



1st Quarter 2022 Earnings Conference Call

April 28, 2022

Safe Harbor



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

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

Factors that could cause actual results to differ from anticipated results are identified in Item 1A of the Company's Form 10-K, and Item 1A of the most recent Quarterly Report on Form 10-Q and also the Company's Earnings Release dated April 27, 2022.

Conference Call Logistics

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The release, accompanying slides and replay webcast are available online at www.graco.com

Telephone replay will be available after 2 p.m. ET April 28, 2022.
The replay by telephone will be available through May 5, 2022.

- ▶ 855-859-2056 – Conference ID #2464642
- ▶ 404-537-3406 – with the same conference ID #,
for international participants

Financial Results

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Statement of Earnings

\$ in millions except per share amounts

Net Sales

Gross Profit

% of Net Sales

Operating Earnings

% of Net Sales

Net Earnings

% of Net Sales

Diluted Net Earnings Per Share

Diluted Shares in Millions

Net Earnings, Adjusted (1)

Diluted Net Earnings Per Share, Adjusted (1)

First Quarter		
2022	2021	Change
\$ 494.3	\$ 454.1	9 %
254.5	247.3	3 %
51.5%	54.5%	(3.0) pts
128.4	128.3	0 %
26%	28%	(2) pts
\$ 100.8	\$ 105.7	(5)%
20%	23%	(3) pts
\$ 0.58	\$ 0.61	(5)%
174.7	173.8	0 %
\$ 99.3	\$ 101.6	(2)%
\$ 0.57	\$ 0.58	(2)%

(1) Net earnings and diluted net earnings per share for 2022 and 2021 have been adjusted to provide a more consistent basis of comparison of on-going results. See page 5 for a reconciliation of the adjusted non-GAAP financial measures to GAAP.

Financial Results Adjusted for Comparability

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Excess tax benefit from stock option exercises has caused fluctuation in the Company's financial results. Excluding the impact of this benefit presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements follows:

Non-GAAP Reconciliation

In millions except per share amounts

Income taxes, as reported

Excess tax benefit from option exercises

Income taxes, adjusted

Effective income tax rate

As reported

Adjusted

Net earnings, as reported

Excess tax benefit from option exercises

Net earnings, adjusted

Weighted average diluted shares

Diluted earnings per share

As reported

Adjusted

		First Quarter		
		2022	2021	Change
\$	22.1	\$	20.0	11 %
	1.5		4.1	
\$	23.6	\$	24.1	(2)%
		18%	16%	
		19%	19%	
\$	100.8	\$	105.7	(5)%
	(1.5)		(4.1)	
\$	99.3	\$	101.6	(2)%
		174.7	173.8	
\$	0.58	\$	0.61	(5)%
\$	0.57	\$	0.58	(2)%

Net Sales

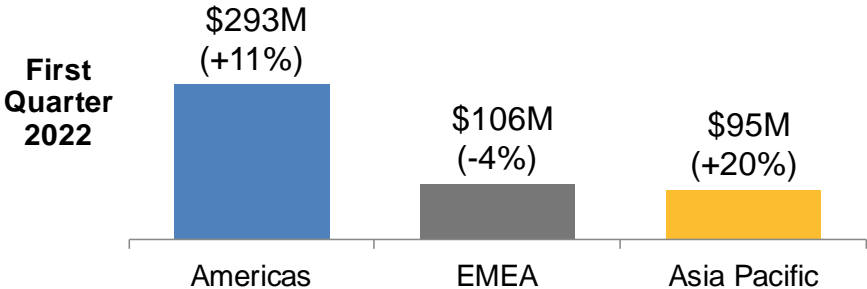


Components of Net Sales Change

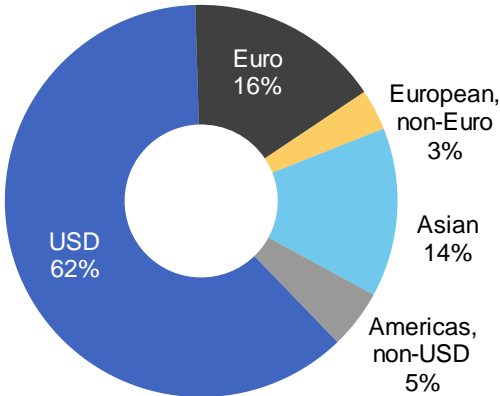
2022 First Quarter

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	14 %	26 %	1 %	11 %	0 %	22 %	10 %
Acquisitions	0 %	0 %	1 %	0 %	2 %	0 %	1 %
Currency	(3)%	0 %	(1)%	0 %	(6)%	(2)%	(2)%
Total	11 %	26 %	1 %	11 %	(4)%	20 %	9 %

Net Sales by Region



2022 Net Sales by Currency



Asian currencies include: AUD, CNY, JPY, KRW. European, non-euro currencies include: CHF, GBP, RON. Americas, non-USD currencies include: BRL, CAD, MXN.

Operating Earnings

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2021 Operating Earnings, as Reported (\$M and % of sales)

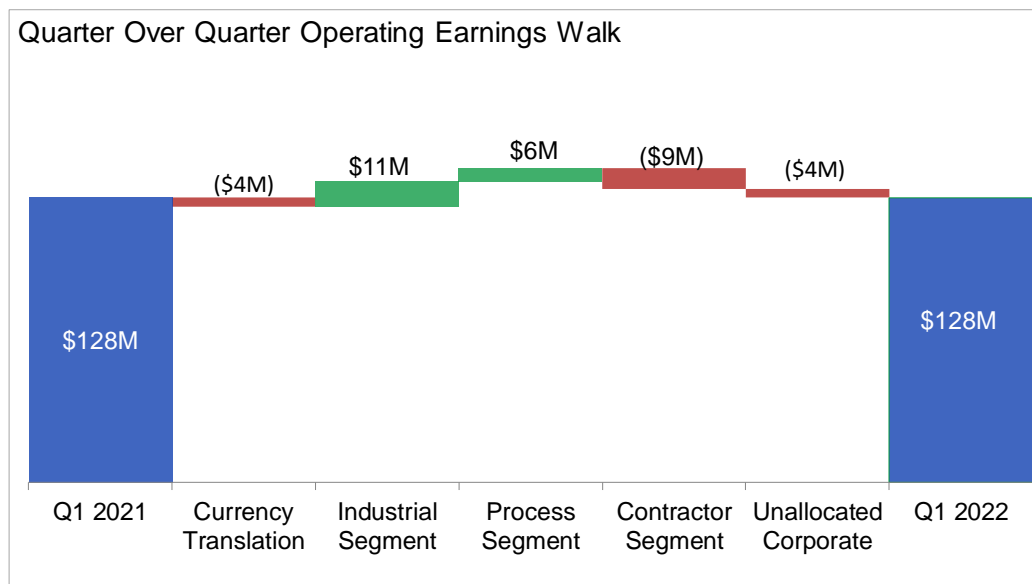
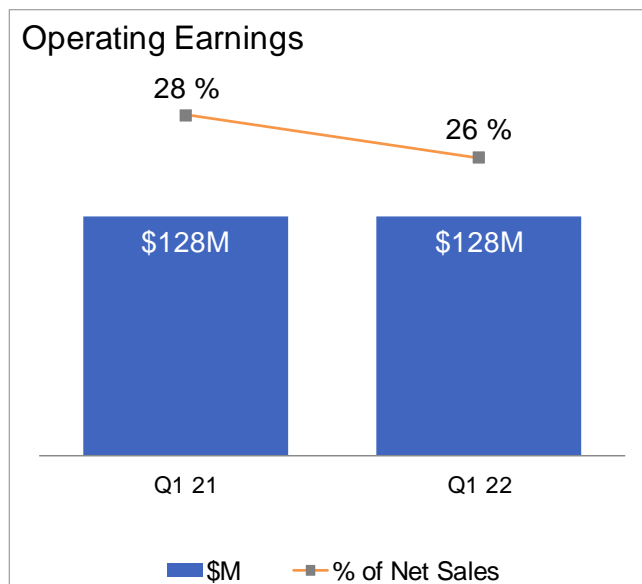
Translation effect

Product cost, pricing, sales volume

Volume effect on expense leverage

2022 Operating Earnings, as Reported (\$M and % of sales)

First Quarter		
\$	128	28 %
	(4)	0
	13	(3)
	(9)	1
\$	128	26 %



First Quarter 2022










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Net Sales	<ul style="list-style-type: none">▶ Up 9 percent from 2021, up 11% at consistent translation rates. Sales from acquired businesses contributed 1 percentage point
Gross Margin	<ul style="list-style-type: none">▶ Margin rate down 3 percentage points from first quarter 2021<ul style="list-style-type: none">▪ Realized pricing not enough to offset the unfavorable impact of higher product costs caused by ongoing supply chain and inflationary challenges▶ Margin dollars up on factory volume and realized pricing<ul style="list-style-type: none">▪ Pricing actions more than offset higher product cost
Operating Earnings	<ul style="list-style-type: none">▶ Comparable to first quarter 2021<ul style="list-style-type: none">▪ Increase in volume offset by higher costs, including allowances for credit losses on customer receivables in Russia and Belarus of \$3 million and unfavorable effect of currency translation
Interest Expense	<ul style="list-style-type: none">▶ Increased \$3 million<ul style="list-style-type: none">▪ Repaid \$75 million private placement debt. \$3.5M prepayment fee recorded in interest expense
Taxes	<ul style="list-style-type: none">▶ Adjusted effective tax rate for the first quarter was 19%, comparable to first quarter 2021<ul style="list-style-type: none">▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises

Outlook



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

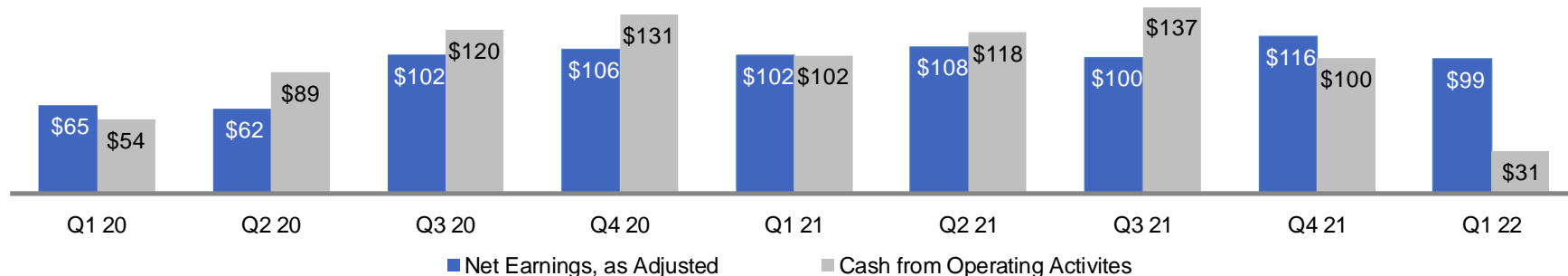
	Americas	EMEA	Asia Pacific	Total
Current Environment	Net Sales Change Q1 2022 10%	Net Sales Change Q1 2022 0%	Net Sales Change Q1 2022 22%	Net Sales Change Q1 2022 10%
Industrial Segment	 Net Sales Change Q1 2022 17%	 Net Sales Change Q1 2022 13%	 Net Sales Change Q1 2022 11%	Net Sales Change Q1 2022 14%
Process Segment	 Net Sales Change Q1 2022 20%	 Net Sales Change Q1 2022 19%	 Net Sales Change Q1 2022 51%	Net Sales Change Q1 2022 26%
Contractor Segment	 Net Sales Change Q1 2022 5%	 Net Sales Change Q1 2022 (17%)	 Net Sales Change Q1 2022 14%	Net Sales Change Q1 2022 1%
Full Year 2022 Outlook				Outlook Unchanged High Single-Digit

Underlying demand in our key end markets and geographies remain solid, however we are keeping a close eye on how economic and geopolitical conditions may impact the balance of the year, especially in EMEA. We confirm our full-year outlook of high single-digit growth on an organic, constant currency basis.

Cash Flow and Liquidity



Net Earnings, as Adjusted, and Cash from Operating Activities
\$ in millions



Significant Uses of Cash (\$M)

	2022	2021
Share Repurchases, Net of Issued	\$ 89	\$ -
Net Payments on Debt	78	-
Capital Expenditures	47	21
Dividends	36	32
Acquisitions	25	-

- ▶ Net cash provided by operating activities was \$31 million in first quarter 2022 vs. \$102 million in first quarter 2021
 - Inventory increased to meet higher demand; higher incentive payout reduced net cash from operations in first quarter. Remaining working cash items in line with volume
- ▶ Capital expenditures of \$47 million, including \$29 million on expansion projects
- ▶ Repurchased 1.5 million shares in the first quarter. Shares repurchased, net of shares issued, \$89 million
- ▶ Debt, including notes payable, was \$115 million – down \$78 million from December 2021
 - Repaid \$75 million of private placement debt plus \$3.5 million prepayment fee which was recognized in interest expense in the first quarter of 2022

Other Discussion Items

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Organizational Structure	<ul style="list-style-type: none"> ▶ Effective January 1, 2022, our high performance coatings and foam product offerings within the Industrial segment were realigned and are now managed under the Contractor segment. Prior year segment information restated to conform to the current organizational structure
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 \$30 - \$32 million
Shares	<ul style="list-style-type: none"> ▶ 1.5 million shares were repurchased first quarter 2022. We may make opportunistic purchases going forward
Currency	<ul style="list-style-type: none"> ▶ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2021, the movement in foreign currencies would have an unfavorable impact of approximately 2% on net sales and 4% on earnings in 2022
Taxes	<ul style="list-style-type: none"> ▶ We anticipate the effective tax rate for the second quarter and the full year 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
Russia	<ul style="list-style-type: none"> ▶ Sales to Russia and Belarus accounted for approximately 1½% of total net sales. During first quarter 2022, we recognized credit loss allowances of \$3 million
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

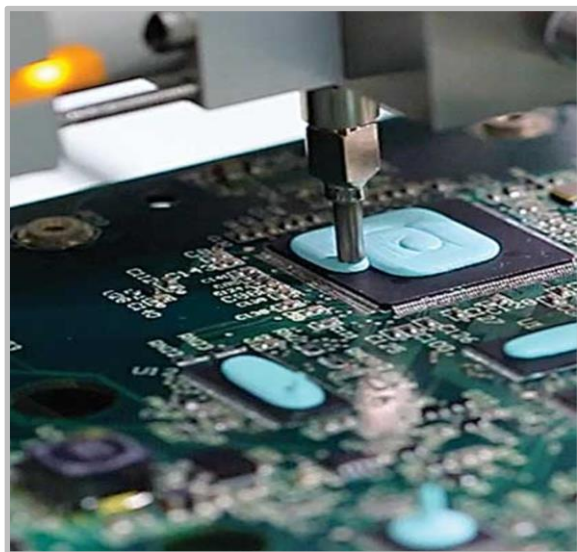
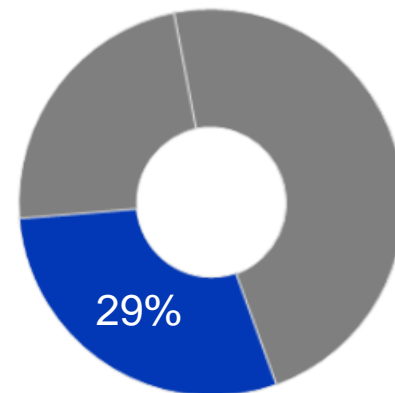
Industrial Segment Results



\$ in millions

	First Quarter		
	2022	2021	Change
Net Sales			
Americas	\$ 54	\$ 46	17%
EMEA	48	45	6
Asia Pacific	43	39	11
Total	\$ 145	\$ 130	11%
Operating Earnings	\$ 53	\$ 42	24%
% of sales	36 %	33 %	

March 2022 Industrial Segment Net Sales as % of Graco



Components of Net Sales Change

	Q1 2022	Q1 2022	
Americas		Asia Pacific	
Volume & Price	17 %	Volume & Price	11 %
Acquisitions	0 %	Acquisitions	0 %
Currency	0 %	Currency	0 %
Total	17 %	Total	11 %
EMEA		Segment Total	
Volume & Price	13 %	Volume & Price	14 %
Acquisitions	0 %	Acquisitions	0 %
Currency	(7)%	Currency	(3)%
Total	6 %	Total	11 %

Industrial Segment Results

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Change in % of net sales

2021 Operating Earnings

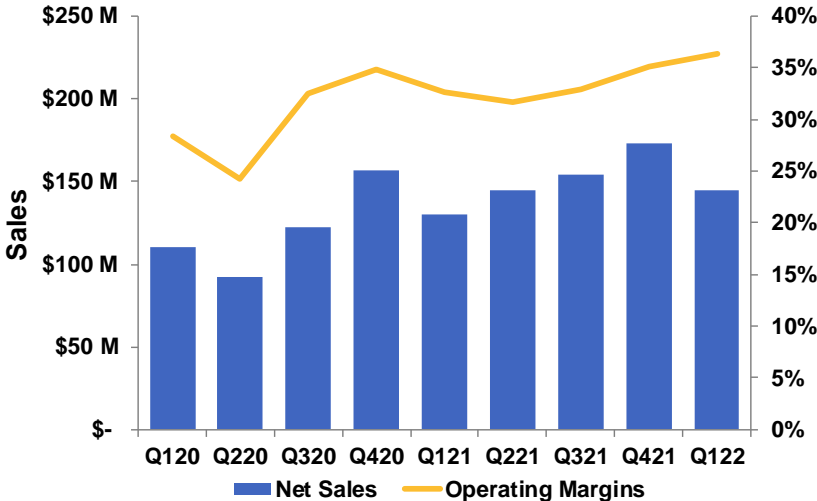
Currency Translation

Volume effect on expense leverage

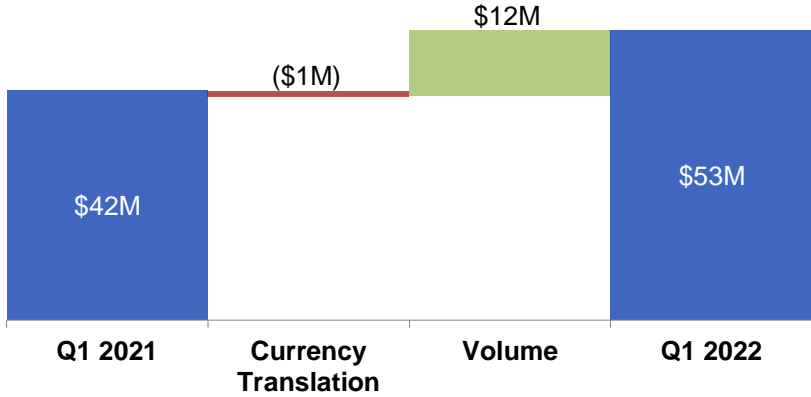
2022 Operating Earnings

First Quarter	
	33 %
	(1)
	4
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	36 %
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Industrial Segment Net Sales and Operating Margins



Industrial Segment Operating Earnings QTD



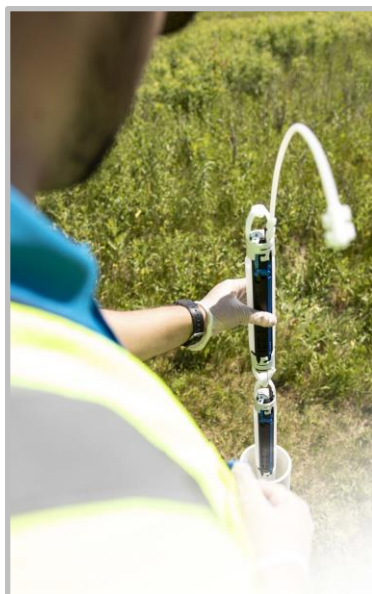
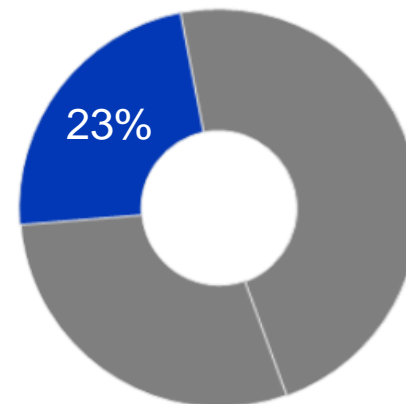
Process Segment Results



\$ in millions

	First Quarter		
	2022	2021	Change
Net Sales			
Americas	\$ 68	\$ 57	20%
EMEA	17	14	16
Asia Pacific	30	20	49
Total	\$ 115	\$ 91	26%
Operating Earnings	\$ 27	\$ 22	26 %
% of sales	24 %	24 %	

March 2022 Process Segment Net Sales as % of Graco



Components of Net Sales Change

	Q1 2022
Americas	
Volume & Price	20 %
Acquisitions	0 %
Currency	0 %
Total	20 %

EMEA	
Volume & Price	19 %
Acquisitions	0 %
Currency	(3)%
Total	16 %

	Q1 2022
Asia Pacific	
Volume & Price	51 %
Acquisitions	0 %
Currency	(2)%
Total	49 %

Segment Total	
Volume & Price	26 %
Acquisitions	0 %
Currency	0 %
Total	26 %

Process Segment Results



Change in % of net sales

2021 Operating Earnings

Currency translation

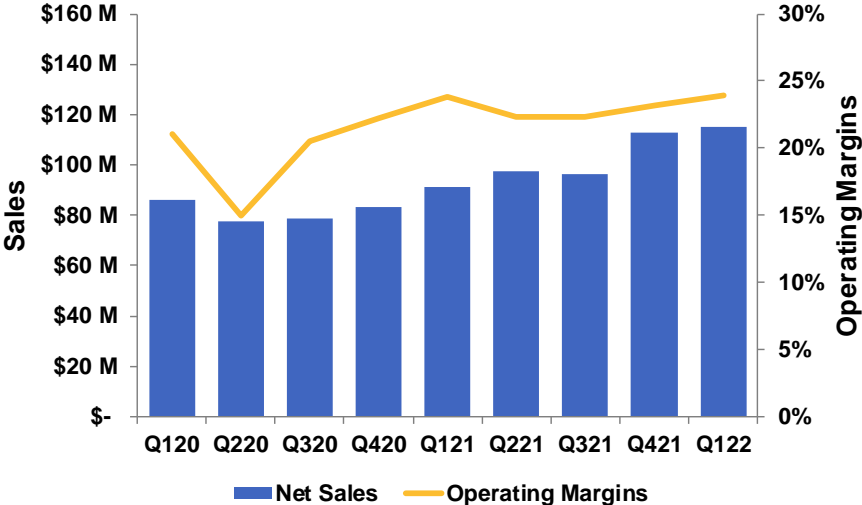
Product cost and product and channel mix

Volume effect on expense leverage

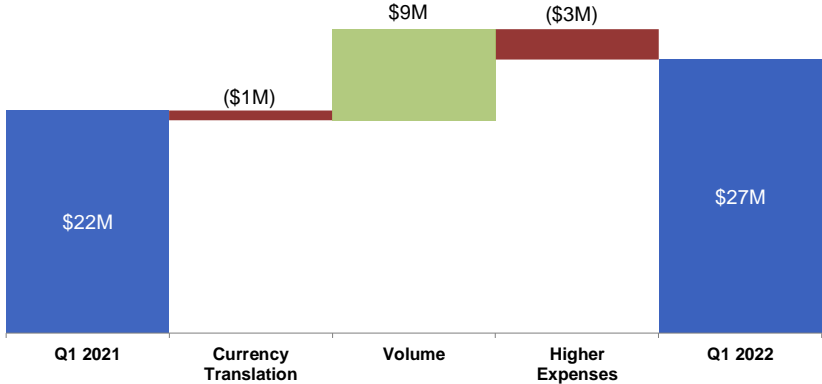
2022 Operating Earnings

First Quarter	
	24 %
	(1)
	(3)
	4
	24 %

Process Segment Net Sales and Operating Margins



Process Segment Operating Earnings QTD



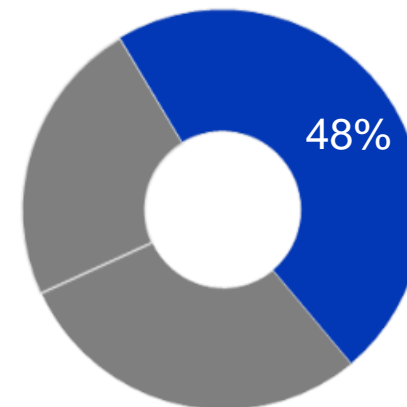
Contractor Segment Results



\$ in millions

	First Quarter		
	2022	2021	Change
Net Sales			
Americas	\$ 171	\$ 162	5 %
EMEA	41	50	(18)
Asia Pacific	22	21	11
Total	\$ 234	\$ 233	1 %
Operating Earnings	\$ 59	\$ 71	(17)%
% of sales	25 %	31 %	

March 2022 Contractor Segment Net Sales as % of Graco



Components of Net Sales Change

	Q1 2022	Q1 2022
Americas		
Volume & Price	5 %	
Acquisitions	0 %	
Currency	0 %	
Total	5 %	
Asia Pacific		
Volume & Price		14 %
Acquisitions		0 %
Currency		(3)%
Total		11 %
EMEA		
Volume & Price	(17)%	
Acquisitions	4 %	
Currency	(5)%	
Total	(18)%	
Segment Total		
Volume & Price		1 %
Acquisitions		1 %
Currency		(1)%
Total		1 %

Contractor Segment Results



Change in % of net sales

2021 Operating Earnings

Currency translation

Product cost and product and channel mix

Volume effect on expense leverage

2022 Operating Earnings

First Quarter

31 %

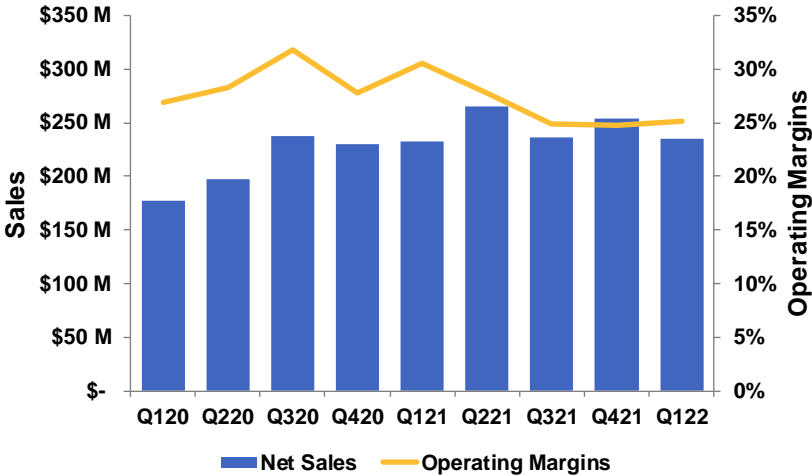
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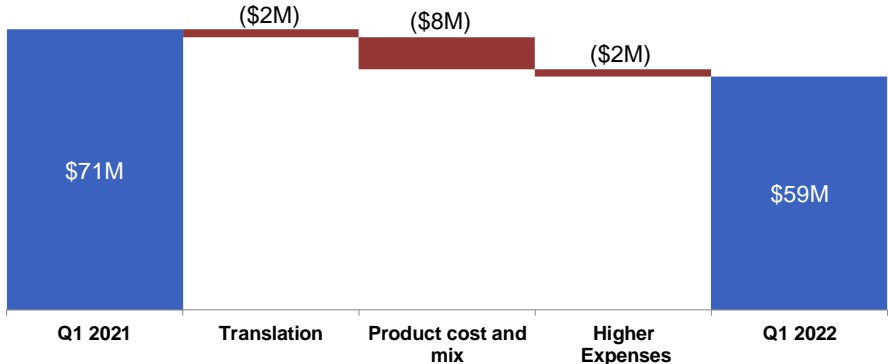
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25 %

Contractor Segment Net Sales and Operating Margins



Contractor Segment Operating Earnings QTD





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