



# **THIRD QUARTER EARNINGS CALL**

October 26, 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 October 25, 2023.

# FINANCIAL RESULTS

## Statement of Earnings

\$ in millions except per share amounts

	Third Quarter			September Year to Date		
	2023	2022	Change	2023	2022	Change
<b>Net Sales</b>	\$ 539.7	\$ 545.6	(1)%	\$1,629.0	\$1,588.5	3 %
<b>Gross Profit</b>	284.5	261.1	9 %	861.1	784.6	10 %
% of Net Sales	52.7%	47.8%	4.9 pts	52.9%	49.4%	3.5 pts
<b>Operating Earnings</b>	163.2	143.1	14 %	476.9	420.2	13 %
% of Net Sales	30.2%	26.2%	4.0 pts	29.3%	26.5%	2.8 pts
<b>Net Earnings</b>	\$ 133.1	\$ 116.2	15 %	\$ 396.6	\$ 334.5	19 %
% of Net Sales	24.7%	21.3%	3.4 pts	24.3%	21.1%	3.2 pts
<b>Diluted Net Earnings Per Share</b>	\$ 0.77	\$ 0.67	15 %	\$ 2.30	\$ 1.93	19 %
Diluted Shares in Millions	172.8	172.8	(0)%	172.3	173.4	(1)%
Operating Earnings, Adjusted (1)	\$ 162.4	\$ 143.1	13 %	\$ 476.1	\$ 420.2	13 %
Net Earnings, Adjusted (1)	\$ 131.5	\$ 114.8	15 %	\$ 386.9	\$ 331.3	17 %
Diluted Net Earnings Per Share, Adjusted (1)	\$ 0.76	\$ 0.66	15 %	\$ 2.24	\$ 1.91	17 %

(1) Operating earnings, net earnings and diluted net earnings per share for 2023 and net earnings and diluted net earnings per share for 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.

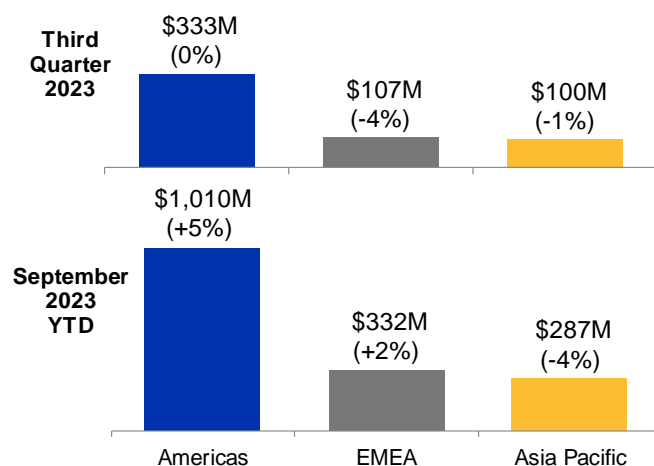
# NET SALES

## Components of Net Sales Change

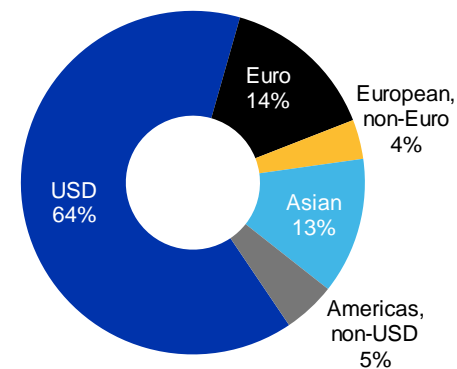
2023 Third Quarter	Segment			Region			Consolidated
	Contractor	Industrial	Process	Americas	EMEA	Asia Pacific	
Volume and Price	(8)%	(1)%	9 %	0 %	(10)%	2 %	(2)%
Acquisitions	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Currency	1 %	2 %	1 %	0 %	6 %	(3)%	1 %
<b>Total</b>	<b>(7)%</b>	<b>1 %</b>	<b>10 %</b>	<b>0 %</b>	<b>(4)%</b>	<b>(1)%</b>	<b>(1)%</b>

2023 September Year to Date	Segment			Region			Consolidated
	Contractor	Industrial	Process	Americas	EMEA	Asia Pacific	
Volume and Price	(2)%	3 %	13 %	5 %	0 %	0 %	3 %
Acquisitions	0 %	0 %	1 %	0 %	0 %	0 %	0 %
Currency	0 %	0 %	(1)%	0 %	2 %	(4)%	0 %
<b>Total</b>	<b>(2)%</b>	<b>3 %</b>	<b>13 %</b>	<b>5 %</b>	<b>2 %</b>	<b>(4)%</b>	<b>3 %</b>

Net Sales by Region



Sept. 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)

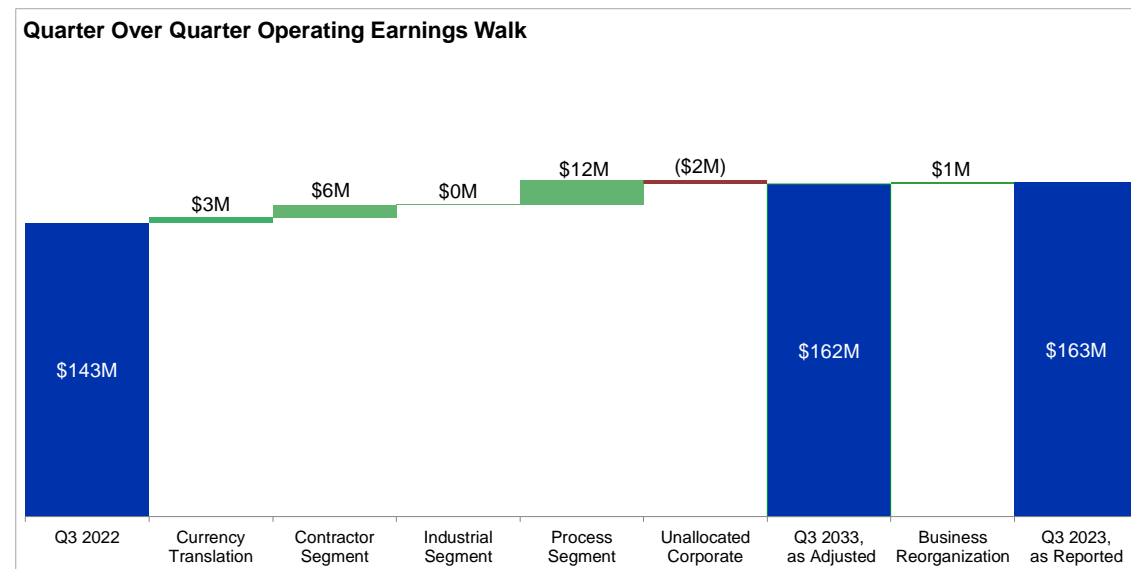
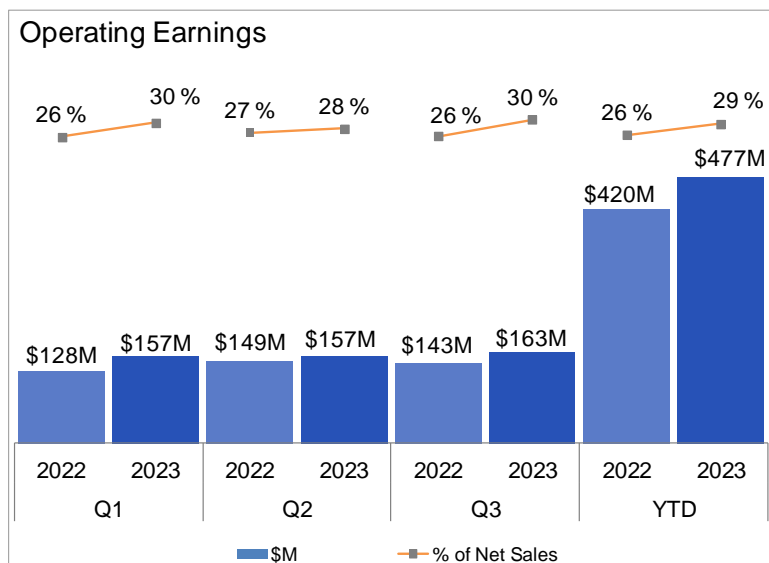
Translation effect

Price, product cost and mix

Volume effect on expense leverage

**2023 Operating Earnings (\$M and % of sales)**

Third Quarter		Sept. Year to Date	
\$ 143	26 %	\$ 420	26 %
3	0	(7)	0
19	5	84	4
(2)	(1)	(20)	(1)
<b>\$ 163</b>	<b>30 %</b>	<b>\$ 477</b>	<b>29 %</b>



# THIRD QUARTER 2023










<b>Net Sales</b>	<ul style="list-style-type: none"> <li>• Down 1 percent from 2022, down 2 percent at consistent translation rates</li> </ul>
<b>Gross Margin</b>	<ul style="list-style-type: none"> <li>• Margin rate up 4.9 percentage points compared to 2022             <ul style="list-style-type: none"> <li>&gt; Realized pricing and lower product cost</li> </ul> </li> </ul>
<b>Operating Earnings</b>	<ul style="list-style-type: none"> <li>• Up \$20 million compared to 2022             <ul style="list-style-type: none"> <li>&gt; Realized pricing and favorable impact of currency translation rates were more than enough to offset higher expenses.</li> <li>&gt; Operating expenses included a non-cash goodwill impairment charge of \$8 million and a \$9 million gain from the reduction in fair value of contingent consideration related to the reorganization of a business acquired in 2020.</li> </ul> </li> </ul>
<b>Other (Income) /Expense</b>	<ul style="list-style-type: none"> <li>• Increased \$2 million primarily due to increased interest income</li> </ul>
<b>Interest Expense</b>	<ul style="list-style-type: none"> <li>• Comparable to 2022. Repaid \$75 million private placement debt plus prepayment fee of \$0.7 million, recorded as interest expense in the third quarter</li> </ul>
<b>Taxes</b>	<ul style="list-style-type: none"> <li>• Effective tax rate for the quarter was 19 percent, up 1 percentage point compared to third quarter 2022             <ul style="list-style-type: none"> <li>&gt; Due primarily to variations in excess tax benefits from stock option exercises</li> </ul> </li> </ul>

# SEPTEMBER YEAR TO DATE 2023

<b>Net Sales</b>	<ul style="list-style-type: none"> <li>• Up 3 percent from 2022, currency translation rates had no significant impact</li> </ul>
<b>Gross Margin</b>	<ul style="list-style-type: none"> <li>• Margin rate up 3.5 percentage points compared to 2022             <ul style="list-style-type: none"> <li>&gt; Strong realized pricing more than offset higher product cost</li> </ul> </li> </ul>
<b>Operating Earnings</b>	<ul style="list-style-type: none"> <li>• Up \$57 million compared to 2022             <ul style="list-style-type: none"> <li>&gt; Realized pricing and favorable mix were more than enough to offset higher expenses and unfavorable impact of currency translation rates.</li> <li>&gt; Operating expenses included a non-cash goodwill impairment charge of \$8 million and a \$9 million gain from the reduction in fair value of contingent consideration related to the reorganization of a business acquired in 2020.</li> </ul> </li> </ul>
<b>Other (Income) /Expense</b>	<ul style="list-style-type: none"> <li>• Increased \$9 million due primarily to increased interest income</li> </ul>
<b>Interest Expense</b>	<ul style="list-style-type: none"> <li>• Decreased \$4 million. Repaid \$75 million private placement debt in third quarter 2023 and first quarter 2022</li> </ul>
<b>Taxes</b>	<ul style="list-style-type: none"> <li>• Effective tax rate for the year to date of 18 percent was down 1 percentage point compared to 2022             <ul style="list-style-type: none"> <li>&gt; Due primarily to variations in excess tax benefits from stock option exercises</li> </ul> </li> </ul>

# 2023 OUTLOOK

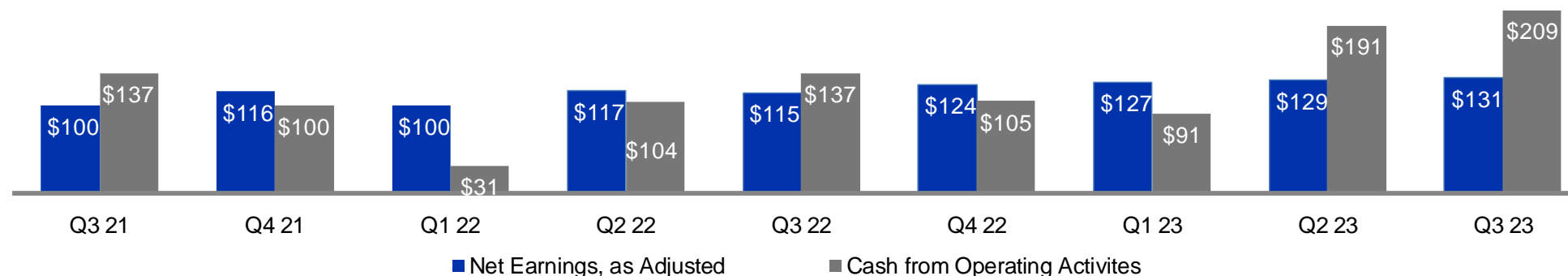
Constant currency basis and excluding acquisitions completed in the prior 12 months

	Americas	EMEA	Asia Pacific	Worldwide
<b>Current Environment</b>	Q3 2023 0% Sept. YTD 5%	Q3 2023 (10%) Sept. YTD 0%	Q3 2023 2% Sept. YTD 0%	Net Sales Change Q3 2023 (2%) Sept. YTD 3%
<b>Contractor Segment</b>	 Q3 2023 (5%) Sept. YTD (1%)	 Q3 2023 (17%) Sept. YTD (2%)	 Q3 2023 (9%) Sept. YTD (8%)	Net Sales Change Q3 2023 (8%) Sept. YTD (2%)
<b>Industrial Segment</b>	 Q3 2023 1% Sept. YTD 8%	 Q3 2023 (11%) Sept. YTD (0%)	 Q3 2023 6% Sept. YTD 1%	Net Sales Change Q3 2023 (1%) Sept. YTD 3%
<b>Process Segment</b>	 Q3 2023 12% Sept. YTD 17%	 Q3 2023 14% Sept. YTD 9%	 Q3 2023 2% Sept. YTD 4%	Net Sales Change Q3 2023 9% Sept. YTD 13%
<b>Full-Year 2023 Outlook</b>				<b>Low Single-Digit</b>



# 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	\$ (146)	\$ (147)
Dividends	(119)	(107)
Net Share Issuances (Repurchases)	27	(128)
Net Borrowings (Payments) on Debt	(66)	(71)
Acquisitions	-	(25)

- Net cash from operating activities was \$491 million in 2023 vs. \$272 million in 2022
  - > Inventory purchases have decreased as supply chain disruptions have improved and backlog levels normalize
- Capital expenditures of \$146 million including \$89 million on facility expansion projects
- Debt, including notes payable, was \$29 million – down \$67 million from December 2022
  - > In July 2023, repaid final \$75 million of private placement debt plus prepayment fee of \$0.7 million

# OTHER DISCUSSION ITEMS

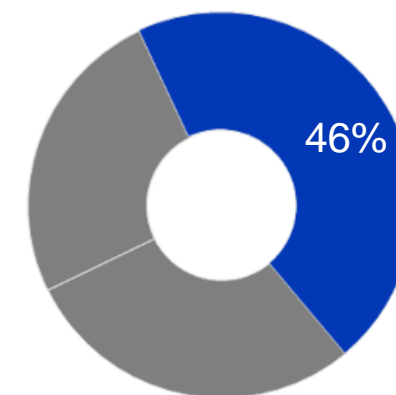
<b>Cap Ex</b>	<ul style="list-style-type: none"> <li>Capital expenditure expectations of approximately \$200 million in 2023, including approximately \$130 million in facility expansion projects</li> </ul>
<b>Expenses</b>	<ul style="list-style-type: none"> <li>Unallocated corporate expenses in 2023 are expected to be approximately \$36 - \$38 million</li> </ul>
<b>Shares</b>	<ul style="list-style-type: none"> <li>Repurchased 427,000 shares through September. We may make opportunistic purchases in 2023 via open market transactions</li> </ul>
<b>Currency</b>	<ul style="list-style-type: none"> <li>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 and an unfavorable impact of approximately 1 percentage point on net earnings for the full year 2023</li> </ul>
<b>Taxes</b>	<ul style="list-style-type: none"> <li>We anticipate the effective tax rate for the fourth 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</li> </ul>

# CONTRACTOR SEGMENT RESULTS

\$ in millions

	Third Quarter			September Year to Date		
	2023	2022	Change	2023	2022	Change
<b>Net Sales</b>						
Americas	\$ 186	\$ 197	(6)%	\$ 558	\$ 567	(2)%
EMEA	41	46	(11)	132	132	(1)
Asia Pacific	18	21	(12)	57	65	(12)
<b>Total</b>	<b>\$ 245</b>	<b>\$ 264</b>	<b>(7)%</b>	<b>\$ 747</b>	<b>\$ 764</b>	<b>(2)%</b>
<b>Operating Earnings</b>	<b>\$ 74</b>	<b>\$ 65</b>	<b>13%</b>	<b>\$ 216</b>	<b>\$ 192</b>	<b>12%</b>
% of sales	30 %	25 %		29 %	25 %	

Sept. YTD 2023 Contractor Segment Net Sales as % of Graco



## Components of Net Sales Change

	Q3 2023	Sept. YTD 2023		Q3 2023	Sept. YTD 2023
<b>Americas</b>			<b>Asia Pacific</b>		
Volume & Price	(5)%	(1)%	Volume & Price	(9)%	(8)%
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	(1)%	(1)%	Currency	(3)%	(4)%
<b>Total</b>	<b>(6)%</b>	<b>(2)%</b>	<b>Total</b>	<b>(12)%</b>	<b>(12)%</b>
<b>EMEA</b>			<b>Segment Total</b>		
Volume & Price	(17)%	(2)%	Volume & Price	(8)%	(2)%
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	6 %	1 %	Currency	1 %	0 %
<b>Total</b>	<b>(11)%</b>	<b>(1)%</b>	<b>Total</b>	<b>(7)%</b>	<b>(2)%</b>

# CONTRACTOR SEGMENT RESULTS

Change in % of net sales

## 2022 Operating Earnings

Currency translation

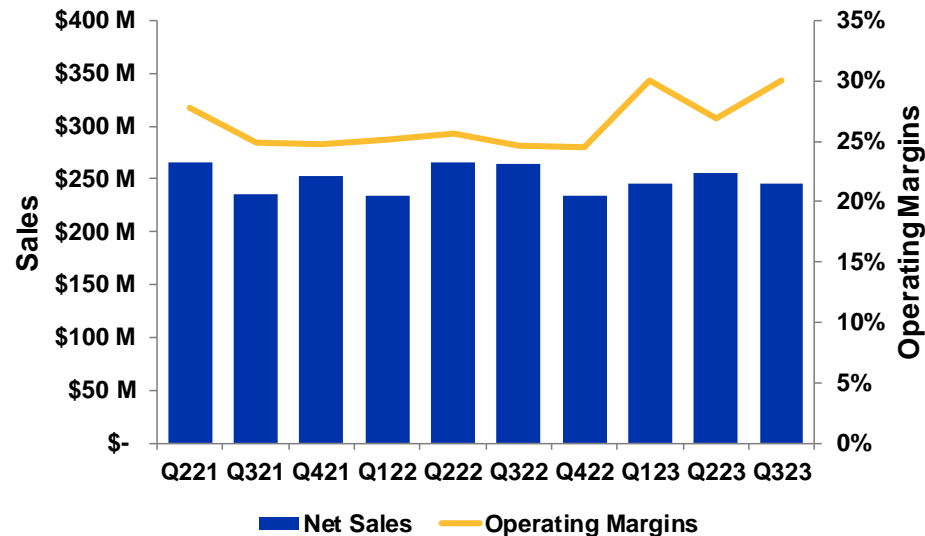
Price, product cost and mix

Volume effect on expense leverage

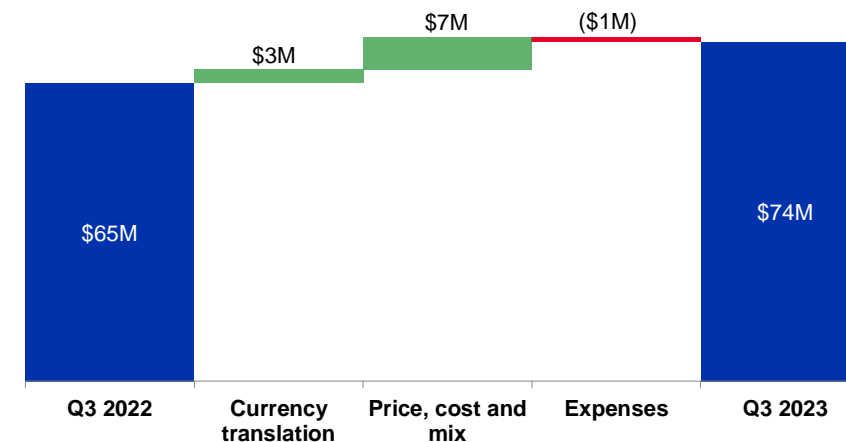
## 2023 Operating Earnings

Third Quarter	Sept. Year to Date
25 %	25 %
1	0
6	5
(2)	(1)
<b>30 %</b>	<b>29 %</b>

Contractor Segment Net Sales and Operating Margins



Contractor Segment Operating Earnings QTD

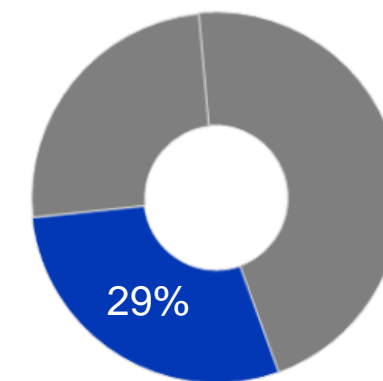


# INDUSTRIAL SEGMENT RESULTS

\$ in millions

	Third Quarter			September Year to Date		
	2023	2022	Change	2023	2022	Change
<b>Net Sales</b>						
Americas	\$ 62	\$ 60	2%	\$ 191	\$ 176	8%
EMEA	46	48	(4)	143	142	1
Asia Pacific	49	48	3	137	141	(3)
<b>Total</b>	<b>\$ 157</b>	<b>\$ 156</b>	<b>1%</b>	<b>\$ 471</b>	<b>\$ 459</b>	<b>3%</b>
<b>Operating Earnings</b>	<b>\$ 54</b>	<b>\$ 54</b>	<b>1%</b>	<b>\$ 163</b>	<b>\$ 162</b>	<b>1%</b>
% of sales	35 %	35 %		35 %	35 %	

Sept. YTD 2023 Industrial Segment Net Sales as % of Graco



Components of Net Sales Change

	Q3 2023	Sept. YTD 2023	Q3 2023	Sept. YTD 2023
<b>Americas</b>				
Volume & Price	1 %	8 %	6 %	1 %
Acquisitions	0 %	0 %	0 %	0 %
Currency	1 %	0 %	(3)%	(4)%
<b>Total</b>	<b>2 %</b>	<b>8 %</b>	<b>3 %</b>	<b>(3)%</b>
<b>EMEA</b>				
Volume & Price	(11)%	0 %	(1)%	3 %
Acquisitions	0 %	0 %	0 %	0 %
Currency	7 %	1 %	2 %	0 %
<b>Total</b>	<b>(4)%</b>	<b>1 %</b>	<b>1 %</b>	<b>3 %</b>
<b>Segment Total</b>				
Volume & Price	(1)%	3 %	(1)%	3 %
Acquisitions	0 %	0 %	0 %	0 %
Currency	2 %	0 %	2 %	0 %
<b>Total</b>	<b>1 %</b>	<b>3 %</b>	<b>1 %</b>	<b>3 %</b>

# INDUSTRIAL SEGMENT RESULTS

Change in % of net sales

## 2022 Operating Earnings

Currency Translation

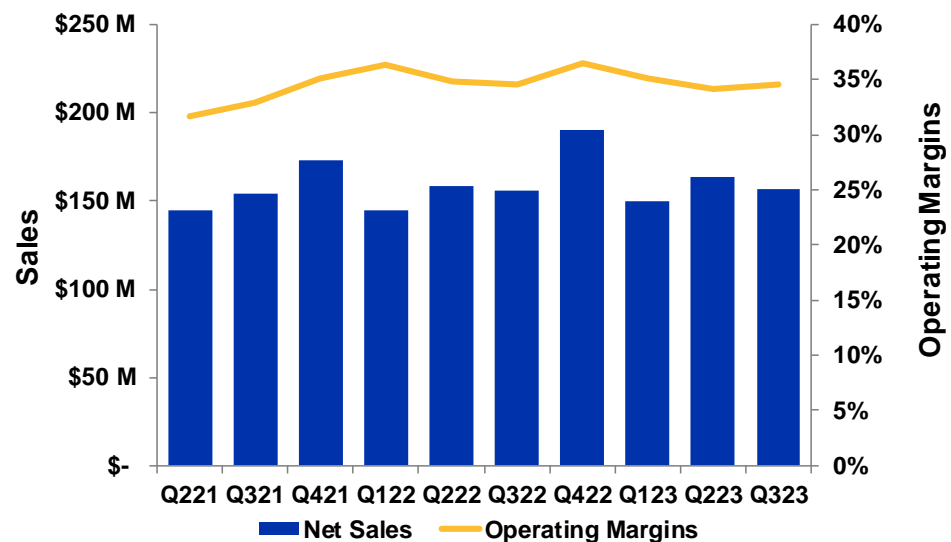
Price and mix

Volume effect on expense leverage

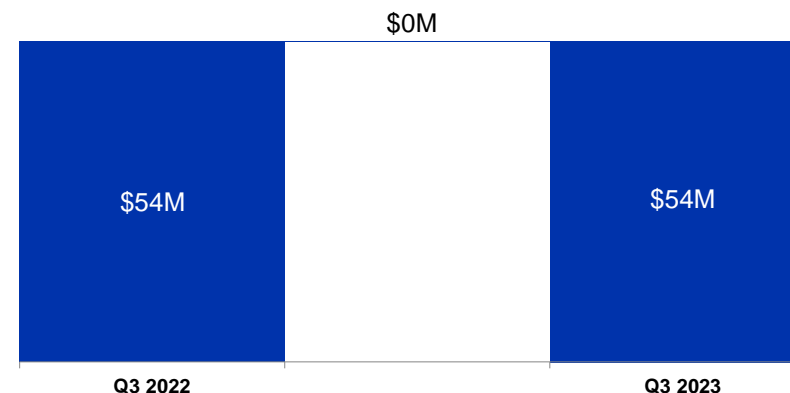
## 2023 Operating Earnings

Third Quarter	Sept. Year to Date
35 %	35 %
0	(1)
1	1
(1)	0
<b>35 %</b>	<b>35 %</b>

Industrial Segment Net Sales and Operating Margins



Industrial Segment Operating Earnings QTD

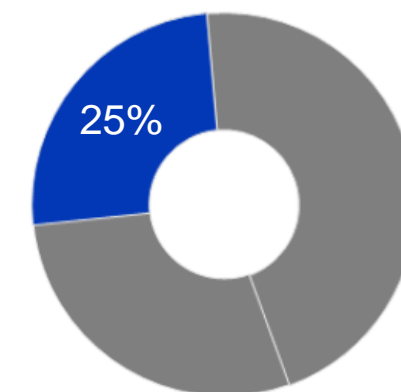


# PROCESS SEGMENT RESULTS

\$ in millions

	Third Quarter			September Year to Date		
	2023	2022	Change	2023	2022	Change
<b>Net Sales</b>						
Americas	\$ 85	\$ 77	12%	\$ 262	\$ 222	18%
EMEA	20	16	18	56	51	10
Asia Pacific	32	32	0	93	92	2
<b>Total</b>	<b>\$ 137</b>	<b>\$ 125</b>	<b>10%</b>	<b>\$ 411</b>	<b>\$ 365</b>	<b>13%</b>
<b>Operating Earnings</b>	<b>\$ 43</b>	<b>\$ 31</b>	<b>40%</b>	<b>\$ 127</b>	<b>\$ 89</b>	<b>43%</b>
% of sales	31 %	24 %		31 %	24 %	

Sept. YTD 2023 Process Segment Net Sales as % of Graco



Components of Net Sales Change

	Q3 2023	Sept. YTD 2023
<b>Americas</b>		
Volume & Price	12 %	17 %
Acquisitions	0 %	1 %
Currency	0 %	0 %
<b>Total</b>	<b>12 %</b>	<b>18 %</b>
<b>EMEA</b>		
Volume & Price	14 %	9 %
Acquisitions	0 %	0 %
Currency	4 %	1 %
<b>Total</b>	<b>18 %</b>	<b>10 %</b>

	Q3 2023	Sept. YTD 2023
<b>Asia Pacific</b>		
Volume & Price	2 %	4 %
Acquisitions	0 %	0 %
Currency	(2)%	(2)%
<b>Total</b>	<b>0 %</b>	<b>2 %</b>
<b>Segment Total</b>		
Volume & Price	9 %	13 %
Acquisitions	0 %	1 %
Currency	1 %	(1)%
<b>Total</b>	<b>10 %</b>	<b>13 %</b>

# PROCESS SEGMENT RESULTS

Change in % of net sales

## 2022 Operating Earnings

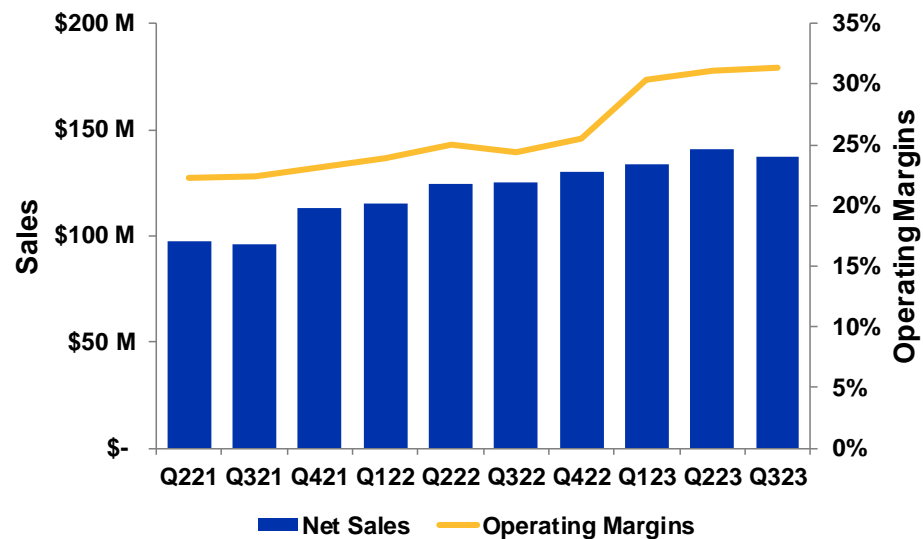
Price, product cost and volume

Volume effect on expense leverage

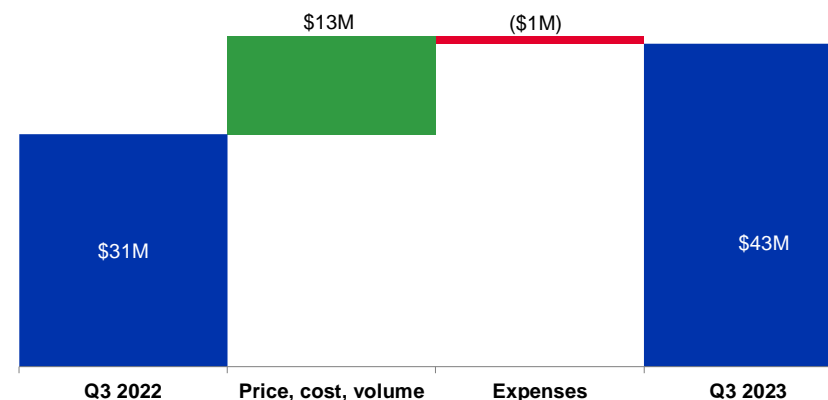
## 2023 Operating Earnings

Third Quarter	Sept. Year to Date
24 %	24 %
5	5
2	2
<b>31 %</b>	<b>31 %</b>

Process Segment Net Sales and Operating Margins



Process Segment Operating Earnings QTD





# ADJUSTED FINANCIAL RESULTS

Financial results have been adjusted for comparability. The non-cash impairment and contingent consideration fair value adjustment in 2023 and excess tax benefit from stock option exercises in both years have caused fluctuation in the Company's financial results. Excluding the impact of these items 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

	Third Quarter			September Year to Date		
	2023	2022	Change	2023	2022	Change
<b>Operating Earnings, as reported</b>	\$ 163.2	\$ 143.1	14 %	\$ 476.9	\$ 420.2	13 %
Contingent consideration	(8.6)	-		(8.6)	-	
Impairment	7.8	-		7.8	-	
<b>Operating earnings, adjusted</b>	<b>\$ 162.4</b>	<b>\$ 143.1</b>	<b>13 %</b>	<b>\$ 476.1</b>	<b>\$ 420.2</b>	<b>13 %</b>
<b>Income taxes, as reported</b>	\$ 31.2	\$ 26.2	19 %	\$ 84.7	\$ 77.3	10 %
Excess tax benefit from option exercises	0.8	1.4		8.9	3.2	
<b>Income taxes, adjusted</b>	<b>\$ 32.0</b>	<b>\$ 27.6</b>	<b>16 %</b>	<b>\$ 93.6</b>	<b>\$ 80.5</b>	<b>16 %</b>
Effective income tax rate						
As reported	19.0%	18.4%		17.6%	18.8%	
Adjusted	19.6%	19.4%		19.5%	19.6%	
<b>Net earnings, as reported</b>	\$ 133.1	\$ 116.2	15 %	\$ 396.6	\$ 334.5	19 %
Contingent consideration	(8.6)	-		(8.6)	-	
Impairment	7.8	-		7.8	-	
Excess tax benefit from option exercises	(0.8)	(1.4)		(8.9)	(3.2)	
<b>Net earnings, adjusted</b>	<b>\$ 131.5</b>	<b>\$ 114.8</b>	<b>15 %</b>	<b>\$ 386.9</b>	<b>\$ 331.3</b>	<b>17 %</b>
Weighted average diluted shares	172.8	172.8		172.3	173.4	
<b>Diluted earnings per share</b>						
As reported	\$ 0.77	\$ 0.67	15 %	\$ 2.30	\$ 1.93	19 %
Adjusted	\$ 0.76	\$ 0.66	15 %	\$ 2.24	\$ 1.91	17 %



# WORLDWIDE LEADER IN FLUID HANDLING

MOVE • MEASURE • MIX • CONTROL • DISPENSE • SPRAY