



Investor Presentation

Third Quarter 2020



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.

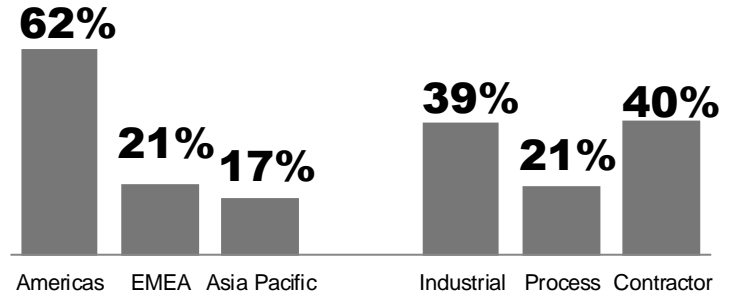
Distribution of Global Sales



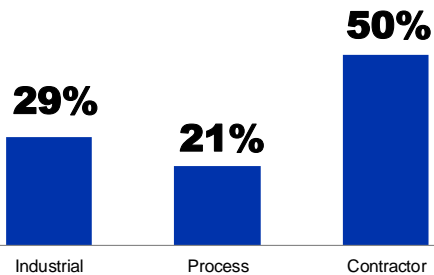
Worldwide

\$1,180 M

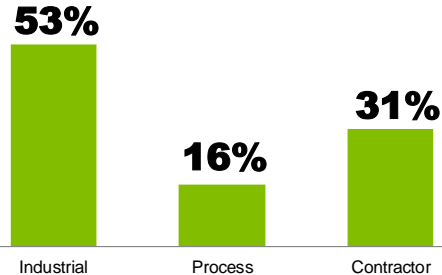
September 2020
Year to Date



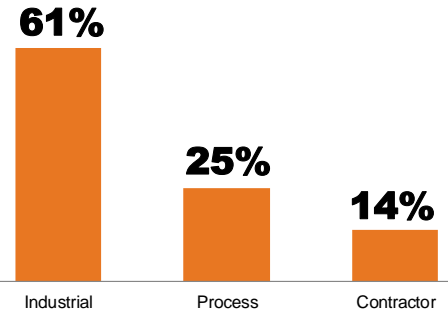
Americas



EMEA

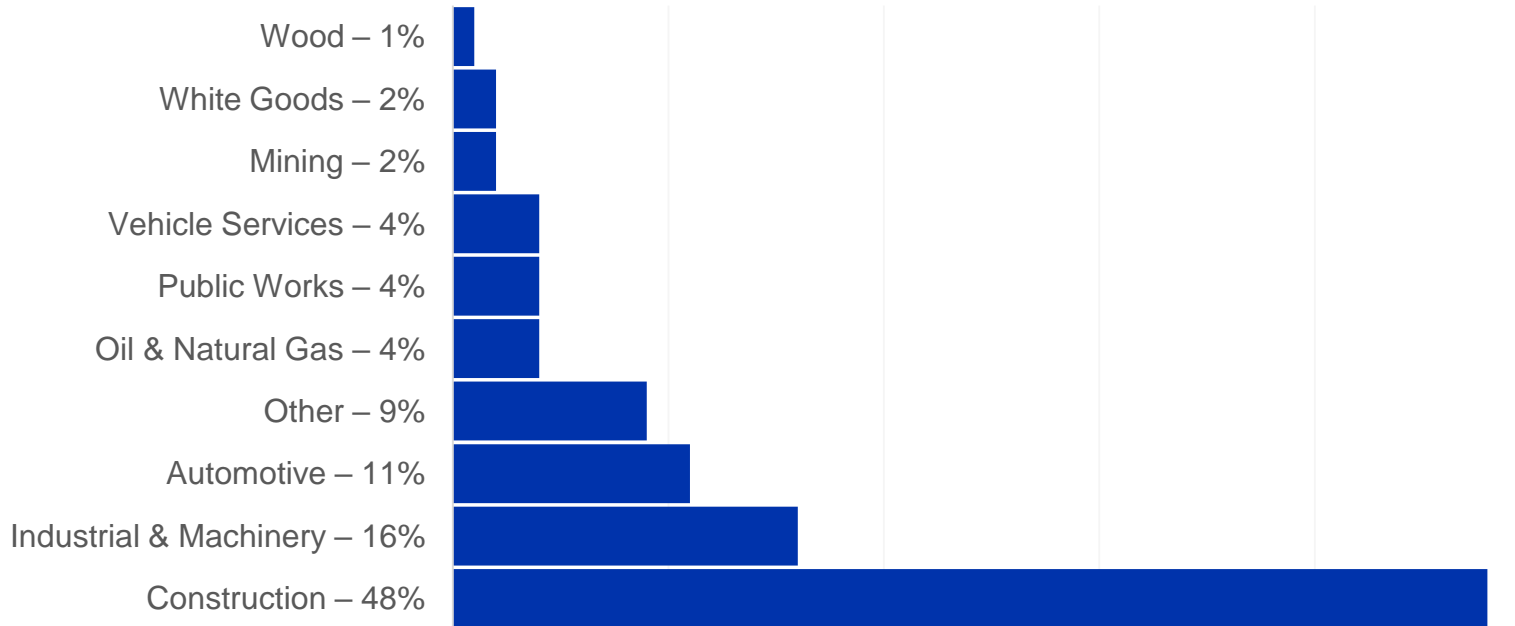


Asia Pacific



2019 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		2019 Sales (\$ in millions)	
0 - 1	63,700	93%	\$ 846	51%
2 - 5	2,800	4%	\$ 258	16%
6 - 10	800	1%	\$ 126	8%
11 - 15	300	0%	\$ 51	3%
Greater than 15	800	1%	\$ 365	22%
Graco 2019	68,400		\$1,646	

Highly-valued products at low volumes

51%

of our revenue comes from products that we sell

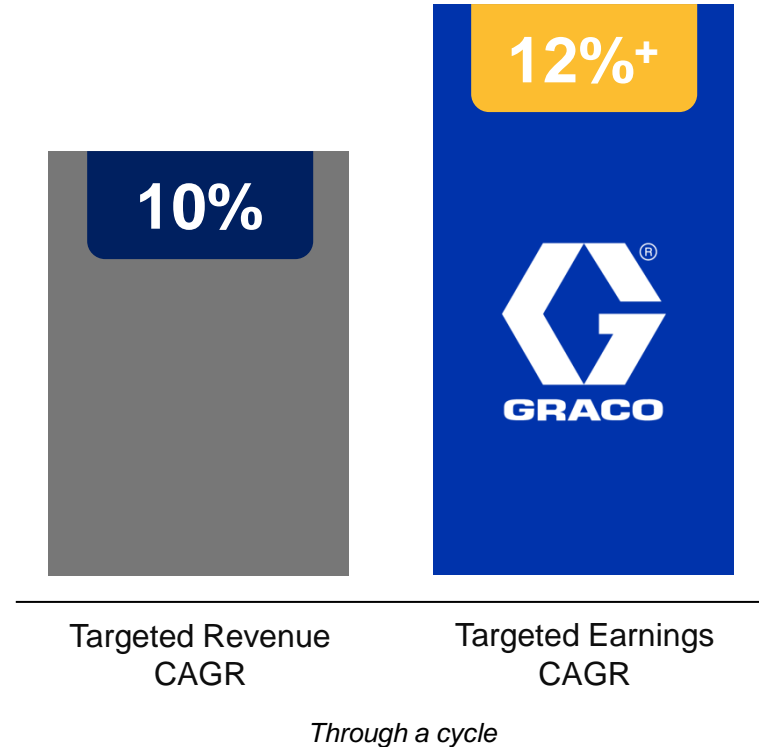
zero to one per day

Growth Plans and Earnings Drivers

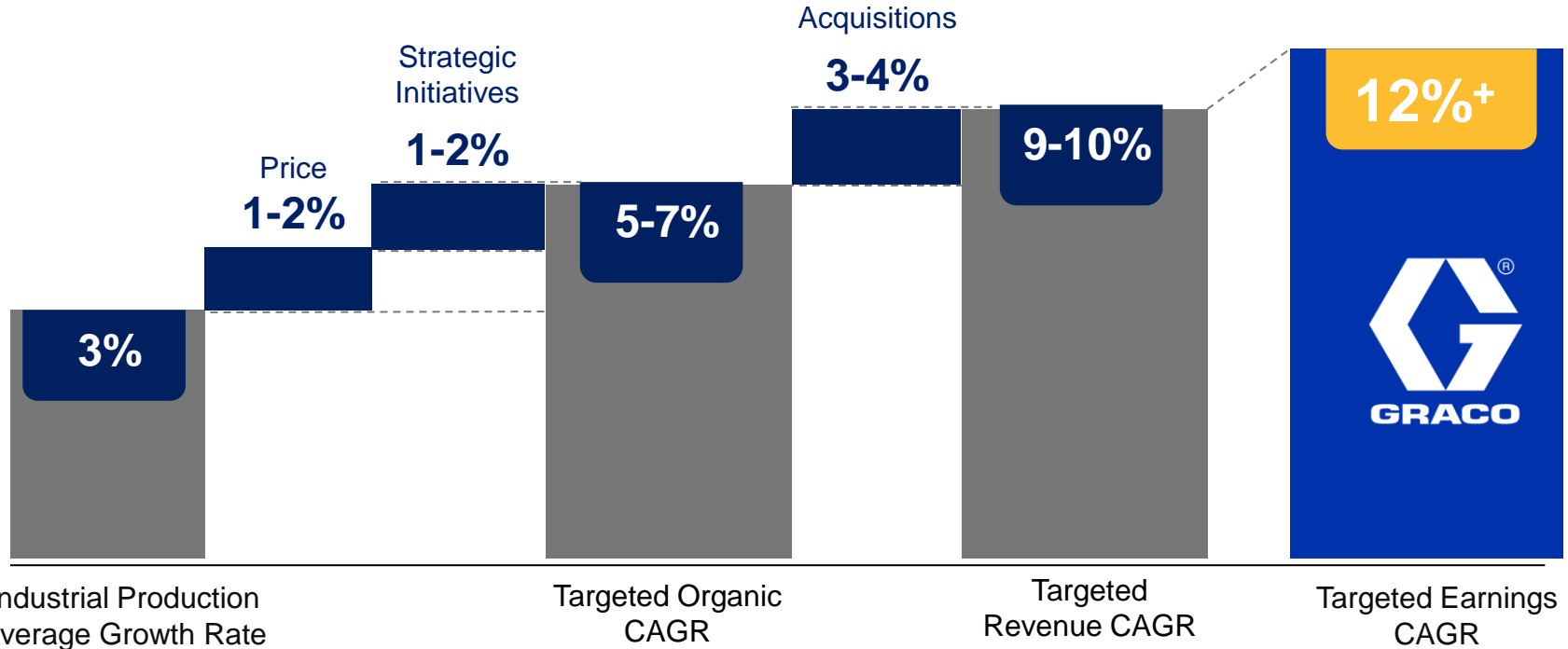


Strategic Initiatives

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



Growth Plans and Earnings Drivers





Exceptional Returns

5.5%+

Organic Revenue CAGR

30%

Return on Invested Capital

44%

Return on Equity

20%

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
2.6x*
our peer group

4.2%*
as a percent of sales
versus peers at 1.6%

* Peers: ITW, CSL, DOV, CFX, IEX, NDSN, WTS, FLS, based on a 5-year average, 2015 - 2019.

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 2020, Nine Months

\$465M

▼ Segment Revenue

-15%

▼ Organic

32%

▼ Operating Margin
- 200 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 2020, Nine Months

\$243M

▼ Segment Revenue

-11%

▼ Organic

19%

▼ Operating Margin
-300 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 2020, Nine Months

\$472M



Segment Revenue

11%



Organic

26%



Operating Margin
+200 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

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

-4%

Revenue

51.7%

Gross Margin

-17%

EPS

-17%

Net Income

(As Reported)

Financial Results

Statement of Earnings

\$ in millions except per share amounts

	Third Quarter			September Year-to-Date		
	2020	2019	Change	2020	2019	Change
Sales	\$ 439.3	\$ 400.6	10 %	\$1,179.8	\$1,233.8	(4)%
Gross Profit	229.0	207.4	10 %	610.1	650.4	(6)%
% of Sales	52.1%	51.8%	0.3 pts	51.7%	52.7%	(1.0) pts
Operating Earnings	125.0	103.4	21 %	259.6	320.3	(19)%
% of Sales	28%	26%	2 pts	22%	26%	(4) pts
Net Earnings	\$ 114.1	\$ 84.1	36 %	\$ 215.8	\$ 259.0	(17)%
% of Sales	26%	21%	5 pts	18%	21%	(3) pts
Diluted Earnings Per Share	\$ 0.66	\$ 0.49	35 %	\$ 1.26	\$ 1.51	(17)%
Diluted Shares in Millions	171.7	171.8	(0)%	171.6	171.6	0 %
Operating Earnings, Adjusted (1)	\$ 125.3	\$ 103.4	21 %	\$ 294.8	\$ 320.3	(8)%
Net Earnings, Adjusted (1)	\$ 101.8	\$ 77.4	32 %	\$ 229.2	\$ 243.4	(6)%
Diluted Earnings Per Share, Adjusted (1)	\$ 0.59	\$ 0.45	31 %	\$ 1.34	\$ 1.42	(6)%

(1) Operating earnings, net earnings and diluted earnings per share for 2020 and 2019 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 impairment charges, excess tax benefits related to stock option exercises and certain 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 earnings per share follows:

Non-GAAP Reconciliation

\$ in millions except per share amounts

Operating earnings, as reported

Impairment

Operating earnings, adjusted

Income taxes, as reported

Impairment tax benefit

Excess tax benefit from option exercises

Other non-recurring tax benefit

Income taxes, adjusted

Effective income tax rate

As reported

Adjusted

Net earnings, as reported

Impairment, net

Excess tax benefit from option exercises

Other non-recurring tax benefit

Net earnings, adjusted

Weighted average diluted shares, in millions

Diluted earnings per share

As reported

Adjusted

	Third Quarter			September Year-to-Date		
	2020	2019	Change	2020	2019	Change
Operating earnings, as reported	\$ 125.0	\$ 103.4	21 %	\$ 259.6	\$ 320.3	(19)%
Impairment	0.3	-		35.2	-	
Operating earnings, adjusted	\$ 125.3	\$ 103.4	21 %	\$ 294.8	\$ 320.3	(8)%
Income taxes, as reported	\$ 6.9	\$ 12.7	(46)%	\$ 29.4	\$ 46.3	(37)%
Impairment tax benefit	-	-		1.2	-	
Excess tax benefit from option exercises	4.6	0.7		12.6	8.1	
Other non-recurring tax benefit	8.0	6.0		8.0	7.5	
Income taxes, adjusted	\$ 19.5	\$ 19.4	1 %	\$ 51.2	\$ 61.9	(17)%
Effective income tax rate						
As reported	6%	13%		12%	15%	
Adjusted	16%	20%		18%	20%	
Net earnings, as reported	\$ 114.1	\$ 84.1	36 %	\$ 215.8	\$ 259.0	(17)%
Impairment, net	0.3	-		34.0	-	
Excess tax benefit from option exercises	(4.6)	(0.7)		(12.6)	(8.1)	
Other non-recurring tax benefit	(8.0)	(6.0)		(8.0)	(7.5)	
Net earnings, adjusted	\$ 101.8	\$ 77.4	32 %	\$ 229.2	\$ 243.4	(6)%
Weighted average diluted shares, in millions	171.7	171.8		171.6	171.6	
Diluted earnings per share						
As reported	\$ 0.66	\$ 0.49	35 %	\$ 1.26	\$ 1.51	(17)%
Adjusted	\$ 0.59	\$ 0.45	31 %	\$ 1.34	\$ 1.42	(6)%

Non-cash Impairment

- ▶ In the second quarter, the Company entered into negotiations to sell its U.K.-based valve business ("Alco"), which has significant exposure to oil and natural gas markets, and has accumulated operating losses since acquired in 2014. Alco operations contributed \$7 million of sales and \$2 million in operating losses for the year to date and are included within the Company's Process segment
- ▶ Based on the negotiations to sell, the Company revalued its investment in Alco during the second quarter, recording non-cash impairment charges of \$35 million, including \$24 million of previously unrealized foreign currency translation losses recorded in accumulated other comprehensive income
- ▶ The sale of Alco was completed in the third quarter
- ▶ On a year to date basis, the impact of the impairment on net earnings was \$34 million or \$0.20 per diluted share

Third Quarter 2020 Results

Sales	<ul style="list-style-type: none">▶ Up 10 percent from 2019, up 9 percent at consistent translation rates<ul style="list-style-type: none">▪ Acquired businesses added 1 percentage point
Gross Margin	<ul style="list-style-type: none">▶ Rate up 0.3 percentage point from 2019<ul style="list-style-type: none">▪ Realized pricing, lower product costs and favorable currency translation offset unfavorable product and channel mix
Operating Earnings	<ul style="list-style-type: none">▶ Operating earnings up \$22 million, 21%<ul style="list-style-type: none">▪ Increase in volume and favorable currency translation driving operating earnings
Other Expense	<ul style="list-style-type: none">▶ Decreased \$2 million<ul style="list-style-type: none">▪ Driven by market value fluctuation on investments held to fund certain retirement benefits liabilities
Taxes	<ul style="list-style-type: none">▶ Effective tax rate for the quarter was 6%, down 7 percentage points from third quarter 2019<ul style="list-style-type: none">▪ Decrease due to additional foreign tax benefits and excess tax benefits related to stock option exercises

Nine Months 2020 Results

Sales	<ul style="list-style-type: none">▶ Down 4 percent from 2019, down the same at consistent translation rates<ul style="list-style-type: none">▪ Acquired businesses added 1 percentage point
Gross Margin	<ul style="list-style-type: none">▶ Rate down 1.0 percentage point from 2019<ul style="list-style-type: none">▪ Realized pricing not enough to offset unfavorable product and channel mix
Operating Earnings	<ul style="list-style-type: none">▶ Operating earnings, excluding non-cash impairment, down \$26 million, 8%<ul style="list-style-type: none">▪ Decline in volume driving lower operating earnings, partially offset by lower volume and earnings-based expenses▶ Operating earnings, as reported, down \$61 million, 19%<ul style="list-style-type: none">▪ Non-cash impairment charge of \$35 million
Other Expense	<ul style="list-style-type: none">▶ Increased \$1 million<ul style="list-style-type: none">▪ Primarily driven by market value fluctuation on investments held to fund certain retirement benefits liabilities
Taxes	<ul style="list-style-type: none">▶ Effective tax rate for September year to date was 12%, down 3 percentage points from the comparable period in 2019<ul style="list-style-type: none">▪ Decrease due primarily to additional foreign tax credits and excess tax benefits from stock option exercises partially offset by non-deductible impairment charges

Financial Results

Components of Net Sales Changes

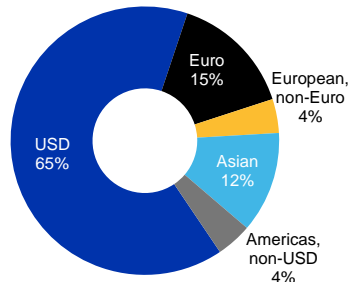
Third Quarter September 2020

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	(3)%	(12)%	32 %	13 %	(5)%	5 %	8 %
Acquisitions	0 %	5 %	0 %	1 %	0 %	2 %	1 %
Currency	2 %	1 %	1 %	0 %	4 %	2 %	1 %
Total	(1)%	(6)%	33 %	14 %	(1)%	9 %	10 %

Year to Date September 2020

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	(15)%	(11)%	11 %	0 %	(15)%	(8)%	(5)%
Acquisitions	0 %	6 %	0 %	1 %	1 %	3 %	1 %
Currency	(1)%	0 %	0 %	(1)%	0 %	(1)%	0 %
Total	(16)%	(5)%	11 %	0 %	(14)%	(6)%	(4)%

Sept. 2020 YTD 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

Other Items

Cap Ex	<ul style="list-style-type: none">▶ Capital expenditure expectations of approximately \$85 million in 2020, including approximately \$50 million facility expansion
Expenses	<ul style="list-style-type: none">▶ Unallocated corporate expenses in 2020 are expected to be approximately \$30 million
Shares	<ul style="list-style-type: none">▶ Through September 2020, we repurchased 2.3 million shares. We may make opportunistic repurchases 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 2019, the movement in foreign currencies would have no impact on sales or earnings for the full year 2020 and be a benefit of approximately 2% on sales and 3% on earnings in the fourth quarter
Taxes	<ul style="list-style-type: none">▶ At our current estimate of results and mix of earnings, we anticipate the effective tax rate for the fourth 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 for the fourth quarter and full year
Fiscal Year 2021	<ul style="list-style-type: none">▶ There will be 53 weeks in fiscal 2021, with 14 weeks in the fourth quarter compared to 52 weeks in fiscal 2020, with 13 weeks in the fourth quarter