



4th Quarter 2021 Earnings Conference Call

February 1, 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 January 31, 2022.

Conference Call Logistics

//////////

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

Telephone replay will be available after 2 p.m. ET February 1, 2022. The replay by telephone will be available through 2 p.m. ET February 8, 2022.

- ▶ 855-859-2056 – Conference ID #7385629
- ▶ 404-537-3406 – with the same conference ID #, for international participants

Financial Results

////////////////////

Statement of Earnings

\$ in millions except per share amounts

Net Sales

Fourth Quarter			Full Year		
2021	2020	Change	2021	2020	Change
\$ 539.6	\$ 470.3	15 %	\$1,987.6	\$1,650.1	20 %

Gross Profit

% of Net Sales

274.5	244.8	12 %	1,033.9	854.9	21 %
50.9%	52.1%	(1.2) pts	52.0%	51.8%	0.2 pts

Operating Earnings

% of Net Sales

144.6	132.1	9 %	531.3	391.7	36 %
27%	28%	(1) pts	27%	24%	3 pts

Net Earnings

% of Net Sales

\$ 120.3	\$ 114.7	5 %	\$ 439.9	\$ 330.5	33 %
22%	24%	(2) pts	22%	20%	2 pts

Diluted Net Earnings Per Share

Diluted Shares in Millions

\$ 0.69	\$ 0.66	5 %	\$ 2.52	\$ 1.92	31 %
174.9	173.2	1 %	174.5	172.0	1 %

Operating Earnings, Adjusted (1)

Net Earnings, Adjusted (1)

Diluted Net Earnings Per Share, Adjusted (1)

\$ 144.6	\$ 132.1	9 %	\$ 531.3	\$ 426.9	24 %
\$ 115.8	\$ 106.0	9 %	\$ 425.7	\$ 335.2	27 %
\$ 0.66	\$ 0.61	8 %	\$ 2.44	\$ 1.95	25 %

(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 page 5 for a reconciliation of the adjusted non-GAAP financial measures to GAAP.

Financial Results Adjusted for Comparability

//////////

Certain items have caused fluctuation in the Company's financial results. Excluding the impacts of these items 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	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 %

Net Sales



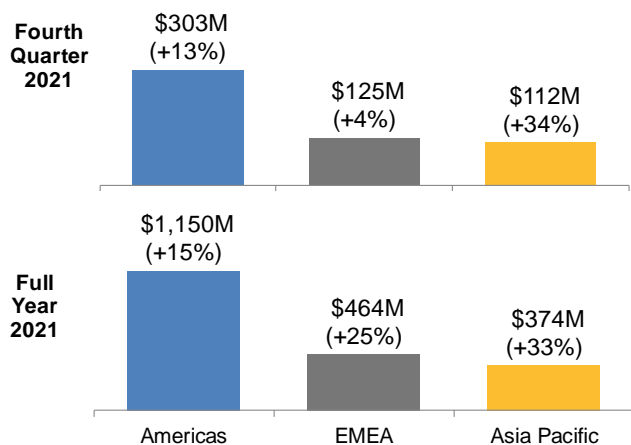
2021 Fourth Quarter

	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 %

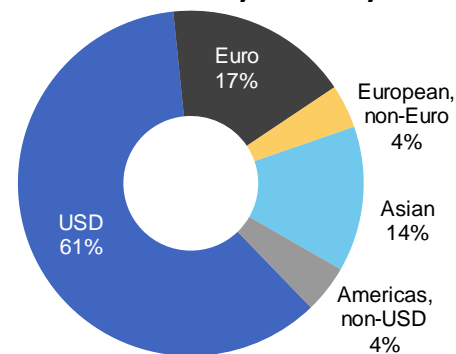
2021 Full Year

	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 %

Net Sales by Region



2021 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

////////////////////

2020 Operating Earnings, as Reported (\$M and % of sales)

Non-cash impairment

2020 Operating Earnings, as Adjusted

Translation effect

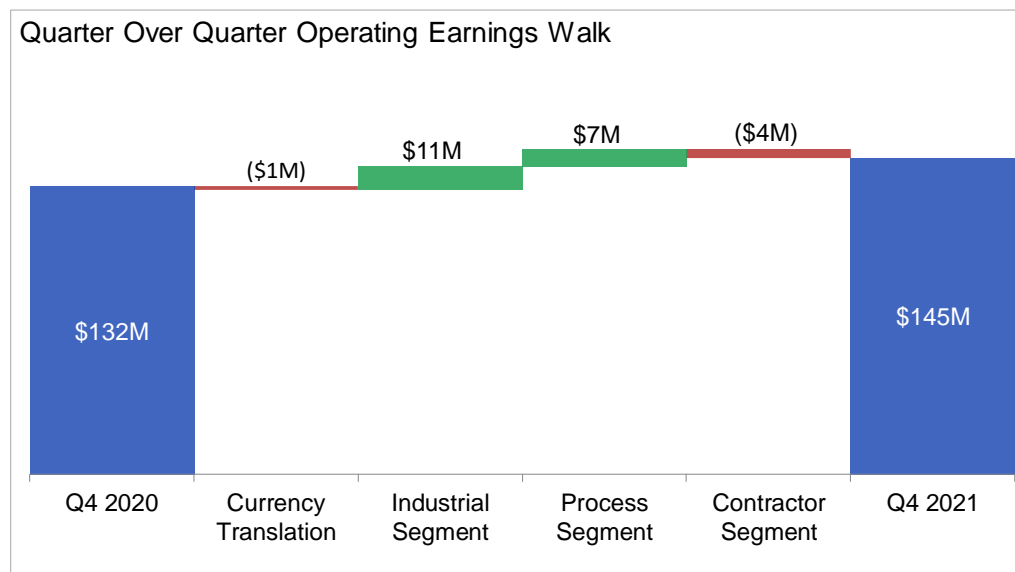
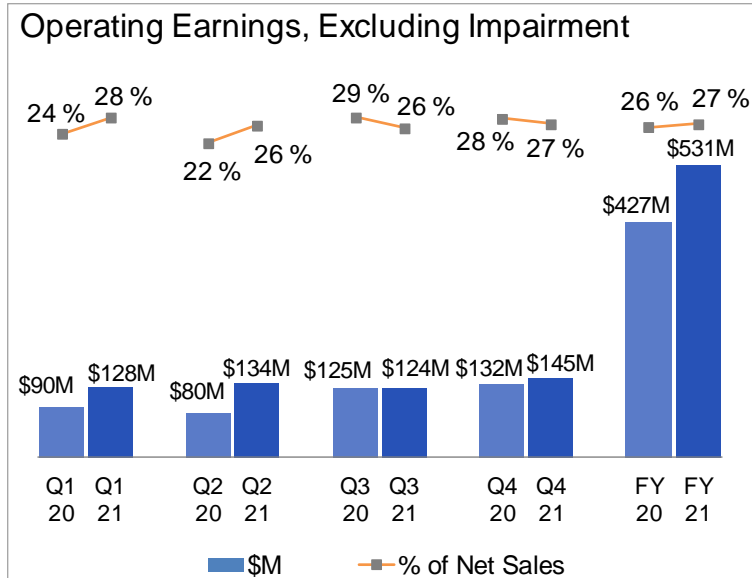
Volume, product cost and mix

Increase in sales and earnings-based costs

Volume effect on expense leverage

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

Fourth Quarter		Full Year			
\$	132	28 %	\$	392	24 %
	-	0		35	2
\$	132	28 %	\$	427	26 %
	(1)	0		15	1
	31	(1)		164	0
	(3)	(1)		(37)	(2)
	(14)	1		(38)	2
\$	145	27 %	\$	531	27 %



Fourth Quarter 2021

////////////////

<p>Net Sales</p>	<ul style="list-style-type: none"> ▶ Up 15 percent from 2020, the same at consistent translation rates
<p>Gross Margin</p>	<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
<p>Operating Earnings</p>	<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
<p>Other Expense</p>	<ul style="list-style-type: none"> ▶ Increased \$13 million <ul style="list-style-type: none"> ▪ Non-cash pension settlement loss of \$12 million
<p>Taxes</p>	<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

Full Year 2021



<p>Net Sales</p>	<ul style="list-style-type: none"> ▶ Up 20 percent from 2020, up 19 percent at consistent translation rates
<p>Gross Margin</p>	<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
<p>Operating Earnings</p>	<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
<p>Other Expense</p>	<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
<p>Taxes</p>	<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

Outlook

////////////////////

2021 Organic Net Sales by Segment - Compared to 2020










	October	November	December	Bookings
	33%	5%	4%	6 Week Avg.
Industrial Segment	33%	5%	4%	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

Outlook

////////////////////

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

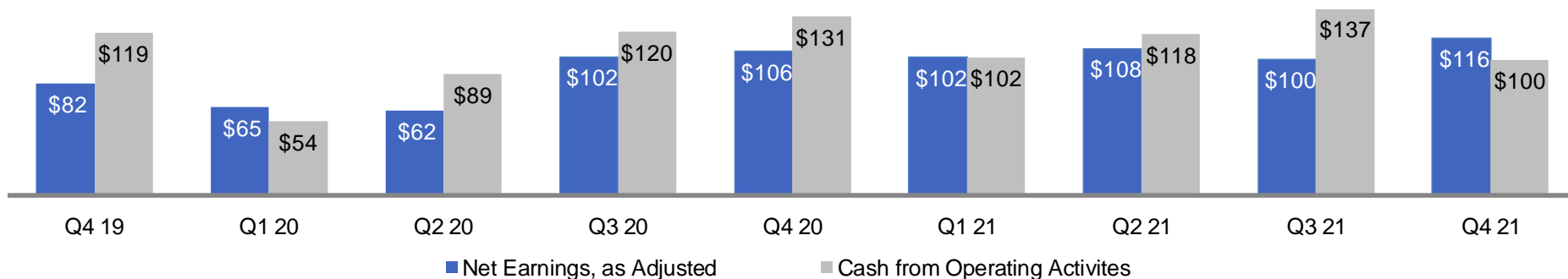
	Americas	EMEA	Asia Pacific	Total
Current Environment	Sales Growth Q4 2021 13% Full Year 15%	Sales Growth Q4 2021 6% Full Year 21%	Sales Growth Q4 2021 33% Full Year 30%	Sales Growth Q4 2021 15% Full Year 19%
Industrial Segment	 Sales Growth Q4 2021 17% Full Year 20%	 Sales Growth Q4 2021 (2%) Full Year 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.

Cash Flow and Liquidity



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



2021 Significant Uses of Cash (\$M)

	2021	2020
Capital Expenditures	\$ 134	\$ 71
Dividends	127	117
Pension Contribution	20	20
Acquisitions	19	28
Share Repurchases, Net of Issued	-	21
Net Payments on Debt	-	2

- ▶ Net cash provided by operating activities was \$457 million in 2021 vs. \$394 million in 2020
 - Changes in working capital elements are in line with increased volumes
- ▶ Capital expenditures of \$134 million, including \$71 million on expansion projects
- ▶ The Company made a \$20 million voluntary contribution to a U.S. pension plan in the fourth quarters of 2021 and 2020
- ▶ Debt, including notes payable, was \$193 million – up \$21 million from December 2020
 - Interest expense for the year was \$10 million compared to \$11 million last year

Other Discussion 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 Discussion 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

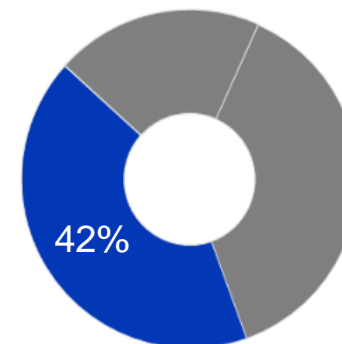
Industrial Segment Results

////////////////////

\$ in millions

	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Net Sales						
Americas	\$ 100	\$ 86	17%	\$ 354	\$ 295	20%
EMEA	72	73	(2)	257	207	24
Asia Pacific	68	54	26	229	176	30
Total	\$ 240	\$ 213	13%	\$ 840	\$ 678	24%
Operating Earnings	\$ 89	\$ 79	13%	\$ 297	\$ 227	31 %
% of sales	37 %	37 %		35 %	33 %	

2021 Industrial Segment Net Sales as % of Graco



Components of Net Sales Change

	Q4 2021	Full Year 2021		Q4 2021	Full Year 2021
Americas			Asia Pacific		
Volume & Price	17 %	20 %	Volume & Price	26 %	25 %
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	0 %	0 %	Currency	0 %	5 %
Total	17 %	20 %	Total	26 %	30 %
EMEA			Segment Total		
Volume & Price	(2)%	19 %	Volume & Price	13 %	21 %
Acquisitions	3 %	2 %	Acquisitions	1 %	1 %
Currency	(3)%	3 %	Currency	(1)%	2 %
Total	(2)%	24 %	Total	13 %	24 %

Industrial Segment Results

////////////////

Change in % of net sales

2020 Operating Earnings

Currency Translation

Volume and product and channel mix

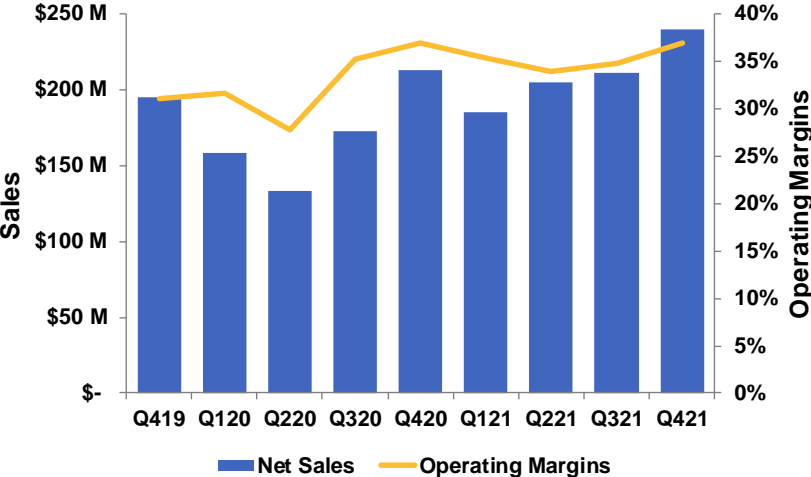
Increase in sales and earnings-based costs

Volume effect on expense leverage

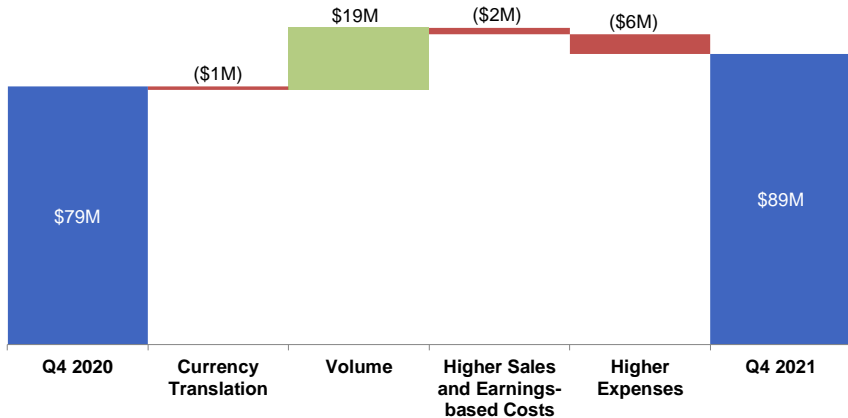
2021 Operating Earnings

Fourth Quarter	Full Year
37 %	33 %
0	1
1	1
(1)	(2)
0	2
37 %	35 %

Industrial Segment Net Sales and Operating Margins



Industrial Segment Operating Earnings QTD



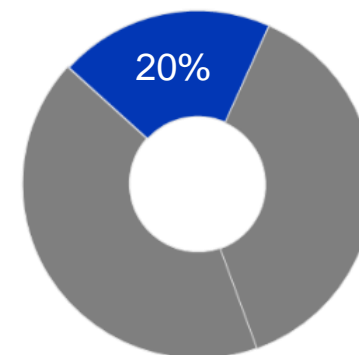
Process Segment Results



\$ in millions

	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Net Sales						
Americas	\$ 68	\$ 53	27%	\$ 243	\$ 206	18%
EMEA	15	12	25	60	53	13
Asia Pacific	30	18	67	95	67	43
Total	\$ 113	\$ 83	35%	\$ 398	\$ 326	22%
Operating Earnings	\$ 26	\$ 19	41 %	\$ 91	\$ 65	41 %
% of sales	23 %	22 %		23 %	20 %	

2021 Process Segment Net Sales as % of Graco



Components of Net Sales Change

	Q4 2021	Full Year 2021		Q4 2021	Full Year 2021
Americas			Asia Pacific		
Volume & Price	27 %	17 %	Volume & Price	67 %	48 %
Acquisitions & Divestitures	0 %	0 %	Acquisitions & Divestitures	0 %	(10)%
Currency	0 %	1 %	Currency	0 %	5 %
Total	27 %	18 %	Total	67 %	43 %
EMEA			Segment Total		
Volume & Price	25 %	14 %	Volume & Price	35 %	23 %
Acquisitions & Divestitures	0 %	(5)%	Acquisitions & Divestitures	0 %	(3)%
Currency	0 %	4 %	Currency	0 %	2 %
Total	25 %	13 %	Total	35 %	22 %

Process Segment Results

////////////////////

Change in % of net sales

2020 Operating Earnings

Product cost, product and channel mix

Effect of acquired and divested business operations

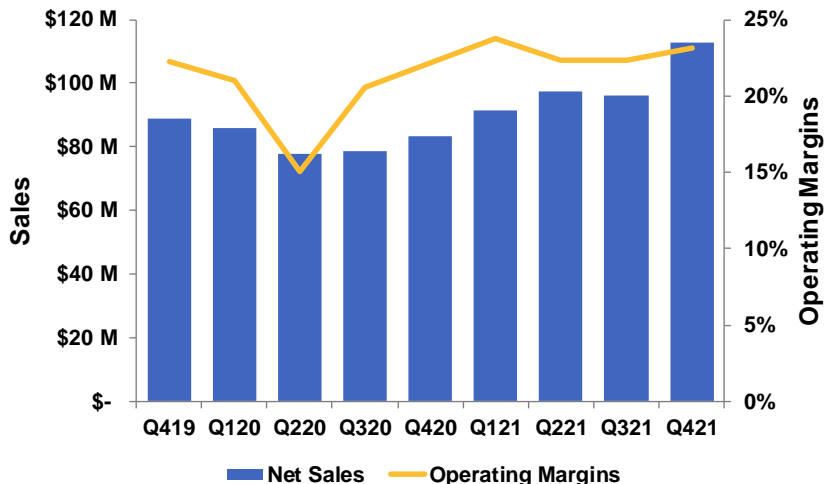
Increase in sales and earnings-based costs

Volume effect on expense leverage

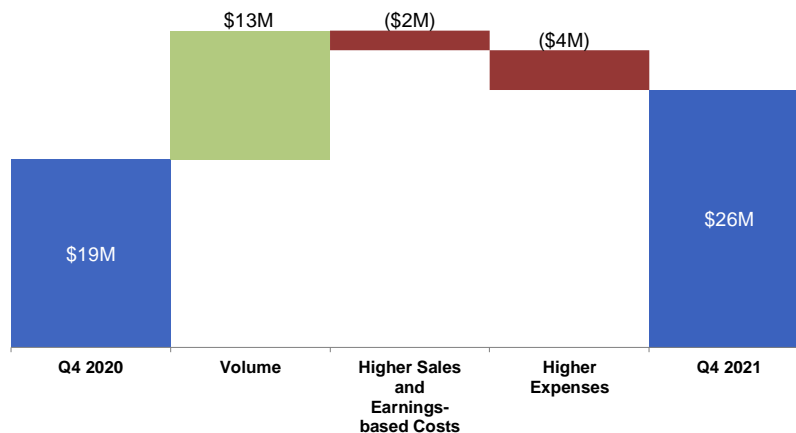
2021 Operating Earnings

	Fourth Quarter	Full Year
	22 %	20 %
	(2)	0
	0	1
	(2)	(2)
	5	4
	23 %	23 %

Process Segment Net Sales and Operating Margins



Process Segment Operating Earnings QTD



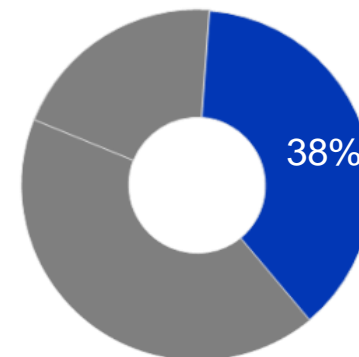
Contractor Segment Results



\$ in millions

	Fourth Quarter			Full Year		
	2021	2020	Change	2021	2020	Change
Net Sales						
Americas	\$ 135	\$ 128	5%	\$ 553	\$ 496	12%
EMEA	38	34	11	147	111	32
Asia Pacific	14	12	19	50	39	27
Total	\$ 187	\$ 174	7%	\$ 750	\$ 646	16%
Operating Earnings	\$ 35	\$ 40	(12)%	\$ 170	\$ 165	3%
% of sales	19 %	23 %		23 %	25 %	

2021 Contractor Segment Net Sales as % of Graco



Components of Net Sales Change

	Q4 2021	Full Year 2021		Q4 2021	Full Year 2021
Americas			Asia Pacific		
Volume & Price	5 %	11 %	Volume & Price	20 %	21 %
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	0 %	1 %	Currency	(1)%	6 %
Total	5 %	12 %	Total	19 %	27 %
EMEA			Segment Total		
Volume & Price	14 %	28 %	Volume & Price	8 %	15 %
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	(3)%	4 %	Currency	(1)%	1 %
Total	11 %	32 %	Total	7 %	16 %

Contractor Segment Results

////////////////////

Change in % of net sales

2020 Operating Earnings

Currency translation

Product cost and product and channel mix

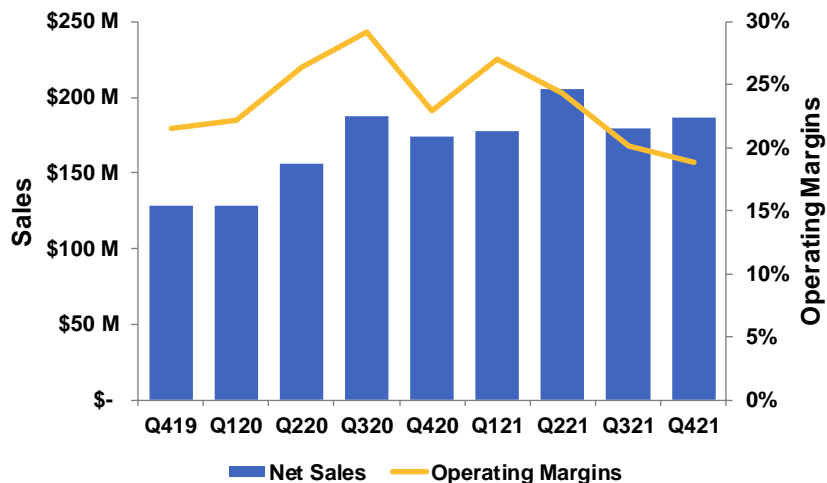
Increase in sales and earnings-based costs

Volume effect on expense leverage

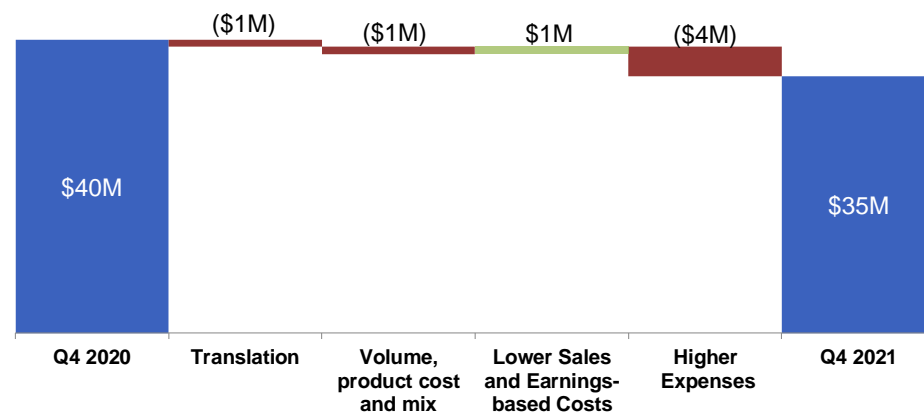
2021 Operating Earnings

	Fourth Quarter	Full Year
	23 %	25 %
	0	1
	(4)	(2)
	0	(2)
	0	1
	19 %	23 %

Contractor Segment Net Sales and Operating Margins



Contractor Segment Operating Earnings QTD





MOVE / MEASURE / MIX / CONTROL / DISPENSE / SPRAY

WORLDWIDE LEADERS IN FLUID HANDLING

www.graco.com