



Investor Presentation

Fourth Quarter and
Full Year 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.

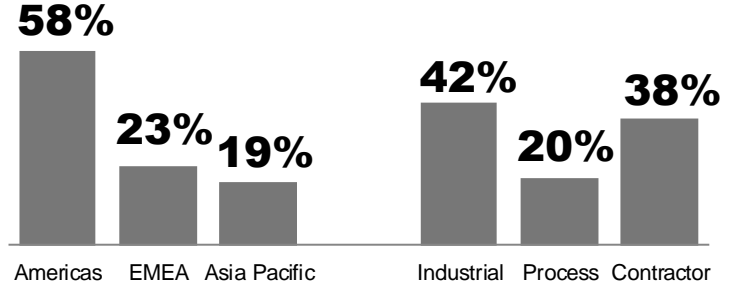
Distribution of Global Sales



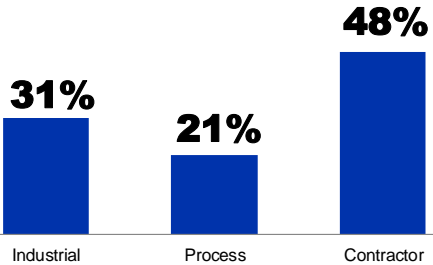
Worldwide

\$1,988 M

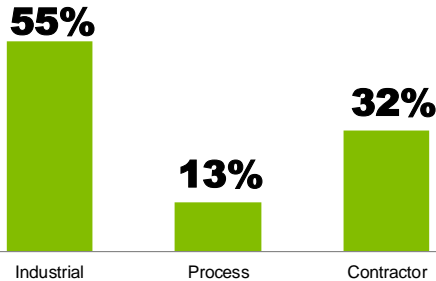
Full Year
2021



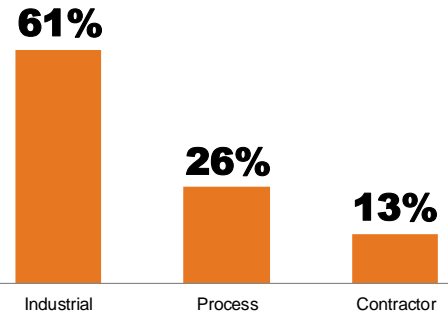
Americas



EMEA

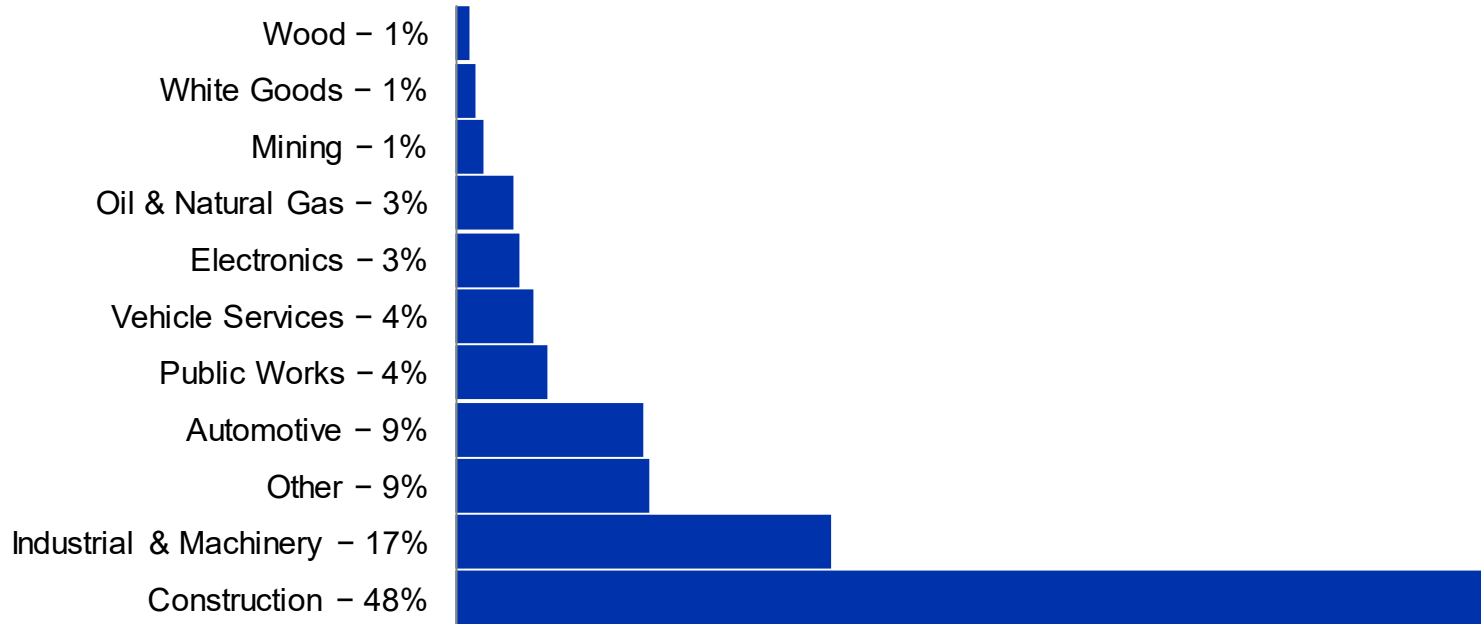


Asia Pacific



2021 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

5.9%+

Organic Revenue CAGR*

~40%

Of revenue is parts
& accessories

*20-year average, constant currency

High Customer Value, Strong Product Differentiation

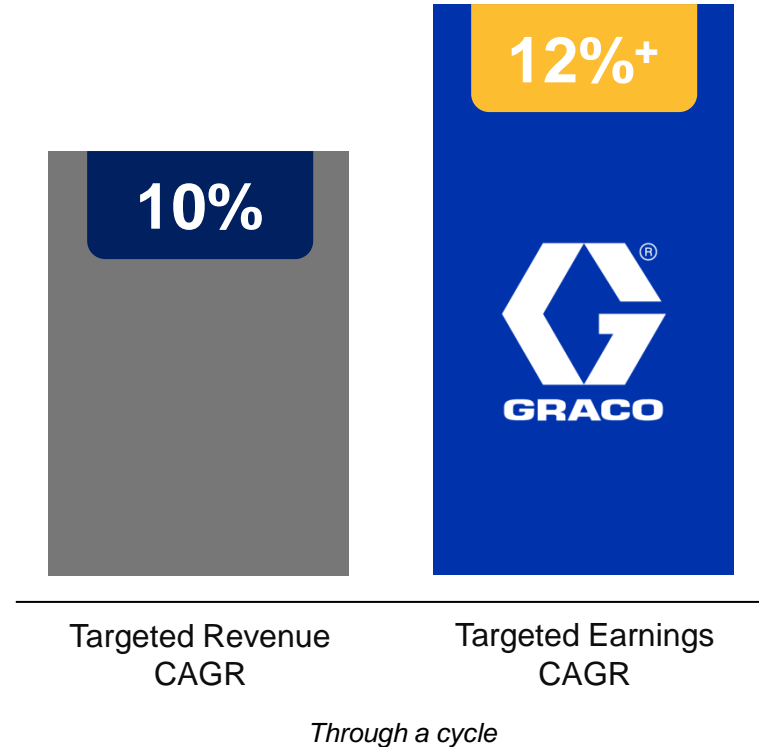


Growth Plans and Earnings Drivers



Strategic Initiatives

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



Low Volume, High Mix Delivers Customer ROI

Average Number of Units Sold Per Day	No. of SKUs		2021 Sales (\$ in millions)	
0 - 1	62,700	93%	\$ 854	43%
2 - 5	2,800	4%	\$ 361	18%
6 - 10	900	1%	\$ 164	8%
11 - 15	300	1%	\$ 77	4%
Greater than 15	800	1%	\$ 532	27%
Graco 2021 Sales	67,500		\$1,988	

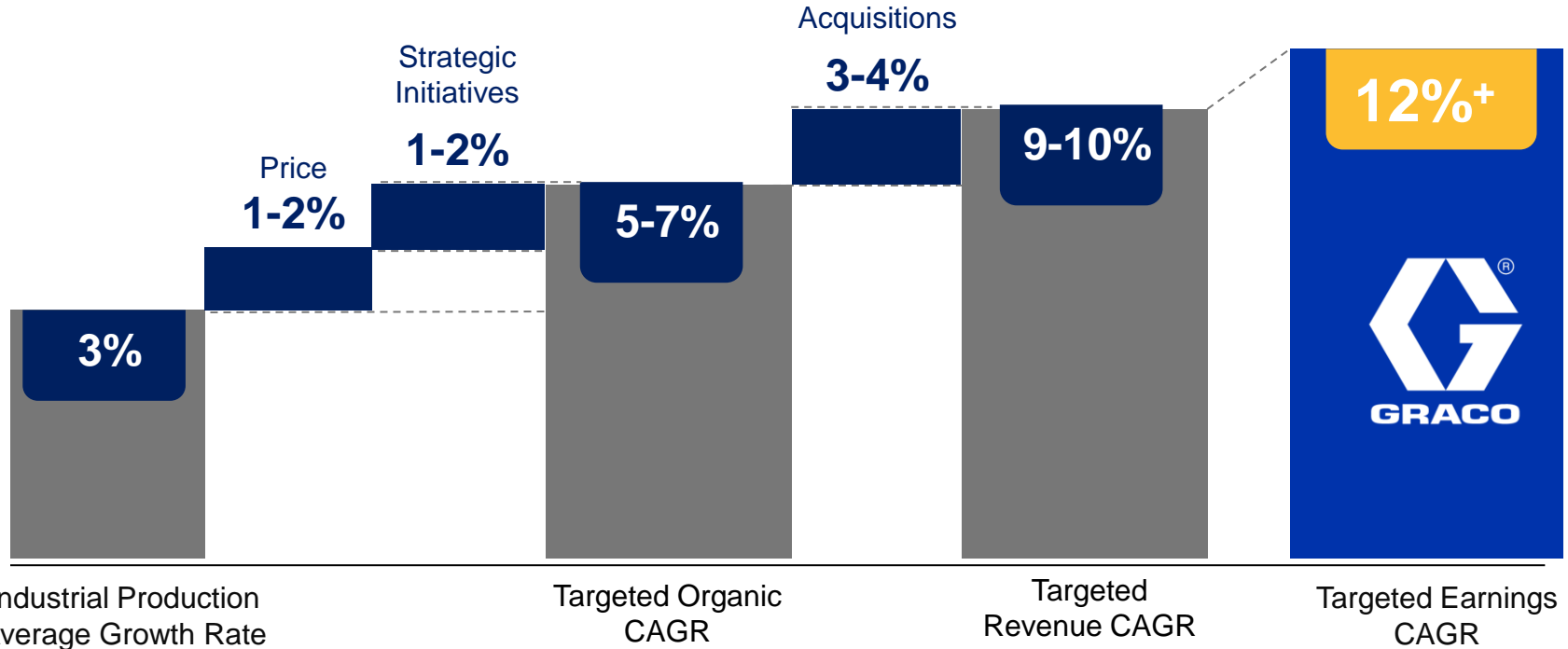
Highly-valued products
at low volumes

43%

of our revenue
comes from products
that we sell

**zero to one
per day**

Growth Plans and Earnings Drivers





Exceptional Returns

5.9%+

Organic Revenue CAGR

28%

Return on Invested Capital

41%

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
2.2x*
our peer group

4.1%*
as a percent of sales
versus peers at 1.8%

* Peers: ITW, CSL, DOV, CFX, IEX, NDSN, WTS, FLS, based on a 5-year average, 2017 - 2021.

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

92%

In-stock service
level goal



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



December 2021, Twelve Months

\$840M

▲ Segment Revenue

21%

▲ Organic

35.3%

▲ Operating Margin
+190 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



December 2021, Twelve Months

\$398M

▲ Segment Revenue

23%

▲ Organic

22.9%

▲ Operating Margin
+310 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

December 2021, Twelve Months

\$750M

▲ Segment Revenue

15%

▲ Organic

22.6%

▼ Operating Margin
-290 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®
VAPOR ABRASIVE™ BLAST EQUIPMENT

GE-BLASTER®
WET-ABRASIVE BLASTING EQUIPMENT

hildebrand
TECHNOLOGY

SAT
SurfaceAluminiumTech

GAMA

Gema

MULTIMAQ
sprayway

machine
TECHNOLOGIES

Advanjet

novag

2012

2013

2014

2014

2015

2015

2017

2018

2020



Acquisition

► Process



2013



2014



2015



2015



2016



2019

Financial Results



Financial Performance 2021

20%

Revenue

52.0%

Gross Margin

31%

EPS

33%

Net Income

(As Reported)

Financial Results

Statement of Earnings

\$ in millions except per share amounts

	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Net Sales	\$ 539.6	\$ 470.3	15 %	\$1,987.6	\$1,650.1	20 %
Gross Profit	274.5	244.8	12 %	1,033.9	854.9	21 %
% of Net Sales	50.9%	52.1%	(1.2) pts	52.0%	51.8%	0.2 pts
Operating Earnings	144.6	132.1	9 %	531.3	391.7	36 %
% of Net Sales	27%	28%	(1) pts	27%	24%	3 pts
Net Earnings	\$ 120.3	\$ 114.7	5 %	\$ 439.9	\$ 330.5	33 %
% of Net Sales	22%	24%	(2) pts	22%	20%	2 pts
Diluted Net Earnings Per Share	\$ 0.69	\$ 0.66	5 %	\$ 2.52	\$ 1.92	31 %
Diluted Shares in Millions	174.9	173.2	1 %	174.5	172.0	1 %
Operating Earnings, Adjusted (1)	\$ 144.6	\$ 132.1	9 %	\$ 531.3	\$ 426.9	24 %
Net Earnings, Adjusted (1)	\$ 115.8	\$ 106.0	9 %	\$ 425.7	\$ 335.2	27 %
Diluted Net Earnings Per Share, Adjusted (1)	\$ 0.66	\$ 0.61	8 %	\$ 2.44	\$ 1.95	25 %

(1) Operating earnings, net earnings and diluted 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 pension settlement loss, impairment charges, excess tax benefits related to stock option exercises and other non-recurring tax benefits presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements of adjusted operating earnings, earnings before taxes, income taxes, effective income tax rates, net earnings and diluted earnings per share follows:

Non-GAAP Reconciliation In millions except per share amounts	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Operating earnings, as reported	\$ 144.6	\$ 132.1	9 %	\$ 531.3	\$ 391.7	36 %
Impairment	-	-		-	35.2	
Operating earnings, adjusted	\$ 144.6	\$ 132.1	9 %	\$ 531.3	\$ 426.9	24 %
Earnings before taxes, as reported	\$ 129.3	\$ 129.5	0 %	\$ 508.5	\$ 374.7	36 %
Impairment	-	-		-	35.2	
Pension settlement loss	12.0	-		12.0	-	
Earnings before taxes, net, adjusted	\$ 141.3	\$ 129.5	9 %	\$ 520.5	\$ 409.9	27 %
Income taxes, as reported	\$ 9.0	\$ 14.8	(39)%	\$ 68.6	\$ 44.2	55 %
Impairment tax benefit	-	-		-	1.2	
Pension settlement tax effect	2.5	-		2.5	-	
Excess tax benefit from option exercises	2.7	8.7		11.5	21.3	
Other non-recurring tax benefit	11.3	-		12.2	8.0	
Income taxes, adjusted	\$ 25.5	\$ 23.5	9 %	\$ 94.8	\$ 74.7	27 %
Effective income tax rate						
As reported	7%	11%		13%	12%	
Adjusted	18%	18%		18%	18%	
Net earnings, as reported	\$ 120.3	\$ 114.7	5 %	\$ 439.9	\$ 330.5	33 %
Impairment, net	-	-		-	34.0	
Pension settlement loss, net	9.5	-		9.5	-	
Excess tax benefit from option exercises	(2.7)	(8.7)		(11.5)	(21.3)	
Other non-recurring tax benefit	(11.3)	-		(12.2)	(8.0)	
Net earnings, adjusted	\$ 115.8	\$ 106.0	9 %	\$ 425.7	\$ 335.2	27 %
Weighted average diluted shares	174.9	173.2		174.5	172.0	
Diluted earnings per share						
As reported	\$ 0.69	\$ 0.66	5 %	\$ 2.52	\$ 1.92	31 %
Adjusted	\$ 0.66	\$ 0.61	8 %	\$ 2.44	\$ 1.95	25 %

Fourth Quarter 2021 Results

Sales	<ul style="list-style-type: none">▶ Up 15 percent from 2020, the same at consistent translation rates
Gross Margin	<ul style="list-style-type: none">▶ Rate down 1.2 percentage points from fourth quarter 2020<ul style="list-style-type: none">▪ Favorable product and channel mix, realized pricing and increased production volume were not enough to offset the unfavorable impact of higher product cost caused by ongoing supply chain and inflationary challenges▶ Incremental product cost related to material, labor and freight reduced gross margin \$16 million
Operating Earnings	<ul style="list-style-type: none">▶ Up \$13 million, 9% compared to fourth quarter 2020<ul style="list-style-type: none">▪ Increase in volume offset higher costs including volume driven sales and earnings-based costs
Other Expense	<ul style="list-style-type: none">▶ Increased \$13 million<ul style="list-style-type: none">▪ Non-cash pension settlement loss of \$12 million
Taxes	<ul style="list-style-type: none">▶ Adjusted effective tax rate for the fourth quarter was 18%, comparable to fourth quarter 2020<ul style="list-style-type: none">▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises and other non-recurring tax benefit

2021 Results

Sales	<ul style="list-style-type: none">▶ Up 20 percent from 2020, up 19 percent at consistent translation rates
Gross Margin	<ul style="list-style-type: none">▶ Rate up 0.2 percentage point from 2020<ul style="list-style-type: none">▪ Favorable effects of higher production volume, realized pricing, favorable currency translation rates were able to offset higher product cost▶ Incremental product cost related to material, labor and freight reduced gross margin \$40 million
Operating Earnings	<ul style="list-style-type: none">▶ Up \$104 million, 24%, excluding 2020 non-cash impairment of \$35 million<ul style="list-style-type: none">▪ 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
Other Expense	<ul style="list-style-type: none">▶ Increased \$7 million<ul style="list-style-type: none">▪ Non-cash pension settlement charge of \$12 million partially offset by market value fluctuations on investments held to fund certain retirement benefits liabilities
Taxes	<ul style="list-style-type: none">▶ Adjusted effective tax rate for 2021 was 18%, comparable to 2020<ul style="list-style-type: none">▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises and other non-recurring tax benefit in both years. 2020 rate adjusted for non-deductible impairment charges

Financial Results

Components of Net Sales Changes

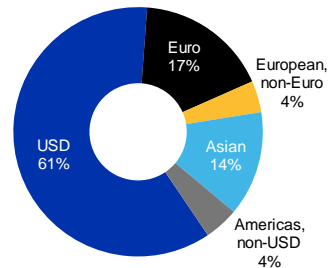
2021 Fourth Quarter

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	13 %	35 %	8 %	13 %	6 %	33 %	15 %
Acquisitions	1 %	0 %	0 %	0 %	2 %	0 %	0 %
Currency	(1)%	0 %	(1)%	0 %	(4)%	1 %	0 %
Total	13 %	35 %	7 %	13 %	4 %	34 %	15 %

2021 Full Year

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	21 %	23 %	15 %	15 %	21 %	30 %	19 %
Acquisitions and Divestitures	1 %	(3)%	0 %	0 %	1 %	(2)%	0 %
Currency	2 %	2 %	1 %	0 %	3 %	5 %	1 %
Total	24 %	22 %	16 %	15 %	25 %	33 %	20 %

2021 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

Current Environment and Outlook










2021 Organic Net Sales by Segment - Compared to 2020

	October	November	December	Bookings
Industrial Segment	33%	5%	4%	6 Week Avg. 18%
Process Segment	55%	25%	27%	49%
Contractor Segment	16%	4%	3%	19%
	30%	8%	8%	25%

- ▶ Broad based end market recovery and demand levels remain strong in all segments and regions despite tough fourth quarter comparisons in Industrial (timing of finishing system sales) and Contractor
- ▶ We anticipate that our pricing actions will be enough to fully offset current cost pressures for the year
- ▶ Component availability and logistical challenges are expected to extend into at least the first half of 2022

Current Environment and Outlook

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

	Americas	EMEA	Asia Pacific	Total
Current Environment	Sales Growth Q4 2021 13% Full Year 15%	Sales Growth Q4 2021 6% Full Year 21%	Sales Growth Q4 2021 33% Full Year 30%	Sales Growth Q4 2021 15% Full Year 19%
Industrial Segment	 Sales Growth Q4 2021 17% Full Year 20%	 Sales Growth Q4 2021 (2%) Full Year 19%	 Sales Growth Q4 2021 26% Full Year 25%	Sales Growth Q4 2021 13% Full Year 21%
Process Segment	 Sales Growth Q4 2021 27% Full Year 17%	 Sales Growth Q4 2021 25% Full Year 14%	 Sales Growth Q4 2021 67% Full Year 48%	Sales Growth Q4 2021 35% Full Year 23%
Contractor Segment	 Sales Growth Q4 2021 5% Full Year 11%	 Sales Growth Q4 2021 14% Full Year 28%	 Sales Growth Q4 2021 20% Full Year 21%	Sales Growth Q4 2021 8% Full Year 15%
Full Year 2022 Outlook				High Single-Digit

We are initiating an outlook for the full-year 2022 of high single-digit growth on an organic, constant currency basis, with positive expectations in every region and reportable segment.

Other Items

Cap Ex	<ul style="list-style-type: none">▶ Capital expenditure expectations of approximately \$190 million in 2022, including approximately \$140 million in facility expansion projects
Expenses	<ul style="list-style-type: none">▶ Unallocated corporate expenses in 2022 are expected to be approximately \$28 - \$30 million
Shares	<ul style="list-style-type: none">▶ No share repurchases were made in 2021. We may make share repurchases in 2022 via opportunistic open market transactions or short-dated accelerated share repurchase (“ASR”) programs
Currency	<ul style="list-style-type: none">▶ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2021, the movement in foreign currencies would have an unfavorable impact of approximately 1% on net sales and 3% on earnings in 2022
Debt	<ul style="list-style-type: none">▶ Subsequent to year end, repaid \$75 million of private placement debt plus \$3.5 million prepayment fee, which will be recognized within interest expense in the first quarter of 2022
Taxes	<ul style="list-style-type: none">▶ We anticipate the effective tax rate in 2022 to be between 18% - 19%, excluding any impact from excess tax benefits related to stock option exercises and other one time items. Actual results and mix of earnings may materially impact the expected tax rate
Fiscal Year 2022	<ul style="list-style-type: none">▶ There are 52 weeks in fiscal 2022, with 13 weeks in the fourth quarter compared to 53 weeks in fiscal 2021, with 14 weeks in the fourth quarter

Other Items

Pension Settlement

- ▶ In the fourth quarter of 2021, the Company transferred \$63 million of its pension obligations to an insurance company through the purchase of an annuity contract. As a result, a non-cash settlement loss of \$12 million (\$0.05 per diluted share) was recorded in other non-operating expense

2022 Change in Organizational Structure

- ▶ As previously announced, effective January 1, 2022, our high performance coatings and foam product offerings within the Applied Fluid Technologies division of the Industrial segment were realigned and are now managed under the Contractor segment
- ▶ Segment operating results will be reported under the new organizational structure in the first quarter of 2022, in connection with the effective date of the realignment. Historic segment information restated to conform to the new organizational structure is available as supplemental financial information on the Company's website at www.graco.com

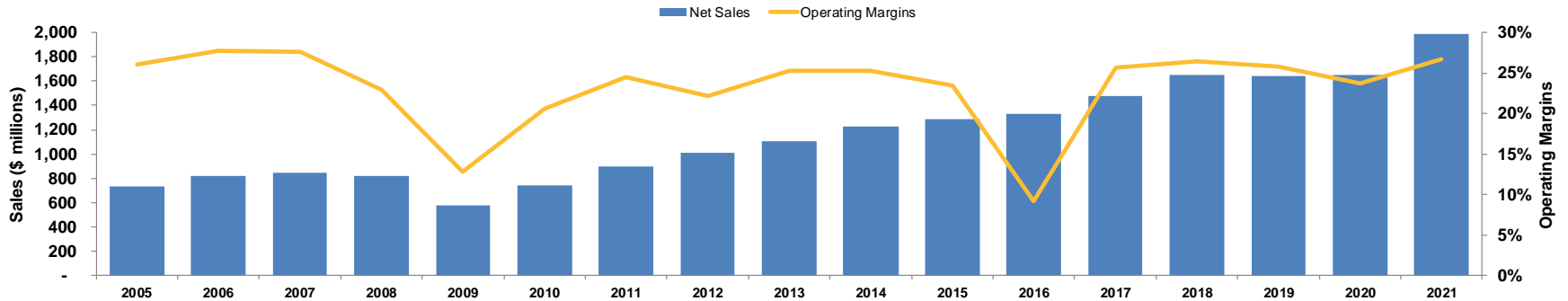
Financial Summary



- ▶ 2021 Appendix

Financial Performance

Sales and Operating Margin, as Reported



Diluted EPS	\$0.60	\$0.72	\$0.77	\$0.66	\$0.27	\$0.56	\$0.77	\$0.81	\$1.12	\$1.22	\$1.95	\$0.24	\$1.45	\$1.97	\$2.00	\$1.92	\$2.52
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As Adjusted

Diluted EPS	\$0.60	\$0.72	\$0.77	\$0.66	\$0.27	\$0.56	\$0.77	\$0.81	\$1.12	\$1.22	\$1.15	\$1.18	\$1.43	\$1.88	\$1.90	\$1.95	\$2.44
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Stock Dividend Growth



Dividends adjusted for stock splits

Strong Cash Generation

(\$ Millions)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Cash Flows	\$ 457	\$ 394	\$ 419	\$ 368	\$ 338	\$ 269	\$ 190	\$ 241	\$ 243	\$ 190
% of Net Income	104%	119%	122%	108%	134%	661%	55%	107%	115%	127%
Capital Expenditures	134	71	128	54	40	42	42	31	23	18
Free Cash Flow	\$ 323	\$ 323	\$ 291	\$ 314	\$ 298	\$ 227	\$ 148	\$ 210	\$ 220	\$ 172

2016 – Impairment of Intangibles, net of tax, charge of \$161 million was reflected in net income. \$192 million and related change in deferred taxes (\$31) million included in adjustments to reconcile net earnings

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

(\$ Millions)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Dividends	\$ 127	\$ 117	\$ 106	\$ 89	\$ 80	\$ 73	\$ 69	\$ 66	\$ 61	\$ 54
Acquisitions	19	28	27	11	28	49	189	185	12	667
Share Repurchases *	(51)	21	(38)	236	54	18	256	165	26	(29)
	\$ 95	\$ 166	\$ 95	\$ 336	\$ 162	\$ 140	\$ 514	\$ 416	\$ 99	\$ 692

* Net of shares issued



Move | Measure | Mix | Control | Dispense | Spray

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