Company: **Graco, Inc.**

Conference Title: **4th Quarter 2016 Earnings Call**

Moderator: **Pat McHale – Christian Rothe – Caroline Chambers**

Date: **Tuesday, 31 January 2017**

Operator: Good morning and welcome to the fourth quarter and year-end 2016 conference call for Graco, Inc. If you wish to access the replay for this call, you may do so by dialing 1888-203-1112 within the United States or Canada. The dial-in number for international callers is 719-457-0820. The conference ID is 937-1987. The replay will be available through 4 February 2017.

Graco has additional information available in a PowerPoint slide presentation which is available as part of the webcast player. At the request of the company, we will open the conference up for question and answers after the opening remarks from management. During this call, various remarks may be made by management about their expectations, plans and prospects for the future.

These remarks constitute forward-looking statements for the purposes of the safe harbor provisions of the Private Securities and Litigation Reform Act. Actual results may differ material from those indicated as a result of various risk factors including those identified in item 1A of the company's 2015 annual report on Form 10-K and in item 1A of the company's most recent quarterly report on Form 10-Q.

These reports are available on the company's website at www.graco.com and SEC's website at www.sec.gov. Forward-looking statements reflect management's current views and speak only as of the time they are made. The company undertakes no obligation to update these statements in light of new information or future events. At this time, all participants are in a listen only mode.

Later, you will have the opportunity to ask questions during the question-and-answer session. You may register to ask a question at any time by pressing the * and 1 on your touchtone phone. You may withdraw yourself from the queue by pressing the # key. Please note this call is being recorded. I will now turn the conference over to Caroline Chambers, Vice President Corporate Controller and Information Systems. Please go ahead, Ma'am.

Caroline Chambers: Good morning everyone. I'm here this morning with Pat McHale and Christian Rothe. Our conference call slides are on our website and provide additional information on our quarter. Last evening, Graco released fourth quarter results with sales totaling 349 million, an increase of 7% from the prior year. To note, the fiscal fourth quarter of 2016 included 14 weeks as compared to 13 weeks in 2015. On a US-GAAP basis, we realized a quarterly loss of 104 million.

Our fourth quarter included a non-cash charge for the impairment of goodwill and intangible assets related to our oil and natural gas business. Adjusting for the net of tax effect of the impairment, earnings were 57 million or $1 per diluted share. I'll address the impairment first and then we'll provide some comments on our underlying operating results for the quarter.

As we discussed at the end of the third quarter, the operating results of our oil and natural gas reporting unit which is within our process segment, fell short of expectations due to ongoing weakness in oil and natural gas markets. As we consider the 2016 shortfall in revenues in operating results as compared to expectations and projections from the 2017 planning process, we determine that the goodwill and intangible assets related to this business were impaired. And we recorded a charge of 192 million in the fourth quarter.

The tax effect of the impairment includes a deferred tax benefit of 31 million for a net effect of 161 million. Intangible assets of 27 million remain on our balance sheet, representing customer relationships and trade names. In 2017, amortization expense related to these intangible assets is expected to be reduced by 3 million, as compared to 2016.

We remain committed to the long-term profitability of our oil and natural gas business and believe that improvements in facilities, manufacturing capabilities and commercial resources position the business to benefit strongly, win recovery when it comes. Foreign exchange continue to be a slight headwind in the quarter and the effect of foreign translation rates reduced sales by approximately 4 million and net income by 1 million.

Sales from businesses acquired in the past 12 months increased sales in the fourth quarter by 4 million. A reconciliation of our operating earnings is included on page eight of our slide deck. Gross profit margins for the quarter were consistent with the prior year as favorable realized pricing and mix offset the unfavorable effects of lower factory volumes.

Operating expenses were 4 million higher than the prior year, with 2 million related to acquired businesses. Unallocated corporate expenses were approximately 1 million lower than last year and included a 2 million increase related to an employee option grant that was issued in the fourth quarter of 2016. The employee grant from 2013 was fully vested in 2016 and a program to grant options to non-executive, non-manager employees has historically been put in place on a three-year cycle.

The fourth quarter expense related to the option grant was more than offset by a favorable legal settlement. Excluding the effect of the impairment, the effective tax rate for the quarter was 29% as compared to 27% last year. The 2015 rate included a favorable impact from the full year federal R&D tax credit which was not available until the fourth quarter last year. Cash provided by operating activities was 269 million for the year, as compared to 190 million last year.

A brief reminder regarding comparables to 2015, last year included year-to-date net investment income of 141 million or $2.40 per diluted share related to the liquid finishing businesses that were held separate and sold in April 2015. 2015 year-to-date results also included 9 million or $0.15 per diluted share related to non-recurring tax benefits.

Looking at 2017, foreign exchange is expected to continue to be a headwind for us. At today's exchange rate, and assuming the same volume mix of products and mix of business by currency, we expect to see an unfavorable effect of currency translation of approximately 1% on sales and 3% on earnings, with the greatest effect in the first three quarters.

Also going in to 2017, we expect to realize modest price increases and improved factory efficiencies. So factory performance is dependent on volume. As noted earlier, amortization expense related to oil and natural gas intangibles is expected to be 3 million lower in 2017 as compared to 2016. Full year unallocated corporate expenses in 2017 are expected to be 2 million higher than 2016. The tax rate is expected to be approximately 30% in 2017.

Capital expenditures are expected to be approximately 40 million. We currently plan to repurchase enough shares to maintain our current outstanding share count. Those accounts may vary from quarter to quarter and we may make further share repurchases on an opportunistic basis. I'll turn the call over to Pat now for further discussion.

Pat McHale: Thank you, Caroline. Good morning everyone. All my comments this morning are on organic constant currency basis. Operating margins expanded by 1 percentage point in the quarter, reflecting the higher top line growth rate. The process segment was up two points. Contractor was up one point. And industrial held as 34% operating margin from a year ago.

The contractor segment was up against very difficult comps from last year's fourth quarter and still managed a double-digit revenue growth rate. The strong performance from the Americas and EMEA contractor hit 100 million in fourth quarter sales for the first time in the company's history. Every segment and region posted growth in the fourth quarter and for the full year 2016 with the exception of the process segment.

As Caroline mentioned in her prepared comments, Graco had an extra week in the fourth quarter of 2016, a natural catch up that happens every half dozen years or so, due to our week-based fiscal periods. Using simple math, adjust out the extra week, the fourth quarter was relatively flat on an apples-to-apples basis.

Frankly, I believe that simple math short-changes the quarter as Q4 of last year had a backlog reduction of 8 million, while this year we added 3 million of backlog during the quarter. So based on weekly average order activity, we had a low single-digit growth rate and that's how it felt to me during the quarter.

During the second half of 2015 we shipped about 17 million more of backlog than we did in the second half of 2016. I'm not going to go through the regions in segments individually but want to hit on some of the data points that we typically provide in the quarterly conference call that aren't included in the press release or call slides.

In contractor Americas we had high single-digit growth on our paint store channel, while the home center channel was up solid double digits. As has been the case all year, out-the-door sales for both home centers and paint stores were solid.

In the EMEA region we had good growth from both the developed and emerging markets. Russia appears to have stabilized for us. The Middle East remains a concern. Our Asia-Pacific region, China was our strongest performing country throughout the year. We do remain cautious about the project spending and capital equipment environment Asia-wide.

We expect our normal modest price increase in 2017 and should be okay on price cost mix this year. Or as we're favorable to the prior year, throughout the quarter with November being closer to flat and December space above the quarterly average. The first few weeks of 2017 are in positive territory and support our outlook.

Before discussing the outlook I want to make a quick comment about tax reform. We've provided a slide with some key data points that could be germane to your analysis around what the impact of certain tax proposals could be on Graco's future tax obligations. I'll leave it to you to try to predict what might happen regarding tax policy. We'll continue to make our decisions using our standard ROI processes and we'll reflect any policy changes in our models if and when they are implemented.

Moving on to our outlook, we initiated our 2017 outlook last evening in our Q4 earnings release. Our worldwide outlook for 2017 is for low single-digit growth, with similar growth rates throughout the geographic regions. We believe we will see growth in all segments but see the most risk to our outlook in the process segment where we have the most exposure to oil and gas and mining end markets.

We expect contractor to grow for an eight consecutive year, but think the growth is likely to moderate to mid-single digits. Our outlook for the first quarter of 2017 is similar to our outlook for the full year. With that, operator, we're ready for questions.

Operator: Thank you. The question-and-answer session will begin at this time. At this time, if you would like to ask a question, please press * and 1 on your touchtone telephone. You may withdraw your question at any time by pressing the # key. Once again, to ask a question, please press * and 1 on your touchtone phone. And we'll pause a few moments to allow questions to enter the queue and the questions will be take in the order they are received. Please standby. And we'll take our first question from Dean Dray[?]. Please go ahead.

Dean Dray: Thanks. Good morning everyone.

Pat McHale: Good morning.

Dean Dray: Hey, just let me start off with, did I miss last quarter the heads up that you were going to have this calendar difference with the extra week this quarter because that was a surprise to us? I think it was a surprise to a number of people and just kind of would like to know why it ended up being disclosed so late in the game here.

Pat McHale: Yeah, yeah, no, you didn't miss anything. It was probably a miss on our part to not give you a heads up on that.

Dean Dray: So I can just – you said it happens every half dozen a year, so we can file that one away, no other days, issues on the – in the near-term we should be aware of?

Pat McHale: That would be correct. Hopefully, six years from now we'll remember to tell you again.

Dean Dray: All right. And then the extent of which you get - I throw a flag at that, I do have to praise you that page 13 out of all the industrial companies, that is a best practice in terms of profiling your business and I guess it's up to us to figure out for the crystal ball how the cross-border tax plays out. But we really appreciate that level of detail that you've provided.

Pat McHale: I'm glad you liked that. I've never actually got flagged on a conference call before by doing a [inaudible] so that's the first.

Dean Dray: No, that's a [inaudible] down too. Alright. And so, and then just on the business, on the contractor side, you know, just kind of putting this into context, you've had consecutive growth and expecting some moderation. Is that because of tougher comps? Is there more competition? Just, you know, give us a sense of how you're modeling and expecting some moderation of growth.

Pat McHale: That's been a pretty big rebound coming off the bottom of the housing market. In fact, if you take a look at revenue for the division compared to where construction activity is, it's been pretty amazing. We also had a really big year in EMEA. So I think it's just wise for us at this point to anticipate a return to maybe more normal market growth rates. It's really nothing more than that behind it.

Christian Rothe: I would add to that, Dean, that – and this is Christian – that we also had the load in that happened in Q2 of this year, so it also makes the comps a little more difficult too.

Dean Dray: And then just one more question, if I could, the pretty positive comments on China. And then maybe just kind of broadly what you're seeing there on the industrial side and tie that to the finishing and whether any change in the adoption rate of the technology.

Pat McHale: So we did have a good year in China, really across the majority of our product lines. Still, I think, we're a little bit cautious in terms of the project activity there going in to 2017. We've been cautious on Asia Pacific and even in China in particular, throughout most of the last year, year and a half, and still managed to be able to put up some numbers. Specifically, on the conversation issue, I think that's related to our contractor business, the question related to our contractor business?

Dean Dray: Yes.

Pat McHale: Yeah. So we had a better quarter on our contractor business in Q4 but that really just brought us back to about flat for the year. We have now made another leadership change. I know we went through this a couple of years ago, but we didn't feel that that was working. We took someone who's been within the organization and we think is tried and true and we've got a new leader for that business here, and we've got new ideas and we're going to go push in again in 2017 to try to get that going. We really believe there is upside opportunity for our contractor business in Asia that we're not getting at.

Dean Dray: Understood. Thank you.

Operator: And we'll take our next question from Suri Borrowdiski[?].

Suri Borrowdiski: Thank you. Good morning. Congratulations on the quarter.

Pat McHale: Good morning.

Suri Borrowdiski: In industrials America, you talked about the capital spending environment being weaker this past year. And I just want to get your thoughts to see if you've seen that improving? Have you seen some more positive manufacturing data?

Pat McHale: Yeah, I can't – it still seems to me to be on a kind of a flat trend going forward. We continue to see tough sledding in the ag market, energy, mining. Aerospace has been okay but that's really for us been mostly replacement of business, not a lot of new investment. Automotive was okay for the year. Heavy machinery and general and industrial a little bit soft. And I'd say so far, the trends kind of look a lot like 2016. So we're hearing some positive things. But I think we're going to wait until we actually see it make positive comments.

Suri Borrowdiski: Okay, that's fair. And then just the follow up, and it might be early. But do you think that the proposed tax changes could be a catalyst to boost US manufacturing investment?

Pat McHale: Yeah, we have discussions, of course, around here from time to time. I personally try not to engage too deeply and I think it's harder to predict how all the dynamics are going to play out. And I can create scenarios that are great and I can create scenarios that are disastrous and I think the devil is in the details and we're just going to continue to do what we do. And as the picture becomes clear, we'll make sure that we're making our decisions and context of whatever the environment is.

Suri Borrowdiski: Okay, that's helpful and I appreciate it. And I'll get back in the queue.

Operator: We'll take our next question from Jeff Hamid[?]. Please go ahead.

Jeff Hamid: Hey, good morning, guys.

Pat McHale: Good morning.

Jeff Hamid: Okay, so, just to end markets, auto CAPEX cycle has been really healthy. You know, how are you thinking about that perspectively? And then, I think you mentioned non-res, a lot of debate earlier in 2016 about where we are in the cycle, but seems to have stabilized, what are you seeing there in terms of risk and moderation.

Pat McHale: Yeah, so automotive has been pretty good globally, I mean, 2016 was a pretty good year. And obviously, in some of the areas we're approaching peak. I think investment is still going to be okay in 2017. I'm not worried about a big collapse. You know, the numbers for EMEA look like they were pretty strong, finishing up the year, and they're forecast for continued growth going in to 2017. North America is at high levels but still seems to be some activity. So I feel okay about automotive.

And I agree non-res seems to have stabilized. Construction markets in Europe actually are moving incrementally the right direction. I think that's a positive for us. And, of course, the challenge for us in Asia related to construction is really market share, market penetration and user conversion, not so much the overall construction rate. So, yeah, I don't think that it's like that things are going to get worse in those markets in 2017. They either give us room to succeed.

Jeff Hamid: Okay, great. And then cross – you mentioned still the area of crossing but we have gotten better moves in oil and gas an data points and activity, and at least on the upstream. Just maybe expand on any optimism you're seeing out there or where like what do you need to see for that business to more – your more meaningful return?

Pat McHale: So some of the things that we're reading are definitely heading in the right direction, and some of the feedbacks that we're getting from the field sales team is also positive. From my perspective, really, still not seeing that in the coming order rate yet. Hopefully, we'll see that soon. But I think it's just a little early for us to be calling out a change to a positive trend there.

Jeff Hamid: Okay, thanks, Pat.

Pat McHale: Yeah.

Operator: And we'll take our next question from Charley Brady[?]. Please go ahead.

Charley Brady: Thanks. Good morning, guys.

Pat McHale: Good morning, Charley.

Charley Brady: Just a couple of questions on contractor. It sounds though the Home Center, gentlemen, that sounds like a pretty strong number coming out of Q4. And I'm just wondering what's your sense and what's really driving that. Was it just kind of a seasonal type of thing or did, you know, you had some product load going in early of the year and it's just getting a lot more traction now to the end of the year.

Christian Rothe: Hey, Charley, it's Christian. I think it's partially that, right. We did have some good load that happened earlier on the year. And there's definitely the follow through that happens as those products get reordered. We've seen this, I guess, for a number of quarters now though. We'll have a lighter quarter and then we'll follow it up with a stronger quarter.

That's really more of the effect, and then compared against last year where home center was not quite as strong in the fourth quarter. So it's not necessarily that we're seeing something trend wise that's really differentiated there. I would note that, you know, again, we see the out-the-door sales and the out-the-door sales are probably the more important factor for us. And so, we are seeing growth out of the out-the-door which is nice, but it's not all that differentiated from what we're seeing on the paint store side.

Charley Brady: Thanks. And just one more for me. I know it's not a huge piece but on the hot melt adhesive side of the business, can you just maybe give us an update on kind of where you are strategically on what your – you know, where you sit with that business? Is – you know, how it's playing out and, you know, is it, are you gaining more traction than you've had previously in it?

Pat McHale: So, yeah, I don't want to get into detail on that for competitive reasons. But, I would say we remain committed to that initiative. And we're going to continue to push forward.

Charley Brady: All right, thanks, Pat.

Operator: And we'll take our next question from Matt Sommerville[?]. Please go ahead.

Matt Sommerville: Thanks. Good morning. Just a follow up on contractor. Is there anything to be gleaned as far as what you're seeing from an average price point kind of out the door? Have you seen that migrate by your[?] – in particular through the propane channel and also do you have any major product lines recapitalizations or new product launches that we should be aware of giving timing associated with spend to be followed by volume like what you had in 2016?

Pat McHale: No, that – in terms of the average unit that's going out the door, we saw a nice but slow trend coming out of the recession. You will remember that our units at the bottom of the range really rebounded the quickest. And the units that are the higher price points took longer to come back. But we have seen, over the course of last two or three years, the larger units coming back. So that's been a good trend for us. Some of that can be also – can move around quarter to quarter and even year to year based upon promotional activity and we saw some differences in 2016 and 2015 that move the numbers around a little bit. But I think the trends are good in terms of seeing more of our bigger, higher ticket units getting sold. Second part of the question?

Matt Sommerville: It was more around just product launches, late and first 2017.

Pat McHale: So we have good slate of products for the contractor division. We just had a big vendor show a couple of weeks ago here. And we showed the products that we had. We had a number of demo booths set up. Feedback on those is pretty positive. I don't anticipate a big zero load kind of a thing like we had going into the home center in the second quarter. But I think our new products that we've got for 2017 in contractor are solid and should support our mid-single digit growth outlook for the year.

Matt Sommerville: And then just one follow up. Can you remind us what your price realization was in 2016? And it sounds like you have a similar expectation unless I misunderstood something for 2017?

Pat McHale: Yeah, for 2016, it was in the number that we target which is kind of that 1.5% to 2%. As we go into 2017, you know, the price list are out there and we're starting to realize that now our expectation is in that ballpark, maybe a little bit in the lower end.

Matt Sommerville: Got it. Thanks.

Operator: We'll take our next question from Walter Liptak. Please go ahead.

Walter Liptak: Hi, thanks, good morning.

Pat McHale: Good morning.

Walter Liptak: You know, Pat, you called out some of the political risk to 2017 and we've all been reading the papers. But I wonder if in – fourth quarter in the industrial business, if you did see any volatility right around, prior to or after the election, maybe how you finish the year in December in industrial.

Pat McHale: Yeah, again, if you kind of take out the impact of the extra week and then you also take a look at the fact that we ship less backlog than the year before, I would say that there was probably some, I felt some optimism, talking to some of our sales people and a few of our channel partners. But I would say, from a run rate perspective, it seemed like more of the same. I don't think there was any kind of a dramatic reaction either way in terms of actual orders.

Walter Liptak: Okay. And I know you sell a lot of product through distribution. I wonder if you'd had any discussions with large customers, etc. that might be looking at a refresh[?] on capital spending especially in the US?

Pat McHale: I'm not hearing anything out of the ordinary or different than I heard in 2016, at least, so far.

Walter Liptak: All right. Okay. Alright. Thank you.

Operator: And we'll take our next question from Liam Burke[?]. Please go ahead.

Liam Burke: Thank you. Good morning, Pat.

Pat McHale: Good morning.

Liam Burke: Pat, on the competitive front, you mentioned that you anticipate some price increases. Are you seeing any change either on the national or the global or regional front on competition?

Pat McHale: No, not significantly. We've got a pretty solid group of competitors that are typically successful in good times and bad, pretty much like we are. And I think everybody in our space is really focused on trying to make the best products for the customer that they can and dynamics really haven't changed a lot. And I think our pricing environment has been pretty stable.

We've been able to generate our annual price increase in that normal range for a number of years now and I think that the competitive market dynamics aren't dramatically different. You can pick out a few product lines where maybe you could see some things different regionally but I'd say overall in aggregate it's more of the same.

Liam Burke: Great. And are you seeing any significant shift or move from liquid to powder at the product level?

Pat McHale: Yeah, you know, that's always hard to tell. Certainly, and this is just anecdotal evidence but when I'm travelling around, I do see more facilities that have both which is an interesting dynamic. Whereas, generally, a facility used to seem like it would be powder or it would be liquid. I'm seeing particularly in some of the ag and heavy equipment places where they're putting in a bulk[?] depending on what kind of parts that they want to call it.

The powder business, and I think we communicated back when we bought it, had been growing about a point faster than the liquid business. So I'm guessing that there's probably still some conversion happening. I don't think it's dramatic.

Liam Burke: Great. Thank you, Pat.

Operator: And we'll take our next question from Jim Kuros[?]. Please go ahead. Mr. Jim Kuros, your line is open. And we'll take our next question from Jim Fong[?]. Please go ahead.

Jim Fong: Hi, good morning, Pat and Christian.

Pat McHale: Good morning.

Jim Fong: Well, it seems like Trump is carrying out most of its promises made during the election, so I was wondering, you know, if we get this infrastructure bill, how quickly could you benefit from that?

Pat McHale: Yeah, again, I mean, we get in to a lot of predictions and stuff in terms of what may or may not happen. And again, we're executing our 2017 plan and whatever happens happens. You know, we went through this whole shovel-ready thing a few years ago and things weren't as shovel ready as everybody thought. Obviously, anytime there is construction activity, it's going to be great for Graco.

I haven't built that into my forecast. My forecast assumes that things are running pretty much like they are today. So if you view that there is going to be a lot of infrastructure activity that's going to happen already in 2017, you ought to view that as favorable for us.

Jim Fong: Okay. And then, just [inaudible] in the process segment, I mean, when that snap back, I mean, I guess, what kind of upside can we see now that you've kind of took in a lot of cost out of the business? I mean, how big is the leverage when it comes back for you?

Pat McHale: No, we haven't been through a cycle with our direct oil and gas business. You know, we bought that when the market was hot and now we've been through the downturn but we haven't been through the upswing. Certainly, we've invested into equipment and some facility consolidation that should help. I don't think we really know. I would expect that incremental margins should be pretty decent. But in terms of how exactly it all plays out, I don't know. Christian, you can weigh in if you have some thoughts.

Christian Rothe: Well, you know, these businesses when we bought them were in the high 20s, low 30s on the EBITDA margins. We should have – with the changes that we've made, we should expect that we're going to be above those numbers when we get back to the same kind of volume level. But we got to ways to go, so.

Jim Fong: Right. So, that could be actually very fast in terms of – I mean, we see a quick recovery. Those things could hit the bottom line very quickly for you. Okay. That's all I have. Thank you.

Operator: And we'll try again with Jim Kuros. Please go ahead, sir.

Jim Kuros: Hey, guys, sorry about that.

Pat McHale: Good morning.

Jim Kuros: Good morning to you. So, Pat, you mentioned that - doing the rough math on the extra week given 78% bump year over year, not a fair handicap given the weekly sales data that you were looking at. Was that a December comment or was that for the full quarter? Can you just dive into that a little bit just so I could better understand what you were seeing during the quarter?

Pat McHale: Yeah, no, that's was a full quarter comment. There's always noise week to week. We're a pretty fast book and ship kind of a business in most of our product lines. In terms of order trends, through the quarter, November was I'll say more of a flattish and December was stronger. But, I tend not to get too worked up over what happens these two weeks versus those two weeks just because our business does definitely have some noise in it.

And the quarter overall kind of felt low-single digits. That's what the incoming order rate was really reflective of and I feel like we're exiting the year in a similar fashion to, you know, what we've seen in the last few quarters in terms of overall activity.

Jim Kuros: Got it. Okay. And then, the follow up on the incremental margin discussion. I'm assuming input costs are rising. I assume that pricing is pretty broad based but can you, Pat or Christian, kind of get a little granular as far as, you know, where you're getting more price where it's not as easy to get price and where mix might work against you. Just to get a better understanding of the incremental margin progression in 2017. Thanks.

Pat McHale: Yeah, so, you know, we feel pretty good about the price cost mix and we're not going to break out what our price realization is by product line and by geography. But I think you're pretty safe to put in a number and that 1.5% to 2% kind of range in terms of realized pricing, that's what we've done historically and I don't see a dramatic difference for 2017.

Factories actually performed halfway decent this year given big pressures on them in terms of the lower volume, with a little bit of volume improvement. Certainly, we could see some improved factory performance. But overall, I don't think that, based upon what we see today, input cost and pricing, we should be fine.

Jim Kuros: Thank you. That's all I had.

Operator: And one again, if you would like to ask a question, please press * and 1 in your touchtone phone. And we'll take our next question from Walter Liptak. Please go ahead.

Walter Liptak: Hi, thanks. As a follow up on the process segment, I wonder if you could give us some update at the end of 2016. How much is your revenue that's related to oil and gas?

Christian Rothe: Yeah, so the – at the end of 2016, we haven't done the exact analysis, because we sell through distribution and the oil and gas businesses have an aspect of that as well. It takes some time to go back and pull the data apart to get that information. But just broadly speaking, as we look at our overall, what we think our oil and gas exposure is and where we sat for 2016 on sales, we're probably in the neighborhood of, I'm guessing, you know, low 20s type of exposure in the process segment to oil and gas.

Walter Liptak: Low 20% of process is oil and gas. Okay. And your businesses, I imagine, were down in 2016, you know, kind of on a pro forma or whatever, you know, 50% something like that?

Christian Rothe: On the oil and gas side of it?

Walter Liptak: Yeah, on the oil and gas side.

Christian Rothe: Overall, no, it wasn't that bad. It wasn't – it was [inaudible] but it wasn't that bad.

Walter Liptak: Oh, good. Alright. Okay. Thank you.

Operator: And once again to ask a question, please press * and 1 on your touchtone phone. And it appears we have no further questions at this time, so I will now turn the conference over to Pat McHale.

Pat McHale: All right, well, thanks everybody for joining us on the call this morning. We're excited to get going on 2017 here, got some products launching in our business units and hopefully some of the hard work and activities that we did in 2016 will pay off in 2017. So, we'll see how it goes and we'll be back at you at the end of the quarter. Thanks.

Operator: And this concludes your conference today. Thank you all for participating and have a nice day. All parties may now disconnect.