

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

GGG.N - Q2 2020 Graco Inc Earnings Call

EVENT DATE/TIME: JULY 23, 2020 / 3:00PM GMT

## OVERVIEW:

Co. reported 2Q20 sales of \$367m and net earnings of \$29m or \$0.17 per diluted share.



## CORPORATE PARTICIPANTS

**Caroline M. Chambers** *Graco Inc. - Executive VP of Information Systems & Corporate Controller*

**Mark W. Sheahan** *Graco Inc. - CFO & Treasurer*

**Patrick J. McHale** *Graco Inc. - President, CEO & Director*

## CONFERENCE CALL PARTICIPANTS

**Bryan Francis Blair** *Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst*

**Deane Michael Dray** *RBC Capital Markets, Research Division - MD of Multi-Industry & Electrical Equipment & Analyst*

**Jeffrey David Hammond** *KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst*

**Joseph Alfred Ritchie** *Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst*

**Matt J. Summerville** *D.A. Davidson & Co., Research Division - MD & Senior Analyst*

**Michael Patrick Halloran** *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research & Senior Research Analyst*

**Walter Scott Liptak** *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

## PRESENTATION

### Operator

Good morning, and welcome to the Second Quarter Conference Call for Graco Inc. If you wish to access the replay for this call, you may do so by dialing 1 (888) 203-1112 within the United States or Canada. The dial-in number for international callers is (719) 457-0820. The conference ID number is 3676995. The replay will be available from -- through 1:00 p.m. Eastern Time, Monday, July 27, 2020.

Graco has additional information available in a PowerPoint slide presentation, which is available as part of the webcast player. At the request of the company, we will open the conference up for questions and answers after their opening remarks from management.

During this call, various remarks may be made by management about their expectations, plans and prospects for the future. These remarks constitute forward-looking statements for the purposes of the safe harbor provisions of the Private Securities Litigation Reform Act.

Actual results may differ materially from those indicated as a result of various risk factors, including those identified in Item 1A of the company's 2019 annual report on Form 10-K and in the Item 1A of the company's most recent quarterly report on Form 10-Q. These reports are available on the company's website at [www.graco.com](http://www.graco.com) and the SEC's website at [www.sec.gov](http://www.sec.gov).

Forward-looking statements reflect management's current views and speak only as of the time they are made. The company undertakes no obligation to update these statements in light of new information or future events. I will now turn the conference over to Caroline Chambers, Executive Vice President, Corporate Controller and Information Systems.

---

**Caroline M. Chambers** - *Graco Inc. - Executive VP of Information Systems & Corporate Controller*

I'm here this morning with Pat McHale and Mark Sheahan. Our conference call slides have been posted on our website and provide additional information that may be helpful.

Sales totaled \$367 million this quarter, a decrease of 14% from the second quarter last year. Acquisitions added 2 percentage points of growth this quarter, while changes in currency translation rates decreased sales by approximately 1 percentage point.



Net earnings totaled \$29 million for the quarter or \$0.17 per diluted share, including \$30 million or \$0.20 related to the impairment charges associated with selling the Alco business.

After adjusting for the impairment and other tax adjustments, net earnings totaled \$62 million or \$0.37 per diluted share. During the second quarter, we entered into negotiations to divest the U.K. valve business, Alco, which has significant exposure to oil and natural gas markets. Alco operations contributed \$7 million of sales and \$2 million of operating losses year-to-date, which have been included within the Process segment. Based on the negotiations to sell, our investment in Alco was revalued in the second quarter, and we recorded noncash impairment charges of \$34 million after tax, including \$24 million of previously unrecognized foreign currency translation losses recorded in accumulated other comprehensive income. The \$24 million loss reserve for previously unrecognized foreign currency translation is recorded in other current liabilities at the end of the second quarter and will be cleared through accumulated other comprehensive income in the third quarter, as the divestiture was finalized in early July.

Our gross margin rate was 49.8% for the second quarter, approximately 3 percentage points below the second quarter last year. Primarily due to the effect of product and channel mix, as sales in the Contractor segment increased, while sales in the Industrial and Process segments declined double digits and also due to lower factory volumes and changes in currency translation rates.

Realized pricing was favorable. Without recovery in sales volumes, unabsorbed factory costs will continue to weigh on gross margin rates in the second half, so strong realized pricing partially offsets the favorable effect.

Changes in product and channel mix can affect gross margin rates.

Our global procurement team has been working closely with our supply chain to keep our lines running throughout the quarter. Given the growth in certain products in the Contractor segment, particularly products for the home center channel, the supply chain for some components is stretched and we are monitoring the situation closely.

Operating expenses, excluding the effect of the impairment, decreased by \$12 million from the second quarter last year, as reductions in volume and earnings based expenses more than offset higher product development costs.

The reported income tax rate was 31% for the quarter, 13 percentage points higher than the second quarter last year, primarily due to nondeductible impairment charges. After adjusting for the effect of the impairment and excess tax benefits from stock option exercises and other nonrecurring tax benefits, our tax rate was 19% for the quarter or 1 percentage point lower than last year.

Cash flows from operations totaled \$143 million year-to-date as compared to \$164 million last year as a result of lower revenues. Capital expenditures totaled \$33 million year-to-date as we continue to invest in manufacturing capabilities as well as the expansion of several locations.

Cash dividends totaled \$58 million year-to-date. We also completed an acquisition for \$27 million in the second quarter, which will be a part of the Process segment.

For the full year 2020 capital expenditures are expected to be approximately \$80 million, including approximately \$50 million for facility expansion projects. We completed share repurchases of \$17 million net of share issuances during the quarter, bringing our total share repurchases net of issuances to \$62 million for the year. We may make further opportunistic share repurchases going forward.

A few final comments, looking forward to the rest of the year. On Page 11 of our slide deck, we note our 6-week booking average by segment. These are the 6-week average bookings through last week, July 17. Based on current exchange rates and the same volume and mix of products and sales by currency as last year, the effective exchange is currently expected to be negligible on sales and a headwind of approximately 1% on earnings in 2020.



Unallocated corporate expenses are expected to be approximately \$30 million for the full year 2020 and can vary by quarter. The effective tax rate is expected to be approximately 20% to 21% for the full year, excluding the effect of onetime items and any impact from excess tax benefits related to stock option exercises.

I'll turn the call over to Pat now for further comments.

---

**Patrick J. McHale** - Graco Inc. - President, CEO & Director

Thank you, Caroline, and good morning, everyone. Given the wild environment in the second quarter, I'll focus my commentary on our operational status, our strategic focus, sales trends as we progress through the quarter and make a few observations on end markets.

Our major factories and distribution centers remained fully operational during the second quarter. High-risk employees remained at home, and we've dealt with the positive COVID-19 cases that we have experienced at various facilities without disruption.

By reducing our use of temporary labor in certain factories and flexing our workforce to areas of greater need, we've largely been able to survive the quarter without resorting to lay offs or pay reductions. We had enough work in all of our major factories to keep our full-time people productive. Overall, I'm very pleased with the resolve our employees have shown and continue to show throughout this pandemic.

Consistent with what we told you during the first quarter call, we've continued full speed on our growth initiatives. Any expense reductions in the second quarter were the result of variable expenses, such as rebates and incentives as well as reduced spending on travel and prudent discretionary expense management. Spending on our initiatives for 2021 and beyond have continued as usual. This may put pressure on our short-term financial results, but will position us to capitalize when market conditions normalize.

Consolidated order trends improved sequentially throughout the quarter. However, the improvement has not been consistent between the segments. After a terrible April, our Contractor business rebounded with a very strong June, resulting in low single-digit growth for the quarter. Professional paint channel improved, as paint stores opened up to foot traffic. And the Home Center business has been on fire for most of the quarter, resulting in operational challenges to meet the demand spike. The outlook for the Contractor business is positive for the second half of the year.

Our Industrial business, on the other hand, experienced marginal improvement after the business tanked in April. Access to customer facilities is slowly improving and quoting activity has increased in many sectors or we've yet to see a significant bounce back in orders. Automotive is weak globally, industrial production is down, oil and gas is weak, and uncertainty continues to weigh on the capital equipment appetite of most end users. The outlook for Industrial remains cloudy, and I'm not overly optimistic about the second half.

Our Process business didn't drop as severely in April. And despite being down double digits for the quarter, we've seen some positive end market trends. Within this business, we have stronger end markets such as semiconductor and environmental, and weaker end markets such as our lubrication business, which has performed comparably to our Industrial segment. With a wide range of end market exposures, our outlook for the second half remains uncertain.

I'm comfortable that our approach of continuing to invest in our growth strategies, such as new product and new market development, will position us nicely to drive strong results once things normalize. We used a similar approach during the 2008-2009 crisis and our investors were subsequently rewarded and we look to repeat this again.

Operator, we're ready for questions.

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from Deane Dray with RBC Capital Markets.

---

**Deane Michael Dray** - RBC Capital Markets, Research Division - MD of Multi-Industry & Electrical Equipment & Analyst

Maybe we can start with contractor demand and the uptick there. Can you characterize how much of that was just pent-up demand ratcheting back versus some indication of underlying market demand?

---

**Patrick J. McHale** - Graco Inc. - President, CEO & Director

Yes. It's pretty hard to tell. I mean, obviously, that there are segments of the market that are doing pretty well, as you've seen, if you looked at some of the recent data. And if you look at our most current 6 week bookings trend, they continue to look really strong. So there's probably some combination in there, but I don't think there's any way to actually measure it.

---

**Deane Michael Dray** - RBC Capital Markets, Research Division - MD of Multi-Industry & Electrical Equipment & Analyst

Good. And then can you flesh out the issue on the supply chain? And was this all in the home center? Are there component shortages? Or is it just the opening up of all your suppliers and their operational capacity?

---

**Patrick J. McHale** - Graco Inc. - President, CEO & Director

No, we've been hanging in there, but it's been tight, and that's really -- we've been doing a lot of scrambling. So far, we haven't run out of parts, but it's a substantial increase from our normal run rate. And we just wanted to flag that we're working hard to try to keep things going.

---

**Deane Michael Dray** - RBC Capital Markets, Research Division - MD of Multi-Industry & Electrical Equipment & Analyst

So just to be clear, that it's stretched, but it's not like you're missing any sales. Is that fair?

---

**Patrick J. McHale** - Graco Inc. - President, CEO & Director

Not because of the supply of components. We do have labor challenges as well. So we're working through that. But hopefully, we'll continue to pump units out.

---

**Deane Michael Dray** - RBC Capital Markets, Research Division - MD of Multi-Industry & Electrical Equipment & Analyst

Great. Just last question from me is what of the lessons or observations you've seen in China as they ramp back up and are we approaching anything that you would consider to be a normalized demand yet?

---

**Patrick J. McHale** - Graco Inc. - President, CEO & Director

I would say, no. And I don't think China can normalize with the rest of the world being screwed up. I really believe that there's enough of production that's tied to demand globally that you're just not going to see "normal China" until Europe and the U.S. are both running more normally.

---

**Operator**

We'll take our next question from Matt Summerville with D.A. Davidson Company.

---

**Matt J. Summerville** - *D.A. Davidson & Co., Research Division - MD & Senior Analyst*

A couple of questions. First, can you maybe comment, Pat, around the 6-week average bookings. Can you give some geographic color around those numbers a bit perhaps?

---

**Patrick J. McHale** - *Graco Inc. - President, CEO & Director*

Yes, we didn't break that out. But I would say generally, I believe that Asia Pacific could continue to be lumpy. That's a project-based business. So I'm not sure we can read a whole lot into what's going on with the Asia Pacific. Hopefully, Europe has bottomed. There have been some positive signs here recently that the European business is healing up as a lot of the shutdowns is discontinued. And of course, our North America business is heavily weighted by Contractor. So the good results in Contractor are making the 6-week bookings number in North America look pretty positive.

---

**Matt J. Summerville** - *D.A. Davidson & Co., Research Division - MD & Senior Analyst*

And then just on the Industrial side of the business, you mentioned auto, but can you maybe give a little bit more end market color in terms of what may be coming back faster versus that booking average? What maybe is coming back slower, obviously, auto is probably in the slower category? And then specifically, can you speak to what you're seeing in the Construction piece of a business as it pertains, again, I'm just talking about the Industrial segment here.

---

**Patrick J. McHale** - *Graco Inc. - President, CEO & Director*

Yes. So that's a little bit tricky because the products that we sell go through distribution and then go into a lot of different applications, so we make some kind of big estimates when we take a look at our end market exposures there. I think you probably would do better off just looking at the macro data in terms of automotive and industrial production to get a feel for what's happening in our Industrial business. But overall, it's soft. And customers are not welcoming with open arms a lot of visitors into their factories, which creates a challenge for us, especially getting our new products in front of customers and trying to upgrade them with products that they have that are already working. So I think we're just going to have to be a little bit patient here in the second half and let things work out.

---

**Operator**

And our next question comes from Joe Ritchie with Goldman Sachs.

---

**Joseph Alfred Ritchie** - *Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst*

Maybe going back to the bookings numbers for a second. I know we don't have the perfect information, but it was super helpful to get the 6-week average. If I look at the Industrial business, down 26% in June and the 6-week average being down 17%. I mean, if I just take a simple average for the last 3 weeks in July and just assumed Industrial is down, let's call it, down 8%. Is that the right way to be thinking about the improvement from June into July across each one of the segments?

**Patrick J. McHale** - Graco Inc. - President, CEO & Director

So if I were you, I just look at it as a data point. I would try to get too detailed about what it may or may not mean. It's only a 6-week number, and we've got puts and takes and projects and year-over-year comparables. I think if you look at the trend, April, May, June and last 6 weeks, it looks favorable, and I think that's probably the most you ought to read into it.

---

**Joseph Alfred Ritchie** - Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst

Okay. Fair enough. And maybe just kind of following on there. And again, not trying to read too deeply into it, but is it fair to say that July has gotten better than June?

---

**Patrick J. McHale** - Graco Inc. - President, CEO & Director

Say that again?

---

**Joseph Alfred Ritchie** - Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst

Is it fair to say that July then has gotten better than June? It would appear so given the 6-week component?

---

**Patrick J. McHale** - Graco Inc. - President, CEO & Director

Yes, that's what the 6-week bookings would show.

---

**Joseph Alfred Ritchie** - Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst

Okay. Great. And then you guys gave us some colors around decrementals for second quarter, and we're able to achieve that. As you're thinking through the second half of the year, I know some of it is going to be demand dependent, but how are you guys thinking about decremental margins in 2H?

---

**Mark W. Sheahan** - Graco Inc. - CFO & Treasurer

I think they should be similar to what we laid out for you guys after the first quarter. They're pretty much lined up that way. So it's really dependent on revenue and where the revenue comes in. And if we have declines in revenue, you'll see declines in margins that should mirror what we had originally said.

---

**Joseph Alfred Ritchie** - Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst

Okay, okay. Great. Got it. And then maybe last -- one last question on Contractor. Obviously, super strong trends recently. I guess, maybe to ask that question a little bit differently around what you're seeing in the segment. I guess, is there any sell in that's happening where supply chains did get constrained and now you're having kind of like restock inventory in the channel? Is there -- do you have any kind of visibility into that? And is that helping the growth rate at this point?

---

**Patrick J. McHale** - Graco Inc. - President, CEO & Director

Yes. In terms of our actual revenue number, I don't believe that, that's part of the equation. The shelves aren't overly full, put it that way.

---

**Operator**

We'll take our next question from Mike Halloran with Robert W. Baird & Company Inc.

---

**Michael Patrick Halloran** - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research & Senior Research Analyst*

So the Contractor piece here, lots of moving pieces. Some -- always strong end to market demand, bringing on new products. But also a lot of variability in the end market demand. Maybe, Pat, just some comments on how you're thinking about the end consumer, as we sit here over the next 6 to 18 months weighing unemployment versus the surge in DIY? And what you think it means for your business beyond just the second half?

---

**Patrick J. McHale** - *Graco Inc. - President, CEO & Director*

Yes, it's an interesting question. It's hard to figure that one out. My own personal observations are, is this "work-from-home" means work some from home and work some on your home. There's lots of paint sprayers being sold right now. And if you took a look at our mix across Contractor, our mix across Contractor tends towards the smaller units at the present time rather than the large units that we might sell-in to say a municipality or something like that. It could go a couple of different ways. It could be that people are buying ahead on a project that they were going to do next summer or this fall. But another very likely scenario is, there are a lot of people spraying that weren't going to spray and never sprayed before, which will be fantastic for us because there's a really large market opportunity of people that don't spray and the fact that the demand is good right now. People should be having a great experience with our products. They should be telling their neighbors. And hopefully, the other side of the coin here is that there's a larger pie that we can work from going forward. So we'll have to kind of see. I mean, it's early, and there's so many moving right now and nobody knows, but that's kind of what I'm seeing.

---

**Michael Patrick Halloran** - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research & Senior Research Analyst*

That's helpful. And on the Industrial side, I think, prepared remarks expressed, not particularly optimistic about the back half of the year. You've already kind of hatched the sequential trends over the last 6 weeks being better than what they were before that. Just curious, the optimism -- the lack of optimism, it's not necessarily you're expecting things to get worse. I mean do you think things have bottomed and we're just going to kind of float along for a little while? Or are you thinking something different?

---

**Patrick J. McHale** - *Graco Inc. - President, CEO & Director*

I don't expect us to test lows that we had in that kind of April, May time frame. I mean, obviously, we could, nobody knows what's going to happen with the pandemic and how people react. But my view is that, that was a pretty severe reaction. And typically, when you see those, you see some sort of a bounce back. And I think the real question going forward is, is how long is the healing process and what does that look like? But I'm not overly concerned that we're going to go back and test new lows.

---

**Michael Patrick Halloran** - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research & Senior Research Analyst*

Makes sense. And then one last question. The new product introduction, the SaniSpray. One, what do you think the opportunity set there is there? And then two, just which division is that in? Is that in Industrial piece? Or is that in the Contractor piece?

---

**Patrick J. McHale** - *Graco Inc. - President, CEO & Director*

We've got that in more than one division, but the lion's share at the moment is coming out of the Contractor business. That's a new space for us. We can see some data on what the opportunity was back before that was COVID. And I would say it was modest, and it wasn't a market that we



were really focused on. However, with all the changes in the last 3 months, obviously, the potential for that segment looks a lot more interesting. And the CED division decided to reallocate resources to try to capture some of that business.

So I really have no idea at this point what the long-term potential of that is. And I think we're going to learn more over the course of the next few months. And I think we'll even learn more when the pandemic starts to subside. Are people going to continue to sanitize? Or as people get comfortable with the fact that it's either here to stay? Or we get a vaccine? Are they going to go back to the old ways? And a lot of people are talking about a new normal. So I think that there's one scenario that says there's going to be a lot more sanitization and disinfecting opportunity going forward than there has been in the rear. And if that's the case, then that would be good for us.

---

**Operator**

Next question comes from Jeffrey Hammond with KeyBanc Capital Markets Inc.

---

**Jeffrey David Hammond** - *KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst*

Just on the Contractor bookings, maybe you can remind us what the mix is between DIY and Professional and just kind of spike out how starkly different maybe the booking rates are between those two categories?

---

**Mark W. Sheahan** - *Graco Inc. - CFO & Treasurer*

Yes, Jeff, this is Mark. We don't break out the differences in booking rates or the product categories between the Home Center business and the Pro part of the business. I think the commentary that we've had was that the Home Center business was actually pretty hot during the quarter. And then the Pro business, really, we didn't see that pick up until the June time frame.

---

**Jeffrey David Hammond** - *KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst*

Okay. And then just why now on the Alco business? And how do you think about your other kind of oil and gas facing businesses?

---

**Patrick J. McHale** - *Graco Inc. - President, CEO & Director*

So the why now on Alco? Really, we've worked really hard for a long period of time trying to fix that business. We took a big write-off on it back in 2016. It was an ill timed purchase with oil at \$125 a barrel. And we were just never able to get that thing going. We actually -- about 1 year, 1.5 years ago, we put a couple of Graco resources over there that we -- in kind of a last ditch effort to turn it around, and we weren't successful. So with our outlook on the oil and gas market not being very positive and finally getting tired of losing money, we just decided it was a good time to flush the toilet.

---

**Jeffrey David Hammond** - *KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst*

Are the other oil and gas facing businesses much more profitable, and that's a unique asset?

---

**Patrick J. McHale** - *Graco Inc. - President, CEO & Director*

So we really only have 1 significant other oil and gas business. We do have a fair amount of oil and gas business that we do with products that are made in our Industrial divisions. And those tend to be in kind of more stable sectors. And while we have ups and downs in there, they're not as directly related to production. The other business that we have that is, I'll say, oil and gas exposed, also, is exposed to a fair number of other industries. And that business has performed well since we bought it. And it's been performing pretty well through the cycle. It's remained nicely

profitable. And although it does take its lumps on the top line when oil and gas market goes bad. It doesn't generate any kind of losses or poor profitability for us. So overall, I feel like we're positioned okay right now in terms of not having anything that's really large that stinks.

---

**Operator**

Our next question comes from Bryan Blair with Oppenheimer & Company.

---

**Bryan Francis Blair** - *Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst*

Circling back on the 6-week bookings data a little bit to level set there, was there anything unusual in the prior year period? I'm thinking specifically on Industrial, but your system business can cause some lumpiness, both positively and negatively?

---

**Mark W. Sheahan** - *Graco Inc. - CFO & Treasurer*

Nothing comes to mind, Bryan. I think it should be pretty self-explanatory there. There's improvement. But with the big caveat that it's a short time period and there can be some choppiness here and there, but there's nothing significant that I remember during that time period.

---

**Bryan Francis Blair** - *Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst*

Okay. Got it. And then can you offer a quick update on your M&A funnel and maybe the potential for deal flow to accelerate in the back half? We've heard from a few companies that seller expectations have become a little more reasonable. Just curious if that applies to your pipeline?

---

**Mark W. Sheahan** - *Graco Inc. - CFO & Treasurer*

We haven't seen that yet, Bryan. I hope we do. But I think that the pipeline -- we have the pipeline, it's still there. The number of businesses that are actually raising their hands and saying that they want to be acquired right now is still very small. Most of the external people that we talk to, bankers, et cetera, would agree that the market is really quiet right now. So if the expectations have come down and the market comes back, we're ready to go. But for now, I think it's pretty quiet.

---

**Operator**

Our next question comes from Walter Liptak with Seaport Global Securities LLC.

---

**Walter Scott Liptak** - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

I wanted to ask about the Contractor growth. And I wonder if there's a way to think about it, new products versus the market growth? And specially, you talked a little bit about the SaniSpray. Was that material enough to move the needle on the growth rate? Because we're hearing that some of your distributors sold out of the product and wondering how you're going to meet demand in the back half with virus cases going up?

---

**Patrick J. McHale** - *Graco Inc. - President, CEO & Director*

Yes. The majority of the business sold out of Contractor year-over-year is the core product line, and then we have a nice little bump with our good product development projects that we have in CED. So I think that probably, you'd look at this year, if you looked at the numbers and you'd say it looks relatively normal. In terms of specifically the SaniSpray, it did give us incremental sales, but it's not reflective it's not like making up for a bad



Pro Paint market or a bad Home Center market. Both those markets -- as Mark talked to you about Home Center has been good all quarter with or without any SaniSpray and Contractor business came back sharply in June, again, with or without SaniSpray.

So we look at the overall end market, and we need to sell our core products. If we get some incremental on the SaniSpray, that will be nice, and we did get a little bit, but that's not carrying the boat for us.

---

**Walter Scott Liptak** - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay. Got it. And then on share repurchase, can you remind us what's left on the share repurchase program?

---

**Mark W. Sheahan** - *Graco Inc. - CFO & Treasurer*

I think we have about 18.5 million shares remaining under that program.

---

**Operator**

(Operator Instructions) At this time, there are no further questions. I will now turn the conference over to Pat McHale.

---

**Patrick J. McHale** - *Graco Inc. - President, CEO & Director*

All right, everyone. Well, thanks for joining the call. Quite an interesting quarter, an interesting time, as I'm sure you would agree. And we're going to keep doing our thing and look forward to talking to you again in a few months.

---

**Operator**

This concludes our conference for today. Thank you all for participating, and have a nice day. All parties may now disconnect.

---

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Thomson Reuters. All Rights Reserved.