



SECOND QUARTER EARNINGS CALL

July 27, 2023

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 26, 2023.

FINANCIAL RESULTS

Statement of Earnings

\$ in millions except per share amounts

	Second Quarter			June Year to Date		
	2023	2022	Change	2023	2022	Change
Net Sales	\$ 559.6	\$ 548.5	2 %	\$1,089.3	\$1,042.8	4 %
Gross Profit	291.4	269.1	8 %	576.6	523.5	10 %
% of Net Sales	52.1%	49.0%	3.1 pts	52.9%	50.2%	2.7 pts
Operating Earnings	157.1	148.7	6 %	313.7	277.0	13 %
% of Net Sales	28.1%	27.1%	1.0 pts	28.8%	26.6%	2.2 pts
Net Earnings	\$ 134.3	\$ 117.4	14 %	\$ 263.4	\$ 218.2	21 %
% of Net Sales	24.0%	21.4%	2.6 pts	24.2%	20.9%	3.3 pts
Diluted Net Earnings Per Share	\$ 0.78	\$ 0.68	15 %	\$ 1.53	\$ 1.26	21 %
Diluted Shares in Millions	172.6	172.7	(0)%	172.1	173.7	(1)%
Net Earnings, Adjusted (1)	\$ 128.8	\$ 117.0	10 %	\$ 255.3	\$ 216.3	18 %
Diluted Net Earnings Per Share, Adjusted (1)	\$ 0.75	\$ 0.68	10 %	\$ 1.48	\$ 1.25	18 %

(1) Net earnings and diluted net earnings per share for 2023 and 2022 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.

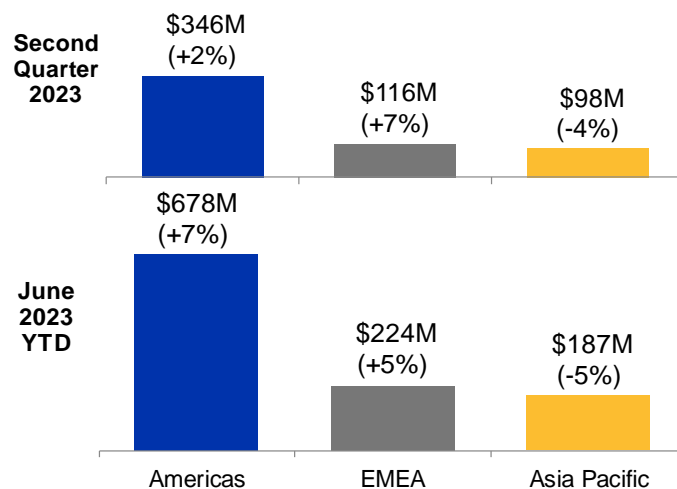
NET SALES

Components of Net Sales Change

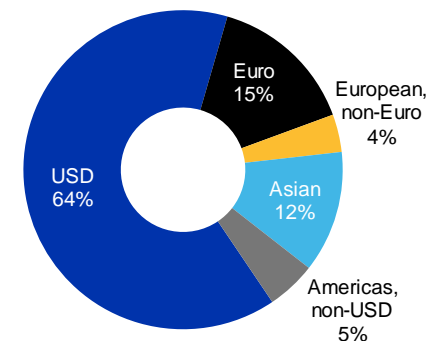
2023 Second Quarter	Segment			Region			Consolidated
	Contractor	Industrial	Process	Americas	EMEA	Asia Pacific	
Volume and Price	(3)%	4 %	14 %	2 %	5 %	0 %	3 %
Acquisitions	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Currency	(1)%	(1)%	(1)%	0 %	2 %	(4)%	(1)%
Total	(4)%	3 %	13 %	2 %	7 %	(4)%	2 %

2023 June Year to Date	Segment			Region			Consolidated
	Contractor	Industrial	Process	Americas	EMEA	Asia Pacific	
Volume and Price	1 %	6 %	15 %	7 %	6 %	(1)%	6 %
Acquisitions	0 %	0 %	1 %	0 %	0 %	0 %	0 %
Currency	(1)%	(2)%	(2)%	0 %	(1)%	(4)%	(2)%
Total	0 %	4 %	14 %	7 %	5 %	(5)%	4 %

Net Sales by Region



June YTD 2023 Net Sales by Currency



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

OPERATING EARNINGS

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

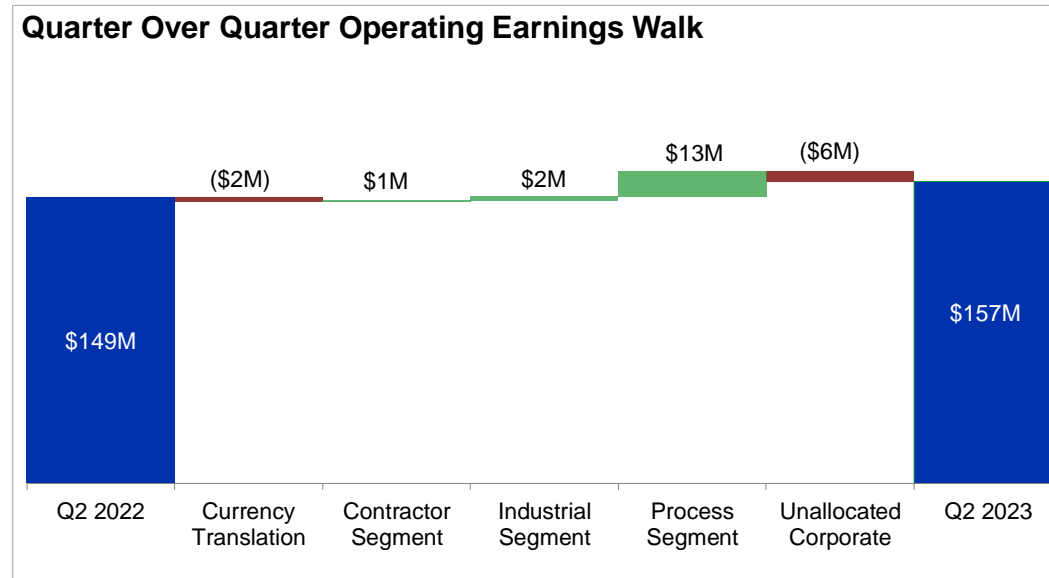
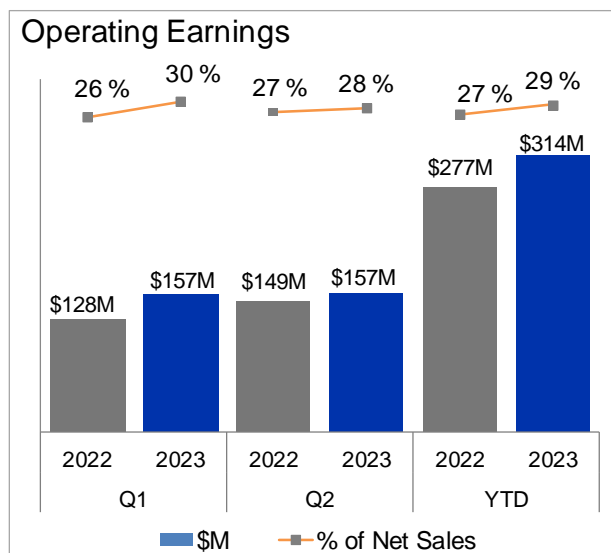
Translation effect

Pricing and mix

Volume effect on expense leverage

2023 Operating Earnings, as reported (\$M and % of sales)

Second Quarter		June Year to Date	
\$ 149	27 %	\$ 277	27 %
(2)	0	(10)	(1)
24	3	65	3
(14)	(2)	(18)	0
\$ 157	28 %	\$ 314	29 %



SECOND QUARTER 2023










Net Sales	<ul style="list-style-type: none"> • Up 2 percent from 2022, up 3 percent at consistent translation rates
Gross Margin	<ul style="list-style-type: none"> • Margin rate up 3.1 percentage points compared to 2022 <ul style="list-style-type: none"> > Realized pricing and favorable mix more than offset higher product cost
Operating Earnings	<ul style="list-style-type: none"> • Up \$8 million compared to 2022 <ul style="list-style-type: none"> > Realized pricing and favorable mix were more than enough to offset higher expenses and unfavorable impact of currency translation rates
Other Expense/ (Income)	<ul style="list-style-type: none"> • Decreased \$5 million due to increased interest income and favorable market valuation changes on investments held to fund certain retirement benefits
Interest Expense	<ul style="list-style-type: none"> • Comparable to 2022
Taxes	<ul style="list-style-type: none"> • Effective tax rate for the quarter was 16 percent, down 4 percentage points compared to second quarter 2022 <ul style="list-style-type: none"> > Due primarily to increases in excess tax benefits from stock option exercises

JUNE YEAR TO DATE 2023

Net Sales	<ul style="list-style-type: none"> • Up 4 percent from 2022, up 6 percent at consistent translation rates
Gross Margin	<ul style="list-style-type: none"> • Margin rate up 2.7 percentage points compared to 2022 <ul style="list-style-type: none"> > Realized pricing and favorable mix more than offset higher product cost and adverse impact of changes in currency translation rates
Operating Earnings	<ul style="list-style-type: none"> • Up \$37 million compared to 2022 <ul style="list-style-type: none"> > Realized pricing and favorable mix were more than enough to offset higher expenses and unfavorable impact of currency translation rates
Other Expense/ (Income)	<ul style="list-style-type: none"> • Decreased \$7 million due to increased interest income and favorable market valuation changes on investments held to fund certain retirement benefits
Interest Expense	<ul style="list-style-type: none"> • Decreased \$4 million as private placement debt was repaid in the first quarter of 2022
Taxes	<ul style="list-style-type: none"> • Effective tax rate for the year to date of 17 percent was down 2 percentage points compared to 2022 <ul style="list-style-type: none"> > Due primarily to increases in excess tax benefits from stock option exercises

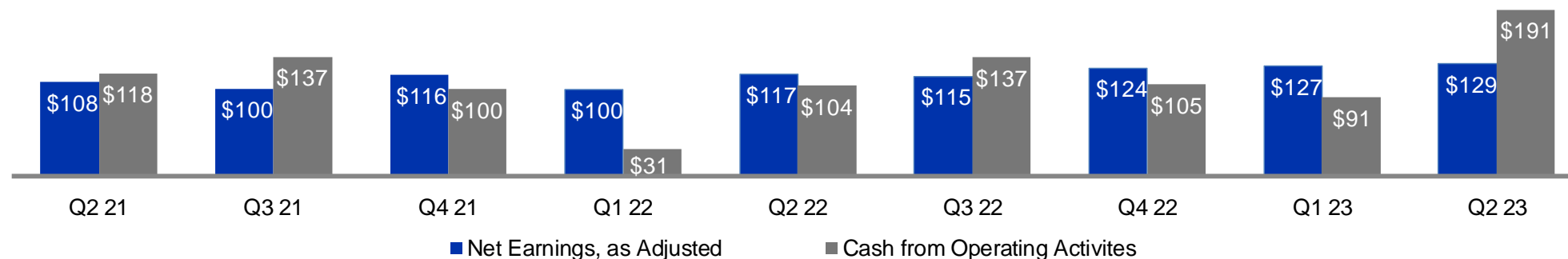
2023 OUTLOOK

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

	Americas	EMEA	Asia Pacific	Worldwide
Current Environment	Q2 2023 2% June YTD 7%	Q2 2023 5% June YTD 6%	Q2 2023 0% June YTD (1%)	Net Sales Change Q2 2023 3% June YTD 6%
Contractor Segment	 Q2 2023 (5%) June YTD 1%	 Q2 2023 6% June YTD 6%	 Q2 2023 (6%) June YTD (7%)	Net Sales Change Q2 2023 (3%) June YTD 1%
Industrial Segment	 Q2 2023 7% June YTD 11%	 Q2 2023 5% June YTD 5%	 Q2 2023 (1%) June YTD (2%)	Net Sales Change Q2 2023 4% June YTD 6%
Process Segment	 Q2 2023 19% June YTD 20%	 Q2 2023 3% June YTD 7%	 Q2 2023 5% June YTD 6%	Net Sales Change Q2 2023 14% June YTD 15%
Full-Year 2023 Outlook				Low Single-Digit

CASH FLOW AND LIQUIDITY

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



Other Significant (Uses) Sources of Cash

(\$M)

	2023	2022
Capital Expenditures	\$ (92)	\$ (89)
Dividends	(79)	(71)
Net Share Issuances (Repurchases)	44	(97)
Net Borrowings (Payments) on Debt	29	(61)
Acquisitions	-	(25)

- Net cash from operating activities was \$282 million in 2023 vs. \$135 million in 2022
 - > Working capital items in line with volume. Inventory purchases have decreased as supply chain disruptions have improved and backlog levels normalize
 - > Higher incentive payout in 2022 reduced cash from operations
- Capital expenditures of \$92 million including \$57 million on facility expansion projects
- Debt, including notes payable, was \$124 million – up \$28 million from December 2022
 - > Interest expense was \$2 million, comparable to second quarter 2022
 - > In July 2023, repaid final \$75 million of private placement debt plus prepayment fee of \$0.7 million

OTHER DISCUSSION ITEMS

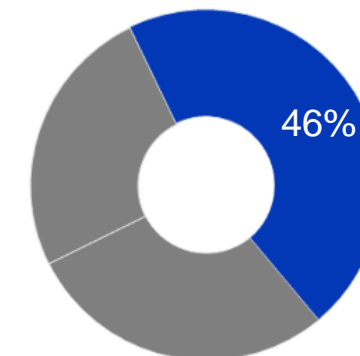
Cap Ex	<ul style="list-style-type: none"> Capital expenditure expectations of approximately \$200 million in 2023, including approximately \$130 million in facility expansion projects
Debt	<ul style="list-style-type: none"> In July 2023, subsequent to the end of second quarter, repaid \$75 million private placement debt plus prepayment fee of \$0.7 million
Expenses	<ul style="list-style-type: none"> Unallocated corporate expenses in 2023 are expected to be approximately \$34 - \$37 million
Shares	<ul style="list-style-type: none"> Repurchased 115,000 shares year to date. We may make opportunistic purchases in 2023 via open market transactions
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 2022, the movement in foreign currencies would have no impact on net sales or net earnings in 2023. Favorable impact of exchange in the second half of the year is expected to offset unfavorable impact in the first half
Taxes	<ul style="list-style-type: none"> We anticipate the effective tax rate for the third quarter and the full year 2023 to be between 19% and 20%, 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

CONTRACTOR SEGMENT RESULTS

\$ in millions

	Second Quarter			June Year to Date		
	2023	2022	Change	2023	2022	Change
Net Sales						
Americas	\$ 189	\$ 200	(6)%	\$ 373	\$ 370	1%
EMEA	48	45	8	91	86	5
Asia Pacific	19	21	(11)	38	44	(12)
Total	\$ 256	\$ 266	(4)%	\$ 502	\$ 500	0%
Operating Earnings	\$ 69	\$ 68	1%	\$ 143	\$ 127	12%
% of sales	27 %	26 %		28 %	25 %	

June YTD 2023 Contractor Segment
Net Sales as % of Graco



Components of Net Sales Change

	Q2 2023	June YTD 2023
Americas		
Volume & Price	(5)%	1 %
Acquisitions	0 %	0 %
Currency	(1)%	0 %
Total	(6)%	1 %

	Q2 2023	June YTD 2023
EMEA		
Volume & Price	6 %	6 %
Acquisitions	0 %	0 %
Currency	2 %	(1)%
Total	8 %	5 %

	Q2 2023	June YTD 2023
Asia Pacific		
Volume & Price	(6)%	(7)%
Acquisitions	0 %	0 %
Currency	(5)%	(5)%
Total	(11)%	(12)%

	Q2 2023	June YTD 2023
Segment Total		
Volume & Price	(3)%	1 %
Acquisitions	0 %	0 %
Currency	(1)%	(1)%
Total	(4)%	0 %

CONTRACTOR SEGMENT RESULTS

Change in % of net sales

2022 Operating Earnings

Currency translation

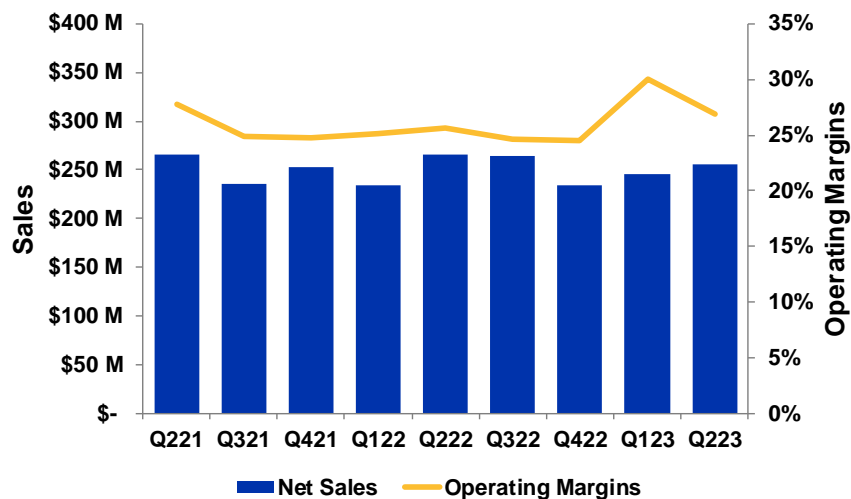
Price and mix

Volume effect on expense leverage

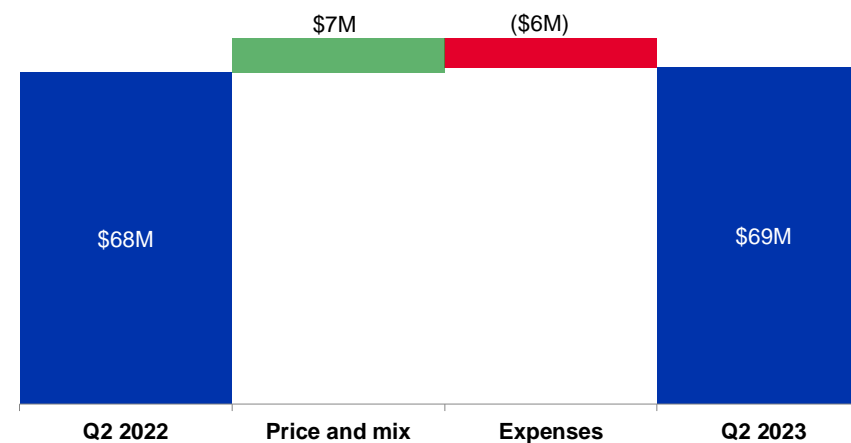
2023 Operating Earnings

Second Quarter	June Year to Date
26 %	25 %
0	(1)
4	5
(3)	(1)
27 %	28 %

Contractor Segment Net Sales and Operating Margins



Contractor Segment Operating Earnings QTD

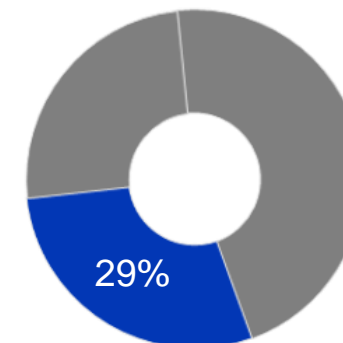


INDUSTRIAL SEGMENT RESULTS

\$ in millions

	Second Quarter			June Year to Date		
	2023	2022	Change	2023	2022	Change
Net Sales						
Americas	\$ 66	\$ 61	7%	\$ 129	\$ 116	11%
EMEA	49	46	8	97	93	4
Asia Pacific	49	51	(5)	88	94	(7)
Total	\$ 164	\$ 158	3%	\$ 314	\$ 303	4%
Operating Earnings	\$ 56	\$ 55	1%	\$ 109	\$ 108	1%
% of sales	34 %	35 %		35 %	36 %	

June YTD 2023 Industrial Segment Net Sales as % of Graco



Components of Net Sales Change

	Q2 2023	June YTD 2023		Q2 2023	June YTD 2023
Americas			Asia Pacific		
Volume & Price	7 %	11 %	Volume & Price	(1)%	(2)%
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	0 %	0 %	Currency	(4)%	(5)%
Total	7 %	11 %	Total	(5)%	(7)%
EMEA			Segment Total		
Volume & Price	5 %	5 %	Volume & Price	4 %	6 %
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	3 %	(1)%	Currency	(1)%	(2)%
Total	8 %	4 %	Total	3 %	4 %

INDUSTRIAL SEGMENT RESULTS

Change in % of net sales

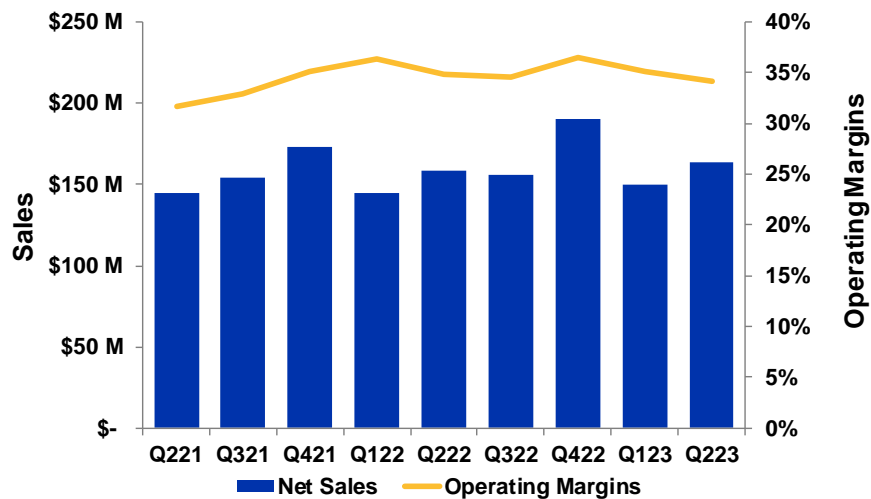
2022 Operating Earnings

Currency Translation

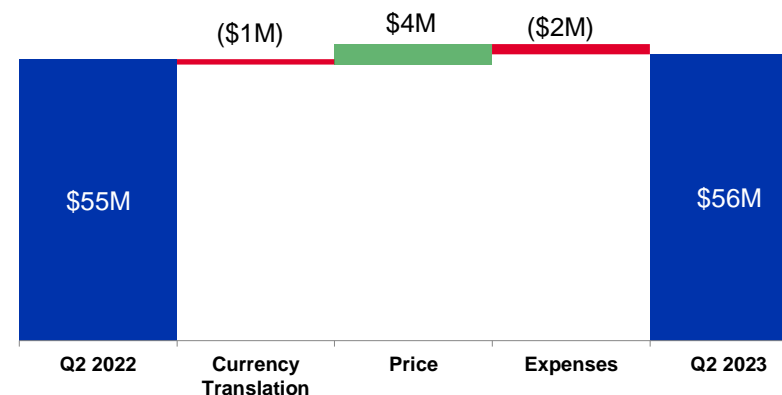
2023 Operating Earnings

Second Quarter	June Year to Date
35 %	36 %
(1)	(1)
34 %	35 %

Industrial Segment Net Sales and Operating Margins



Industrial Segment Operating Earnings QTD

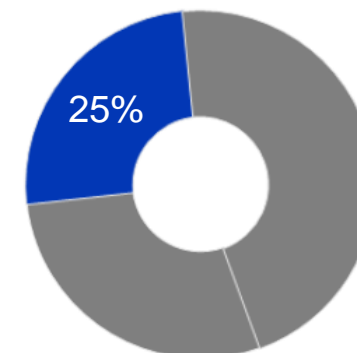


PROCESS SEGMENT RESULTS

\$ in millions

	Second Quarter			June Year to Date		
	2023	2022	Change	2023	2022	Change
Net Sales						
Americas	\$ 92	\$ 77	19%	\$ 176	\$ 145	21%
EMEA	18	18	4	37	36	6
Asia Pacific	30	30	2	61	59	3
Total	\$ 140	\$ 125	13%	\$ 274	\$ 240	14%
Operating Earnings	\$ 44	\$ 31	40 %	\$ 84	\$ 59	44 %
% of sales	31 %	25 %		31 %	24 %	

June YTD 2023 Process Segment Net Sales as % of Graco



Components of Net Sales Change

	Q2 2023	June YTD 2023		Q2 2023	June YTD 2023
Americas			Asia Pacific		
Volume & Price	19 %	20 %	Volume & Price	5 %	6 %
Acquisitions	0 %	1 %	Acquisitions	0 %	0 %
Currency	0 %	0 %	Currency	(3)%	(3)%
Total	19 %	21 %	Total	2 %	3 %
EMEA			Segment Total		
Volume & Price	3 %	7 %	Volume & Price	14 %	15 %
Acquisitions	0 %	0 %	Acquisitions	0 %	1 %
Currency	1 %	(1)%	Currency	(1)%	(2)%
Total	4 %	6 %	Total	13 %	14 %

PROCESS SEGMENT RESULTS

Change in % of net sales

2022 Operating Earnings

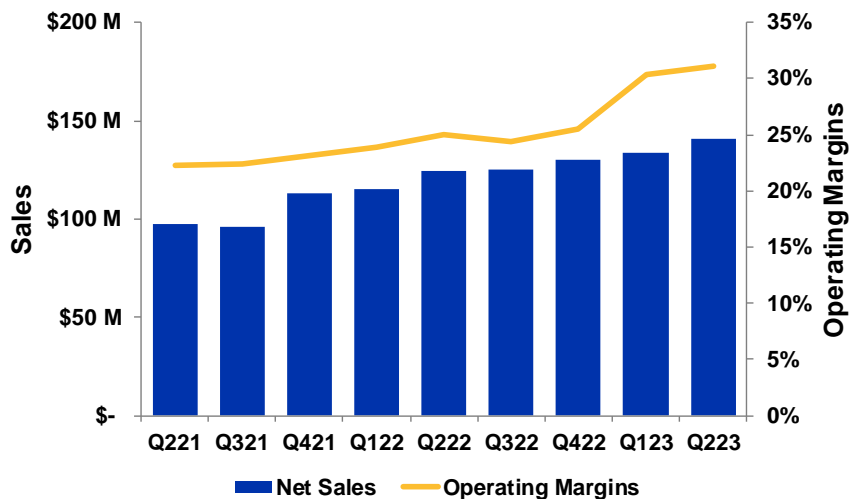
Price and cost

Volume effect on expense leverage

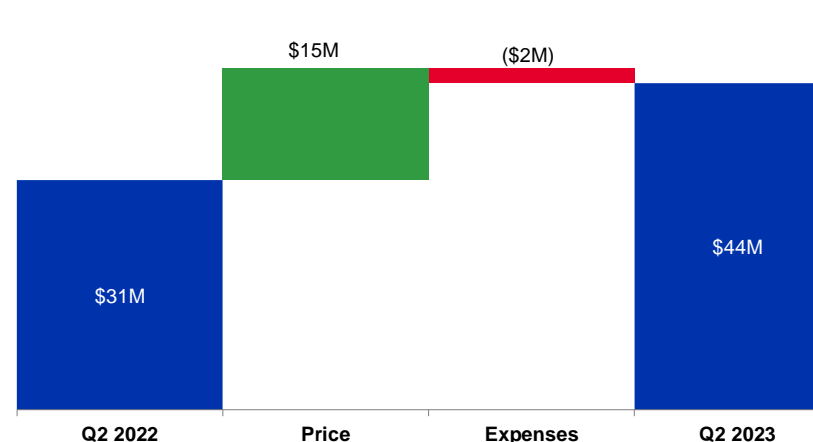
2023 Operating Earnings

Second Quarter	June Year to Date
25 %	24 %
5	4
1	3
31 %	31 %

Process Segment Net Sales and Operating Margins



Process Segment Operating Earnings QTD



ADJUSTED FINANCIAL RESULTS

Financial results have been adjusted for comparability. 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

Income taxes, as reported

Excess tax benefit from option exercises

Income taxes, adjusted

Effective income tax rate

As reported

Adjusted

Net earnings, as reported

Excess tax benefit from option exercises

Net earnings, adjusted

Weighted average diluted shares

Diluted earnings per share

As reported

Adjusted

	Second Quarter			June Year to Date		
	2023	2022	Change	2023	2022	Change
Income taxes, as reported	\$ 25.4	\$ 29.0	(12)%	\$ 53.5	\$ 51.1	5 %
Excess tax benefit from option exercises	5.5	0.4		8.1	1.9	
Income taxes, adjusted	<u>\$ 30.9</u>	<u>\$ 29.4</u>	<u>5 %</u>	<u>\$ 61.6</u>	<u>\$ 53.0</u>	<u>16 %</u>
Effective income tax rate						
As reported	15.9%	19.8%		16.9%	19.0%	
Adjusted	19.4%	20.0%		19.4%	19.7%	
Net earnings, as reported	\$ 134.3	\$ 117.4	14 %	\$ 263.4	\$ 218.2	21 %
Excess tax benefit from option exercises	(5.5)	(0.4)		(8.1)	(1.9)	
Net earnings, adjusted	<u>\$ 128.8</u>	<u>\$ 117.0</u>	<u>10 %</u>	<u>\$ 255.3</u>	<u>\$ 216.3</u>	<u>18 %</u>
Weighted average diluted shares	172.6	172.7		172.1	173.7	
Diluted earnings per share						
As reported	\$ 0.78	\$ 0.68	15 %	\$ 1.53	\$ 1.26	21 %
Adjusted	\$ 0.75	\$ 0.68	10 %	\$ 1.48	\$ 1.25	18 %



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