



# Investor Presentation

Third Quarter 2021



# Safe Harbor

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Today's presentation includes forward-looking statements that reflect management's current expectations about the Company's future business and financial performance.

These statements are subject to certain risks and uncertainties that could cause actual results to differ from anticipated results.

Factors that could cause actual results to differ from anticipated results are identified in Part 1, Item 1A of the Company's Form 10-K, and the current Quarterly Report on Form 10-Q.

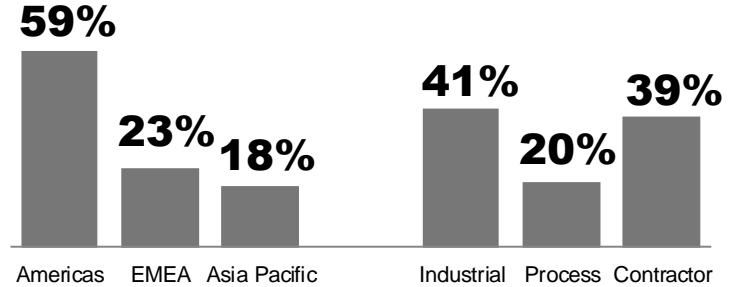
# Distribution of Global Sales



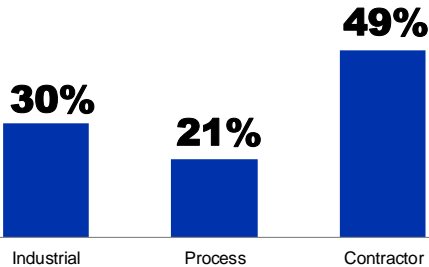
## Worldwide

**\$1,448 M**

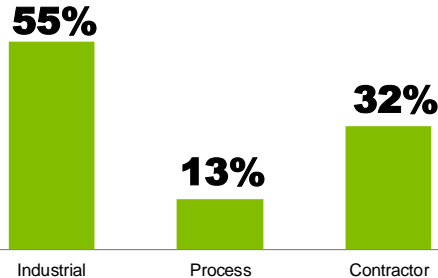
September 2021  
Year to Date



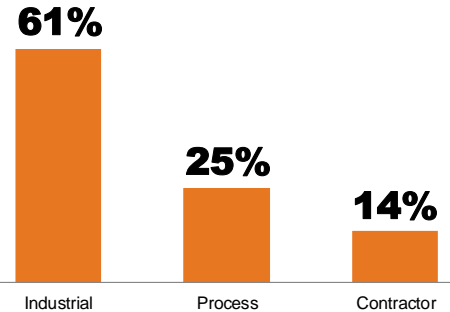
## Americas



## EMEA

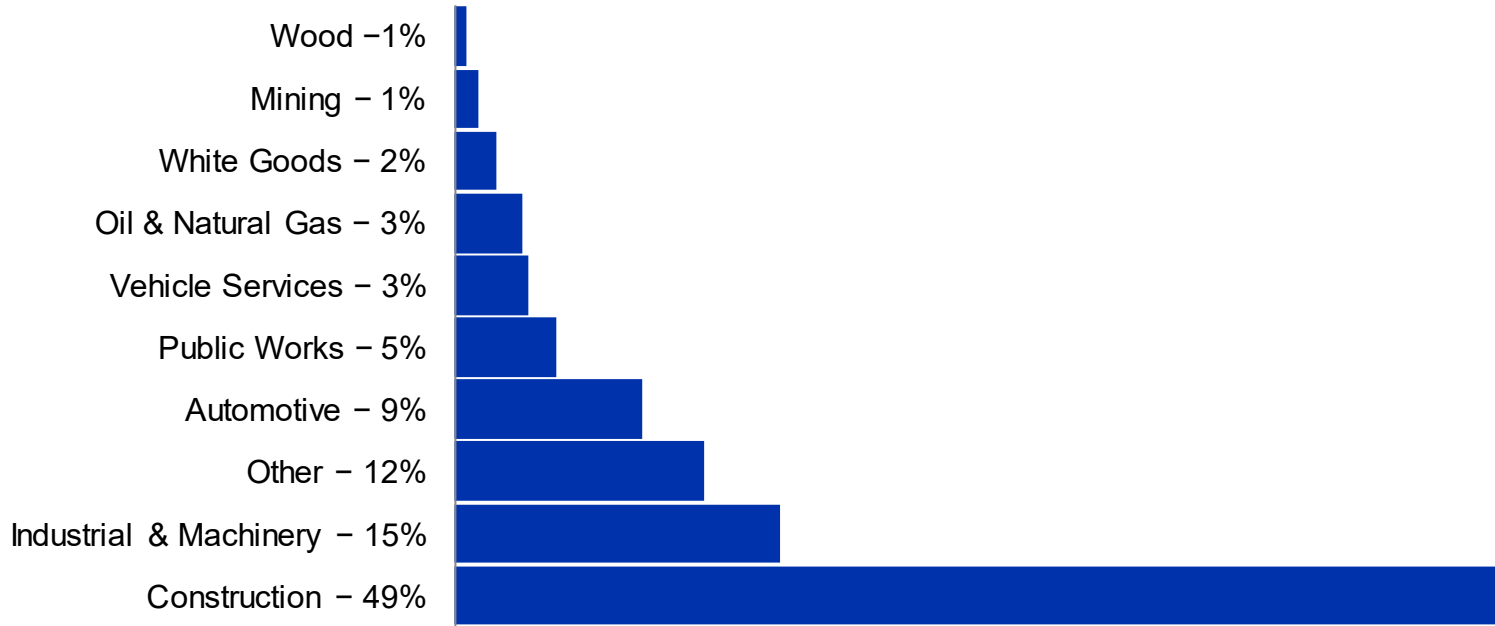


## Asia Pacific



# 2020 Net Sales by End Market

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Graco is part of your  
**everyday life.**







Graco is part of your  
**everyday life.**



# Diversified Fluid Handling Business



## Niche

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

## 5.5%+

Organic Revenue CAGR\*

## ~40%

Of revenue is parts  
& accessories

\*20-year average, constant currency

# High Customer Value, Strong Product Differentiation





# Low Volume, High Mix Delivers Customer ROI

Average Number of Units Sold Per Day	No. of SKUs		2020 Sales (\$ in millions)	
0 - 1	63,900	93%	\$ 840	51%
2 - 5	2,800	4%	\$ 266	16%
6 - 10	800	1%	\$ 120	7%
11 - 15	300	0%	\$ 59	4%
Greater than 15	800	1%	\$ 365	22%
<b>Graco 2020 Sales</b>	<b>68,600</b>		<b>\$1,650</b>	

Highly-valued products at low volumes

**51%**

of our revenue comes from products that we sell

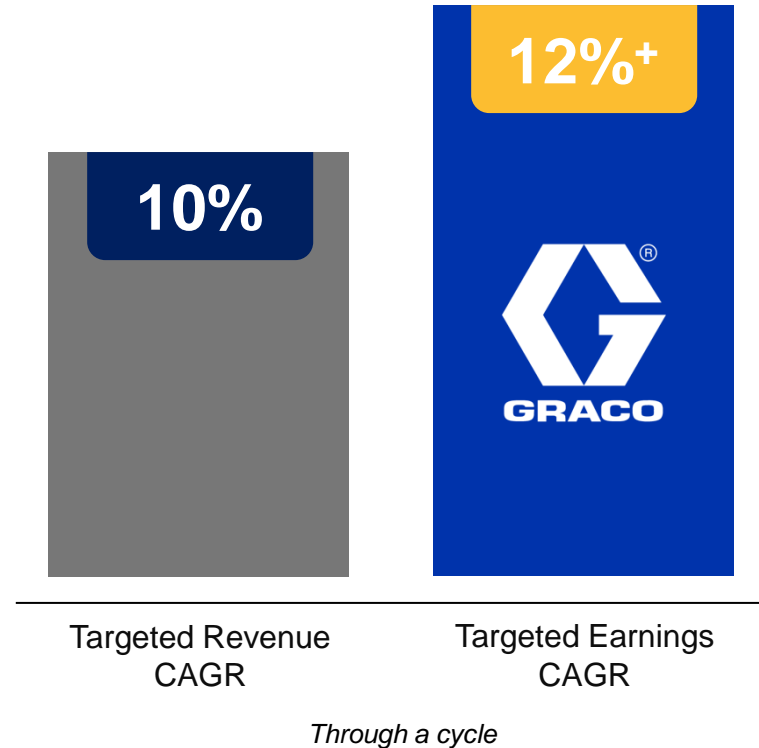
**zero to one per day**

# Growth Plans and Earnings Drivers

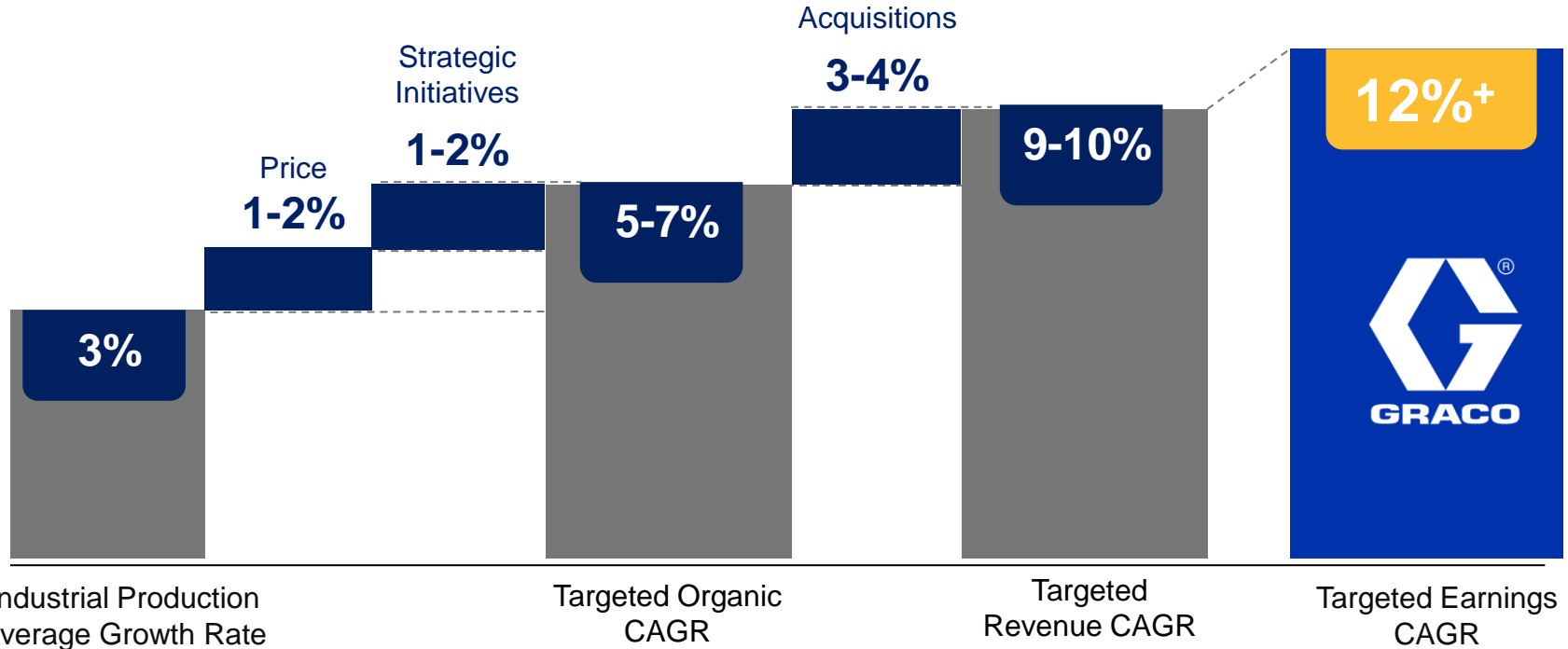


## Strategic Initiatives

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



# Growth Plans and Earnings Drivers





# Exceptional Returns

**5.5%+**

Organic Revenue CAGR

**29%**

Return on Invested Capital

**42%**

Return on Equity

**19%**

Return on Assets

Based on a 20-year average, constant currency

# Business Model



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





# Our Brand Promise

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



**Engineering  
Excellence**

Target  
**Double-Digit  
Returns**  
new product

**Annual R&D Investment**

More than  
**2.5x\***  
our peer group

**4.2%\***  
as a percent of sales  
versus peers at 1.7%

\* Peers: ITW, CSL, DOV, CFX, IEX, NDSN, WTS, FLS, based on a 5-year average, 2016 - 2020.

# Manufacturing Excellence



**> 80%**

Production based in the US

Goal is

**Zero**

cost change  
on the same basket of goods (yoy)

**< 1%**

Warranty costs



# Service Excellence



## Same Day

Orders in by noon,  
ship the same day

## 96%+

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



# Extensive Reach

**30,000+**  
Outlets/Distributors

Customers in over

**100**

countries

Facilities in

**12**

countries

Installed base

**~100**

years old



# Company Segments



- ▶ Industrial
- ▶ Process
- ▶ Contractor

# Industrial



September 2021, Nine Months

**\$600M**



Segment Revenue

**24%**



Organic

**34.6%**



Operating Margin  
+280 basis points

# Industrial

## Key End Markets

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

## Growth Drivers & Trends

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

## Select Representative Industry Participants:

**Public** : Nordson, Carlisle, Exel

**Private**: Wagner and many other regional players





# Process



September 2021, Nine Months

**\$285M**

▲ Segment Revenue

**18%**

▲ Organic

**22.8%**

▲ Operating Margin  
+390 basis points

# Process

## Key End Markets

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

## Growth Drivers & Trends

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

## Select Representative Industry Participants:

**Public:** IDEX, Dover, Ingersoll Rand

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





# Contractor



September 2021, Nine Months

**\$563M**



Segment Revenue

**17%**



Organic

**23.9%**



Operating Margin  
-250 basis points

# Contractor

## Key End Markets

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

## Growth Drivers & Trends

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

## Select Representative Industry Participants:

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



# Capital Allocation



# Long-Term Cash Deployment Priorities



## Organic Growth

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

## Acquisitions

- ▶ Supplement to organic growth
- ▶ Leverage our strengths

## Shareholder Return

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



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



## Key Investment Attributes



# Acquisitions





# Acquisition

▶ Industrial

**EQ** EcoQuip<sup>®</sup>  
VAPOR ABRASIVE™ BLAST EQUIPMENT

**GE-BLASTER**<sup>®</sup>  
WET-ABRASIVE BLASTING EQUIPMENT

**hildebrand**  
TECHNOLOGY

**SAT**  
SurfaceAluminiumTech

**Gema**

**MULTIMAQ**  
sprayway

**machine**  
TECHNOLOGIES

**Advanjet**

2012

2013

2014

2014

2015

2015

2017

2018



# Acquisition

## ► Process



2013



2014



2015



2015



2016



2019

# Financial Results





# Financial Performance Sept. YTD

**23%**

Revenue

**52.4%**

Gross Margin

**45%**

EPS

**48%**

Net Income

(As Reported)

# Financial Results

## Statement of Earnings

\$ in millions except per share amounts

	Third Quarter			September Year to Date		
	2021	2020	Change	2021	2020	Change
<b>Net Sales</b>	\$ 486.7	\$ 439.3	11 %	\$1,448.0	\$1,179.8	23 %
<b>Gross Profit</b>	248.2	229.0	8 %	759.4	610.1	24 %
% of Net Sales	51.0%	52.1%	(1.1) pts	52.4%	51.7%	0.7 pts
<b>Operating Earnings</b>	124.6	125.0	0 %	386.7	259.6	49 %
% of Net Sales	26%	28%	(2) pts	27%	22%	5 pts
<b>Net Earnings</b>	\$ 103.8	\$ 114.1	(9)%	\$ 319.6	\$ 215.8	48 %
% of Net Sales	21%	26%	(5) pts	22%	18%	4 pts
<b>Diluted Net Earnings Per Share</b>	\$ 0.59	\$ 0.66	(11)%	\$ 1.83	\$ 1.26	45 %
Diluted Shares in Millions	174.8	171.7	2 %	174.4	171.6	2 %
Operating Earnings, Adjusted (1)	\$ 124.6	\$ 125.3	(1)%	\$ 386.7	\$ 294.8	31 %
Net Earnings, Adjusted (1)	\$ 100.3	\$ 101.8	(1)%	\$ 309.9	\$ 229.2	35 %
Diluted Net Earnings Per Share, Adjusted (1)	\$ 0.57	\$ 0.59	(3)%	\$ 1.78	\$ 1.34	33 %

(1) Operating earnings, net earnings and diluted net earnings per share for 2021 and 2020 have been adjusted to provide a more consistent basis of comparison of on-going results. See following page for a reconciliation of the adjusted non-GAAP financial measures to GAAP.

# Financial Results Adjusted for Comparability

Excluding the impacts of the prior year impairment, excess tax benefits from stock option exercises and certain non-recurring tax provision adjustments presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements of adjusted operating earnings, income taxes, effective income tax rates, net earnings and diluted net earnings per share follows:

## Non-GAAP Reconciliation

In millions except per share amounts

	Third Quarter			September Year to Date		
	2021	2020	Change	2021	2020	Change
<b>Operating earnings, as reported</b>	\$ 124.6	\$ 125.0	0 %	\$ 386.7	\$ 259.6	49 %
Impairment	-	0.3		-	35.2	
<b>Operating earnings, adjusted</b>	<b>\$ 124.6</b>	<b>\$ 125.3</b>	<b>(1)%</b>	<b>\$ 386.7</b>	<b>\$ 294.8</b>	<b>31 %</b>
<b>Income taxes, as reported</b>	\$ 17.9	\$ 6.9	160 %	\$ 59.6	\$ 29.4	103 %
Impairment tax benefit	-	-		-	1.2	
Excess tax benefit from option exercises	2.6	4.6		8.8	12.6	
Other non-recurring tax benefit	0.9	8.0		0.9	8.0	
<b>Income taxes, adjusted</b>	<b>\$ 21.4</b>	<b>\$ 19.5</b>	<b>10 %</b>	<b>\$ 69.3</b>	<b>\$ 51.2</b>	<b>35 %</b>
Effective income tax rate						
As reported	15%	6%		16%	12%	
Adjusted	18%	16%		18%	18%	
<b>Net earnings, as reported</b>	\$ 103.8	\$ 114.1	(9)%	\$ 319.6	\$ 215.8	48 %
Impairment, net	-	0.3		-	34.0	
Excess tax benefit from option exercises	(2.6)	(4.6)		(8.8)	(12.6)	
Other non-recurring tax benefit	(0.9)	(8.0)		(0.9)	(8.0)	
<b>Net earnings, adjusted</b>	<b>\$ 100.3</b>	<b>\$ 101.8</b>	<b>(1)%</b>	<b>\$ 309.9</b>	<b>\$ 229.2</b>	<b>35 %</b>
Weighted average diluted shares	174.8	171.7		174.4	171.6	
<b>Diluted earnings per share</b>						
As reported	\$ 0.59	\$ 0.66	(11)%	\$ 1.83	\$ 1.26	45 %
Adjusted	\$ 0.57	\$ 0.59	(3)%	\$ 1.78	\$ 1.34	33 %

# Third Quarter 2021 Results

<b>Net Sales</b>	<ul style="list-style-type: none"><li>▶ Up 11 percent from 2020, up 9 percent at consistent translation rates</li></ul>
<b>Gross Margin</b>	<ul style="list-style-type: none"><li>▶ Rate down 1.1 percentage points from third quarter 2020<ul style="list-style-type: none"><li>▪ Favorable effect of realized pricing, higher production volume and favorable effect of currency translation rates were not enough to offset the unfavorable impact of higher product costs</li></ul></li><li>▶ Incremental product cost related to material, labor and freight reduced gross margin \$14 million</li></ul>
<b>Operating Earnings</b>	<ul style="list-style-type: none"><li>▶ Comparable to third quarter 2020<ul style="list-style-type: none"><li>▪ Increase in volume and favorable effect of changes in currency translation rates offset by higher costs including volume driven sales and earnings-based costs</li></ul></li></ul>
<b>Other Expense</b>	<ul style="list-style-type: none"><li>▶ Decreased \$1 million<ul style="list-style-type: none"><li>▪ Driven by market value fluctuations on investments held to fund certain retirement benefits liabilities</li></ul></li></ul>
<b>Taxes</b>	<ul style="list-style-type: none"><li>▶ Adjusted effective tax rate for the third quarter was 18%, compared to 16% in third quarter 2020<ul style="list-style-type: none"><li>▪ Effective rate adjusted to exclude the impacts of excess tax benefits from stock option exercises and foreign tax benefits</li></ul></li></ul>



# Nine Months 2021 Results

<b>Net Sales</b>	<ul style="list-style-type: none"><li>▶ Up 23 percent from 2020, up 20 percent at consistent translation rates</li></ul>
<b>Gross Margin</b>	<ul style="list-style-type: none"><li>▶ Rate up 0.7 percentage point from 2020<ul style="list-style-type: none"><li>▪ Favorable effects of realized pricing, higher production volume, favorable currency translation rates and favorable product and channel mix partially offset by unfavorable impact of higher product costs</li></ul></li><li>▶ Incremental product cost related to material, labor and freight reduced gross margin \$24 million</li></ul>
<b>Operating Earnings</b>	<ul style="list-style-type: none"><li>▶ Operating earnings up \$127 million<ul style="list-style-type: none"><li>▪ 2020 non-cash impairment \$35M</li><li>▪ Increase in volume and favorable effect of changes in currency translation rates partially offset by higher expenses including volume driven sales and earnings-based costs</li></ul></li></ul>
<b>Other Expense</b>	<ul style="list-style-type: none"><li>▶ Decreased \$6 million<ul style="list-style-type: none"><li>▪ Driven by market value fluctuations on investments held to fund certain retirement benefits liabilities</li></ul></li></ul>
<b>Taxes</b>	<ul style="list-style-type: none"><li>▶ Adjusted effective tax rate for September year to date was 18%, comparable to the same period in 2020<ul style="list-style-type: none"><li>▪ Effective rate adjusted to exclude the impacts of excess tax benefits from stock option exercises and foreign tax benefits</li></ul></li></ul>

# Financial Results

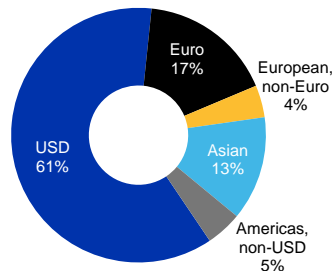
## September 2021 Quarter to Date

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	19 %	21 %	(5)%	1 %	20 %	27 %	9 %
Acquisitions	1 %	0 %	0 %	0 %	2 %	0 %	0 %
Currency	2 %	1 %	1 %	0 %	2 %	5 %	2 %
<b>Total</b>	<b>22 %</b>	<b>22 %</b>	<b>(4)%</b>	<b>1 %</b>	<b>24 %</b>	<b>32 %</b>	<b>11 %</b>

## September 2021 Year to Date

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	24 %	18 %	17 %	16 %	27 %	28 %	20 %
Acquisitions and Divestitures	1 %	(3)%	0 %	0 %	0 %	(3)%	0 %
Currency	4 %	2 %	2 %	0 %	8 %	7 %	3 %
<b>Total</b>	<b>29 %</b>	<b>17 %</b>	<b>19 %</b>	<b>16 %</b>	<b>35 %</b>	<b>32 %</b>	<b>23 %</b>

## Sept. 2021 YTD Net Sales by Currency



Asian currencies include:  
AUD, CNY, KRW, JPY

European, non-Euro currencies include: CHF, GBP, RON

Americas, non-USD currencies include:  
BRL, CAD, MXN



Move | Measure | Mix | Control | Dispense | Spray

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