



Investor Presentation

First Quarter 2019



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.

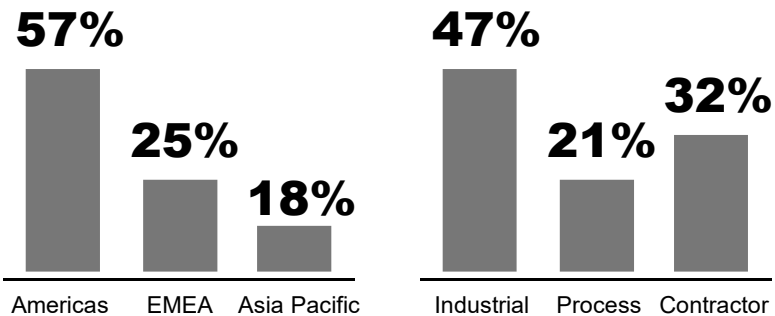
Distribution of Global Sales



Worldwide

\$405 M

First Quarter 2019



Americas

35%



Industrial

25%



Process

40%



Contractor



EMEA

58%



Industrial

16%



Process

26%



Contractor



Asia Pacific

68%



Industrial

19%



Process

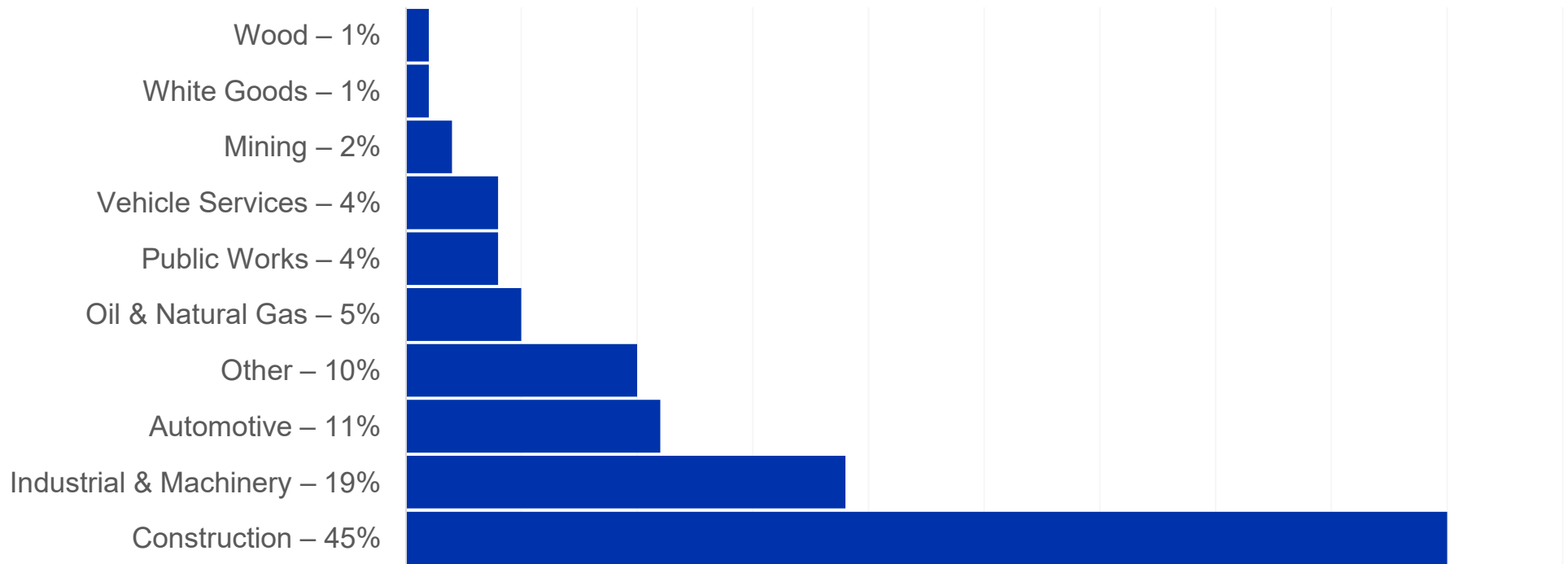
13%



Contractor

2018 Sales by End Market

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Company Overview



- ▶ Part of Your Everyday Life
- ▶ Diversified Fluid Handling Business
- ▶ Driving Value, Customer ROI
- ▶ Strategic Initiatives
- ▶ Organically Driven, with Exceptional Returns



Graco is part of your
everyday life.





Graco is part of your
everyday life.



Diversified Fluid Handling Business



Niche

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

6%+

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		2018 Sales (\$ in millions)	
0 - 1	59,400	93%	\$ 820	50%
2 - 5	2,900	5%	\$ 295	18%
6 - 10	800	1%	\$ 129	8%
11 - 15	300	0%	\$ 55	3%
Greater than 15	800	1%	\$ 354	21%
Graco 2018	64,200		\$1,653	

Highly-valued products at low volumes

50%
of our revenue comes from products that we sell

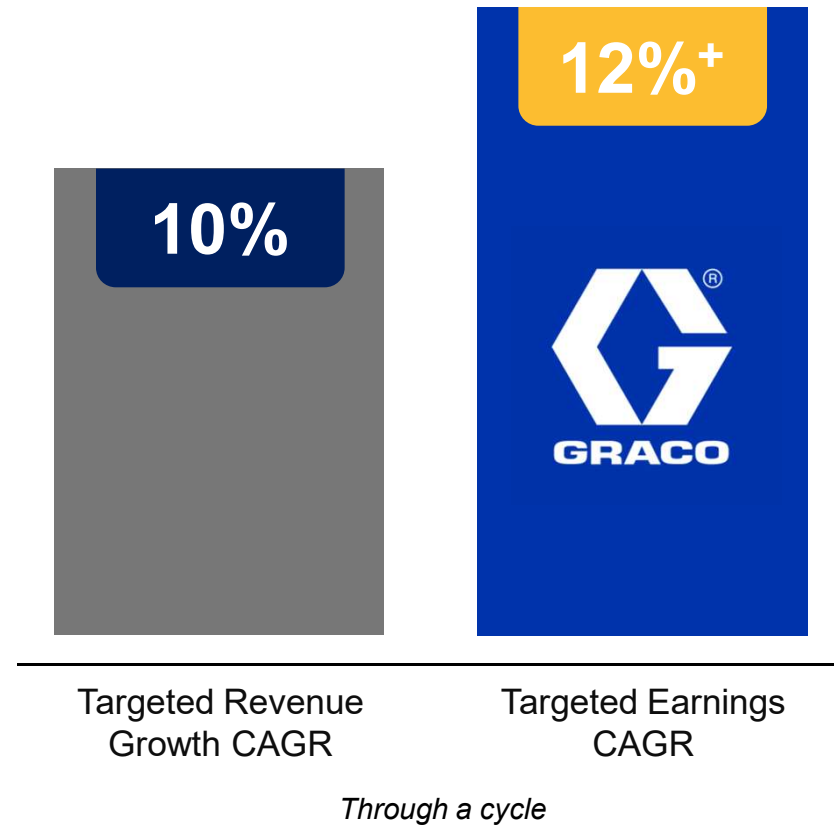
zero to one per day

Growth Plans and Earnings Drivers

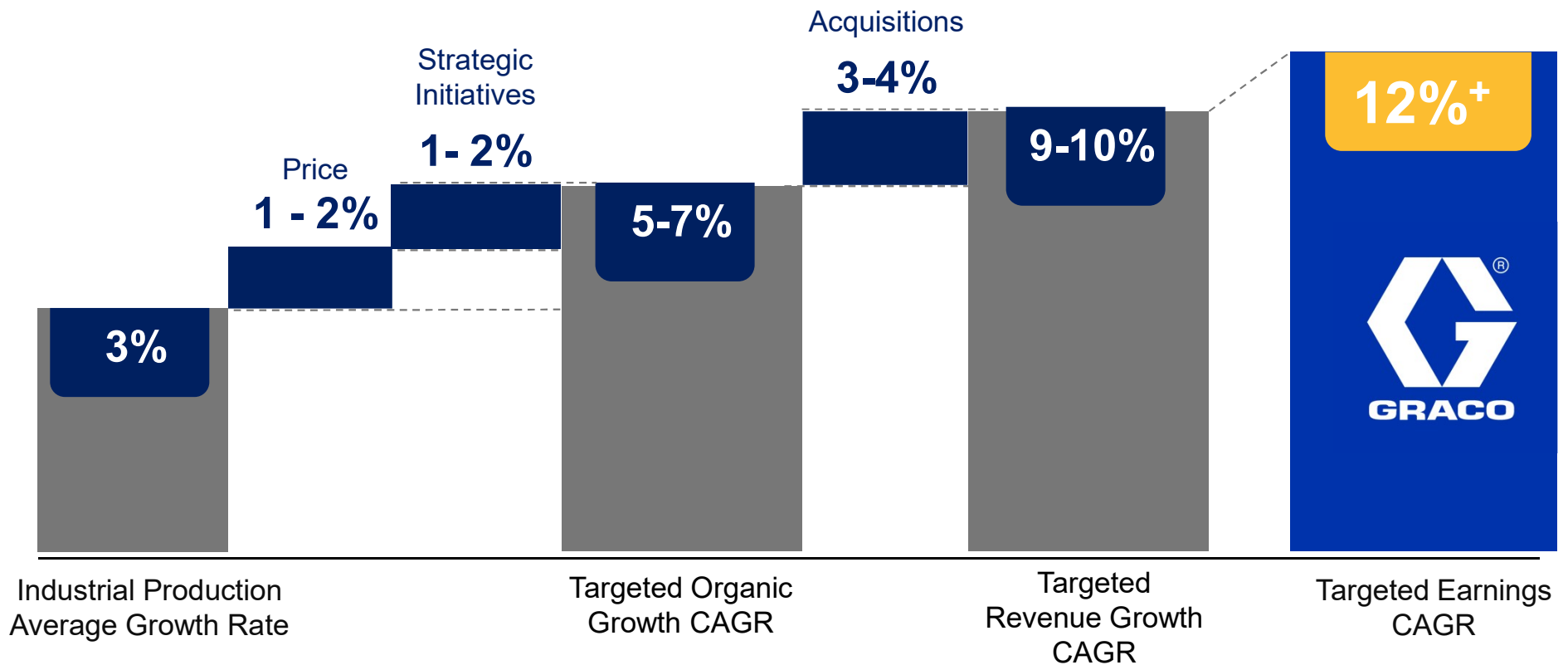
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Strategic Initiatives

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



Growth Plans and Earnings Drivers





Exceptional Returns

6%+

Organic Revenue CAGR

31%

Return on Invested Capital

51%

Return on Equity

20%

Return on Assets

Based on a 20-year average, constant currency

Business Model

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- ▶ 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 **2.5X***
our peer group

4.3%*
as a percent of sales
vs. peers at 1.6%

* Peers: ITW, CSL, DOV, CFX, IEX, NDSN, WTS, FLS, based on a 5-year average, 2014 - 2018



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

95%+

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

Key End Markets

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

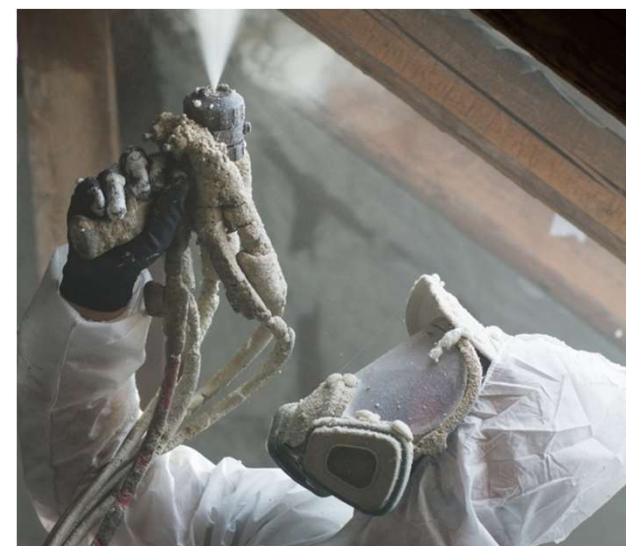
Growth Drivers & Trends

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

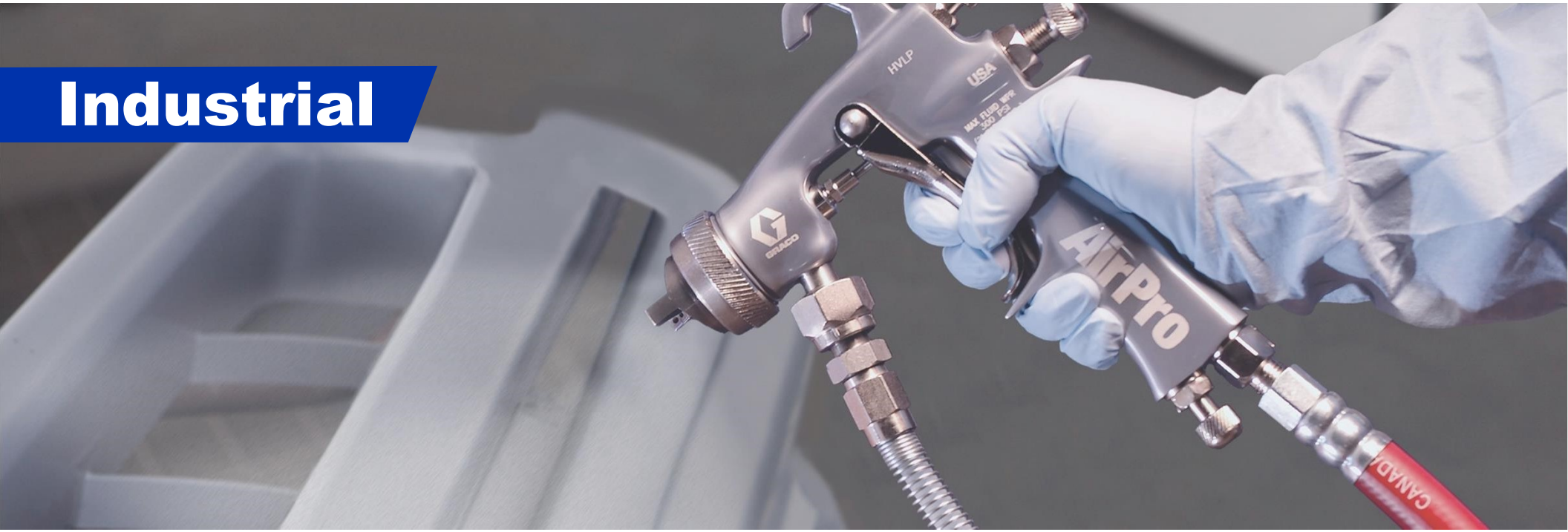
Select Representative Industry Participants:

Public : Nordson, Carlisle, Exel

Private: Wagner and many other regional players



Industrial



2019 Q1 Performance

\$189M

▼ Segment Revenue

FLAT

Organic Growth Rate

34.5%

▼ Operating Margin
- 90 basis points



New

Intelligent Paint Kitchen – Expanded Offering

- ▶ Reduces downtime & cuts energy costs
- ▶ Controls both electric and pneumatic systems
- ▶ Remote monitoring capable
- ▶ Scalable – start with pneumatic, upgrade to electric when ready

Industrial



New

Pro Xp™ Electrostatic Guns

- ▶ 50 new gun models to meet customer's spraying needs
- ▶ Pro Xp waterborne gun reduces equipment costs and improves transfer efficiency
- ▶ Improved durability, ease of adjustments, and spray performance

Industrial

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



Process



2019 Q1 Performance

\$87M

▲ Segment Revenue

10%

▲ Organic Growth Rate

23.0%

▲ Operating Margin
+90 basis points

New

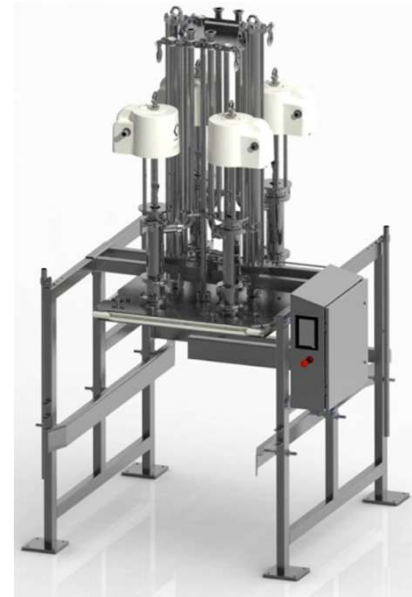


Pulse FC™ Fluid Control

- ▶ Wire-free fluid control
- ▶ Simple to use PC software with programmable cards for system set up & operation
- ▶ Allows facility owners to authorize all dispenses and collect fluid totals

Process

New



SaniForce® 2.0 – Unloaders

- ▶ Saves time and money by pumping difficult materials quickly and safely
- ▶ Range handles low to high viscosity materials
- ▶ Featuring both manual and automatic controls

Process

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



Contractor



2019 Q1 Performance

\$129M

▼ Segment Revenue

Flat

Organic Growth Rate

20.6%

▼ Operating Margin
- 340 basis points

New BLUE-LINK



PAINTERS ARE ABLE TO MAXIMIZE UPTIME



NEW CONSTRUCTION



HOME REMODEL



HOSPITAL EXPANSION



MANAGERS ARE ABLE TO UNDERSTAND JOB PROGRESS



Live

sprayer performance

Track

Every sprayer

Job

progress & productivity

Maximize

Spray time

New



Small to Large Electric Sprayer Upgrade

- ▶ Upgraded to include the new Contractor PC™ spray gun
- ▶ BlueLink™ system on board most models
- ▶ Some models upgraded to include new Vortex™ MaxLife® pumps



Contractor

New

All Day Striping on a Single Charge



LineLazer® & LineDriver® ES

- ▶ No engine noise or exhaust fumes
- ▶ No engine vibration for crisper lines
- ▶ Can be used indoors and outdoors
- ▶ Stripe up to 60 gallons on a single charge
- ▶ Automatic parking lot layout and skip line patterns





Capital Allocation

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Long-Term Cash Deployment Priorities

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Organic Growth

- ▶ International footprint
- ▶ Product development
- ▶ Production capacity and capabilities

Acquisitions

- ▶ Supplement to organic growth
- ▶ Leverage our strengths

Shareholder Return

- ▶ Solid dividend history
- ▶ Approximately 21 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

GRACO



Acquisition

► Process



2013



2014



2015



2015



2016





Financial Results



Financial Performance March YTD

0%

Revenue Growth

53.4%

Gross Margin

4%

EPS Growth

1%

Net Income Growth

(As Reported)

Financial Results

Statement of Earnings

\$ in millions except per share amounts

	First Quarter		
	2019	2018	Change
Sales	\$ 405	\$ 406	0 %
Gross Profit	216	222	(3)%
% of Sales	53.4 %	54.7 %	(1.3) pts
Operating Earnings	105	112	(6)%
% of Sales	25.8 %	27.5 %	(1.7) pts
Net Earnings	\$ 87	\$ 86	1 %
% of Sales	21.4 %	21.0 %	0.4 pts
Diluted Earnings Per Share	\$ 0.51	\$ 0.49	4 %
<i>Diluted Shares in Millions</i>	170.9	175.6	
<i>Net Earnings, Adjusted (1)</i>	\$ 80	\$ 84	(5)%
<i>Diluted Earnings Per Share, Adjusted (1)</i>	\$ 0.47	\$ 0.48	(2)%

(1) Net earnings and diluted earnings per share for 2019 and 2018 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 benefits related to stock option exercises and additional benefit from tax planning activities 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	First Quarter		Change
	2019	2018	
Income taxes, as reported	\$ 14.0	\$ 21.9	(36)%
Excess tax benefit from option exercises	5.1	1.4	
Other non-recurring tax changes	1.5	-	
Income taxes, adjusted	<u>\$ 20.6</u>	<u>\$ 23.3</u>	(12)%
Effective income tax rate			
As reported	14%	20%	
Adjusted	20%	22%	
Net earnings, as reported	\$ 86.7	\$ 85.5	1 %
Excess tax benefit from option exercises	(5.1)	(1.4)	
Other non-recurring tax changes	(1.5)	-	
Net earnings, adjusted	<u>\$ 80.1</u>	<u>\$ 84.1</u>	(5)%
Weighted Average Diluted Shares, in millions	170.9	175.6	
Diluted Earnings per Share			
As reported	\$ 0.51	\$ 0.49	4 %
Adjusted	\$ 0.47	\$ 0.48	(2)%

First Quarter 2019 Results

Sales	<ul style="list-style-type: none"> ▶ Modest underlying growth was offset by currency translation rates compared to last year
Gross Margin	<ul style="list-style-type: none"> ▶ Rate down 1.3 percentage points from first quarter 2018 <ul style="list-style-type: none"> ▪ Unfavorable effect of currency translation driving half of the decrease, realized pricing partially offset adverse impacts of higher material costs and unfavorable channel and product mix
Operating Earnings	<ul style="list-style-type: none"> ▶ Decreased \$7 million, or 6%, from first quarter 2018 <ul style="list-style-type: none"> ▪ Currency translation rates decreased operating earnings by approximately \$6 million ▪ Higher unallocated corporate expenses, primarily stock compensation ▪ Increases in underlying sales volume offset by unfavorable expense leverage, primarily product development
Other Expense	<ul style="list-style-type: none"> ▶ Decreased \$1 million, lower market-based pension costs partially offset by exchange losses on net assets of foreign operations
Taxes	<ul style="list-style-type: none"> ▶ The effective tax rate for the quarter was 14%, down 6 percentage points from first quarter last year <ul style="list-style-type: none"> ▪ Decrease due primarily to an increase in excess tax benefits related to stock option exercises and non-recurring tax benefits from other tax planning activities

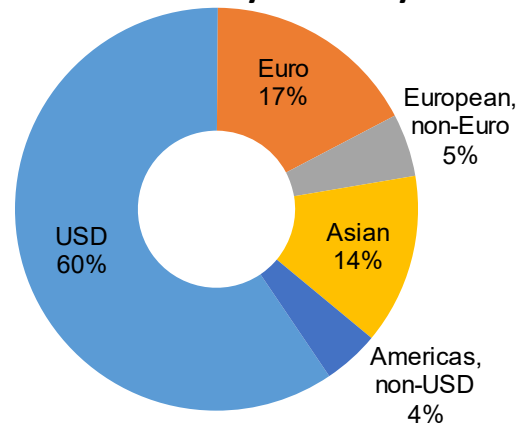
Financial Results

Components of Net Sales Change

First Quarter 2019

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	0 %	10 %	0 %	5 %	5 %	(8)%	2 %
Acquisitions	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Currency	(3)%	(1)%	(2)%	0 %	(7)%	(4)%	(2)%
Total	(3)%	9 %	(2)%	5 %	(2)%	(12)%	0 %










2019 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

Current Environment and Outlook

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

	Americas	EMEA	Asia Pacific	Worldwide
Current Environment	Sales Change Q1 2019 5%	Sales Change Q1 2019 5%	Sales Change Q1 2019 (8%)	Sales Change Q1 2019 2%
Industrial Segment	Environment Unchanged  Sales Change Q1 2019 10%	Environment Unchanged  Sales Change Q1 2019 3%	Environment Unchanged  Sales Change Q1 2019 (14%)	Sales Change Q1 2019 0%
Process Segment	Environment Unchanged  Sales Change Q1 2019 12%	Environment Unchanged  Sales Change Q1 2019 9%	Environment Unchanged  Sales Change Q1 2019 6%	Sales Change Q1 2019 10%
Contractor Segment	Environment Unchanged  Sales Change Q1 2019 (2%)	Environment Unchanged  Sales Change Q1 2019 5%	Environment Unchanged  Sales Change Q1 2019 9%	Sales Change Q1 2019 0%
Full Year 2019 Outlook	Outlook Unchanged Mid Single-digit	Outlook Unchanged Mid Single-digit	Outlook Lowered Low Single-digit	Outlook Unchanged Mid Single-digit

The Company continues to target mid single-digit organic sales growth on a constant currency basis, and growth in all reportable segments and regions for the full-year 2019

Q1 2019 Other Items

Cap. Ex.	<ul style="list-style-type: none"> ▶ Capital expenditure expectations of approximately \$40 million in 2019, excluding brick and mortar. Current estimate of 2019 building projects to increase production and distribution capacity is approximately \$110-\$115 million <ul style="list-style-type: none"> ▪ Additional building project investments of approximately \$35 million anticipated in 2020 - 2021
Expenses	<ul style="list-style-type: none"> ▶ Unallocated corporate expenses in 2019 are expected to be approximately \$31 million
Shares	<ul style="list-style-type: none"> ▶ During first quarter 2019, we made no share repurchases. 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 2018, the unfavorable movement in foreign currencies would be a headwind on 2019 of approximately 1% on sales and 3% on earnings, with the greatest headwind in the first two quarters <ul style="list-style-type: none"> ▪ Second quarter 2019 headwind could be as much as 2% on sales and 4% on earnings
Taxes	<ul style="list-style-type: none"> ▶ The effective tax rate for the second quarter and the full year is expected to be between 20% and 21%, excluding any impact from excess tax benefits related to stock option exercises
Tariffs & Materials	<ul style="list-style-type: none"> ▶ Incremental impact of tariffs and higher material costs expected to be approximately \$21 million, excluding tariff increase from 10% to 25% of approximately \$5 million currently on hold



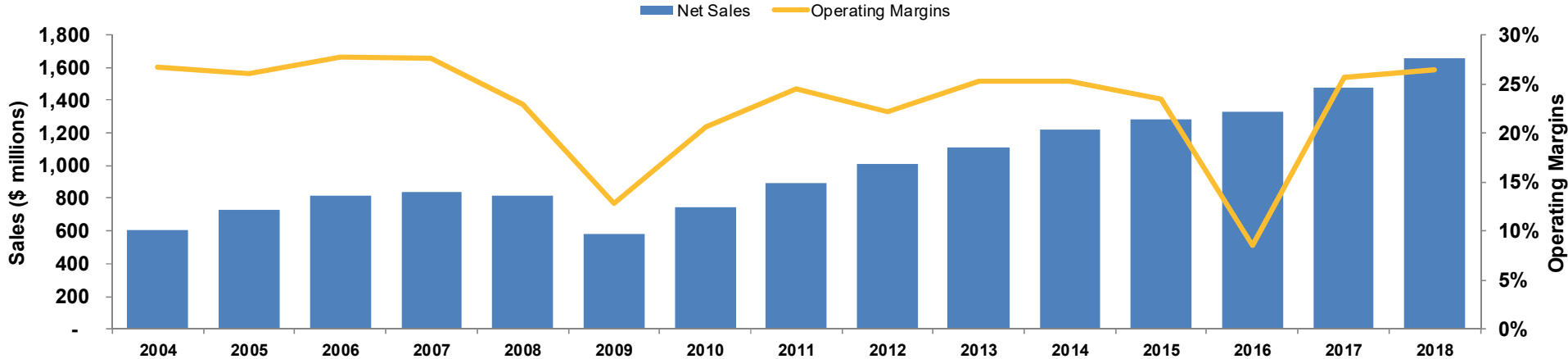
Financial Summary

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- ▶ 2018 Appendix

Financial Performance

Sales and Operating Margin, as Reported



Diluted
EPS

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$0.52	\$0.60	\$0.72	\$0.77	\$0.66	\$0.27	\$0.56	\$0.77	\$0.81	\$1.12	\$1.22	\$1.95	\$0.24	\$1.45	\$1.97

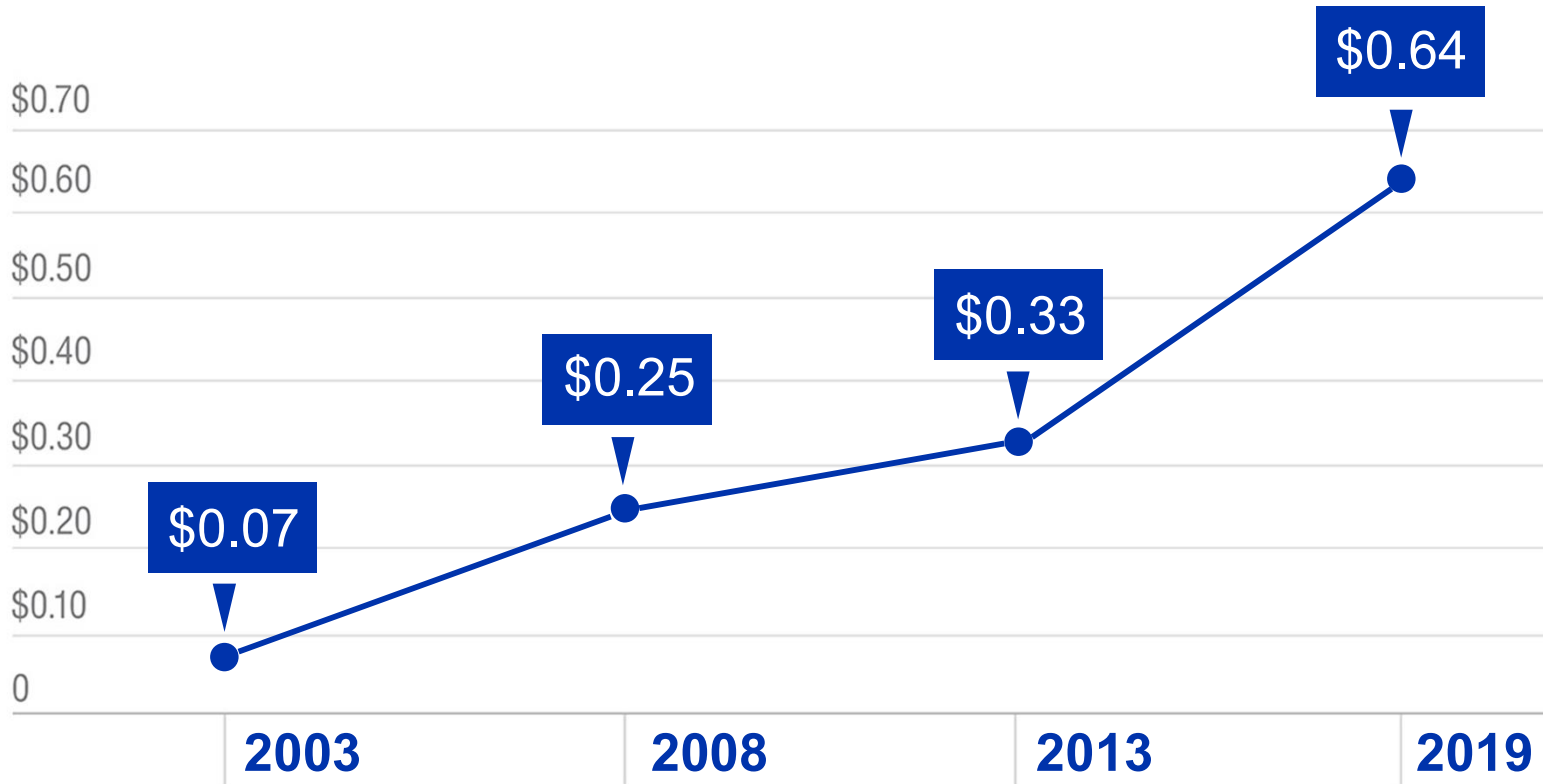
As Adjusted

Diluted
EPS

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$0.52	\$0.60	\$0.72	\$0.77	\$0.66	\$0.27	\$0.56	\$0.77	\$0.81	\$1.12	\$1.22	\$1.15	\$1.18	\$1.43	\$1.88

Stock Dividend Growth

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Dividends
adjusted for
stock splits

Strong Cash Generation

(\$ Millions)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Cash Flows	\$ 368	\$ 338	\$ 276	\$ 190	\$ 241	\$ 243	\$ 190	\$ 162	\$ 101	\$ 147
% of Net Income	108%	134%	679%	55%	107%	115%	127%	114%	98%	300%
Capital Expenditures	54	40	42	42	31	23	18	24	17	11
Free Cash Flow	\$ 314	\$ 298	\$ 234	\$ 148	\$ 210	\$ 220	\$ 172	\$ 138	\$ 84	\$ 136

2016 – Impairment of Intangibles, net of tax, charge of \$161 million was reflected in net income. \$191 million and related change in deferred taxes (\$31) million included in adjustments to reconcile net earnings

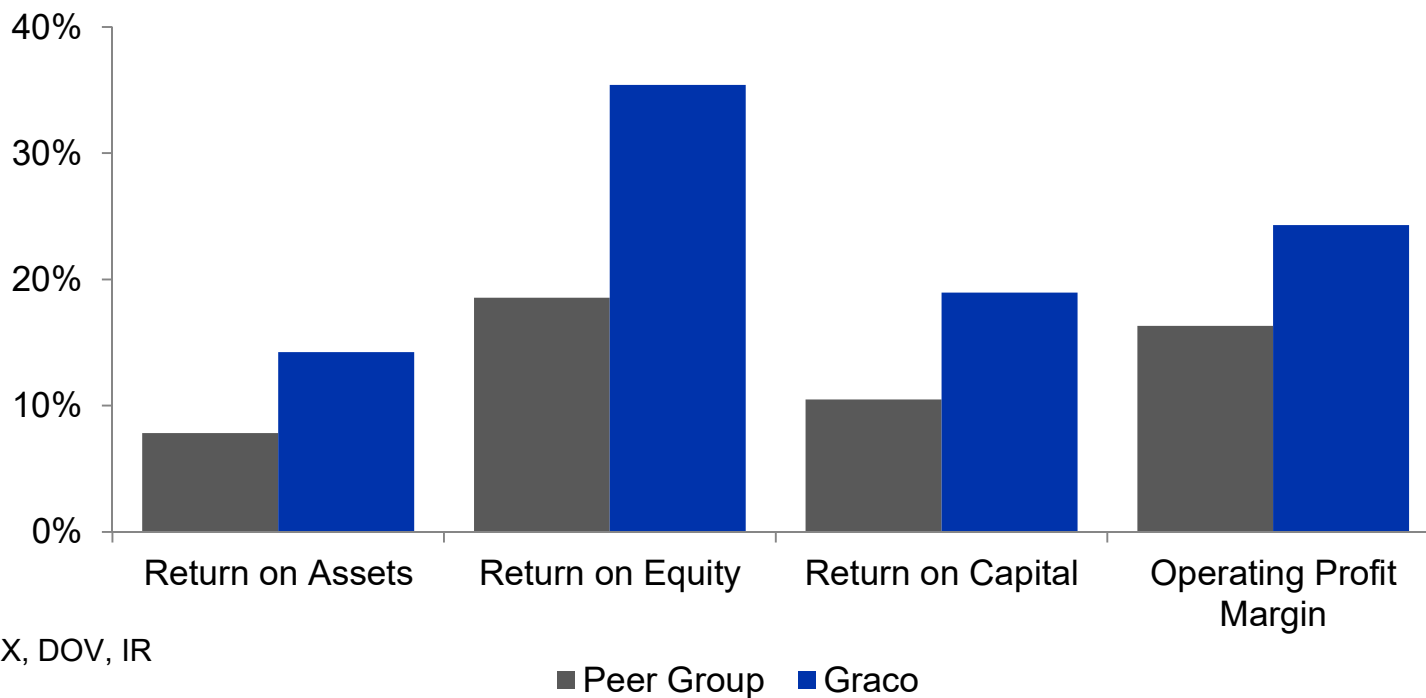
2015 – Divestiture of Liquid Finishing Held Separate assets net gain \$141 million reflected in net income; effect of taxes on the gain, transaction costs and Foundation contribution are included in operating cash flows

(\$ Millions)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Dividends	\$ 89	\$ 80	\$ 73	\$ 69	\$ 66	\$ 61	\$ 54	\$ 51	\$ 48	\$ 45
Acquisitions	11	28	49	189	185	12	667	2	-	-
Share Repurchases *	236	54	18	256	165	26	(29)	21	11	(6)
	\$ 336	\$ 162	\$ 140	\$ 514	\$ 416	\$ 99	\$ 692	\$ 74	\$ 59	\$ 39

* Net of shares issued

Capital Efficiency – 5 Year Average

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Note: 5-year average includes adjustment for 2016 impairment charge

Source: S&P Capital IQ

Peer Group: CSL, NDSN, IEX, DOV, IR



Move | Measure | Mix | Control | Dispense | Spray

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