)
0 - 1	55,600 90%	\$ 614 46%
2 - 5	4,200 7%	\$ 282 21%
6 - 10	800 1%	\$ 112 8%
11 - 15	300 1%	\$ 49 4%
Greater than 15	700 1%	\$ 272 21%
Graco 2016 Sales		\$1,329

- ◆ Overview
- ◆ Enduring Business Model
- ✓ **Strategies for Long-Term Growth**
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Growth Plans and Earnings Drivers



3% - 5%

**Industrial
Production
Average
Growth
Rate**

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



12%+

**Graco
Targeted
Earnings
CAGR**

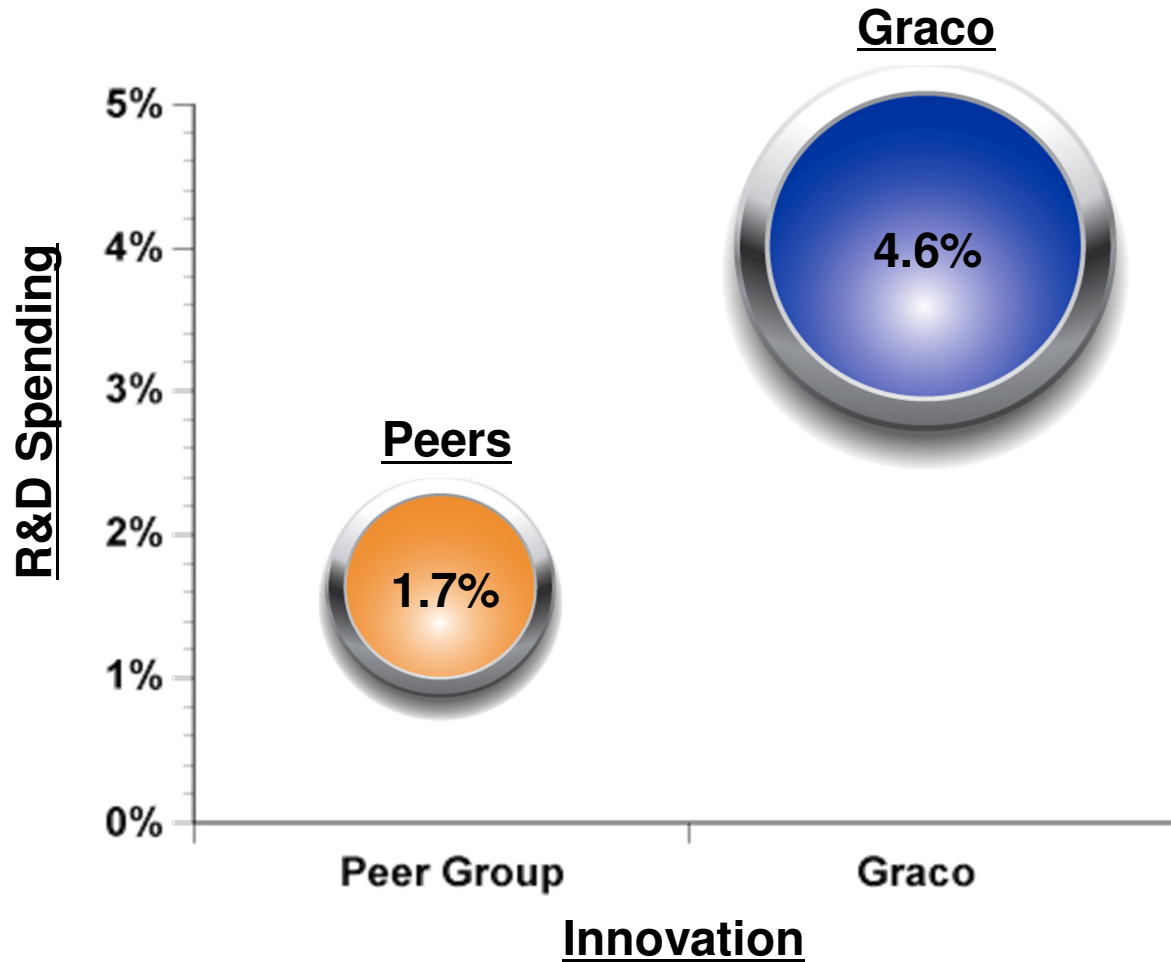
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Targeting Growth Through



New Products & Markets

New Product Development Expense as a Percentage of Revenues – 2016



Process – Power Pro ESP™

Portable Electric Groundwater Sampling Pump

- ▶ Unique, all-in-one design
- ▶ Portable design allows for remote water sampling where power is limited
- ▶ No generator needed – runs on portable 12 volt battery
- ▶ Light-weight – less than 32 lbs

Power Pro ESP™
Electric Sampling Pump



Oil and Gas



Landfill



Mining



Industrial

Process – SST AODD Flange Pumps



- ▶ Stainless Steel Pumps for the chemical and marine industries
- ▶ Rotating flange design allows for connection flexibility and easy install
- ▶ Up to five times longer diaphragm life compared to others in its class
- ▶ Rugged construction with high corrosion and abrasion resistance

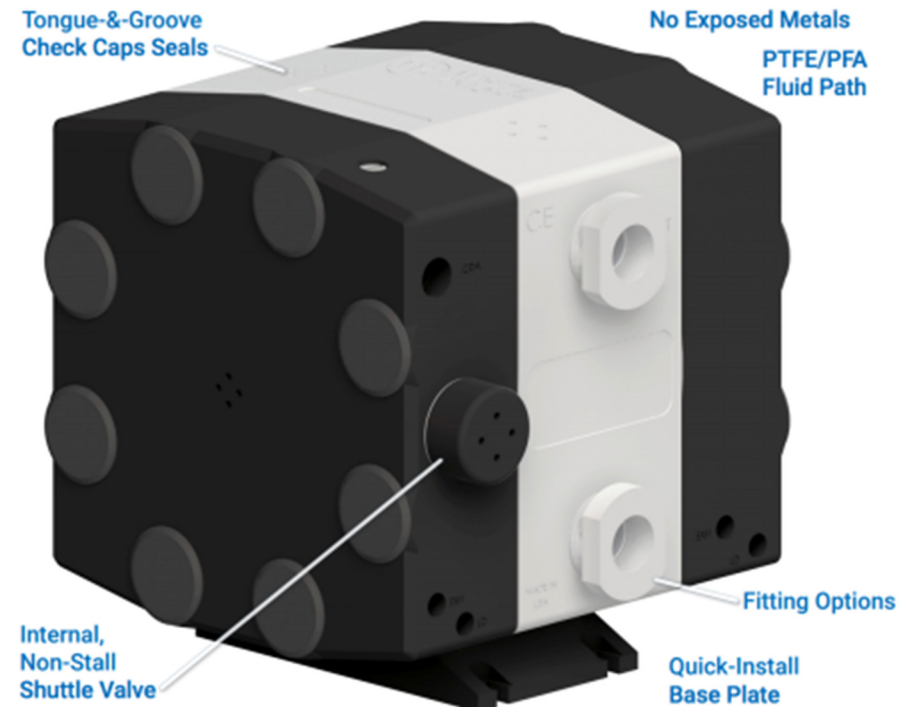


Simplify installation with our new rotating flange design!

The new rotating flange spins at the inlet and outlet for an easy connection and rapid installation.

High-Purity AODD Chemical Pumps

- ▶ Advance pump technologies
- ▶ For high-purity chemical delivery applications in the semi-conductor, aerospace and solar industries



Process – BIOGAS 3000



Fixed Biogas Analyzer for Landfill and Anaerobic Digestion Sites

- ▶ Up to 4 sample points for constant monitoring of the complete gas control process, maximising yield for plant operators
- ▶ Gases Measured: CH₄, CO₂, O₂, H₂S, H₂ & CO
- ▶ Ability to monitor the gas control process before and after desulphurisation, protecting equipment from damaging gases
- ▶ ATEX and IECEx certified enabling use in explosive zones, providing maximum protection for operators
- ▶ Built-in communication protocols for connections to plant control systems
- ▶ ISO / IEC 17025 calibration for optimal accuracy



Modular design with hot-swap module enabling zero operational downtime

GeotechTM

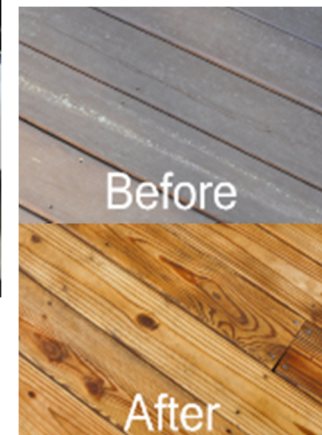


Global leaders in gas analysis technology

Industrial – EcoQuip® 2 EQp



- ▶ EcoQuip 2 EQp – Powerful, Portable, Professional
 - Affordable Vapor Abrasive® blasting system for small jobs
 - Portable cart system – only 220 lbs.
 - Generates up to 92% less dust than dry blasting
- ▶ Expands customer base and applications
 - Graffiti removal
 - Paint & stain removal – decks, siding, log cabins
 - Wood, concrete, steel cleaning
 - Brick and patio cleaning
 - Iron fence and railing preparation
 - Stone and stucco stain removal
 - Auto restoration



Industrial – Spray Automation



Improving End-User Profitability and Efficiency

- ▶ Delivering finishing equipment that is easy to integrate into automation
 - Simple integration into existing automation
 - Reduces end-user integration costs
 - Serves a wide range of end-user technical needs and markets
 - Improves end-user throughput and quality



Industrial – Intelligent Paint Kitchen



Complete, integrated Graco solution for the Paint Kitchen

- ▶ Inexpensive option to advanced monitoring systems
- ▶ Easily connects paint monitoring and control systems
- ▶ Provides real-time data and critical control functions
- ▶ Reduces installation costs in hazardous location applications



Contractor – 2017 New Products



Handheld Airless Sprayers

- ▶ Breakthrough performance, reliability, finish
 - Fastest way to finish small jobs
 - Perfect Airless Finish™ at any hand speed
 - Reliability delivered—every job, every time
- ▶ Powered by same DEWALT® battery used on other power tools
- ▶ Patented technology



Low Pressure Spray Tips

- ▶ SmartTip™ technology delivers the industry's best finish at the lowest Airless Spray pressure
 - Sprays at up to 50% lower pressure
 - Less overspray
 - Easiest pattern overlap
 - Up to 2X life
- ▶ Patented technology



Contractor – 2017 New Products



Battery Powered Line Striper

- ▶ Industry's first professional electric striper
- ▶ Featuring e-power™ technology
 - No engine noise, vibration or fumes
- ▶ Perfect for nighttime and indoor applications
- ▶ Patented and patent-pending technology

High Volume Low Pressure

- ▶ The most advanced portable HVLP technology available
 - SmartStart™ system reduces heat
 - TurboControl system reduces noise
 - FlexLiner™ bag system allows for spraying in any direction
- ▶ Patented and patent-pending technology

6 Models



LineLazer® Electric Series

18 Models



FinishPro™ HVLP Series

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Recent Acquisitions

- ▶  **QED**TM
Environmental Systems
- ▶  **EcoQuip**[®]
VAPOR ABRASIVETM BLAST EQUIPMENT
- ▶  **Alco Valves Group**TM
- ▶  **Geo-Blaster**[®]
WET-ABRASIVE BLASTING EQUIPMENT
- ▶  **MULTIMAQ**TM
sprayway
- ▶  **WHITE KNIGHT**[™]
.....simply drives[™]
- ▶  **HiP**TM High Pressure Equipment Company
- ▶  **machine**
TECHNOLOGIES
- ▶  **EPS** Environmental
Pump Solutions
- ▶  **hildebrand**
TECHNOLOGY
- ▶  **Geotech**TM & **LANDTEC**[®]
A subsidiary of LANDTEC
- ▶  **ATZ** | **APPLIED**
TECHNOLOGIES

Acquisitions – Environmental Focus



Geotech

Acquired Jan 2016

Geotechnical Instruments – UK manufacturer of portable and fixed landfill gas analyzers and biogas analyzers used for monitoring, compliance, and control of landfill and biogas processes



LANDTEC

Acquired Jan 2016

Landtec – Manufacturer of landfill gas wellheads and accessories and US distributor of Geotech products



ATZ | APPLIED TECHNOLOGIES

Acquired Dec 2016

ATZ – Manufactures electric, solar, and pneumatic leachate extraction pumps, well seals, and remote monitoring solutions for landfill and remediation sites



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- ✓ **Company Performance**

Graco Reported Q2 Results



Statement of Earnings	Second Quarter			Year-to-Date		
\$ in millions except per share amounts	2017	2016	Change	2017	2016	Change
Sales	\$ 379	\$ 348	9 %	\$ 720	\$ 653	10 %
Gross Profit	204	185	10 %	389	347	12 %
% of Sales	53.7 %	53.2 %	0.5 pts	54.1 %	53.1 %	1.0 pts
Operating Earnings	99	78	26 %	185	139	33 %
% of Sales	26.0 %	22.5 %	3.5 pts	25.6 %	21.3 %	4.3 pts
Net Earnings	\$ 80	\$ 51	57 %	\$ 141	\$ 90	55 %
% of Sales	21.0 %	14.6 %	6.4 pts	19.5 %	13.9 %	5.6 pts
Diluted Earnings						
Per Share	\$ 1.38	\$ 0.89	55 %	\$ 2.43	\$ 1.59	53 %
<i>Diluted Shares in Millions</i>	57.9	57.0		57.8	56.9	

The increase in diluted EPS includes:

- ▶ \$0.23 for the quarter and \$0.28 for year to date from a required change in accounting for stock compensation adopted in first quarter 2017
- ▶ \$0.01 for the quarter and \$0.02 for year to date from reduced intangible amortization expense resulting from the impairment charge recorded in fourth quarter 2016

2017 Sales Data



Components of Net Sales Change

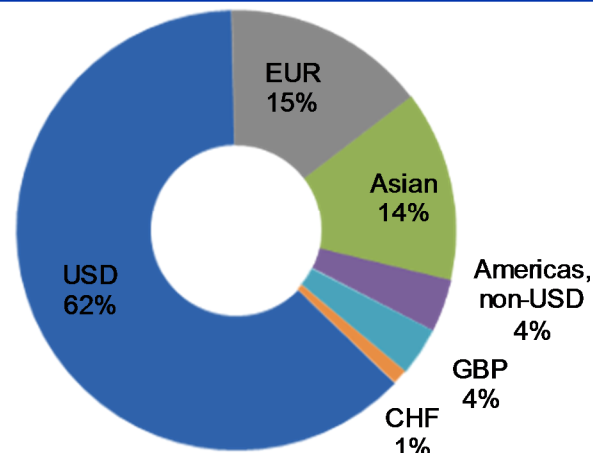
Second Quarter June 2017

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	13 %	15 %	5 %	7 %	12 %	20 %	10 %
Acquisitions	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Currency	(2)%	(2)%	(1)%	0 %	(3)%	(2)%	(1)%
Total	11 %	13 %	4 %	7 %	9 %	18 %	9 %

Year-to-Date June 2017

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	10 %	13 %	12 %	11 %	11 %	16 %	11 %
Acquisitions	1 %	0 %	0 %	0 %	0 %	0 %	0 %
Currency	(2)%	(2)%	0 %	0 %	(4)%	(2)%	(1)%
Total	9 %	11 %	12 %	11 %	7 %	14 %	10 %

2017 YTD Sales by Currency



Asian currencies include:
AUD, CNY, KRW, JPY

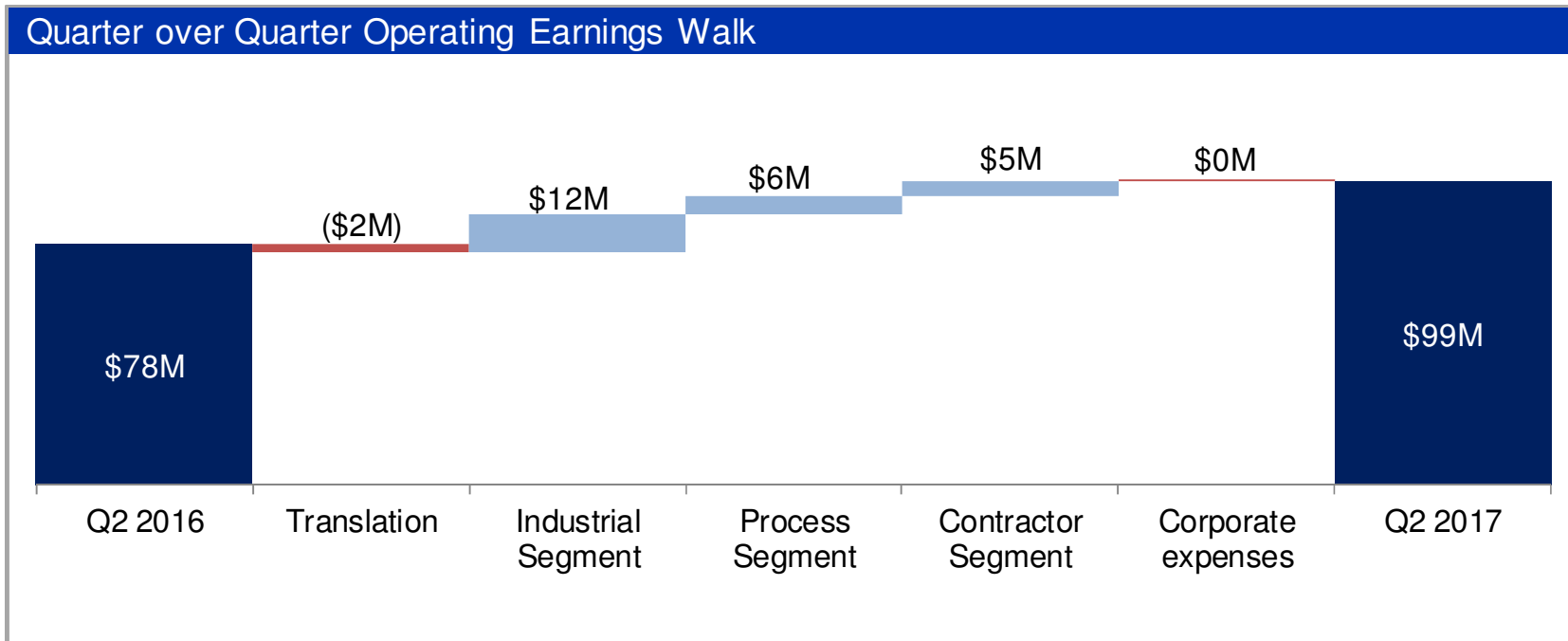
Americas currencies include:
CAD, BRL, MXN

2017 Operating Earnings



Change in Operating Earnings

	Second Quarter		Year-to-Date	
2016 Operating Earnings (\$M and % of sales)	\$ 78	23 %	\$ 139	21 %
Translation effect	(2)	(1)	(4)	—
Volume, price and cost	21	1	48	1
Effect of 2016 inventory step-up, acquisition costs and 2017 acquired business operations, net	(1)	—	—	—
Decrease in intangible amortization related to 2016 Oil and Natural Gas impairment	1	—	2	—
Unallocated corporate expenses (primarily central warehouse)	—	—	1	—
Volume effect on expense leverage	2	3	(1)	4
2017 Operating Earnings (\$M and % of sales)	<u>\$ 99</u>	<u>26 %</u>	<u>\$ 185</u>	<u>26 %</u>



Notable Info from Q2 2017 Earnings Release & Call



- ▶ Capital expenditure expectations of approximately \$40 million in 2017
 - Currently evaluating brick and mortar requirements for 2018 as Contractor and other production and distribution facilities near capacity
- ▶ Unallocated corporate expenses in 2017 are expected to be approximately \$31 million
- ▶ Impairment of intangible assets in fourth quarter 2016 is expected to reduce amortization expense by approximately \$1 million in each of the first three quarters of 2017 compared to 2016
- ▶ No shares were repurchased in second quarter; we may make further share repurchases via short-dated accelerated share repurchase programs or open market transactions
- ▶ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2016, foreign currency translation would have no impact for the full year 2017, with favorable currency effect in the second half of 2017, particularly in Q4, offsetting the unfavorable effect experienced during the first half
- ▶ The tax rate was 17% for the quarter and 21% year to date, below the 31% rate in 2016. The adoption of a change in accounting for stock compensation benefited 2017 by reducing the tax provision \$14 million for the quarter and \$17 million for the year to date, decreasing the tax rate for the quarter and year to date by 14 and 10 percentage points, respectively. Exclusive of the change in accounting, the effective rate for the quarter and year to date was 31%
- ▶ The effective tax rate for third quarter and the full year is expected to be approximately 30% to 31%, excluding any impact from the change in accounting for stock compensation
- ▶ Fourth quarter 2016 included an extra week compared to our normal fiscal calendar

Year-to-Date June 2017 Results












- Sales increased 10 percent (11 percent at consistent currency translation rates); acquired businesses had no significant impact
- Gross profit margin up 1 percentage point from June 2016
 - Favorable effects from higher production volume and realized pricing were partially offset by unfavorable impacts of currency translation and product mix
- Operating expenses were \$205 million, slightly lower than 2016
 - Reductions from the impact of currency translation, decreased amortization expense and lower unallocated corporate expenses (mostly central warehouse) more than offset volume and rate-related increases
- Tax rate was 21 percent, down from 31 percent last year. Adoption of a new accounting standard, requiring excess tax benefits related to stock option exercises to be credited to the income tax provision (formerly credited to equity), reduced the tax provision by \$17 million and decreased the effective tax rate 10 percentage points
- Diluted earnings per share of \$2.43 included \$0.28 from a required change in accounting for stock compensation and \$0.02 from reduced intangible amortization resulting from the Oil and Natural Gas impairment charge in fourth quarter 2016

Current Environment and Outlook



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

	Americas	EMEA	Asia Pacific	Worldwide
Current Environment	Sales Growth Q2 2017 7% YTD 2017 11%	Sales Growth Q2 2017 12% YTD 2017 11%	Sales Growth Q2 2017 20% YTD 2017 16%	Sales Growth Q2 2017 10% YTD 2017 11%
Industrial Segment	 Sales Growth Q2 2017 9% YTD 2017 7%	 Sales Growth Q2 2017 12% YTD 2017 8%	 Sales Growth Q2 2017 19% YTD 2017 18%	Sales Growth Q2 2017 13% YTD 2017 10%
Contractor Segment	 Sales Growth Q2 2017 2% YTD 2017 12%	 Sales Growth Q2 2017 14% YTD 2017 16%	 Sales Growth Q2 2017 7% YTD 2017 4%	Sales Growth Q2 2017 5% YTD 2017 12%
Process Segment	 Sales Growth Q2 2017 13% YTD 2017 12%	 Sales Growth Q2 2017 9% YTD 2017 12%	 Sales Growth Q2 2017 33% YTD 2017 17%	Sales Growth Q2 2017 15% YTD 2017 13%
Full Year 2017 Outlook	Mid-to-high Single-digit	Mid-to-high Single-digit	Mid-to-high Single-digit	Mid-to-high Single-digit

Demand in the second quarter remained broad-based across products and geographies and continues to exceed our expectations. As a result, we are raising our full-year 2017 outlook to mid-to-high single-digit organic sales growth on a constant currency basis worldwide, from a prior outlook of mid single-digit growth. We expect to achieve mid-to-high single-digit growth in each geographic region for the full year 2017.

- ▶ Fourth quarter 2016 included an extra week compared to our normal fiscal calendar

Long-Term Cash Deployment Priorities



Organic Growth

- ▶ International Footprint
- ▶ Product Development
- ▶ Production Capacity and Capabilities

Acquisitions

- ▶ Supplement to Organic Growth
- ▶ Leverage Our Strengths

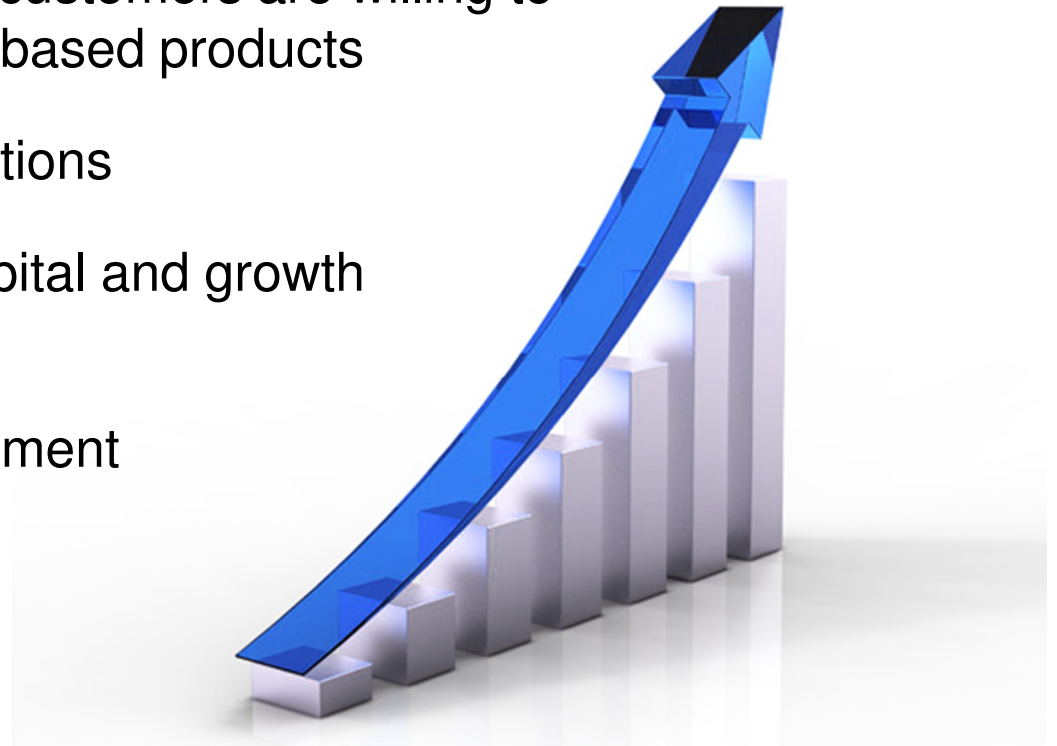
Shareholder Return

- ▶ Dividend Payout Ratio ~30%
- ▶ Approximately 3 Million Shares Remaining on Repurchase 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 Q2 2017

Appendix

Financial Results – Second Quarter



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Sales	\$ 379	\$ 348	9 %
Gross Profit	204	185	10 %
% of Sales	53.7 %	53.2 %	0.5 pts
Operating Earnings	99	78	26 %
% of Sales	26.0 %	22.5 %	3.5 pts
Net Earnings	\$ 80	\$ 51	57 %
% of Sales	21.0 %	14.6 %	6.4 pts
Diluted Earnings Per Share	\$ 1.38	\$ 0.89	55 %
<i>Diluted Shares in Millions</i>	57.9	57.0	

The increase in diluted EPS includes:

- ▶ \$0.23 for the quarter from a required change in accounting for stock compensation adopted in first quarter 2017
- ▶ \$0.01 for the quarter from reduced intangible amortization expense resulting from the impairment charge recorded in fourth quarter 2016

Second Quarter 2017 Results



- Sales increased 9 percent (10 percent at consistent currency translation rates); acquired businesses had no significant impact
- Gross profit margin up one-half percentage point from second quarter 2016
 - Favorable effects from higher production volume and realized pricing were partially offset by unfavorable impacts of currency translation and product mix
- Operating expenses were \$105 million, down 2 percentage points from second quarter 2016
 - Reductions from the impact of currency translation, decreased amortization expense and expense leverage
- Tax rate was 17 percent, down from 31 percent last year. Adoption of a new accounting standard, requiring excess tax benefits related to stock option exercises to be credited to the income tax provision (formerly credited to equity), reduced the tax provision by \$14 million and decreased the effective tax rate 14 percentage points
- Diluted earnings per share of \$1.38 included \$0.23 from a required change in accounting for stock compensation and \$0.01 from reduced intangible amortization resulting from the Oil and Natural Gas impairment charge in fourth quarter 2016



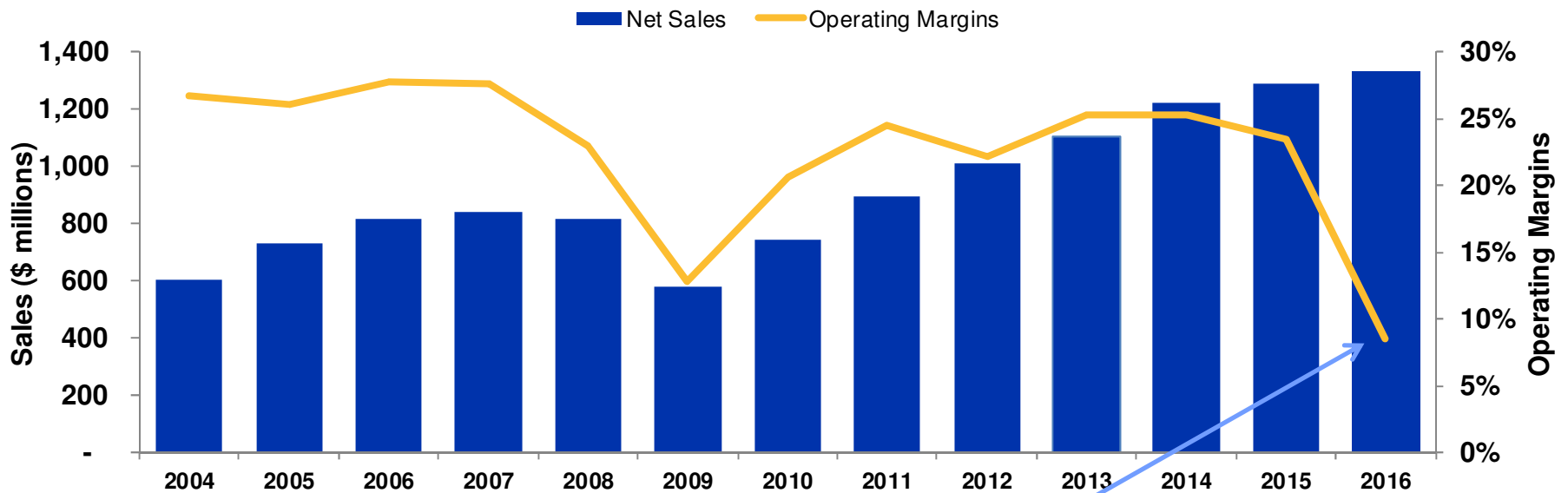
Financial Summary 2016

Appendix

Financial Performance



Sales and Operating Margin

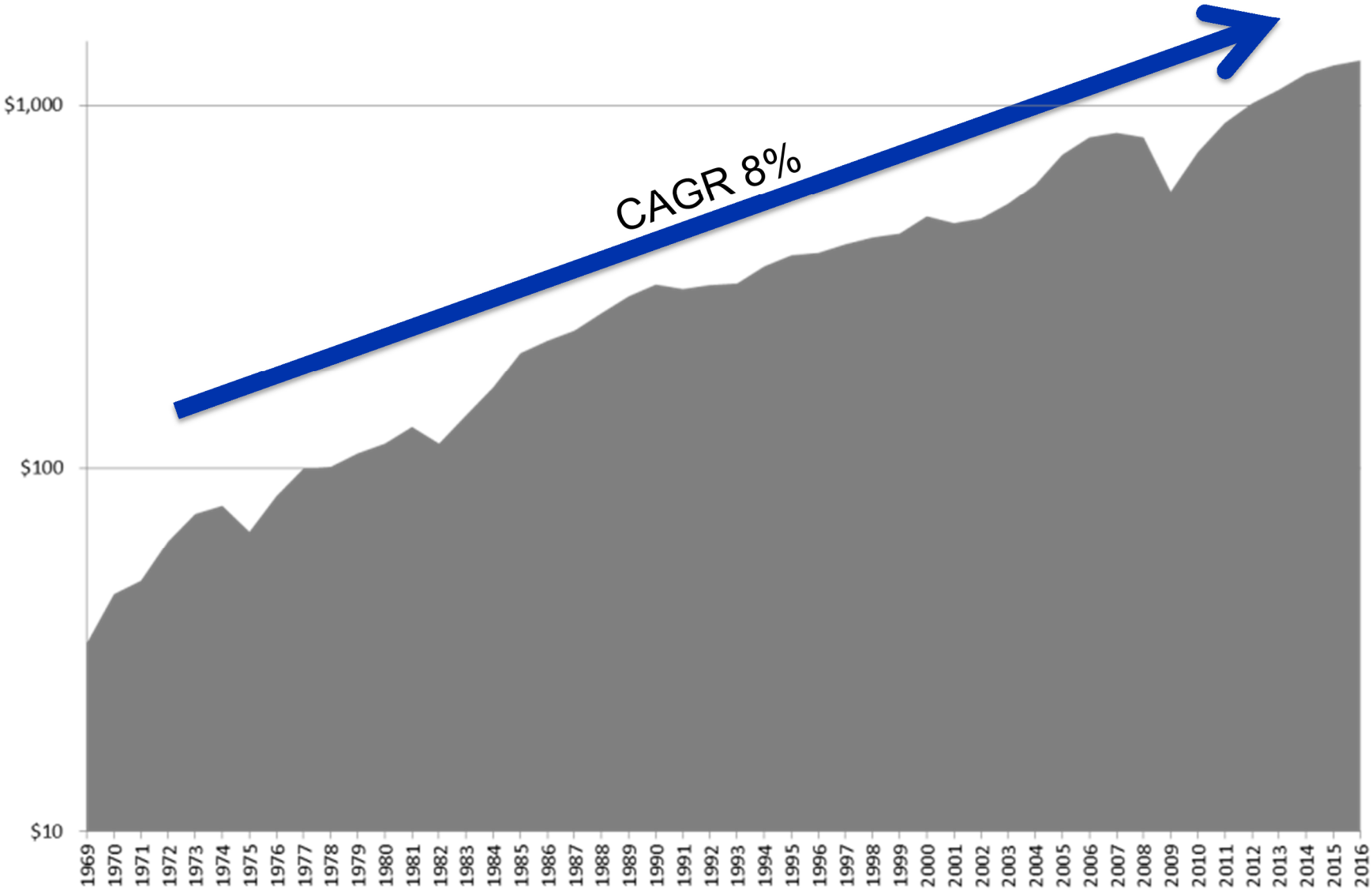


Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Diluted EPS	\$1.55	\$1.80	\$2.17	\$2.32	\$1.99	\$0.81	\$1.69	\$2.32	\$2.42	\$3.36	\$3.65	\$5.86	\$0.71

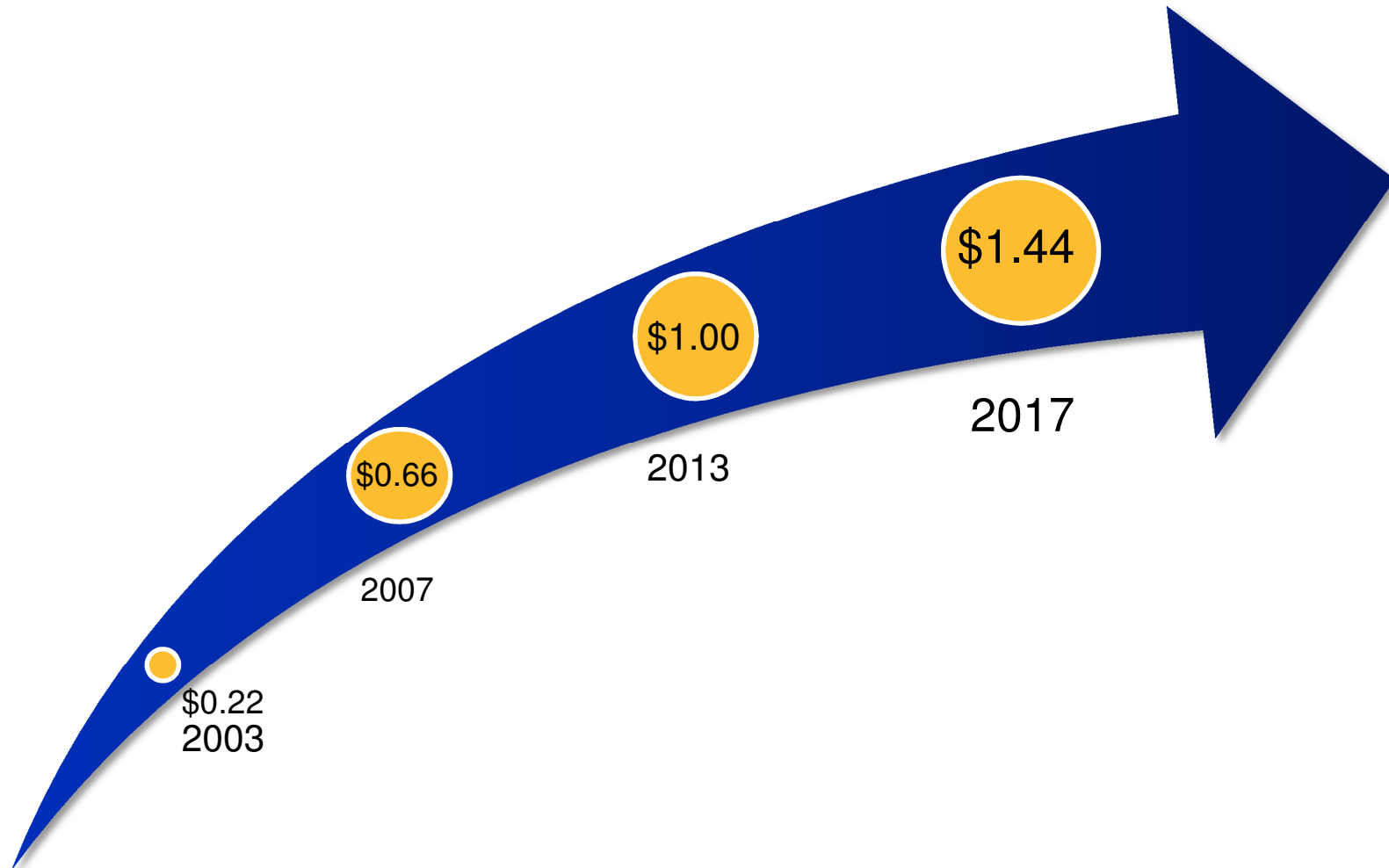
Impairment of intangible assets recorded in Q4 2016

- Decreased operating earnings \$192 million, or 14 percentage points as a percentage of sales
- Decreased net earnings by \$161 million, or \$2.84 per diluted share

Historic Sales (\$ Millions)



Stock Dividend Growth



Strong Cash Generation



(\$ Millions)	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Cash Flows	\$ 269	\$ 190	\$ 241	\$ 243	\$ 190	\$ 162	\$ 101	\$ 147	\$ 162
% of Net Income	661%	55%	107%	115%	127%	114%	98%	300%	134%
Capital Expenditures	42	42	31	23	18	24	17	11	29
Free Cash Flow	\$ 227	\$ 148	\$ 210	\$ 220	\$ 172	\$ 138	\$ 84	\$ 136	\$ 133

2016 – Impairment of Intangibles Q4 2016

- Net of tax charge of \$161 million was reflected in net income
- Impairment charge, \$191 million, and related change in deferred taxes, (\$31) million, are included in adjustments to reconcile net earnings

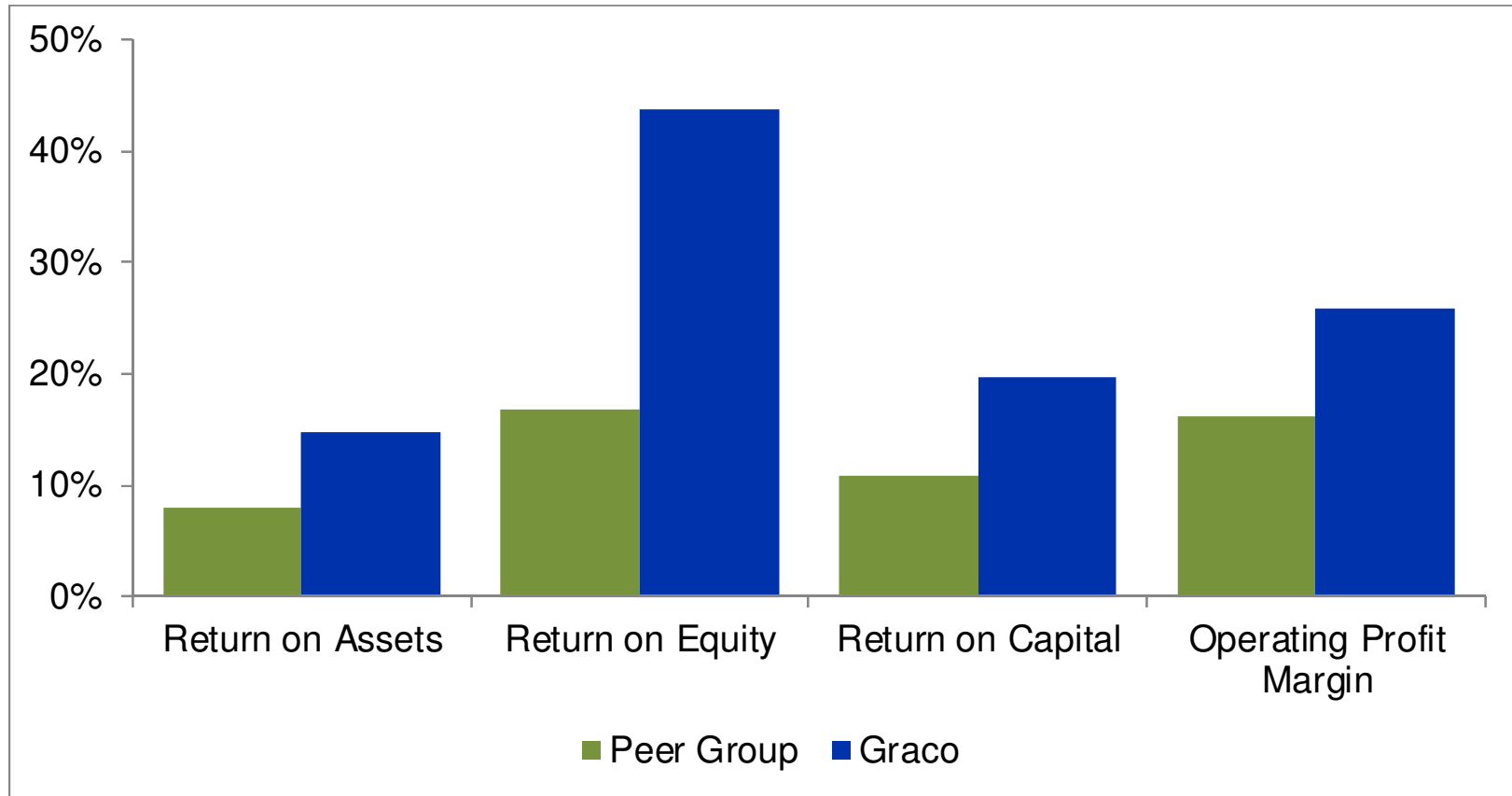
2015 - Divestiture of Liquid Finishing Held Separate assets, sale completed in Q2 2015

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

(\$ Millions)	2016	2015	2014	2013	2012	2011	2010	2009	2008
Dividends	\$ 73	\$ 69	\$ 66	\$ 61	\$ 54	\$ 51	\$ 48	\$ 45	\$ 45
Acquisitions	49	189	185	12	667	2	-	-	55
Share Repurchases *	18	256	165	26	(29)	21	11	(6)	101
	\$ 140	\$ 514	\$ 416	\$ 99	\$ 692	\$ 74	\$ 59	\$ 39	\$ 201

* Net of shares issued

Capital Efficiency – 5 Year Average



Source: S&P Capital IQ



move

measure

mix

control

dispense

spray

Worldwide Leaders in Fluid Handling

www.graco.com