



EMERGING ECONOMIES **DRIVE** GROWTH



Investor Presentation 2010 & First Quarter 2011 Results



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 Part 1, Item 1A of, and Exhibit 99 to, the Company's Form 10-K.





Business Overview

- Graco manufactures equipment to pump, meter, mix and dispense a wide variety of fluids:
 - Difficult to handle materials with high viscosities
 - Abrasive or corrosive properties
 - Multiple component materials that require precise ratio control
- We are global, with more than 45% of our sales coming from outside the Americas
- We sell primarily through independent 3rd party distributors - approximately 30,000 outlets worldwide
- Parts and accessories account for approximately 40% of our annual revenue





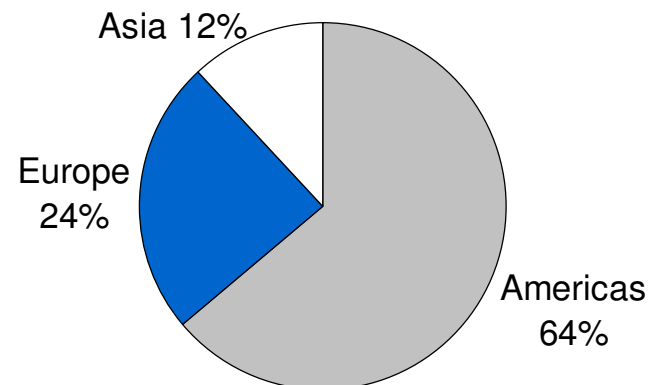
Contractor Equipment

Market Dynamics

- Graco served market is approximately \$450 - \$500M
- Major end-markets include new residential construction, commercial construction, remodel and repaint
- Applications include painting, texture, fine finish, cleaning, and pavement maintenance
- Channel includes paint retailers, equipment houses and rental centers
- Wagner is the most significant worldwide competitor



2010 Sales - \$257M





Contractor Equipment

Growth Opportunities

- Conversion of end users from manual application methods to equipment is a major focus outside North America
 - In Europe and Asia, spray equipment penetration is less than 40% in developed countries and less than 10% in developing countries
- Application of texture and cementitious materials
- Entry level product & channel expansion
- Expanding pavement maintenance product line & channel





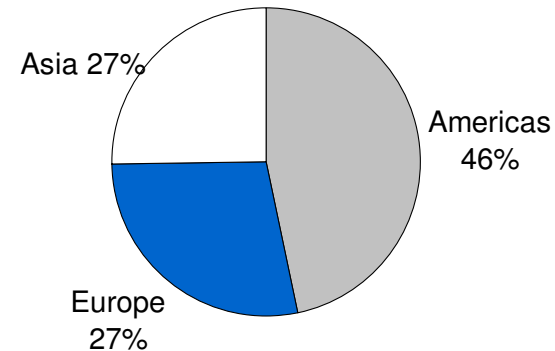
Industrial Equipment

Market Dynamics

- Graco served market is approximately \$2.0B worldwide
 - Liquid Finishing and Process Equipment \$900M
 - Sealant and Adhesive \$600M
 - Protective Coatings, Foam and In-Plant Polyurethane \$500M
- Products sold through independent 3rd party value adding distributors
- End users require equipment “solutions” vs. product in a box
- End user purchases are ROI driven
- Rational competitors including ITW, Exel, Idex, IR, Dover and Wagner
- Strong Graco brand name and large installed base



2010 Sales - \$409M





Industrial Equipment

Growth Opportunities

- Expand internationally
 - Industrialization and wage inflation in developing markets
 - Factory relocations to low-cost geographies
- Enter new adjacent markets
 - Sanitary
 - Composites
 - Alternative energy
- Capitalize on material changes
 - High performance multiple component materials
 - Low - or no - VOC coatings
 - “Green” initiatives
- Develop new products
 - Integration of equipment with factory data and control systems
 - Reduce energy consumption
- Primary focus for acquisitions





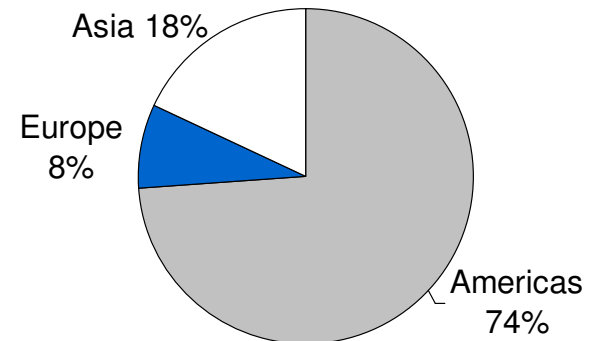
Lubrication Equipment

Market Dynamics

- Worldwide Lubrication Equipment market is approximately \$1.1B worldwide
 - Vehicle Service Equipment - \$400M
 - Industrial Lubrication Equipment - \$700M
- Products sold through independent 3rd party distributors, through oil jobbers and direct to OEM's
- Entrenched, stable competition in each market segment
- Major competitors include Lincoln, Vogel, BEKA, Samoa, & RAASM



2010 Sales - \$78M

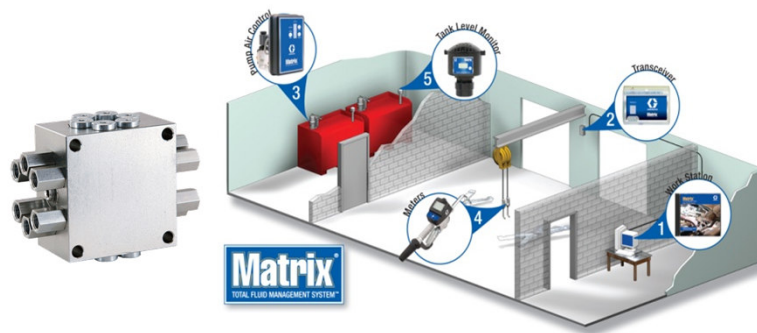




Lubrication Equipment

Growth Opportunities

- Expand internationally
 - Historical investment and focus has been U.S.
 - Implemented specialized global marketing and selling organization
 - Developing products to meet local market needs
 - Building global channel
- Industrial lubrication market
 - Entered via small acquisitions
 - Expanding product offering and improving cost position





Strategic Growth Plans

- Invest in New Product
- Expand Geographically
- Target New Markets
- Make Acquisitions





Targeting Growth Through Acquisitions



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Graco Announces Agreement to Acquire

TW Finishing Group

TW Gema

BINKS[®]

Ransburg
Electrostatic Equipment

DEVILBISS
The Right Way To Finish

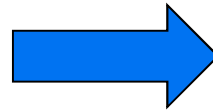
BGK
Electric Infrared Curing Solutions



Acquisition Consistent with Strategic Growth Initiatives

Graco Growth Strategies

- Expand geographically
- Invest in new products
- Target new markets
- Strategic acquisitions



Finishing Acquisition

- Strong, global manufacturing sales and distribution capabilities
- Innovative products and strong R&D capabilities
- Market leading powder finishing and automotive refinish equipment
- Global business of significant size, manufacturing expansion and strong brands and channel management capabilities



Targeting Growth Through New Products

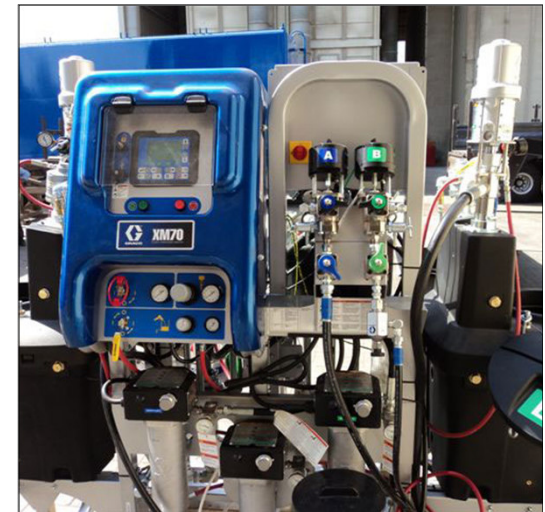


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Targeting Growth with New Products

- Invested nearly \$38M in product development in 2010
 - 6% of revenue
- Targeting 30% of sales from products developed in the last 3 years
 - 2010 was 27%





Graco XP70 Plural-Component Sprayer

Markets Served

- Tanks, railcars, pipes, bridges, wind towers, water towers, structural steel, shipbuilding

High-pressure plural-component sprayer for protective coatings

- Smart alternative to hand mixing
- Affordable, easy to use





Graco ProMix[®] 2KE

Markets Served

- General metal, wood and furniture, farm and construction, truck and bus

Entry level electronic proportioner

- Highly accurate mix system has configurations for all spray technologies
- Easy to install and use
- Handles all common 2K finishing materials including epoxies, urethanes, and acid catalysts





Targeting Growth Through New Markets



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Sanitary Market - Graco SaniForce™

Markets Served

Food, Beverage, Cosmetics, Pharmaceutical

- Unique high pressure solutions for extremely high viscosity materials
- Breakthrough seal design allows for wider range of drum and bins to capitalize on growing need for reusable containers
- Targeting growth through new product technology and acquisitions



SaniForce™

A Complete Line of Sanitary Products

POWER
ADVANCING
TECHNOLOGY



unleash the
POWER

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Industrial Lube Market - Graco G3™ Electric Pumps

Versatile Design Helps Solve Today's Lubrication Challenges

Markets Served

Mobile equipment, Wind Energy, Factory Machinery, Steel Mills, Pulp and Paper, Food and Beverage

- Industry leading control technology – most user friendly and provides more data – USB flash drive
- Flexible design allows end user to standardize this product across a wider range of equipment than competitive choices





Composites Market - Graco RS™ Chop Gun

Markets Served

- Marine and watercraft, pool and spa, bath, transportation

Chop gun for composites industry

- Features industry-first blade cartridge
 - Accomplish blade changes in less than a minute!
 - Increased production uptime
- Lighter and more ergonomic than competitors





Targeting Growth Through Global Expansion



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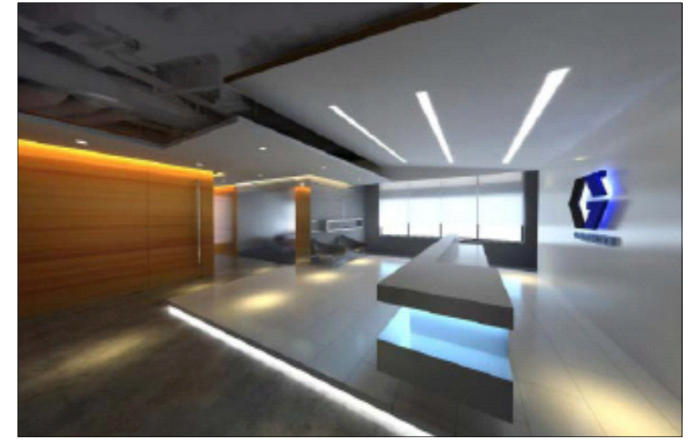


International and Emerging Markets Drove 2010 Growth





New 2011 Asia Pacific Headquarters





Asia Pacific Training Investment

- Dedicated AP Training Team
- Target Audience
 - Graco Employees
 - Distributors
 - Material Suppliers
 - End Users
- Material Supplier Tech Days
- Live Product Demonstrations
- Multiple Languages
- 700 trainees & 40 events planned in the first year





Financial Summary For First Quarter 2011 & 2010

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First Quarter 2011 Results

- Sales for the quarter up 32 percent from first quarter last year and up 10 percent compared to fourth quarter last year
- Sales were up double-digit percentages in all segments and regions
- First quarter gross profit margin of 57 percent was 3 percentage points above last year driven by higher production volume
- Operating expenses were up 19 percent due to increases related to volume, but as a percentage of sales are 3 percentage points below first quarter 2010
- Backlog increased \$6M from the end of prior quarter
- Net earnings were up 83 percent from first quarter last year and up 39 percent compared to fourth quarter last year and diluted EPS was 61 cents





Financial Results – First Quarter

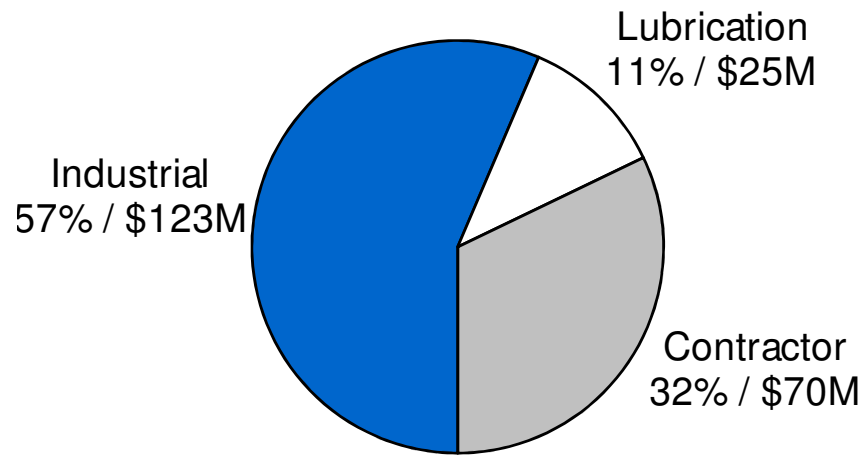
(\$ Millions except EPS)	<u>2011</u>	<u>2010</u>	<u>Change</u>
Sales	\$217.7	\$164.7	32%
Gross Profit Rate	57.1%	54.2%	
Operating Expenses	67.3	56.6	19%
Operating Earnings	57.0	32.7	74%
Net Earnings	\$ 37.3	\$ 20.6	81%
Earnings Per Share	\$ 0.61	\$ 0.34	79%



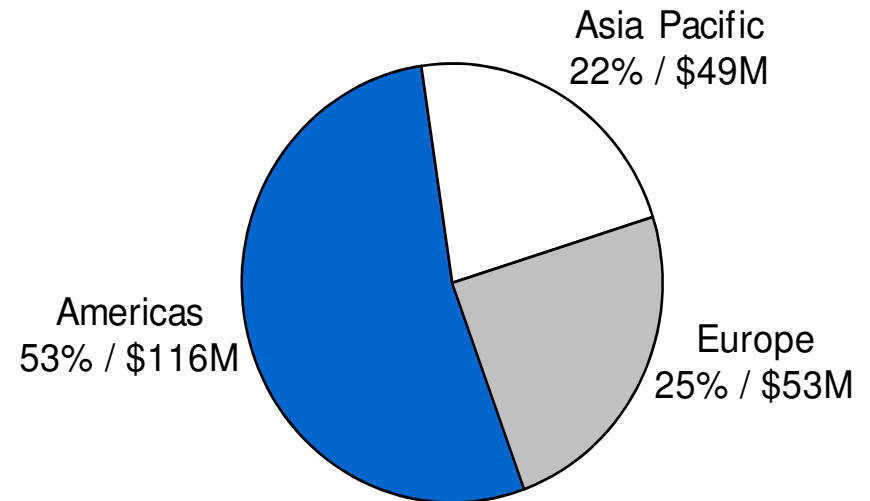
2011 – First Quarter Sales

\$218M

Segment



Geography





Fourth Quarter 2010 Results

- Sales for the quarter up 35 percent compared to fourth quarter last year
- Sales were up in all segments; regionally, sales were up 35 percent in the Americas, up 33 percent in Europe, and up 37 percent in Asia Pacific
- Fourth quarter gross profit margin of 54½ percent was above last year as production increased
- Operating expenses were up 30 percent related to volume, including incentives
- Backlog increased \$6M from the end of prior quarter
- Net earnings were up 57 percent from fourth quarter last year and diluted EPS was 44 cents





Summary – 2010

- Sales up 28%
 - Asia the strongest, up 46% (up 41% at consistent exchange rates)
 - Europe up 25% (up 29% at consistent exchange rates)
 - Americas up 24%
- Gross margin up 3½ percentage points
- Operating profit margin up 8 percentage points
- Earnings per share up 109%
- \$49M in dividends and \$24M in common stock purchased





Financial Results

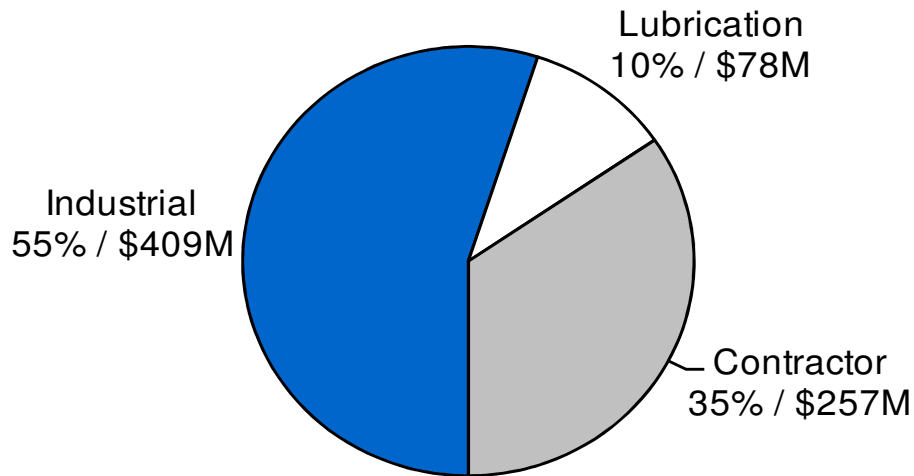
(\$ Millions except EPS)	Full Year		Change
	2010	2009	
Sales	\$744.1	\$579.2	28%
Gross Profit Rate	54.2%	50.6%	
Operating Expenses	250.3	218.3	15%
Operating Earnings	153.1	74.5	106%
Net Earnings	\$102.8	\$49.0	110%
Earnings Per Share	\$1.69	\$0.81	109%



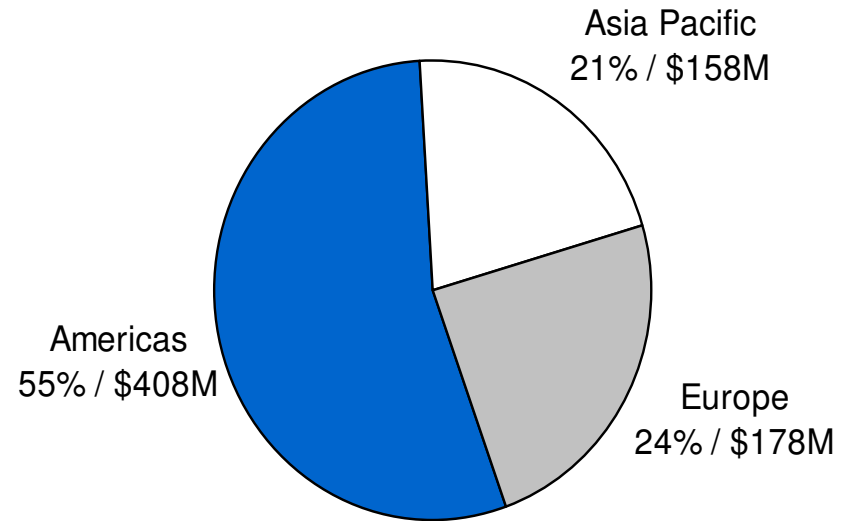
2010 – Full Year of Sales

\$744M

Segment



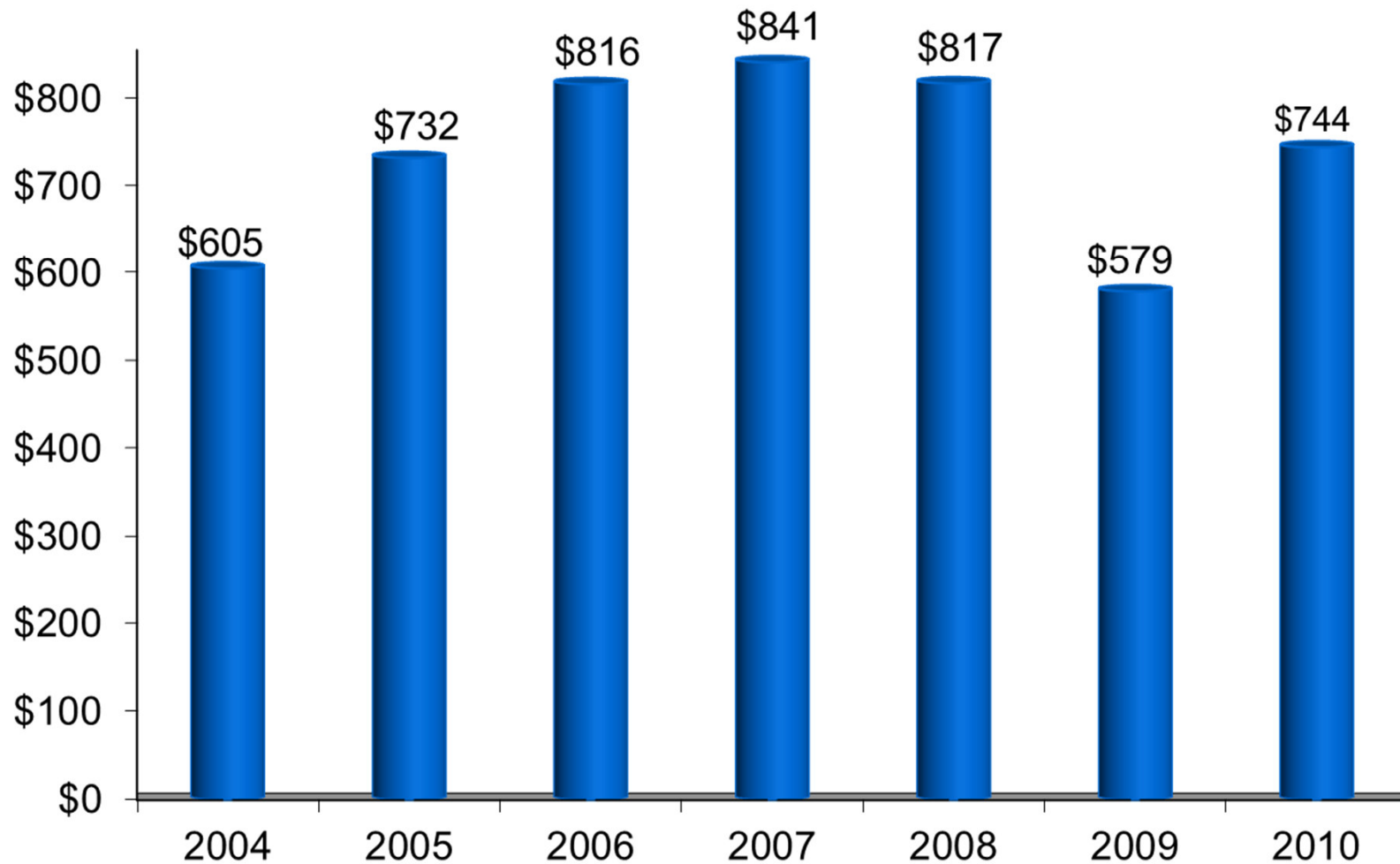
Geography





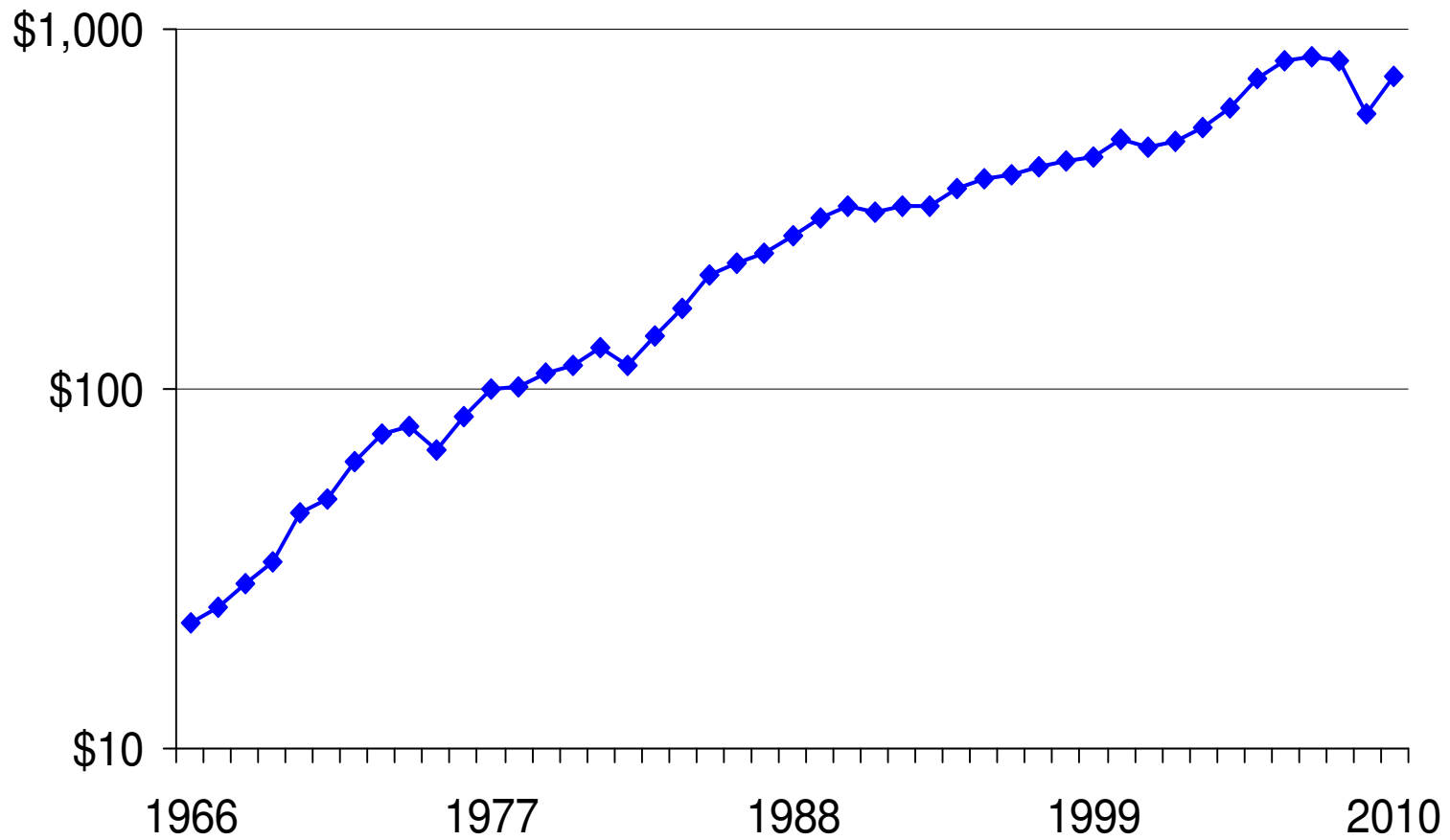
Annual Sales (\$ Millions)

Target: 6-7% Organic
10%+ Overall



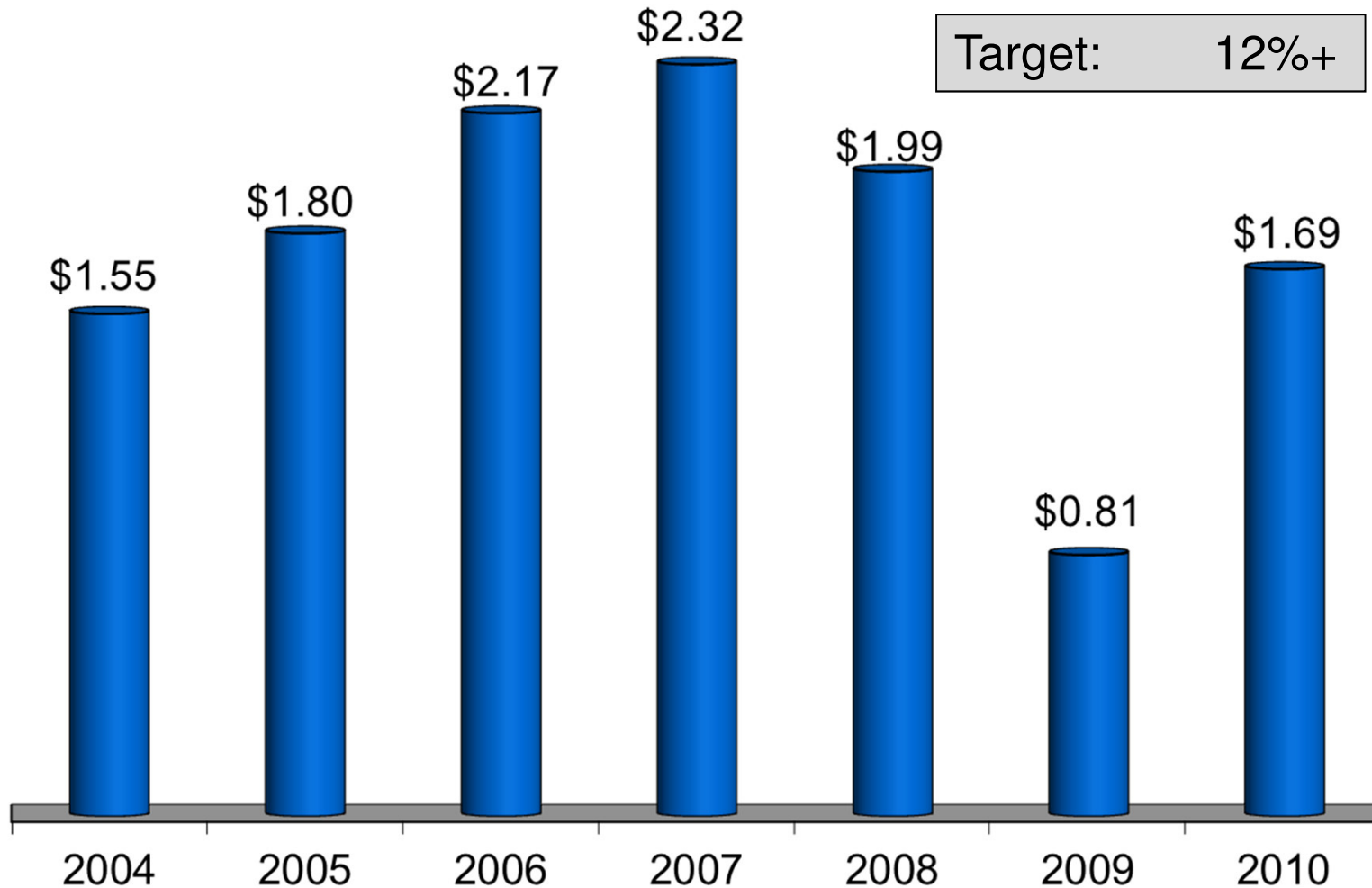


Historic Sales (\$ Millions)



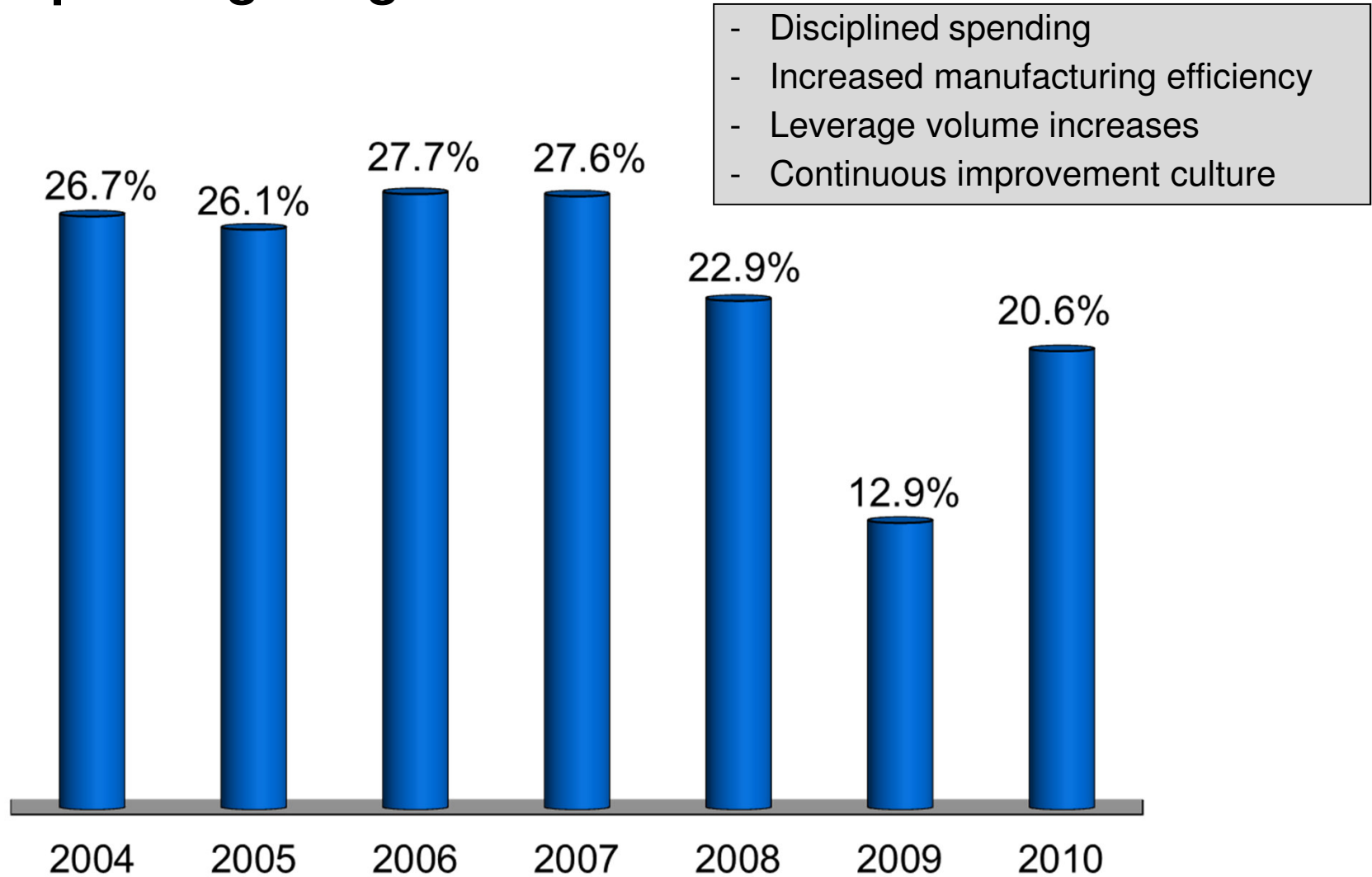


Earnings Per Share





Operating Margin





Strong Cash Generation

(\$ Millions)	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Cash Flows	\$ 101	\$ 147	\$ 162	\$ 177	\$ 156	\$ 153	\$ 123
% of Net Income	98%	300%	134%	116%	104%	121%	113%
Capital Expenditures	<u>17</u>	<u>11</u>	<u>27</u>	<u>37</u>	<u>34</u>	<u>20</u>	<u>17</u>
Free Cash Flow	<u>\$ 84</u>	<u>\$ 136</u>	<u>\$ 135</u>	<u>\$ 140</u>	<u>\$ 122</u>	<u>\$ 133</u>	<u>\$ 106</u>
Dividends	\$ 48	\$ 45	\$ 45	\$ 43	\$ 39	\$ 36	\$ 130
Acquisitions	-	-	55	-	31	111	-
Share Repurchases *	<u>11</u>	<u>(6)</u>	<u>101</u>	<u>206</u>	<u>76</u>	<u>32</u>	<u>26</u>
	<u>\$ 59</u>	<u>\$ 39</u>	<u>\$ 201</u>	<u>\$ 249</u>	<u>\$ 146</u>	<u>\$ 179</u>	<u>\$ 156</u>

* Net of shares issued



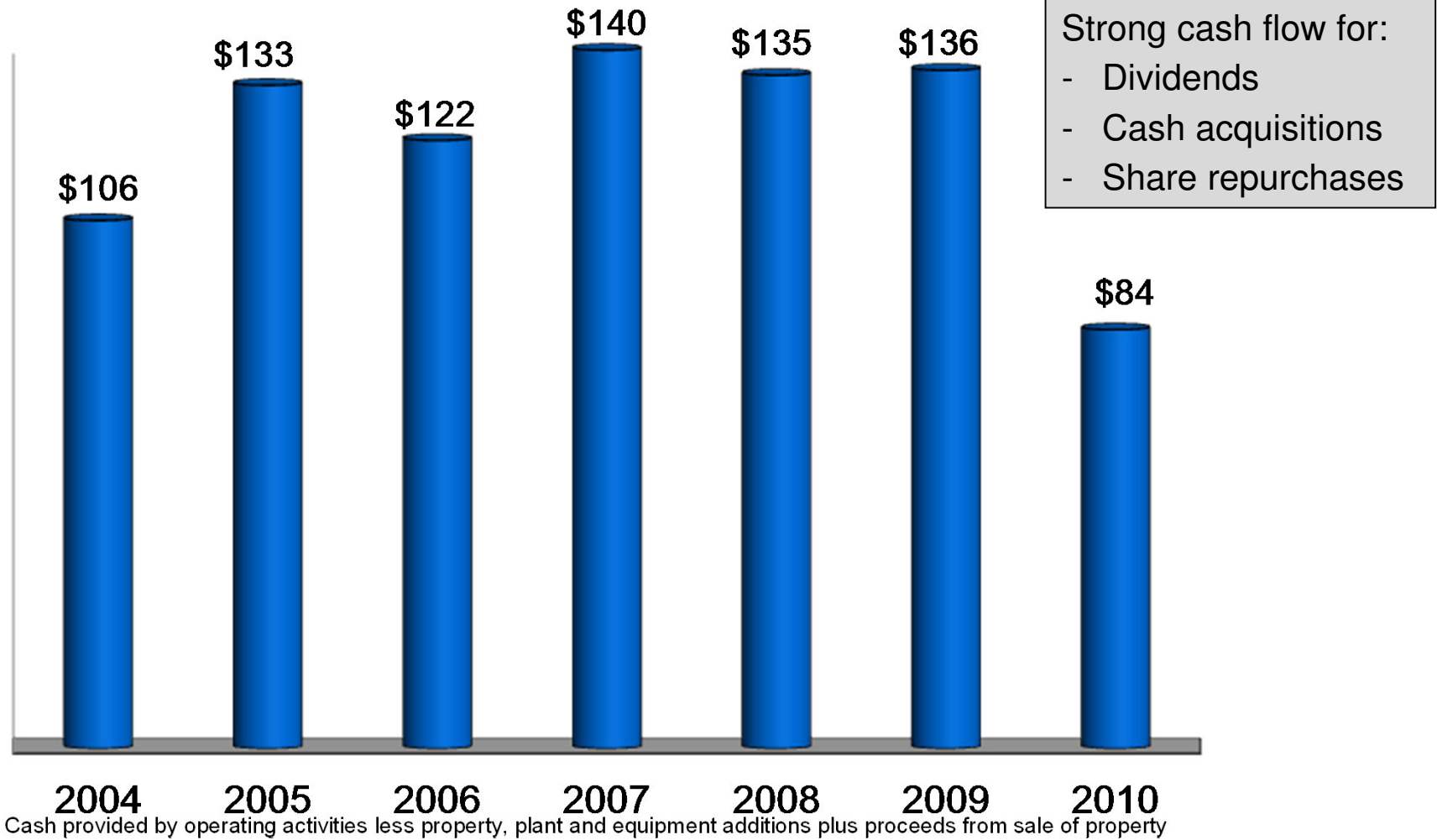
Leverage

(\$ Millions)	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
EBITDA	\$ 187	\$ 109	\$ 222	\$ 261	\$ 252	\$ 213	\$ 179
Debt, Net of Cash	\$ 69	\$ 93	\$ 186	\$ 121	\$ 12	\$ (10)	\$ (55)
Debt to EBITDA	37%	85%	84%	46%	5%		
Operating Earnings	\$ 153	\$ 74	\$ 187	\$ 232	\$ 226	\$ 191	\$ 162
Interest Expense	\$ 4	\$ 5	\$ 8	\$ 3	\$ 1	\$ 1	\$ 0.5



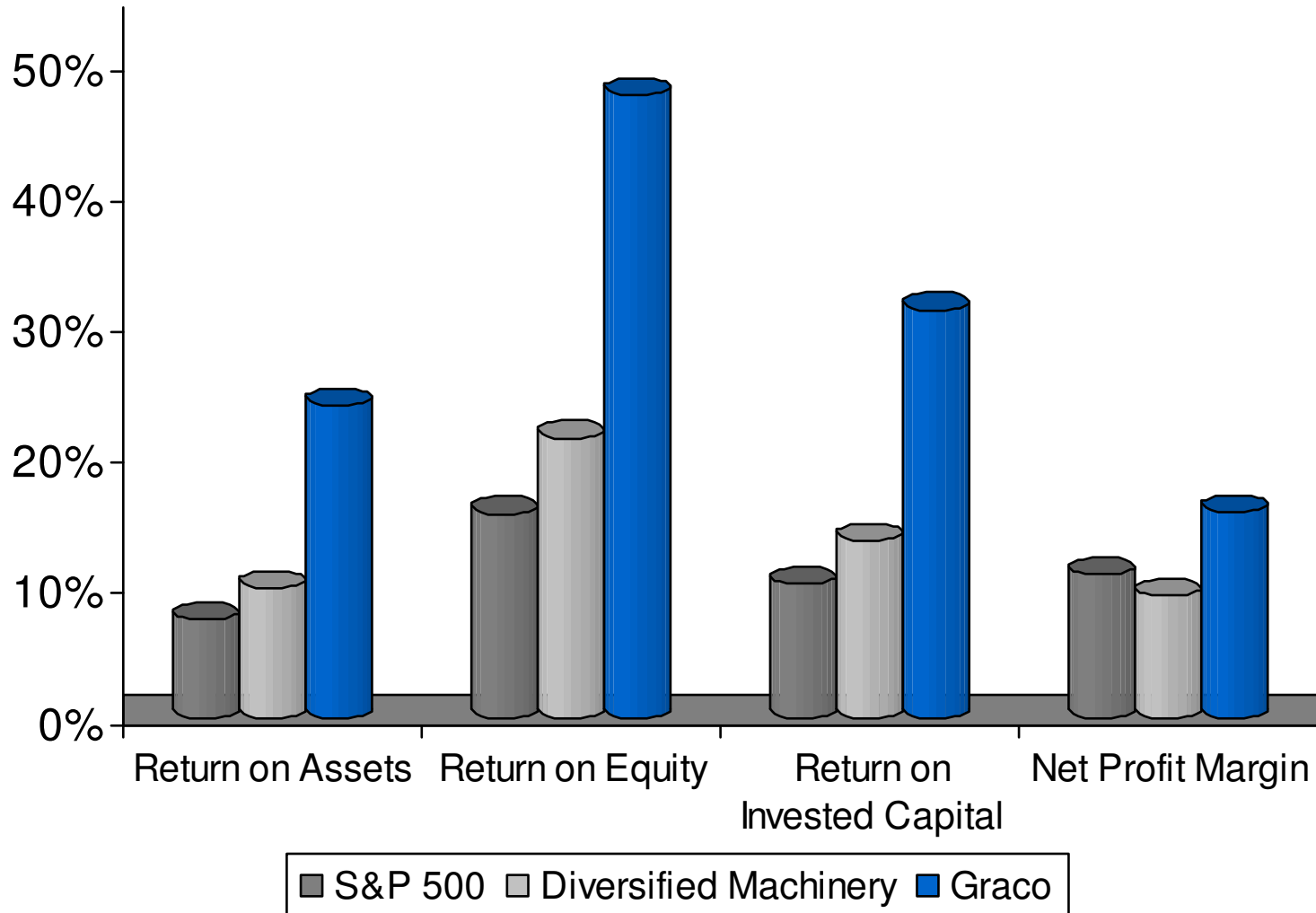


Free Cash Flow (*\$ Millions*)





Capital Efficiency – 5 Year Average



Source: Interactive Data, 2011 Thomson Reuters



Cash Deployment Priorities

Organic Growth Investments →

- International footprint
- Product development
- Production capacity & capabilities

Acquisitions →

- Supplement to organic growth
- Leverage our strengths

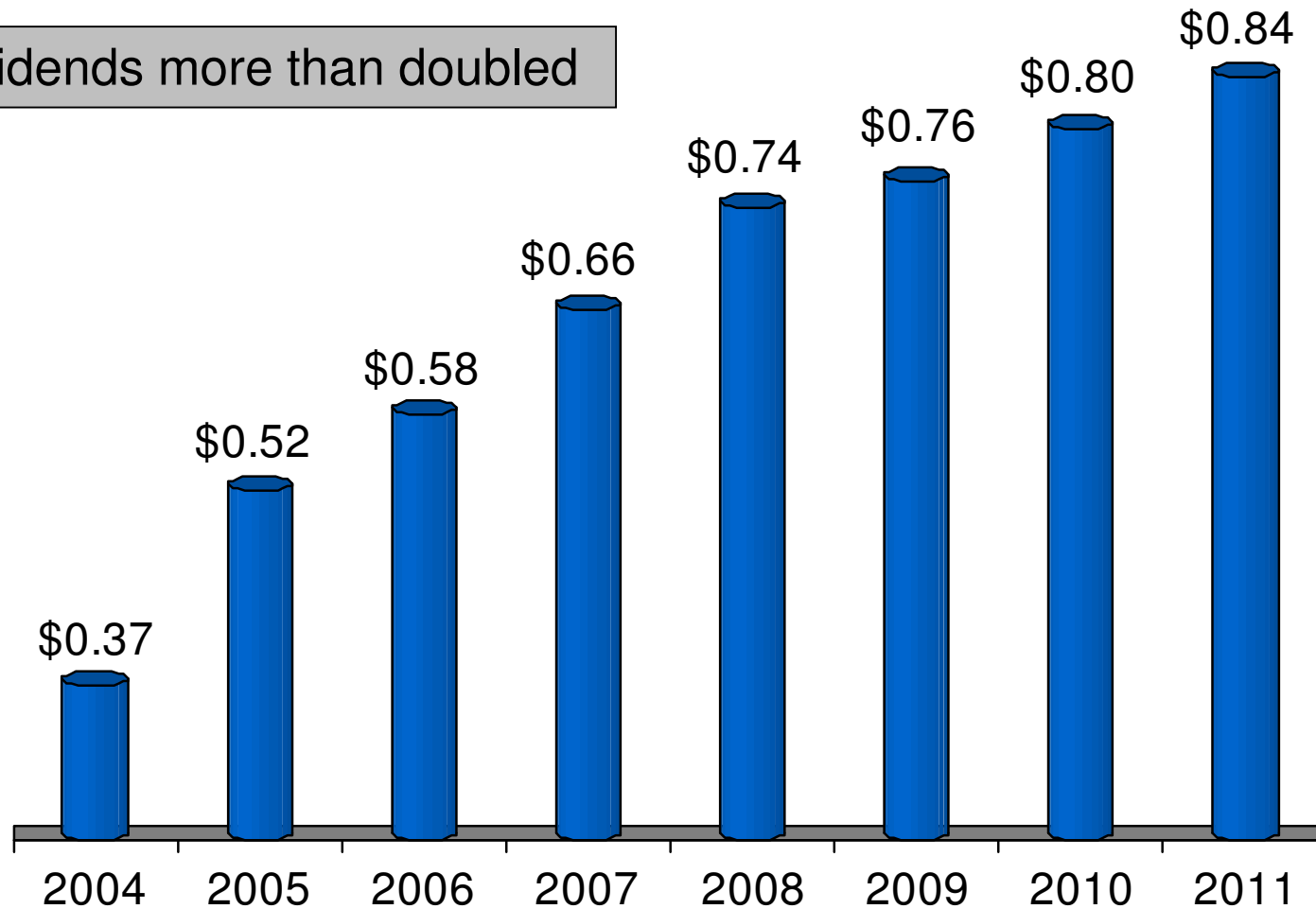
Dividends/Share Repurchase →

- Dividend payout ratio 25-30%
- 6 million authorized share repurchase - 10% of outstanding shares approved September 2009



Annual Dividend Growth

- Dividends more than doubled



Note: Annual dividends rate, excludes special dividend of \$1.50 paid in 2004



Key Investment Attributes

- Leading market positions
- Serves niche markets where customers are willing to purchase quality, technology-based products
- Products perform critical functions
- Consistent investments in capital and growth initiatives
- Shareholder-minded management
- Financial strength



Move – Measure – Control – Dispense – Apply

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