



Investor Presentation

Third Quarter 2015

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 Part 1, Item 1A of the Company's Form 10-K, and the current Quarterly Report on Form 10-Q.



✓ Overview

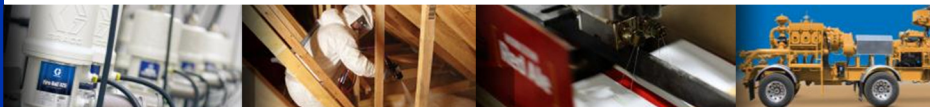
- ◆ Enduring Business Model
- ◆ Strategies for Long-Term Growth
 - Invest in New Products
 - Expand Geographically
 - Target New Markets
 - Make Acquisitions
- ◆ Company Performance

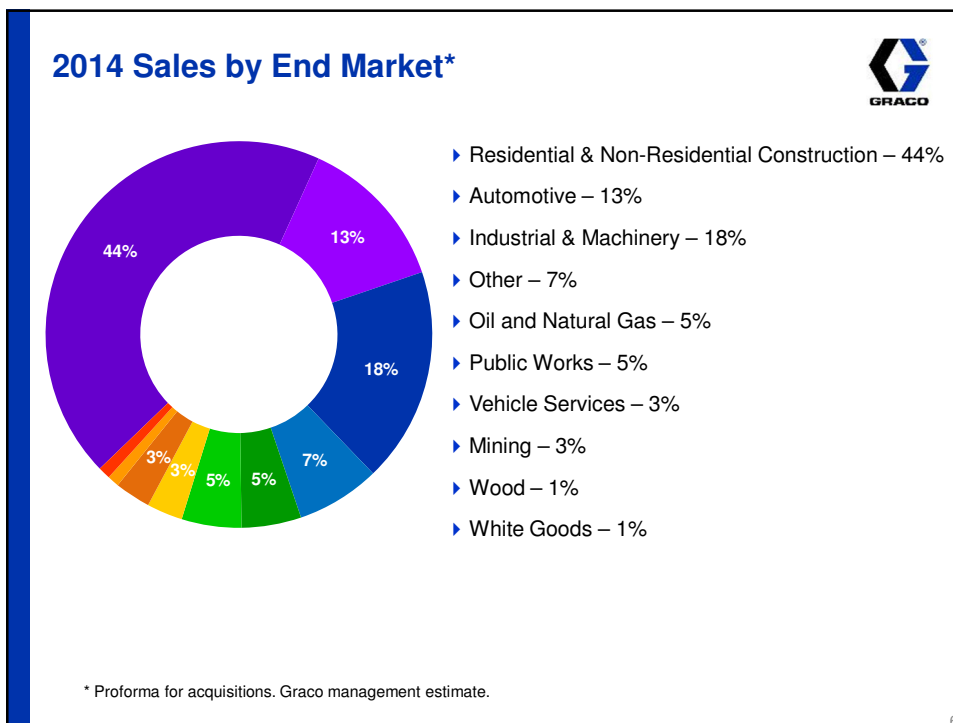
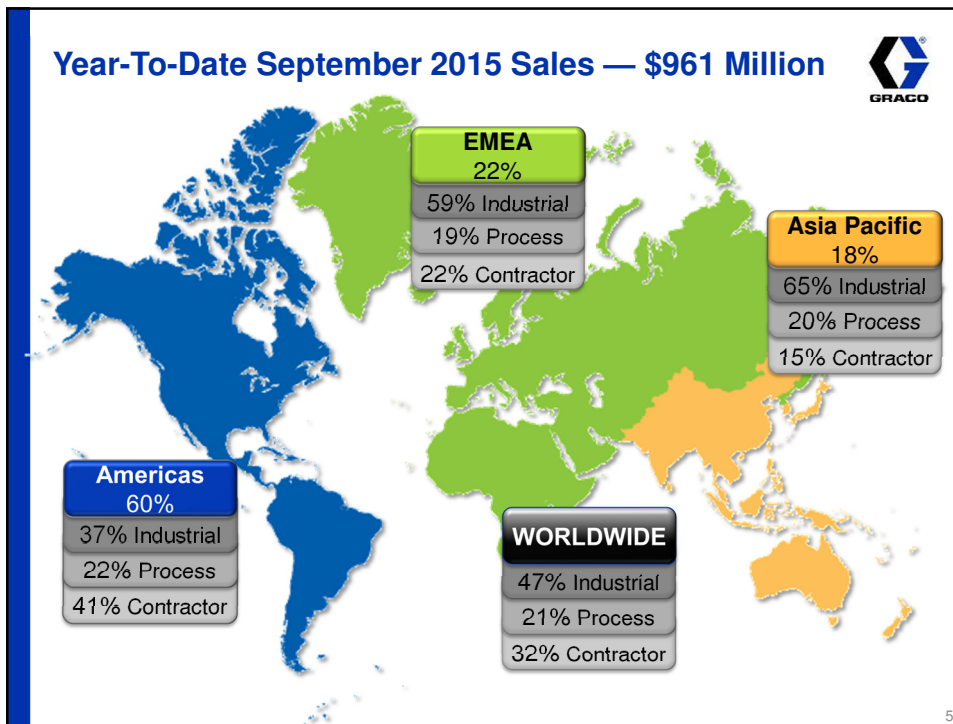
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Business Overview



- Graco manufactures premium equipment to pump, move, meter, mix and dispense a wide variety of fluids and coatings
 - Difficult to handle materials with high viscosities
 - Abrasive and corrosive properties
 - Multiple component materials that require precise ratio control
 - Serving a broad number of end markets
- A strong business formula for sustained margin generation
 - High customer value through product differentiation
 - Manufacturing and engineering drive cost savings, reliability and quality





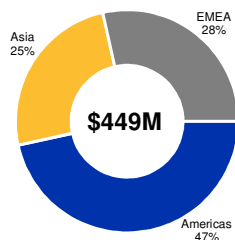
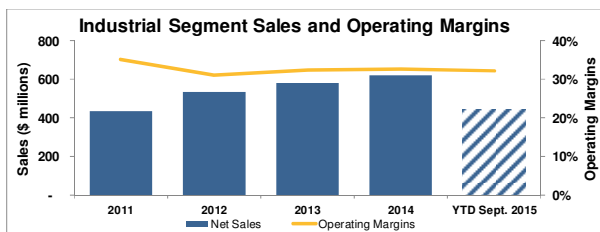
Industrial Equipment Segment



- Growth Drivers and Trends
 - Factory movements and upgrades
 - Integration of equipment with factory data and control systems
 - Reducing energy consumption
 - Material changes driving demand
- Other Representative Industry Participants
 - Exel, Wagner, Carlisle Companies and regional players



YTD Sept. 2015 Sales



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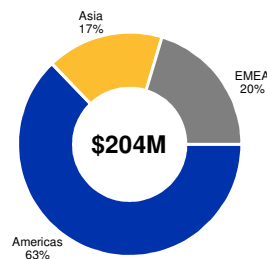
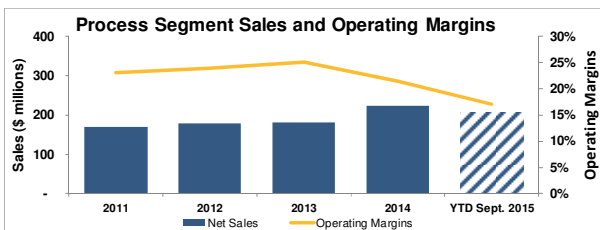
Process Equipment Segment



- Growth Drivers and Trends
 - Fill product lines for a single source solution
 - Targeting competition in the industrial lubrication market
- Other Representative Industry Participants
 - Idex, Dover, IR, Lincoln, Vogel, Bijur, Hannay, Coxreels, and regional players



YTD Sept. 2015 Sales



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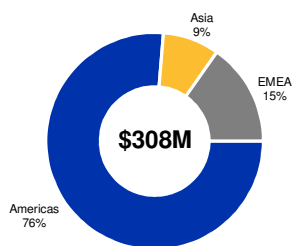
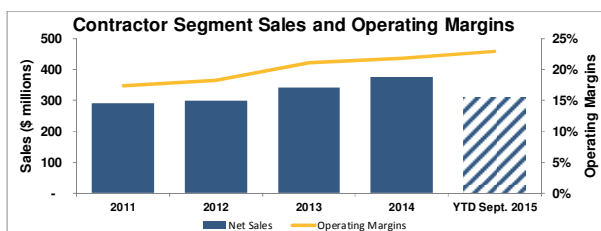
Contractor Equipment Segment



- Growth Drivers and Trends
 - Conversion of end users from manual application methods to equipment is a major focus outside North America
 - Application of texture & cementitious materials
 - Entry level product & channel expansion
 - Expanding pavement maintenance product line & channel
- Other Representative Industry Participants
 - Wagner, TTI, Campbell Hausfeld, Larius, Bedford, QTech, and regional players




YTD Sept. 2015 Sales



- ◆ Overview
- ✓ **Enduring Business Model**
- ◆ Strategies for Long-Term Growth
 - Invest in New Products
 - Expand Geographically
 - Target New Markets
 - Make Acquisitions
- ◆ Company Performance



- ## Manufacturing and Engineering Excellence
- 80%+ of production is based in the United States
 - High-quality, efficient, engaged labor force
 - Centralization allows for leverage of overhead
 - A currency mismatch of sales to COGS exists, however
 - Continuous improvement culture
 - Unique Graco cost-to-produce measurement tool
 - Ongoing capital investment
 - Plant efficiency
 - Cost reductions
 - Capacity
 - New product development initiatives include value engineering focus
 - Low overall warranty costs
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Low Volume, High Mix Delivers Customer ROI

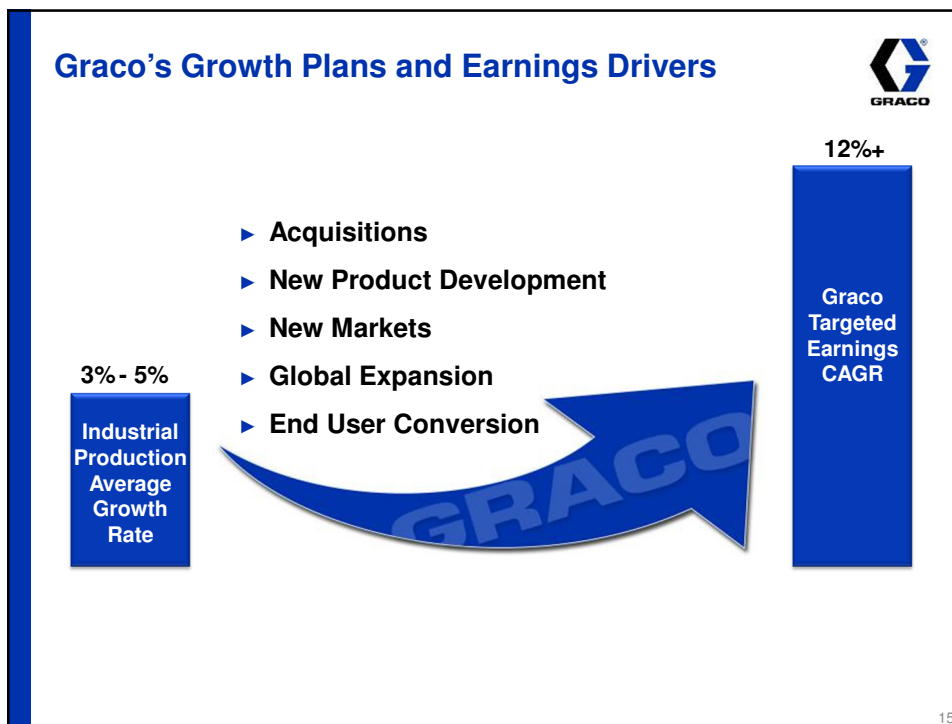


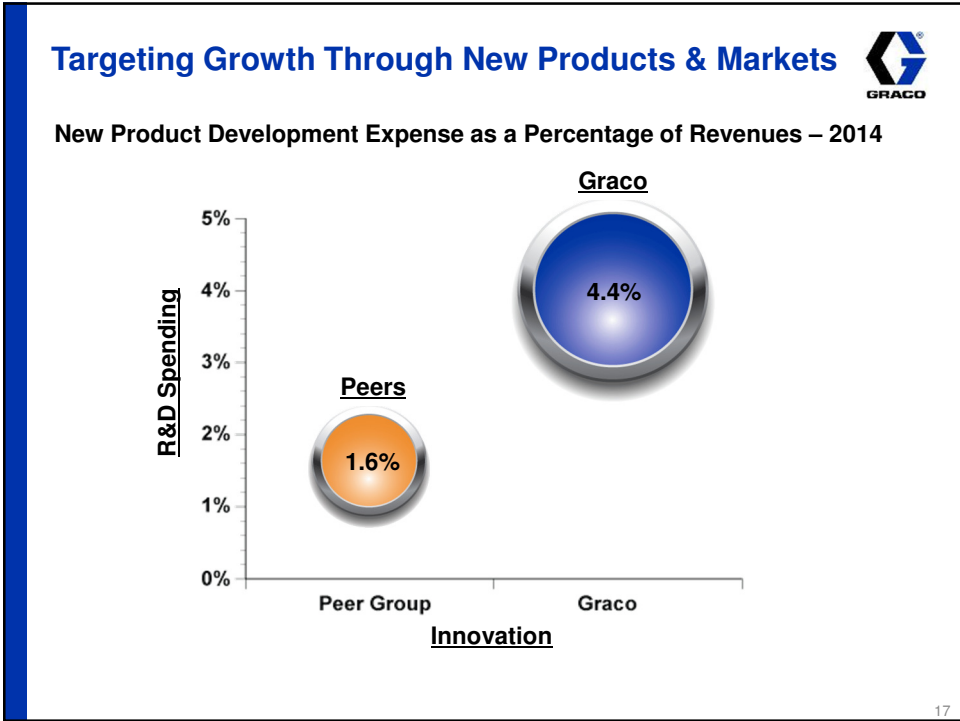
Average Number of Units Sold Per Day	# of SKUs	2014 Sales (\$ in millions)
0 - 1	39,188 (91%)	\$516 (49%)
2 - 5	2,552 (6%)	\$197 (19%)
6 - 10	612 (1%)	\$85 (8%)
11 - 15	216 (1%)	\$45 (4%)
Greater than 15	547 (1%)	\$217 (20%)
Legacy Graco Total	43,115	\$1,060
Plus: Acquired and Non Graco-branded		\$164
Graco 2014 Sales		\$1,224

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- ◆ Overview
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Contractor – Professional Gas Airless Upgrade

- **New Standard Series**
 - No frills, Day-In-Day-Out Performance/Reliability at an Attractive Price
- **New ProContractor Series**
 - Full Featured Heavy-Duty Performance/Reliability for “New Construction” Job Sites – Hose Reel, MaxLife® Pump, Pressure Gauge, Heavy-Duty Frame

Standard Series



ProContractor™ Series



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Industrial – Reactor[®] 2 Hydraulic



Advancing the Industry through improved control

- On board data recording of key process parameters
- Graco InSite™ – Remote Reporting Technology
 - Real-time remote viewing of machine status w/ PC or smart device
 - Cloud storage of all key processing parameters
- Drum level indicators
- Recipe storage
- QR code troubleshooting link
 - Graco managed website with troubleshooting content



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Industrial – Therm-O-Flow[®] Bulk Hot Melt System



- For hot melt adhesives in 55 gal drums
- Offers fast melt rates and throughput capability two times greater than the leading competitor
- Updated to include Graco Control Architecture™
- Advanced temperature controls eliminate scorched material, material degradation & rework



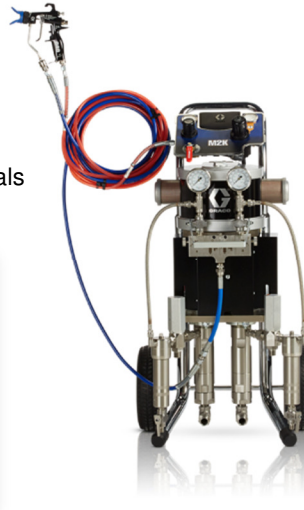
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Industrial – M2K



Fixed Ratio, Entry Level Mechanical Proportioner

- Increases mix material accuracy to improve finish quality and reduce material waste compared to hand mixing
- Compact size makes it faster and easier to flush, saving time and disposal costs
- Ideal for lower volume two component materials



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Industrial – Pro Xp™ Auto



- Increases spray performance and transfer efficiency
- 24/7 gun monitoring tracks performance
- Easily adapts to changing voltage needs
- Fits almost any system requirement
- Service reminders eliminate guesswork



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- ◆ Overview
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- ✓ **Strategies for Long-Term Growth**
 - Invest in New Products
 - ✓ **Expand Geographically**
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MULTIMAQ™ Acquired December 2014



- A manufacturer and distributor of finishing products in Brazil
- Establishes Graco's first operational presence in market
- While small, Multimaq has an existing customer base and knowledgeable sales force
- Allows us to enhance our long-term competitive position in Brazil





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Oil & Natural Gas – Chemical Injection Pumps



Pumping solution for precise injection of chemicals into producing wells and pipelines

- Utilizes proven Graco technology
- Complete product line offering available
- Available with electric, solar, and pneumatic drives
- Control options include cellular-based operation

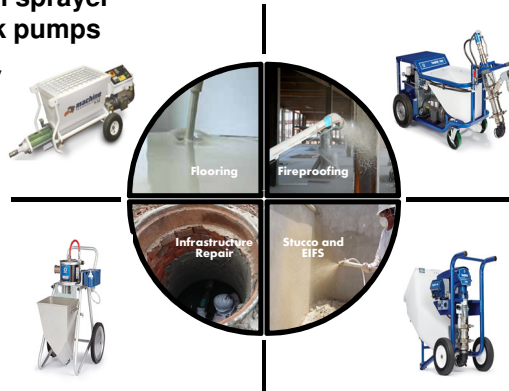


Industrial Technology – ToughTek™



Big performance, from a small sprayer
– Grab the power of ToughTek pumps

- Utilizes proven Graco technology
- Expands presence in several attractive markets
- Strong fit with existing products
 - Fireproofing
 - Flooring
 - Insulation
 - Surface preparation
 - Protective coatings
 - Airless spray
 - Joint filling



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Contractor – TrueCoat® 360 Series



Painting just got easier – It's in the Bag!

- Spray in ANY direction, even upside down
- Handles unthinned paints and stains
- Easy cleanup – reuse or toss the bag



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Process – Chemsafe™ Diaphragm Pumps



Pumping Solution for Corrosive Chemicals

- Features 100% PTFE or UHMW polyethylene fluid paths
- PTFE over-molded diaphragm
- CNC machined design insures precision fit and superior chemical containment
- Full line available in 1.5", 1", 1/2", 3/8", 1/4" models

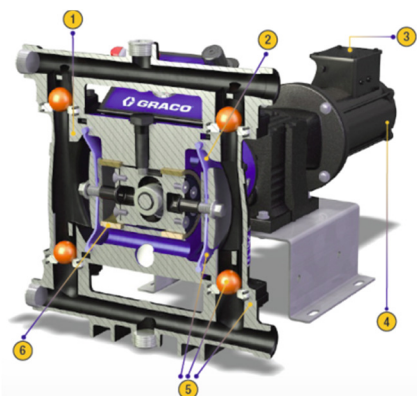


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Process – Husky™ 1050e



A revolutionary diaphragm pump that operates on electricity



1 Durable Pump Technology

- Handles slurries and abrasives all without damage to the pump
- Gentle on shear sensitive material

2 Diaphragm Pump

- Runs dry
- No rotating or mechanical seals
- Self priming

5 Fluid Section

- Create the pump you need with multiple material options for pistons, seats, balls, and diaphragms

6 Patented Air Charged Drive

- Increase diaphragm life without compromising your fluid
- Ability to reduce pulsation on fluid outlet
- Stalls under pressure without additional switches and controls

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Recent Acquisitions



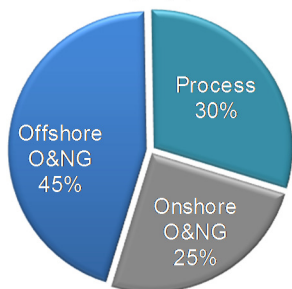
-  **QED™**
Environmental Systems
-  **EcoQuip®**
VAPOR-ABRASIVE™ BLAST EQUIPMENT
-  **Alco Valves Group**
-  **GE-BLASTER®**
WET-ABRASIVE BLASTING EQUIPMENT
-  **MULTIMAQ**
sprayway
-  **HiP™** High Pressure Equipment Company
-  **WHITE KNIGHT™**
.....simply driven™

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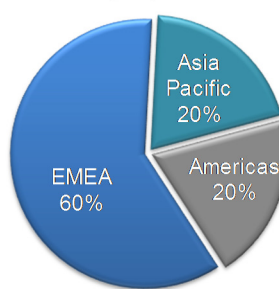
 **Alco Valves Group – Acquisition of Alco Valves Group** 

- The Alco Valves Group (Alco®), a United Kingdom based manufacturer of high quality, high pressure valves used in Oil & Natural Gas (O&NG) and other industrial processes was acquired on October 1, 2014
- Alco generated approximately £19 million of revenue in the twelve months prior to the acquisition. The all cash transaction was £72 million

Sales by Application*



Geographic Mix*



* Management estimates

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 **Alco Valves Group – Acquired October 1, 2014**



Alco Hi-Tek™ (Oil and Gas projects)

- Double block and bleed (DBB) valves
- Chemical injection valves
- Mono-flange valves
- Piping valves



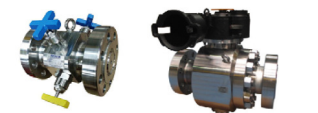
Alco Valves™ (Oil and Gas standard distributed valves)

- High pressure single valves
- Needle and ball
- Instrument manifolds
- Super alloy valves



Alco Sub-Tek™ (Subsea valves)

- Subsea DBB
- Subsea gate and ball valves



Alco Process (General industrial valves)

- Gate, ball, globe and check valves



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WET-ABRASIVE BLASTING EQUIPMENT

Acquired December 2014




- Adds new products and technologies to build our surface prep business
- Expands rental channel opportunities worldwide
- Manufacturing will relocate from Ontario to Minneapolis in 2015
- New product launch in February 2015 – upgrading all Geo-Blaster models
 - Improved performance
 - Easier to use






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Acquired January 2015




.....simply driven™

- **White Knight** - Manufactures high purity and ultra-high purity fluid handling equipment used to deliver, circulate, reclaim and transport aggressive chemical fluids and slurries








Semiconductor Fabrication



Solar Panel Fabrication



Flat Panel Display / LED / Electronics Fabrication



Chemical

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Acquisition – High Pressure Equipment



- High Pressure Equipment Company (HiP®), an Erie, Pennsylvania based manufacturer of high quality, high pressure valves used in Oil & Natural Gas (O&NG) and other industrial processes was acquired on January 20, 2015



- The acquisition was an all cash transaction which closed for \$160 million



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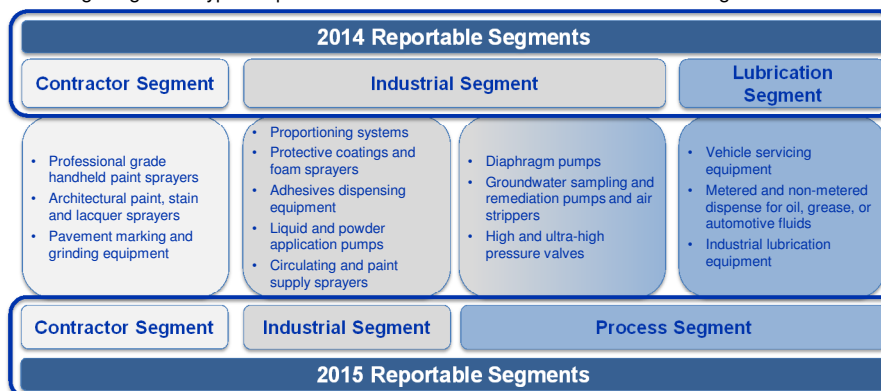
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✓ Company Performance

Change in Segment Reporting



- During Q1, the Company revised the presentation of our financial reporting segments into the following three segments:
 - Industrial includes Industrial Products and Applied Fluid Technologies divisions
 - Process includes Process, Oil and Natural Gas, and Lubrication divisions
 - Contractor remains unchanged
- Change aligns the types of products offered and markets served within the segments



- Prior year segment information has been restated to conform to 2015 reporting
 - See Appendix

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Graco Reported Third Quarter Results



\$ millions except EPS	Third Quarter			Year-to-Date		
	2015	2014	Change	2015	2014	Change
Sales	\$ 319.0	\$ 302.6	5 %	\$ 960.9	\$ 915.1	5 %
Gross Profit	170.2	165.8	3 %	512.9	502.0	2 %
% of Sales	53.4 %	54.8 %	(1.4) pts	53.4 %	54.9 %	(1.5) pts
Operating Earnings	76.9	78.9	(3)%	226.0	239.5	(6)%
% of Sales	24.1 %	26.1 %	(2.0) pts	23.5 %	26.2 %	(2.7) pts
Held Separate Investment Income, Net	2.4	8.5		190.7	22.8	
Net Earnings	\$ 50.7	\$ 59.6	(15)%	\$ 292.2	\$ 176.5	66 %
% of Sales	15.9 %	19.7 %	(3.8) pts	30.4 %	19.3 %	11.1 pts
Diluted Earnings Per Share	\$ 0.86	\$ 0.97	(11)%	\$ 4.90	\$ 2.85	72 %
Diluted Shares in Millions	58.7	61.5		59.6	62.0	

- Changes in currency translation rates reduced sales by approximately \$16 million for the quarter and \$46 million year-to-date, and decreased net earnings by approximately \$6 million for the quarter and \$16 million for the year-to-date
- Non-recurring income tax benefits in the second quarter increased year-to-date net earnings by a total of \$9 million, or \$0.15 per diluted share
- In April, the Company sold the Held Separate business assets acquired in 2012. Net earnings and diluted EPS excluding investment income are:

	Third Quarter		Year-to-Date	
	2015	2014	2015	2014
Adjusted Net Earnings	\$ 49.1 M	\$ 50.9 M	\$ 151.2 M	\$ 153.2 M
Diluted EPS as adjusted	\$ 0.84	\$ 0.83	\$ 2.54	\$ 2.47

See page 9 for detailed information on the sale

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Divestiture of Held Separate Business Assets



- April 1, 2015, pursuant to the Federal Trade Commission final order, the Company sold the Liquid Finishing business assets acquired in 2012
- The sale proceeds were \$610 million, including the post-closing purchase price adjustment settled in the third quarter. No further adjustments are expected
- Net earnings include gain on the sale, after transaction costs and tax, and investment income of \$2 million (\$0.02 per diluted share) for the quarter (post-closing purchase price adjustments) and \$141 million (\$2.36 per diluted share) year-to-date
 - Transaction costs include a \$7 million contribution to the Company's charitable foundation
- Calculation of the non-GAAP measurement of net earnings excluding investment income and expense follows (in millions except per share amounts):

	Third Quarter		Year-to-Date	
	2015	2014	2015	2014
Net earnings as reported	\$ 50.7	\$ 59.6	\$ 292.2	\$ 176.5
Held separate investment (income), net	(2.4)	(8.5)	(190.7)	(22.8)
Income tax effect on Held Separate income	0.8	(0.2)	49.7	(0.5)
Adjusted net earnings	\$ 49.1	\$ 50.9	\$ 151.2	\$ 153.2
Diluted EPS as reported	\$ 0.86	\$ 0.97	\$ 4.90	\$ 2.85
Diluted EPS as adjusted	0.84	0.83	2.54	2.47

- No further investment dividends will be received

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Tax Items



- The effective tax rate was 31% for the quarter, up from 28% last year due to post-tax dividends that reduced the rate in the third quarter of 2014
- The year-to-date effective income tax rate of 27% decreased 2 percentage points compared to last year
 - A change in the Company's assertion with respect to reinvestment of foreign earnings decreased deferred income taxes related to undistributed foreign earnings by \$7 million and reduced the year-to-date effective tax rate compared to last year
 - Higher post-tax dividend income and an additional non-recurring tax benefit of \$2 million further reduced the year-to-date effective tax rate. Those reductions were partially offset by the tax rate effects of the gain on the sale of the Liquid Finishing assets
- Tax rate for fourth quarter is expected to be approximately 32-33%; for the full year approximately 28%
 - Assumes the Federal R&D tax credit will not be reinstated in 2015. If renewed, the annual benefit is expected to be approximately \$3 million and reduce the tax rate 1 percentage point

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Third Quarter 2015 Sales Data



Components of Net Sales Change

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	5 %	(3)%	6 %	5 %	3 %	3 %	4 %
Acquisitions	3 %	31 %	—	5 %	9 %	9 %	7 %
Currency	(7)%	(5)%	(3)%	(2)%	(13)%	(7)%	(6)%
Total	1 %	23 %	3 %	8 %	(1)%	5 %	5 %

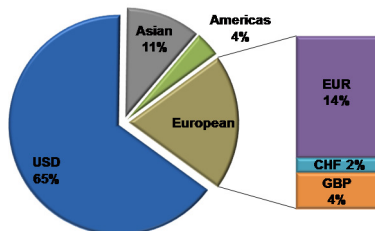
Year-to-Date September 2015

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	2 %	2 %	8 %	7 %	1 %	(1)%	4 %
Acquisitions	2 %	30 %	—	4 %	9 %	7 %	6 %
Currency	(6)%	(5)%	(4)%	(1)%	(14)%	(5)%	(5)%
Total	(2)%	27 %	4 %	10 %	(4)%	1 %	5 %

Sales by Currency YTD September 2015

Asian currencies include:
AUD, CNY/RMB, KRW,
JPY

Americas currencies
include:
CAD, BRL, MXN



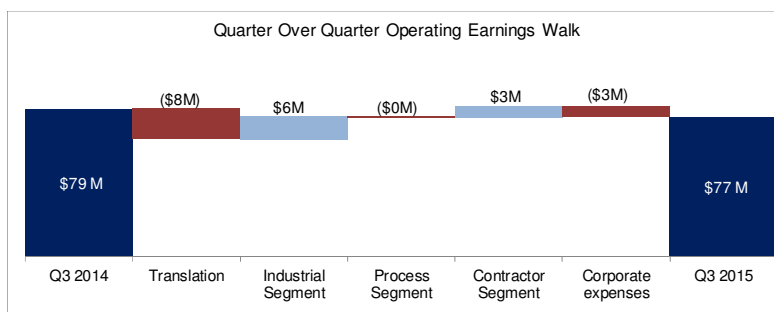
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Operating Earnings



Change in Operating Earnings

	Third Quarter		Year-to-Date	
	\$	%	\$	%
2014 Q3 Operating Earnings (\$M and % of sales)	\$ 79	26 %	\$ 239	26 %
Translation effect	(8)	(1)	(23)	(1)
Mix, pricing and product cost	7	—	22	—
Effect of acquired businesses on operating earnings leverage	2	(1)	7	(1)
Effect of inventory step-up, net, and acquisition costs for acquired businesses	—	—	(3)	—
Incremental investment in growth initiatives	(1)	—	(3)	—
Increased unallocated corporate expenses (pension, stock compensation)	(3)	(1)	(6)	(1)
Volume effect on expense leverage	1	1	(7)	1
2015 Q3 Operating Earnings (\$M and % of sales)	\$ 77	24 %	\$ 226	24 %



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Notable Info from Third Quarter 2015 Earnings Release & Call












- Capital expenditures expected to be approximately \$40 million in 2015
- Share repurchases will continue via open market transactions and/or short-dated accelerated share repurchase programs
- Full year 2015 unallocated corporate expenses are expected to be approximately \$7-8 million above last year, primarily due to increased pension, stock compensation and the new central warehouse

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Current Environment



	Americas	EMEA	Asia Pacific
Industrial Segment	 Improving: Res & Non-Res Construction Stable: General Industrial, Marine Challenging: Heavy Machinery, Latin Am	 Stable: Western Europe Challenging: Currency, Geopolitical	 Stable: General Industrial, Adhesive Dispense Challenging: Marine, Mining Spotty: Project Activity
Contractor Segment	 Long Runway: Res & Non-Res Construction Focus Sectors: Pro Paint, General Construction and DIY	 Favorable: North & Central Europe, Middle East Challenging: Currency, Geopolitical	 Favorable: Southeast Asia & Australia Challenging: Gen Construction, Equipment Adoption Rates
Process Segment	 Favorable: Process applications Stable: Vehicle Service, Industrial Lube Challenging: Oil & Natural Gas	 Stable: Western Europe, Challenging: Currency, Geopolitical, Oil & Natural Gas	 Favorable: Process applications Challenging: Mining, Oil & Natural Gas

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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**
 - ▶ Dividend Payout Ratio ~30%
 - ▶ Approximately 5 Million Shares Remaining on Authorization

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Key Investment Attributes



- Strategies that will drive long-term, above-market growth
- Premium products that provide a strong ROI for end users
- Leading industry positions
- Serves niche markets where customers are willing to purchase quality, technology-based products
- Products perform critical functions
- Consistent investments in capital and growth initiatives
- Shareholder-minded management
- Financial strength



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Financial Summary Q3 2015

Appendix

Financial Results – Year-to-Date September



(\$ Millions except EPS)	2015	2014	Change
Sales	\$ 960.9	\$ 915.1	5%
Gross Profit Rate	53.4%	54.9%	
Operating Expenses	286.9	262.5	9%
Operating Earnings	226.0	239.5	(6%)
Net Earnings	\$ 292.2	\$ 176.5	66%
Earnings Per Share	\$ 4.90	\$ 2.85	72%

In April, the Company sold the Held Separate business assets acquired in 2012. Calculation of the non-GAAP measurement of net earnings excluding investment income and expense follows (in millions except per share amounts):

	2015	2014
Net earnings as reported	\$ 292.2	\$ 176.5
Held separate investment (income), net	(190.7)	(22.8)
Income tax effect on Held Separate income	49.7	(0.5)
Adjusted net earnings	\$ 151.2	\$ 153.2
Diluted EPS as reported	\$ 4.90	\$ 2.85
Diluted EPS as adjusted	2.54	2.47

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Year-to-Date September 2015 Results



- Sales increased 5 percent, 10 percent at consistent exchange rates, including 6 percentage points from acquired operations
- Gross profit margin of 53½ percent, down 1½ percentage points from last year
 - Changes in currency translation rates and lower average gross margin rates of acquired operations (including purchase accounting effects)
- Operating expenses were 9 percent higher than last year
 - Expenses of acquired operations, spending on regional and product expansion initiatives and an increase in unallocated corporate expenses; mostly pension, stock compensation and new central warehouse costs
- Backlog is consistent with prior year-end
- Non-recurring income tax benefits increased net earnings by a total of \$9 million, or \$0.15 per diluted share year-to-date
- Net earnings increased by 66 percent compared to last year and diluted EPS was \$4.90 including the gain on the sale of the Held Separate business assets and non-recurring income tax benefits

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Financial Results – Third Quarter



(\$ Millions except EPS)	2015	2014	Change
Sales	\$ 319.0	\$ 302.6	5%
Gross Profit Rate	53.4%	54.8%	
Operating Expenses	93.3	86.9	7%
Operating Earnings	76.9	78.9	(3%)
Net Earnings	\$ 50.7	\$ 59.6	(15%)
Earnings Per Share	\$ 0.86	\$ 0.97	(11%)

In April, the Company sold the Held Separate business assets acquired in 2012. Calculation of the non-GAAP measurement of net earnings excluding investment income and expense follows (in millions except per share amounts):

	2015	2014
Net earnings as reported	\$ 50.7	\$ 59.6
Held separate investment (income), net	(2.4)	(8.5)
Income tax effect on Held Separate income	0.8	(0.2)
Adjusted net earnings	\$ 49.1	\$ 50.9
Diluted EPS as reported	\$ 0.86	\$ 0.97
Diluted EPS as adjusted	0.84	0.83

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Third Quarter 2015 Results



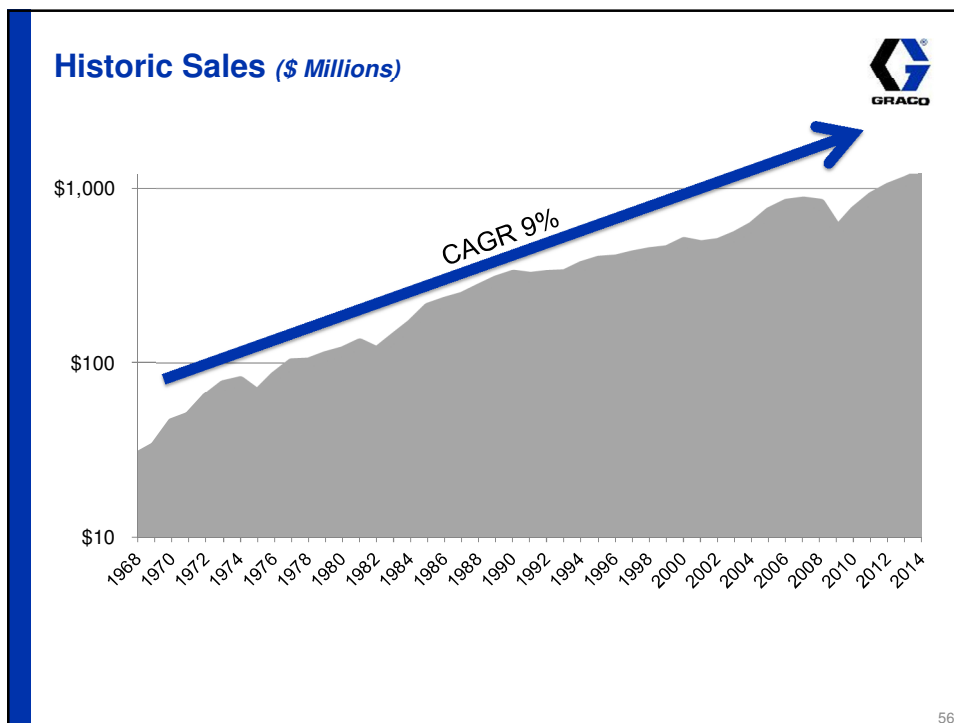
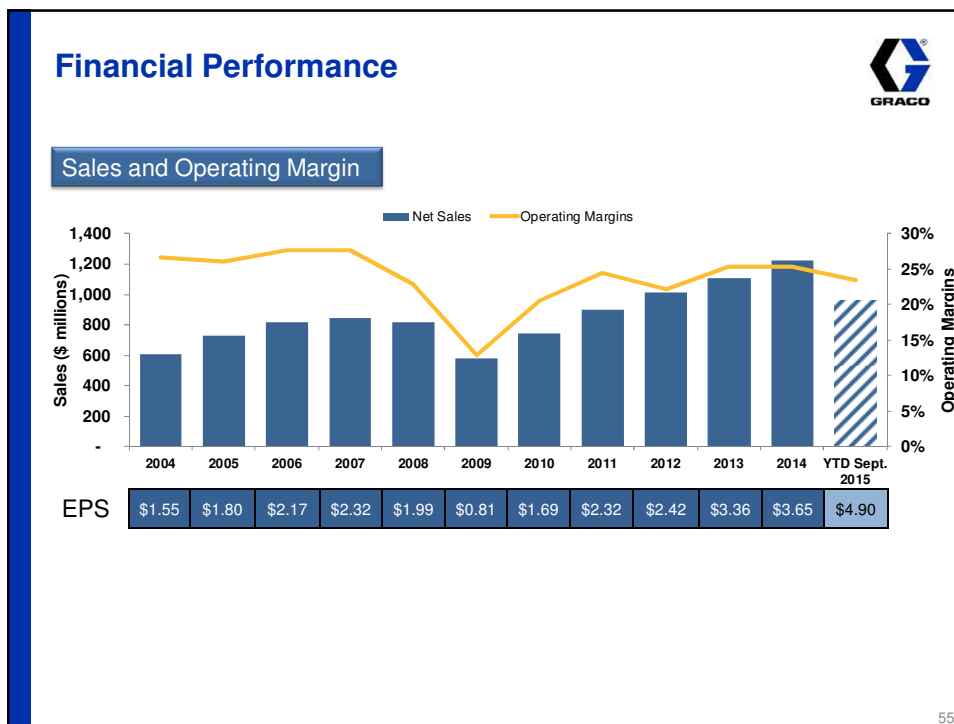
- Sales increased 5 percent, 11 percent at consistent exchange rates, including 7 percentage points from acquired operations
- Gross profit margin of 53½ percent, down 1½ percentage point from last year
 - Changes in currency translation rates and lower average gross margin rates of acquired operations
- Operating expenses were 7 percent higher than third quarter last year
 - Expenses of acquired operations and an increase in unallocated corporate expenses
- Net earnings decreased by 15 percent compared to third quarter last year and diluted EPS was \$0.86

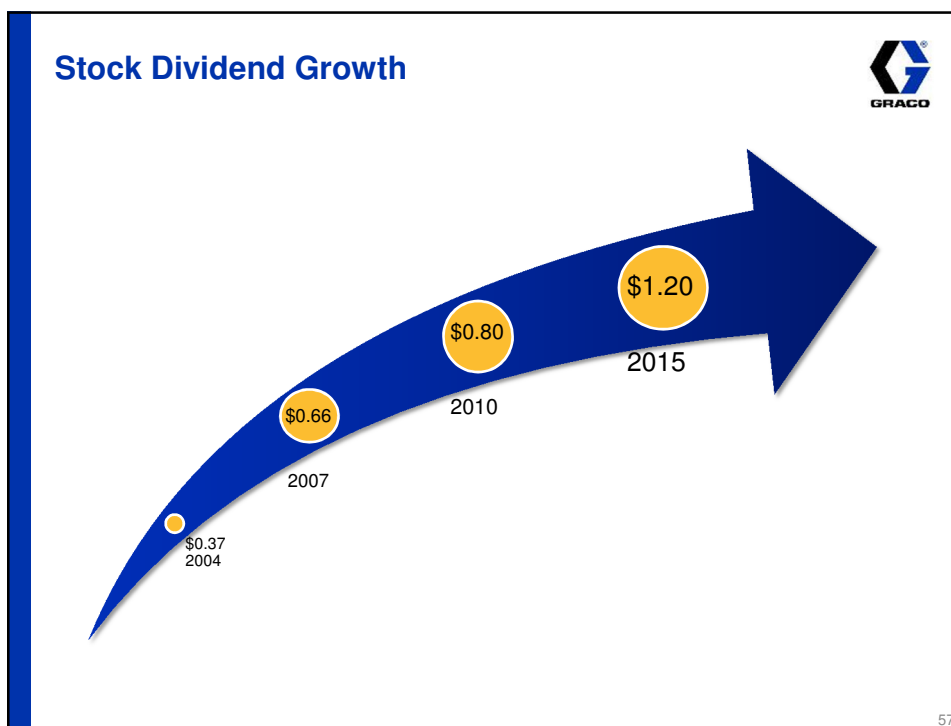
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Financial Summary 2014

Appendix





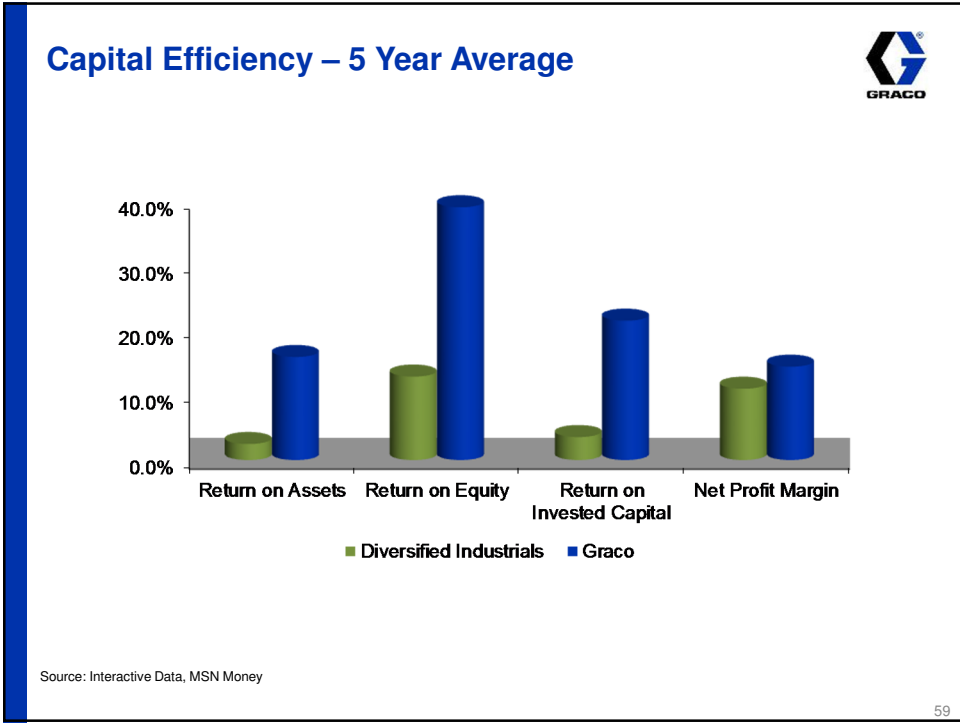
Strong Cash Generation

(\$ Millions)	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Cash Flows	\$ 241	\$ 243	\$ 190	\$ 162	\$ 101	\$ 147	\$ 162	\$ 177	\$ 156
% of Net Income	107%	115%	127%	114%	98%	300%	134%	116%	104%
Capital Expenditures	31	23	18	24	17	11	29	37	34
Free Cash Flow	\$ 210	\$ 220	\$ 172	\$ 138	\$ 84	\$ 136	\$ 133	\$ 140	\$ 122

(\$ Millions)	2014	2013	2012	2011	2010	2009	2008	2007	2006
Dividends	\$ 66	\$ 61	\$ 54	\$ 51	\$ 48	\$ 45	\$ 45	\$ 43	\$ 39
Acquisitions	185	12	667	2	-	-	55	-	31
Share Repurchases *	165	26	(29)	21	11	(6)	101	206	76
	\$ 416	\$ 99	\$ 692	\$ 74	\$ 59	\$ 39	\$ 201	\$ 249	\$ 146

* Net of shares issued

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