



# **4<sup>th</sup> Quarter 2022 Earnings Conference Call**

January 31, 2023

# 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 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 30, 2023.

# Financial Results

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## Statement of Earnings

\$ in millions except per share amounts

	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
<b>Net Sales</b>	\$ 555.0	\$ 539.6	3 %	\$2,143.5	\$1,987.6	8 %
<b>Gross Profit</b>	272.8	274.6	(1)%	1,057.4	1,033.9	2 %
% of Net Sales	49.2%	50.9%	(1.7) pts	49.3%	52.0%	(2.7) pts
<b>Operating Earnings</b>	152.5	144.6	5 %	572.7	531.3	8 %
% of Net Sales	27%	27%	0 pt	27%	27%	0 pt
<b>Net Earnings</b>	\$ 126.2	\$ 120.3	5 %	\$ 460.6	\$ 439.9	5 %
% of Net Sales	23%	22%	1 pt	21%	22%	(1) pt
<b>Diluted Net Earnings Per Share</b>	\$ 0.74	\$ 0.69	7 %	\$ 2.66	\$ 2.52	6 %
Diluted Shares in Millions	171.4	174.9	(2)%	172.9	174.5	(1)%
Net Earnings, Adjusted (1)	\$ 124.3	\$ 115.8	7 %	\$ 455.5	\$ 425.7	7 %
Diluted Net Earnings Per Share, Adjusted (1)	\$ 0.73	\$ 0.66	11 %	\$ 2.63	\$ 2.44	8 %

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

# Net Sales

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## Components of Net Sales Change

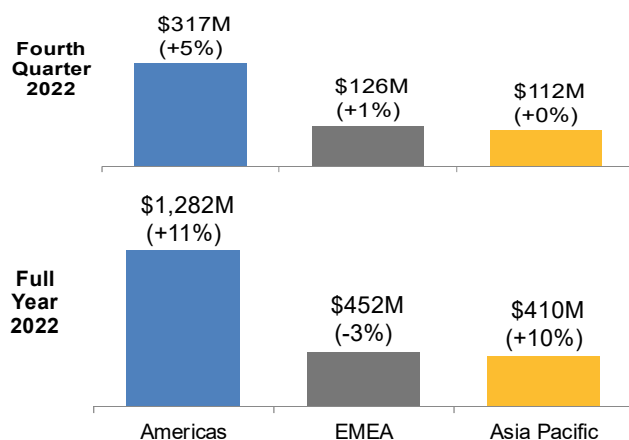
### 2022 Fourth Quarter

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	17 %	16 %	(4)%	4 %	12 %	10 %	6 %
Acquisitions	0 %	3 %	0 %	1 %	0 %	0 %	1 %
Currency	(7)%	(4)%	(3)%	(0)%	(11)%	(10)%	(4)%
<b>Total</b>	<b>10 %</b>	<b>15 %</b>	<b>(7)%</b>	<b>5 %</b>	<b>1 %</b>	<b>0 %</b>	<b>3 %</b>

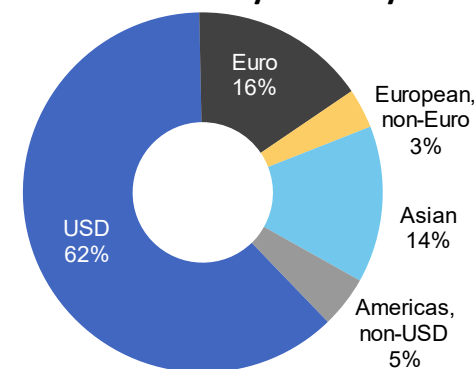
### 2022 Full Year

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	14 %	25 %	4 %	11 %	7 %	16 %	11 %
Acquisitions	0 %	2 %	0 %	1 %	0 %	0 %	1 %
Currency	(6)%	(2)%	(3)%	(1)%	(10)%	(6)%	(4)%
<b>Total</b>	<b>8 %</b>	<b>25 %</b>	<b>1 %</b>	<b>11 %</b>	<b>(3)%</b>	<b>10 %</b>	<b>8 %</b>

Net Sales by Region



2022 Net Sales by Currency



Asian currencies include: AUD, CNY, JPY, KRW, INR. 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

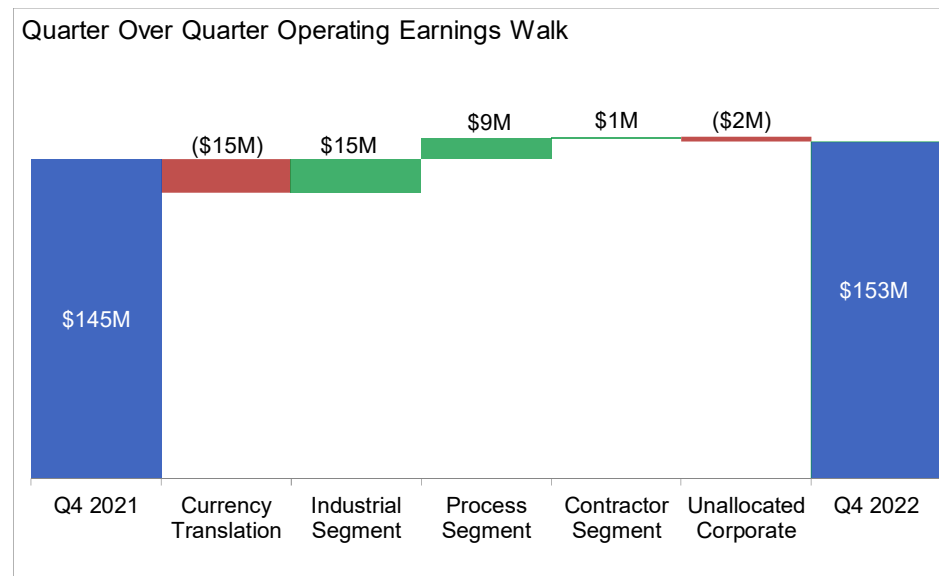
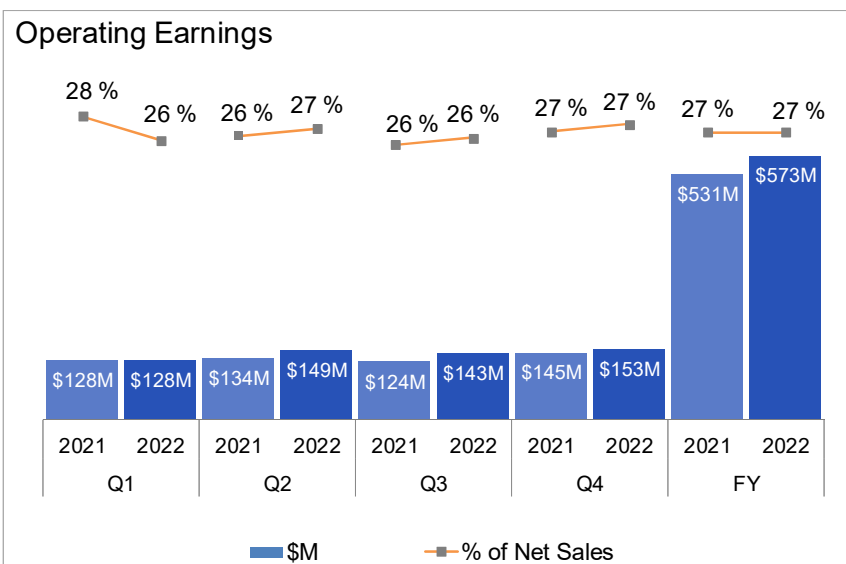
Product cost, pricing, sales volume

Change in sales and earnings-based costs

Volume effect on expense leverage

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

Fourth Quarter		Full Year			
\$	145	27 %	\$	531	27 %
	(14)	(2)		(40)	(1)
	16	0		77	(2)
	8	1		17	1
	(2)	1		(12)	2
<b>\$</b>	<b>153</b>	<b>27 %</b>	<b>\$</b>	<b>573</b>	<b>27 %</b>



# Fourth Quarter 2022

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<b>Net Sales</b>	<ul style="list-style-type: none"><li>▶ Up 3 percent from 2021, up 7 percent at consistent translation rates. Sales from acquired businesses contributed 1 percentage point</li><li>▶ 2021 was a 53 week year with 14 weeks in the fourth quarter compared to 13 weeks in the fourth quarter of 2022</li></ul>
<b>Gross Margin</b>	<ul style="list-style-type: none"><li>▶ Margin rate down 1.7 percentage points from 2021<ul style="list-style-type: none"><li>▪ Unfavorable impact of currency translation rates driving decline in margin rate. Realized pricing more than offset the unfavorable impact of higher product cost</li></ul></li></ul>
<b>Operating Earnings</b>	<ul style="list-style-type: none"><li>▶ Up \$8 million compared to fourth quarter 2021<ul style="list-style-type: none"><li>▪ Realized pricing, increase in sales volume and lower expenses (primarily lower sales and earnings-based cost) offset higher product costs and the unfavorable effect of currency translation</li></ul></li></ul>
<b>Other Expense</b>	<ul style="list-style-type: none"><li>▶ Decreased \$15 million<ul style="list-style-type: none"><li>▪ 2021 included non-cash pension settlement charge of \$12 million</li></ul></li></ul>
<b>Taxes</b>	<ul style="list-style-type: none"><li>▶ Adjusted effective tax rate for the quarter was 19 percent, fourth quarter 2021 adjusted effective tax rate was 18 percent<ul style="list-style-type: none"><li>▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises, non-recurring tax provision adjustments in 2021 and prior year pension settlement loss</li><li>▪ Increase primarily due to unfavorable effects of foreign earnings taxed at higher rates than the U.S.</li></ul></li></ul>

# Full Year 2022










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<b>Net Sales</b>	<ul style="list-style-type: none"><li>▶ Up 8 percent from 2021, up 12 percent at consistent translation rates. Sales from acquired businesses contributed 1 percentage point</li></ul>
<b>Gross Margin</b>	<ul style="list-style-type: none"><li>▶ Margin rate down 2.7 percentage points from 2021<ul style="list-style-type: none"><li>▪ Realized pricing not enough to offset the unfavorable impact of higher product costs and unfavorable impact of currency translation rates</li></ul></li><li>▶ Margin dollars up on volume and realized pricing</li></ul>
<b>Operating Earnings</b>	<ul style="list-style-type: none"><li>▶ Up \$41 million compared to 2021<ul style="list-style-type: none"><li>▪ Increase in sales volume, realized pricing and lower expenses were able to offset higher product costs and unfavorable effect of currency translation rates</li></ul></li></ul>
<b>Other Expense</b>	<ul style="list-style-type: none"><li>▶ Decreased \$16 million<ul style="list-style-type: none"><li>▪ 2021 included non-cash pension settlement charge of \$12 million</li></ul></li></ul>
<b>Taxes</b>	<ul style="list-style-type: none"><li>▶ Adjusted effective tax rate for 2022 was 19 percent, the adjusted effective rate in 2021 was 18 percent<ul style="list-style-type: none"><li>▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises, non-recurring tax provision adjustments in 2021 and prior year pension settlement loss</li><li>▪ Increase primarily due to unfavorable effects of foreign earnings taxed at higher rates than the U.S.</li></ul></li></ul>

# 2023 Outlook

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

	Americas	EMEA	Asia Pacific	Total
Current Environment	Sales Growth Q4 2022 4% 2022 Full Year 11%	Sales Growth Q4 2022 12% 2022 Full Year 7%	Sales Growth Q4 2022 10% 2022 Full Year 16%	Sales Growth Q4 2022 7% 2022 Full Year 11%
Industrial Segment	 Sales Growth Q4 2022 5% 2022 Full Year 13%	 Sales Growth Q4 2022 30% 2022 Full Year 15%	 Sales Growth Q4 2022 20% 2022 Full Year 14%	Sales Growth Q4 2022 17% 2022 Full Year 14%
Process Segment	 Sales Growth Q4 2022 17% 2022 Full Year 22%	 Sales Growth Q4 2022 23% 2022 Full Year 22%	 Sales Growth Q4 2022 11% 2022 Full Year 34%	Sales Growth Q4 2022 16% 2022 Full Year 25%
Contractor Segment	 Sales Growth Q4 2022 (1%) 2022 Full Year 7%	 Sales Growth Q4 2022 (10%) 2022 Full Year (6%)	 Sales Growth Q4 2022 (17%) 2022 Full Year 0%	Sales Growth Q4 2022 (4%) 2022 Full Year 4%
Full Year 2023 Outlook				<b>Low Single-digit</b>

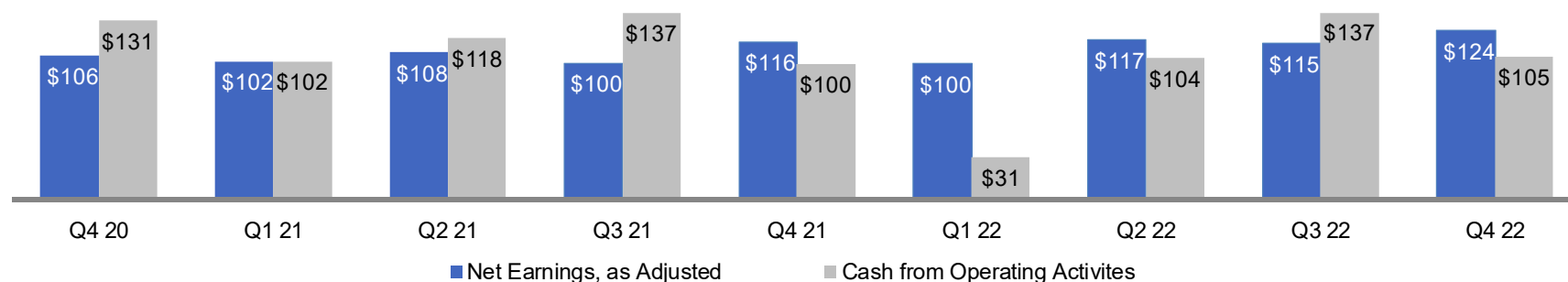
We are initiating a revenue outlook for the full-year 2023 of low single-digit growth on an organic, constant currency basis.



# Cash Flow and Liquidity

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



## Significant Uses of Cash (\$M)

	2022	2021
Capital Expenditures	\$ 201	\$ 134
Share Repurchases, Net of Issued	198	-
Dividends	142	127
Net Payments on Debt	93	-
Acquisitions	25	19
Pension Contribution	20	20

- ▶ Net cash provided by operating activities was \$377 million in 2022 vs. \$457 million in 2021
  - Higher incentive payout reduced net cash from operations in first quarter. Remaining working capital items in line with volume
- ▶ Capital expenditures of \$201 million, including \$115 million on expansion projects
- ▶ Repurchased 3.5 million shares in 2022. Shares repurchased, net of shares issued, \$198 million
- ▶ Debt, including notes payable, was \$96 million – down \$97 million from December 2021
  - During first quarter 2022, repaid \$75 million of private placement debt plus \$3.5 million prepayment fee which was recognized as interest expense
- ▶ The Company made a \$20 million voluntary contribution to a U.S. pension plan in the fourth quarters of 2022 and 2021

# Other Discussion Items

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<b>Cap Ex</b>	<ul style="list-style-type: none"> <li>▶ Capital expenditure expectations of approximately \$200 million in 2023, including approximately \$130 million in facility expansion projects</li> </ul>
<b>Expenses</b>	<ul style="list-style-type: none"> <li>▶ Unallocated corporate expenses in 2023 are expected to be approximately \$31 - \$34 million</li> </ul>
<b>Shares</b>	<ul style="list-style-type: none"> <li>▶ We repurchased 3.5 million shares in 2022. We may make opportunistic purchases in 2023 via open market transactions or short-dated accelerated share repurchase (“ASR”) programs</li> </ul>
<b>Currency</b>	<ul style="list-style-type: none"> <li>▶ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2022, the movement in foreign currencies would have favorable impact of 1 percent on both net sales and net earnings in 2023</li> </ul>
<b>Taxes</b>	<ul style="list-style-type: none"> <li>▶ We anticipate the effective tax rate in 2023 to be between 19% - 20%, 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</li> </ul>
<b>Fiscal Year 2021</b>	<ul style="list-style-type: none"> <li>▶ There were 53 weeks in fiscal 2021, with 14 weeks in the fourth quarter, compared to 52 weeks in fiscal 2022, with 13 weeks in the fourth quarter</li> </ul>

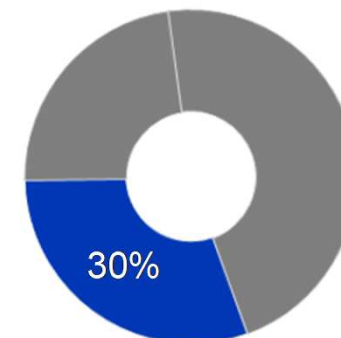
# Industrial Segment Results

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\$ in millions

	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
<b>Net Sales</b>						
Americas	\$ 63	\$ 61	4 %	\$ 239	\$ 213	12 %
EMEA	64	55	17	206	199	3
Asia Pacific	63	58	9	204	190	8
<b>Total</b>	<b>\$ 190</b>	<b>\$ 174</b>	<b>10 %</b>	<b>\$ 649</b>	<b>\$ 602</b>	<b>8 %</b>
<b>Operating Earnings</b>	<b>\$ 70</b>	<b>\$ 61</b>	<b>14%</b>	<b>\$ 231</b>	<b>\$ 200</b>	<b>16 %</b>
% of sales	37 %	35 %		36 %	33 %	

2022 Industrial Segment Net Sales as % of Graco



Components of Net Sales Change

	Q4 2022	Full Year 2022		Q4 2022	Full Year 2022
<b>Americas</b>			<b>Asia Pacific</b>		
Volume & Price	5 %	13 %	Volume & Price	20 %	14 %
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	(1)%	(1)%	Currency	(11)%	(6)%
<b>Total</b>	<b>4 %</b>	<b>12 %</b>	<b>Total</b>	<b>9 %</b>	<b>8 %</b>
<b>EMEA</b>			<b>Segment Total</b>		
Volume & Price	30 %	15 %	Volume & Price	17 %	14 %
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	(13)%	(12)%	Currency	(7)%	(6)%
<b>Total</b>	<b>17 %</b>	<b>3 %</b>	<b>Total</b>	<b>10 %</b>	<b>8 %</b>

# Industrial Segment Results

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Change in % of net sales

**2021 Operating Earnings**

Currency Translation

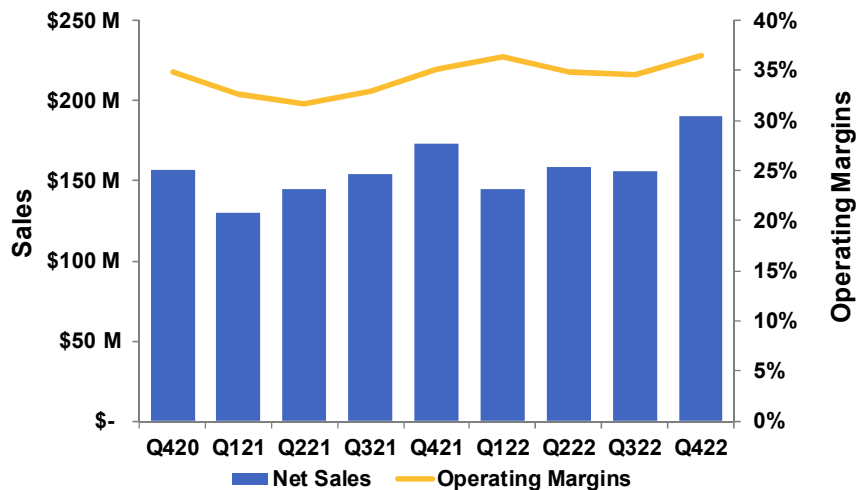
Product cost

Volume effect on expense leverage

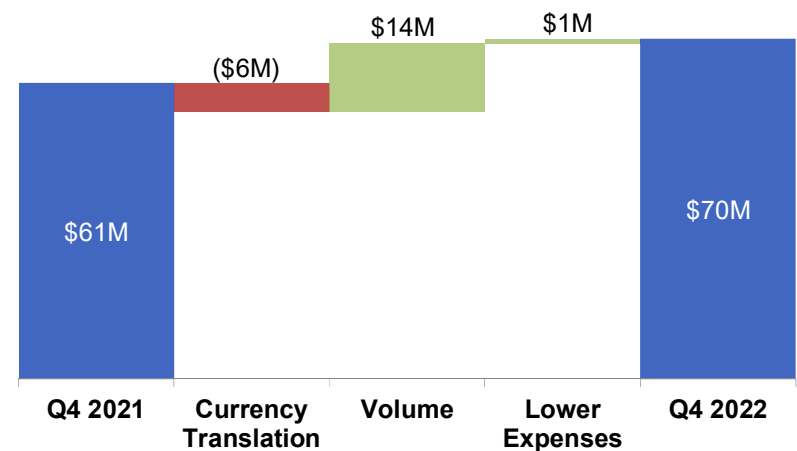
**2022 Operating Earnings**

	Fourth Quarter	Full Year
	35 %	33 %
	(1)	0
	(1)	(1)
	4	4
	<b>37 %</b>	<b>36 %</b>

Industrial Segment Net Sales and Operating Margins



Industrial Segment Operating Earnings QTD



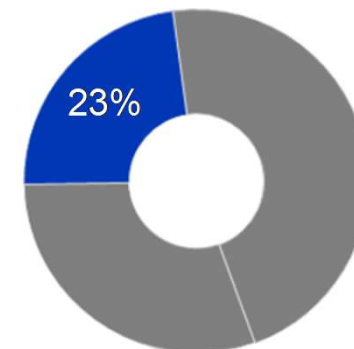
# Process Segment Results

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\$ in millions

	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
<b>Net Sales</b>						
Americas	\$ 81	\$ 68	20 %	\$ 304	\$ 243	25 %
EMEA	18	16	15	69	60	15
Asia Pacific	31	29	4	122	95	29
<b>Total</b>	<b>\$ 130</b>	<b>\$ 113</b>	<b>15 %</b>	<b>\$ 495</b>	<b>\$ 398</b>	<b>25 %</b>
<b>Operating Earnings</b>	<b>\$ 33</b>	<b>\$ 26</b>	<b>27 %</b>	<b>\$ 122</b>	<b>\$ 91</b>	<b>34 %</b>
% of sales	25 %	23 %		25 %	23 %	

2022 Process Segment Net Sales as % of Graco



Components of Net Sales Change

	Q4 2022	Full Year 2022		Q4 2022	Full Year 2022
<b>Americas</b>			<b>Asia Pacific</b>		
Volume & Price	17 %	22 %	Volume & Price	11 %	34 %
Acquisitions	4 %	3 %	Acquisitions	0 %	0 %
Currency	(1)%	0 %	Currency	(7)%	(5)%
<b>Total</b>	<b>20 %</b>	<b>25 %</b>	<b>Total</b>	<b>4 %</b>	<b>29 %</b>
<b>EMEA</b>			<b>Segment Total</b>		
Volume & Price	23 %	22 %	Volume & Price	16 %	25 %
Acquisitions	1 %	1 %	Acquisitions	3 %	2 %
Currency	(9)%	(8)%	Currency	(4)%	(2)%
<b>Total</b>	<b>15 %</b>	<b>15 %</b>	<b>Total</b>	<b>15 %</b>	<b>25 %</b>

# Process Segment Results

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Change in % of net sales

**2021 Operating Earnings**

Currency translation

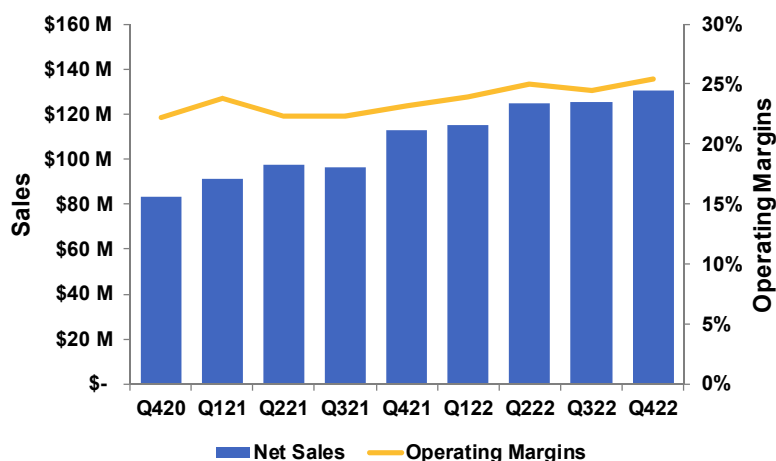
Product cost

Volume effect on expense leverage

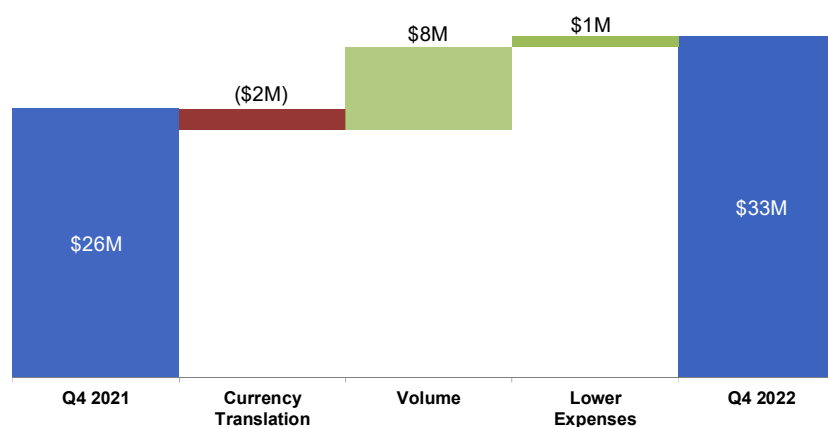
**2022 Operating Earnings**

Fourth Quarter	Full Year
23 %	23 %
(1)	0
(2)	(3)
5	5
<b>25 %</b>	<b>25 %</b>

Process Segment Net Sales and Operating Margins



Process Segment Operating Earnings QTD



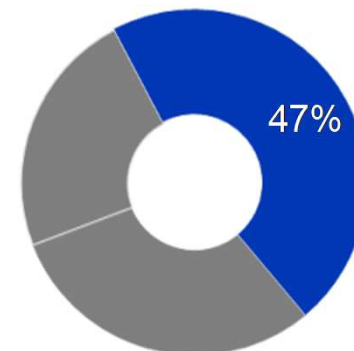
# Contractor Segment Results

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\$ in millions

	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
<b>Net Sales</b>						
Americas	\$ 173	\$ 174	(1)%	\$ 739	\$ 694	6 %
EMEA	44	54	(19)	177	205	(14)
Asia Pacific	18	25	(25)	83	89	(6)
<b>Total</b>	<b>\$ 235</b>	<b>\$ 253</b>	<b>(7)%</b>	<b>\$ 999</b>	<b>\$ 988</b>	<b>1 %</b>
<b>Operating Earnings</b>	<b>\$ 58</b>	<b>\$ 63</b>	<b>(8)%</b>	<b>\$ 250</b>	<b>\$ 266</b>	<b>(6)%</b>
% of sales	25 %	25 %		25 %	27 %	

2022 Contractor Segment Net Sales as % of Graco



## Components of Net Sales Change

	Q4 2022	Full Year 2022		Q4 2022	Full Year 2022
<b>Americas</b>			<b>Asia Pacific</b>		
Volume & Price	(1)%	7 %	Volume & Price	(17)%	0 %
Acquisitions	0 %	0 %	Acquisitions	0 %	0 %
Currency	0 %	(1)%	Currency	(8)%	(6)%
<b>Total</b>	<b>(1)%</b>	<b>6 %</b>	<b>Total</b>	<b>(25)%</b>	<b>(6)%</b>
<b>EMEA</b>			<b>Segment Total</b>		
Volume & Price	(10)%	(6)%	Volume & Price	(4)%	4 %
Acquisitions	0 %	1 %	Acquisitions	0 %	0 %
Currency	(9)%	(9)%	Currency	(3)%	(3)%
<b>Total</b>	<b>(19)%</b>	<b>(14)%</b>	<b>Total</b>	<b>(7)%</b>	<b>1 %</b>

# Contractor Segment Results

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Change in % of net sales

**2021 Operating Earnings**

Currency translation

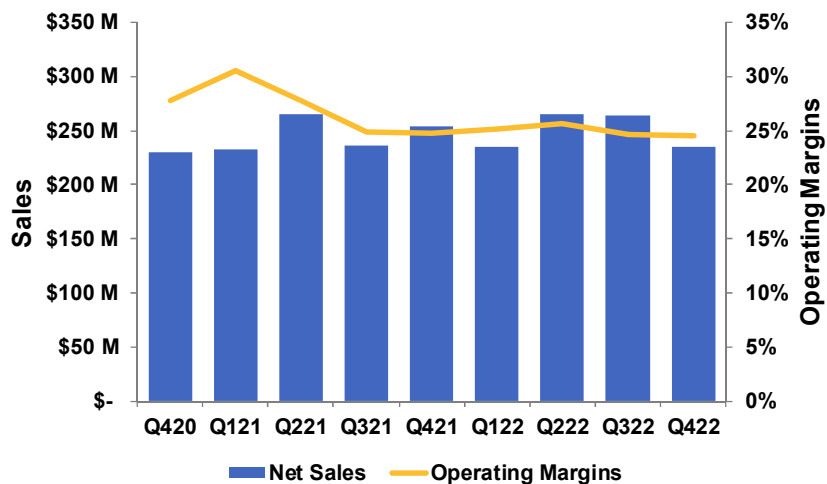
Product cost

Volume effect on expense leverage

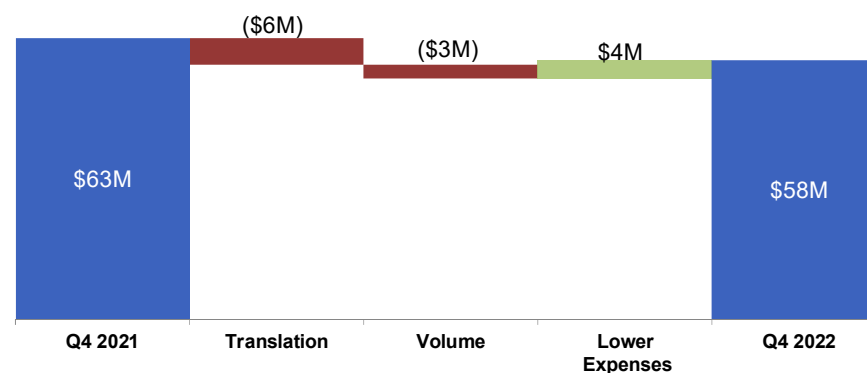
**2022 Operating Earnings**

	Fourth Quarter	Full Year
	25 %	27 %
	(2)	(1)
	1	(2)
	1	1
	<b>25 %</b>	<b>25 %</b>

Contractor Segment Net Sales and Operating Margins



Contractor Segment Operating Earnings QTD





# Financial Results Adjusted for Comparability

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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		
	2022	2021	Change	2022	2021	Change
<b>Earnings before taxes, as reported</b>	\$ 154.0	\$ 129.3	19 %	\$ 565.7	\$ 508.5	11 %
Pension settlement loss	-	12.0		-	12.0	
<b>Earnings before taxes, adjusted</b>	<u>\$ 154.0</u>	<u>\$ 141.3</u>	<u>9 %</u>	<u>\$ 565.7</u>	<u>\$ 520.5</u>	<u>9 %</u>
<b>Income taxes, as reported</b>	\$ 27.8	\$ 9.0	209 %	\$ 105.1	\$ 68.6	53 %
Pension settlement tax effect	-	2.5		-	2.5	
Excess tax benefit from option exercises	1.9	2.7		5.1	11.5	
Other non-recurring tax benefit	-	11.3		-	12.2	
<b>Income taxes, adjusted</b>	<u>\$ 29.7</u>	<u>\$ 25.5</u>	<u>16 %</u>	<u>\$ 110.2</u>	<u>\$ 94.8</u>	<u>16 %</u>
Effective income tax rate						
As reported	18%	7%		19%	13%	
Adjusted	19%	18%		19%	18%	
<b>Net earnings, as reported</b>	\$ 126.2	\$ 120.3	5 %	\$ 460.6	\$ 439.9	5 %
Pension settlement loss, net	-	9.5		-	9.5	
Excess tax benefit from option exercises	(1.9)	(2.7)		(5.1)	(11.5)	
Other non-recurring tax benefit	-	(11.3)		-	(12.2)	
<b>Net earnings, adjusted</b>	<u>\$ 124.3</u>	<u>\$ 115.8</u>	<u>7 %</u>	<u>\$ 455.5</u>	<u>\$ 425.7</u>	<u>7 %</u>
Weighted average diluted shares	171.4	174.9		172.9	174.5	
<b>Diluted earnings per share</b>						
As reported	\$ 0.74	\$ 0.69	7 %	\$ 2.66	\$ 2.52	6 %
Adjusted	\$ 0.73	\$ 0.66	11 %	\$ 2.63	\$ 2.44	8 %



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