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OVERVIEW:

Company Summary

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Michael Halloran *Robert W. Baird & Co Inc - Analyst*

Bryan Blair *Oppenheimer & Co Inc - Analyst*

Matthew Summerville *D.A. Davidson & Co. - Analyst*

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PRESENTATION

Operator

Good morning, and welcome to the second-quarter conference call for Graco Inc. If you wish to access the replay for this call, you may do so by visiting the company website at www.graco.com. 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 questions and answers after the opening remarks from management. I will now hand the conference over to John Bower, Director of Investor Relations. John, please go ahead.

John Bower - *Graco Inc - Director - Investor Relations*

Good morning. I'm here with Mark Sheahan, our President and Chief Executive Officer; Sanjiv Gupta , Chief Financial Officer and Treasurer; and Chris Knutson, Vice President, Chief Accounting Officer and Controller. We welcome you to our conference call to report Graco's fiscal 2026 second-quarter results.

Before we begin, I'd like to remind everyone that certain statements made during this call may be forward-looking and are subject to risks and uncertainties. Please refer to the Safe Harbor statement included in our earnings release and earnings presentation as well as our SEC filings for additional information regarding these risks and uncertainties. I will now turn the conference over to Mark Sheahan.

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Thank you, John. Good morning, everyone. We delivered record second-quarter sales of $591 million and record second-quarter earnings, reflecting growth across all three segments and margin expansion supported by disciplined expense management and operational execution. Contractor generated organic growth in the Americas, led by home center and professional paint. Industrial benefited from broad-based activity across core markets, while Expansion Markets continue to see strong semiconductor demand.

Organic orders increased 5% during the quarter. The most recent six-week booking average was up 14% versus last year and backlog as of July 17, excluding acquisitions, was up $57 million or 28% from the beginning of the year. Together, these positive trends give us confidence in a stronger second half.

Capital allocation remains an important part of how we create long-term shareholder value. In May, we announced the acquisition of Valco Melton, one of Graco's largest acquisitions in more than a decade. Valco Melton is an attractive strategic fit that adds complementary technology, products, and customer relationships in the high-growing packaging dispense market.

We expect to create additional value by applying Graco's manufacturing expertise, operating discipline, and global reach to improve profitability over time, following a playbook already underway with Corob, Color Service, and Radia. At the same time, we continue to be active in evaluating additional M&A opportunities. Our strong cash position and balance sheet provides the flexibility to invest in the business, pursue strategic acquisitions, and return capital to shareholders.

Turning to some of the segment performance. The Contractor segment delivered record sales and earnings in the quarter, revenue increased 4%, and organic sales were higher across both paint and home center markets in the Americas for the first time in nearly two years.

We saw greater stability across many of our core markets during the quarter, supported by improved North America activity in residential repaint and remodel projects, sell-through trends across the channel, stronger customer engagement, improved execution, and targeted commercial programs. We also continue to see good demand in protective coatings and foam, which represent a more global and application-driven part of the Contractor business. These areas continue to benefit from commercial construction, infrastructure, and industrial project activity, including investments tied to data centers, energy and manufacturing. The strength in these applications highlights the breadth of the Contractor segment and our ability to serve customers beyond traditional residential paint. Innovation is an important way that we support customers and differentiate our offerings in the Contractor business. New product introductions, including the next generation of QuickShot, the ProReach extension system, and new autonomous and semi-autonomous striping solutions are designed to improve productivity, reduce labor requirements, minimize material waste, and help customers deliver more consistent, high-quality results. Together, these factors helped drive 4% organic bookings growth in the quarter with the most recent six-week order trends improving to 14% growth over last year.

In the Industrial segment, sales increased 3% in quarter reflecting better activity across process manufacturing, machinery manufacturing, general industrial applications, semiconductor-related investment, and continued adoption of electrified product platforms. These trends reflect customer investment in productivity, automation, and infrastructure projects.

Additionally, we're seeing benefit from a more coordinated commercial approach that helps the team's focus execution on larger opportunities and gain specifications with OEMs. Beyond these larger investment-driven markets, we also saw healthy demand in day-to-day industrial applications including MRO channels.

The quarter also reflected a few anticipated headwinds. Organic powder-finishing systems were lower due to the timing of order acceptance, which should occur in the second half of the year. In Asia, activity was slower to start the year, with China specifically affected by prior year pull-forward activity ahead of tariff-related pricing actions and a softer automotive demand.

Organic orders improved throughout the quarter, with bookings increasing 3% year to date through July 17 and 11% over the most recent six-week period versus the prior year. Combined with a healthy backlog, these trends support our expectation for stronger performance in the second half of the year for Industrial.

Expansion Markets grew 3% with growth across all key businesses. Semiconductor continues to have a strong year, particularly in Asia Pacific, supported by ongoing investment in semiconductor manufacturing capacity. Bookings increased 58% in the quarter bringing year-to-date bookings growth to 33% with the most recent six-week average up 36% and backlogs remain strong.

Overall, Graco's growth in the quarter came from multiple end markets, products, and geographies. It was supported by improving customer activity, focused investments in attractive markets, and the advantages of a diversified portfolio. These factors continue to guide our decisions and position us for long-term value creation.

Moving on to our outlook. Looking ahead, we're encouraged by the improving trends we're seeing across Graco's business segments. New product introductions and strong channel initiatives support second half performance, while our teams remain focused on the actions to capture opportunities and drive growth.

We're maintaining our full-year outlook and initiating a third-quarter revenue guide of $580 million to $600 million, excluding Valco Melton, which is expected to close during the third quarter. Overall, our strategy remains consistent. We're building a broader growth platform through innovation, disciplined capital allocation, and targeted acquisitions while staying focused on the highest return opportunities to drive our long-term success.

With that, I'll turn the call over to Sanjiv to provide more detail on our financial results for the quarter.

Sanjiv Gupta - *Graco Inc - Chief Financial Officer and Treasurer*

Thank you, Mark, and good morning, everyone. We reported second quarter sales of $591 million, an increase of 3% from last year. Acquisitions contributed 3% growth and currency translation added 1%, partially offset by 1% unfavorable change in organic sales, driven primarily by timing of finishing systems revenue within the Industrial segment.

We delivered another quarter of strong earnings performance. Reported net earnings were $145 million or $0.87 per diluted share, an increase of 14% from the prior year. On an adjusted basis, excluding acquisition-related costs, amortization of acquired intangible assets and certain tax items, adjusted earnings per share were $0.91, up 17% year over year.

Gross margin increased 130 basis points from the prior year. The improvement reflects price realization, improved manufacturing performance, and the favorable impact of $9 million in tariff refunds net of related surcharges. While the tariff refunds provided a meaningful benefit, margin improvement was also supported by the fundamentals of our operating model and disciplined cost management across the organization.

Operating expenses were essentially flat in the quarter despite inflationary pressures and the addition of acquired businesses, reflecting continued cost management which drove an operating earnings increase of 11% and an operating margin rate of 30% of sales compared to 26% in the prior year quarter. Across the portfolio, segment profitability remained strong, Contractor and Expansion Market expanded margins, while Industrial maintains its profitability, all the project timing impacted revenue.

Turning to cash flow and capital allocation. We generated $298 million of operating cash flow through the first six months of the year, representing strong conversion of earnings into cash and continuing our long track record of strong cash generation. We remain committed to our balanced capital allocation framework. In the first half of the year, we repurchased 4.2 million shares totaling approximately $331 million, paid $98 million in dividends and invested $29 million in capital expenditure, including strategic facility expansion projects.

We continue to have significant flexibility to invest in growth while returning capital to shareholders. As we look ahead, at current exchange rates, currency is expected to provide approximately a 1% favorable impact on both full-year sales and earnings. We now expect unallocated corporate expenses to be $39 million to $42 million, capital expenditures of $90 million to $100 million, and an adjusted effective tax rate of 20% to 21% for the full year.

In summary, the quarter demonstrated the strength of our operating model, delivering double-digit earnings growth, significant margin expansion, strong cash generation, and continued disciplined capital allocation. Positive order trends and backlog growth during the quarter further support our confidence in the underlying health of the business.

That concludes our prepared remarks. Operator, we are ready for the questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Deane Dray, RBC.

Deane Dray - *RBC Capital Markets Inc - Analyst*

Thank you. Good morning, everyone. Can we start with the -- and I guess I want to call it a momentous decision to give quarterly sales guidance? So it begs the question, why now? Obviously, you've got better visibility. You got backlog up 28%. The six-week orders look strong. Expansion Markets are living up to their name. So just kind of take us through your decision to give this guidance metric. And should we expect this on a go-forward basis?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah, it's a good question. And I think you really answered the question with your commentary. We do have pretty good visibility, particularly over a 13-week time period. And we thought it would be helpful to the analysts like you that follow the company to get our perspective on how these quarters are actually playing out because, for example, if you look at this year, we haven't changed our revenue outlook for the full year.

And there's some volatility around the first half versus second half that we -- if we had done a different job, we might have given you some more information about how we saw those two halves playing out and been a little bit more insightful in terms of the information that we're providing to the analysts and actually have to put reports out and give numbers and represent the company that way.

So I think that we feel comfortable. I think that, as you said, backlogs are strong. I think this is a change that we're committing to make going forward. So it's not just a one-quarter thing that we're going to do. And I think it's the right approach for the company at this time.

Deane Dray - *RBC Capital Markets Inc - Analyst*

Great. Well, we welcome that. So thank you. And I think the last time I was surprised at this level was when you all had to make a second-price increase midyear, which is just not something you typically did. But that begs the question, can you talk about pricing in the quarter, where you are on price cost? And just kind of the outlook there.

Sanjiv Gupta - *Graco Inc - Chief Financial Officer and Treasurer*

Yeah. So Deane, so the price cost stays positive. I think our plan here is given that our price cost equation is positive, we are going to stick to our historic price cadence, which is basically we'll be introducing the price increases in the beginning of the year. So that's the plan. And that's what we're going to stick to. We have realized pricing this year, roughly 1.5%, 2%, consistent with how we have been doing historically. So --

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah. I think we're in good shape, Deane. Of course, we always have the flexibility if we need to do something we can, but right now, things look pretty good.

Operator

Michael Halloran, Baird.

Michael Halloran - *Robert W. Baird & Co Inc - Analyst*

We appreciate the 3Q help. When I'm looking for more holistically is just translating how you're talking about the bookings in the front half of the year, last six weeks, however you want to put it in the back half of the year and just how that relationship in your mind works out? Obviously, back half of the year implies something above 5%, depending on what your definition of low-single digit is from an organic growth perspective.

Orders front half of the year were particularly in 2Q were there in full year. And so what's the correlation, the lag? How much revenue do you think is getting pushed to the back half of the year? How much of this is just sequential momentum that you expect to continue in the back half of the year. So just any help you can give on that relationship and why the visibility is higher in all those factors?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah, I'll start, and I'll let these guys chime in. I may not cover everything, but if I were to play back Q1, I think we had a decent Q1. We just built backlog, we weren't able to ship it out. And so we had a -- I think an organic decline of about 6%. But if you had kind of -- if we had gotten the product shipped, the backlog hadn't grown, it would have been a much different story.

In Q2, we built even more backlog, but we were able to push through enough orders to generate closer to a flattish organic growth number. We benefited obviously from acquisitions as well. I think year to date, our backlogs are up about $57 million from the beginning of the year. So that gives us a lot of momentum heading into the back half.

We had quite a bit of headwind in the powder coatings business, the Gema business in the first half. We knew that. They had a great first half last year, and we think that their comps are going to be easier in the back half, but they've also gotten nice benefit from the Color Service acquisition, which is actually performing ahead of our plan and our schedule. So that's a factor that goes into the equation because that will become organic here in the third quarter for us.

And I would say probably the biggest positive in my mind that we've seen in the more recent numbers is the momentum that we're seeing on the Contractor side of the business. While we did expect that we would see some positivity there, just the broad-based nature of it, the fact that it's happening in North America, which is our biggest market, the infrastructure spending that they're getting involved with from the protective coatings and foam side of the business are really nice things that have happened since the end of the first quarter.

And I think that you combine that with the backlogs, the Gema numbers, the big growth that we're seeing in semiconductor with our White Knight business. That really gives us confidence that we are going to be able to hit the full-year revenue guide that we put out at the beginning of January, it's just that we'll definitely be more back half loaded. So I don't know if I answered your question enough specifically, but I welcome the group here to chime in if there's anything else that you guys want to add. They're shaking their heads.

Michael Halloran - *Robert W. Baird & Co Inc - Analyst*

No, all good. That helps. And then maybe the follow-up is something you alluded to there, which is I think people historically think about Graco more as a traditional res exposed company. But what you were referencing is broader build-out that's happening through the ecosystem, the large CapEx dollars out there. You can see that in the Expansion numbers, the semiconductor growth. Maybe talk about how aggressively you think that you're participating? Or what kind of impact it can have on the other two segments all else equal? In other words, if this contagion kind of rolls through spend to the economy. Are we just underappreciating how much Graco can participate in that?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah. I don't know. I think that there's different ways that we can participate. Obviously, semiconductor is probably the cleanest area where we can talk about it because we have a specific business that's dedicated there. And of course, they're benefiting from this build-out that's happening. They're more involved with the tool manufacturing of the equipment that's used to manufacture the chips, but there's definitely some uptick there that you're seeing in our business.

When it comes to the data centers themselves, I mean they're the outside of the building stuff which is anything to do with putting up the building itself, putting roofs on building even like parking lots and stuff like that, we get involved with all of those activities. Our Gema powder business gets involved in some of the applications with respect to the transfer equipment that's put in. They have powder coating systems that coat the cabinets that go into power these things, and they've seen an uptick in their business there.

In our Industrial business, we have equipment that applies these thermal interface materials, which are really kind of a fancy way of saying materials that they kind of dissipate the heat that's involved in a lot of the activities in the data center. And so our channel partners, our distributors are really starting to see some activity around there, where we're taking Graco applications and really using our thermal interface dispense materials in areas like the cabinets that are put into data centers of some of the chips that are being produced traditionally, we've kind of participated in the like cell phones and personal items, but now starting to broad out a little bit in this commercial application.

So we touch it in a lot of ways. And I think net-net, it's a positive compared to what we may have seen a year or two ago.

Operator

Bryan Blair, Oppenheimer.

Bryan Blair - *Oppenheimer & Co Inc - Analyst*

Thank you. Good morning, everyone. Circling back to the momentous decision to provide the quarterly guide, quarterly sales guide. I agree with that characterization. I was hoping you could provide a little more detail by segment what your team is contemplating for the third quarter. And then obviously, we can back into what's been implied for Q4 as well?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah. I think for now, we're just given the overall number, and it includes M&A in that number. We haven't really broken it out by segment. Of course, we have our own thoughts around that. But I think that at this point, I don't know that we're prepared to give the segment information. I'll throw it over to Sanjiv. And I think that being a new CFO, this was something that he thought was important that we do. And part of this, too, Bryan, is when you put a number out there, it creates a little bit of accountability for our team. And so you can believe that we're having those discussions and we're building that muscle as well. But I'll let Sanjiv just comment on his thoughts.

Sanjiv Gupta - *Graco Inc - Chief Financial Officer and Treasurer*

I think, Mark, you've captured it. I would say this is our first step. We are starting off with a consolidated number. We'll have to really make sure that internally, we have the processes and checks and balances in terms of how we develop that number. We do have an internal forecast, but I think we are not ready to really go at that level of detail yet. Again, it's a start. Let us give us some time, and then we'll come back to you.

Bryan Blair - *Oppenheimer & Co Inc - Analyst*

Okay. Understood. It's our job to ask for more. And Valco Melton sounds like you had a very high fit acquisition for your team, so kudos there. You provided the starting EBITDA margin of around 20%. And I guess, to level set as we think about the prospective levers to the deal model, what's run rate gross margin? And then with regard to the 27 facility footprint, what's the breakout between manufacturing, sales, and service locations?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yes. So the gross margins of that business are 50% or more. So they're good. And I think we also flagged that more than half of the business is parts and accessories, which is really good. So when you start with a high-quality business with good gross margins like that, it does give you some opportunities to drive some value on the operating side. A lot of that will come with revenue growth, but also we and the Valco team when we get together with them, have really identified some areas that we think we can help them in to be more efficient, more productive, and hopefully drive some of those costs out as the revenue grows.

I mean for sure, job one for us is to maintain the revenue that they have and have it continue to grow at the rates it has. It's been growing very nicely. We certainly didn't build that into the deal model. But our expectation is that this is a nice market. They're doing well. They are one of the major players here. This is a business that I personally have wanted in the Graco portfolio for quite some time.

You might recall that in 2013, we launched a product called InvisiPac, where we went into this space. We built a nice business there. And we think that they can help us sell more InvisiPac and I think we can help them as well, sell some of the great equipment into some of the customers they have, they're focused into the corrugated area. So it is a really nice hand and glove acquisition that we're excited about it. And Bryan, remind me of the second part of your question, I don't know if we have detail, but if we do, I'll give it to you.

Bryan Blair - *Oppenheimer & Co Inc - Analyst*

I was just curious in terms of the 27 facility footprints, how that breaks down between manufacturing sales and service locations?

Christopher Knutson - *Graco Inc - Vice President, Chief Accounting Officer and Controller*

Bryan, this is Chris. I'm going off the top of my head here, but I think they have about five manufacturing locations and the rest are going to be sales and service offices.

Bryan Blair - *Oppenheimer & Co Inc - Analyst*

Appreciate the detail.

Operator

Matt Summerville, DA Davidson.

Matthew Summerville - *D.A. Davidson & Co. - Analyst*

Thanks. Maybe just sticking with the acquisition, that 9% CAGR referenced in the deck, is that all organic? Or is there M&A in there? And if there is M&A, what would the organic number look like? And then does Valco tend to capture the same priced goodness that you guys capture on an annual basis? Or is there some commercial opportunity? And then I have a follow-up.

Christopher Knutson - *Graco Inc - Vice President, Chief Accounting Officer and Controller*

I'll start with that one, Matt. This is Chris. When you're looking at the revenue CAGR, they do -- they have been acquisitive, but their acquisitions have been very -- are much smaller. So that is an organic number, the 9%.

Matthew Summerville - *D.A. Davidson & Co. - Analyst*

Got it. And then the rest of the question on their ability to capture price. And do you underwrite that 9% CAGR going forward?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

I think that they have, I'll call it, normal pricing practices. Obviously, they compete against some large other companies in that space. You probably know who they are. They keep each other honest. It's a good, I would call it, a rational-pricing environment. I think Valco has done a good job of positioning themselves into some applications where they feel like they can add a lot of value, like in particular, the corrugated packaging market.

And we're not going into this expecting that we're going to do anything dramatically different from a pricing standpoint than what they have done historically. I think a lot of their growth has been mostly new products and market demand, their market position, I think, has improved over that five-year time period, and we really don't want to do anything to disrupt that momentum that they've got.

Matthew Summerville - *D.A. Davidson & Co. - Analyst*

And then as a follow-up, just thinking about, I mean, I'm looking at the book in slide 11. In any period, you look at Expansion Markets bookings are excellent. You mentioned some timing on powder systems and Industrial, which we know can add and has in the past some volatility quarter to quarter. As we think about that oncoming Expansion Markets demand, should we be thinking about a sustained period that this business is growing double digits? Number one. And then number two, on industrial, do those powder projects favor Q3 or Q4 in terms of timing?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah. I think that my view of semiconductor is a pretty lumpy end market. You get really hot periods. They tend to run three, five-year time periods and then it can cool off all signs at this point are this is pretty sustainable. It's going to run for a while. And so I don't -- wouldn't tell you that you should run out those growth rates in perpetuity, obviously, but I do feel pretty confident that customers are interested in our products. They're talking to us all the time. They're placing orders. So in the near term, I think that there's really good momentum.

And it should last for sure, through the end of this year, and I would guess in the next year as well beyond that. If you look at the macro data with all the build out that's happening around AI and other things, I think you get yourself comfortable that this is going to be a multi-year favorable trend for our business as we continue to evolve and pursue that opportunity.

Chris Knutson

I think the final part of your question was the timing of the powder. We've historically seen a strong fourth quarter in powder. We expect to see that again this year. Last year, their third quarter was one of their slsowest, and we expect -- we had some slowness to start this year with the timing of the installation and completion of projects. We expect that to pick up in both third and fourth quarters here.

Operator

Jeff Hammond, KeyBanc Capital Markets.

Mitchell Moore - *KeyBanc Capital Markets - Analyst*

This is Mitch Moore on for Jeff. My first question, you really stepped into buybacks this quarter and have been doing more M&A recently. I was just wondering if that was purely opportunistic or moving forward, we should expect a more constructive approach to deploying cash flow and cash on the balance sheet?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

I'll let Sanjiv handle the buyback question.

Sanjiv Gupta - *Graco Inc - Chief Financial Officer and Treasurer*

So I think from a capital allocation framework standpoint, I think our strategy or approach hasn't changed. It will be consistent. It will be disciplined, it will be balanced. And that's what we have been doing. And I think as I've stated before, we'll be investing in growth first organically, then pursuing the strategic M&A, which we have outlined to you guys. As long as they meet our financial and strategic threshold. And then we'll return cash through dividends and share buybacks to the shareholders.

And I think in terms of dividend, we have a very consistent history or approach. We have been returning cash to the shareholders. But in terms of share buyback, it has to be opportunistic, and that's the philosophy, we will continue to pursue. And it is basically based on the financial returns, whether it's the right play and essentially the choice between what other sources -- other uses of cash we have. So I think the bottom line is it's the same capital allocation framework, which we have deployed, and we'll continue to look at share buyback opportunities opportunistically.

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah. And I would just add that, I mean, let's be candid here. I mean, we were at a $95 stock price, not that long ago. Our outlook is the same. Cash conversion is great. Business is performing well. So I think we do view the current environment as a buying opportunity for Graco. I think you've seen that here in our actions recently.

And then I think the other part of your question was M&A. And again, we -- our long-term view is that we'd like let's call it, a third of our revenue growth through a cycle to come from acquired businesses. And I think that the pipelines are good. M&A is opportunistic. We obviously have activities going on there all the time. It really depends upon whether it's a good strategic fit, timing of the seller, are we interested at the price that they want to sell it, those kinds of things.

But I think the point is if you were to look out over the next five years, we do feel pretty confident that we're going to be able to get that kind of contribution from M&A with our teams as focused on it as they are. And I think we've got a really good story to tell in terms of the reason we've acquired and how they're contributing to Graco overall today. We want to do more of that.

Mitchell Moore - *KeyBanc Capital Markets - Analyst*

Great. That's very helpful. And then my second question is just on Contractor. You mentioned, I think it was the first time in two years that [Pro Paint] and home center channels grew in the same quarter and -- you talked about some of the new product introductions and some of the nonresidential applications. Could you just speak to the confidence that the improvements you've seen this last quarter and in the bookings are kind of sustainable through the year?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah. I guess my impression, Mitch, would be that -- and I'm hopeful that we've kind of seen the worst of the market, the macro market conditions that, that business has had to face over the last four or five years. We're starting to see in our numbers, orders, a broad-based pickup versus what we experienced a year ago.

It's still pretty early. So I don't want to get irrationally exuberant, but I do feel better about where that business is positioned today than I have for the last few years. And of course, the products that they're launching, so we mentioned, some of the activities that we have going on within the business units to really drive brand preference and create more demand from our customers has translated into some growth that we're excited about. We're kind of hopeful here that we've seen the worst of it, and we can grow off of the base that we have.

I will say that the Corob acquisition that we did about 18 months ago. Again, like the other part of Contractor, we've seen nice order pickup there as well in the last six weeks. And so that's a nice profitable business that we expect to get in the back half that we didn't really see a whole lot of in the front half. So I feel pretty good about Contractor. I think we're in good shape, and we'll see what happens.

Operator

Walter Liptak, Seaport Research.

Walter Liptak - *Seaport Research - Analyst*

I'll do a follow-on first on Contractor. And going to the study of the data center build-out for non-res construction. Are there new products that go into that market? Or are there specific products that you think are being sold for use in data center construction that supports the view that your business is getting a lift from that build-out?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

I think it's the same product. I think it's just capitalizing on these opportunities that are out there today that weren't there a year ago. So it's just paint. It's protective coatings in some of the areas in the facilities. It's the roofing applications that we get involved with. It's pavement. It's the flooring within the data centers. So all those construction-type activities that you would expect us to be involved with, we are seeing decent activity there, and the team has done a good job of capitalizing on it.

Walter Liptak - *Seaport Research - Analyst*

Okay. Great. Has there been a way for you guys to quantify the benefit from it? Or is there too much channel in a way to see a direct data center-related sales channel?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah. It's not a number I'd be comfortable sharing with you, but our teams have a perspective on it, and we asked for data about actual buildings and construction that they're seeing, and we've got some of that information. But it's -- again, it's not like hundreds of millions of dollars, but it's enough of an uptick for that business where we thought it was worth mentioning. And we do see that activity continuing here in the near term and probably in the next few years as long as data centers continue to be built out.

Walter Liptak - *Seaport Research - Analyst*

Okay. Great. And then -- just kind of -- we're all watching for Industrial and should we continue to see improvement in the general industrial market, some of the core things like automotive for you guys or just projects, larger projects going through your channel. Are you -- I wonder if you can talk a little bit about the sort of those general industrial markets. And if some of the recent order growth is a result of better projects getting released. And then maybe are we on easier comps now? Do you think you're gaining from selling strategies? Or are we seeing market growth?

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Yeah. I'll maybe take the second part first. So for sure, we have easier comps in the powder business in the back half of the year. And really, if you looked at the legacy Graco Industrial business. In the first half of the year, we did have growth in that part of our business, kind of in line with our low single-digit organic guide that we gave for the full year. So any of the pressure that you've seen on the organic side here in the first half has really been tied to the powder business, and those comps are going to be easier.

I'd characterize the growth is pretty broad-based. I think our -- we're seeing the PMI starts to turn positive. So we're seeing investments being made in machinery manufacturing, general industrial applications, pretty healthy MRO channels as well. So that activity has tweaked up a little bit for us. And of course, we've -- I've been focusing on creating the right digital assets here at Graco to be able to interact with those larger MRO partners. And I think that, that's starting to bear some fruit as well for us.

So I would kind of say broad-based across the board, nothing is really spiking it. Tempo feels pretty good here as we're exiting Q2 and we feel, again, fairly confident in that the back half of the year is going to be better than what we saw in the front half of the year.

Operator

(Operator Instructions) If there are no further questions, I will now turn the conference over to Mark Sheahan.

Mark Sheahan - *Graco Inc - President, Chief Executive Officer*

Okay. Well, I thank you all for participating in the call today. I look forward to seeing some of you on the road here in the next few months, and hope you have a great rest of the day. Thanks again.

Operator

This concludes our conference for today. Thank you all for participating, and have a nice day. All parties may now disconnect.