



Investor Presentation

First Quarter 2020



Safe Harbor

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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.

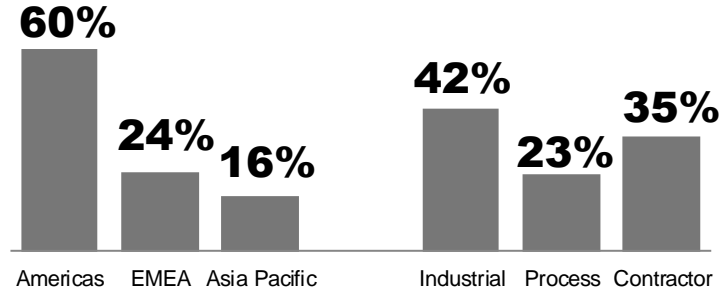
Distribution of Global Sales



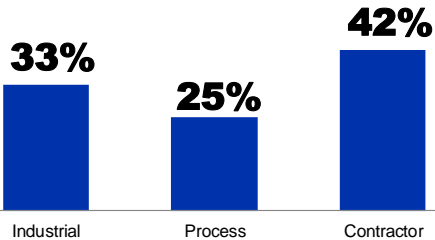
Worldwide

\$374 M

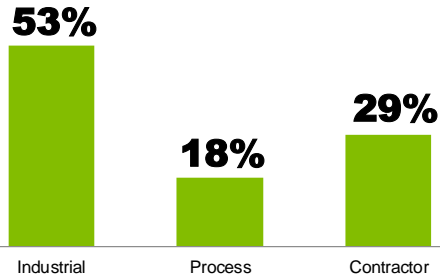
First Quarter
2020



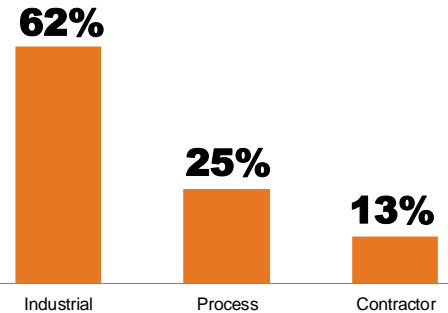
Americas



EMEA

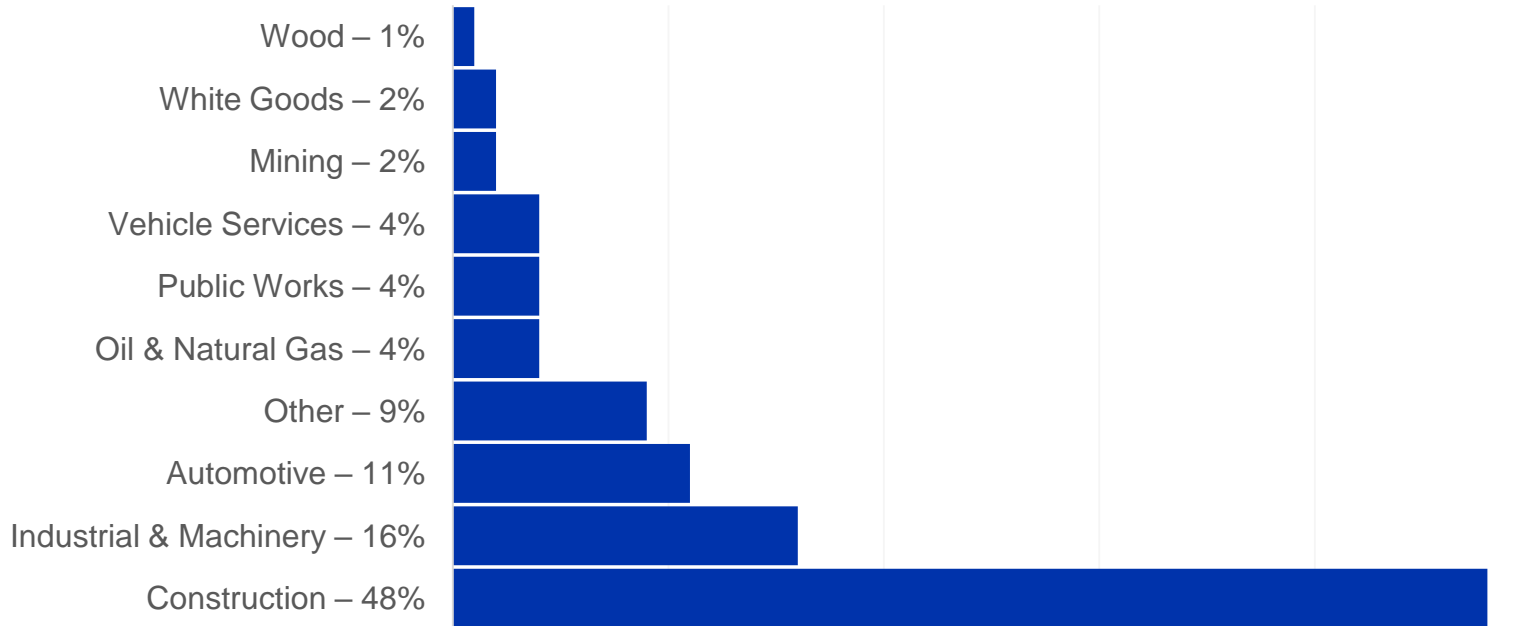


Asia Pacific



2019 Sales by End Market

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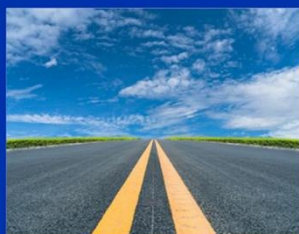


Graco is part of your
everyday life.





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everyday life.



Diversified Fluid Handling Business



Niche

Difficult applications; corrosive,
viscous, hard-to-move materials

5.5%+

Organic Revenue CAGR*

~40%

Of revenue is parts
& accessories

*20-year average, constant currency

High Customer Value, Strong Product Differentiation



Low Volume, High Mix Delivers Customer ROI

Average Number of Units Sold Per Day	No. of SKUs		2019 Sales (\$ in millions)	
0 - 1	63,700	93%	\$ 846	51%
2 - 5	2,800	4%	\$ 258	16%
6 - 10	800	1%	\$ 126	8%
11 - 15	300	0%	\$ 51	3%
Greater than 15	800	1%	\$ 365	22%
Graco 2019	68,400		\$1,646	

Highly-valued products at low volumes

51%

of our revenue comes from products that we sell

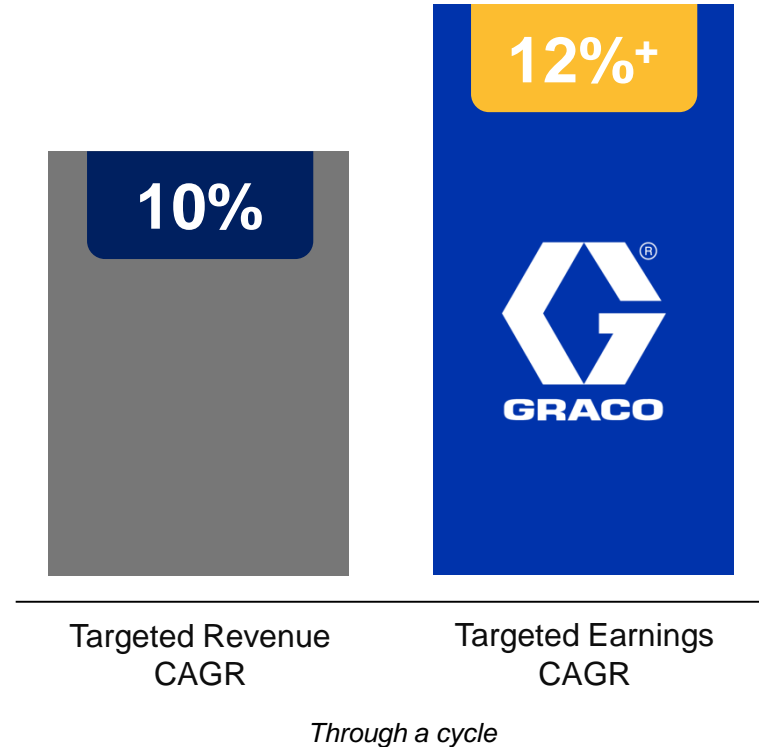
zero to one per day

Growth Plans and Earnings Drivers

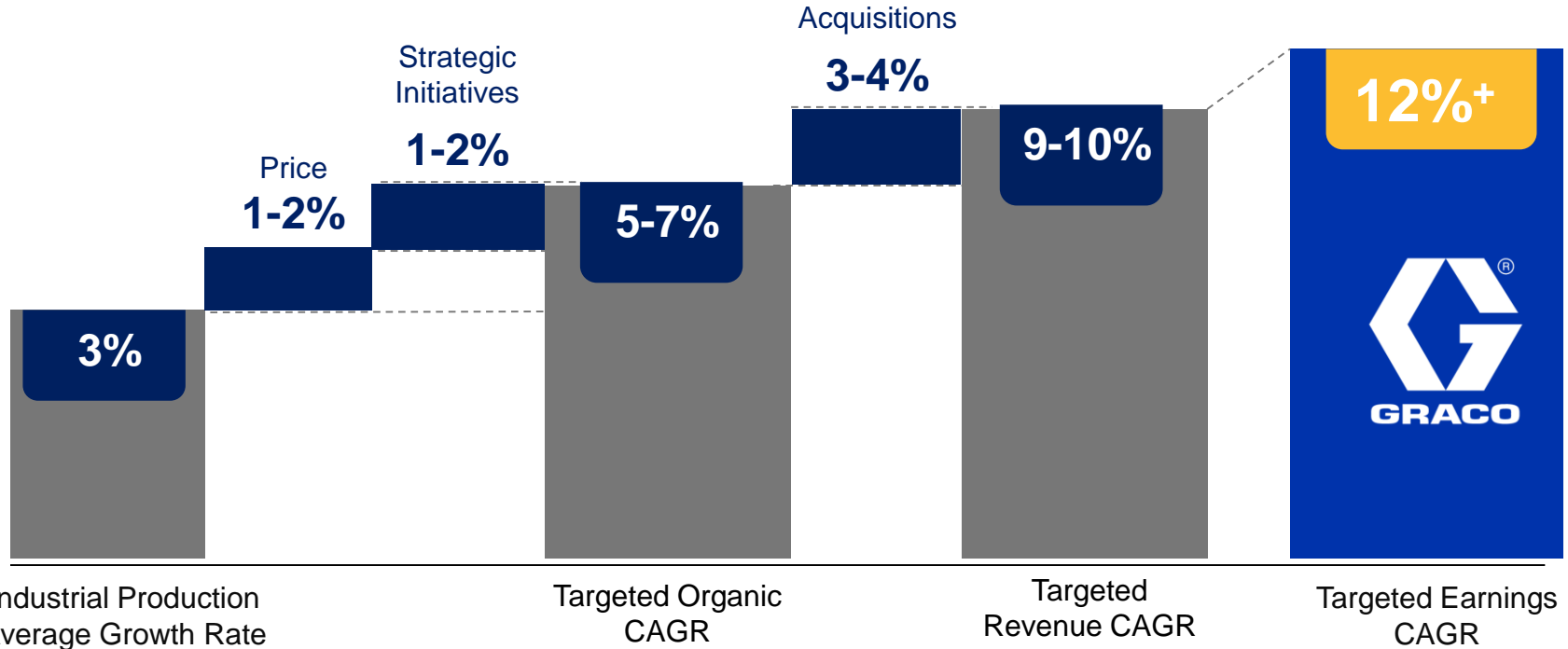


Strategic Initiatives

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



Growth Plans and Earnings Drivers





Exceptional Returns

5.5%+

Organic Revenue CAGR

30%

Return on Invested Capital

44%

Return on Equity

20%

Return on Assets

Based on a 20-year average, constant currency

Business Model



- ▶ Brand Promise
- ▶ Operational Excellence
- ▶ Engineering & Manufacturing Excellence
- ▶ Extensive Reach



Our Brand Promise

- ▶ **Innovation** – Leading with technologically-advanced features, pioneering design, high performance and unparalleled reliability
- ▶ **Quality** – Our customers invest in high-quality products built to last for years of reliable service
- ▶ **A+ Service** – We're guided by a mindset of integrity and a customer service view centered on collaboration and relationships, not transactions



Engineering Excellence

Target
**Double-Digit
Returns**
new product

Annual R&D Investment

More than
2.6x*
our peer group

4.2%*
as a percent of sales
versus peers at 1.6%

* Peers: ITW, CSL, DOV, CFX, IEX, NDSN, WTS, FLS, based on a 5-year average, 2015 - 2019.

Manufacturing Excellence



80%

Production based in the US

Goal is

Zero

cost change
on the same basket of goods (yoy)

< 1%

Warranty costs

Service Excellence



Same Day

Orders in by noon,
ship the same day

96%+

In-stock service level
(goal is > 92%)



Extensive Reach

30,000+
Outlets/Distributors

Customers in over

100

countries

Facilities in

12

countries

Installed base

~100

years old

Company Segments



- ▶ Industrial
- ▶ Process
- ▶ Contractor

Industrial



March 2020, Three Months

\$158.7M



Segment Revenue

-15%



Organic

31.7%



Operating Margin
- 280 basis points

Industrial

Key End Markets

- ▶ General industrial
- ▶ Automotive
- ▶ Res & non-res construction
- ▶ Alternative energy & others

Growth Drivers & Trends

- ▶ Factory movement & upgrades
- ▶ Automation
- ▶ Technology upgrades
- ▶ Energy-efficiency upgrades
- ▶ Material changes

Select Representative Industry Participants:

Public : Nordson, Carlisle, Exel

Private: Wagner and many other regional players



Process



March 2020, Three Months

\$86.1M

▼ Segment Revenue

-6%

▼ Organic

21.0%

▼ Operating Margin
+200 basis points

Process

Key End Markets

- ▶ Pharma, food & beverage
- ▶ Vehicle services
- ▶ Oil & natural gas
- ▶ Environmental
- ▶ Semiconductor & others

Growth Drivers & Trends

- ▶ Factory movements and upgrades
- ▶ Technology upgrades
- ▶ Energy-efficiency upgrades
- ▶ Asset life maintenance
- ▶ Commodities extraction
- ▶ Environmental regulations

Select Representative Industry Participants:

Public: IDEX, Dover, Ingersoll Rand

Private: Lincoln, Vogel, Bijur, Hannay, Coxreels and many other regional players



Contractor



March 2020, Three Months

\$128.8M



Segment Revenue

1%



Organic

22.2%



Operating Margin
+160 basis points

Contractor

Key End Markets

- ▶ Res & non-res construction
- ▶ Res & non-res remodeling
- ▶ Transportation Infrastructure

Growth Drivers & Trends

- ▶ End user conversion from brush and roll
- ▶ Product innovation & channel expansion
- ▶ Housing & new construction
- ▶ Infrastructure spending
- ▶ Regional labor rates
- ▶ New markets
- ▶ Material changes

Select Representative Industry Participants:

Private: Wagner/Titan, Campbell Hausfeld, Bedford, China copiers and other regional players



Capital Allocation



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

- ▶ Solid dividend history
- ▶ Approximately 18.5 million shares remaining on repurchase authorization

- ▶ Drive long-term, above-market growth
- ▶ Premium products that deliver strong ROI for end users
- ▶ Leading industry positions
- ▶ Serve niche markets where customers are willing to purchase quality, technology-based products
- ▶ Products perform critical functions
- ▶ High margin, high recurring revenue
- ▶ Consistent investments in capital and growth initiatives
- ▶ Shareholder-minded management
- ▶ Financial strength



Key Investment Attributes

Acquisitions





Acquisition

▶ Industrial

EQ EcoQuip[®]
VAPOR ABRASIVE™ BLAST EQUIPMENT

GE-BLASTER[®]
WET-ABRASIVE BLASTING EQUIPMENT

hildebrand
TECHNOLOGY

SAT
SurfaceAluminiumTech

Gema

MULTIMAQ
sprayway

machine
TECHNOLOGIES

Advanjet

2012

2013

2014

2014

2015

2015

2017

2018



Acquisition

▶ Process



2013



2014



2015



2015



2016



2019

Financial Results



Financial Performance March YTD

-8%

Revenue

53.2%

Gross Margin

-18%

EPS

-16%

Net Income

(As Reported)

Financial Results

Statement of Earnings

\$ in millions except per share amounts

	First Quarter		
	2020	2019	Change
Sales	\$ 373.6	\$ 404.9	(8)%
Gross Profit	198.6	216.0	(8)%
% of Sales	53.2%	53.4%	(0.2) pts
Operating Earnings	89.8	104.5	(14)%
% of Sales	24.0%	25.9%	(1.9) pts
Net Earnings	\$ 72.8	\$ 86.7	(16)%
% of Sales	19.5%	21.4%	(1.9) pts
Diluted Earnings Per Share	\$ 0.42	\$ 0.51	(18)%
Diluted Shares in Millions	172.6	170.9	1 %
<i>Net Earnings, Adjusted (1)</i>	\$ 65.0	\$ 80.1	(19)%
<i>Diluted Earnings Per Share, Adjusted (1)</i>	\$ 0.38	\$ 0.47	(19)%

(1) Net earnings and diluted earnings per share for 2020 and 2019 have been adjusted to provide a more consistent basis of comparison of on-going results. See following page for a reconciliation of the adjusted non-GAAP financial measures to GAAP.

Financial Results Adjusted for Comparability

Excess tax benefit related to stock option exercises and certain tax provision adjustments reduced the Company's income taxes. Excluding the impact of these items presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements of adjusted income taxes, effective tax rates, net earnings and diluted earnings per share follows:

Non-GAAP Reconciliation

\$ in millions except per share amounts

Income taxes, as reported
 Excess tax benefit from option exercises
 Other non-recurring tax benefit
 Income taxes, adjusted

Effective income tax rate

As reported
 Adjusted

Net earnings, as reported
 Excess tax benefit from option exercises
 Other non-recurring tax benefit
 Net earnings, adjusted

Weighted Average Diluted Shares, in millions

Diluted Earnings per Share

As reported
 Adjusted

	First Quarter		
	2020	2019	Change
Income taxes, as reported	\$ 9.3	\$ 14.0	(34)%
Excess tax benefit from option exercises	7.8	5.1	
Other non-recurring tax benefit	-	1.5	
Income taxes, adjusted	\$ 17.1	\$ 20.6	(17)%
Effective income tax rate			
As reported	11.3%	13.9%	
Adjusted	20.8%	20.5%	
Net earnings, as reported	\$ 72.8	\$ 86.7	(16)%
Excess tax benefit from option exercises	(7.8)	(5.1)	
Other non-recurring tax benefit	-	(1.5)	
Net earnings, adjusted	\$ 65.0	\$ 80.1	(19)%
Weighted Average Diluted Shares, in millions	172.6	170.9	
Diluted Earnings per Share			
As reported	\$ 0.42	\$ 0.51	(18)%
Adjusted	\$ 0.38	\$ 0.47	(19)%

First Quarter 2020 Results

Sales	<ul style="list-style-type: none">▶ Down 8 percent from 2019, down 7 percent at consistent exchange rates<ul style="list-style-type: none">▪ Acquired businesses added 1 percentage point
Gross Margin	<ul style="list-style-type: none">▶ Rate down 0.2 percentage points from 2019<ul style="list-style-type: none">▪ Strong realized pricing nearly offset adverse effects of lower factory volume, unfavorable product and channel mix, and changes in currency translation rates
Operating Earnings	<ul style="list-style-type: none">▶ Decreased \$15 million, or 14% from 2019<ul style="list-style-type: none">▪ Decline in volume driving lower operating earnings▪ Unfavorable impact of currency translation
Other Expense	<ul style="list-style-type: none">▶ Increased \$5 million<ul style="list-style-type: none">▪ Driven by market value losses on investments used to fund certain retirement benefits liabilities
Taxes	<ul style="list-style-type: none">▶ Effective tax rate for the quarter was 11%, down 3 percentage points from first quarter 2019<ul style="list-style-type: none">▪ Decrease due primarily to an increase in excess tax benefits related to stock option exercises, partially offset by non-recurring tax benefits from other tax planning activities last year

Operational Updates

- ▶ Nearly all locations worldwide are running and able to fulfill customer orders
 - Cleaning, disinfecting and social distancing guidelines have been implemented
 - People who can work from home are doing so in compliance with stay at home orders
- ▶ Incoming order rates declined by approximately 30 percent from mid-March through the first 3 weeks of April (organic, constant currency)
 - The effect varies by region, product family and end-user industry
- ▶ Our commercial teams are focused on customer service, maintaining end-user customer contact and providing support to our distributors
- ▶ Our engineering teams continue to develop and launch new products
- ▶ Operating cash flows and available liquidity support operations at current order rates

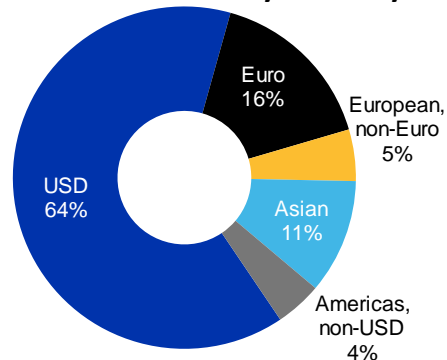
Financial Results

Components of Net Sales Changes

First Quarter March 2020

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	(15)%	(6)%	1 %	(4)%	(11)%	(18)%	(8)%
Acquisitions	0 %	5 %	0 %	1 %	1 %	3 %	1 %
Currency	(1)%	0%	(1)%	0 %	(2)%	(2)%	(1)%
Total	(16)%	(1)%	0 %	(3)%	(12)%	(17)%	(8)%

Q1 2020 Sales by Currency



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

Other Items

Cap Ex	<ul style="list-style-type: none">▶ Capital expenditure expectations of approximately \$70 million in 2020, including approximately \$50 million facility expansion
Expenses	<ul style="list-style-type: none">▶ Unallocated corporate expenses in 2020 are expected to be approximately \$30 million
Shares	<ul style="list-style-type: none">▶ During first quarter 2020, we repurchased 2.1 million shares. We may make opportunistic repurchases going forward
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 2019, the unfavorable movement in foreign currencies would be a headwind of approximately 1% on sales and 3% on earnings in 2020
Taxes	<ul style="list-style-type: none">▶ At our current estimate of results and mix of earnings, we anticipate the effective tax rate for the second quarter and the full year to be approximately 20% - 21%, excluding any impact from excess tax benefits related to stock option exercises and any one-time items. Actual results and mix of earnings may materially impact the expected tax rate for the second quarter and full year