

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-K

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended **December 27, 2024**, or
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File No. 001-09249

Graco Inc.

(Exact name of Registrant as specified in its charter)

Minnesota
(State or other jurisdiction of incorporation or organization)

41-0285640
(I.R.S. Employer Identification No.)

88 - 11th Avenue N.E.
Minneapolis, Minnesota

55413

(Address of principal executive offices)

(Zip Code)

(612) 623-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	GGG	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant

to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes No

The aggregate market value of 168,905,671 shares of common stock held by non-affiliates of the registrant was \$13,390,841,427 as of June 28, 2024.

169,493,970 shares of common stock were outstanding as of January 24, 2025.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive Proxy Statement for its Annual Meeting of Shareholders to be held on April 25, 2025, are incorporated by reference into Part III of this 2024 Annual Report on Form 10-K (this "Form 10-K"), as specifically set forth in said Part III of this Form 10-K.

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ACCESS TO REPORTS

Investors may obtain access free of charge to the Graco Inc. Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, other reports and amendments to the reports by visiting the Graco website at www.graco.com. These reports will be available as soon as reasonably practicable following electronic filing with, or furnishing to, the Securities and Exchange Commission.

PART I

Item 1. Business

Graco Inc., together with its subsidiaries (“Graco,” “us,” “we,” or “our Company”), is a multi-national manufacturing company. We supply technology and expertise for the management of fluids and coatings in industrial and commercial applications. We design, manufacture and market systems and equipment used to move, measure, mix, control, dispense and spray fluid and powder materials. Our equipment is used in manufacturing, processing, construction and maintenance industries. Graco is a Minnesota corporation and was incorporated in 1926.

We specialize in providing equipment solutions for difficult-to-handle materials with high viscosities, abrasive or corrosive properties, and multiple component materials that require precise ratio control. We aim to serve niche markets, providing high customer value through product differentiation. Our products enable customers to reduce their use of labor, material and energy, improve quality and environmental performance.

We make significant investments in developing innovative, high-quality products. We strive to grow into new geographic markets by strategically adding commercial and technical resources and third-party distribution in growing and emerging markets. We have grown our third-party distribution to have specialized experience in particular end-user applications. We leverage our product technologies for new applications and industries.

We also make targeted acquisitions to broaden our product offerings, enhance our capabilities in the end-user markets we serve, expand our manufacturing and distribution base and potentially strengthen our geographic presence. These acquisitions may be integrated into existing Graco operations or may be managed as stand-alone operations. In 2024, we completed acquisitions in the Contractor and Process segments. These acquisitions provide new product offerings, such as high-performance volumetric and gravimetric dispense, mixing, and shaking equipment, as well as additional channel partners and manufacturing capabilities. Note L (Acquisitions) to the Consolidated Financial Statements of this Form 10-K has additional information on recent acquisitions.

We have particularly strong manufacturing, engineering and customer service capabilities that enhance our ability to provide premium customer experience, produce high-quality and reliable products and drive ongoing cost savings.

Our investment in new products, targeted acquisitions and strong manufacturing, engineering and customer service capabilities comprise our long-term growth strategies, which we coordinate and drive across our geographic regions. Values central to our identity - growth, product innovation, premium customer service, quality and continuous improvement - are leveraged to integrate and expand the capabilities of acquired businesses.

In 2024, we classified our business into three reportable segments, each with a worldwide focus: Contractor, Industrial and Process.

Each segment sells its products in North, Central and South America (the “Americas”), Europe, Middle East and Africa (“EMEA”), and Asia Pacific. For 2024, sales in the Americas represented approximately 63 percent of our Company’s total sales. Sales in EMEA represented approximately 21 percent and sales in Asia Pacific represented approximately 16 percent. We provide marketing and product design in each of these geographic regions. Our Company also provides application assistance to distributors and employs sales personnel in each of these geographic regions.

Financial information concerning our segments and geographic markets is set forth in Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations and Note B (Segment Information) to the Consolidated Financial Statements of this Form 10-K.

For information about our Company and our products, services and solutions, visit our website at www.graco.com. The information on the website is not part of this report nor any other report filed or furnished to the Securities and Exchange Commission (“SEC”).

Manufacturing and Distribution

We manufacture a majority of our products in the United States (“U.S.”). We also manufacture products in Switzerland (Industrial segment), Italy (Industrial and Contractor segments), the People’s Republic of China (“P.R.C.”, or “China”) (all segments), India (Contractor segment), Belgium (all segments) and Romania (Industrial segment). Our manufacturing is aligned with our business segments and is co-located with product development to accelerate technology improvements and improve our cost structure. We perform critical machining, assembly and testing in-house for most of our products to

control quality, improve response time and maximize cost-effectiveness. We make our products in focused factories and product cells. We source raw materials and components from suppliers around the world.

For all segments, we primarily sell our equipment through third-party distributors worldwide, positioned throughout our geographic regions, and through selected retailers. Our products are sold from our warehouse to our third-party distributors or retailers who sell our products to end users. Certain of our businesses sell their products directly to end-user customers and have direct relationships with customers.

Outside of the U.S., our subsidiaries located in Australia, Belgium, Spain, Japan, Italy, Korea, India, the P.R.C., the United Kingdom and Brazil distribute our Company's products. Operations in Maasmechelen, Belgium, Gossau, Switzerland, Modena, Italy, Gujarat, India and Shanghai, P.R.C. reinforce our commitment to those regions.

Our manufacturing capacity is sufficient for current business demand levels. In 2024, we completed significant expansion projects, including a worldwide distribution center in Dayton, Minnesota, a manufacturing and distribution facility for our Powder division in Gossau, Switzerland and the expansion of our Anoka, Minnesota facility. In 2023, we completed an expansion of our Sioux Falls, South Dakota manufacturing facility and the construction of a new manufacturing facility in Sibiu, Romania. The completion of these projects represents the culmination of a period of significant investment in expansion and modernization of our key manufacturing and distribution facilities. Production requirements in the immediate future are expected to be met through existing facilities, the installation of new automatic and semi-automatic machine tools, efficiency and productivity improvements, the use of leased space and available subcontract services. For more details on our facilities, see Item 2, Properties.

Product Development

Our primary product development efforts are carried out in facilities located in Minneapolis, Anoka, Dayton and Rogers, Minnesota; North Canton, Ohio; Gossau, Switzerland; Modena, Italy; Barcelona, Spain; Suzhou, Shanghai, P.R.C.; Dexter, Michigan; Erie, Pennsylvania; and Kamas, Utah. The product development and engineering groups focus on new product design, product improvements, and new applications for existing products and technologies for their specific customer base. We continue to enhance our product capabilities with particular emphasis on automation and configurability, easier integration with end-user customer manufacturing and business systems, and increased focus on data and analytics. Our product development efforts focus on bringing new and supplemental return on investment value to end users of our products and enhance their ability to manage products and efficiency and support their sustainability initiatives.

Our Company consistently makes significant investments in new products. Total product development expenditures for all segments were \$87 million in 2024, \$83 million in 2023 and \$80 million in 2022. The amounts invested in product development averaged approximately 4 percent of sales over the last three years. Our product development activities are focused both on upgrades to our current product lines to provide features and benefits that will provide a return on investment to our end-user customers and the development of products that will reach into new industries and applications to incrementally grow our sales. Sales of products that refresh and upgrade our product lines are measured and compared with planned results. Sales of products that provide entry into new industries and applications are also measured, with an additional focus on commercial resources and activities to build specialized third-party distribution and market acceptance by end users.

Our Company measures the results of acquired businesses as compared to historical results and projections made at the time of acquisition. We will invest in engineering, manufacturing and commercial resources for these businesses based on expected return on investment.

Business Segments

Contractor Segment

The Contractor segment represented approximately 47 percent of our total sales in 2024. Through this segment, we offer sprayers that apply paint to walls and other structures, with product models for users ranging from do-it-yourself homeowners to professional contractors. Contractor equipment also includes sprayers that apply texture to walls and ceilings, highly viscous coatings to roofs, and markings on roads, parking lots, athletic fields and floors as well as high-performance volumetric and gravimetric dispense, mixing, and shaking equipment.

This segment also manufactures two-component proportioning systems that are used to spray polyurethane foam ("spray foam") and polyurea coatings. Spray foam is commonly used for insulating building walls, roofs, water heaters,

refrigerators, hot tubs and other items. Polyurea coatings are applied on storage tanks, pipes, roofs, truck beds, concrete and other items. We offer a complete line of pumps and proportioning equipment that sprays specialty coatings on a variety of surfaces for protection and fireproofing.

End users of this segment are primarily professional painters in the construction and maintenance industries, specialty contractors, tradesmen and do-it-yourselfers. Contractor products are marketed and sold in all major geographic areas. We continue to add distributors throughout the world that specialize in the sale of Contractor products. Globally, we are pursuing a broad strategy of converting contractors accustomed to manually applying paint and other coatings to spray technology.

Our Contractor products are distributed primarily through distributor outlets whose main products are paint and other coatings. Certain sprayers and accessories are distributed globally through the home center channel. Contractor products are also sold through general equipment distributors outside of North America.

Industrial Segment

The Industrial segment represented approximately 29 percent of our total sales in 2024. It includes the Industrial and Powder divisions. The Industrial segment markets equipment and solutions for moving and applying paints, powder coatings, sealants, adhesives and other fluids. Markets served include automotive and vehicle assembly and components production, including Electro or e-mobility, wood and metal products, rail, marine, aerospace, farm, construction, bus, recreational vehicles and various other industries. End users often invest in our equipment to gain process efficiencies, improve quality or save on material or energy costs. A majority of this segment's business is outside of North America.

Most Industrial segment equipment is sold worldwide through specialized third-party distributors, integrators, design centers, original equipment manufacturers and material suppliers. Some products are sold directly to end users and may include design and installation to specific customer requirements. We work with material suppliers to develop or adapt our equipment for use with specialized or hard-to-handle materials. Distributors promote and sell the equipment, hold inventory, provide product application expertise and offer on-site service, technical support and integration capabilities. Integrators implement large individual installations in manufacturing plants where products and services from a number of different manufacturers are aggregated into a single system. Design centers engineer systems for their customers using our products. Original equipment manufacturers incorporate our Industrial segment products into systems and assemblies that they then supply to their customers.

Industrial

The Industrial division makes liquid finishing and advanced fluid dispense equipment primarily for use in industrial applications.

This division's products include liquid finishing equipment that applies liquids on metals, wood and plastics, with emphasis on solutions that provide easy integration to paint monitoring and control systems. Products include paint circulating and paint supply pumps, paint circulating advanced control systems, plural component coating proportioners, various accessories to filter, transport, agitate and regulate fluid, and spare parts such as spray tips, seals and filter screens. The Industrial division also offers a variety of applicators that use different methods of atomizing and spraying liquid materials, paint or other coatings depending on the viscosity of the fluid, the type of finish desired and the need to maximize transfer efficiency, minimize overspray and minimize the release of volatile organic compounds into the air. Manufacturers in the automotive, automotive feeder, commercial and recreational vehicle, military and utility vehicle, aerospace, farm, construction, wood and general metals industries use our liquid finishing products.

The Industrial division also manufactures equipment for industrial customers that pumps, meters, mixes and dispenses sealant, adhesive and composite materials. Advanced fluid dispense equipment includes gel-coat equipment, chop and wet-out systems, resin transfer molding systems and applicators and precision dispensing solutions. This precision dispense equipment bonds, molds, seals, vacuum encapsulates and laminates parts and devices in a wide variety of industrial applications.

Powder

The Powder division makes powder finishing products and complete powder finishing systems that coat powder on metals. These products are sold under the Gema® and SAT™ brands. Gema powder systems coat window frames, metallic furniture, automotive components and sheet metal. Primary end users of our powder finishing products include

manufacturers in the construction, home appliance, automotive component and custom project coater industries. We strive to provide innovative solutions in powder coating for end users in emerging and developed markets.

Process Segment

The Process segment represented approximately 24 percent of our total sales in 2024. It includes the Process and Lubrication divisions. The Process segment markets pumps, valves, meters and accessories to move and dispense chemicals, oil and natural gas, water, wastewater, petroleum, food, lubricants and other fluids. Markets served include food and beverage, dairy, oil and natural gas, pharmaceutical, cosmetics, semiconductor, electronics, wastewater, mining, fast oil change facilities, service garages, fleet service centers, automobile dealerships and industrial lubrication applications.

Most Process segment equipment is sold worldwide through third-party distributors and original equipment manufacturers. Some products are sold directly to end users, particularly in the oil and natural gas and semiconductor industries.

Process

The Process division makes pumps of various technologies that move chemicals, water, wastewater, petroleum, food and other fluids. Manufacturers and processors in the food and beverage, dairy, pharmaceutical, cosmetic, oil and natural gas, semiconductor, electronics, wastewater, mining and ceramics industries use these pumps. This division makes environmental monitoring and remediation equipment that is used to conduct ground water sampling and ground water remediation, and for landfill liquid and gas management.

Lubrication

The Lubrication division primarily designs and sells equipment for use in equipment maintenance and vehicle servicing. We supply pumps, hose reels, meters, valves and accessories for use by fast oil change facilities, service garages, fleet service centers, automobile dealerships, auto parts stores, truck builders and heavy equipment service centers.

This division also offers systems, components and accessories for the automatic lubrication of bearings, gears and generators in industrial and commercial equipment, compressors, turbines and on- and off-road vehicles. Automatic lubrication systems reduce maintenance costs, downtime and extend equipment life. These systems are utilized across a variety of industries including construction, mining, industrial manufacturing, transportation, wind energy and oil and natural gas.

The Lubrication division also manufactures high pressure and ultra-high pressure valves used in the oil and natural gas industry, hydrogen refueling infrastructure, other industrial processes and research facilities. The division also has a line of chemical injection pumping solutions for precise injection of chemicals into producing oil wells and pipelines.

2025 Change in Organizational Structure

As previously announced, effective January 1, 2025, the Company has classified its business into three reportable segments: Contractor, Industrial and Expansion Markets.

- The Industrial segment consists of the newly formed Industrial Division and the Powder Division. The Company's former Industrial and Lubrication Equipment Divisions, along with the Process Transfer Equipment business that was part of the Company's former Process Division, were combined to form the new global Industrial Division. The Powder Division remains unchanged.
- The Expansion Markets segment consists of the Expansion Markets Division and will focus on driving inorganic growth in new and adjacent markets. The Company's environmental, semiconductor, high-pressure valves and electric motors businesses, together with select future ventures and acquisitions, reside within this division.
- The Contractor segment remains unchanged as a reporting segment relative to prior periods.

Segment operating results will be reported under the new organizational structure for the first quarter of 2025. Segment information recast to conform to the new organizational structure is available as unaudited supplemental financial information on the Company's website at www.graco.com.

Raw Materials

The primary materials and components in our products are steel of various alloys, sizes and hardness; specialty stainless steel and aluminum bar stock, tubing and castings; tungsten carbide; electric and gas motors; injection molded plastics; sheet metal; forgings; powdered metal; hoses; electronic components and high-performance plastics, such as polytetrafluoroethylene ("PTFE"). The materials and components that we use are generally available through multiple sources of supply. To manage cost, we source significant amounts of materials and components from outside the U.S., primarily in the Asia Pacific region.

In 2024, the Company's global supply chain continued to stabilize, including improved lead times and lower inflationary effects. Our efforts to identify alternative suppliers to source raw materials and components for our products as a result of the COVID-19 pandemic and other geopolitical tensions have improved our ability to mitigate isolated supply chain disruptions.

We endeavor to address fluctuations in the price and availability of various materials and components through close management of current suppliers, price negotiations and an intensive search for new suppliers. We have performed risk assessments of our key suppliers, and we factor the risks identified into our commodity plans.

Intellectual Property

We own a number of patents across our segments and have patent applications pending in the U.S. and other countries. We also license our patents to others and are a licensee of patents owned by others. In our opinion, our business is not materially dependent upon any one or more of these patents or licenses. Our Company also owns a number of trademarks in the U.S. and foreign countries, including registered trademarks for "GRACO," "Gema," "Corob," several forms of a capital "G," and various product trademarks that are material to our business, inasmuch as they identify Graco and our products to our customers.

Competition

We encounter a wide variety of competitors that vary by product, industry and geographic area. Each of our segments generally has multiple competitors. Our competitors are both U.S. and foreign companies and range in size. We believe that our ability to compete depends upon product quality, product reliability, innovation, design, customer support and service, specialized engineering and competitive pricing. Although no competitor duplicates all of our products, some competitors are larger than our Company, both in terms of sales of directly competing products and in terms of total sales and financial resources. We also face competitors with different cost structures and expectations of profitability, and these companies may offer competitive products at lower prices. We refresh our product lines and continue the development of our distribution channel to stay competitive. We also face competitors who illegally sell counterfeits of our products or otherwise infringe on our intellectual property rights. As this type of unfair competition grows or evolves, we may have to increase our intellectual property and unfair competition enforcement activities.

Environmental Protection

Our compliance with federal, state and local laws and regulations did not have a material effect upon our capital expenditures, earnings or competitive position during the fiscal year ended December 27, 2024.

Human Capital Resources

As of December 27, 2024, we employed approximately 4,300 persons. Of this total, approximately 1,900 were employees based outside of the U.S., and 1,200 were hourly factory workers in the U.S. None of our U.S. employees are covered by a collective bargaining agreement. Various national industry-wide labor agreements apply to certain employees in various countries outside of the U.S. Compliance with such agreements has no material effect on our Company or our operations.

The location of the majority of our manufacturing operations within the U.S. allows us to flex employee resources as needed to respond to changes in demand of our business. Our manufacturing, product development, warehouse and administrative employees are generally located in the same or adjacent facilities, which we believe contributes to our culture of strong manufacturing, engineering and customer service capabilities.

Health, Wellness & Safety

The personal health, wellness and safety of each of our employees is of primary importance. The prevention of occupationally induced injuries and illnesses is given precedence over operating productivity. Our Health, Wellness and Safety program is designed to increase engagement, reduce absenteeism due to illness or injury, provide healthier lifestyle choices, and reduce health risk factors for our employees.

Total Rewards

Our reward programs connect all employees to the performance and success of the Company. As an employer of choice, we offer pay, benefits and a work environment that attracts and retains high-performing talent. We believe that an effective compensation program must be market competitive as well as fair and equitable. Our compensation program is designed to attract and retain top talent, drive and reward performance and enhance our reputation. Our total rewards program is comprised of various elements, including base pay, variable pay, equity-based compensation for all employees, and health, welfare and retirement benefits.

Talent

To achieve our strategic objectives, it is imperative that we attract, develop and retain qualified personnel. We seek to develop talent from within our organization and supplement our workforce with external hires as necessary. This approach has helped create among our employees an in-depth understanding of our business, products, competition and customers, while also adding new employee ideas and perspectives in support of our continuous improvement initiatives.

As of December 27, 2024, our executive officers responsible for setting overall strategy averaged nearly 23 years of tenure. Tenure of all employees averaged nearly 10 years, reflective of our positive workplace culture. Our recruiting team uses internal and external resources to recruit highly skilled and talented workers, and we encourage and reward employee referrals for open positions.

We are committed to maintaining a culture of trust that recognizes the dignity and uniqueness of the individual. We provide equal opportunities for professional growth and advancement based on performance, qualifications, demonstrated skill and achievements. All employees are encouraged, under a continuous improvement program with financial incentives, to submit ideas to improve profitability, quality, safety and environmental practices. New employee orientation and regular ethics training are required for all employees. We complete a biennial survey of our employees to assess our culture, benchmark us against industry leaders, and to make improvements as necessary.

Community

We have a long history of giving back to the communities where we live and work through the volunteer efforts of our employees and the giving efforts of the Graco Foundation. The Graco Foundation's goal is to help organizations grow their ability to serve community needs through grants focused on capital projects, specific programs and technology needs. The Graco Foundation places emphasis on educational programs, especially STEM (science, technology, engineering and math) programs; human service programs promoting workforce development; and youth development programs. The Graco Foundation also supports several employee-based programs, including dollar-for-dollar gift matching, grants to support volunteerism, scholarships for children of employees, tutoring with a local middle school and an annual Paint-A-Thon that helps low-income seniors and people with permanent disabilities continue to live independently in their own homes.

Item 1A. Risk Factors

As a global manufacturer of systems and equipment designed to move, measure, control, dispense and spray fluid and powder materials, our business is subject to various risks and uncertainties. Below are risk factors that could materially and adversely affect our business, financial condition and results of operations.

Economic, Financial and Political Risks

Economic Environment - Demand for our products depends on the level of commercial and industrial activity worldwide.

The demand for our products depends, in part, on the general economic conditions of the industries, geographies or economies in which our customers operate. An economic downturn, recession, depression, sustained inflationary pressures or financial market turmoil may depress demand for our equipment in all or some major geographies and markets. Economic uncertainty and volatility in various geographies and industries in which we conduct business may adversely affect our net sales and earnings. If our distributors and original equipment manufacturers are unable to, or have a diminished ability to, purchase our products because of unavailable credit or unfavorable credit terms, depressed end-user demand, or are simply unwilling to purchase our products, our net sales and earnings will be adversely affected.

An economic downturn may have an adverse effect on our results of operations and financial condition and affect our ability to satisfy the financial covenants in the terms of our financing arrangements. We cannot predict the timing, severity or duration of any such downturn, or the timing of any recovery.

Currency - Changes in currency translation rates could adversely impact our revenue, earnings and the valuation of assets denominated in foreign currencies.

A significant number of routine transactions to which we are a party are conducted in foreign currencies. Changes and volatility in exchange rates have impacted, and in the future may impact, our sales, cost of materials and earnings and the valuation of assets denominated in foreign currencies. A majority of our manufacturing and cost structure is based in the U.S. In addition, the decreased value of local currency may make it difficult for some of our distributors and end users to purchase our products. A significant fluctuation in exchange rates may negatively impact our financial condition and results of operations.

Political Instability – Uncertainty surrounding political leadership, as well as geopolitical unrest, could cause economic conditions in the U.S. or abroad to deteriorate, which could limit our growth opportunities and otherwise harm our business.

Domestic political instability, including government shut downs, may limit our ability to grow our business. International political instability (including tensions between the U.S. and the countries in which we conduct business, rumors or threats of war, terrorism and other hostilities, and geopolitical activity or trade disruptions, such as those caused by the Russia-Ukraine and Israel-Hamas conflicts, or any conflict or threatened conflict between China and Taiwan) may cause economic conditions in the U.S. or abroad to deteriorate. The occurrence of any of these events could result in a prolonged economic slowdown, prevent us or our customers from expanding into certain geographies or limit our ability to grow our business. Civil disturbances may also harm our business.

Interest Rate Fluctuations and Credit Markets – Declines in interest rates, asset values and investment returns could increase our pension costs and required pension contributions. Increases in interest rates, or the reduced availability of credit due to instability in the financial markets, could limit our ability to pursue growth initiatives and our customers' ability to invest in their businesses, which could adversely impact demand for our products.

The Company sponsors a qualified defined benefit pension plan for certain U.S. employees and retirees of the Company. The pension plan is funded with trust assets invested in a diversified portfolio of equity, fixed income and other investments. Declines in interest rates, the market value of plan assets, and investment returns could significantly increase our future estimated pension liabilities, net periodic pension costs and pension contribution requirements and, as a result, adversely affect our results of operations and financial condition.

While we believe our current cash position is strong and will enable us to fund many of our foreseeable growth initiatives, including acquisitions and capital investments, rising interest rates or reduced access to debt financing could impact our ability to pursue these initiatives. Reduced credit availability or a higher cost of capital may also limit the ability of end users of our products to invest in their businesses, which could depress demand for our equipment in all or some major geographies and markets.

Operational Risks

Global Sourcing - Risks associated with foreign sourcing, supply interruption, delays in raw material or component delivery, supply shortages and counterfeit components may adversely affect our production or profitability.

While we manufacture many of our parts and product components in the U.S., we source certain of our materials and components from suppliers outside the U.S., and from suppliers within the U.S. who engage in foreign sourcing. Long lead times or supply interruptions associated with a global supply base may reduce our flexibility and make it more difficult to respond promptly to fluctuations in demand or no longer competitively priced. Long supply chains may be disrupted by environmental events, public health crises, political or other factors. Raw materials may become limited in availability from certain regions. Port labor issues may delay shipments. We source a large volume and a variety of electronic components, which exposes us to an increased risk of counterfeit components entering our supply chain. If counterfeit components unknowingly become part of our products, we may need to stop delivery and rework our products. We may be subject to warranty claims and may need to recall products. While many of our raw materials, parts and components are generally commercially available from a number of sources, some of them are sourced from single suppliers, which has limited, and could continue to limit, their availability when those suppliers are unable or unwilling to meet our production requirements and we are unable to timely source such items from an alternative supplier. In addition, we source some of our materials, parts and components from suppliers located in China. As such, we are exposed to potential disruptions in deliveries from these suppliers due to political tensions, geopolitical risks, government-mandated facility closures due to public health matters or other causes. Shortages, delivery delays and price inflation in a wide variety of raw materials and components (including but not limited to electronic components, castings, engines and motors) and logistical challenges (including but not limited to increased freight costs, shipping container shortages, trucking shortages, ocean, railway and air freight capacity constraints, labor shortages and port delays) have adversely affected production and profitability and may adversely affect production and profitability in the future.

Geopolitical instability (including in Europe and the Middle East), protective tariffs, unpredictable changes in duty rates, and changes in trade policies, agreements, relations and regulations have made and may continue to make certain foreign-sourced parts of limited availability or no longer competitively priced. Long supply chains may be disrupted by environmental events, public health crises, political or other factors. Raw materials may become limited in availability from certain regions. Port labor issues may delay shipments. We source a large volume and a variety of electronic components, which exposes us to an increased risk of counterfeit components entering our supply chain. If counterfeit components unknowingly become part of our products, we may need to stop delivery and rework our products. We may be subject to warranty claims and may need to recall products. While many of our raw materials, parts and components are generally commercially available from a number of sources, some of them are sourced from single suppliers, which has limited, and could continue to limit, their availability when those suppliers are unable or unwilling to meet our production requirements and we are unable to timely source such items from an alternative supplier. In addition, we source some of our materials, parts and components from suppliers located in China. As such, we are exposed to potential disruptions in deliveries from these suppliers due to political tensions, geopolitical risks, government-mandated facility closures due to public health matters or other causes. Shortages, delivery delays and price inflation in a wide variety of raw materials and components (including but not limited to electronic components, castings, engines and motors) and logistical challenges (including but not limited to increased freight costs, shipping container shortages, trucking shortages, ocean, railway and air freight capacity constraints, labor shortages and port delays) have adversely affected production and profitability and may adversely affect production and profitability in the future.

Information Systems - Interruption of or intrusion into information systems may impact our business.

We rely on information systems and networks to conduct and support our business. Some of these systems and networks are managed, hosted and provided by third parties. We use these systems and networks to record, process, summarize, transmit and store electronic information, and to manage or support our business processes and activities. We may experience interruptions, delays and outages in service and availability from time to time, including infrastructure changes, human or software errors, upgrade disruptions and capacity constraints. We also face the risk that the measures we have implemented to secure our information systems and networks and prevent unauthorized access to or loss of sensitive data are not effective and our information systems, networks, and those of our third-party service providers may be exposed to risks, including unauthorized access, operational errors, fraudulent activities, system failures, poor password management, and other potential irregularities. Our employees, customers and others may be the subject of social engineering attacks and induced to disclose confidential, proprietary or other sensitive information, including their network credentials, to cybercriminals, who may then gain access to our and our customers' information, data and information technology systems. Cybersecurity threats are increasing in frequency, sophistication and severity. We have experienced and expect to continue to experience cybersecurity threats and attacks on our systems and networks and those of our third-party service providers. To date, none of the cybersecurity threats and attacks we have experienced have had a material adverse impact on our operations, business or financial condition.

The tactics and capabilities of cybercriminals are growing increasingly sophisticated, and it is virtually impossible for any organization, including us, to completely eliminate the risk of cyberattacks. Security breaches or intrusion into our information systems or networks or the information systems or networks of the third parties with whom we do business pose a risk to the confidentiality, availability and integrity of our data and of our customers, suppliers and employees, and could lead to any one or more of the following: the compromising of confidential information; manipulation, unauthorized use, theft or destruction of data; product defects or malfunctions; production downtimes and operations disruptions; litigation; regulatory action; reputational harm, including loss of confidence by our customers, suppliers and employees in our ability to adequately protect their information; fines; ransoms; and other costs and adverse consequences. As a manufacturer, our operating technology assets and systems are susceptible to disruption through cyberattacks. We anticipate that meaningful investments in our operating technology infrastructure will be necessary as we continue to

assess our operating technology posture and respond to the increasingly-pronounced risks posed by third-party cyber actors. The occurrence of a security breach or an intrusion into an information system or a network, or the breakdown, interruption or inadequate upgrading or maintenance of our information processing software, hardware or networks or the internet, may adversely affect our business, reputation, results of operations and financial condition. We do not currently maintain specific cyber insurance coverage. Any insurance coverage we do have may be inadequate to compensate for losses arising from any security breach or cybersecurity incident, and may in the future not be available to us on economically reasonable terms, or at all.

The laws, regulations and customer-imposed controls governing cybersecurity and privacy continue to evolve and are becoming increasingly complex. We will be required to commit significant resources to keep pace with continued changes in information technology processes, legal, regulatory and customer requirements, and the increased frequency and severity of cyberattacks and the sophistication of the methods used by those who perpetrate them. There can be no assurance that our efforts will be successful. In addition, we are subject to new cybersecurity disclosure rules, and we may face increased costs and be required to incur significant costs in the event of an actual or perceived cybersecurity incident and to comply with these rules.

Intellectual Property - Demand for our products may be affected by new entrants who copy our products or infringe on our intellectual property. Competitors may allege that our products infringe the intellectual property of others.

From time to time, we have been faced with instances where competitors have infringed or unfairly used our intellectual property or taken advantage of our design and development efforts. The ability to protect and enforce intellectual property rights varies across jurisdictions. Competitors who attempt to copy our products are prevalent in Asia, and they are increasingly offering their low-cost copies outside of Asia, including in Europe and North America. While we believe these copies oftentimes are of inferior quality to our products and lack much of the technology and many of the features inherent in our products, if we are unable to effectively meet these challenges, they could adversely affect our revenues and profits and hamper our ability to grow. Competitors and others may also initiate litigation to challenge the validity of our intellectual property or allege that we infringe their intellectual property. We may be required to pay substantial damages if it is determined our products infringe their intellectual property. We may also be required to develop an alternative, non-infringing product that could be costly and time-consuming, or acquire a license (if available) on terms that are not favorable to us. Regardless of whether infringement claims against us are successful, defending against such claims could significantly increase our costs, divert management's time and attention away from other business matters, and otherwise adversely affect our results of operations and financial condition.

Generative Artificial Intelligence ("AI") – Use of generative AI technologies in the conduct of our business could result in the unintentional loss of confidential or proprietary information and have other adverse impacts on us.

While we believe the development and adoption of generative AI technologies are in their early stages, the increased use of these technologies in the conduct of our business poses risks which, if they materialize, could adversely impact our business, financial condition, results of operation and reputation. The deployment of generative AI tools creates opportunities for the potential loss or misuse of personal data, the inadvertent dissemination of our confidential or proprietary information, or the unintentional use of third parties' intellectual property. In addition, the content, analyses, recommendations or other output that generative AI tools produce could be deficient, inaccurate or biased or be based on flawed or insufficient datasets.

Foreign Operations - Conducting business internationally exposes our Company to risks that could harm our business.

In 2024, approximately 46 percent of our sales were generated by customers located outside the U.S. Operations and sales outside of the U.S. expose us to certain risks that could adversely impact our sales volume, rate of growth or profitability. These risks include: complying with foreign legal and regulatory requirements; international trade factors (export controls, customs clearance, trade policy, trade sanctions, trade agreements, duties, tariff barriers and other restrictions); trade disruptions arising out of geopolitical activity (such as those caused by the Russia-Ukraine and Israel-Hamas conflicts, or any conflict or threatened conflict between China and Taiwan); protection of our proprietary technology in certain countries; potentially burdensome taxes; potential difficulties staffing and managing local operations; and changes in exchange rates.

Catastrophic Events - Our operations are at risk of damage, destruction or disruption by natural disasters and other unexpected events.

The loss of, or substantial damage to, one of our facilities, our information system infrastructure or the facilities of our suppliers could make it difficult to manufacture products, fulfill customer orders and provide our employees with work. Flooding, tornadoes, hurricanes, unusually heavy precipitation or other severe weather events, earthquakes, tsunamis, fires, explosions, acts of war, terrorism, civil unrest or outbreaks, epidemics or pandemics of infectious diseases could adversely impact our operations.

Personnel - Our success may be affected if we are not able to attract, develop and retain qualified personnel.

Our success depends in large part on our ability to identify, recruit, develop and retain qualified personnel. If we are unable to successfully identify, recruit, develop and retain qualified personnel or adapt to changing worker expectations and working arrangements, it may be difficult for us to meet our strategic objectives and grow our business, which could adversely affect our results of operations and financial condition.

Public health crises, such as an epidemic or pandemic, could have a material and adverse effect on our business, results of operations and financial condition.

A significant public health crisis, and any associated governmental, business and societal responses, could have an adverse effect on our operations, employees, supply chains, distribution channels, and end-user customers. Any such public health crisis could have negative impacts similar to those we experienced during the COVID-19 pandemic, including: employees being infected by, or exposed to, the virus; adverse impacts on the efficiency and productivity of our workforce and our operations; adverse impacts on our ability to manufacture products and provide related services in a timely manner; supply chain disruptions, including increased costs of raw materials and components, and delays, shortages and difficulties in sourcing raw materials and components; volatility in demand for certain of our products; inability to meet end-user customer demand; distribution and logistics challenges, including increased freight costs, reduced freight capacity, and shipping delays; restrictions on our employees' ability to meet customers in person and the cancellation, postponement and reformatting of trade shows, industry events and product demonstrations, which impacted our selling activities and our ability to convert those activities into actual sales; and a significant investment of time, energy and resources by management in mitigating the effects of the pandemic on our employees and our business and complying with existing, new or modified governmental rules, regulations, standards and mandates. We could experience similar or additional, and potentially more significant, adverse effects on our business, results of operations and financial condition as a result of any future pandemic. The extent to which a public health crisis impacts us will depend on numerous factors and future developments that are uncertain and that we are not able to predict, including: the severity of the virus and new variants of the virus; the duration and scope of the pandemic; the efficacy, distribution and adoption rate of vaccines and therapeutic treatments; infection rates in the areas in which we or our suppliers, distributors or end-user customers operate; governmental, business, societal, individual and other actions taken in response to the pandemic; the effect on our suppliers and distributors, and disruptions to the global supply chain; the impact on economic activity; the effect on our end-user customers and their demand and buying patterns for our products and services; the effect of any closures or other changes in operations of our and our suppliers', distributors' and end-user customers' facilities; the health of and the effect on our employees and our ability to meet staffing needs; our ability to sell our products and services and provide product support; restrictions or disruptions to transportation, including reduced availability of ground, sea or air transport; and the effect on our ability to access capital on favorable terms and continue to meet our liquidity needs, all of which are highly uncertain and cannot be predicted. Even after a public health crisis subsides, we may continue to experience adverse effects to our business as a result of ongoing or new economic impacts. A public health crisis, including a pandemic, could also exacerbate or trigger other risks discussed in this report, any of which could have a material and adverse effect on our business, results of operations and financial condition.

Strategic Risks

Growth Strategies and Acquisitions - Our growth strategies may not provide the return on investment desired if we are not successful in implementation of these strategies.

Making acquisitions, investing in new products, expanding geographically and targeting new industries are among our growth strategies. We may not obtain the return on investment desired if we are not successful in implementing these growth strategies. The success of our acquisition strategy depends on our ability to successfully identify and properly value suitable acquisition candidates, negotiate appropriate acquisition terms, obtain financing at a reasonable cost, prevail against competing acquirers, complete the acquisitions and integrate or add the acquired businesses into our existing businesses or corporate structure. There is significant competition for quality acquisition opportunities, and there is no assurance that we will be successful in securing those opportunities, particularly in situations where other interested acquirers with greater resources than ours are involved. Once successfully integrated into our existing businesses or

added to our corporate structure, an acquired business may not perform as planned, be accretive to earnings, generate positive cash flows, provide an acceptable return on investment or otherwise be beneficial to us. We may not realize projected efficiencies and cost-savings from the businesses we acquire. We cannot predict how customers, competitors, suppliers, distributors and employees will react to the acquisitions that we make. Acquisitions may result in the assumption of undisclosed or contingent liabilities, the incurrence of increased indebtedness and expenses, and the diversion of management's time and attention away from other business matters, any of which may have an adverse effect on our business, results of operations and financial condition. We make significant investments in developing products that have innovative features and differentiated technology in their industries and in niche markets. We are adding to the geographies in which we do business with third-party distributors. We cannot predict whether and when we will be able to realize the expected financial results and accretive effect of the acquisitions that we close, the new products that we develop and the channel expansions that we make.

Impairment - If acquired businesses do not meet performance expectations, acquired assets could be subject to impairment.

Our total assets reflect goodwill from acquisitions, representing the excess cost over the fair value of the identifiable net assets acquired. We test annually whether goodwill has been impaired, or more frequently if events or changes in circumstances indicate the goodwill may be impaired. If future operating performance at one or more of our operating units were to fall significantly below forecast levels or if market conditions for one or more of our acquired businesses were to decline, we could be required to incur a non-cash charge to operating income for impairment. Any impairment in the value of our goodwill would have an adverse non-cash impact on our results of operations and reduce our net worth.

Competition - Our success depends upon our ability to develop or acquire, and market and sell, new products that meet our customers' evolving needs and desires, and anticipate industry and market changes.

Our profitability will be affected if we do not develop or acquire new products and technologies that meet our customers' evolving needs and desires. Our ability to develop or acquire, and market and sell, products that meet our customers' needs and desires depends upon a number of factors, including anticipating the features and products that our customers will need or want in the future, successfully implementing our acquisition strategies, identifying and entering into new markets, training our distributors, and anticipating market trends. Changes in industries and markets that we serve, including consolidation of competitors, distributors and customers, could affect our success. Changes in the competitive landscape, increases in the market reach of competitors, and improvements in the quality of competitive products could also affect our success. Price competition and competitor strategies could negatively impact our growth and have an adverse impact on our results of operations.

Major Customers - Our Contractor segment depends on a few large customers for a significant portion of its sales. Significant declines in the level of purchases by these customers could reduce our sales and impact segment profitability.

Our Contractor segment, which is our largest reporting segment by sales, derives a significant amount of revenue from a few large channel partners. Substantial decreases in purchases by these customers, difficulty in collecting amounts due or the loss of their business would adversely affect the profitability of this segment. The business of these customers is dependent upon prevailing levels of residential, commercial, industrial and institutional building and remodeling activities. If these activities decline, the business of our customers could be adversely affected and their purchases of our equipment could decrease which could have an adverse impact on our results of operations.

Cyclical Industries - Our success may be affected by variations in the construction, automotive, electronics, aerospace, semiconductor, and agriculture and construction equipment industries.

A substantial portion of our revenues is attributable to sales to customers in cyclical industries. Downturns in these industries could result in a deterioration of our customers' businesses and, in turn, a reduced demand for some of our products. Our business may be affected by fluctuations in residential, commercial, industrial and institutional building and remodeling activities. Changes in construction materials and techniques may also impact our business. Our business may also be affected by fluctuations of activity in the automotive, electronics, aerospace, semiconductor, and agriculture and construction equipment industries.

Legal, Regulatory and Compliance Risks

Laws and Regulations - Changes in laws and regulations, and the imposition of new or additional laws and regulations, may impact how we can do business and the cost of doing business around the world.

We are subject to many laws and regulations in the jurisdictions where we operate, and as the nature and geographic scope of our business grows and expands, we may become subject to additional laws and regulations previously inapplicable to our business. Changes to laws and regulations to which we are currently subject, exposure to additional laws and regulations previously inapplicable to our business, and the imposition of new laws and regulations increase our cost of doing business, may affect the manner in which our products will be produced or delivered, may affect the locations and facilities from which we conduct business, and may impact our long-term ability to provide returns to our shareholders.

Climate-Related Laws, Regulations and Accords – Climate-related laws, regulations and accords may adversely impact our operations, the industries in which we operate, and increase our cost of doing business.

Growing concerns over climate change have resulted in, and may continue to result in, new laws, regulations and accords intended to reduce emissions of certain greenhouse gases and to require reporting on such emissions and other climate-related matters. Existing and new laws, regulations and accords relating to emissions of certain greenhouse gases and the reporting of such emissions and other climate-related matters may be difficult and costly to comply with, may adversely impact certain aspects of our operations (including but not limited to the manufacture and distribution of our products), may adversely impact certain industries in which we operate, may result in increased energy, input, compliance and other costs, and may decrease demand for certain of our products.

ESG Expectations and Requirements – Expectations and requirements relating to environmental, social and governance ("ESG") matters may increase our cost of doing business and expose us to reputational harm and potential liability.

Many regulators, investors, employees, vendors, customers, community members and other stakeholders are increasingly focused on ESG matters such as climate change, greenhouse gas emissions, human capital, and diversity, equity and inclusion. As the nature, scope and complexity of ESG reporting, diligence and disclosure requirements expand, we may have to devote more resources, and incur additional costs, to control, assess and report on ESG metrics. We may make public statements about various ESG-related matters and initiatives from time to time, including on our website, in our press releases, in our ESG report, and in other communications. Addressing stakeholder expectations and regulatory requirements relating to ESG matters requires an investment of time, money and other resources, any or all of which may increase our cost of doing business. As investor and other stakeholder expectations relating to ESG matters change and evolve over time, any failure or perceived failure by us to adequately address those expectations may damage our reputation and adversely affect our business and results of operations. In addition, our stakeholders have evolving, varied and sometimes conflicting expectations regarding many aspects of our business, including our operations and ESG-related matters.

Anti-Corruption and Trade Laws - We may incur costs and suffer damages if our employees, agents, distributors or suppliers violate anti-bribery, anti-corruption or trade laws and regulations.

As a global manufacturer, we are subject to a variety of complex and stringent laws and regulations related to bribery, corruption and trade. The continued geographic expansion of our business increases our exposure to, and the cost of complying with, these laws and regulations. Changes in export control or trade sanction laws may restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned entities, and may result in modifications to our compliance programs and increase compliance costs. If our internal controls and compliance program do not adequately prevent or deter our employees, agents, distributors, suppliers and other third parties with whom we do business from violating anti-bribery, anti-corruption or trade laws and regulations, we may incur defense costs, fines, penalties, reputational damage and business disruptions.

Tax Rates and New Tax Legislation - Changes in tax rates or the adoption of new tax legislation may affect our results of operations, cash flows and financial condition.

The Company is subject to taxes in the U.S. and a number of foreign jurisdictions where it conducts business. The Company's effective tax rate has been and may continue to be affected by changes in the mix of earnings in jurisdictions with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in tax laws or their interpretation, such as the 15% global minimum tax under the Organization for Economic Cooperation and Development ("OECD") Pillar Two, Global Anti-Base Erosion Rules. In addition, the U.S. government could adopt changes to international trade agreements, tariffs, taxes and other related regulations. If the Company's effective tax rate were to increase, or if the ultimate determination of the Company's taxes owed is for an amount in excess of amounts previously accrued, the Company's results of operations, cash flows and financial condition could be adversely affected.

Legal Proceedings - Costs associated with claims, litigation, administrative proceedings and regulatory reviews, and potentially adverse outcomes, may affect our profitability.

The nature of our business, including the equipment we develop, manufacture and sell, or have in the past developed, manufactured and sold, exposes us to the risk of product liability, warranty and tort (including toxic tort), commercial and employment-related claims, demands and litigation. As we grow, we are at an increased risk of being a target in matters related to the assertion of claims and demands, litigation, administrative proceedings and regulatory reviews. We may also need to pursue claims or litigation to protect our interests. The cost of pursuing, defending and insuring against such matters is increasing, particularly in the U.S. A claim against us could cause us to incur substantial and unexpected costs and affect customer confidence in our products, which may adversely affect our profitability. Further, due to adverse changes in costs to insure against such matters, we have increased our self-insured retention and deductibles and procured lower coverage limits under certain policies, which may increase our risk exposure for certain types of claims and adversely affect our profitability if we are ultimately held responsible for such claims. In some cases, our insurers may have the right to compel us to settle litigation we are defending and make a payment in connection with the settlement, even where we have a strong conviction in our defenses and believe our exposure is limited. Successful claims against the Company and settlements may adversely affect our results.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Our cybersecurity program seeks to identify, assess and monitor material cybersecurity and other information technology risks and threats that may affect our information systems, networks and operations, including those systems and networks managed by third parties. We regularly assess potential risks and execute a layered cybersecurity strategy based on prevention, detection, mitigation, and remediation. The Company's cybersecurity risks are evaluated at least annually through our enterprise risk management program, which is a company-wide effort to identify, assess, manage, report and monitor material risks that may affect our ability to achieve our business objectives.

To manage our cybersecurity program, we have established a cross-functional cybersecurity oversight committee and cybersecurity team, both led by our Chief Information Officer ("CIO"). Our cybersecurity oversight committee and cybersecurity team, with the support of external cyber-specialist resources, include technical experts in cybersecurity risk management, incident response and security operations with extensive experience in the operations of networks, network security and infrastructure management. In addition, members of our cybersecurity team have cybersecurity experience or certifications, such as the Certified Information Systems Security Professional certification. Our CIO is informed about and monitors prevention, detection, mitigation, and remediation efforts through regular communication and reporting from professionals on the cybersecurity management team and through the use of technological tools and software.

Policies, procedures and controls under our cybersecurity program are designed in consideration of published frameworks, including the Center for Information Security ("CIS") Critical Security Controls, and routinely evaluated for ongoing adherence to those frameworks. Our cybersecurity program includes a process for incident response and continuous improvement. We periodically enlist outside advisors to evaluate the maturity of our cybersecurity program, review processes and policies, conduct penetration and vulnerability tests and simulation exercises, and to monitor and help identify potential cybersecurity incidents. We provide annual cybersecurity awareness training to our employees and contractors to help identify potential cybersecurity threats and attacks, perform targeted phishing campaigns, use multifactor authentication for secure access to our systems and networks and tabletop exercises to simulate and prepare for potential incidents. When considering to engage with third-party service providers, we assess the risks from cybersecurity threats posed by such engagement and continue to evaluate those risks throughout the duration of the relationship.

The Audit Committee of the Board of Directors oversees the Company's cybersecurity risks and strategy. Management provides regular updates to the Audit Committee on cybersecurity risks facing the Company, the systems management has in place to mitigate and manage those risks, the status of key cybersecurity initiatives through a review of the Company's cybersecurity strategic roadmap and whether any material cybersecurity incidents have occurred. The Audit Committee performs an annual review of the Company's cybersecurity program, which includes an update of the cybersecurity threat landscape, discussion of management's actions to identify and detect threats, and a review of assessments, penetration tests and other audits performed by internal and external parties. In addition, management periodically arranges for outside experts to present to the Audit Committee on cyber governance frameworks, regulatory developments, industry practices and risk management.

None of the cybersecurity risks, including as a result of any prior incidents we have experienced, have had a material adverse impact on our operations, business or financial condition.

Item 2. Properties

Our facilities are in satisfactory condition, suitable for their respective uses, and are generally adequate to meet current needs. A description of our principal facilities as of February 18, 2025, under our operating segment structure for the year ended December 27, 2024, is set forth in the chart below.

Facility	Owned or Leased	Square Footage	Facility Activities	Operating Segment
North America				
Rogers, Minnesota, United States	Owned	782,000	Manufacturing, warehouse, office and product development	Contractor
Dayton, Minnesota, United States	Owned	538,000	Manufacturing, warehouse, office and product development	Contractor and Process
Dayton, Minnesota, United States	Owned	520,000	Distribution center and office	All segments
Anoka, Minnesota, United States	Owned	384,000	Manufacturing, warehouse, office and product development	Process
Minneapolis, Minnesota, United States	Owned	390,000	Manufacturing and office	Industrial
Sioux Falls, South Dakota, United States	Owned	203,000	Manufacturing, warehouse and office	Industrial and Contractor
Minneapolis, Minnesota, United States	Owned	141,000	Worldwide headquarters; office and product development	Corporate and Industrial
North Canton, Ohio, United States	Owned	131,000	Manufacturing, warehouse, office and application laboratory	Industrial
Erie, Pennsylvania, United States	Owned	89,000	Manufacturing, warehouse, office and product development	Process
Minneapolis, Minnesota, United States	Owned	87,000	Assembly	Industrial
Kamas, Utah, United States	Owned	70,000	Manufacturing, warehouse, office, product development and test laboratory	Process
Dexter, Michigan, United States	Owned	65,000	Manufacturing, warehouse, office and product development	Process
Indianapolis, Indiana, United States	Owned	64,000	Warehouse, office, product development and application laboratory	Industrial
Charlotte, North Carolina, United States	Leased	50,000	Office and warehouse	Contractor
Minneapolis, Minnesota, United States	Owned	42,000	Corporate administrative office	All segments
Europe				
Modena, Italy	Owned	519,000	Manufacturing, warehouse, office and product development	Contractor
Gossau, Switzerland	Owned	231,000	Manufacturing, warehouse, office, product development and application laboratory	Industrial
Maasmechelen, Belgium	Owned	210,000	Office, warehouse and assembly	All segments
Verona, Italy	Owned	164,000	Manufacturing and warehouse	Industrial
Sibiu, Romania	Owned	148,000	Manufacturing	Industrial
Maasmechelen, Belgium	Leased	64,000	Warehouse	All segments
Rödermark, Germany	Owned	41,000	Office and warehouse	Industrial
Verona, Italy	Owned	31,000	Office and warehouse	Industrial
Asia Pacific				
Gujarat, India	Leased	178,000	Office and warehouse	Contractor
Shanghai, P.R.C.	Leased	80,000	Office	All segments

Suzhou, P.R.C.	Owned	80,000	Manufacturing, warehouse, office and product development	All segments
Daman, India	Owned	54,000	Manufacturing	Contractor
Bundoora, Australia	Leased	38,000	Office	All segments
Gyeonggi-do, South Korea	Leased	33,000	Office and warehouse	All segments

Item 3. Legal Proceedings

Our Company is engaged in routine litigation, administrative proceedings and regulatory reviews incident to our business. It is not possible to predict with certainty the outcome of these unresolved matters, but management believes that they will not have a material effect upon our operations or consolidated financial position.

Item 4. Mine Safety Disclosures

Not applicable.

Information About Our Executive Officers

The following are all the executive officers of Graco Inc. as of February 18, 2025:

Mark W. Sheahan, 60, became President and Chief Executive Officer in June 2021. From June 2018 to June 2021, he served as Chief Financial Officer and Treasurer. He was Vice President and General Manager, Applied Fluid Technologies Division from 2008 to 2018. He served as Chief Administrative Officer from 2005 to 2008, and was Vice President and Treasurer from 1998 to 2005. Prior to becoming Treasurer in December 1996, he was Manager, Treasury Services. Mr. Sheahan also serves as a director of Tennant Company and on the board of managers of Fernweh Group, LLC.

Ronita Banerjee, 47, became Executive Vice President and Chief Human Resources Officer in May 2023. Before joining Graco, she was Global Human Resources Vice President and Chief Human Resources Officer at Westinghouse Electric Company LLC, a provider of nuclear products and services, from May 2019 to April 2023. Prior to joining Westinghouse from 2017 to May 2019, she served as Global Human Resources Vice President, Building Solutions, and Global Human Resources Director, at Honeywell Inc., prior to which she served as Global Human Resources Director from 2015 to 2017. She was in several human resources management roles at General Mills Inc. from May 2007 to March 2015. Before that, she worked at Dell Technologies Inc. within their compensation and staffing practice from 2003 to 2005, and began her career at Gati Ltd. She joined the Company in 2023.

Laura L. Evanson, 44, became Executive Vice President and Chief Marketing Officer in January 2024. From January 2023 to December 2024, she served as Executive Vice President, Marketing. From September 2021 to December 2022, she served as Vice President of Marketing for the Lubrication Equipment Division and Vice President of Marketing for South and Central America. From 2017 to September 2021, she served as the Director of Marketing for the Lubrication Equipment Division. From 2015 to 2017 she served as a Senior Global Marketing Manager for the Lubrication Equipment Division. From 2010 to 2015, she was a Senior Global Product Marketing Manager for the Lubrication Equipment Division and Industrial Products Division. She joined the Company in 2008.

Inge Grasdal, 54, became Executive Vice President, Corporate Development in January 2022. Before joining Graco, he was Vice President Corporate Development at Ecolab, a global provider of water, hygiene and infection prevention solutions and services, from 2018 to January 2022. Prior to joining Ecolab, he was Senior Director Corporate Development at 3M Company from 2012 to 2018. From 2007 to 2012, he was Vice President Investment Banking at Piper Jaffray & Co. Prior to joining Piper Jaffray, he held various roles in finance, consulting and engineering, including most recently as Director of Finance – Analytics at United Health Group from 2003 to 2007. He joined the Company in January 2022.

Joseph J. Humke, 54, became Executive Vice President, General Counsel and Corporate Secretary in July 2021. Before joining Graco, from 2001 to June 2021, he was an equity partner in the Mergers & Acquisitions and Private Equity practice groups at Ballard Spahr LLP and Lindquist & Vennum LLP (which combined in January 2018) and an associate from 2001 to 2003. Mr. Humke also serves as a director of SkyWater Technology, Inc. He joined the Company in July 2021.

Dale D. Johnson, 70, became Chief Commercial Development Officer in January 2024. He was previously President, Worldwide Contractor Equipment Division, from 2017 to December 2023. From 2001 to 2017, he served as Vice President and General Manager, Contractor Equipment Division. From 2000 to 2001, he served as President and Chief Operating Officer. From 1996 to 2000, he was Vice President, Contractor Equipment Division. Prior to becoming the Director of

Marketing, Contractor Equipment Division in June 1996, he held various marketing and sales positions in the Contractor Equipment division and the Industrial Equipment division. He joined the Company in 1976.

Christopher D. Knutson, 47, became Vice President, Controller and Chief Accounting Officer in January 2025. From May 2023 to December 2024, he served as Executive Vice President, Corporate Controller. He has also served as the Company's principal accounting officer since May 2023. From April 2020 to May 2023, he was Director of Corporate Treasury and Investor Relations, and from 2017 to April 2020, was Director of Corporate Treasury and Regional Controller, South and Central America. He served as Vice President of Finance from 2016 to 2017 at United Skin Specialists, after which he returned to Graco. From 2010 to 2016 he served in several Controller roles, including in the Applied Fluid Technology Division, Asia Pacific, and Lubrication Equipment Division. He first joined Graco as the Internal Audit Manager from 2008 to 2010. Prior to joining Graco, he worked at PricewaterhouseCoopers for seven years within their audit practice. He joined the Company in 2008.

David M. Lowe, 69, became Chief Financial Officer and Treasurer in June 2021. From April 2020 to June 2021, he served as President, Worldwide Process Division. He was President, Worldwide Industrial Products Division from June 2018 until April 2020. From 2012 until 2018, he was Executive Vice President, Industrial Products Division. From 2005 to 2012, he was Vice President and General Manager, Industrial Products Division. He was Vice President and General Manager, European Operations from 1999 to 2005. Prior to becoming Vice President, Lubrication Equipment Division in December 1996, he was Treasurer. He joined the Company in 1995.

Claudio Merengo, 55, became President, Global Powder Division in January 2025. From February 2024 to December 2024, he served as President, Worldwide Powder Division. He was previously President, Worldwide Gema from 2007 to February 2024. During this time, he also served as Group President, ITW Finishing from 2010 to 2012 and Group President, ITW Dynatec from 2008 to 2009. From 2004 to 2007 he was President, Gema Europe. From 1999 to 2004, he was Managing Director, Gema Italy. From 1994 to 1999, he held different positions in R&D, Sales and After Sales for Gema. He joined Gema in 1994. Gema has been part of Graco since the acquisition of the ITW Finishing Group in 2012.

Peter J. O'Shea, 60, became President, Global Industrial Division in January 2025. From January 2022 to December 2024, he served as President, Worldwide Lubrication Equipment Division, and President, South and Central America. From July 2021 to January 2022, he was President, Worldwide Industrial Products Division, and President, South and Central America. From April 2020 to January 2022, he was President, Worldwide Industrial Products Division. From 2018 to April 2020, he was President, Worldwide Lubrication Equipment Division. From 2016 to 2018, he was Vice President and General Manager, Lubrication Equipment Division. From 2012 to 2015, he was Vice President and General Manager, Asia Pacific. From 2012 to 2012, he was Director of Sales & Marketing, Industrial Products Division, and from 2008 to 2012, he was Director of Sales & Marketing, Industrial Products Division and Applied Fluid Technology Division. He was Country Manager, Australia - New Zealand from 2005 to 2008, and from 2002 to 2005 he served as Business Development Manager, Australia - New Zealand. Prior to becoming Business Development Manager, Australia - New Zealand, he worked in various Graco sales management positions. He joined the Company in 1995.

Kathryn L. Schoenrock, 47, became Executive Vice President and Chief Information Officer in February 2024. She was previously Executive Vice President and Chief Technology Officer from May 2023 to February 2024. From January 2022 to May 2023, she was Executive Vice President, Corporate Controller and Information Systems. From August 2020 to January 2022, she was Executive Vice President, Corporate Controller. She has also served as the Company's principal accounting officer from August 2020 to May 2023. From 2017 to August 2020, she was Director of Corporate Finance. She served as Director of Financial Reporting from 2012 to 2018. Prior to joining Graco, she served as a Senior Manager in the audit practice of Deloitte & Touche LLP from 2008 to 2012, and held various positions in the audit practice of Deloitte & Touche LLP from 2002 to 2008 and in the audit practice of Arthur Andersen LLP from 2000 to 2002. She joined the Company in 2012.

David J. Thompson, 57, became President, Global Contractor Division in January 2025. From January 2024 to December 2024, he served as President, Worldwide Contractor Equipment Division. He was previously Vice President of Engineering, Contractor Equipment Division, a role he had held since 2021. He held a series of positions of increasing responsibility within the Contractor Equipment Division throughout his career, including Engineering Manager, Senior Engineering Manager and Director of Engineering. He joined the Company in 1988.

Timothy R. White, 55, became President, Expansion Markets Division in January 2025. From June 2021 to December 2024, he served as President, Worldwide Process Division. From August 2020 to June 2021, he served as President, White Knight and QED Environmental Systems. He served as President, EMEA from 2018 to August 2020. From 2015 to 2018, he was the President of QED Environmental Systems. He served as Director of Sales and Marketing, Applied Fluid Technologies Division, from 2012 to 2015. From 2011 to 2012, he was the North American Sales Manager, Applied Fluid Technologies Division. From 2008 to 2011, he was Operations Director, Contractor Equipment Division. Prior to becoming

Operations Director, Contractor Equipment Division, he held various manufacturing management positions. He joined the Company in 1992.

Angela F. Wordell, 53, became Executive Vice President and Chief Operations and Supply Chain Officer in January 2025. From January 2022 to December 2024, she served as Executive Vice President, Operations. From April 2020 to January 2022, she was Executive Vice President, Operations, and President, Worldwide Oil & Natural Gas Division. From 2018 to April 2020, she was Executive Vice President, Operations. From 2017 to 2018, she was Purchasing Director. From January 2017 to April 2017, she served as Strategic Sourcing Director. From 2010 to 2017, she was Operations Director, Industrial Product Division and China Factory. Prior to that, she held various manufacturing management and engineering positions. She joined the Company in 1993.

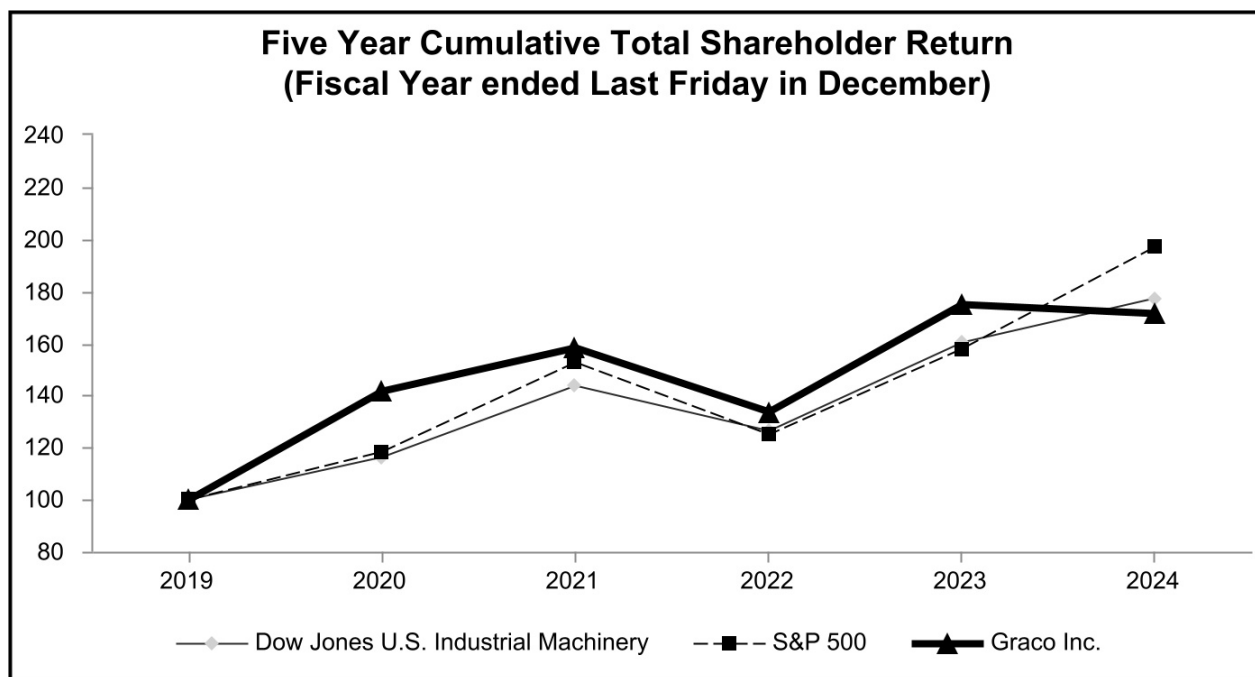
PART II

Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Graco Common Stock

Graco common stock is traded on the New York Stock Exchange under the ticker symbol “GGG.” As of January 24, 2025, the share price was \$85.86 and there were 169,493,970 shares outstanding and 1,570 common shareholders of record, which includes nominees or broker dealers holding stock on behalf of an estimated 204,372 beneficial owners.

The graph below compares the cumulative total shareholder return on the common stock of the Company for the last five fiscal years with the cumulative total return of the S&P 500 Index and the Dow Jones U.S. Industrial Machinery Index over the same period (assuming the value of the investment in Graco common stock and each index was \$100 on December 31, 2019, and all dividends were reinvested).



	2019	2020	2021	2022	2023	2024
Dow Jones U.S. Industrial Machinery	\$100	\$116	\$144	\$126	\$160	\$177
S&P 500	100	118	152	125	158	197
Graco Inc.	100	141	158	134	175	171

Issuer Purchases of Equity Securities

On December 7, 2018, the Board of Directors authorized the Company to purchase up to 18 million shares of its outstanding common stock, primarily through open-market transactions. The authorization is for an indefinite period of time or until terminated by the Board. There are no shares available for repurchase under previous authorizations.

In addition to shares purchased under the Board authorization, the Company purchases shares of common stock held by employees who wish to tender owned shares to satisfy the exercise price or tax due upon exercise of stock options or vesting of restricted stock.

Information on issuer purchases of equity securities follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (at end of period)
Sep 28, 2024 - Oct 25, 2024	—	—	—	13,151,009
Oct 26, 2024 - Nov 22, 2024	—	—	—	13,151,009
Nov 23, 2024 - Dec 27, 2024	—	—	—	13,151,009

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis reviews significant factors affecting the Company's consolidated results of operations, financial condition and liquidity. This discussion should be read in conjunction with our financial statements and the accompanying notes to the financial statements. A discussion of changes in our financial condition and the results of operations from the year ended December 29, 2023 compared to December 30, 2022 can be found in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 29, 2023. The discussion is organized in the following sections:

- [Overview](#)
- [Results of Operations](#)
- [Segment Results](#)
- [Financial Condition and Cash Flow](#)
- [Critical Accounting Estimates](#)

Overview

Graco designs, manufactures and markets systems and equipment used to move, measure, control, dispense and spray fluid and powder materials. The Company specializes in equipment for applications that involve difficult-to-handle materials with high viscosities, materials with abrasive or corrosive properties and multiple-component materials that require precise ratio control. Graco sells primarily through independent third-party distributors worldwide to industrial and contractor end users. Graco's business is classified by management into three reportable segments: Contractor, Industrial and Process. Each segment is responsible for product development, manufacturing, marketing and sales of their products.

Graco's key strategies include developing and marketing new products, leveraging products and technologies into additional, growing end-user markets, expanding distribution globally and completing strategic acquisitions that provide additional channels and technologies. Long-term financial growth targets accompany these strategies, including our objectives of 10 percent revenue growth and 12 percent consolidated net earnings growth per annum. We continue to develop new products in each operating division that are expected to drive incremental sales growth, as well as continued refreshes and upgrades of existing product lines. Graco has made a number of strategic acquisitions that expand and complement organically developed products and provide new market and channel opportunities.

Manufacturing is a key competency of the Company. Our management team in Minneapolis provides strategic manufacturing expertise and is also responsible for factories not fully aligned with a single division. Our largest manufacturing facilities are in the U.S. We also manufacture some of our products in Switzerland (Industrial segment), Italy (Industrial and Contractor segment), the P.R.C. (all segments), India (Contractor segment), Belgium (all segments) and Romania (Industrial segment). Our primary distribution facilities are located in the U.S., Belgium, Switzerland, United Kingdom, P.R.C., Japan, Italy, South Korea, India, Australia and Brazil.

Results of Operations

A summary of financial results follows (in millions except per share amounts):

	2024	2023
Net Sales	\$ 2,113.3	\$ 2,195.6
Operating Earnings	570.1	646.8
Net Earnings	486.1	506.5
Diluted Net Earnings per Common Share	\$ 2.82	\$ 2.94
Adjusted (non-GAAP) ⁽¹⁾ :		
Operating Earnings, adjusted	\$ 577.8	\$ 646.0
Net Earnings, adjusted	477.1	523.9
Diluted Net Earnings per Common Share, adjusted	\$ 2.77	\$ 3.04

(1) Excludes impacts of business reorganization charges, excess tax benefits from stock option exercises, impairment charges, contingent consideration fair value adjustments, pension settlement losses and certain non-recurring tax

provision adjustments. See Financial Results Adjusted for Comparability below for a reconciliation of adjusted non-GAAP financial measures to GAAP.

Certain events in the last two years caused fluctuations in financial results. Excess tax benefits related to stock option exercises reduced income taxes by \$15 million in 2024 and \$10 million in 2023. Business reorganization charges reduced operating earnings in 2024 by \$8 million. Other expense for 2023 included a \$42 million non-cash pension settlement loss. In 2023, the Company recorded a goodwill impairment and contingent consideration adjustment related to an acquisition that was not material to the financial statements. Other benefits from tax planning activities further reduced income taxes in 2023. Excluding the impacts of those items presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP adjusted measurements of operating earnings, earnings before income taxes, income taxes, effective income tax rates, net earnings and diluted earnings per share follows (in millions except per share amounts):

	2024	2023
Operating earnings, as reported	\$ 570.1	\$ 646.8
Contingent consideration	—	(8.6)
Impairment	—	7.8
Business reorganization	7.7	—
Operating earnings, adjusted	<u>\$ 577.8</u>	<u>\$ 646.0</u>
Earnings before income taxes, as reported	\$ 589.3	\$ 608.8
Pension settlement loss	—	42.1
Contingent consideration	—	(8.6)
Impairment	—	7.8
Business reorganization	7.7	—
Earnings before income taxes, adjusted	<u>\$ 597.0</u>	<u>\$ 650.1</u>
Income taxes, as reported	\$ 103.2	\$ 102.3
Pension settlement tax effect	—	8.8
Other non-recurring tax benefit	—	4.8
Excess tax benefit from option exercises	14.9	10.3
Business reorganization tax effect	1.8	—
Income taxes, adjusted	<u>\$ 119.9</u>	<u>\$ 126.2</u>
Effective income tax rate		
As reported	17.5 %	16.8 %
Adjusted	20.1 %	19.4 %
Net Earnings, as reported	\$ 486.1	\$ 506.5
Pension settlement loss, net	—	33.3
Contingent consideration	—	(8.6)
Impairment	—	7.8
Other non-recurring tax benefit	—	(4.8)
Excess tax benefit from option exercises	(14.9)	(10.3)
Business reorganization	5.9	—
Net Earnings, adjusted	<u>\$ 477.1</u>	<u>\$ 523.9</u>
Weighted Average Diluted Shares	172.4	172.2
Diluted Net Earnings per Share		
As reported	\$ 2.82	\$ 2.94
Adjusted	\$ 2.77	\$ 3.04

Components of Net Earnings as a Percentage of Sales:

The following table presents an overview of components of net earnings as a percentage of net sales:

	2024	2023
Net Sales	100.0 %	100.0 %
Cost of products sold	46.9	47.1
Gross profit	53.1	52.9
Product development	4.0	3.7
Selling, marketing and distribution	13.0	11.9
General and administrative	9.1	7.8
Contingent consideration	—	(0.4)
Impairment	—	0.4
Operating earnings	27.0	29.5
Interest expense	0.1	0.2
Other (income) expense, net	(1.0)	1.6
Earnings before income taxes	27.9	27.7
Income taxes	4.9	4.6
Net Earnings	23.0 %	23.1 %
Net Earnings, adjusted (see non-GAAP measurements above)	22.6 %	23.9 %

Net Sales

The following table presents net sales by geographic region (in millions):

	2024	2023
Americas ⁽¹⁾	\$ 1,329.3	\$ 1,338.0
EMEA ⁽²⁾	454.2	463.9
Asia Pacific	329.8	393.7
Consolidated	\$ 2,113.3	\$ 2,195.6

(1) North, Central and South America, including the U.S. Sales in the U.S. were \$1,149 million in 2024 and \$1,162 million in 2023.

(2) Europe, Middle East and Africa.

The following table presents the components of net sales change by geographic region:

	2024				2023			
	Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	(1)%	0%	0%	(1)%	4%	0%	0%	4%
EMEA	(4)%	1%	1%	(2)%	0%	0%	3%	3%
Asia Pacific	(16)%	1%	(1)%	(16)%	(1)%	0%	(3)%	(4)%
Consolidated	(4)%	1%	(1)%	(4)%	2%	0%	0%	2%

In 2024, net sales declined in all regions and in most end markets compared to 2023. Declines in global semiconductor markets drove sales lower in the Americas and Asia Pacific. Reduced project activity for automotive, electronics and e-mobility end markets, especially in China, furthered sales declines in Asia Pacific. In the Americas, strong finishing system sales were unable to offset soft residential and non-residential construction markets. In EMEA, decreased industrial activity in Western Europe led to lower sales in 2024.

Gross Profit

The gross profit margin rate for 2024 increased slightly as the favorable effects of realized pricing more than offset unfavorable product and channel mix, lower sales volume and higher product costs.

Operating Expenses

Total operating expenses increased \$38 million (7 percent) for 2024 compared to 2023. Operating expenses for 2024 included \$13 million in incremental litigation costs associated with a trial that concluded in December of 2024, \$13 million of investments in new product development and other growth initiatives, \$7 million of business reorganization costs and \$7 million of expenses from acquired operations. Reductions in volume and earnings-based expenses of \$14 million for the year partially offset the increase in operating expenses. Investment in new product development in 2024 was \$87 million, approximately 4 percent of sales.

Operating Earnings

Sales declines and increased operating expenses led to a 12 percent decrease in operating earnings. Operating earnings expressed as a percentage of sales in 2024 decreased approximately 3 percentage points compared to 2023 as lower sales, higher product costs and higher expenses impacted profitability for the year.

Interest & Other Expense

Interest expense was \$2 million lower for 2024 compared to 2023 as private placement debt was repaid in the third quarter of 2023. Excluding a prior year pension settlement loss of \$42 million, other income increased \$13 million for 2024, largely due to increased interest income.

Income Taxes

The effective income tax rate for 2024 was 18 percent, up 1 percentage point from 2023. The increase in 2024 was largely due to non-recurring tax benefits in 2023, variations in excess tax benefits from stock option exercises and the unfavorable effects of foreign earnings taxed at higher rates than the U.S.

Segment Results

The Company has five operating segments which are aggregated into three reportable segments: Contractor, Industrial and Process. Refer to Part I Item 1. Business, for a description of the Company's three reportable segments. Management assesses the performance of segments by reference to operating earnings excluding unallocated corporate expenses and asset impairments.

The following table presents net sales and operating earnings by reporting segment (in millions):

	2024	2023
Sales		
Contractor	\$ 988.9	\$ 985.7
Industrial	619.6	662.8
Process	504.8	547.1
Total	\$ 2,113.3	\$ 2,195.6
Operating Earnings		
Contractor	\$ 270.1	\$ 285.3
Industrial	201.5	234.1
Process	141.7	165.3
Unallocated corporate (expense) ⁽¹⁾	(43.2)	(38.7)
Contingent consideration	—	8.6
Impairment	—	(7.8)
Total	\$ 570.1	\$ 646.8

(1) Unallocated corporate (expense) includes such items as stock compensation, certain acquisition transaction items, bad debt expense, charitable contributions, and certain facility expenses.

Contractor Segment

The following table presents net sales and operating earnings as a percentage of sales for the Contractor segment (dollars in millions):

	2024	2023
Sales		
Americas	\$ 721.6	\$ 730.2
EMEA	183.9	179.5
Asia Pacific	83.4	76.0
Total	\$ 988.9	\$ 985.7
Operating Earnings as a Percentage of Sales	27 %	29 %

The following table presents the components of net sales change by geographic region for the Contractor segment:

	2024				2023			
	Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	(2)%	1%	0%	(1)%	(1)%	0%	0%	(1)%
EMEA	(1)%	3%	0%	2%	(1)%	0%	2%	1%
Asia Pacific	6%	6%	(2)%	10%	(5)%	0%	(4)%	(9)%
Segment Total	(1)%	2%	(1)%	0%	(1)%	0%	0%	(1)%

Contractor segment sales in 2024 were flat compared to 2023. Incremental sales from acquired operations, increased sales of protective coatings equipment and favorable response to new product offerings offset declines in North American construction markets. The operating margin rate for this segment was 2 percentage points lower than last year due to higher product costs on lower sales volumes, the unfavorable effects of lower margin rates of acquired operations and litigation costs associated with a trial that concluded in December of 2024.

Sales in the Americas represent the majority of sales for the Contractor segment. Management regularly reviews economic and financial indicators for North America, including levels of residential, commercial and institutional construction, remodeling rates and interest rates. Management also reviews gross domestic product for the regions and the level of the U.S. dollar versus the euro and other currencies.

Industrial Segment

The following table presents net sales and operating earnings as a percentage of sales for the Industrial segment (dollars in millions):

	2024	2023
Sales		
Americas	\$ 273.0	\$ 263.6
EMEA	200.3	207.6
Asia Pacific	146.3	191.6
Total	\$ 619.6	\$ 662.8
Operating Earnings as a Percentage of Sales	33 %	35 %

The following table presents the components of net sales change by geographic region for the Industrial segment:

	2024				2023			
	Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	4%	0%	0%	4%	10%	0%	0%	10%
EMEA	(4)%	0%	0%	(4)%	(2)%	0%	3%	1%
Asia Pacific	(22)%	0%	(2)%	(24)%	(3)%	0%	(3)%	(6)%
Segment Total	(6)%	0%	(1)%	(7)%	2%	0%	0%	2%

Industrial segment sales decreased 7 percent for 2024 as finishing system sales in the Americas were unable to offset reduced project activity for automotive, e-mobility and electronic projects in Asia Pacific and weakened industrial activity in EMEA. The operating margin rate for this segment decreased 2 percentage points for the year due to higher product costs from lower sales volumes, business reorganization expenses and the unfavorable effects of product and channel mix.

In this segment, sales in each geographic region are significant, and management looks at economic and financial indicators in each region, including gross domestic product, industrial production, capital investment rates, automobile production, building construction and the level of the U.S. dollar versus the euro, the Swiss franc, the Canadian dollar, the Chinese renminbi and various other Asian currencies.

Process Segment

The following table presents net sales and operating earnings as a percentage of sales for the Process segment (dollars in millions):

	2024	2023
Sales		
Americas	\$ 334.5	\$ 344.2
EMEA	70.1	76.8
Asia Pacific	100.2	126.1
Total	\$ 504.8	\$ 547.1
Operating Earnings as a Percentage of Sales	28 %	30 %

The following table presents the components of net sales change by geographic region for the Process segment:

	2024				2023			
	Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	(3)%	0%	0%	(3)%	13%	0%	0%	13%
EMEA	(10)%	0%	1%	(9)%	10%	0%	1%	11%
Asia Pacific	(20)%	0%	(1)%	(21)%	5%	0%	(2)%	3%
Segment Total	(8)%	0%	0%	(8)%	11%	0%	0%	11%

Process segment sales decreased in 2024 in all regions mainly due to decline in semiconductor end markets. Other end markets, such as mining, oil and gas, industrial pumps and vehicle services were weaker in 2024 compared to 2023. The operating margin rate for this segment decreased approximately 2 percentage points for the year as price realization was not enough to offset unfavorable expense leverage on lower sales volume.

Although the Americas represent the majority of sales for the Process segment, management monitors indicators such as levels of gross domestic product, capital investment, industrial production, oil and natural gas markets and mining activity worldwide.

Financial Condition and Cash Flow

Working Capital. The following table highlights several key measures of asset performance (dollars in millions):

	2024	2023
Working capital	\$ 1,091.6	\$ 970.6
Current ratio	3.7	3.5
Days of sales in receivables outstanding	62	58
Inventory turnover (LIFO)	2.3	2.2

Higher cash and cash equivalent balances primarily drove increases in working capital in 2024. Decreased receivables from lower sales activity were more than offset by the incremental effect of acquired operations. An effort to reduce inventory levels in 2024 more than offset the effect of acquired inventory. As inventory purchases decreased, trade accounts payable decreased. The current ratio increased in 2024 in line with the changes in working capital.

Capital Structure. At December 27, 2024, the Company's capital structure included current notes payable of \$29 million and shareholders' equity of \$2,584 million. At December 29, 2023, the Company's capital structure included current notes payable of \$30 million and shareholders' equity of \$2,224 million.

Shareholders' equity increased by \$360 million in 2024. The increase provided by current year earnings of \$486 million was primarily offset by dividends of \$176 million and share repurchases of \$31 million. Other increases in shareholders' equity included share issuances, stock compensation and other comprehensive income of \$81 million.

Liquidity and Capital Resources. The Company evaluates liquidity as its ability to generate cash to fund its operating, investing and financing activities. Historically the Company has funded cash requirements for working capital, capital expenditures, businesses acquisitions, repayment of debt obligations, retirement plans, dividends, and common stock repurchases, all as applicable, through cash provided by its operations. The Company's other primary source of liquidity includes funds available through various debt financing arrangements.

As of December 27, 2024, the Company had available liquidity of \$1,453 million, including cash held in deposit accounts of \$675 million, of which \$144 million was held outside of the U.S., and available credit under existing committed credit facilities of \$778 million.

Internally generated funds and unused financing sources are expected to provide the Company with the flexibility to meet its liquidity needs in 2025, including its capital expenditure plan of approximately \$60 million, planned dividends estimated at \$186 million, share repurchases and acquisitions. If acquisition opportunities increase, the Company believes that reasonable financing alternatives are available for the Company to execute on those opportunities. The Company has no significant off-balance sheet debt or other unrecorded obligations. The Company believes it has the ability to meet its long-term cash requirements by using available cash and internally generated funds and to borrow under its committed and uncommitted credit facilities.

In December 2024, the Board of Directors increased the Company's regular quarterly dividend from \$0.255 to \$0.275 per share, an increase of 8 percent.

Cash Flow. A summary of cash flow follows (in millions):

	2024	2023
Operating activities	\$ 621.7	\$ 651.0
Investing activities	(342.8)	(185.3)
Financing activities	(139.9)	(268.0)
Effect of exchange rates on cash	(1.6)	1.0
Net cash provided	137.4	198.7
Cash and cash equivalents at end of year	\$ 675.3	\$ 537.9

Cash Flows From Operating Activities. Net cash provided by operating activities was \$622 million in 2024, down \$29 million compared to 2023, due primarily to lower net earnings. Fewer inventory purchases in 2024 as part of an inventory

reduction program, as well as other decreases in working capital partially offset the effects of lower net earnings on cash provided by operating activities.

Cash Flows Used in Investing Activities. Cash flows used in investing activities totaled \$343 million in 2024, including \$242 million for business acquisitions and \$107 million for capital additions. Cash flows used in investing activities totaled \$185 million in 2023, including \$185 million for capital additions.

Cash Flows Used in Financing Activities. Cash flows used in financing activities totaled \$140 million in 2024 and included dividends of \$172 million and share repurchases of \$31 million, partially offset by net proceeds from share issuances of \$66 million.

Cash flows used in financing activities totaled \$268 million in 2023 and included share repurchases of \$102 million (partially offset by net proceeds from share issuances of \$60 million), dividends of \$158 million, and net payments on long-term debt and outstanding lines of credit of \$65 million.

On December 7, 2018, the Board of Directors authorized the purchase of up to 18 million shares of common stock, primarily through open market transactions. The authorization is for an indefinite period of time or until terminated by the Board. As of December 27, 2024, approximately 13 million shares remain available for purchase under the authorization.

The Company repurchased and retired 0.4 million shares in 2024, 1.4 million shares in 2023 and 3.6 million shares in 2022. The Company has made and may continue to make opportunistic share repurchases in 2025 via open market transactions or short-dated accelerated share repurchase programs.

Critical Accounting Estimates

The Company prepares its consolidated financial statements in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Company's most significant accounting policies are disclosed in Note A (Summary of Significant Accounting Policies) to the consolidated financial statements. The preparation of the consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual amounts will differ from those estimates. The Company considers the following policies to involve the most judgment in the preparation of the Company's consolidated financial statements.

Retirement Benefits. The measurements of the Company's pension and postretirement medical obligations are dependent on a number of assumptions including estimates of the present value of projected future payments, taking into consideration future events such as salary increases and demographic experience. These assumptions may have an impact on the expense and timing of future contributions.

The assumptions used in developing the required estimates for pension obligations include discount rate, inflation, salary increases, retirement rates, expected return on plan assets and mortality rates. The assumptions used in developing the required estimates for postretirement medical obligations include discount rates, rate of future increase in medical costs and participation rates.

For U.S. plans, the Company establishes its discount rate assumption by reference to a yield curve published by an actuary and projected plan cash flows. For plans outside the U.S., the Company establishes a rate by country by reference to highly rated corporate bonds. These reference points have been determined to adequately match expected plan cash flows. The Company bases its inflation assumption on an evaluation of external market indicators. The salary assumptions are based on actual historical experience, the near-term outlook and assumed inflation. Retirement rates are based on experience. The investment return assumption is based on the expected long-term performance of plan assets. In setting this number, the Company considers the input of actuaries and investment advisers, its long-term historical returns, the allocation of plan assets and projected returns on plan assets. For 2025, the Company will use an investment return assumption of 7.3 percent for the funded U.S. plan. The 2024 rate assumed was 7.6 percent for the funded U.S. plan. Mortality rates are based on current common group mortality tables for males and females.

At December 27, 2024, a one-half percentage point decrease in the indicated assumptions would have the following effects (in millions):

Assumption	Funded Status	Expense
Discount rate	\$ (14.6)	\$ 1.8
Expected return on assets	\$ —	\$ 0.6

Goodwill and Other Intangible Assets. The Company performs impairment testing for goodwill annually in the fourth quarter or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company estimates the fair value of the reporting units using a present value of future cash flows calculation cross-checked by an allocation of market capitalization approach. The goodwill impairment test is performed by comparing the fair value of the relevant reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

The Company's primary identifiable intangible assets include customer relationships, trademarks, trade names, proprietary technology and patents. Finite lived intangibles are amortized and are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indefinite lived intangibles are reviewed for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate the asset might be impaired.

A considerable amount of management judgment and assumptions are required in performing the impairment tests. Management makes several assumptions, including earnings and cash flow projections, discount rate, product offerings and market strategies, customer attrition, and royalty rates, each of which have a significant impact on the estimated fair values. Though management considers its judgments and assumptions to be reasonable, changes in these assumptions could impact the estimated fair value.

We completed our annual impairment test of goodwill and other intangible assets in the fourth quarter of 2024. No impairment charges were recorded as a result of that review. In 2023, the Company recognized a goodwill impairment related to the reorganization of a business acquired in 2020 that was not material to the consolidated financial statements.

Income Taxes. In the preparation of the Company's consolidated financial statements, management calculates income taxes. This includes estimating current tax liability as well as assessing temporary differences resulting from different treatment of items for tax and financial statement purposes. These differences result in deferred tax assets and liabilities, which are recorded on the balance sheet using statutory rates in effect for the year in which the differences are expected to reverse. These assets and liabilities are analyzed regularly, and management assesses the likelihood that deferred tax assets will be recoverable from future taxable income. A valuation allowance is established to the extent that management believes that recovery is not likely. Liabilities for uncertain tax positions are also established for potential and ongoing audits of federal, state and international issues. The Company routinely monitors the potential impact of such situations and believes that liabilities are properly stated. Valuations related to amounts owed and tax rates could be impacted by changes to tax codes and the Company's interpretation thereof, changes in statutory rates, the Company's future taxable income levels and the results of tax audits.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company sells and purchases products and services in currencies other than the U.S. dollar and pays variable interest rates on borrowings under certain credit facilities. Consequently, the Company is subject to profitability risk arising from exchange and interest rate movements. The Company may use a variety of financial and derivative instruments to manage foreign currency and interest rate risks. The Company does not enter into any of these instruments for trading purposes to generate revenue. Rather, the Company's objective in managing these risks is to reduce fluctuations in earnings and cash flows associated with changes in foreign currency exchange and interest rates.

The Company may use forward exchange contracts, options and other hedging activities to hedge the U.S. dollar value resulting from anticipated currency transactions and net monetary asset and liability positions. At December 27, 2024, the currencies to which the Company had the most significant balance sheet exchange rate exposure were the euro, Swiss franc, Canadian dollar, British pound, Japanese yen, Australian dollar, Chinese renminbi, South Korean won and Indian rupee. It is not possible to determine the true impact of currency rate changes; however, the direct translation effect on net sales and net earnings can be estimated. In 2024, changes in currency translation rates reduced sales by approximately \$6 million and reduced net earnings by approximately \$3 million. In 2023, changes in currency translation rates reduced sales by approximately \$2 million and reduced net earnings by approximately \$4 million.

2025 Outlook

Entering 2025, overall incoming order rates remain steady in an uncertain macroeconomic environment. Demand in China and for semiconductor products appear to have stabilized. The Company's reorganization into global businesses, centered around common customers and distributors, has been completed and is designed with the intention of driving incremental profitable growth. The Company remains committed to its core growth strategies of developing new products, expanding distribution, seeking adjacent markets and new geographies, and pursuing strategic acquisitions. As a result, the Company's outlook for 2025 is low single-digit revenue growth on an organic, constant currency basis.

At January 31, 2025 exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2024, the movement in foreign currencies would have an unfavorable impact of approximately 1 percentage point on net sales and 2 percentage points on net earnings for 2025.

The Company's backlog is not a good indicator of future long-term business levels. In addition to economic growth, the successful launch of new products and expanded distribution coverage, the sales outlook is dependent on many factors, including realization of price increases and stable foreign currency exchange rates.

Forward-Looking Statements

The Company desires to take advantage of the “safe harbor” provisions regarding forward-looking statements of the Private Securities Litigation Reform Act of 1995 and is filing this Cautionary Statement in order to do so. From time to time various forms filed by our Company with the Securities and Exchange Commission, including this Form 10-K and our Form 10-Qs and Form 8-Ks, and other disclosures, including our overview report, press releases, earnings releases, analyst briefings, conference calls and other written documents or oral statements released by our Company, may contain forward-looking statements. Forward-looking statements generally use words such as “expect,” “foresee,” “anticipate,” “believe,” “project,” “should,” “estimate,” “will,” and similar expressions, and reflect our Company’s expectations concerning the future. All forecasts and projections are forward-looking statements. Forward-looking statements are based upon currently available information, but various risks and uncertainties may cause our Company’s actual results to differ materially from those expressed in these statements. The Company undertakes no obligation to update these statements in light of new information or future events.

Future results could differ materially from those expressed, due to the impact of changes in various factors. These risk factors include, but are not limited to, risks relating to the demand for our products and the level of commercial and industrial activity worldwide; changes in currency translation rates; international and domestic political instability; interest rate fluctuations and changes in credit markets; global sourcing of materials; interruptions of or intrusions into our information systems; intellectual property rights; the use of generative artificial intelligence; conducting business internationally; catastrophic events; our ability to attract, develop and retain qualified personnel; public health crises; our growth strategies and acquisitions; potential goodwill impairment; our ability to compete effectively; our dependence on a few large customers; our dependence on cyclical industries; changes in laws and regulations; climate-related laws, regulations and accords; environmental, social and governance-related expectations and requirements; compliance with anti-corruption and trade laws; changes in tax rates or the adoption of new tax legislation; costs associated with legal proceedings; and other risks and uncertainties including those discussed in Item 1A of this Form 10-K. Shareholders, potential investors and other readers are urged to consider these factors in evaluating forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

Investors should realize that factors other than those identified in Item 1A might prove important to the Company’s future results. It is not possible for management to identify each and every factor that may have an impact on the Company’s operations in the future as new factors can develop from time to time.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Graco Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Graco Inc. and subsidiaries (the "Company") as of December 27, 2024 and December 29, 2023, the related consolidated statements of earnings, comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended December 27, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 27, 2024 and December 29, 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 27, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2025, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Retirement Benefits – U.S. Pension Benefit Obligation – Refer to Note J to the financial statements

Critical Audit Matter Description

The Company has both funded and unfunded defined benefit pension plans. The actuarial determination of the present value of the pension obligation on an annual basis requires management to make significant assumptions related to the selection of the discount rates used in the calculation of the net present value of future pension benefits. The Company establishes the discount rate assumptions for the U.S. pension plans by reference to a yield curve published by an actuary and projected plan cash flows.

Given the significance of the U.S. pension obligation and the requirement of management to make significant assumptions related to the selection of the discount rates, performing audit procedures to evaluate the reasonableness of the discount rates selected for the U.S. pension plans required a high degree of auditor judgment and an increased extent of effort, including the need to involve our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to selection of the discount rates for the U.S. pension obligation included the following, among others:

- a. We tested the effectiveness of internal controls over the valuation of the pension obligation, including management's controls over selection of the discount rates.
- b. With the assistance of our actuarial specialists, we evaluated the reasonableness of the discount rates by:
 - Evaluating the methodology utilized to select the discount rates for conformity with applicable accounting guidance.
 - Testing the source information underlying the determination of the discount rates, including the methodology used to construct the yield curve, the characteristics of the bonds underlying the yield curve analysis, and the mathematical accuracy of the calculation.
 - Developing independent estimates using external published yield curves and comparing them to the discount rates selected by management.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
February 18, 2025

We have served as the Company's auditor since at least 1969, however, an earlier year could not be readily determined.

GRACO INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share amounts)

	Years Ended		
	December 27, 2024	December 29, 2023	December 30, 2022
Net Sales	\$ 2,113,316	\$ 2,195,606	\$ 2,143,521
Cost of products sold	990,855	1,034,585	1,086,082
Gross Profit	1,122,461	1,161,021	1,057,439
Product development	87,230	82,822	80,008
Selling, marketing and distribution	273,741	260,712	250,948
General and administrative	191,392	171,444	153,783
Contingent consideration	—	(8,600)	—
Impairment	—	7,800	—
Operating Earnings	570,098	646,843	572,700
Interest expense	2,828	5,191	9,897
Other (income) expense, net	(22,013)	32,850	(2,921)
Earnings Before Income Taxes	589,283	608,802	565,724
Income taxes	103,199	102,291	105,079
Net Earnings	\$ 486,084	\$ 506,511	\$ 460,645
Basic Net Earnings per Common Share	\$ 2.88	\$ 3.01	\$ 2.73
Diluted Net Earnings per Common Share	\$ 2.82	\$ 2.94	\$ 2.66

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Years Ended		
	December 27, 2024	December 29, 2023	December 30, 2022
Net Earnings	\$ 486,084	\$ 506,511	\$ 460,645
Components of other comprehensive (loss) income			
Cumulative translation adjustment	(32,446)	25,661	(9,582)
Pension and postretirement medical liability adjustment	23,264	11,426	25,630
Income taxes - pension and postretirement medical liability	(5,397)	(2,704)	(5,257)
Other comprehensive (loss) income	(14,579)	34,383	10,791
Comprehensive Income	\$ 471,505	\$ 540,894	\$ 471,436

See notes to consolidated financial statements.

GRACO INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 27, 2024	December 29, 2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 675,336	\$ 537,951
Accounts receivable, less allowances of \$6,000 and \$5,300	362,533	354,439
Inventories	404,676	438,349
Other current assets	54,896	35,070
Total current assets	1,497,441	1,365,809
Property, Plant and Equipment, net	771,656	741,713
Goodwill	487,468	370,228
Other Intangible Assets, net	233,306	126,258
Operating Lease Assets	19,678	18,768
Deferred Income Taxes	46,910	61,381
Other Assets	82,753	37,850
Total Assets	\$ 3,139,212	\$ 2,722,007
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable to banks	\$ 28,537	\$ 30,036
Trade accounts payable	60,816	72,214
Salaries and incentives	58,169	64,802
Dividends payable	46,558	42,789
Other current liabilities	211,728	185,359
Total current liabilities	405,808	395,200
Retirement Benefits and Deferred Compensation	80,381	80,347
Operating Lease Liabilities	12,278	11,785
Deferred Income Taxes	37,822	8,215
Other Non-current Liabilities	18,788	2,235
Commitments and Contingencies (Note K)		
Shareholders' Equity		
Common stock, \$1 par value; 291,000,000 shares authorized; 169,393,735 and 167,946,063 shares outstanding in 2024 and 2023	169,394	167,946
Additional paid-in-capital	955,051	863,336
Retained earnings	1,509,264	1,227,938
Accumulated other comprehensive loss	(49,574)	(34,995)
Total shareholders' equity	2,584,135	2,224,225
Total Liabilities and Shareholders' Equity	\$ 3,139,212	\$ 2,722,007

See notes to consolidated financial statements.

GRACO INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended		
	December 27, 2024	December 29, 2023	December 30, 2022
Cash Flows From Operating Activities			
Net Earnings	\$ 486,084	\$ 506,511	\$ 460,645
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	86,749	74,321	65,997
Deferred income taxes	6,060	(8,502)	(9,997)
Share-based compensation	31,892	30,229	24,695
Pension settlement loss	—	42,129	—
Contingent consideration	—	(8,600)	—
Impairment	—	7,800	—
Change in			
Accounts receivable	10,251	(3,245)	(29,944)
Inventories	55,836	42,716	(95,691)
Trade accounts payable	(13,298)	(12,348)	4,195
Salaries and incentives	(12,187)	(2,158)	(18,442)
Retirement benefits and deferred compensation	(14,171)	(13,661)	(18,674)
Other accrued liabilities	(11,242)	(5,269)	(4,191)
Other	(4,274)	1,094	(1,199)
Net cash provided by operating activities	621,700	651,017	377,394
Cash Flows From Investing Activities			
Property, plant and equipment additions	(106,737)	(184,775)	(201,161)
Acquisition of businesses, net of cash acquired	(241,767)	—	(25,296)
Other	5,689	(499)	(362)
Net cash used in investing activities	(342,815)	(185,274)	(226,819)
Cash Flows From Financing Activities			
Borrowings (payments) on short-term lines of credit, net	(766)	9,725	(18,252)
Payments on long-term debt and lines of credit	—	(75,000)	(75,000)
Payments of debt issuance costs	(1,707)	(1,025)	—
Common stock issued	70,659	60,182	35,619
Common stock repurchased	(31,350)	(102,344)	(233,426)
Taxes paid related to net share settlement of equity awards	(4,611)	(1,225)	(1,219)
Cash dividends paid	(172,088)	(158,323)	(142,125)
Net cash used in financing activities	(139,863)	(268,010)	(434,403)
Effect of exchange rate changes on cash	(1,637)	1,022	(1,278)
Net increase (decrease) in cash and cash equivalents	137,385	198,755	(285,106)
Cash and Cash Equivalents			
Beginning of year	537,951	339,196	624,302
End of year	\$ 675,336	\$ 537,951	\$ 339,196

See notes to consolidated financial statements.

GRACO INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance December 31, 2021	\$ 170,308	\$ 742,288	\$ 876,916	\$ (80,169)	\$ 1,709,343
Shares issued	946	33,454	—	—	34,400
Shares repurchased	(3,552)	(15,481)	(214,393)	—	(233,426)
Stock compensation cost	—	24,216	—	—	24,216
Net earnings	—	—	460,645	—	460,645
Dividends declared (\$0.8650 per share)	—	—	(146,317)	—	(146,317)
Other comprehensive income (loss)	—	—	—	10,791	10,791
Balance December 30, 2022	167,702	784,477	976,851	(69,378)	1,859,652
Shares issued	1,666	57,291	—	—	58,957
Shares repurchased	(1,422)	(6,650)	(94,272)	—	(102,344)
Stock compensation cost	—	28,218	—	—	28,218
Net earnings	—	—	506,511	—	506,511
Dividends declared (\$0.9600 per share)	—	—	(161,152)	—	(161,152)
Other comprehensive income (loss)	—	—	—	34,383	34,383
Balance December 29, 2023	167,946	863,336	1,227,938	(34,995)	2,224,225
Shares issued	1,847	64,201	—	—	66,048
Shares repurchased	(399)	(2,049)	(28,902)	—	(31,350)
Stock compensation cost	—	29,563	—	—	29,563
Net earnings	—	—	486,084	—	486,084
Dividends declared (\$1.0400 per share)	—	—	(175,856)	—	(175,856)
Other comprehensive income (loss)	—	—	—	(14,579)	(14,579)
Balance December 27, 2024	<u>\$ 169,394</u>	<u>\$ 955,051</u>	<u>\$ 1,509,264</u>	<u>\$ (49,574)</u>	<u>\$ 2,584,135</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**Graco Inc. and Subsidiaries**

Years Ended December 27, 2024, December 29, 2023 and December 30, 2022

A. Summary of Significant Accounting Policies

Fiscal Year. The fiscal year of Graco Inc. and Subsidiaries (the Company) is 52- or 53-weeks, ending on the last Friday in December. The years ended December 27, 2024, December 29, 2023, and December 30, 2022 were 52-week years.

Basis of Statement Presentation. The consolidated financial statements include the accounts of the parent company and its subsidiaries after elimination of intercompany balances and transactions. As of December 27, 2024, all subsidiaries are 100 percent controlled by the Company. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentation.

Foreign Currency Translation. The functional currency of certain subsidiaries is the local currency. Accordingly, adjustments resulting from the translation of those subsidiaries' financial statements into U.S. dollars are charged or credited to accumulated other comprehensive income (loss). The U.S. dollar is the functional currency for all other foreign subsidiaries. Accordingly, gains and losses from the translation of foreign currency balances and transactions of those subsidiaries are included in other (income) expense, net.

Accounting Estimates. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements. The three levels of inputs in the fair value measurement hierarchy are as follows:

Level 1 – based on quoted prices in active markets for identical assets

Level 2 – based on significant observable inputs

Level 3 – based on significant unobservable inputs

Assets and liabilities measured at fair value on a recurring basis and fair value measurement level were as follows (in thousands):

	Level	2024	2023
Assets			
Cash surrender value of life insurance	2	\$ 24,411	\$ 22,255
Forward exchange contracts	2	116	—
Total assets at fair value		<u>\$ 24,527</u>	<u>\$ 22,255</u>
Liabilities			
Contingent consideration	3	\$ 14,647	\$ 1,375
Deferred compensation	2	8,196	6,445
Forward exchange contracts	2	—	422
Total liabilities at fair value		<u>\$ 22,843</u>	<u>\$ 8,242</u>

Contracts insuring the lives of certain employees who are eligible to participate in certain non-qualified pension and deferred compensation plans are held in trust. Cash surrender value of the contracts is based on performance measurement funds that shadow the deferral investment allocations made by participants in certain deferred compensation plans. The deferred compensation liability balances are valued based on amounts allocated by participants to the underlying performance measurement funds.

The Company's policy and accounting for forward exchange contracts are described below in Derivative Instruments and Hedging Activities.

Contingent consideration liability represents the estimated value (using a probability-weighted expected return approach) of future payments to be made to previous owners of certain acquired businesses based on future revenues.

Disclosures related to other fair value measurements are included below in Impairment of Long-Lived Assets, in [Note F](#)

(Debt) and in [Note J](#) (Retirement Benefits).

Cash Equivalents. All highly liquid investments with a maturity of three months or less at the date of purchase are considered to be cash equivalents.

Accounts Receivable. Accounts receivable includes trade receivables of \$348 million in 2024 and \$343 million in 2023. Other receivables totaled \$15 million in 2024 and \$11 million in 2023.

Allowance for Credit Losses. Receivables reflected in the financial statements represent the net amount expected to be collected. An allowance for credit losses is established based on expected losses. Expected losses are estimated by reviewing individual accounts, considering aging, financial condition of the debtor, recent payment history, current and forecast economic conditions and other relevant factors.

Following is a summary of activity in the allowance for credit losses (in thousands):

	2024	2023	2022
Balance, beginning	\$ 4,655	\$ 6,130	\$ 3,254
Additions charged to costs and expenses	930	1,125	3,567
Additions (deductions) from reserves ⁽¹⁾	(383)	(2,711)	(633)
Other (deductions) additions ⁽²⁾	(229)	111	(58)
Balance, ending	<u>\$ 4,973</u>	<u>\$ 4,655</u>	<u>\$ 6,130</u>

(1) Additions represents amounts identified in acquisitions. Deductions represent amounts determined to be uncollectible and charged against reserves, net of collections on accounts previously charged against reserves.

(2) Includes effects of foreign currency translation.

Inventory Valuation. Inventories are stated at the lower of cost or net realizable value. The last-in, first-out (LIFO) cost method is used for valuing most U.S. inventories. Inventories of most foreign subsidiaries are valued using the first-in, first-out (FIFO) cost method.

Other Current Assets. Amounts included in other current assets were (in thousands):

	2024	2023
Prepaid income taxes	\$ 25,097	\$ 14,546
Prepaid expenses and other	29,799	20,524
Total	<u>\$ 54,896</u>	<u>\$ 35,070</u>

Impairment of Long-Lived Assets. The Company evaluates long-lived assets (including property and equipment, goodwill and other intangible assets) for impairment annually in the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

We completed our annual impairment test of all long-lived assets in the fourth quarter of 2024. No impairment charges were recorded as a result of that review. In 2023, the Company recognized a goodwill impairment related to the reorganization of a business acquired in 2020 that was not material to the consolidated financial statements. There were no impairment charges in 2022.

Property, Plant and Equipment. For financial reporting purposes, plant and equipment are depreciated over their estimated useful lives, primarily by using the straight-line method as follows:

Buildings and improvements	10 to 30 years
Leasehold improvements	lesser of 5 to 10 years or life of lease
Manufacturing equipment	lesser of 5 to 10 years or life of equipment
Office, warehouse and automotive equipment	3 to 10 years

Goodwill and Other Intangible Assets. Goodwill has been assigned to reporting units. Changes in the carrying amounts of goodwill for each reportable segment were (in thousands):

	Contractor	Industrial	Process	Total
Balance, December 30, 2022	\$ 77,034	\$ 134,771	\$ 156,366	\$ 368,171
Impairment	—	—	(7,800)	(7,800)
Foreign currency translation	508	8,361	988	9,857
Balance, December 29, 2023	77,542	143,132	149,554	370,228
Additions, adjustments from business acquisitions	126,101	—	4,022	130,123
Foreign currency translation	(5,605)	(6,907)	(371)	(12,883)
Balance, December 27, 2024	\$ 198,038	\$ 136,225	\$ 153,205	\$ 487,468

Components of other intangible assets, net were (dollars in thousands):

	Finite Life			Indefinite Life	Total
	Customer Relationships	Patents and Proprietary Technology	Trademarks, Trade Names and Other	Trade Names	
As of December 27, 2024					
Cost	\$ 270,910	\$ 34,731	\$ 3,756	\$ 95,091	\$ 404,488
Accumulated amortization	(143,689)	(10,534)	(1,478)	—	(155,701)
Foreign currency translation	(12,102)	(1,182)	(79)	(2,118)	(15,481)
Book value	\$ 115,119	\$ 23,015	\$ 2,199	\$ 92,973	\$ 233,306
Weighted average life in years	14	9	3	N/A	
As of December 29, 2023					
Cost	\$ 191,417	\$ 14,174	\$ 1,300	\$ 62,633	\$ 269,524
Accumulated amortization	(128,248)	(8,547)	(561)	—	(137,356)
Foreign currency translation	(7,591)	(344)	—	2,025	(5,910)
Book value	\$ 55,578	\$ 5,283	\$ 739	\$ 64,658	\$ 126,258
Weighted average life in years	13	9	6	N/A	

Amortization of intangibles was \$19 million in 2024, \$18 million in 2023 and \$19 million in 2022. Estimated future annual amortization expense based on the current carrying amount of other intangible assets is as follows (in thousands):

	2025	2026	2027	2028	2029	Thereafter
Estimated Amortization Expense	\$ 23,838	\$ 16,996	\$ 13,627	\$ 11,490	\$ 10,875	\$ 63,507

Other Assets. Components of other assets were (in thousands):

	2024	2023
Cash surrender value of life insurance	\$ 24,411	\$ 22,255
Capitalized software	2,853	2,602
Equity method investment	10,140	9,661
Prepaid pension	37,888	—
Deposits and other	7,461	3,332
Total	<u>\$ 82,753</u>	<u>\$ 37,850</u>

The Company has entered into contracts insuring the lives of certain employees who are eligible to participate in certain non-qualified pension and deferred compensation plans. These insurance contracts are used to fund the non-qualified pension and deferred compensation arrangements. The insurance contracts are held in a trust and are available to general creditors in the event of the Company's insolvency. Changes in cash surrender value are recorded in other (income) expense, net. The cash surrender value increased \$2 million in 2024 and \$3 million in 2023 and decreased \$4 million in 2022.

Capitalized software is amortized over its estimated useful life (generally 2 to 5 years) beginning at date of implementation.

Other Current Liabilities. Components of other current liabilities were (in thousands):

	2024	2023
Accrued self-insurance retentions	\$ 8,240	\$ 8,654
Accrued warranty and service liabilities	18,712	15,408
Accrued trade promotions	11,086	14,312
Payable for employee stock purchases	16,767	16,639
Customer advances and deferred revenue	52,522	51,578
Income taxes payable	8,102	9,837
Tax payable, other	14,557	12,289
Operating lease liabilities, current	7,838	8,242
Right of return refund liability	15,557	17,826
Acquisition-related consideration payable	10,339	—
Other	48,008	30,574
Total	<u>\$ 211,728</u>	<u>\$ 185,359</u>

Self-Insurance. The Company is self-insured for certain losses and costs relating to product liability, workers' compensation, and employee medical benefit claims. The Company has stop-loss coverage in order to limit its exposure to significant claims. Accrued self-insurance retentions are based on claims filed, estimates of claims incurred but not reported, and other actuarial assumptions. Self-insured reserves totaled \$8 million as of December 27, 2024 and \$9 million as of December 29, 2023.

Product Warranties. A liability is established for estimated future warranty and service claims that relate to current and prior period sales. The Company estimates warranty costs based on historical claim experience and other factors including evaluating specific product warranty issues. Following is a summary of activity in accrued warranty and service liabilities (in thousands):

	2024	2023
Balance, beginning of year	\$ 15,408	\$ 14,674
Assumed in business acquisition	3,861	—
Charged to expense	10,567	11,128
Margin on parts sales reversed	3,391	3,875
Reductions for claims settled	(14,515)	(14,269)
Balance, end of year	<u>\$ 18,712</u>	<u>\$ 15,408</u>

Revenue Recognition. Revenue is recognized at a single point in time upon the satisfaction of performance obligations, which occurs when control of the goods or service transfers to the customer. This is generally on the date of shipment for product sales; however certain sales have terms requiring recognition when the goods are received by the customer. In cases where there are specific customer acceptance provisions, revenue is recognized at the later of customer acceptance or shipment (subject to shipping terms). Payment terms are established based on the type of product, distributor capabilities and competitive market conditions, and do not exceed one year. Standalone selling prices are determined based on the prices charged to customers for all material performance obligations.

Variable consideration is accounted for as a price adjustment (sales adjustment). The following are examples of variable consideration that affect the Company's reported revenue. Early payment discounts are provided to certain customers and within certain regions. Rights of return are typically contractually limited and amounts are estimable. The Company records a refund liability and establishes a recovery asset for the value of product expected to be returned at the time revenue is recognized. This includes promotions when, from time to time, the Company may promote the sale of new products by agreeing to accept returns of superseded products. Provisions for sales returns are recorded as a reduction of net sales, and provisions for warranty claims are recorded in selling, marketing and distribution expenses. Historically, sales returns have been approximately 2 percent of sales. Trade promotions are offered to distributors and end users through various programs, generally with terms of one year or less. Such promotions include rebates based on annual purchases and sales growth, coupons and reimbursement for competitive products. Payment of incentives may take the form of cash, trade credit, promotional merchandise or free product. Rebates are accrued based on the program rates and progress toward the probability weighted estimate of annual sales amount and sales growth.

Additional promotions include cooperative advertising arrangements. Under cooperative advertising arrangements, the Company reimburses the distributor for a portion of its advertising costs related to the Company's products. Estimated costs are accrued at the time of sale and classified as selling, marketing and distribution expense. The estimated costs related to coupon programs are accrued at the time of sale and classified as selling, marketing and distribution expense or cost of products sold, depending on the type of incentive offered. The considerations payable to customers are deemed as broad based and are not recorded against net sales.

Shipping and handling costs incurred for the delivery of goods to customers are included in cost of goods sold. Amounts billed to customers for shipping and handling are included in net sales.

Revenue is deferred when cash payments are received or due in advance of performance, including amounts which are refundable. This is also the case for services associated with certain product sales. The balance of customer advances and deferred revenue was \$53 million as of December 27, 2024 and \$52 million as of December 29, 2023. Net sales for 2024 included \$50 million that was in customer advances and deferred revenue as of December 29, 2023. Net sales for 2023 included \$50 million that was in customer advances and deferred revenue as of December 30, 2022.

Shipping and handling activities that occur after control of the related good transfers are accounted for as fulfillment activities instead of assessing such activities as performance obligations.

Sales taxes related to revenue producing transactions collected from the customer for a governmental authority are excluded from the transaction price.

Revenue standard requirements are applied to a portfolio of contracts (or performance obligations) with similar characteristics for transactions where it is expected that the effects on the financial statements of applying the revenue recognition guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio.

Promised goods or services are not assessed as performance obligations if they are immaterial in the context of the contract with the customer. If the revenue related to a performance obligation that includes goods or services that are immaterial in the context of the contract is recognized before those immaterial goods or services are transferred to the customer, then the related costs to transfer those goods or services are accrued.

Incremental costs of obtaining a contract are generally expensed when incurred because the amortization period would be less than one year. Such costs primarily relate to sales commissions and are recorded in selling, marketing and distribution expense.

Earnings Per Common Share. Basic net earnings per share is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the year. Diluted net earnings per share is computed after giving effect to the exercise of all dilutive outstanding option grants.

Comprehensive Income. Comprehensive income is a measure of all changes in shareholders' equity except those resulting from investments by and distributions to owners, and includes such items as net earnings, certain foreign currency translation items, changes in the value of qualifying hedges and pension liability adjustments.

Derivative Instruments and Hedging Activities. The Company accounts for all derivatives, including those embedded in other contracts, as either assets or liabilities and measures those financial instruments at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation.

As part of its risk management program, the Company may periodically use forward exchange contracts to manage known market exposures. Terms of derivative instruments are structured to match the terms of the risk being managed and are generally held to maturity. The Company does not hold or issue derivative financial instruments for trading purposes. All other contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales. The Company's policy is to not enter into contracts with terms that cannot be designated as normal purchases or sales.

The Company periodically evaluates its monetary asset and liability positions denominated in foreign currencies. The Company enters into forward contracts or options, or borrows in various currencies, in order to hedge its net monetary positions. These instruments are recorded at fair value and the gains and losses are included in other (income) expense, net. The notional amounts of contracts outstanding as of December 27, 2024, totaled \$51 million. The Company believes it uses strong financial counterparties in these transactions and that the resulting credit risk under these hedging strategies is not significant.

The Company uses significant other observable inputs (level 2 in the fair value hierarchy) to value the derivative instruments used to hedge net monetary positions, including reference to market prices and financial models that incorporate relevant market assumptions. Net derivative assets are reported on the balance sheet in accounts receivable and net derivative liabilities are reported as other current liabilities. The fair market value of such instruments follows (in thousands):

	2024	2023
Foreign Currency Contracts		
Assets	\$ 136	\$ 26
Liabilities	(20)	(448)
Net Assets (Liabilities)	\$ 116	\$ (422)

B. Segment Information

The Company has five operating segments which are aggregated into three reportable segments: Contractor, Industrial and Process.

The Contractor segment markets sprayers and equipment that apply paint to walls and other structures, texture to walls and ceilings, insulation to building walls and other items, highly viscous coatings to roofs, and markings on roads, parking lots, athletic fields and floors.

The Industrial segment includes our Industrial and Powder divisions. The Industrial segment markets equipment and solutions for moving and applying paints, powder coatings, sealants, adhesives and other fluids. Markets served include automotive and vehicle assembly and components production, including Electro or e-mobility, wood and metal products, rail, marine, aerospace, farm, construction, bus, recreational vehicles and various other industries.

The Process segment includes our Process and Lubrication divisions. The Process segment markets pumps, valves, meters and accessories to move and dispense chemicals, oil and natural gas, water, wastewater, petroleum, food, lubricants and other fluids. Markets served include food and beverage, dairy, oil and natural gas, pharmaceutical, cosmetics, electronics, semiconductor fabrication, wastewater, mining, fast oil change facilities, service garages, fleet service centers, automobile dealerships and industrial lubrication applications.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The cost of manufacturing for each segment is based on product cost, and expenses are based on actual costs incurred along with cost allocations of shared and centralized functions based on activities performed, sales or space utilization. Depreciation expense is charged to the manufacturing or operating cost center that utilizes the asset and is then allocated to segments on the same basis as other expenses within that cost center. Segments are responsible for development, manufacturing, marketing and sales of their products. This allows for focused marketing and efficient product development. The segments share common purchasing, certain manufacturing, distribution and administration functions.

The Company's chief operating decision maker is the chief executive officer.

The Company's chief operating decision maker uses operating earnings excluding unallocated corporate expense to assess the operating performance of each segment. Operating earnings is used to make resource allocation decisions amongst segments and to determine compensation for certain employees. Gross profit is additionally used to evaluate product pricing and operating performance.

Unallocated corporate expenses include such items as stock compensation, certain acquisition transaction costs, bad debt expense, charitable contributions and certain facility expenses. Asset information by segment is not reported to the chief operating decision maker and therefore is not disclosed.

Segment information follows (in thousands):

	2024	2023	2022
Contractor			
Net Sales	\$ 988,865	\$ 985,675	\$ 999,060
Cost of products sold	484,926	493,857	555,622
Gross Profit	503,939	491,818	443,438
Operating Expenses	233,795	206,424	193,605
Contractor Operating Earnings	\$ 270,144	\$ 285,394	\$ 249,833
Industrial			
Net Sales	\$ 619,653	\$ 662,785	\$ 649,347
Cost of products sold	260,856	279,160	274,660
Gross Profit	358,797	383,625	374,687
Operating Expenses	157,309	149,571	143,389
Industrial Operating Earnings	\$ 201,488	\$ 234,054	\$ 231,298
Process			
Net Sales	\$ 504,798	\$ 547,146	\$ 495,114
Cost of products sold	238,195	255,375	250,832
Gross Profit	266,603	291,771	244,282
Operating Expenses	124,871	126,498	121,938
Process Operating Earnings	\$ 141,732	\$ 165,273	\$ 122,344
Reportable Segment Operating Earnings Total	\$ 613,364	\$ 684,721	\$ 603,475
Unallocated corporate expense	43,266	38,678	30,775
Contingent consideration	—	(8,600)	—
Impairment	—	7,800	—
Operating Earnings	570,098	646,843	572,700
Interest expense	2,828	5,191	9,897
Other (income) expense, net	(22,013)	32,850	(2,921)
Earnings Before Income Taxes	\$ 589,283	\$ 608,802	\$ 565,724

Geographic information follows (in thousands):

	2024	2023	2022
Net Sales (based on customer location)			
United States	\$ 1,149,044	\$ 1,161,607	\$ 1,116,012
Other countries	964,272	1,033,999	1,027,509
Total	\$ 2,113,316	\$ 2,195,606	\$ 2,143,521
Long-lived Assets			
United States	\$ 635,698	\$ 622,430	
Other countries	135,958	119,283	
Total	\$ 771,656	\$ 741,713	

Sales to Major Customers. Worldwide sales to one customer in the Contractor and Industrial segments individually represented over 10 percent of the Company's consolidated sales in 2024, 2023 and 2022.

C. Inventories

Major components of inventories were as follows (in thousands):

	2024	2023
Finished products and components	\$ 197,242	\$ 221,847
Products and components in various stages of completion	114,647	131,906
Raw materials and purchased components	214,902	202,294
Subtotal	526,791	556,047
Reduction to LIFO cost	(122,115)	(117,698)
Total	\$ 404,676	\$ 438,349

Inventories valued under the LIFO method were \$179 million in 2024 and \$211 million in 2023. Most other inventory was valued on the FIFO method.

In 2024, certain inventory quantities were reduced, resulting in liquidation of LIFO inventory quantities, although increases in current product costs offset the impact of the decrement. The impact on net earnings was not significant.

D. Property, Plant and Equipment

Property, plant and equipment were as follows (in thousands):

	2024	2023
Land and improvements	\$ 73,767	\$ 70,382
Buildings and improvements	610,580	500,373
Manufacturing equipment	481,400	441,824
Office, warehouse and automotive equipment	71,901	61,594
Additions in progress	25,205	132,609
Total property, plant and equipment	1,262,853	1,206,782
Accumulated depreciation	(491,197)	(465,069)
Net property, plant and equipment	\$ 771,656	\$ 741,713

Depreciation expense was \$67 million in 2024, \$55 million in 2023 and \$46 million in 2022.

E. Income Taxes

Earnings before income tax expense consist of (in thousands):

	2024	2023	2022
Domestic	\$ 484,088	\$ 450,806	\$ 401,405
Foreign	105,195	157,996	164,319
Total	\$ 589,283	\$ 608,802	\$ 565,724

Income tax expense consists of (in thousands):

	2024	2023	2022
Current			
Federal	\$ 62,402	\$ 79,732	\$ 70,976
State and local	6,256	7,282	5,948
Foreign	28,481	23,779	38,152
Current income tax expense	<u>97,139</u>	<u>110,793</u>	<u>115,076</u>
Deferred			
Domestic	8,344	(6,919)	(8,733)
Foreign	(2,284)	(1,583)	(1,264)
Deferred income tax expense (benefit)	<u>6,060</u>	<u>(8,502)</u>	<u>(9,997)</u>
Total	<u>\$ 103,199</u>	<u>\$ 102,291</u>	<u>\$ 105,079</u>

Income taxes paid were \$104 million in 2024, \$111 million in 2023 and \$112 million in 2022.

A reconciliation between the U.S. federal statutory tax rate and the effective tax rate follows:

	2024	2023	2022
Statutory tax rate	21 %	21 %	21 %
Tax effect of international operations	1	(1)	1
State taxes, net of federal effect	1	1	1
U.S. general business tax credits	(1)	(1)	(1)
Stock compensation excess tax benefit	(2)	(1)	(1)
Foreign Derived Intangible Income (FDII)	(2)	(2)	(2)
Effective tax rate	<u>18 %</u>	<u>17 %</u>	<u>19 %</u>

Deferred income taxes are provided for temporary differences between the financial reporting and the tax basis of assets and liabilities. The deferred tax assets (liabilities) resulting from these differences were as follows (in thousands):

	2024	2023
Inventory valuations	\$ 3,456	\$ 1,005
Accrued self-insurance retentions	1,187	1,390
Accrued warranty and service liabilities	2,392	2,290
Vacation accruals	3,409	3,450
Customer allowances	4,080	4,137
Excess of tax over book depreciation and amortization	(79,728)	(44,197)
Pension benefit obligation	915	10,063
Postretirement medical benefit obligation	5,002	5,039
Acquisition costs	442	—
Stock compensation	12,634	12,686
Deferred compensation	5,305	2,205
Deferred revenue	927	2,024
Research and development	31,543	23,324
Prepayments from foreign subsidiaries	13,872	27,301
Other	3,652	2,449
Net deferred tax assets	<u>\$ 9,088</u>	<u>\$ 53,166</u>

Total deferred tax assets were \$47 million and \$61 million, and total deferred tax liabilities were \$38 million and \$8 million on December 27, 2024 and December 29, 2023, respectively. The difference between the deferred income tax provision and the change in net deferred income taxes is due to the changes in other comprehensive income (loss) items and acquisition purchase accounting.

The Company files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2018.

The Company continues to assert that it will indefinitely reinvest earnings of foreign subsidiaries to support the expansion of its international business. No additional income or withholding taxes have been provided for any remaining undistributed foreign earnings, as these amounts continue to be indefinitely reinvested in foreign operations. As of December 27, 2024, the amount of cash held outside the U.S. was not significant to the Company's liquidity and was available to fund investments abroad.

The Company records penalties and accrued interest related to uncertain tax positions in income tax expense. Total reserves for uncertain tax positions were not material.

F. Debt

A summary of debt follows (dollars in thousands):

	Average Interest Rate as of		2024	2023
	December 27, 2024	Maturity		
Unsecured revolving credit facility	N/A	October 2029	—	—
Unsecured revolving credit facility - offshore renminbi denominated	4.36%	N/A	27,375	28,099
Notes payable to banks	—%	2025	1,162	1,937
Total debt			\$ 28,537	\$ 30,036

On October 25, 2024, the Company executed an amendment to its amended and restated credit agreement, extending the expiration date to October 25, 2029, that amended, superseded and restated in its entirety the Company's existing credit agreement with U.S. Bank National Association, as administrative agent and a lender, and the other lenders that are parties thereto. The amended agreement with a syndicate of lenders provides up to \$750 million of committed credit, available for general corporate purposes, working capital needs, share repurchases and acquisitions. The Company may borrow up to \$50 million under the swingline portion of the facility for daily working capital needs.

Borrowings under the amended and restated credit agreement may be denominated in U.S. dollars or certain other currencies. In addition to paying interest on the outstanding loans, the Company is required to pay a facility fee on the unused amount of the loan commitments at a rate per annum ranging from 0.125% to 0.25%, depending on the Company's cash flow leverage ratio.

The amended and restated credit agreement contains customary representations, warranties, covenants and events of default, including but not limited to covenants restricting the Company's and its subsidiaries' ability to (i) merge or consolidate with another entity, (ii) sell, transfer, lease or convey their assets, (iii) make any material change in the nature of the core business of the Company, (iv) make certain investments, or (v) incur secured indebtedness. The amended and restated credit agreement also requires the Company to maintain a cash flow leverage ratio of not more than 3.50 to 1.00 (unless a significant acquisition has been consummated, in which case, not more than 4.00 to 1.00 during the four fiscal quarter period beginning with the quarter in which such acquisition occurs) and an interest coverage ratio of not less than 3.00 to 1.00 (unless a significant acquisition has been consummated, in which case, not less than 2.50 to 1.00 during the four fiscal quarter period beginning with the quarter in which such acquisition occurs). A change in control of the Company will constitute an event of default under the amended and restated credit agreement.

The Company maintains a revolving credit agreement with a sole lender that provides up to \$50 million of committed credit, available for general corporate purposes, working capital needs, share repurchases and acquisitions. Under the terms of the agreement, loans may be denominated in U.S. dollars or Chinese renminbi (offshore). Loans denominated in U.S. dollars bear interest, at the Company's option, at either a base rate or a HIBOR-based rate. Loans denominated in Chinese renminbi (offshore) bear interest at a HIBOR-based rate based on the Chinese offshore rate. Other terms of this revolving credit agreement are substantially similar to those of the Company's amended and restated credit agreement that expires in October 2029.

On December 16, 2022, the Company entered into an amendment to its master note agreement that extends the period in which the Company may issue, and affiliates of the lender may purchase, the Company's senior notes from January 29, 2023 to December 16, 2027. The amendment also increases the maximum aggregate principal amount of senior notes the Company may issue under the master note agreement from \$200 million to \$250 million, although the maximum aggregate amount of senior notes bearing interest at a floating rate that may be outstanding at any one time will continue to be \$100 million. The amendment also extends the maturity and average life of each senior note bearing interest at a fixed rate that may be issued under the master note agreement from no more than 12 years after the date of issuance to no more than 15 years after the date of issuance, and includes customary provisions for the replacement of LIBOR with SOFR and customary benchmark replacement provisions with respect to senior notes bearing interest at a floating rate. All other material items of the master note agreement remain unchanged. Under the terms of the master note agreement, the Company is required to maintain certain financial ratios as to cash flow leverage and interest coverage similar to the requirements of its other debt agreements.

On December 27, 2024, the Company had \$818 million in lines of credit, including the \$800 million in committed credit facilities described above and \$18 million with foreign banks. The unused portion of committed credit lines was \$778 million as of December 27, 2024. In addition, the Company has unused, uncommitted lines of credit with foreign banks totaling \$20 million. Borrowing rates under these credit lines vary with the prime rate, rates on domestic certificates of deposit and other benchmark rates (e.g. SOFR, EURIBOR, HIBOR, TIBOR and RFR). The Company pays facility fees at an annual rate of up to 0.15% on certain of these lines. No compensating balances are required.

Various debt agreements require the Company to maintain certain financial ratios as to cash flow leverage and interest coverage. The Company is in compliance with all financial covenants of its debt agreements as of December 27, 2024.

Annual maturities of debt are as follows (in thousands):

	2025	2026	2027	2028	2029	Thereafter
Maturities of debt	\$ 28,537	\$ —	\$ —	\$ —	\$ —	\$ —

Interest paid on debt was \$3 million in 2024, \$6 million in 2023 and \$10 million in 2022.

G. Shareholders' Equity

At December 27, 2024, the Company had 22,549 authorized, but unissued, cumulative preferred shares, \$100 par value. The Company also has authorized, but not issued, a separate class of 3 million shares of preferred stock, \$1 par value.

Changes in components of accumulated other comprehensive income (loss), net of tax were (in thousands):

	Pension and Postretirement Medical	Cumulative Translation Adjustment	Total
Balance, December 31, 2021	\$ (60,107)	\$ (20,062)	\$ (80,169)
Other comprehensive income (loss) before reclassifications	16,083	(9,582)	6,501
Amounts reclassified from accumulated other comprehensive income	4,290	—	4,290
Balance, December 30, 2022	(39,734)	(29,644)	(69,378)
Other comprehensive income (loss) before reclassifications	(28,162)	25,661	(2,501)
Amounts reclassified from accumulated other comprehensive income	36,884	—	36,884
Balance, December 29, 2023	(31,012)	(3,983)	(34,995)
Other comprehensive income (loss) before reclassifications	15,098	(32,446)	(17,348)
Amounts reclassified from accumulated other comprehensive income	2,769	—	2,769
Balance, December 27, 2024	\$ (13,145)	\$ (36,429)	\$ (49,574)

Amounts related to pension and postretirement medical adjustments are classified to non-service components of pension cost that are included within other non-operating expenses. Included in the 2023 reclassifications were \$42 million of pension settlement losses. See [Note J](#) for additional details regarding pension and postretirement medical plans.

H. Share-Based Awards, Purchase Plans and Compensation Cost

Stock Option and Award Plan. The Company has a stock incentive plan under which it grants stock options and share awards to directors, officers and other employees. Option price is the market price on the date of grant. Options become exercisable at such time, generally over 3 years or 4 years, and in such installments as set by the Company, and expire 10 years from the date of grant.

Restricted share awards have been made to certain key employees under the plan. The market value of restricted stock at the date of grant is charged to operations over the vesting period. Compensation cost related to restricted shares is not significant.

The Company has a stock appreciation plan that provides for payments of cash to eligible foreign employees based on the change in the market price of the Company's common stock over a period of time. Compensation cost related to the stock appreciation plan was an expense of \$2 million in 2024 and \$2 million in 2023 and a benefit of \$0.2 million in 2022.

Individual nonemployee directors of the Company may elect to receive, either currently or deferred, all or part of their retainer in the form of shares of the Company's common stock instead of cash. Under this arrangement, the Company issued 9,940 shares in 2024, 11,150 shares in 2023 and 12,055 shares in 2022. The expense related to this arrangement is not significant.

Options on common shares granted and outstanding, as well as the weighted average exercise price, are shown below (in thousands, except exercise prices):

	Option Shares	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Outstanding, December 31, 2021	9,575	\$ 39.31	7,296	\$ 33.75
Granted	1,381	71.03		
Exercised	(645)	25.58		
Canceled	(46)	49.42		
Outstanding, December 30, 2022	10,265	44.40	7,793	37.22
Granted	1,114	71.45		
Exercised	(1,354)	30.77		
Canceled	(121)	62.75		
Outstanding, December 29, 2023	9,904	49.09	7,274	41.46
Granted	925	89.23		
Exercised	(1,535)	32.10		
Canceled	(155)	76.03		
Outstanding, December 27, 2024	9,139	\$ 55.60	6,582	\$ 47.16

The following table summarizes information for options outstanding and exercisable at December 27, 2024 (in thousands, except exercise prices and contractual term amounts):

Range of Prices	Options Outstanding			Options Exercisable	
	Options Outstanding	Weighted Average Remaining Contractual Term in Years	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$ 20-40	2,007	1.6	\$ 28.05	2,007	\$ 28.05
\$ 40-60	3,267	4.3	48.93	3,267	48.93
\$ 60-80	2,988	7.4	71.50	1,294	71.87
\$ 80-100	877	9.2	89.24	14	89.77
\$ 20-100	9,139	5.2	\$ 55.60	6,582	\$ 47.16

The aggregate intrinsic value of exercisable option shares was \$243 million as of December 27, 2024 with a weighted average contractual term of 4 years. There were approximately 9.1 million vested share options and share options expected to vest as of December 27, 2024 with an aggregate intrinsic value of \$265 million, a weighted average exercise price of \$55.60 and a weighted average contractual term of 5.2 years.

Information related to options exercised as follows (in thousands):

	2024	2023	2022
Cash received	\$ 49,566	\$ 40,708	\$ 15,739
Aggregate intrinsic value	84,328	61,624	28,193
Tax benefit realized	17,675	12,605	6,020

Employee Stock Purchase Plan. Under the Company's Employee Stock Purchase Plan, the purchase price of the shares is the lesser of 85 percent of the fair market value on the first day or the last day of the plan year. Under this plan, the Company issued 330,413 shares in 2024, 322,764 shares in 2023 and 316,250 shares in 2022.

Authorized Shares. In April 2019, shareholders of the Company approved the Graco Inc. 2019 Stock Incentive Plan. The Plan provides for issuance of up to 15 million shares of Graco common stock. Shares authorized for issuance under the stock option and purchase plans are shown below (in thousands):

	Total Shares Authorized	Available for Future Issuance as of December 27, 2024
Stock Incentive Plan (2019)	15,000	9,095
Employee Stock Purchase Plan (2006)	21,000	11,110
Total	36,000	20,205

Amounts available for future issuance exclude outstanding options. Options outstanding, as of December 27, 2024, include options granted under two plans that were replaced by subsequent plans. No shares are available for future grants under those plans.

Share-based Compensation. The Company recognized share-based compensation cost as follows (in thousands):

	2024	2023	2022
Share-based compensation	\$ 31,892	\$ 30,229	\$ 24,695
Tax benefit	3,295	3,177	2,319
Share-based compensation, net of tax	\$ 28,597	\$ 27,052	\$ 22,376

As of December 27, 2024, there was \$16 million of unrecognized compensation cost related to unvested options, expected to be recognized over a weighted average period of approximately 2.2 years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and results:

	2024	2023	2022
Expected life in years	6.6	6.7	6.4
Interest rate	4.2 %	4.0 %	2.7 %
Volatility	26.3 %	26.3 %	26.2 %
Dividend yield	1.1 %	1.3 %	1.2 %
Weighted average fair value per share	\$ 28.03	\$ 21.76	\$ 19.10

Expected life is estimated based on vesting terms and exercise and termination history. Interest rate is based on the U.S. Treasury rate on zero-coupon issues with a remaining term equal to the expected life of the option. Expected volatility is based on historical volatility over a period commensurate with the expected life of options.

The fair value of employees' purchase rights under the Employee Stock Purchase Plan was estimated on the date of grant. The benefit of the 15 percent discount from the lesser of the fair market value per common share on the first day and the last day of the plan year was added to the fair value of the employees' purchase rights determined using the Black-Scholes option-pricing model with the following assumptions and results:

	2024	2023	2022
Expected life in years	1.0	1.0	1.0
Interest rate	4.9 %	5.1 %	0.9 %
Volatility	24.2 %	26.4 %	20.5 %
Dividend yield	1.1 %	1.4 %	1.2 %
Weighted average fair value per share	\$ 23.16	\$ 18.04	\$ 16.01

I. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	2024	2023	2022
Net earnings available to common shareholders	\$ 486,084	\$ 506,511	\$ 460,645
Weighted average shares outstanding for basic earnings per share	168,884	168,442	168,952
Dilutive effect of stock options computed based on the treasury stock method using the average market price	3,521	3,757	3,941
Weighted average shares outstanding for diluted earnings per share	172,405	172,199	172,893
Basic earnings per share	\$ 2.88	\$ 3.01	\$ 2.73
Diluted earnings per share	\$ 2.82	\$ 2.94	\$ 2.66

Anti-dilutive stock options excluded from computations of diluted earnings per share totaled 0.9 million shares in 2024, 2.0 million shares in 2023 and 2.2 million shares in 2022.

J. Retirement Benefits

The Company has a defined contribution plan, under Section 401(k) of the Internal Revenue Code, which provides retirement benefits to most U.S. employees. For all employees who choose to participate, the Company matches employee contributions at a 100 percent rate, up to 3 percent of the employee's compensation. For employees not covered by a defined benefit plan, the Company contributed an amount equal to 2 percent of the employee's compensation. Employer contributions totaled \$12 million in 2024, \$12 million in 2023 and \$10 million in 2022.

The Company's postretirement medical plan provides certain medical benefits for retired U.S. employees. Employees hired before January 1, 2005, are eligible for these benefits upon retirement and fulfillment of other eligibility requirements as specified by the plan.

The Company has both funded and unfunded noncontributory defined benefit pension plans that together cover most U.S. employees hired before January 1, 2006, certain directors and some of the employees of the Company's non-U.S. subsidiaries.

In December of 2023, the Company entered into an agreement under which approximately \$147 million of pension obligations of its U.S. funded defined benefit pension plan were transferred to an insurance company. The Company recognized a non-cash pension settlement loss of approximately \$42 million as a result of the transaction.

For U.S. plans, benefits are based on years of service and the highest 5 consecutive years' earnings in the 10 years preceding retirement. Plans are funded annually in amounts consistent with minimum funding levels and maximum tax deduction limits, although the Company may make additional voluntary contributions from time to time to improve the funded status of its plans.

Investment policies and strategies of the U.S. funded pension plan are based on participant demographics. As the plan covers active participants and retirees with higher benefit amounts, investments are based on a long-term view of economic growth and weighted toward equity securities. The primary goal of the plan's investments is to ensure that the plan's liabilities are met over time. In developing strategic asset allocation guidelines, an emphasis is placed on the long-term characteristics of individual asset classes, and the benefits of diversification among multiple asset classes. The plan invests primarily in domestic and international equities, fixed income securities, which include treasuries, highly-rated corporate bonds and high-yield bonds and real estate. Strategic target allocations for plan assets are 52 percent equity securities, 32 percent fixed income securities and 16 percent real estate and alternative investments.

Plan assets are held in a trust for the benefit of plan participants and are invested in various commingled funds, most of which are sponsored by the trustee. The fair values for commingled equity, fixed-income and real estate investments are measured using net asset values, which take into consideration the value of underlying fund investments, as well as the other accrued assets and liabilities of a fund, in order to determine a per share market value. Certain trustee-sponsored funds allow redemptions monthly or quarterly, with 10 days or 60 days advance notice, while most of the funds allow redemptions daily. The plan had unfunded commitments to make additional investments in certain funds totaling \$2 million as of December 27, 2024 and December 29, 2023.

The Company maintains a defined contribution plan covering employees of a Swiss subsidiary, funded by Company and employee contributions. Responsibility for pension coverage under Swiss law has been transferred to a Swiss insurance company. Plan assets are invested in an insurance contract that guarantees a federally mandated annual rate of return. The value of the plan assets is effectively the value of the insurance contract. The performance of the underlying assets held by the insurance company has no direct impact on the surrender value of the insurance contract. The insurance backed assets have no active market and are classified as level 3 in the fair value hierarchy.

Assets of all plans by category and fair value measurement level were as follows (in thousands):

	Level	December 27, 2024	December 29, 2023
Cash and cash equivalents	1	\$ 115	\$ 1,425
Insurance contract	3	32,466	36,151
Investments categorized in fair value hierarchy		32,581	37,576
Equity			
U.S. Large Cap	N/A	64,645	40,726
International	N/A	16,444	17,554
Total equity		81,089	58,280
Fixed income	N/A	64,331	49,595
Real estate and other	N/A	4,545	15,400
Investments measured at net asset value		149,965	123,275
Total		\$ 182,546	\$ 160,851

The following table is a reconciliation of pension assets measured at fair value using level 3 inputs (in thousands):

	2024	2023
Balance, beginning of year	\$ 36,151	\$ 32,163
Purchases	2,331	2,593
Redemptions	(4,133)	(2,833)
Unrealized (losses) gains	(1,883)	4,228
Balance, end of year	<u>\$ 32,466</u>	<u>\$ 36,151</u>

The following provides a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the periods ending December 27, 2024 and December 29, 2023, and a statement of the funded status as of the same dates (in thousands):

	Pension Benefits		Postretirement Medical Benefits	
	2024	2023	2024	2023
Change in benefit obligation				
Obligation, beginning of year	\$ 213,575	\$ 315,807	\$ 22,654	\$ 22,930
Service cost	5,097	5,729	344	348
Interest cost	9,194	16,535	1,148	1,165
Actuarial (gain) loss	(19,973)	32,763	(2,153)	(237)
Benefit payments	(3,117)	(12,103)	(1,658)	(1,552)
Plan amendments	(285)	(250)	—	—
Settlements	(3,579)	(149,212)	—	—
Exchange rate changes	(3,603)	4,306	—	—
Obligation, end of year	<u>\$ 197,309</u>	<u>\$ 213,575</u>	<u>\$ 20,335</u>	<u>\$ 22,654</u>
Change in plan assets				
Fair value, beginning of year	\$ 160,851	\$ 281,175	\$ —	\$ —
Actual return on assets	7,658	14,504	—	—
Employer contributions	23,216	23,066	1,658	1,552
Benefit payments	(3,117)	(12,103)	(1,658)	(1,552)
Settlements	(3,579)	(149,212)	—	—
Exchange rate changes	(2,483)	3,421	—	—
Fair value, end of year	<u>\$ 182,546</u>	<u>\$ 160,851</u>	<u>\$ —</u>	<u>\$ —</u>
Unfunded status	<u>\$ (14,763)</u>	<u>\$ (52,724)</u>	<u>\$ (20,335)</u>	<u>\$ (22,654)</u>
Amounts recognized in consolidated balance sheets				
Non-current assets	\$ 37,888	\$ 215	\$ —	\$ —
Current liabilities	2,421	1,749	1,633	1,745
Non-current liabilities	50,230	51,190	18,702	20,909
Net	<u>\$ 14,763</u>	<u>\$ 52,724</u>	<u>\$ 20,335</u>	<u>\$ 22,654</u>

Changes in discount rates used to value pension obligations were the main drivers of actuarial gains in 2024 and losses in 2023. In 2024 and 2023, the Company made a \$20 million voluntary contribution each year to one of its U.S. qualified defined benefit plans.

The accumulated benefit obligation as of year-end for all defined benefit pension plans was \$180 million for 2024 and \$186 million for 2023. Information for plans with an accumulated benefit obligation in excess of plan assets follows (in thousands):

	2024	2023
Projected benefit obligation	\$ 85,117	\$ 89,206
Accumulated benefit obligation	80,746	81,701
Fair value of plan assets	32,466	36,150

The components of net periodic benefit cost for the plans for 2024, 2023 and 2022 were as follows (in thousands):

	Pension Benefits			Postretirement Medical Benefits		
	2024	2023	2022	2024	2023	2022
Service cost-benefits earned during the period	\$ 5,097	\$ 5,729	\$ 8,242	\$ 344	\$ 348	\$ 516
Interest cost on projected benefit obligation	9,194	16,535	10,996	1,148	1,165	839
Expected return on assets	(10,147)	(19,141)	(19,754)	—	—	—
Amortization of prior service cost	(281)	36	84	—	—	—
Amortization of net loss	3,255	5,999	4,701	—	(133)	345
Settlement loss	346	42,169	—	—	—	—
Cost of pension plans which are not significant and have not adopted ASC 715	171	368	284	N/A	N/A	N/A
Net periodic benefit cost	<u>\$ 7,635</u>	<u>\$ 51,695</u>	<u>\$ 4,553</u>	<u>\$ 1,492</u>	<u>\$ 1,380</u>	<u>\$ 1,700</u>

Net periodic benefit cost is disaggregated between service cost presented as operating expense and other components of pension cost presented as non-operating expense. Other components of pension cost and changes in cash surrender value of insurance contracts intended to fund certain non-qualified pension and deferred compensation arrangements included in non-operating expenses totaled \$3 million in 2024, \$44 million in 2023 and \$1 million in 2022.

Amounts recognized in other comprehensive income (loss) in 2024 and 2023 were as follows (in thousands):

	Pension Benefits		Postretirement Medical Benefits	
	2024	2023	2024	2023
Net (loss) gain arising during the period	\$ 17,506	\$ (37,132)	\$ 2,153	\$ 237
Amortization of net loss (gain)	3,255	5,999	—	(133)
Prior service credit (cost) arising during the period	285	250	—	—
Settlement loss	346	42,169	—	—
Amortization of prior service (credit) cost	(281)	36	—	—
Total	<u>\$ 21,111</u>	<u>\$ 11,322</u>	<u>\$ 2,153</u>	<u>\$ 104</u>

Amounts included in accumulated other comprehensive income (loss) as of December 27, 2024 and December 29, 2023, that had not yet been recognized as components of net periodic benefit cost, were as follows (in thousands):

	Pension Benefits		Postretirement Medical Benefits	
	2024	2023	2024	2023
Prior service cost	\$ 2,026	\$ 2,163	\$ —	\$ —
Net gain (loss)	(22,954)	(44,195)	4,148	1,995
Net gain (loss) before income taxes	(20,928)	(42,032)	4,148	1,995
Income taxes	4,549	9,464	(914)	(439)
Net	<u>\$ (16,379)</u>	<u>\$ (32,568)</u>	<u>\$ 3,234</u>	<u>\$ 1,556</u>

Assumptions used to determine the Company's benefit obligations are shown below:

Weighted average assumptions	Pension Benefits		Postretirement Medical Benefits	
	2024	2023	2024	2023
U.S. Plans				
Discount rate	5.9 %	5.3 %	5.8 %	5.3 %
Rate of compensation increase	2.5 %	2.7 %	N/A	N/A
Non-U.S. Plans				
Discount rate	1.4 %	2.1 %	N/A	N/A
Rate of compensation increase	2.0 %	1.7 %	N/A	N/A

Assumptions used to determine the Company's net periodic benefit cost are shown below:

Weighted average assumptions	Pension Benefits			Postretirement Medical Benefits		
	2024	2023	2022	2024	2023	2022
U.S. Plans						
Discount rate	5.3 %	5.6 %	3.0 %	5.3 %	5.6 %	2.9 %
Rate of compensation increase	2.7 %	2.7 %	2.7 %	N/A	N/A	N/A
Expected return on assets	7.6 %	7.6 %	6.3 %	N/A	N/A	N/A
Non-U.S. Plans						
Discount rate	2.1 %	0.4 %	0.4 %	N/A	N/A	N/A
Rate of compensation increase	1.7 %	1.3 %	1.3 %	N/A	N/A	N/A
Expected return on assets	2.1 %	1.6 %	1.0 %	N/A	N/A	N/A

Several sources of information are considered in determining the expected rate of return assumption, including the allocation of plan assets, the input of actuaries and professional investment advisers, and historical long-term returns. In setting the return assumption, the Company recognizes that historical returns are not always indicative of future returns and also considers the long-term nature of its pension obligations.

The Company's U.S. retirement medical plan limits the annual cost increase that will be paid by the Company to 3 percent. In measuring the accumulated postretirement benefit obligation (APBO), the annual trend rate for health care costs was assumed to be 8.5 percent for 2025, decreasing each year to a constant rate of 4.0 percent for 2050 and thereafter, subject to the plan's annual increase limitation.

The Company expects to contribute \$2 million to its unfunded pension plans and \$2 million to the postretirement medical plan in 2025. The Company will not be required to make contributions to the funded pension plan under minimum funding requirements for 2025. Estimated future benefit payments are as follows (in thousands):

	Pension Benefits	Postretirement Medical Benefits
2025	\$ 6,148	\$ 1,633
2026	8,297	1,574
2027	10,028	1,580
2028	10,093	1,561
2029	11,463	1,543
Years 2030-2034	65,071	7,484

K. Commitments and Contingencies

Operating Lease Liabilities and Assets

The Company owns most of the assets used in its operations, but leases certain buildings and land, vehicles, office equipment and other rental assets. The Company determines if an arrangement is a lease at inception. All of the Company's current lease arrangements are classified as operating leases. The Company historically has not entered into financing leases. Operating lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease expense is recognized by amortizing the amount recorded as an asset on a straight-line basis over the lease term.

In determining lease asset value, the Company considers fixed or variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. The Company generally uses its incremental borrowing rate based on information available at the lease commencement date in determining the present value of lease payments.

Supplemental information related to the Company's lease activities were as follows (in thousands):

	2024	2023
Operating lease expense	\$ 10,464	\$ 11,688
Operating lease payments	9,752	11,903
Non-cash additions to operating lease assets	511	6,141

Additional information related to operating leases were as follows:

	2024	2023
Weighted average remaining lease term (years)	2.2	3.1
Weighted average discount rate	3.76 %	5.13 %

Variable lease costs and short-term lease costs were not significant for the twelve months ended December 27, 2024 and December 29, 2023.

As of December 27, 2024, future maturities of operating lease liabilities were as follows (in thousands):

2025	\$ 7,838
2026	9,363
2027	4,018
2028	1,556
2029	360
Thereafter	334
Total lease payments	\$ 23,469
Present value adjustment	(3,353)
Operating lease liabilities	<u>\$ 20,116</u>

Other Commitments. The Company is committed to pay suppliers under the terms of open purchase orders issued in the normal course of business totaling approximately \$82 million at December 27, 2024. The Company also has commitments with certain suppliers to purchase minimum quantities, and under the terms of certain agreements, the Company is committed for certain portions of the supplier's inventory. The Company does not purchase, or commit to purchase, quantities in excess of normal usage or amounts that cannot be used within one year. The Company estimates that the maximum commitment amount under such agreements does not exceed \$48 million.

The Company enters into contracts with vendors to receive services. Commitments under these service contracts with non-cancelable terms of more than one year totaled \$15 million in 2025, \$11 million in 2026, \$8 million in 2027 and \$5 million thereafter.

In addition, the Company could be obligated to perform under standby letters of credit totaling \$6 million at December 27, 2024. The Company has also guaranteed the debt of its subsidiaries for up to \$4 million. All debt of subsidiaries is reflected in the consolidated balance sheets.

Contingencies. The Company is party to various legal proceedings arising in the normal course of business. The Company is actively pursuing and defending these matters and has recorded an estimate of the probable costs where appropriate. Management does not expect that the resolution of these matters will have a material adverse effect on the Company, although the ultimate outcome cannot be determined based on available information.

L. Acquisitions

On November 4, 2024, the Company acquired Corob S.p.A. ("Corob") for €230 million in cash, subject to normal post-closing purchase price adjustments, with up to €30 million in additional contingent consideration. Corob is a global leader in the design and manufacturing of high-performance volumetric and gravimetric dispense, mixing, and shaking equipment used in mission-critical tinting applications. The acquired business expands and complements the Company's Contractor segment. Results of Corob's operations, including \$16 million of sales and \$3 million of operating losses, have been included in the Company's Contractor segment starting from the date of acquisition. As of December 27, 2024, the purchase price allocation remains preliminary as the Company completes its assessment, principally related to income taxes and the finalization of post-closing purchase price adjustments. The financial results of the Corob acquisition are not expected to have a material impact on the consolidated financial statements.

The contingent consideration is related to the sellers' eligibility to receive cash earn out payments, calculated based on qualified revenue performance metrics for two individual twelve-month periods. The earn out payments are capped at €15.0 million for both periods. The fair value of the earn out payments was initially valued using a probability-weighted expected return approach of future payments to be made to previous owners based on future revenues.

The total purchase consideration consisted of the following (in thousands):

Cash paid	\$	265,301
Acquisition-related consideration payable		10,339
Contingent consideration		14,607
Total purchase consideration	\$	<u>290,247</u>

Preliminary purchase consideration was allocated to assets acquired and liabilities assumed based on estimated fair values as follows (in thousands):

Cash and cash equivalents	\$	30,899
Accounts receivable		28,120
Inventories		26,375
Other current assets		17,915
Property, plant and equipment		16,619
Other non-current assets		5,854
Identifiable intangible assets		131,564
Goodwill		126,101
Current liabilities		(52,544)
Deferred income taxes, net		(33,166)
Other non-current liabilities		(7,490)
Total net assets acquired	\$	<u>290,247</u>

Goodwill recognized from the Corob acquisition primarily reflects an intangible asset that does not qualify for separate recognition. None of the goodwill acquired with Corob is deductible for tax purposes.

Identifiable intangible assets and estimated useful life are as follows (in thousands):

		Estimated Life (years)
Trade name	\$ 32,458	Indefinite
Customer relationship	76,493	15
Developed technology	20,557	10
Backlog	2,056	0.5
Total identifiable intangibles assets	<u>\$ 131,564</u>	

The fair values of the trade name and developed technology acquired in the acquisition were determined using a relief-from-royalty method, and customer relationships and backlog acquired were determined using an excess earnings method. These methods utilize unobservable inputs that are significant to these fair value measurements and thus classified as Level 3 of the fair value hierarchy described in Note A.

The following unaudited pro forma information provides the results of operations for the years ended December 27, 2024 and December 29, 2023, as if the acquisition had been completed at the beginning of fiscal year 2023 (in thousands, except per share amounts):

	2024	2023
Net sales	\$ 2,218,982	\$ 2,316,030
Net earnings	489,109	501,114
Earnings per share		
Basic	\$2.90	\$2.97
Diluted	\$2.84	\$2.91

The unaudited pro forma information includes the impact of intangible asset amortization of approximately \$8 million in 2024 and \$11 million in 2023. The year ended December 27, 2024 excludes the impact of \$4 million of transaction-related expenses and non-recurring expense related to the fair value adjustment to acquisition-date inventory. The year ended December 29, 2023 was adjusted to include transaction-related expenses and non-recurring expenses related to the fair value adjustment to acquisition-date inventory. The information also reflects the pro forma cost of foregone interest income but does not reflect the effect of any synergies or integration costs that may result from the acquisition.

Unaudited pro forma information has been provided for comparative purposes only and the information does not necessarily reflect what the combined company's results of operations would have been had the acquisition occurred at the beginning of 2023. It also may not be useful in predicting the future results of operations of the combined company.

The Company completed another acquisition in 2024 that was not material to the consolidated financial statements.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the fiscal year covered by this Form 10-K, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). This evaluation was done under the supervision and with the participation of the Company's President and Chief Executive Officer, the Chief Financial Officer and Treasurer, and the Executive Vice President, Corporate Controller and Information Systems. Based upon that evaluation, they concluded that the Company's disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The internal control system was designed to provide reasonable assurance to management and the board of directors regarding the reliability of financial reporting and preparation of financial statements in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 27, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013).

Based on our assessment and those criteria, management believes the Company's internal control over financial reporting is effective as of December 27, 2024.

The Company completed its acquisition of Corob on November 4, 2024. The Company is continuing to integrate Corob into its internal control over financial reporting, and management's evaluation of the effectiveness of the Company's internal control over financial reporting excluded Corob as of December 27, 2024, as permitted by guidance issued by the Securities and Exchange Commission. Corob accounted for approximately 12% of total assets and less than 1% of total net sales included within the consolidated financial statements of Graco Inc. and its subsidiaries as of and for the fiscal year ended December 27, 2024.

The Company's independent auditors have issued an attestation report on the Company's internal control over financial reporting, which is included herein.

Changes in Internal Control Over Financial Reporting

During the fourth quarter, there was no change in the Company's internal control over financial reporting that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Graco Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Graco Inc. and subsidiaries (the "Company") as of December 29, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 29, 2023, of the Company and our report dated February 20, 2024, expressed an unqualified opinion on those financial statements.

As described in *Management's Report on Internal Control over Financial Reporting*, management excluded from its assessment the internal control over financial reporting at Corob S.p.A. ("Corob"), which was acquired on November 4, 2024, and whose financial statements constitute approximately 12% of total assets and less than 1% of total net sales within the consolidated financial statements of Graco Inc. as of and for the year ended December 27, 2024. Accordingly, our audit did not include the internal control over financial reporting at Corob.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
February 18, 2025

Item 9B. Other Information

During the three months ended December 27, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information under the heading “Information About Our Executive Officers” in Part I of this Form 10-K and the information under the heading “Board of Directors” in our Company’s Proxy Statement for its 2025 Annual Meeting of Shareholders to be held on April 25, 2025 (the “Proxy Statement”), is incorporated herein by reference.

Audit Committee Members and Audit Committee Financial Expert

The information under the heading “Committees of the Board of Directors” in our Company’s Proxy Statement is incorporated herein by reference.

Corporate Governance Guidelines, Committee Charters and Code of Ethics

Our Company has adopted Corporate Governance Guidelines and Charters for each of the Audit, Governance, and Management Organization and Compensation Committees of the Board of Directors. We have also issued a Code of Ethics and Business Conduct (“Code of Ethics”) that applies to our principal executive officer, principal financial officer, principal accounting officer, all officers, directors, and employees of Graco Inc. and all of its subsidiaries, representative offices and branches worldwide. The Corporate Governance Guidelines, Committee Charters, and Code of Ethics, with any amendments or waivers thereto, may be accessed free of charge by visiting the Graco website at www.graco.com.

Our Company intends to post on the Graco website any amendment to, or waiver from, a provision of the Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, controller and other persons performing similar functions within four business days following the date of such amendment or waiver.

Insider Trading Arrangements and Policies

The information under the heading “Corporate Governance Documents—Insider Trading Policy and Procedures and Prohibition on Hedging and Pledging” in our Company’s Proxy Statement is incorporated herein by reference.

Item 11. Executive Compensation

The information contained under the headings “Director Compensation,” “Executive Compensation” (other than under the subheading “Pay Versus Performance”); and “Report of the Management Organization and Compensation Committee” in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information contained under the headings “Equity Compensation Plan Information” and “Beneficial Ownership of Shares” in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information under the headings “Related Person Transaction Approval Policy” and “Director Independence” in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information under the headings “Independent Registered Public Accounting Firm Fees and Services” and “Pre-Approval Policies” in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

	<u>Page</u>
(1) Financial Statements	<u>37</u>
(2) Financial Statement Schedule	
All financial statement schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.	
(3) Management Contract, Compensatory Plan or Arrangement. (See Exhibit Index)	68
Those entries marked by an asterisk are Management Contracts, Compensatory Plans or Arrangements.	

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Articles of Incorporation as amended December 8, 2017. (Incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K filed December 8, 2017.)
3.2	Restated Bylaws as amended February 17, 2023.
4.1	Description of Our Securities. (Incorporated by reference to Exhibit 4.1 to the Company's 2019 Annual Report on Form 10-K.)
*10.1	Graco Inc. Incentive Bonus Plan. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed September 19, 2019.)
*10.2	Graco Inc. 2010 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed March 11, 2010.)
*10.3	Graco Inc. 2015 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed March 11, 2015.)
*10.4	Graco Inc. Amended and Restated 2019 Stock Incentive Plan. (Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed March 13, 2024.)
*10.5	Deferred Compensation Plan (2005 Statement) as amended and restated on April 4, 2005. (Incorporated by reference to Exhibit 10.1 of the Company's Report on Form 10-Q for the thirteen weeks ended July 1, 2005.) Second Amendment dated November 1, 2005. (Incorporated by reference to Exhibit 10.8 to the Company's 2005 Annual Report on Form 10-K.) Third Amendment adopted on December 29, 2008. (Incorporated by reference to Exhibit 10.8 to the Company's 2008 Annual Report on Form 10-K.) Second Amendment dated October 25, 2012. (Incorporated by reference to Exhibit 10.9 to the Company's 2012 Annual Report on Form 10-K.)
*10.6	Graco Restoration Plan (2005 Statement). (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended September 29, 2006.) First Amendment adopted December 8, 2006. (Incorporated by reference to Exhibit 10.12 to the Company's 2006 Annual Report on Form 10-K.) Second Amendment adopted August 15, 2007. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended September 28, 2007.) Third Amendment adopted March 27, 2008. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended March 28, 2008.) Fourth Amendment adopted December 29, 2008. (Incorporated by reference to Exhibit 10.11 to the Company's 2008 Annual Report on Form 10-K.) Fifth Amendment adopted September 16, 2010. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended September 24, 2010.) Sixth Amendment adopted February 15, 2018 (Incorporated by reference to Exhibit 10.7 to the Company's 2017 Annual Report on Form 10-K.) Seventh Amendment adopted December 6, 2018. (Incorporated by reference to Exhibit 10.6 to the Company's 2018 Annual Report on Form 10-K.)
*10.7	Graco Inc. Retirement Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10.7 to the Company's 2018 Annual Report on Form 10-K.) (Initially filed by the Company in paper form as Attachment C to Item 5 to the Company's Report on Form 10-Q for the thirteen weeks ended March 29, 1991.) First Amendment adopted on December 29, 2008. (Incorporated by reference to Exhibit 10.10 to the Company's 2008 Annual Report on Form 10-K.)
*10.8	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to nonemployee directors under the Graco Inc. 2010 Stock Incentive Plan in 2011. (Incorporated by reference to Exhibit 10.16 to the Company's 2010 Annual Report on Form 10-K.) Amended form of agreement for awards made to nonemployee directors commencing in 2012 (and subsequently used for awards made to nonemployee directors under the Graco Inc. 2015 Stock Incentive Plan in 2015). (Incorporated by reference to Exhibit 10.4 of the Company's Report on Form 10-Q for the thirteen weeks ended March 30, 2012.)
*10.9	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to executive officers under the Graco Inc. 2010 Stock Incentive Plan in 2011. (Incorporated by reference to Exhibit 10.4 to the Company's Report on Form 10-Q for the thirteen weeks ended April 1, 2011.) Amended form of agreement for awards made to executive officers commencing in 2012. (Incorporated by reference to Exhibit 10.3 of the Company's Report on Form 10-Q for the thirteen weeks ended March 30, 2012.)
*10.10	Stock Option Agreement. Form of agreement used for award of non-incentive stock options to nonemployee directors under the Graco Inc. 2015 Stock Incentive Plan commencing in 2016. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended June 24, 2016.)

- *10.11 Stock Option Agreement. Form of agreement used for award of non-incentive stock options to executive officers under the Graco Inc. 2015 Stock Incentive Plan commencing in 2016. ([Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the thirteen weeks ended March 25, 2016.](#))
- *10.12 Stock Option Agreement. Form of agreement used for award of non-incentive stock options to Chief Executive Officer under the Graco Inc. 2015 Stock Incentive Plan commencing in 2016. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended March 25, 2016.](#))
- *10.13 Stock Option Agreement. Form of agreement used for award of non-incentive stock options to nonemployee directors under the Graco Inc. 2019 Stock Incentive Plan commencing in 2019. ([Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the thirteen weeks ended June 28, 2019.](#))
- *10.14 Stock Option Agreement. Form of agreement used for award of non-incentive stock options to executive officers under the Graco Inc. 2019 Stock Incentive Plan commencing in 2020. ([Incorporated by reference to Exhibit 10.22 to the Company's 2019 Annual Report on Form 10-K.](#))
- *10.15 Stock Option Agreement. Form of agreement used for award of non-incentive stock options to Chief Executive Officer under the Graco Inc. 2019 Stock Incentive Plan commencing in 2020. ([Incorporated by reference to Exhibit 10.21 to the Company's 2019 Annual Report on Form 10-K.](#))
- *10.16 [Stock Option Agreement. Form of agreement used for award of non-incentive stock options to nonemployee directors under the Graco Inc. 2019 Stock Incentive Plan commencing in 2025.](#)
- *10.17 [Stock Option Agreement. Form of agreement used for award of non-incentive stock options to executive officers under the Graco Inc. 2019 Stock Incentive Plan commencing in 2025.](#)
- *10.18 [Stock Option Agreement. Form of agreement used for award of non-incentive stock options to Chief Executive Officer under the Graco Inc. 2019 Stock Incentive Plan commencing in 2025.](#)
- *10.19 Executive Officer Restricted Stock Unit Agreement. Form of agreement used to award restricted stock units to Dale D. Johnson under the Graco Inc. 2019 Stock Incentive Plan. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed February 26, 2021.](#))
- *10.20 Nonemployee Director Stock and Deferred Stock Program (2019 Restatement). ([Incorporated by reference to Exhibit 10.3 to the Company's Report on Form 10-Q for the thirteen weeks ended June 28, 2019.](#))
- *10.21 Key Employee Agreement. Form of agreement used with Chief Executive Officer and other executive officers. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed April 27, 2021.](#)) Key Employee Agreement. Form of agreement to be offered to all persons hired or promoted to be executive officers of the Company after November 30, 2023 where local legal requirements warrant a different form. ([Incorporated by reference to Exhibit 10.18 to the Company's 2023 Annual Report on Form 10-K.](#))
- *10.22 Executive Group Long-Term Disability Policy as revised in 1995. ([Incorporated by reference to Exhibit 10.23 to the Company's 2004 Annual Report on Form 10-K.](#)) Enhanced by Supplemental Income Protection Plan in 2004. ([Incorporated by reference to Exhibit 10.28 to the Company's 2007 Annual Report on Form 10-K.](#))
- 10.23 Amended and Restated Credit Agreement, dated March 25, 2021, among Graco Inc., the borrowing subsidiaries from time to time party thereto, the banks from time to time party thereto and U.S. Bank National Association, as administrative agent. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed March 26, 2021.](#))
- 10.24 Amendment No. 1 to Amended and Restated Credit Agreement, dated May 23, 2023, among Graco Inc., the borrowing subsidiaries from time to time party thereto, the banks from time to time party thereto and U.S. Bank National Association, as administrative agent. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed May 23, 2023.](#))
- 10.25 Amendment No. 2 to Amended and Restated Credit Agreement, dated June 8, 2023, among Graco Inc., the borrowing subsidiaries from time to time party thereto, the banks from time to time party thereto and U.S. Bank National Association, as administrative agent. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed June 8, 2023.](#))
- 10.26 Amendment No. 3 to Amended and Restated Credit Agreement dated October 25, 2024, among Graco Inc., the borrowing subsidiaries from time to time party thereto, the banks from time to time party thereto and U.S. Bank National Association as administrative agent ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed October 25, 2024.](#))

- 10.27 Note Agreement, dated March 11, 2011, between Graco Inc. and the Purchasers listed on the Purchaser Schedule attached thereto, which includes as exhibits the form of Senior Notes. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed March 16, 2011.](#)) Amendment No. 1 dated May 23, 2011. ([Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 10-Q for the thirteen weeks ended July 1, 2011.](#)) Amendment and Restatement No. 1 to Note Agreement dated as of March 27, 2012. ([Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed April 2, 2012.](#)) Amendment No. 2 dated as of June 26, 2014 to Note Agreement dated as of March 11, 2011. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-Q for the thirteen weeks ended June 27, 2014.](#)) Amendment No. 3 dated as of December 15, 2016 to Note Agreement dated as of March 11, 2011. ([Incorporated by reference to Exhibit 10.28 to the Company's 2016 Annual Report on Form 10-K.](#)) Amendment No. 4 dated May 23, 2017 to Note Agreement dated as of March 11, 2011. ([Incorporated by reference to Exhibit 10.1 to the Company's 10-Q for the thirteen weeks ended June 30, 2017.](#)) Amendment No. 5 dated April 17, 2020 to Note Agreement dated as of March 11, 2011. ([Incorporated by reference to Exhibit 10.4 to the Company's 10-Q for the thirteen weeks ended March 27, 2020.](#))
- 10.28 Master Note Agreement, dated January 29, 2020, between Graco Inc. and NYL Investors LLC. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed February 3, 2020.](#)) First Amendment to Master Note Agreement, dated December 16, 2022. ([Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed December 16, 2022.](#))
 - 11 Statement of Computation of Earnings per share included in [Note I](#) on page 55
 - 19 [Insider Trading Policy](#)
 - 21 [Subsidiaries of the Company](#)
 - 23 [Independent Registered Public Accounting Firm's Consent](#)
 - 24 [Power of Attorney](#)
 - 31.1 [Certification of President and Chief Executive Officer pursuant to Rule 13a-14\(a\)](#)
 - 31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\)](#)
 - 32 [Certification of President and Chief Executive Officer and Chief Financial Officer pursuant to Section 1350 of Title 18, U.S.C.](#)
 - 97 Graco Inc. Incentive Recovery Policy ([Incorporated by Reference to the Company's 2023 Annual Report on Form 10-K filed February 20, 2024.](#))
 - 101 Interactive data files pursuant to Rule 405 of Regulation S-T formatted in iXBRL (Inline eXtensible Business Reporting Language).
 - 104 Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).

* Management Contracts, Compensatory Plans or Arrangements.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of certain instruments defining the rights of holders of certain long-term debt of the Company and its subsidiaries are not filed as exhibits because the amount of debt authorized under any such instrument does not exceed 10 percent of the total assets of the Company and its subsidiaries. The Company agrees to furnish copies thereof to the Securities and Exchange Commission upon request.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Graco Inc.

/s/ Mark W. Sheahan

February 18, 2025

Mark W. Sheahan
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Mark W. Sheahan

February 18, 2025

Mark W. Sheahan
President and Chief Executive Officer
(Principal Executive Officer)

/s/ David M. Lowe

February 18, 2025

David M. Lowe
Chief Financial Officer and Treasurer
(Principal Financial Officer)

/s/ Christopher D. Knutson

February 18, 2025

Christopher D. Knutson
Vice President, Controller & Chief Accounting Officer
(Principal Accounting Officer)

J. Kevin Gilligan	Director, Chairman of the Board
Heather L. Anfang	Director
Archie C. Black	Director
Brett C. Carter	Director
Eric P. Etchart	Director
Jody H. Feragen	Director
Martha A. Morfitt	Director
Mark W. Sheahan	Director
Kevin J. Wheeler	Director

Mark W. Sheahan, by signing his name hereto, does hereby sign this document on behalf of himself and each of the above named directors of the Registrant pursuant to powers of attorney duly executed by such persons.

/s/ Mark W. Sheahan

February 18, 2025

Mark W. Sheahan
(For himself and as attorney-in-fact)

**RESTATED BYLAWS
GRACO INC.**

(Adopted February 17, 2023)

**ARTICLE I.
OFFICES, CORPORATE SEAL**

Section 1.01. Offices. The principal executive office of the corporation shall be at 88 – 11th Avenue NE, Minneapolis, Minnesota 55413. The corporation may have such other offices, within or without the State of Minnesota, as the directors shall, from time to time, determine.

Section 1.02. Corporate Seal. The corporate seal shall be circular in form and shall have inscribed thereon the name of the corporation and the word “Minnesota” and the words “Corporate Seal”.

**ARTICLE II.
MEETINGS OF SHAREHOLDERS**

Section 2.01. Place of Meetings. Meetings of the shareholders shall be held at the principal executive office of the corporation or at such other place as may be designated by the directors, except that any meeting called by or at the demand of a shareholder shall be held in the county in which the principal executive office of the corporation is located. The Board of Directors may determine that shareholders not physically present in person or by proxy at a shareholder meeting may, by means of remote communication, participate in a shareholder meeting held at a designated place. The Board of Directors also may determine that a meeting of the shareholders shall not be held at a physical place, but instead solely by means of remote communication. Participation by remote communication constitutes presence at the meeting.

Section 2.02. Regular Meetings. A regular meeting of the shareholders shall be held on an annual basis on such date and at such time as the Board of Directors shall by resolution establish. At a regular meeting the shareholders shall elect qualified successors for directors whose terms have expired or are due to expire within six months after the date of the meeting and shall transact such other business as may properly come before them.

Section 2.03. Special Meetings. Special meetings of the shareholders may be held at any time and for any purpose and may be called by the Chief Executive Officer, the Chief Financial Officer, two or more directors or a shareholder or shareholders holding 10% or more of the voting power of all shares entitled to vote, except that a special meeting called by a shareholder or shareholders for the purpose of considering any action to directly or indirectly facilitate or effect a business combination, including any action to change or otherwise affect the composition of the Board of Directors for that purpose, must be called by a shareholder or shareholders holding 25% or more of the voting power of all shares entitled to vote. A shareholder or shareholders holding the requisite percentage of the voting power may demand a special meeting of the shareholders by written notice given to the Chief Executive Officer or Chief Financial Officer of the corporation stating the purposes of

the meeting. Within 30 days after receipt of such a demand by one of those officers, the Board of Directors shall cause a special meeting of shareholders to be called and held on notice not later than 90 days after receipt of the demand, at the expense of the corporation. Special meetings shall be held on the date and at the time and place fixed by the Chief Executive Officer, the Chief Financial Officer or the Board of Directors, except that a special meeting called by or at demand of a shareholder or shareholders shall be held in the county where the principal executive office is located. The business transacted at a special meeting shall be limited to the purposes stated in the notice of the meeting.

Section 2.04. Quorum, Action by Shareholders. The holders of a majority of the shares entitled to vote shall constitute a quorum for the transaction of business at any regular or special meeting. All questions shall be decided by a majority vote of the number of shares entitled to vote and represented at the meeting at the time of the vote unless otherwise required by statute, the Articles of Incorporation, or these Bylaws. If a quorum is present when a duly called or held meeting is convened, the shareholders may continue to transact business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 2.05. Adjourned Meetings. Any meeting of the shareholders may be adjourned from time to time to another date, time or place solely by the chairperson of the meeting. If any meeting of the shareholders is so adjourned, no notice as to such adjourned meeting need be given if the date, time and place at which the meeting will be reconvened are announced at the time of adjournment and the adjourned meeting is held not more than 120 days after the date fixed for the original meeting. At adjourned meetings at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally noticed.

Section 2.06. Voting. At each meeting of the shareholders every shareholder having the right to vote shall be entitled to vote either in person or by proxy. Each shareholder shall have one vote for each share having voting power registered in such shareholder's name on the books of the corporation. Jointly owned shares may be voted by any joint owner unless the corporation receives written notice from any one of them denying the authority of that person to vote the shares. Any shareholder directly or indirectly soliciting proxies from other shareholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board of Directors.

Section 2.07. Closing of Books. The Board of Directors may fix, or authorize an officer to fix, a date not more than 60 days preceding the date of any meeting of shareholders, as the date (the "record date") for the determination of the shareholders entitled to notice of, and to vote at, such meeting. When a record date is so fixed, only shareholders as of that date are entitled to notice of and permitted to vote at that meeting of shareholders.

Section 2.08. Notice of Meetings. Except as otherwise specified in Section 2.05 or required by law, written notice of each meeting of the shareholders, stating the date, time and place and, in the case of a special meeting, the purpose or purposes, shall be given at least 10 days and not more than 60 days prior to the meeting to every holder of shares entitled to vote at such meeting. Notice may be given to a shareholder by means of

electronic communication if the requirements of Minnesota Statutes Section 302A.436, Subdivision 5, as amended from time to time, are met. Notice to a shareholder is also effectively given if the notice is addressed to the shareholder or a group of shareholders in a manner permitted by the rules and regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), so long as the corporation has first received the written or implied consent required by those rules and regulations. The business transacted at a special meeting of shareholders is limited to the purposes stated in the notice of the meeting.

Section 2.09. Waiver of Notice. Notice of any regular or special meeting may be waived by any shareholder either before, at or after such meeting orally, in a writing or by authenticated electronic communication. Attendance by a shareholder at any meeting of shareholders is a waiver of notice of such meeting, except where the shareholder objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened or the item may not lawfully be considered at that meeting and the shareholder does not participate in the consideration of the item at that meeting.

Section 2.10. Advance Notice of Shareholder Proposals. As provided in Section 2.03, the business conducted at any special meeting of shareholders of the corporation shall be limited to the purposes stated in the notice of the special meeting pursuant to Section 2.08. At any regular meeting of shareholders of the corporation, only such business (other than the nomination and election of directors, which shall be subject to Sections 3.15 and 3.16) may be conducted as shall be appropriate for consideration at the meeting of shareholders and shall have been brought before the meeting (i) by or at the direction of the Board of Directors, or (ii) by any shareholder of the corporation entitled to vote at the meeting who complies with the notice procedures hereinafter set forth in this section.

- a. **Timing of Notice.** For such business to be properly brought before any regular meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a shareholder's notice of any such business to be conducted at an annual shareholders meeting must be delivered to the secretary of the corporation, or mailed and received at the principal executive office of the corporation, not less than 90 days before the first anniversary of the date of the preceding year's annual shareholders meeting of shareholders. If, however, the date of the annual shareholders meeting of shareholders is more than 30 days before or after such anniversary date, notice by a shareholder shall be timely only if so delivered or so mailed and received not less than 90 days before such annual shareholders meeting or, if later, within 10 days after the first public announcement of the date of such annual shareholders meeting. To be timely, a shareholder's notice of any such business to be conducted at a regular meeting other than an annual shareholders meeting must be delivered to the secretary of the corporation, or mailed and received at the principal executive office of the corporation, not less than 90 days before such regular meeting or, if later, within 10 days after the first public announcement of the date of such regular meeting. Except to the extent otherwise required by law, the

adjournment of a regular meeting of shareholders shall not commence a new time period for the giving of a shareholder's notice as required above.

- b. **Content of Notice.** A shareholder's notice to the corporation shall set forth as to each matter the shareholder proposes to bring before the regular meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and address, as they appear on the corporation's books, of the shareholder proposing such business and of any beneficial owner on whose behalf the proposal is made, (iii) (A) the class or series (if any) and number of shares of the corporation that are beneficially owned by such shareholder or any such beneficial owner, (B) any option, warrant, convertible security, stock appreciation right, swap or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the corporation or otherwise (a "derivative instrument") owned beneficially by such shareholder or any such beneficial owner and any other opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation, (C) any proxy, contract, arrangement, understanding or relationship pursuant to which such shareholder or any such beneficial owner has a right to vote any shares of the corporation, (D) any short interest of such shareholder or any such beneficial owner in any security of the corporation, (E) any rights to dividends on the shares of the corporation owned beneficially by such shareholder or any such beneficial owner that are separated or separable from the underlying shares of the corporation, (F) any proportionate interest in shares of the corporation or derivative instruments held, directly or indirectly, by a general or limited partnership in which such shareholder or any such beneficial owner is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (G) any performance-related fees (other than an asset-based fee) that such shareholder or any such beneficial owner is entitled to based on any increase or decrease in the value of shares of the corporation or derivative instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such shareholder's or any such beneficial owner's immediate family sharing the same household (which information shall be supplemented by such shareholder not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), (iv) any material interest of the shareholder or such beneficial owner in such business, (v) a representation that the shareholder is a holder of record of shares entitled to vote at the meeting, will continue to be a holder of record of shares entitled to vote at the meeting through the date of the meeting, and intends to appear in person or by proxy at the meeting to make the proposal, and (vi) a representation whether the shareholder or any such beneficial owner intends, or is part of a group that intends, to deliver a proxy

statement or form of proxy to holders of at least the percentage of the corporation's outstanding shares required to adopt the proposal or otherwise to solicit proxies from shareholders in support of the proposal.

- c. **Consequences of Failure to Give Timely Notice.** Notwithstanding anything in these Bylaws to the contrary, no business (other than the nomination and election of directors) shall be conducted at any regular meeting except in accordance with the procedures set forth in this Section. The chairperson of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the procedures described in this Section and, if such chairperson should so determine, such chairperson shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted. Nothing in this Section shall be deemed to preclude discussion by any shareholder of any business properly brought before the meeting in accordance with these Bylaws.
- d. **Public Announcement.** For purposes of this Section and Sections 3.15 and 3.16, "public announcement" means disclosure (i) when made in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service, (ii) when filed in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act, or (iii) when mailed as the notice of the meeting pursuant to Section 2.08.
- e. **Compliance with Law.** Notwithstanding the foregoing provisions of this Section, a shareholder shall also comply with all applicable requirements of Minnesota law and the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section.
- f. **Inapplicable in Certain Circumstances.** Notwithstanding anything in this Section to the contrary, this Section does not apply to any shareholder proposal made pursuant to Rule 14a-8 promulgated under the Exchange Act to be included or described in the corporation's proxy statement or on the proxy card of the Board of Directors for any regular meeting of shareholders. The requirements, procedures and notice deadlines of Rule 14a-8 shall govern any proposal made pursuant thereto.

Section 2.11. Conduct of Meetings. Each meeting of shareholders shall be presided over by a chairperson, who shall be the Chair of the Board, the Chief Executive Officer or such other officer of the corporation as the Board of Directors shall designate as chairperson of the meeting. The Board of Directors shall be entitled to make such rules and regulations for the conduct of meetings of shareholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairperson of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairperson, are necessary, appropriate or convenient for the proper conduct of the meeting, including,

without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in the meeting to shareholders of record of the corporation, their duly authorized and constituted proxies and such other persons as the chairperson of the meeting shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants, regulation of the opening and closing of the polls for balloting and matters which are to be voted on by ballot, and restricting the use of cell phones, audio or video recording devices and similar devices at the meeting. Unless and to the extent determined by the Board of Directors or the chairperson of the meeting, meetings of shareholders shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE III. DIRECTORS

Section 3.01. General Powers. The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors.

Section 3.02. Number, Qualification and Term of Office. The number of directors shall initially be ten and, thereafter, shall be fixed from time to time by the Board of Directors or by the affirmative vote of the holders of two-thirds of the voting power of the outstanding capital stock of the corporation, voting together as a single class. The directors shall be divided into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the 1988 annual meeting of shareholders, the term of office of the second class to expire at the 1989 annual meeting of shareholders and the term of office of the third class to expire at the 1990 annual meeting of shareholders. At each annual meeting of shareholders following such initial classification and election, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of shareholders after their election.

Section 3.03. Board Meetings. Meetings of the Board of Directors may be held from time to time at such time and place as may be designated in the notice of such meeting.

Section 3.04. Calling Meetings; Notice. Meetings of the Board of Directors may be called by the Chief Executive Officer by giving at least 24 hours' notice, or by any other director by giving at least five days' notice, of the date, time and place thereof to each director by mail, telephone, electronic communication or in person. If the day or date, time and place of a Board meeting have been announced at a previous meeting of the Board, no notice is required. Notice of an adjourned meeting need not be given other than by announcement at the meeting at which adjournment is taken of the date, time and place at which the meeting will be reconvened.

Section 3.05. Waiver of Notice. Notice of any meeting of the Board of Directors may be waived by any director either before, at, or after such meeting orally, in a writing signed by such director or by authenticated electronic communication. A director, by his or her attendance at any meeting of the Board of Directors, shall be deemed to have waived notice of such meeting, except where the director objects at the beginning of the meeting to the

transaction of business because the meeting is not lawfully called or convened and does not participate thereafter in the meeting.

Section 3.06. Quorum. A majority of the directors holding office immediately prior to a meeting of the Board of Directors shall constitute a quorum for the transaction of business at such meeting.

Section 3.07. Absent Directors. A director may give advance written consent or opposition to a proposal to be acted on at a meeting of the Board of Directors. If such director is not present at the meeting, consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition shall be counted as a vote in favor of or against the proposal and shall be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the director has consented or objected.

Section 3.08. Conference Communications. Any or all directors may participate in any meeting or conference of the Board of Directors, or of any duly constituted committee thereof, by any means of communication through which the directors may simultaneously hear each other during such meeting. For the purposes of establishing a quorum and taking any action, such directors participating pursuant to this Section 3.08 shall be deemed present in person at the meeting.

Section 3.09. Vacancies. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled by a majority vote of the directors then in office though less than a quorum, and directors so chosen shall hold office for a term expiring at the next annual meeting of shareholders. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3.10. Removal. Any directors, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of the proportion or number of the voting power of the shares of the classes or series the director represents sufficient to elect them.

Section 3.11. Committees. A resolution approved by the affirmative vote of a majority of the Board of Directors may establish committees having the authority of the Board in the management of the business of the corporation to the extent provided in the resolution. A committee shall consist of one or more persons, who need not be directors, appointed by affirmative vote of a majority of the directors present. Committees are subject to the direction and control of, and vacancies in the membership thereof shall be filled by, the Board of Directors, except as provided by Section 3.12. A majority of the members of the committee holding office immediately prior to a meeting of the committee shall constitute a quorum for the transaction of business, unless a larger or smaller proportion or number is provided in the resolution establishing the committee.

Section 3.12. Committee of Disinterested Persons. Pursuant to the procedure set forth in Section 3.11, the Board may establish a committee composed of two or more disinterested directors or other disinterested persons to determine whether it is in the best interests of the corporation to pursue a particular legal right or remedy of the corporation and whether to cause the dismissal or discontinuance of a particular proceeding that seeks to assert a right or remedy on behalf of the corporation. The committee, once established, is not subject to the direction or control of, or termination by, the Board. A vacancy on the committee may be filled by a majority of the remaining committee members. The good faith determinations of the committee are binding upon the corporation and its directors, officers and shareholders. The committee terminates when it issues a written report of its determination to the Board.

Section 3.13. Written Action. Any action which might be taken at a meeting of the Board of Directors, or any duly constituted committee thereof, may be taken without a meeting if done in writing and signed, or consented to by authenticated electronic communication, by all of the directors or committee members. Any action, other than an action requiring shareholder approval, if the Articles of Incorporation so provide, may be taken by written action signed, or consented to by authenticated electronic communication, by the number of directors or committee members that would be required to take the same action at a meeting of the Board or committee at which all directors or committee members were present.

Section 3.14. Compensation. The Board may fix the compensation, if any, of directors.

Section 3.15. Nomination of Director Candidates. Only persons who are nominated in accordance with the procedures set forth in this Section 3.15 or Section 3.16 shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of shareholders (i) by or at the direction of the Board of Directors, or (ii) by any shareholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures hereinafter set forth in this Section 3.15 or Section 3.16.

- a. **Timing of Notice.** Nominations by shareholders shall be made pursuant to timely notice in writing to the secretary of the corporation. To be timely, a shareholder's notice of nominations to be made at an annual shareholders meeting of shareholders must be delivered to the secretary of the corporation, or mailed and received at the principal executive office of the corporation, not less than 90 days before the first anniversary date of the preceding year's annual shareholders meeting of shareholders. If, however, the date of the annual shareholders meeting of shareholders is more than 30 days before or after such anniversary date, notice by a shareholder shall be timely only if so delivered or so mailed and received not less than 90 days before such annual shareholders meeting or, if later, within 10 days after the first public announcement of the date of such annual shareholders meeting. If a special meeting of shareholders of the corporation is called in accordance with Section 2.03 for the purpose of electing one or more directors to the Board of Directors or if a regular meeting other than an annual shareholders meeting is

held, for a shareholder's notice of nominations to be timely it must be delivered to the secretary of the corporation, or mailed and received at the principal executive office of the corporation, not less than 90 days before such special meeting or such regular meeting or, if later, within 10 days after the first public announcement of the date of such special meeting or such regular meeting. Except to the extent otherwise required by law, the adjournment of a regular or special meeting of shareholders shall not commence a new time period for the giving of a shareholder's notice as described above.

- b. **Content of Notice.** A shareholder's notice to the corporation of nominations for a regular or special meeting of shareholders shall set forth (x) as to each person whom the shareholder proposes to nominate for election or re-election as a director: (i) such person's name, age, business address and residence address and principal occupation or employment, (ii) all other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or that is otherwise required, pursuant to Regulation 14A under the Exchange Act, and (iii) such person's written consent to being named in any proxy materials as a nominee and to serving as a director if elected; and (y) as to the shareholder giving the notice: (i) the name and address, as they appear on the corporation's books, of such shareholder and of any beneficial owner on whose behalf the nomination is made, (ii) the information called for by Section 2.10(b) (iii) with respect to such shareholder and any such beneficial owner, and (iii) a representation that the shareholder is a holder of record of shares of the corporation entitled to vote for the election of directors, will continue to be a holder of record of shares entitled to vote at the meeting through the date of the meeting, and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice. The corporation also may require any proposed nominee to furnish a completed and signed questionnaire required of the corporation's directors (the form of which will be provided by the secretary of the corporation upon written request). At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the secretary of the corporation the information required to be set forth in a shareholder's notice of nomination that pertains to a nominee. A shareholder who intends to solicit proxies in support of director nominees other than the corporation's director nominees and who has delivered a notice of nomination pursuant to this Section 3.15 shall promptly certify to the corporation, and notify the corporation in writing, that it has complied with or will comply with the requirements of Rule 14a-19 under the Exchange Act, and upon request of the corporation, shall, not later than five business days prior to the date of the applicable meeting of shareholders, deliver to the corporation reasonable evidence of such compliance.
- c. **Consequences of Failure to Give Timely Notice.** Notwithstanding anything in these Bylaws to the contrary, no person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section. The chairperson of the meeting shall, if

the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed in this Section and, if such chairperson should so determine, such chairperson shall so declare to the meeting, and the defective nomination shall be disregarded.

- d. **Compliance with Law.** Notwithstanding the foregoing provisions of this Section, a shareholder shall also comply with all applicable requirements of Minnesota law and the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section. Unless otherwise required by law, if any shareholder (i) provides notice pursuant to Rule 14a-19 under the Exchange Act and (ii) subsequently (A) notifies the corporation that such shareholder no longer intends to solicit proxies in support of director nominees other than the corporation's director nominees in accordance with Rule 14a-19, (B) fails to comply with the requirements of Rule 14a-19, or (C) fails to provide reasonable evidence sufficient to satisfy the corporation that such requirements have been met, then such shareholder's nominations shall be deemed null and void and the corporation shall disregard any proxies or votes solicited for any nominee proposed by such shareholder.

Section 3.16. Proxy Access for Nomination of Director Candidates.

- a. **Proxy Access Eligibility.** Whenever the Board of Directors solicits proxies with respect to the election of directors at an annual meeting of shareholders, subject to the provisions of this Section 3.16, the corporation shall include in its proxy statement for such annual meeting, in addition to any persons nominated for election by the Board of Directors or any committee thereof, the name, together with the Required Information (as defined below), of any person nominated for election (the "Shareholder Nominee") to the Board of Directors by a shareholder or group of no more than 20 shareholders that satisfies the requirements of this Section 3.16 (the "Eligible Shareholder") and that expressly elects at the time of providing the notice required by Section 3.16(e) below (the "Notice of Proxy Access Nomination") to have such nominee included in the corporation's proxy materials pursuant to this Section 3.16. For purposes of this Section 3.16, the "Required Information" that the corporation will include in its proxy statement is (i) the information provided to the secretary of the corporation concerning the Shareholder Nominee and the Eligible Shareholder that is required to be disclosed in the corporation's proxy statement pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder, and (ii) if the Eligible Shareholder so elects, a Supporting Statement (as defined below). The Required Information must be provided with the Notice of Proxy Access Nomination.
- b. **Maximum Number of Shareholder Nominees.** The maximum number of Shareholder Nominees nominated by all Eligible Shareholders that will be included in the corporation's proxy materials with respect to an annual meeting of shareholders shall not exceed the greater of (i) two or (ii) 20% of

the number of directors in office as of the last day on which a Notice of Proxy Access Nomination may be delivered pursuant to and in accordance with this Section 3.16 (the "Final Proxy Access Nomination Date") or, if such amount is not a whole number, the closest whole number below 20%. In the event that one or more vacancies for any reason occurs on the Board of Directors after the Final Proxy Access Nomination Date but before the date of the annual meeting and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the maximum number of Shareholder Nominees included in the corporation's proxy materials shall be calculated based on the number of directors in office as so reduced. For purposes of determining when the maximum number of Shareholder Nominees provided for in this Section 3.16 has been reached, each of the following persons shall be counted as one of the Shareholder Nominees:

- (i) any individual nominated by an Eligible Shareholder for inclusion in the corporation's proxy materials pursuant to this Section 3.16 whose nomination is subsequently withdrawn,
- (ii) any individual nominated by an Eligible Shareholder for inclusion in the corporation's proxy materials pursuant to this Section 3.16 whom the Board of Directors decides to nominate for election to the Board of Directors, and
- (iii) any director in office as of the Final Proxy Access Nomination Date who was included in the corporation's proxy materials as a Shareholder Nominee for either of the two preceding annual meetings of Shareholders (including any individual counted as a Shareholder Nominee pursuant to the immediately preceding clause (ii)) and whom the Board of Directors decides to nominate for re-election to the Board of Directors.

Any Eligible Shareholder submitting more than one Shareholder Nominee for inclusion in the corporation's proxy materials pursuant to this Section 3.16 shall rank such Shareholder Nominees based on the order in which the Eligible Shareholder desires such Shareholder Nominees to be selected for inclusion in the corporation's proxy materials. In the event that the number of Shareholder Nominees submitted by Eligible Shareholders pursuant to this Section 3.16 exceeds the maximum number of Shareholder Nominees provided for in this Section 3.16, the highest ranking Shareholder Nominee who meets the requirements of this Section 3.16 from each Eligible Shareholder will be selected for inclusion in the corporation's proxy materials until the maximum number is reached, going in order of the amount (largest to smallest) of shares of common stock of the corporation each Eligible Shareholder disclosed as owned in its Notice of Proxy Access Nomination. If the maximum number is not reached after the highest ranking Shareholder Nominee who meets the requirements of this Section 3.16 from each Eligible Shareholder has been selected, then the next highest ranking Shareholder

Nominee who meets the requirements of this Section 3.16 from each Eligible Shareholder will be selected for inclusion in the corporation's proxy materials, and this process will continue as many times as necessary, following the same order each time, until the maximum number is reached.

c. **Required Shares and Minimum Holding Period.** In order to make a nomination pursuant to this Section 3.16, an Eligible Shareholder must have owned (as defined below) at least 3% of the corporation's outstanding common stock (the "Required Shares") continuously for at least three years (the "Minimum Holding Period") as of both the date the Notice of Proxy Access Nomination is delivered to the secretary of the corporation in accordance with this Section 3.16 and the record date for determining the shareholders entitled to receive notice of the annual meeting, and must continue to own the Required Shares through the date of the annual meeting. For purposes of this Section 3.16, an Eligible Shareholder shall be deemed to "own" only those outstanding shares of common stock of the corporation as to which the shareholder possesses both:

- (i) the full voting and investment rights pertaining to the shares, and
- (ii) the full economic interest in (including the opportunity for profit from and risk of loss on) such shares,

provided that the number of shares calculated in accordance with the immediately preceding clauses (i) and (ii) shall not include any shares:

- (A) sold by such shareholder or any of its affiliates in any transaction that has not been settled or closed,
- (B) borrowed by such shareholder or any of its affiliates for any purposes or purchased by such shareholder or any of its affiliates pursuant to an agreement to resell, or
- (C) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar instrument or agreement entered into by such shareholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding common stock of the corporation, if, in any such case, such instrument or agreement has, or is intended to have, the purpose or effect of:
 - (1) reducing in any manner, to any extent or at any time in the future, such shareholder's or its affiliates' full right to vote or direct the voting of any such shares, and/or

- (2) hedging, offsetting or altering to any degree any gain or loss realized or realizable from maintaining the full economic ownership of such shares by such shareholder or affiliate.

A shareholder shall “own” shares held in the name of a nominee or other intermediary so long as the shareholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A person’s ownership of shares shall be deemed to continue during any period in which (i) the shareholder has loaned such shares, provided that the person has the power to recall such loaned shares on three business days’ notice or (ii) the shareholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement which is revocable at any time by the shareholder. The terms “owned,” “owning” and other variations of the word “own” shall have correlative meanings. Whether outstanding shares of the common stock of the corporation are “owned” for these purposes shall be determined by the Board of Directors or any committee thereof. For purposes of this Section 3.16, the term “affiliate” or “affiliates” shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act.

d. Requirements for a Group.

- (i) Whenever the Eligible Shareholder consists of a group of shareholders:
 - (A) a group of funds under common management and control shall be treated as one shareholder,
 - (B) each provision in this Section 3.16 that requires the Eligible Shareholder to provide any written statements, representations, undertakings, agreements or other instruments or to meet any other conditions shall be deemed to require each shareholder that is a member of such group to provide such statements, representations, undertakings, agreements or other instruments and to meet such other conditions (except that the members of such group may aggregate their shareholdings in order to meet the 3% ownership requirement of the “Required Shares” definition),
 - (C) a breach of any obligation, agreement or representation under this Section 3.16 by any member of such group shall be deemed a breach by the Eligible Shareholder, and
 - (D) the Notice of Proxy Access Nomination must designate one member of the group for purposes of receiving communications, notices and inquiries from the corporation and

otherwise authorize such member to act on behalf of all members of the group with respect to all matters relating to the nomination under this Section 3.16 (including withdrawal of the nomination).

- (ii) Whenever the Eligible Shareholder consists of a group of shareholders aggregating their shareholdings in order to meet the 3% ownership requirement of the “Required Shares” definition in Section 3.16(c) hereof:
 - (A) such ownership shall be determined by aggregating the lowest number of shares continuously owned by each such shareholder during the Minimum Holding Period, and
 - (B) the Notice of Proxy Access Nomination must indicate, for each such shareholder, such lowest number of shares continuously owned by such shareholder during the Minimum Holding Period.
- (iii) Any group of funds whose shares are aggregated for purposes of constituting an Eligible Shareholder must, within five business days after the date of the Notice of Proxy Access Nomination, provide documentation reasonably satisfactory to the corporation that demonstrates that the funds are under common management and investment control. No person may be a member of more than one group of shareholders constituting an Eligible Shareholder with respect to any annual meeting. For the avoidance of doubt, a shareholder may withdraw from a group of shareholders constituting an Eligible Shareholder at any time prior to the annual meeting and if, as a result of such withdrawal, the Eligible Shareholder no longer owns the Required Shares, the nomination shall be disregarded as provided in Section 3.16(j)(ix).

- e. **Deadline for Notice of Proxy Access Nomination.** Nominations by shareholders pursuant to this Section 3.16, must be made pursuant to timely notice to the secretary of the corporation in accordance with this Section 3.16. To be timely, a Notice of Proxy Access Nomination must be received by the secretary not less than 120 days and not more than 150 days prior to the first anniversary of the date that the corporation distributed its proxy statement to shareholders for the preceding year’s annual meeting. If, however, the date of the annual meeting is more than 30 days before or 60 days after the first anniversary date of the preceding year’s annual meeting, the Notice of Proxy Access Nomination shall be timely only if received not less than 90 days and not more than 120 days prior to the annual meeting, or if later, within 10 days after the first public announcement of the date of the annual meeting. In no event shall the adjournment of an annual meeting, or the public announcement of such an adjournment, commence a new time period (or

extend any time period) for the giving of a Notice of Proxy Access Nomination pursuant to this Section 3.16.

- f. **Requirements for Notice of Proxy Access Nomination.** To be in proper form for purposes of this Section 3.16, the Notice of Proxy Access Nomination must include or be accompanied by the following:
- (i) the information and representations that would be required to be set forth in a shareholder's notice of a nomination pursuant to Section 3.15(b) (including the written consent of each Shareholder Nominee to be named in the proxy materials as a nominee and to serve as a director if elected),
 - (ii) one or more written statements from the record holder of the Required Shares (and from each intermediary through which the Required Shares are or have been held during the Minimum Holding Period) verifying that, as of a date within seven calendar days prior to the date the Notice of Proxy Access Nomination is delivered to or mailed and received by the secretary of the corporation, the Eligible Shareholder owns, and has owned continuously for the Minimum Holding Period, the Required Shares, and the Eligible Shareholder's agreement to provide one or more written statements from the record holder and such intermediaries verifying the Eligible Shareholder's continuous ownership of the Required Shares through the record date for determining the shareholders entitled to receive notice of the annual meeting, which statements must be provided within five business days after the record date,
 - (iii) a copy of the Schedule 14N that has been filed with the Securities and Exchange Commission as required by Rule 14a-18 under the Exchange Act,
 - (iv) a representation that the Eligible Shareholder:
 - (A) will continue to hold the Required Shares through the date of the annual meeting,
 - (B) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control at the corporation, and does not presently have such intent,
 - (C) has not nominated and will not nominate for election to the Board of Directors at the annual meeting any person other than the Shareholder Nominee(s) it is nominating pursuant to this Section 3.16,

- (D) has not engaged and will not engage in, and has not and will not be a “participant” in another person’s, “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting other than its Shareholder Nominee(s) or a nominee of the Board of Directors,
 - (E) has not distributed and will not distribute to any shareholder of the corporation any form of proxy for the annual meeting other than the form distributed by the corporation,
 - (F) has complied and will comply with all laws and regulations applicable to solicitations and the use, if any, of soliciting material in connection with the annual meeting,
 - (G) will file with the Securities and Exchange Commission any solicitation or other communication with the corporation’s shareholders relating to the meeting at which the Shareholder Nominee will be nominated, regardless of whether any such filing is required under Regulation 14A of the Exchange Act or whether any exemption from filing is available for such solicitation or other communication under Regulation 14A of the Exchange Act, and
 - (H) has provided and will provide facts, statements and other information in all communications with the corporation and its shareholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make such information, in light of the circumstances under which it was or will be made or provided, not misleading,
- (v) an undertaking that the Eligible Shareholder agrees to:
- (A) assume all liability stemming from any legal or regulatory violation arising out of communications with the shareholders of the corporation by the Eligible Shareholder, its affiliates and associates or their respective agents and representatives, either before or after providing a Notice of Proxy Access Nomination pursuant to this Section 3.16, or out of the facts, statements or other information that the Eligible Shareholder or its Shareholder Nominee(s) provided to the corporation in connection with the inclusion of such Shareholder Nominee(s) in the corporation’s proxy materials, and
 - (B) indemnify and hold harmless the corporation and each of its directors, officers and employees individually against any

liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the corporation or any of its directors, officers or employees arising out of any nomination submitted by the Eligible Shareholder pursuant to this Section 3.16, and

- (vi) a written representation and agreement from each Shareholder Nominee that such Shareholder Nominee:
 - (A) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such Shareholder Nominee, if elected as a director of the corporation, will act or vote on any issue or question that has not been disclosed to the corporation,
 - (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Shareholder Nominee that has not been disclosed to the corporation, and is not and will not become a party to any agreement, arrangement or understanding with any person other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director,
 - (C) has read and will comply with the corporation's code of ethics, corporate governance guidelines, stock ownership guidelines, securities trading policy, information security policy and any other policies or guidelines of the corporation applicable to directors, and
 - (D) will make such other acknowledgments, enter into such agreements and provide such information as the Board of Directors requires of all directors, including promptly submitting all completed and signed questionnaires required of the corporation's directors.
- g. **Additional Information that May be Required.** In addition to the information required pursuant to Section 3.16(f) or any other provision of these Bylaws, the corporation also may require each Shareholder Nominee to furnish any other information:

- (i) that may reasonably be requested by the corporation to determine whether the Shareholder Nominee would be independent under the rules and listing standards of the principal United States securities exchanges upon which the common stock of the corporation is listed or traded, any applicable rules of the Securities and Exchange Commission or any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the corporation's directors (collectively, the "Independence Standards"),
 - (ii) that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such Shareholder Nominee, or
 - (iii) that may reasonably be required to determine the eligibility of such Shareholder Nominee to serve as a director of the corporation.
- h. **Supporting Statement.** The Eligible Shareholder may, at its option, provide to the secretary of the corporation, at the time the Notice of Proxy Access Nomination is provided, a written statement, not to exceed 500 words, in support of the Shareholder Nominee(s)' candidacy (a "Supporting Statement"). Only one Supporting Statement may be submitted by an Eligible Shareholder (including any group of shareholders together constituting an Eligible Shareholder) in support of its Shareholder Nominee(s). Notwithstanding anything to the contrary contained in this Section 3.16, the corporation may omit from its proxy materials any information or Supporting Statement (or portion thereof) that it believes would violate any applicable law or regulation.
- i. **Eligible Shareholder and Shareholder Nominee Duty to Update.** In the event that any information or communications provided by an Eligible Shareholder or a Shareholder Nominee to the corporation or its shareholders ceases to be true and correct in all material respects or omits a material fact necessary to make such information, in light of the circumstances under which it was made or provided, not misleading, such Eligible Shareholder or Shareholder Nominee, as the case may be, shall promptly notify the secretary of the corporation of any defect in such previously provided information and of the information that is required to correct any such defect. In addition, any person providing any information pursuant to this Section 3.16 shall further update and supplement such information, if necessary, so that all such information shall be true and correct as of the record date for determining the shareholders entitled to receive notice of the annual meeting and as of the date that is 10 business days prior to such annual meeting or any adjournment or postponement thereof, and such update and supplement (or a written certification that no such updates or supplements are necessary and that the information previously provided remains true and correct as of the applicable date) shall be delivered to or be mailed and received by the secretary at the principal executive offices of the corporation not later than five business days after the record date for determining the shareholders

entitled to receive notice of such annual meeting (in the case of the update and supplement required to be made as of the record date), and not later than seven business days prior to the date of the annual meeting or any adjournment or postponement thereof (in the case of the update and supplement required to be made as of 10 business days prior to the meeting).

- j. **Other Reasons to Exclude Shareholder Nominee.** Notwithstanding anything to the contrary contained in this Section 3.16, the corporation shall not be required to include, pursuant to this Section 3.16, a Shareholder Nominee in its proxy materials:
- (i) for any meeting of shareholders for which the secretary of the corporation receives notice that the Eligible Shareholder or any other shareholder intends to nominate one or more persons for election to the Board of Directors pursuant to the advance notice requirements for shareholder nominees set forth in Section 3.15,
 - (ii) if such Shareholder Nominee would not be an independent director under the Independence Standards, as determined by the Board of Directors or any committee thereof,
 - (iii) if such Shareholder Nominee's election as a member of the Board of Directors would cause the corporation to be in violation of these Bylaws, the Articles of Incorporation, the rules and listing standards of the principal United States securities exchanges upon which the common stock of the corporation is listed or traded, or any applicable state or federal law, rule or regulation,
 - (iv) if such Shareholder Nominee is or has been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914,
 - (v) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past 10 years,
 - (vi) if such Shareholder Nominee is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended,
 - (vii) if such Shareholder Nominee or the Eligible Shareholder who nominated such Shareholder Nominee provides any facts, statements or other information to the corporation or its shareholders required or requested pursuant to this Section 3.16 that is not true and correct in all material respects or that omits a material fact necessary to make such information, in light of the circumstances in which it is made or provided, not misleading,

(viii) if such Shareholder Nominee or the Eligible Shareholder who nominated such Shareholder Nominee otherwise contravenes any of the agreements or representations made by such Shareholder Nominee or Eligible Shareholder or fails to comply with its obligations pursuant to this Section 3.16, or

(ix) If either:

(A) a Shareholder Nominee and/or the applicable Eligible Shareholder breaches any of its or their obligations, agreements or representations under this Section 3.16, or

(B) the Shareholder Nominee otherwise becomes ineligible for inclusion in the corporation's proxy materials pursuant to this Section 3.16 or dies, becomes disabled or is otherwise disqualified from being nominated for election or serving as a director of the corporation,

in each case under this Section 3.16(j)(ix) as determined by the Board of Directors, any committee thereof or the chairperson of the annual meeting, then:

(1) the corporation may omit or, to the extent feasible, remove the information concerning such Shareholder Nominee and the related Supporting Statement from its proxy materials and/or otherwise communicate to its shareholders that such Shareholder Nominee will not be eligible for election at the annual meeting,

(2) the corporation shall not be required to include in its proxy materials for that annual meeting any successor or replacement nominee proposed by the applicable Eligible Shareholder or any other Eligible Shareholder, and

(3) the Board of Directors or the chairperson of the annual meeting shall declare such nomination to be invalid, such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the corporation and the named proxies will not vote any proxies received from shareholders with respect to such Shareholder Nominee.

In addition, if the Eligible Shareholder (or a representative thereof) does not appear at the annual meeting to present any nomination

pursuant to this Section 3.16, such nomination shall be disregarded as provided in the immediately preceding clause (3).

- k. **Resubmission of Shareholder Nominee.** Any Shareholder Nominee who is included in the corporation's proxy materials for a particular annual meeting of shareholders but either (i) withdraws from or becomes ineligible or unavailable for election at the annual meeting, or (ii) does not receive at least 25% of the votes cast in favor of such Shareholder Nominee's election, will be ineligible to be a Shareholder Nominee pursuant to this Section 3.16 for the next two annual meetings of Shareholders.
- l. **Exclusivity.** This Section 3.16 provides the exclusive method for a shareholder to include nominees for election to the Board of Directors in the corporation's proxy materials (including, without limitation, any proxy card or written ballot), other than with respect to Rule 14a-19 to the extent applicable with respect to form of proxies.

Section 3.17. Chair of the Board. The Board of Directors may elect or appoint from its members a Chair of the Board who shall preside at all meetings of the directors and shall have such other duties as may be prescribed, from time to time, by the Board of Directors.

ARTICLE IV. OFFICERS

Section 4.01. Number and Designation. The corporation shall have one or more natural persons exercising the functions of the offices of Chief Executive Officer and Chief Financial Officer. The Board of Directors may elect or appoint such other officers or agents as it deems necessary for the operation and management of the corporation, with such powers, rights, duties and responsibilities as may be determined by the Board, including, without limitation, a President, one or more Vice Presidents, a Secretary, a Treasurer, and such assistant officers or other officers as may from time to time, be elected or appointed by the Board. Each such officer shall have the powers, rights, duties and responsibilities set forth in these Bylaws unless otherwise determined by the Board. The Chief Executive Officer may also appoint, and may prescribe the powers, rights, duties and responsibilities of, such other officers, other than the Chief Financial Officer or any other executive officer, as the Chief Executive Officer deems necessary for the operation and management of the corporation. Any number of offices may be held by the same person.

Section 4.02. Chief Executive Officer. Unless provided otherwise by a resolution adopted by the Board of Directors, the Chief Executive Officer (a) shall have general active management of the business of the corporation; (b), shall, when present, preside at all meetings of the shareholders; (c) shall see that all orders and resolutions of the Board are carried into effect; (d) shall sign and deliver in the name of the corporation any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by these Bylaws or the Board to some other officer or agent of the corporation; (e) may maintain records of and certify

proceedings of the Board and shareholders; and (f) shall perform such other duties as may from time to time be assigned to him or her by the Board.

Section 4.03. Chief Operating Officer. The Chief Operating Officer (if one is elected by the Board) shall be either the President or a Vice President. He or she shall be responsible for the management of all of the operations of the corporation's business and shall have such other authority and duties as the Board of Directors or the Chief Executive Officer from time to time may prescribe. He or she shall report to the Chief Executive Officer and be responsible to him or her. He or she may also execute and deliver in the name of the corporation any instruments or documents pertaining to the business of the corporation which could be executed by the Chief Executive Officer.

Section 4.04. Chief Financial Officer. Unless provided otherwise by a resolution adopted by the Board of Directors, the Chief Financial Officer (a) shall keep accurate financial records for the corporation; (b) shall deposit all monies, drafts and checks in the name of and to the credit of the corporation in such banks and depositories as the Board of Directors shall designate from time to time; (c) shall endorse for deposit all notes, checks and drafts received by the corporation as ordered by the Board, making proper vouchers therefor; (d) shall disburse corporate funds and issue checks and drafts in the name of the corporation, as ordered by the Board; (e) shall render to the Chief Executive Officer and the Board of Directors, whenever requested, an account of all of his or her transactions as Chief Financial Officer and of the financial condition of the corporation; and (f) shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer from time to time.

Section 4.05. President. Unless otherwise determined by the Board, the President shall be the Chief Executive Officer of the corporation and shall supervise and control the business affairs of the corporation. If an officer other than the President is designated Chief Executive Officer, the President shall perform such duties as may from time to time be assigned to him or her by the Board or the Chief Executive Officer.

Section 4.06. Vice President. The Board of Directors or the Chief Executive Officer may designate one or more Vice Presidents, who shall have such designations and powers and shall perform such duties as prescribed by the Board of Directors or by the Chief Executive Officer. Notwithstanding anything to the contrary in this Section 4.06, only the Board of Directors shall have the authority to elect, appoint, and prescribe the duties of executive officers of the corporation.

Section 4.07. Secretary. The Secretary shall be secretary of and shall attend all meetings of the shareholders and Board of Directors and shall record all proceedings of such meetings in the minute book of the corporation. Except as otherwise required or permitted by statute or by these Bylaws, the Secretary shall give notice of meetings of shareholders and directors. The Secretary shall perform such other duties as may, from time to time, be prescribed by the Board of Directors or by the Chief Executive Officer.

Section 4.08. Treasurer. Unless otherwise determined by the Board, the Treasurer shall be the Chief Financial Officer of the corporation. If an officer other than the Treasurer is

designated Chief Financial Officer, the Treasurer shall perform such duties as may from time to time be assigned to him or her by the Board, the Chief Executive Officer or the Chief Financial Officer.

Section 4.9. Authority and Duties. In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be determined from time to time by the Board of Directors. Unless prohibited by a resolution of the Board of Directors, an officer elected or appointed by the Board may, without specific approval of the Board, delegate some or all of the duties and powers of an office to other persons.

Section 4.10. Removal and Vacancies. Any officer may be removed from his or her office by the Board of Directors at any time, with or without cause. An officer, other than the Chief Financial Officer or any other executive officer, also may be removed at any time, with or without cause, by the Chief Executive Officer. Any such removal, however, shall be without prejudice to the contract rights of the person so removed. If there be a vacancy among the officers of the corporation by reason of death, resignation or otherwise, such vacancy shall be filled for the unexpired term by the Board of Directors or by the Chief Executive Officer in accordance with these Bylaws.

Section 4.11. Compensation. The officers of this corporation shall receive such compensation for their services as may be determined by or in accordance with resolutions of the Board of Directors.

ARTICLE V. SHARES AND THEIR TRANSFER

Section 5.01. Certificated and Uncertificated Shares. Shares of the corporation's stock may be certificated or uncertificated, as provided under Minnesota law. All certificates of stock of the corporation shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed, in the name of the corporation, by the Chief Executive Officer, the President or any Vice President and by the Secretary or an Assistant Secretary or by such officers as the Board of Directors may designate. Any or all of the signatures on the certificate may be a facsimile.

Section 5.02. Transfer of Stock. Transfers of stock shall be made on the books of the corporation only by the record holder of such stock, or the record holder's legal representative, or the record holder's duly authorized attorney-in-fact, and in the case of stock represented by a certificate, upon surrender of the certificate. The corporation may treat as the absolute owner of shares of the corporation, the person or persons in whose name the shares are recorded on the books of the corporation. The Board of Directors may appoint one or more transfer agents and registrars to maintain the share records of the corporation and to effect share transfers on its behalf.

Section 5.03. Loss of Certificates. Any shareholder claiming a certificate for shares to be lost, stolen or destroyed shall make an affidavit of that fact in such form as the Board of Directors shall require and shall, if the Board of Directors so requires, give the corporation a

bond of indemnity in form, in an amount, and with one or more sureties satisfactory to the Board of Directors, to indemnify the corporation against any claim which may be made against it on account of the reissue of such certificate, whereupon a new certificate may be issued in the same tenor and for the same number of shares as the one alleged to have been lost, stolen or destroyed.

ARTICLE VI. DIVIDENDS, RECORD DATE

Section 6.01. Dividends. The Board of Directors shall have the authority to declare dividends and other distributions upon shares to the extent permitted by law.

Section 6.02. Record Date. The Board of Directors may fix a date not exceeding 60 days preceding the date fixed for the payment of any dividend as the record date for the determination of the shareholders entitled to receive payment of the dividend and, in such case, only shareholders of record on the date so fixed shall be entitled to receive payment of such dividend.

ARTICLE VII. SECURITIES OF OTHER CORPORATIONS

Section 7.01. Voting Securities Held by the Corporation. The Chief Executive Officer shall have full power and authority on behalf of the corporation (a) to attend any meeting of security holders of other corporations in which the corporation may hold securities and to vote such securities on behalf of this corporation; (b) to execute any proxy for such meeting on behalf of the corporation; or (c) to execute a written action in lieu of a meeting of such other corporation on behalf of this corporation. At such meeting, the Chief Executive Officer shall possess and may exercise any and all rights and powers incident to the ownership of such securities that the corporation possesses. The Board of Directors or the Chief Executive Officer may, from time to time, confer or delegate such powers to one or more other persons.

Section 7.02. Purchase and Sale of Securities. The Chief Executive Officer shall have full power and authority on behalf of the corporation to purchase, sell, transfer or encumber any and all securities of any other corporation owned by the corporation, and may execute and deliver such documents as may be necessary to effectuate such purchase, sale, transfer or encumbrance. The Board of Directors or the Chief Executive Officer may, from time to time, confer or delegate such powers to one or more other persons.

ARTICLE VIII. INDEMNIFICATION OF CERTAIN PERSONS

Section 8.01. The corporation shall indemnify officers and directors, for such expenses and liabilities, in such manner, under such circumstances, and to such extent as permitted by Minnesota Statutes Section 302A.521, as now enacted or hereafter amended.

**ARTICLE IX.
AMENDMENTS**

Section 9.01. These Bylaws may be amended or altered by the Board of Directors at any meeting if notice of such proposed amendment shall have been given in the notice of such meeting. Such authority in the Board of Directors is subject to (a) the limitations imposed by Minnesota Statutes Section 302A.181, as now enacted or hereafter amended, or other applicable law and (b) the power of the shareholders to change or repeal such Bylaws by a majority vote of the shareholders present or represented at any meeting of shareholders called for such purpose.

NON-QUALIFIED STOCK OPTION AGREEMENT

Graco Inc. Non-Qualified Stock Option Agreement

Graco Inc. Amended and Restated 2019 Stock Incentive Plan

Graco Inc., a Minnesota corporation (the “Company”), pursuant to the terms of the Graco Inc. Amended and Restated 2019 Stock Incentive Plan (the “Plan”), wishes to grant this Option (as defined in the Terms and Conditions below) to you (“Nonemployee Director”).

You must carefully read the Terms and Conditions governing this Option, as well as the Prospectus and any other documents provided in connection with the Option grant. Be sure you understand these documents and what your responsibilities and obligations are before acknowledging receipt of the Option. If you are not willing to agree to the Option Terms and Conditions, you must not accept the Option and you should not sign the Option Grant Acknowledgment and Agreement. If you accept the Option, you are accepting all of the Terms and Conditions that are applicable to your receipt of the Option. If you do not accept the Option, you are forfeiting your right to receive any potential benefits from the Option.

Participant: XXXX

Global ID: XXXXXXXX

Award Type: XXXXXXXX

Date of Grant: XXXX

Award Expiration Date: XXXXX

Shares Granted: XXXXXXXX

Award Price: XX.XXUSD

Note: The statements above are qualified in their entirety by the Terms and Conditions below, and should be read in conjunction with such Terms and Conditions.

TERMS AND CONDITIONS

1. Grant of Option

The Company grants to Nonemployee Director the right and option (the “Option”) to purchase all or any part of an aggregate of the Shares Granted of Common Stock of the Company, par value USD 1.00 per share, at the Award Price per share on the terms and conditions set forth below.

2. Duration and Exercisability

- A. No portion of this Option may be exercised by Nonemployee Director until the first anniversary of the Date of Grant, and then only in accordance with the Vesting Schedule set forth below. In no event shall this Option or any portion of this Option be exercisable following the tenth anniversary of the Date of Grant.

Vesting Schedule

<u>Vesting Date</u>	<u>Portion of Option Exercisable</u>
First Anniversary of Date of Grant	25%
Second Anniversary of Date of Grant	50%
Third Anniversary of Date of Grant	75%
Fourth Anniversary of Date of Grant	100%

If Nonemployee Director does not purchase in any one year the full number of shares of Common Stock of the Company to which Nonemployee Director is entitled under this Option, Nonemployee Director may, subject to the terms and conditions of Section 3, purchase such shares of Common Stock in any subsequent year during the term of this Option. This Option shall expire as of the close of trading at the national securities exchange on which the Common Stock is traded (“Exchange”) on the tenth anniversary of the Date of Grant, or if the Exchange is closed on the anniversary date, or the Common Stock of the Company is not trading on said anniversary date, such earlier business day on which the Common Stock is trading on the Exchange.

- B. During the lifetime of Nonemployee Director, the Option shall be exercisable only by Nonemployee Director and shall not be assignable or transferable by Nonemployee Director otherwise than (i) by will or the laws of descent and distribution, or (ii) by designating a beneficiary or beneficiaries (in a manner established by the Management Organization and Compensation

Committee of the Board of Directors of the Company (the “Committee”)) to exercise the rights of Nonemployee Director and receive any property distributable with respect to the Option upon the death of the Nonemployee Director (any person to whom the Option has been transferred pursuant to this Section 2B, a “Transferee”). The Transferee shall be subject to the provisions of the Agreement, and, as a condition to the transfer of the Option becoming effective, the Transferee shall agree to be bound by the provisions of this Agreement.

- C. Under no circumstances may the Option or any portion of the Option granted by this Agreement be exercised after the term of the Option expires.

3. Effect of Termination of Membership on the Board

- A. In the event Nonemployee Director ceases being a director of the Company for any reason other than the reasons identified in Section 3B below, Nonemployee Director shall have the right to exercise the Option as follows:

- (1) If Nonemployee Director was a member of the Board of Directors of the Company for five (5) or more years and Nonemployee Director ceases to be a director on or after December 31 of the calendar year in which the Date of Grant falls: (a) the portion of the Option not yet exercisable shall become immediately exercisable upon the date Nonemployee Director ceases being a director; and (b) Nonemployee Director may exercise all or any portion of the Option not yet exercised for a period beginning on the day after the date of Nonemployee Director’s ceasing to be a director and ending at the close of trading on the Exchange on the tenth anniversary of the Date of Grant. If Nonemployee Director dies during the period between the date of Nonemployee Director ceasing to be a director and the expiration of the Option, the executor(s) or administrator(s) of Nonemployee Director’s estate or any Transferee may exercise the unexercised portion of the Option at any time during a period beginning the day after the date of Nonemployee Director’s death and ending at the close of trading on the Exchange on the tenth anniversary of the Date of Grant. In no event shall the Option be exercisable following the tenth anniversary of the Date of Grant.
- (2) If Nonemployee Director was a member of the Board of Directors of the Company for less than five (5) years or Nonemployee Director was a member of the Board of Directors of the Company for five (5) or more years and Nonemployee Director ceases to be a director before December 31 of the calendar year in which the Date of Grant falls: (a) Nonemployee Director may exercise that portion of the Option exercisable upon the date Nonemployee Director ceases being a director at any time within the period beginning on the day after Nonemployee Director ceases being a director and ending at the close of trading on the Exchange ninety (90) days later; and (b) any portion of the Option that was not exercisable upon the date Nonemployee Director ceased being a director shall terminate and be forfeited as of such date. If Nonemployee Director dies within the ninety (90) day period and shall not have fully exercised the Option, the executor(s) or administrator(s) of Nonemployee Director’s estate or any Transferee may exercise the remaining

portion of the Option at any time during a period beginning on the day after the date of Nonemployee Director's death and ending at the close of trading on the Exchange on the anniversary of death one (1) year later.

- (3) If Nonemployee Director dies while a member of the Board of Directors of the Company, the Option, to the extent exercisable by Nonemployee Director at the date of death, may be exercised by the executor(s) or administrator(s) of Nonemployee Director's estate or any Transferee at any time during a period beginning on the day after the date of Nonemployee Director's death and ending at the close of trading on the Exchange on the tenth anniversary of the Date of Grant.
 - (4) In the event the Option is exercised by a Transferee or the executors or administrators of the estate of a deceased Nonemployee Director, the Company shall be under no obligation to issue stock hereunder unless and until the Company is satisfied that the person(s) exercising the Option is the validly designated beneficiary or the duly appointed legal representative of Nonemployee Director's estate or the proper legatee or distributee thereof.
- B. If Nonemployee Director ceases being a director of the Company by reason of Nonemployee Director's gross and willful misconduct, including but not limited to (i) fraud or intentional misrepresentation, (ii) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any affiliate of the Company, (iii) breach of fiduciary duty, or (iv) any other gross or willful misconduct, as determined by the Board, in its sole and conclusive discretion, the unexercised portion of the Option granted to such Nonemployee Director shall immediately be forfeited as of the time of the misconduct. If the Board determines subsequent to the time Nonemployee Director ceases being a director of the Company for whatever reason, that Nonemployee Director engaged in conduct while a member of the Board of Directors of the Company that would constitute gross and willful misconduct, the Option shall terminate as of the time of such misconduct. Furthermore, if the Option is exercised in whole or in part and the Board thereafter determines that Nonemployee Director engaged in gross and willful misconduct while a member of the Board of Directors of the Company at any time prior to the date of such exercise, the Option shall be deemed to have terminated as of the time of the misconduct and the Company may elect to rescind the Option exercise.
- C. For purposes of this Section 3, if the last day of the relevant period is a day upon which the Exchange is not open for trading or the Common Stock is not trading on that day, the relevant period will expire at the close of trading on such earlier business day on which the Exchange is open and the Common Stock is trading.

4. Manner of Exercise

- A. Nonemployee Director or other proper party may exercise the Option only by delivering within the term of the Option written notice to the Company at its principal office in Minneapolis, Minnesota, stating the number of shares as to which the Option is

being exercised and, except as provided in Sections 4B(2), 4B(3) and 4B(4), accompanied by payment in full of the Option price for all shares designated in the notice.

B. The Nonemployee Director may, at Nonemployee Director's election, pay the Option price as follows:

- (1) by cash or check (bank check, certified check, or personal check);
- (2) by delivering to the Company for cancellation, shares of Common Stock of the Company which have a fair market value equal to the Option price;
- (3) if the Nonemployee Director is still serving as a director of the Company on the date of exercise, by a reduction in the number of shares of Common Stock to be delivered upon exercise, which number of shares to be withheld shall have an aggregate fair market value on the date of exercise equal to the exercise price; or
- (4) by delivering to the Company a properly executed exercise notice, together with irrevocable instructions to a broker to promptly deliver to the Company from sale or loan proceeds the amount required to pay the exercise price.

For purposes of Sections 4B(2) and 4B(3), the fair market value per share of the Company's Common Stock shall be the closing price of the Common Stock on the day immediately preceding the date of exercise on the Exchange. If there is not a quotation available for such day, then the closing price on the next preceding day for which such a quotation exists shall be determinative of fair market value. If the Common Stock is not then traded on the Exchange, then the fair market value shall be determined in such manner as the Company shall deem reasonable.

5. Change of Control

A. Notwithstanding Section 2A hereof, the entire Option shall become immediately and fully exercisable upon a "Change of Control" and shall remain fully exercisable until either exercised or expiring by its terms. A "Change of Control" means:

- (1) an acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), (a "Person"), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) which, together with other acquisitions by such Person, results in the aggregate beneficial ownership by such Person of 30% or more of either
 - (a) the then outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock")
or

- (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”);

provided, however, that the following acquisitions will not result in a Change of Control:

- (i) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company,
 - (ii) an acquisition by the Employee or any group that includes the Employee, or
 - (iii) an acquisition by any entity pursuant to a transaction that complies with clauses (a), (b) and (c) of Section 5A(3) below; or
- (2) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the “Incumbent Board”) cease for any reason to constitute at least a majority of said Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial membership on the Board occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies by or on behalf of a Person other than the Board; or
 - (3) Consummation of a reorganization, merger or consolidation of the Company with or into another entity or a statutory exchange of Outstanding Company Common Stock or Outstanding Company Voting Securities or sale or other disposition of all or substantially all of the assets of the Company (“Business Combination”); excluding, however, such a Business Combination pursuant to which
 - (a) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, a majority of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or comparable equity interests), as the case may be, of the surviving or acquiring entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction beneficially owns 100% of the outstanding shares of common stock and the combined voting power of the then outstanding voting securities (or comparable equity securities) or all or substantially all of the Company’s assets either directly or indirectly) in substantially the same proportions (as compared to the other holders of the

Company's common stock and voting securities prior to the Business Combination) as their respective ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities,

- (b) no Person (excluding (i) any employee benefit plan (or related trust) sponsored or maintained by the Company or such entity resulting from such Business Combination or any entity controlled by the Company or the entity resulting from such Business Combination, (ii) any entity beneficially owning 100% of the outstanding shares of common stock and the combined voting power of the then outstanding voting securities (or comparable equity securities) or all or substantially all of the Company's assets either directly or indirectly and (iii) the Employee and any group that includes the Employee) beneficially owns, directly or indirectly, 30% or more of the then outstanding shares of common stock (or comparable equity interests) of the entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities (or comparable equity interests) of such entity, and
- (c) immediately after the Business Combination, a majority of the members of the board of directors (or comparable governors) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(4) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

6. Adjustments; Fundamental Change

- A. If there shall be any change in the number or character of the Common Stock of the Company through merger, consolidation, reorganization, recapitalization, dividend in the form of stock (of whatever amount), stock split or other change in the corporate structure of the Company, and all or any portion of the Option shall then be unexercised and not yet expired, appropriate adjustments in the outstanding Option shall be made by the Company, in order to prevent dilution or enlargement of Employee's Option rights. Such adjustments shall include, where appropriate, changes in the number of shares of Common Stock and the price per share subject to the outstanding Option.
- B. In the event of a proposed (i) dissolution or liquidation of the Company, (ii) a sale of substantially all of the assets of the Company, (iii) a merger or consolidation of the Company with or into any other corporation, regardless of whether the Company is the surviving corporation, or (iv) a statutory share exchange involving the capital stock of the Company (each, a "Fundamental Change"), the Committee may, but shall not be obligated to:

- (1) with respect to a Fundamental Change that involves a merger, consolidation or statutory share exchange, make appropriate provision for the protection of the Option by the substitution of options and appropriate voting common stock of the corporation surviving any such merger or consolidation or, if appropriate, the “parent corporation” (as defined in Section 424(e) of the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder, or any successor provision) of the Company or such surviving corporation, in lieu of the Option and shares of Common Stock of the Company, or
- (2) with respect to any Fundamental Change, including, without limitation, a merger, consolidation or statutory share exchange, declare, prior to the occurrence of the Fundamental Change, and provide written notice to the holder of the Option of the declaration, that the Option, whether or not then exercisable, shall be canceled at the time of, or immediately prior to the occurrence of, the Fundamental Change in exchange for payment to the holder of the Option, within 20 days after the Fundamental Change, of cash (or, if the Committee so elects in lieu of solely cash, of such form(s) of consideration, including cash and/or property, singly or in such combination as the Committee shall determine, that the holder of the Option would have received as a result of the Fundamental Change if the holder of the Option had exercised the Option immediately prior to the Fundamental Change) equal to, for each share of Common Stock covered by the canceled Option, the amount, if any, by which the Fair Market Value (as defined in this Section 6B) per share of Common Stock exceeds the exercise price per share of Common Stock covered by the Option. At the time of the declaration provided for in the immediately preceding sentence, the Option shall immediately become exercisable in full and the holder of the Option shall have the right, during the period preceding the time of cancellation of the Option, to exercise the Option as to all or any part of the shares of Common Stock covered thereby in whole or in part, as the case may be. In the event of a declaration pursuant to this Section 6B, the Option, to the extent that it shall not have been exercised prior to the Fundamental Change, shall be canceled at the time of, or immediately prior to, the Fundamental Change, as provided in the declaration. Notwithstanding the foregoing, the holder of the Option shall not be entitled to the payment provided for in this Section 6B if such Option shall have expired or been forfeited. For purposes of this Section 6B only, “Fair Market Value” per share of Common Stock means the fair market value, as determined in good faith by the Committee, of the consideration to be received per share of Common Stock by the shareholders of the Company upon the occurrence of the Fundamental Change, notwithstanding anything to the contrary provided in this Agreement.

7. Miscellaneous

- A. This Option is issued pursuant to the Plan and is subject to its terms. The terms of the Plan are available for inspection during business hours at the principal offices of the Company.
- B. Neither the Plan nor any action taken hereunder shall be construed as giving Nonemployee Director any right to be retained in the service of the Company.

- C. Neither Nonemployee Director, Nonemployee Director's legal representative, a Transferee, nor the executor(s) or administrator(s) of Nonemployee Director's estate shall be, or have any of the rights or privileges of, a shareholder of the Company in respect of any shares of Common Stock receivable upon the exercise of this Option, in whole or in part, unless and until such shares shall have been issued upon exercise of this Option.
- D. The Company shall at all times during the term of the Option reserve and keep available such number of shares as will be sufficient to satisfy the requirements of this Agreement.
- E. The internal law, and not the law of conflicts, of the State of Minnesota, U.S.A., shall govern all questions concerning the validity, construction and effect of this Agreement, the Plan and any rules and regulations relating to the Plan or this Option.
- F. Nonemployee Director hereby consents to the transfer to Nonemployee Director's employer or the Company of information relating to Nonemployee Director's participation in the Plan, including the personal data set forth in this Agreement, between them or to other related parties in the United States or elsewhere, or to any financial institution or other third party engaged by the Company, but solely for the purpose of administering the Plan and this Option. Nonemployee Director also consents to the storage and processing of such data by such persons for this purpose.

GRACO INC. AMENDED AND RESTATED 2019 STOCK INCENTIVE PLAN
EXECUTIVE OFFICER NON-QUALIFIED STOCK OPTION AGREEMENT

TERMS AND CONDITIONS

1. Grant of Option

The Company grants to Employee, the right and option (the "Option") to purchase all or any part of an aggregate of the Shares Granted of Common Stock of the Company, par value USD 1.00 per share, at the Award Price per share on the terms and conditions set forth below.

2. Duration and Exercisability

- A. No portion of this Option may be exercised by Employee until the first anniversary of the Date of Grant and then only in accordance with the Vesting Schedule set forth below. In no event shall this Option or any portion of this Option be exercisable following the tenth anniversary of the Date of Grant.

Vesting Schedule

<u>Vesting Date</u>	<u>Portion of Option Exercisable</u>
First Anniversary of Date of Grant	25%
Second Anniversary of Date of Grant	50%
Third Anniversary of Date of Grant	75%
Fourth Anniversary of Date of Grant	100%

If Employee does not purchase in any one year the full number of shares of Common Stock of the Company to which Employee is entitled under this Option, Employee may, subject to the terms and conditions of Section 3, purchase such shares of Common Stock in any subsequent year during the term of this Option. This Option shall expire as of the close of trading at the national securities exchange on which the Common Stock is traded ("Exchange") on the tenth anniversary of the Date of Grant or if the Exchange is closed on the anniversary date or the Common Stock of the Company is not trading on said anniversary date, such earlier business day on which the Common Stock is trading on the Exchange.

- B. During the lifetime of Employee, the Option shall be exercisable only by Employee and shall not be assignable or transferable by Employee otherwise than (i) by will or the laws of descent and distribution, or (ii) by designating a beneficiary or beneficiaries (in a manner established by the Management Organization and Compensation Committee of the Board of Directors of the Company (the "Committee")) to exercise the rights of Employee and receive any property distributable with respect to the Option upon the death of the Employee (any person to whom the Option has been transferred pursuant to

this Section 2B, a “Transferee”). The Transferee shall be subject to the provisions of the Agreement, and, as a condition to the transfer of the Option becoming effective, the Transferee shall agree to be bound by the provisions of this Agreement.

- C. Under no circumstances may the Option or any portion of the Option granted by this Agreement be exercised after the term of the Option expires.

3. Effect of Termination of Employment

- A. If Employee’s employment terminates for any reason other than Employee’s gross and willful misconduct, death, retirement (as defined in Section 3D and subject to Section 3E (in the case of Employee’s termination of employment due to retirement under the circumstances described therein)), or disability (as defined in Section 3D): (i) any portion of the Option that was exercisable as of the date of termination of employment shall be exercisable at any time within the period beginning on the day after termination of Employee’s employment and ending at the close of trading on the Exchange ninety (90) days later; and (ii) any portion of the Option that was not exercisable as of the date of termination of employment shall terminate and be forfeited as of such date.
- B. If Employee’s employment terminates by reason of Employee’s gross and willful misconduct during employment, including, but not limited to, wrongful appropriation of Company or affiliate funds, serious violations of Company policy, breach of fiduciary duty or the conviction of a felony, the unexercised portion of the Option shall terminate as of the time of the misconduct. If the Company determines subsequent to the termination of Employee’s employment for whatever reason, that Employee engaged in conduct during employment that would constitute gross and willful misconduct justifying termination, the Option shall terminate as of the time of such misconduct. Furthermore, if the Option is exercised in whole or in part and the Company thereafter determines that Employee engaged in gross and willful misconduct during employment which would have justified termination at any time prior to the date of such exercise, the Option shall be deemed to have terminated as of the time of the misconduct and the Company may elect to rescind the Option exercise.
- C. If Employee shall die while employed by the Company or an affiliate and shall not have fully exercised the Option, all shares remaining under the Option shall become immediately exercisable. If Employee shall die within ninety (90) days after a termination of employment which meets the criteria of Section 3A above, only the portion of the Option for those shares that are vested as of the date of termination shall be exercisable. The executor or administrator of Employee’s estate or any Transferee may exercise the portion of such exercisable Option at any time during a period beginning on the day after the date of Employee’s death and ending at the close of trading on the Exchange on the tenth anniversary of the Date of Grant.
- D. Subject to Section 3E (in the case of Employee’s termination of employment due to retirement under the circumstances described therein), if Employee’s termination of employment is due to retirement or disability, all shares remaining under the Option shall become immediately exercisable. Employee shall be deemed to have retired if the termination of employment occurs for reasons other than the Employee’s gross and willful misconduct, death, or disability after Employee (i) has attained age 55 and 10

years of service with the Company or an affiliate, or (ii) has attained age 65. Employee shall be deemed to be disabled if the termination of employment occurs because Employee is unable to work due to an impairment which would qualify as a disability under the Company's long term disability program. Subject to Section 3E (in the case of Employee's termination of employment due to retirement under the circumstances described therein), Employee may exercise the portion of the Option remaining unexercised at any time during a period beginning on the day after the date of Employee's termination of employment and ending at the close of trading on the Exchange on the tenth anniversary of the Date of Grant. Subject to Section 3E (in the case of Employee's termination of employment due to retirement under the circumstances described therein), if Employee should die during the period between the date of Employee's retirement or disability and the expiration of the Option, the unexercised portion of the Option shall be exercisable at any time during a period beginning the day after the date of Employee's death and ending at the close of trading on the Exchange on the tenth anniversary of the Date of Grant.

- E. Notwithstanding anything to the contrary contained in this Section 3, if (i) Employee's employment is terminated by retirement (as defined in Section 3D) and (ii) either (A) the date of Employee's retirement falls before December 31 of the calendar year in which the Date of Grant falls or (B) Employee has not given the Company written notice to Employee's immediate supervisor and the Chief Executive Officer of Employee's intention to retire not less than six (6) months prior to the date of Employee's retirement, then for purposes of this Agreement only, said termination of employment shall be deemed to be not a retirement but a termination subject to the provisions of Section 3A; *provided, however,* that solely in the case of Employee's failure to have given the Company written notice to Employee's immediate supervisor and the Chief Executive Officer of Employee's intention to retire at least six (6) months prior to the date of Employee's retirement, in the event that the Chief Executive Officer determines that said termination of employment without six (6) months prior written notice is in the best interests of the Company, such termination shall be deemed to be a retirement and shall be subject to Section 3D.
- F. If the Option is exercised by a Transferee or the executors or administrators of the estate of a deceased optionee, the Company shall be under no obligation to issue stock hereunder unless and until the Company is satisfied that the person(s) exercising the Option is the validly designated beneficiary or the duly appointed legal representative of the deceased optionee's estate or the proper legatee or distributee thereof.
- G. For purposes of this Section 3, if the last day of the relevant period is a day upon which the Exchange is not open for trading or the Common Stock is not trading on that day, the relevant period will expire at the close of trading on such earlier business day on which the Exchange is open and the Common Stock is trading.

4. Manner of Exercise

- A. Employee or other proper party may exercise the Option only by delivering within the term of the Option written notice to the Company at its principal office in Minneapolis, Minnesota, stating the number of shares as to which the Option is being exercised and,

except as provided in Sections 4B(2), 4B(3) and 4B(4), accompanied by payment-in-full of the Option price for all shares designated in the notice.

B. The Employee may, at Employee's election, pay the Option price as follows:

- (1) by cash or check (bank check, certified check, or personal check);
- (2) by delivering to the Company for cancellation, shares of Common Stock of the Company which have a fair market value equal to the Option price;
- (3) if the Employee is still serving as an executive officer of the Company on the date of exercise, by a reduction in the number of shares of Common Stock to be delivered upon exercise, which number of shares to be withheld shall have an aggregate fair market value on the date of exercise equal to the exercise price; or
- (4) by delivering to the Company a properly executed exercise notice, together with irrevocable instructions to a broker to promptly deliver to the Company from sale or loan proceeds the amount required to pay the exercise price.

For purposes of Sections 4B(2) and 4B(3), the fair market value per share of the Company's Common Stock shall be the closing price of the Common Stock on the day immediately preceding the date of exercise on the Exchange. If there is not a quotation available for such day, then the closing price on the next preceding day for which such a quotation exists shall be determinative of fair market value. If the Common Stock is not then traded on the Exchange, then the fair market value shall be determined in such manner as the Company shall deem reasonable.

5. Payment of Withholding Taxes

Upon exercise of any portion of this Option, Employee shall pay to the Company an amount sufficient to satisfy any federal, state, or local withholding tax requirements which arise as a result of the exercise of the Option or provide the Company with satisfactory indemnification for such payment. Employee may pay such amount by delivering to the Company for cancellation shares of Common Stock of the Company with a fair market value equal to the minimum amount of such withholding tax requirement by (i) electing to have the Company withhold shares otherwise to be delivered with a fair market value equal to the minimum statutory amount of such taxes required to be withheld by the Company, or (ii) electing to surrender to the Company previously owned shares with a fair market value equal to the amount of such minimum tax obligation.

6. Change of Control

- A. Notwithstanding Section 2A hereof, the entire Option shall become immediately and fully exercisable upon a "Change of Control" and shall remain fully exercisable until either exercised or expiring by its terms. A "Change of Control" means:
- (1) an acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")), (a "Person"), of beneficial ownership (within the meaning of Rule

13d-3 of the 1934 Act) which, together with other acquisitions by such Person, results in the aggregate beneficial ownership by such Person of 30% or more of either

- (a) the then outstanding shares of Common Stock of the Company (the “Outstanding Company Common Stock”) or
- (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”);

provided, however, that the following acquisitions will not result in a Change of Control:

- (i) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company,
 - (ii) an acquisition by the Employee or any group that includes the Employee, or
 - (iii) an acquisition by any entity pursuant to a transaction that complies with clauses (a), (b) and (c) of Section 6A(3) below; or
- (2) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the “Incumbent Board”) cease for any reason to constitute at least a majority of said Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial membership on the Board occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies by or on behalf of a Person other than the Board; or
- (3) Consummation of a reorganization, merger or consolidation of the Company with or into another entity or a statutory exchange of Outstanding Company Common Stock or Outstanding Company Voting Securities or sale or other disposition of all or substantially all of the assets of the Company (“Business Combination”); excluding, however, such a Business Combination pursuant to which
- (a) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, a majority of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or comparable equity interests), as the case may be, of the surviving or acquiring entity

resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction beneficially owns 100% of the outstanding shares of common stock and the combined voting power of the then outstanding voting securities (or comparable equity securities) or all or substantially all of the Company's assets either directly or indirectly) in substantially the same proportions (as compared to the other holders of the Company's common stock and voting securities prior to the Business Combination) as their respective ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities,

- (b) no Person (excluding (i) any employee benefit plan (or related trust) sponsored or maintained by the Company or such entity resulting from such Business Combination or any entity controlled by the Company or the entity resulting from such Business Combination, (ii) any entity beneficially owning 100% of the outstanding shares of common stock and the combined voting power of the then outstanding voting securities (or comparable equity securities) or all or substantially all of the Company's assets either directly or indirectly and (iii) the Employee and any group that includes the Employee) beneficially owns, directly or indirectly, 30% or more of the then outstanding shares of common stock (or comparable equity interests) of the entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities (or comparable equity interests) of such entity, and
- (c) immediately after the Business Combination, a majority of the members of the board of directors (or comparable governors) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(4) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

7. Adjustments; Fundamental Change

- A. If there shall be any change in the number or character of the Common Stock of the Company through merger, consolidation, reorganization, recapitalization, dividend in the form of stock (of whatever amount), stock split or other change in the corporate structure of the Company, and all or any portion of the Option shall then be unexercised and not yet expired, appropriate adjustments in the outstanding Option shall be made by the Company, in order to prevent dilution or enlargement of Employee's Option rights. Such adjustments shall include, where appropriate, changes in the number of shares of Common Stock and the price per share subject to the outstanding Option.
- B. In the event of a proposed (i) dissolution or liquidation of the Company, (ii) a sale of substantially all of the assets of the Company, (iii) a merger or consolidation of the Company with or into any other corporation, regardless of whether the Company is the

surviving corporation, or (iv) a statutory share exchange involving the capital stock of the Company (each, a “Fundamental Change”), the Committee may, but shall not be obligated to:

- (1) with respect to a Fundamental Change that involves a merger, consolidation or statutory share exchange, make appropriate provision for the protection of the Option by the substitution of options and appropriate voting common stock of the corporation surviving any such merger or consolidation or, if appropriate, the “parent corporation” (as defined in Section 424(e) of the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder, or any successor provision) of the Company or such surviving corporation, in lieu of the Option and shares of Common Stock of the Company, or
- (2) with respect to any Fundamental Change, including, without limitation, a merger, consolidation or statutory share exchange, declare, prior to the occurrence of the Fundamental Change, and provide written notice to the holder of the Option of the declaration, that the Option, whether or not then exercisable, shall be canceled at the time of, or immediately prior to the occurrence of, the Fundamental Change in exchange for payment to the holder of the Option, within 20 days after the Fundamental Change, of cash (or, if the Committee so elects in lieu of solely cash, of such form(s) of consideration, including cash and/or property, singly or in such combination as the Committee shall determine, that the holder of the Option would have received as a result of the Fundamental Change if the holder of the Option had exercised the Option immediately prior to the Fundamental Change) equal to, for each share of Common Stock covered by the canceled Option, the amount, if any, by which the Fair Market Value (as defined in this Section 7B) per share of Common Stock exceeds the exercise price per share of Common Stock covered by the Option. At the time of the declaration provided for in the immediately preceding sentence, the Option shall immediately become exercisable in full and the holder of the Option shall have the right, during the period preceding the time of cancellation of the Option, to exercise the Option as to all or any part of the shares of Common Stock covered thereby in whole or in part, as the case may be. In the event of a declaration pursuant to this Section 7B, the Option, to the extent that it shall not have been exercised prior to the Fundamental Change, shall be canceled at the time of, or immediately prior to, the Fundamental Change, as provided in the declaration. Notwithstanding the foregoing, the holder of the Option shall not be entitled to the payment provided for in this Section 7B if such Option shall have expired or been forfeited. For purposes of this Section 7B only, “Fair Market Value” per share of Common Stock means the fair market value, as determined in good faith by the Committee, of the consideration to be received per share of Common Stock by the shareholders of the Company upon the occurrence of the Fundamental Change, notwithstanding anything to the contrary provided in this Agreement.

8. Miscellaneous

- A. This Option is issued pursuant to the Plan and is subject to its terms. The terms of the Plan are available for inspection during business hours at the principal offices of the Company.
- B. This Agreement shall not create an employment relationship between Employee and the Company and shall not confer on Employee any right with respect to continuance of employment by the Company or any of its affiliates or subsidiaries, nor will it interfere in any way with the right of the Company to terminate such employment at any time.
- C. Neither Employee, the Employee's legal representative, a Transferee, nor the executor(s) or administrator(s) of the Employee's estate shall be, or have any of the rights or privileges of, a shareholder of the Company in respect of any shares of Common Stock receivable upon the exercise of this Option, in whole or in part, unless and until such shares shall have been issued upon exercise of this Option.
- D. This Option has been granted to Employee as a purely discretionary benefit and shall not form part of Employee's salary or entitle Employee to receive similar option grants in the future. Benefits received under the Plan shall not be used in calculating severance payments, if any.
- E. The Company shall at all times during the term of the Option reserve and keep available such number of shares as will be sufficient to satisfy the requirements of this Agreement.
- F. The internal law, and not the law of conflicts, of the State of Minnesota, USA, shall govern all questions concerning the validity, construction and effect of this Agreement, the Plan and any rules and regulations relating to the Plan or this Option.
- G. Employee hereby consents to the transfer by Employee's employer or the Company of information relating to Employee's participation in the Plan, including the personal data set forth in this Agreement, between them or to other related parties in the United States or elsewhere, or to any financial institution or other third party engaged by the Company, but solely for the purpose of administering the Plan and this Option. Employee also consents to the storage and processing of such data by such persons for this purpose.

GRACO INC. 2019 AMENDED AND RESTATED STOCK INCENTIVE PLAN

**CHIEF EXECUTIVE OFFICER
NON-QUALIFIED STOCK OPTION AGREEMENT**

TERMS AND CONDITIONS

1. Grant of Option

The Company grants to Employee, the right and option (the “Option”) to purchase all or any part of an aggregate of the Shares Granted of Common Stock of the Company, par value USD 1.00 per share, at the Award Price per share on the terms and conditions set forth below.

2. Duration and Exercisability

- A. No portion of this Option may be exercised by Employee until the first anniversary of the Date of Grant and then only in accordance with the Vesting Schedule set forth below. In no event shall this Option or any portion of this Option be exercisable following the tenth anniversary of the Date of Grant.

Vesting Schedule

<u>Vesting Date</u>	<u>Portion of Option Exercisable</u>
First Anniversary of Date of Grant	25%
Second Anniversary of Date of Grant	50%
Third Anniversary of Date of Grant	75%
Fourth Anniversary of Date of Grant	100%

If Employee does not purchase in any one year the full number of shares of Common Stock of the Company to which Employee is entitled under this Option, Employee may, subject to the terms and conditions of Section 3, purchase such shares of Common Stock in any subsequent year during the term of this Option. This Option shall expire as of the close of trading at the national securities exchange on which the Common Stock is traded (“Exchange”) on the tenth anniversary of the Date of Grant or if the Exchange is closed on the anniversary date or the Common Stock of the Company is not trading on said anniversary date, such earlier business day on which the Common Stock is trading on the Exchange.

- B. During the lifetime of Employee, the Option shall be exercisable only by Employee and shall not be assignable or transferable by Employee otherwise than (i) by will or the laws of descent and distribution, or (ii) by designating a beneficiary or beneficiaries (in a manner established by the Management Organization and Compensation Committee of the Board of Directors of the Company (the “Committee”)) to exercise the rights of Employee and receive any property distributable with respect to the Option upon the death of the Employee (any person to whom the Option has been transferred pursuant to

this Section 2B, a “Transferee”). The Transferee shall be subject to the provisions of the Agreement, and, as a condition to the transfer of the Option becoming effective, the Transferee shall agree to be bound by the provisions of this Agreement.

- C. Under no circumstances may the Option or any portion of the Option granted by this Agreement be exercised after the term of the Option expires.

3. Effect of Termination of Employment

- A. If Employee’s employment terminates for any reason other than Employee’s gross and willful misconduct, death, retirement (as defined in Section 3D and subject to Section 3E (in the case of Employee’s termination of employment due to retirement under the circumstances described therein)), or disability (as defined in Section 3D): (i) any portion of the Option that was exercisable as of the date of termination of employment shall be exercisable at any time within the period beginning on the day after termination of Employee’s employment and ending at the close of trading on the Exchange ninety (90) days later; and (ii) any portion of the Option that was not exercisable as of the date of termination of employment shall terminate and be forfeited as of such date.
- B. If Employee’s employment terminates by reason of Employee’s gross and willful misconduct during employment, including, but not limited to, wrongful appropriation of Company or affiliate funds, serious violations of Company policy, breach of fiduciary duty or the conviction of a felony, the unexercised portion of the Option shall terminate as of the time of the misconduct. If the Company determines subsequent to the termination of Employee’s employment for whatever reason, that Employee engaged in conduct during employment that would constitute gross and willful misconduct justifying termination, the Option shall terminate as of the time of such misconduct. Furthermore, if the Option is exercised in whole or in part and the Company thereafter determines that Employee engaged in gross and willful misconduct during employment which would have justified termination at any time prior to the date of such exercise, the Option shall be deemed to have terminated as of the time of the misconduct and the Company may elect to rescind the Option exercise. Gross and willful misconduct shall not include any action or inaction by the Employee contrary to the direction of the Board with respect to any initiative, strategy or action of the Company, which action or inaction the Employee believes is in the best interest of the Company.
- C. If Employee shall die while employed by the Company or an affiliate and shall not have fully exercised the Option, all shares remaining under the Option shall become immediately exercisable. If Employee shall die within ninety (90) days after a termination of employment which meets the criteria of Section 3A above, only the portion of the Option for those shares that are vested as of the date of termination shall be exercisable. The executor or administrator of Employee’s estate or any Transferee may exercise the portion of such exercisable Option at any time during a period beginning on the day after the date of Employee’s death and ending at the close of trading on the Exchange on the tenth anniversary of the Date of Grant.
- D. Subject to Section 3E (in the case of Employee’s termination of employment due to retirement under the circumstances described therein), if Employee’s termination of employment is due to retirement or disability, all shares remaining under the Option shall

become immediately exercisable. Employee shall be deemed to have retired if the termination of employment occurs for reasons other than the Employee's gross and willful misconduct, death, or disability after Employee (i) has attained age 55 and 10 years of service with the Company or an affiliate, or (ii) has attained age 65. Employee shall be deemed to be disabled if the termination of employment occurs because Employee is unable to work due to an impairment which would qualify as a disability under the Company's long term disability program. Subject to Section 3E (in the case of Employee's termination of employment due to retirement under the circumstances described therein), Employee may exercise the portion of the Option remaining unexercised at any time during a period beginning on the day after the date of Employee's termination of employment and ending at the close of trading on the Exchange on the tenth anniversary of the Date of Grant. Subject to Section 3E (in the case of Employee's termination of employment due to retirement under the circumstances described therein), if Employee should die during the period between the date of Employee's retirement or disability and the expiration of the Option, the unexercised portion of the Option shall be exercisable at any time during a period beginning the day after the date of Employee's death and ending at the close of trading on the Exchange on the tenth anniversary of the Date of Grant.

- E. Notwithstanding anything to the contrary contained in this Section 3, if (i) Employee's employment is terminated by retirement (as defined in Section 3D) and (ii) either (A) the date of Employee's retirement falls before December 31 of the calendar year in which the Date of Grant falls or (B) Employee has not given written notice to the Chair of the Committee of Employee's intention to retire not less than six (6) months prior to the date of Employee's retirement, then for purposes of this Agreement only, said termination of employment shall be deemed to be not a retirement but a termination subject to the provisions of Section 3A; *provided, however*, that solely in the case of Employee's failure to have given written notice to the Chair of the Committee of Employee's intention to retire at least six (6) months prior to the date of Employee's retirement, in the event that the Committee determines that said termination of employment without six (6) months prior written notice is in the best interests of the Company, such termination shall be deemed to be a retirement and shall be subject to Section 3D.
- F. If the Option is exercised by a Transferee or the executors or administrators of the estate of a deceased optionee, the Company shall be under no obligation to issue stock hereunder unless and until the Company is satisfied that the person(s) exercising the Option is the validly designated beneficiary or the duly appointed legal representative of the deceased optionee's estate or the proper legatee or distributee thereof.
- G. For purposes of this Section 3, if the last day of the relevant period is a day upon which the Exchange is not open for trading or the Common Stock is not trading on that day, the relevant period will expire at the close of trading on such earlier business day on which the Exchange is open and the Common Stock is trading.

4. Manner of Exercise

- A. Employee or other proper party may exercise the Option only by delivering within the term of the Option written notice to the Company at its principal office in Minneapolis, Minnesota, stating the number of shares as to which the Option is being exercised and,

except as provided in Sections 4B(2), 4B(3) and 4B(4), accompanied by payment-in-full of the Option price for all shares designated in the notice.

B. The Employee may, at Employee's election, pay the Option price as follows:

- (1) by cash or check (bank check, certified check, or personal check);
- (2) by delivering to the Company for cancellation, shares of Common Stock of the Company which have a fair market value equal to the Option price;
- (3) if the Employee is still serving as an executive officer of the Company on the date of exercise, by a reduction in the number of shares of Common Stock to be delivered upon exercise, which number of shares to be withheld shall have an aggregate fair market value on the date of exercise equal to the exercise price; or
- (4) by delivering to the Company a properly executed exercise notice, together with irrevocable instructions to a broker to promptly deliver to the Company from sale or loan proceeds the amount required to pay the exercise price.

For purposes of Sections 4B(2) and 4B(3), the fair market value per share of the Company's Common Stock shall be the closing price of the Common Stock on the day immediately preceding the date of exercise on the Exchange. If there is not a quotation available for such day, then the closing price on the next preceding day for which such a quotation exists shall be determinative of fair market value. If the Common Stock is not then traded on the Exchange, then the fair market value shall be determined in such manner as the Company shall deem reasonable.

5. Payment of Withholding Taxes

Upon exercise of any portion of this Option, Employee shall pay to the Company an amount sufficient to satisfy any federal, state, or local withholding tax requirements which arise as a result of the exercise of the Option or provide the Company with satisfactory indemnification for such payment. Employee may pay such amount by delivering to the Company for cancellation shares of Common Stock of the Company with a fair market value equal to the minimum amount of such withholding tax requirement by (i) electing to have the Company withhold shares otherwise to be delivered with a fair market value equal to the minimum statutory amount of such taxes required to be withheld by the Company, or (ii) electing to surrender to the Company previously owned shares with a fair market value equal to the amount of such minimum tax obligation.

6. Change of Control

- A. Notwithstanding Section 2A hereof, the entire Option shall become immediately and fully exercisable upon a "Change of Control" and shall remain fully exercisable until either exercised or expiring by its terms. A "Change of Control" means:
- (1) an acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "1934 Act")), (a "Person"), of beneficial ownership (within the meaning of Rule

13d-3 of the 1934 Act) which, together with other acquisitions by such Person, results in the aggregate beneficial ownership by such Person of 30% or more of either

- (a) the then outstanding shares of Common Stock of the Company (the “Outstanding Company Common Stock”) or
- (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”);

provided, however, that the following acquisitions will not result in a Change of Control:

- (i) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company,
 - (ii) an acquisition by the Employee or any group that includes the Employee, or
 - (iii) an acquisition by any entity pursuant to a transaction that complies with clauses (a), (b) and (c) of Section 6A(3) below; or
- (2) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the “Incumbent Board”) cease for any reason to constitute at least a majority of said Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial membership on the Board occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies by or on behalf of a Person other than the Board; or
- (3) Consummation of a reorganization, merger or consolidation of the Company with or into another entity or a statutory exchange of Outstanding Company Common Stock or Outstanding Company Voting Securities or sale or other disposition of all or substantially all of the assets of the Company (“Business Combination”); excluding, however, such a Business Combination pursuant to which
- (a) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, a majority of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or comparable equity interests), as the case may be, of the surviving or acquiring entity

resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction beneficially owns 100% of the outstanding shares of common stock and the combined voting power of the then outstanding voting securities (or comparable equity securities) or all or substantially all of the Company's assets either directly or indirectly) in substantially the same proportions (as compared to the other holders of the Company's common stock and voting securities prior to the Business Combination) as their respective ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities,

- (b) no Person (excluding (i) any employee benefit plan (or related trust) sponsored or maintained by the Company or such entity resulting from such Business Combination or any entity controlled by the Company or the entity resulting from such Business Combination, (ii) any entity beneficially owning 100% of the outstanding shares of common stock and the combined voting power of the then outstanding voting securities (or comparable equity securities) or all or substantially all of the Company's assets either directly or indirectly and (iii) the Employee and any group that includes the Employee) beneficially owns, directly or indirectly, 30% or more of the then outstanding shares of common stock (or comparable equity interests) of the entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities (or comparable equity interests) of such entity, and
- (c) immediately after the Business Combination, a majority of the members of the board of directors (or comparable governors) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(4) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

7. Adjustments; Fundamental Change

- A. If there shall be any change in the number or character of the Common Stock of the Company through merger, consolidation, reorganization, recapitalization, dividend in the form of stock (of whatever amount), stock split or other change in the corporate structure of the Company, and all or any portion of the Option shall then be unexercised and not yet expired, appropriate adjustments in the outstanding Option shall be made by the Company, in order to prevent dilution or enlargement of Employee's Option rights. Such adjustments shall include, where appropriate, changes in the number of shares of Common Stock and the price per share subject to the outstanding Option.
- B. In the event of a proposed (i) dissolution or liquidation of the Company, (ii) a sale of substantially all of the assets of the Company, (iii) a merger or consolidation of the Company with or into any other corporation, regardless of whether the Company is the

surviving corporation, or (iv) a statutory share exchange involving the capital stock of the Company (each, a “Fundamental Change”), the Committee may, but shall not be obligated to:

- (1) with respect to a Fundamental Change that involves a merger, consolidation or statutory share exchange, make appropriate provision for the protection of the Option by the substitution of options and appropriate voting common stock of the corporation surviving any such merger or consolidation or, if appropriate, the “parent corporation” (as defined in Section 424(e) of the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder, or any successor provision) of the Company or such surviving corporation, in lieu of the Option and shares of Common Stock of the Company, or
- (2) with respect to any Fundamental Change, including, without limitation, a merger, consolidation or statutory share exchange, declare, prior to the occurrence of the Fundamental Change, and provide written notice to the holder of the Option of the declaration, that the Option, whether or not then exercisable, shall be canceled at the time of, or immediately prior to the occurrence of, the Fundamental Change in exchange for payment to the holder of the Option, within 20 days after the Fundamental Change, of cash (or, if the Committee so elects in lieu of solely cash, of such form(s) of consideration, including cash and/or property, singly or in such combination as the Committee shall determine, that the holder of the Option would have received as a result of the Fundamental Change if the holder of the Option had exercised the Option immediately prior to the Fundamental Change) equal to, for each share of Common Stock covered by the canceled Option, the amount, if any, by which the Fair Market Value (as defined in this Section 7B) per share of Common Stock exceeds the exercise price per share of Common Stock covered by the Option. At the time of the declaration provided for in the immediately preceding sentence, the Option shall immediately become exercisable in full and the holder of the Option shall have the right, during the period preceding the time of cancellation of the Option, to exercise the Option as to all or any part of the shares of Common Stock covered thereby in whole or in part, as the case may be. In the event of a declaration pursuant to this Section 7B, the Option, to the extent that it shall not have been exercised prior to the Fundamental Change, shall be canceled at the time of, or immediately prior to, the Fundamental Change, as provided in the declaration. Notwithstanding the foregoing, the holder of the Option shall not be entitled to the payment provided for in this Section 7B if such Option shall have expired or been forfeited. For purposes of this Section 7B only, “Fair Market Value” per share of Common Stock means the fair market value, as determined in good faith by the Committee, of the consideration to be received per share of Common Stock by the shareholders of the Company upon the occurrence of the Fundamental Change, notwithstanding anything to the contrary provided in this Agreement.

8. Miscellaneous

- A. This Option is issued pursuant to the Plan and is subject to its terms. The terms of the Plan are available for inspection during business hours at the principal offices of the Company.
- B. This Agreement shall not confer on Employee any right with respect to continuance of employment by the Company or any of its subsidiaries, nor will it interfere in any way with the right of the Company to terminate such employment at any time.
- C. Neither Employee, the Employee's legal representative, a Transferee, nor the executor(s) or administrator(s) of the Employee's estate shall be, or have any of the rights or privileges of, a shareholder of the Company in respect of any shares of Common Stock receivable upon the exercise of this Option, in whole or in part, unless and until such shares shall have been issued upon exercise of this Option.
- D. The Company shall at all times during the term of the Option reserve and keep available such number of shares as will be sufficient to satisfy the requirements of this Agreement.
- E. The internal law, and not the law of conflicts, of the State of Minnesota, USA, shall govern all questions concerning the validity, construction and effect of this Agreement, the Plan and any rules and regulations relating to the Plan or this Option.
- F. Employee hereby consents to the transfer by Employee's employer or the Company of information relating to Employee's participation in the Plan, including the personal data set forth in this Agreement, between them or to other related parties in the United States or elsewhere, or to any financial institution or other third party engaged by the Company, but solely for the purpose of administering the Plan and this Option. Employee also consents to the storage and processing of such data by such persons for this purpose.

**GRACO INC.
INSIDER TRADING POLICY**

**and Guidelines with Respect to
Certain Transactions in Company Securities**

Federal and state securities laws prohibit individuals from trading in the securities of a company while they are aware of material information about that company that is not generally known or available to the public. Such trading is often referred to as “insider trading.” The purpose of this Insider Trading Policy of Graco Inc. (“Graco” or the “Company”) is to prevent insider trading or allegations of insider trading, and to protect Graco’s reputation for integrity and ethical conduct.

I. Applicability of Policy

A. *Material Nonpublic Information* means material information (described below) that has either not been disclosed to the public generally, or has been disclosed so recently that sufficient time has not yet passed to allow the information to become widely available among investors and the financial community.

B. *Material Information* means information about a company that would be expected to affect the investment decision of a reasonable investor, or information that could reasonably be expected to have an effect on the price of that company’s securities. Examples of what might be considered material information are listed later in this Policy.

C. *Covered Individuals. This Policy applies to:*

1. *Graco Personnel.* All directors, officers and employees of Graco and its subsidiaries (“Graco personnel”).
2. *Consultants and Advisors.* All consultants and advisors to Graco whose work for Graco brings them into contact with material nonpublic information and who have been advised by Graco that they are subject to this Policy (“Graco Consultants”).
3. *Related Parties.* The following “Related Parties”:
 - a. Any members of the immediate family of Graco personnel or Graco Consultants and others sharing a home with, or who are economically dependent upon, Graco Personnel or Graco Consultants; and
 - b. Any other person or entity, including a trust, corporation, partnership or other association, whose transactions in Graco securities are directed, controlled or influenced by Graco Personnel or Graco Consultants.

The individuals and entities described in paragraphs C.1, C.2 and C.3 are referred to as “Covered Persons.”

D. *Covered Transactions.* The securities trading that this Policy covers includes all transactions in common stock, options to acquire common stock and any other securities the Company may issue from time to time, such as preferred stock, warrants and convertible debentures, and purchases and sales of derivative securities relating to the Company’s stock, whether or not issued by the Company, such as exchange-traded options. Transactions include not only buying and selling, but also an option exercise and any other change in ownership, except pursuant to the following exceptions:

1. *Stock Option Exercises.* The Policy’s trading restrictions do not apply to the purchase of Graco stock through the exercise of Company granted stock options through a cash exercise, “stock swap” or “net exercise” method. The trading restrictions do apply to any subsequent sale of Graco stock acquired through an option exercise (including through a broker-assisted cashless exercise transaction).

2. *Employee Stock Purchase Plan.* The Policy's trading restrictions do not apply to purchases of Graco stock through periodic payroll contributions to the Employee Stock Purchase Plan (ESPP). The trading restrictions do apply to any subsequent sale of Graco stock acquired through the ESPP.

3. *Forfeiture of Shares to Cover Tax Withholding.* The Policy's trading restrictions do not apply to shares withheld by Graco upon vesting or exercise of equity awards to cover the required tax withholding.

4. *Dividend Reinvestment Plan.* The Policy's trading restrictions do not apply to purchases of Graco stock through the automatic reinvestment of dividends pursuant to a dividend reinvestment plan (DRIP). The trading restrictions do apply to any subsequent sale of Graco stock acquired through a DRIP.

5. *Bona Fide Gifts.* The Policy's trading restrictions do not apply to bona fide gifts of Graco securities if the gift is made to a Covered Person subject to the same provisions of this Policy as apply to the person making the gift or the person making the gift has a reasonable basis for believing that the recipient of the gift will not sell the securities during a restriction existing at the time of the gift that precludes the person making the gift from trading pursuant to the terms of this Policy.

E. Policies Also Apply to Securities of Certain Other Companies. In the course of your service to the Company, you may receive material nonpublic information regarding other companies, such as our customers, suppliers, strategic partners, competitors or merger or acquisition targets. This Policy applies to disclosure of information and trading in securities of such other companies as set forth below.

F. Transactions by the Company. From time to time, the Company may engage in transactions in its own securities, including repurchase its shares in the open market. It is the Company's policy that any transactions by the Company will comply with the applicable laws with respect to insider trading.

G. Obligations After Cessation of Service to the Company. If a person subject to this Policy ceases to be a Covered Person when the person is aware of material nonpublic information about the Company, the applicable provisions of this Policy will continue to apply to such person until that information becomes public or is no longer material. Accordingly, certain provisions of this Policy, including any trading windows in effect at the time of separation, may continue to apply after ceasing to be a Covered Person, based on the circumstances at the time of separation.

II. Statement of Policy

Insider trading involves trading at any time when the person making the purchase or sale *is aware* of material nonpublic information regarding the company whose securities are being traded. If you have a doubt or question about whether you are aware of material nonpublic information concerning Graco or another company, you should contact Graco's General Counsel.

A. No Trading on Material Nonpublic Information

1. *Graco Securities.* If you are a Covered Person, you must not purchase, sell or otherwise transact in any Graco securities, or otherwise advise or assist any third-party trading Graco securities, while you are aware of material nonpublic information regarding Graco.

2. *Other Companies' Securities.* If you are a Covered Person and you obtain material nonpublic information about any other publicly held company as a result of your work on behalf of Graco, you must not purchase, sell or otherwise transact in that company's securities, nor should you advise or assist any third-party trading in that company's securities.

B. No Disclosure to Others Who Might Trade. If you are a Covered Person, you must not communicate material nonpublic information to any person who does not need that information for a

legitimate business purpose, or recommend to anyone the purchase, sale or other trade of securities when you are aware of material nonpublic information about the company involved. This practice, known as “tipping,” also violates the securities laws and can result in the same civil and criminal penalties that apply to insider trading, even though you did not actually trade and did not benefit from another’s trading.

C. Protect Material Nonpublic Information. In order to reduce the possibility that material nonpublic information will be inadvertently disclosed:

- You must treat material nonpublic information as confidential, exercise the utmost caution in preserving the confidentiality of that information, and should not discuss it with any other person who does not need to know it for a legitimate business purpose.
- You should refrain from discussing material nonpublic information relating to Graco or any public company in public places where such discussions can be overheard.
- If you become aware of any leak of material nonpublic information, whether inadvertent or otherwise, you should report the leak immediately to Graco’s General Counsel.

D. Specific Material Developments. From time to time, material developments known only to a limited number of Graco personnel may occur and cause Graco to impose additional restrictions on trading on an appropriate group of Graco personnel. You will be notified if you become part of such a group, and you should not disclose to others the fact that you have been so notified and that restrictions on trading have been imposed.

E. No Speculative Trading, Including Hedging, Pledging and Short Sales. Covered Persons are prohibited from:

- entering into any transactions that “hedge” the value of Graco securities, such as prepaid variable forward contracts, equity swaps, collars and exchange funds (other than broad-based index funds). Hedging transactions are those that are intended to offset any decrease in the value of Graco securities you beneficially own;
- pledging Graco securities as collateral for a loan or holding them in a margin account; and
- engaging in short sales of Graco securities (selling securities not owned at the time of sale).

III. Material Nonpublic Information

There are various categories of information that are particularly sensitive and, as a general rule, would often be considered material and should be analyzed carefully (including in consultation with Graco’s General Counsel, as appropriate). Examples of such information include:

- Financial results or financial condition
- Projections of future earnings or losses
- News of a pending or proposed merger, divestiture, or acquisition
- Default under a significant financing arrangement, or financial liquidity problems
- Gain or loss of a material customer or vendor relationship
- Significant product or pricing announcements
- New equity or debt offerings
- Significant litigation or regulatory exposure
- Major management changes or changes in control of the company
- Major restructuring actions or asset impairments
- Major events regarding a company’s securities (such as defaults, redemptions, stock splits, repurchase plans, changes in dividends)
- Significant cybersecurity risks and incidents

Information that has not been disclosed to the public is generally considered to be nonpublic information. In order for information to be disclosed to the public, the information must be widely disseminated, such as through issuance of a press release or disclosure in a Securities and Exchange Commission (“SEC”) filing, such as a Form 10-K, Form 10-Q or Form 8-K. Information disclosed on a conference call or webcast that was announced in advance and publicly accessible is also considered publicly available. However, a presentation to a select audience, a posting on the Internet or social media, or an article in a limited-distribution magazine generally do not qualify as full disclosure. Full public disclosure means that the securities markets have had the opportunity to digest the news. Generally, one full trading day following the day of public release is regarded as sufficient for dissemination and interpretation of material information.

IV. Additional Restrictions on Access Persons

If you are an Access Person (members of the Board of Directors of Graco, Section 16 officers of Graco and other officers and key employees of Graco and its subsidiaries who have been designated as Access Persons by the General Counsel), you are subject to additional restrictions on trading Graco securities as set forth in this Section IV. These additional restrictions are intended to help prevent inadvertent violations of federal securities laws, to avoid even the appearance of impermissible insider trading, and to facilitate compliance with certain legal requirements not applicable to Graco personnel generally. Graco may also, from time to time, impose on all or an appropriate group of Covered Persons additional restrictions on trading Graco securities when circumstances warrant. These additional restrictions will be communicated by the General Counsel.

A. Persons Covered.

1. *Directors and Section 16 Officers.* All provisions of this Section IV apply to the members of the Board of Directors and officers of Graco who are subject to Section 16 of the Securities Exchange Act of 1934 (referred to herein as “Section 16 Persons”).

2. *Other Officers and Key Employees.* Designated provisions of this Section IV apply to the other officers of Graco and to designated key employees. These other officers and key employees, whose duties cause them to regularly have access to material nonpublic information about Graco, will be notified by the General Counsel that they are subject to the provisions of this Section IV.

The individuals and entities described in paragraphs A.1 and A.2 above are collectively referred to as “Access Persons.”

B. Blackout Periods for all Access Persons. If you are an Access Person, you may not purchase, sell or otherwise transact in Graco securities during the period beginning two full trading weeks before quarter end for Q1, Q2 and Q3, and 21 days before quarter end for Q4, and continuing through one full trading day following the public release of Graco’s financial results for that fiscal quarter. If an Access Person wishes to trade outside of a blackout period, the person may do so only if he or she is not then aware of any material nonpublic information and if he or she has first complied with the notification and pre-clearance procedures described below. The safest period for trading in Graco securities is generally the first week or two after the quarterly trading window opens, assuming the absence of other material nonpublic information.

C. Required Preclearance of Trades

1. *Notices of Intended Transaction and Requests for Approval.* If you are an Access Person, you may not engage in any transaction involving Graco securities without first obtaining pre-clearance of that transaction from the Company’s General Counsel. Notwithstanding the foregoing, pre-clearance is not required for (i) purchases of Graco stock through periodic payroll contributions to the Employee Stock Purchase Plan (ESPP), or (ii) purchases of Graco stock through the automatic reinvestment of dividends pursuant to a dividend reinvestment plan (DRIP). Prior to initiating any transaction in Graco securities, you must deliver to the General Counsel a written notice describing any

intended transaction in Graco securities by you during a permitted trading period. Notices of intended transactions and requests for approval may be delivered by e-mail to the General Counsel.

2. *Clearance to Proceed with a Transaction.* Clearance in response to a written request for approval will generally be valid for one (1) week, unless an earlier deadline is imposed by the General Counsel. To avoid signaling to others that something material and nonpublic may be happening with respect to Graco, you should keep your preclearance response confidential. It will be easier to maintain confidentiality if you go through the preclearance procedures prior to discussing a proposed transaction with others (including your broker). A favorable response to a transaction request from the General Counsel should not be interpreted as approval by Graco of the advisability of the proposed transaction or of its compliance with applicable policies, laws or regulations. It is your responsibility to determine whether a contemplated transaction is within the scope of these restrictions. In any event, you should not effect the proposed transaction if you are, in fact, aware of material nonpublic information about Graco.

D. Exceptions for Approved 10b5-1 Plans. Transactions by Access Persons in Graco securities that are executed pursuant to a contract, instruction or plan adopted in accordance with Rule 10b5-1 (a "10b5-1 Plan") that is approved in advance by the General Counsel are not subject to prohibition on trading on the basis of material nonpublic information or the restrictions in this Section IV relating to the preclearance approval process or window periods. Rule 10b5-1 provides an affirmative defense from insider trading liability under the federal securities laws for trading plans that meet certain requirements, including those set forth on Exhibit A.

V. Disciplinary Action and Potential Civil and Criminal Penalties

In addition to potential civil and criminal penalties for violating insider trading laws, Graco personnel who fail to comply with this Policy will be subject to appropriate disciplinary action, up to and including termination of employment for cause.

VI. Compliance Procedures

A copy of the current version of the Policy will be available on the Company's intranet. The Company provides training on the Policy and applicable insider trading laws to Graco Personnel from time to time, and Graco Personnel are required to attend all trainings assigned to them. The Company will distribute reminders about the specific dates of quarterly trading windows to all Access Persons. A copy of the current version of the Policy and the quarter trading window calendar may also be requested from the General Counsel.

VII. Inquiries

Inquiries regarding any of the provisions or procedures of this Insider Trading Policy should be directed to the General Counsel.

EXHIBIT A

Guidelines for Rule 10b5-1 Plans

The following guidelines apply to all Rule 10b5-1 Plans entered into by Covered Persons:

- Covered Persons may not enter into or modify a Rule 10b5-1 Plan when the Trading Window is closed or while otherwise aware of Material Nonpublic Information.
- For Section 16 Persons, no transaction may take place under a Rule 10b5-1 Plan until expiration of a cooling-off period consisting of the later of (i) 90 days after adoption or modification (e.g., a change in the amount, price or timing) of the Rule 10b5-1 Plan or (ii) two business days following the disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the fiscal quarter (the Company's fourth fiscal quarter in the case of a Form 10-K) in which the Rule 10b5-1 Plan was adopted or modified, but in any event, this required cooling-off period is subject to a maximum of 120 days after adoption or modification of the Rule 10b5-1 Plan.
- For Access Persons who are not Section 16 Persons, no transaction may take place under a Rule 10b5-1 Plan until the expiration of a cooling-off period that is 30 days following the adoption or modification of a Rule 10b5-1 Plan.
- Subject to certain limited exceptions specified in Rule 10b5-1, a Covered Person may not have more than one Rule 10b5-1 Plan in effect at any same time.
- Subject to certain limited exceptions specified in Rule 10b5-1, a Covered Person may only enter into a Rule 10b5-1 Plan that is designed to effect an open market purchase or sale of the total amount of securities subject to the Rule 10b5-1 Plan as a single transaction (a "single-transaction plan") if the Covered Person has not entered into a "single-transaction plan" in the prior 12 months.
- The Covered Person must act in good faith with respect to a Rule 10b5-1 Plan. A Rule 10b5-1 Plan cannot be entered into as part of a plan or scheme to evade the prohibitions of Rule 10b-5.
- Section 16 Persons must include a representation in the Rule 10b5-1 Plan that (i) the person is not aware of material nonpublic information about the Company or Company securities and (ii) the person is adopting the plan in good faith and not as part of plan or scheme to evade the prohibitions of Rule 10b-5.

The Company and the Section 16 Persons must make certain disclosures in SEC filings concerning Rule 10b5-1 Plans. Accordingly, such directors and officers must provide any information requested by the Company regarding Rule 10b5-1 Plans for the purpose of providing the required disclosures or any other disclosures that the Company deems to be appropriate under the circumstances.

Exhibit 21**Subsidiaries of Graco Inc.**

The following are subsidiaries of the Company as of December 27, 2024.

Subsidiary	Jurisdiction of Organization	Ownership Type ¹	Percent Owned
Corob S.p.A.	Italy	Direct	100%
Electric Torque Machines, Inc	Delaware, USA	Direct	100%
Gema Eastern Europe s.r.l.	Romania	Indirect	100%
Gema Europe s.r.l.	Italy	Indirect	100%
Gema México Powder Finishing, S. de R.L. de C.V.	Mexico	Direct & Indirect	100%
Gema (Shanghai) Co., Ltd.	P.R. China	Indirect	100%
Gema Switzerland GmbH	Switzerland	Indirect	100%
Gema USA Inc.	Minnesota, USA	Direct	100%
GFEC Free Zone Uruguay S.A.	Uruguay	Indirect	100%
GFEC Uruguay S.A.	Uruguay	Indirect	100%
Graco Australia Pty Ltd	Australia	Indirect	100%
Graco BV	Belgium	Indirect	100%
Graco Canada Inc.	Canada	Indirect	100%
Graco Chile SpA	Chile	Direct	100%
Graco Colombia S.A.S.	Colombia	Direct	100%
Graco Distribution BV	Belgium	Indirect	100%
Graco Finance Hong Kong Limited	Hong Kong, P.R. China	Direct	100%
Graco Fluid Equipment (Shanghai) Co., Ltd.	P.R. China	Direct & Indirect	100%
Graco Fluid Equipment (Suzhou) Co., Ltd.	P.R. China	Indirect	100%
Graco Global Holdings	Luxembourg	Direct	100%
Graco GmbH	Germany	Indirect	100%
Graco High Pressure Equipment Inc.	Minnesota, USA	Direct	100%
Graco Hong Kong Limited	Hong Kong, P.R. China	Indirect	100%
Graco India Private Limited	India	Indirect	100%
Graco International Holdings	Luxembourg	Indirect	100%
Graco K.K.	Japan	Indirect	100%
Graco Korea Inc.	South Korea	Indirect	100%
Graco Limited	England and Wales, UK	Indirect	100%
Graco Malaysia Sdn. Bhd.	Malaysia	Indirect	100%
Graco Minnesota Inc.	Minnesota, USA	Direct	100%
Graco Ohio Inc.	Ohio, USA	Direct	100%
Graco Pumps and Spare Parts Trading LLC	United Arab Emirates	Indirect	100%
Graco S.A.S.	France	Indirect	100%
Graco Serviços e Importação de Máquinas e Equipamentos em Geral Ltda.	Brazil	Indirect	100%
Graco Singapore Pte. Ltd.	Singapore	Direct	100%
Graco Solutions Inc.	Minnesota, USA	Direct	100%
Graco Trading (Shanghai) Co., Ltd.	P.R. China	Indirect	100%
Hi-Tech Spray Equipment, S.A.	Spain	Indirect ²	89.5%
Landtec North America, Inc.	California, USA	Indirect	100%
Q.E.D. Environmental Systems, Inc.	Michigan, USA	Direct	100%
Q.E.D. Environmental Systems Limited	England and Wales, UK	Indirect	100%
SAT (Surface Aluminium Technologies) S.r.l.	Italy	Indirect	100%
Smith Surface Preparation Systems Inc.	Minnesota, USA	Direct	100%

Staffordshire Hydraulic Services Limited	England and Wales, UK	Indirect	100%
White Knight Fluid Handling Inc.	Minnesota, USA	Direct	100%

¹ Ownership type indicates whether each subsidiary is directly owned by Graco Inc., indirectly owned by Graco Inc. through direct ownership by one or more of its subsidiaries, or a combination thereof.

² 10.5% of the shares of this subsidiary are held by three employees of the subsidiary.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements No. 333-123813, No. 333-134162, No. 333-140848, No. 333-167602, No. 333-180970, No. 333-204028, No. 333-231362 and No. 333-280988 on Form S-8 of our reports dated February 18, 2025, relating to the financial statements of Graco Inc. and the effectiveness of Graco Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 27, 2024.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota

February 18, 2025

Exhibit 24

Power of Attorney

Know all by these presents, that each person whose signature appears below hereby constitutes and appoints Mark W. Sheahan or David M. Lowe, that person's true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution for that person and in that person's name, place and stead, in any and all capacities, to sign the Report on Form 10-K for the year ended December 27, 2024, of Graco Inc. (and any and all amendments thereto) and to file the same with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as that person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

In witness whereof, the following persons have signed this Power of Attorney on the date indicated.

	<u>Date</u>
<u>/s/ HEATHER L. ANFANG</u> Heather L. Anfang	<u>February 18, 2025</u>
<u>/s/ ARCHIE C. BLACK</u> Archie C. Black	<u>February 18, 2025</u>
<u>/s/ BRETT C. CARTER</u> Brett C. Carter	<u>February 18, 2025</u>
<u>/s/ ERIC P. ETCHART</u> Eric P. Etchart	<u>February 18, 2025</u>
<u>/s/ JODY H. FERAGEN</u> Jody H. Feragen	<u>February 18, 2025</u>
<u>/s/ J. KEVIN GILLIGAN</u> J. Kevin Gilligan	<u>February 18, 2025</u>
<u>/s/ MARTHA A. MORFITT</u> Martha A. Morfitt	<u>February 18, 2025</u>
<u>/s/ MARK W. SHEAHAN</u> Mark W. Sheahan	<u>February 18, 2025</u>
<u>/s/ KEVIN J. WHEELER</u> Kevin J. Wheeler	<u>February 18, 2025</u>

Exhibit 31.1

Certification

I, Mark W. Sheahan, certify that:

1. I have reviewed this annual report on Form 10-K of Graco Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2025

/s/ MARK W. SHEAHAN

Mark W. Sheahan
President and Chief Executive Officer

Exhibit 31.2

Certification

I, David M. Lowe, certify that:

1. I have reviewed this annual report on Form 10-K of Graco Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2025

/s/ DAVID M. LOWE

David M. Lowe

Chief Financial Officer and Treasurer

Exhibit 32

Certification Under Section 1350

Pursuant to Section 1350 of Title 18 of the United States Code, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Graco Inc.

Date: February 18, 2025

/s/ MARK W. SHEAHAN
Mark W. Sheahan
President and Chief Executive Officer

Date: February 18, 2025

/s/ DAVID M. LOWE
David M. Lowe
Chief Financial Officer and Treasurer