



Investor Presentation

Third Quarter 2019

Safe Harbor

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Today's presentation includes forward-looking statements that reflect management's current expectations about the Company's future business and financial performance.

These statements are subject to certain risks and uncertainties that could cause actual results to differ from anticipated results.

Factors that could cause actual results to differ from anticipated results are identified in Part 1, Item 1A of the Company's Form 10-K, and the current Quarterly Report on Form 10-Q.

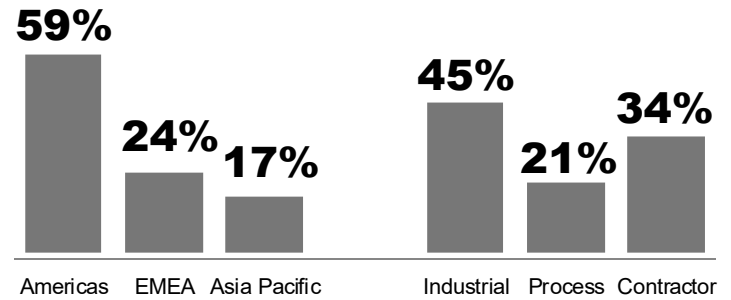
Distribution of Global Sales



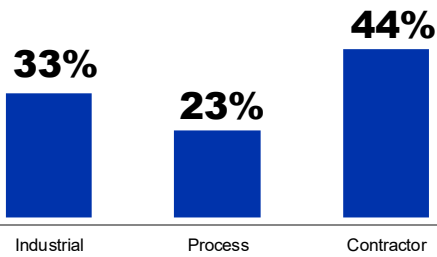
Worldwide

\$1,234 M

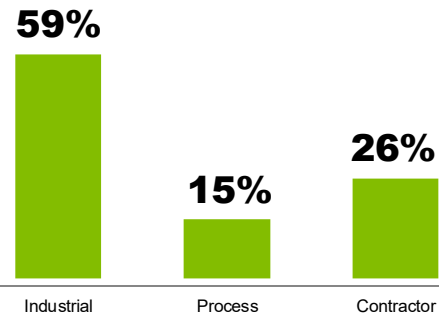
September 2019
Year to Date



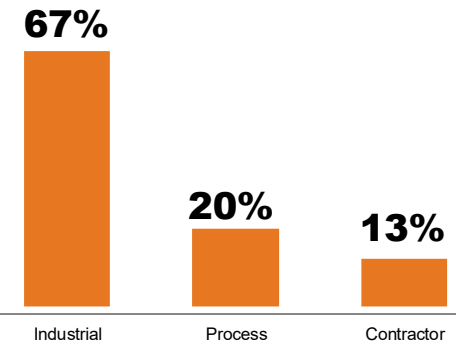
Americas



EMEA

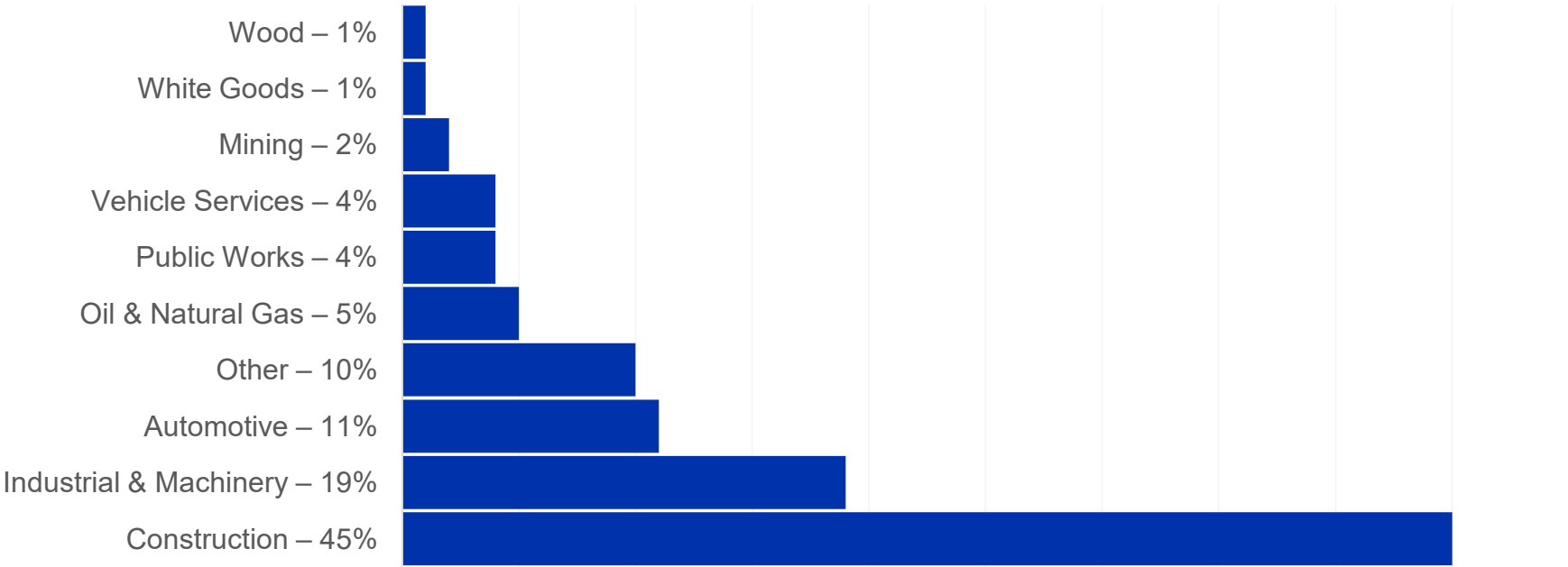


Asia Pacific



2018 Sales by End Market

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Company Overview

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- ▶ Part of Your Everyday Life
- ▶ Diversified Fluid Handling Business
- ▶ Driving Value, Customer ROI
- ▶ Strategic Initiatives
- ▶ Organically Driven, with Exceptional Returns



Graco is part of your
everyday life.

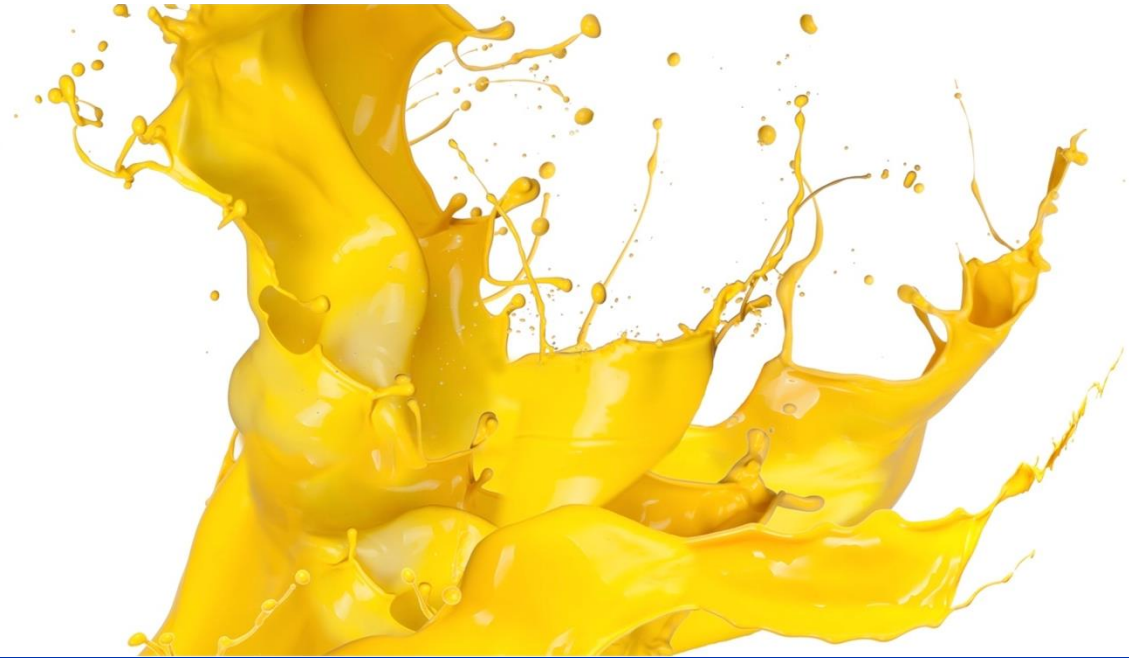




Graco is part of your
everyday life.



Diversified Fluid Handling Business



Niche

Difficult applications; corrosive, viscous, hard-to-move materials

6%+

Organic Revenue CAGR*

~40%

Of revenue is parts & accessories

*20-year average, constant currency

High Customer Value, Strong Product Differentiation



Low Volume, High Mix Delivers Customer ROI

Average Number of Units Sold Per Day	No. of SKUs		2018 Sales (\$ in millions)	
0 - 1	59,400	93%	\$ 820	50%
2 - 5	2,900	5%	\$ 295	18%
6 - 10	800	1%	\$ 129	8%
11 - 15	300	0%	\$ 55	3%
Greater than 15	800	1%	\$ 354	21%
Graco 2018	64,200		\$1,653	

Highly-valued products at low volumes

50%
of our revenue comes from products that we sell

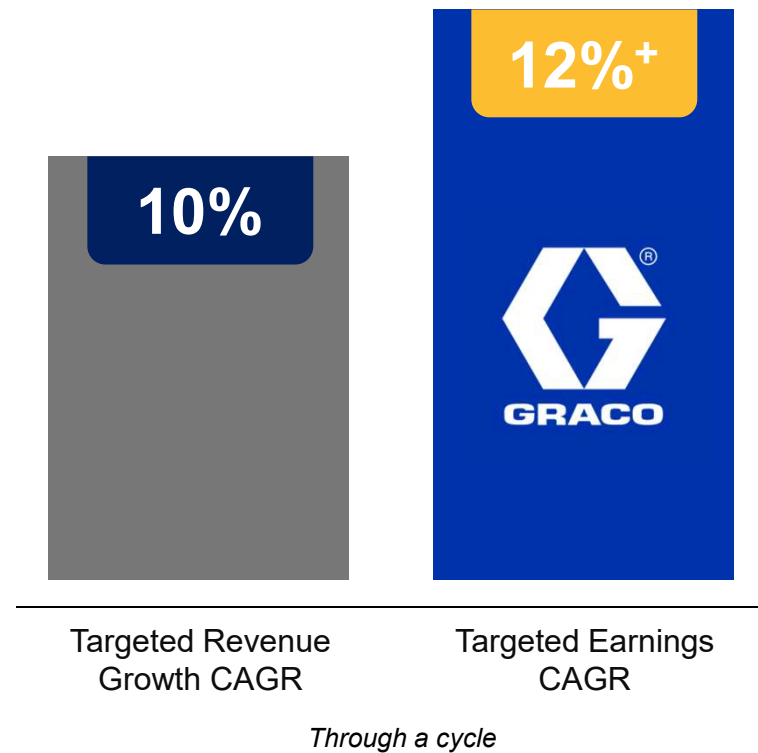
zero to one per day

Growth Plans and Earnings Drivers

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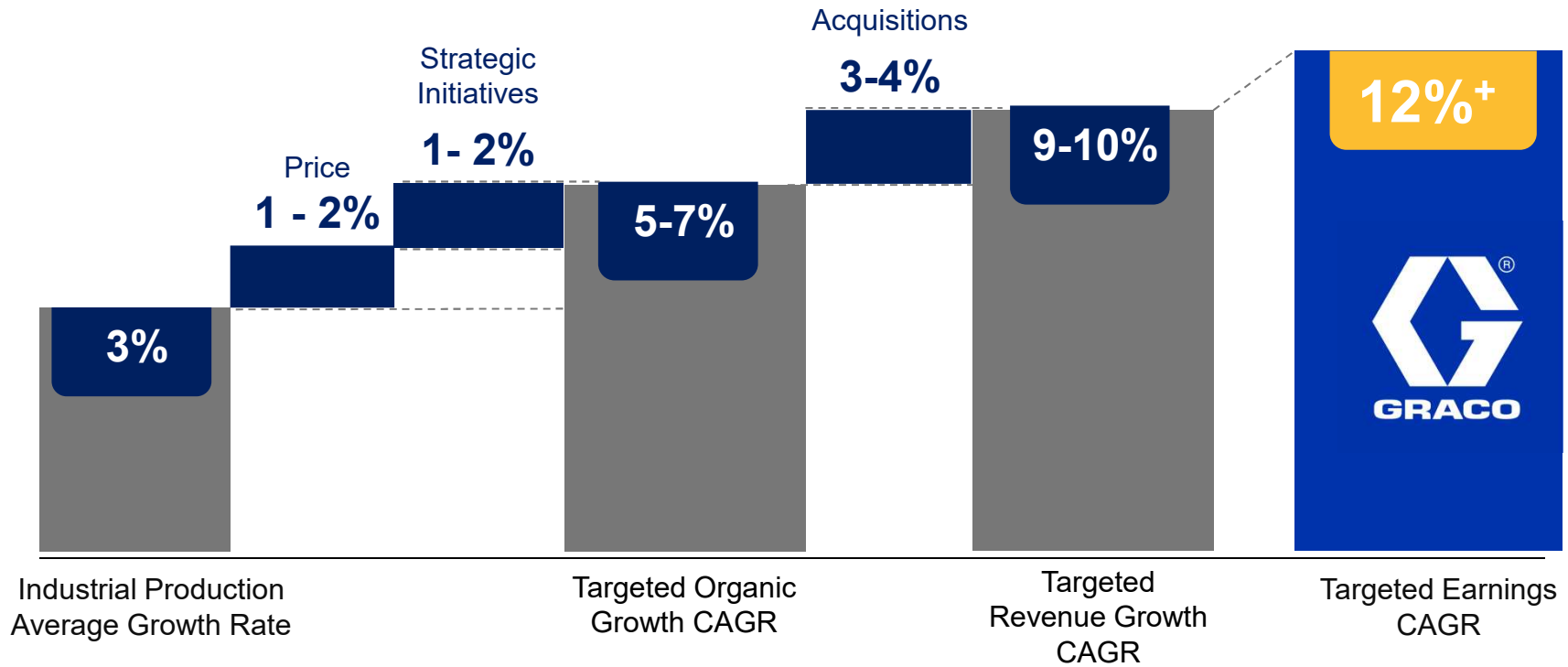
Strategic Initiatives

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



Growth Plans and Earnings Drivers

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Exceptional Returns

6%+

Organic Revenue CAGR

31%

Return on Invested Capital

51%

Return on Equity

20%

Return on Assets

Based on a 20-year average, constant currency

Business Model

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- ▶ Brand Promise
- ▶ Operational Excellence
- ▶ Engineering & Manufacturing Excellence
- ▶ Extensive Reach



Our Brand Promise

- ▶ **Innovation** – Leading with technologically-advanced features, pioneering design, high performance and unparalleled reliability
- ▶ **Quality** – Our customers invest in high-quality products built to last for years of reliable service
- ▶ **A+ Service** – We're guided by a mindset of integrity and a customer service view centered on collaboration and relationships, not transactions



Engineering Excellence

Target
**Double-Digit
Returns**

New product

Annual R&D Investment

More than **2.5X***
our peer group

4.3%*
as a percent of sales
vs. peers at 1.6%

* Peers: ITW, CSL, DOV, CFX, IEX, NDSN, WTS, FLS, based on a 5-year average, 2014 - 2018

Manufacturing Excellence



80%

Production based in the US

Goal is

Zero

cost change
on the same basket of goods (yoy)

< 1%

Warranty costs



Service Excellence

Same Day

Orders in by noon,
ship the same day

95%+

In-stock service level
(goal is > 92%)



Extensive Reach

Customers in over

100

countries

Facilities in

12

countries

Installed base

~100

years old

30,000+

Outlets/Distributors

Company Segments



- ▶ Industrial
- ▶ Process
- ▶ Contractor

Industrial

Key End Markets

- ▶ General industrial
- ▶ Automotive
- ▶ Res & non-res construction
- ▶ Alternative energy & others

Growth Drivers & Trends

- ▶ Factory movement & upgrades
- ▶ Automation
- ▶ Technology upgrades
- ▶ Energy-efficiency upgrades
- ▶ Material changes

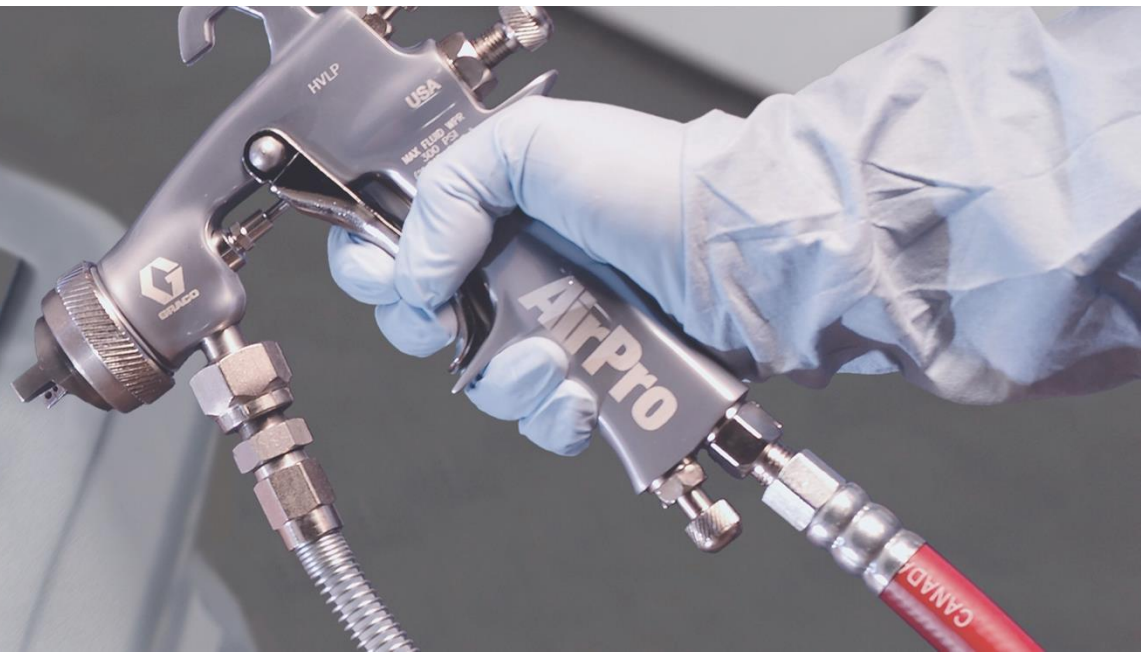
Select Representative Industry Participants:

Public : Nordson, Carlisle, Exel

Private: Wagner and many other regional players



Industrial



September 2019, Nine Months

\$553M

▼ Segment Revenue

-2%

▼ Organic

33.8%

▼ Operating Margin
- 170 basis points

New



Intelligent Paint Kitchen – Expanded Offering

- ▶ Reduces downtime & cuts energy costs
- ▶ Controls both electric and pneumatic systems
- ▶ Remote monitoring capable
- ▶ Scalable – start with pneumatic, upgrade to electric when ready

Industrial

New



Pro Xp™ Electrostatic Guns

- ▶ 50 new gun models to meet customer's spraying needs
- ▶ Pro Xp waterborne gun reduces equipment costs and improves transfer efficiency
- ▶ Improved durability, ease of adjustments, and spray performance

Industrial

Process

Key End Markets

- ▶ Pharma, food & beverage
- ▶ Vehicle services
- ▶ Oil & natural gas
- ▶ Environmental
- ▶ Semiconductor & others

Growth Drivers & Trends

- ▶ Factory movements and upgrades
- ▶ Technology upgrades
- ▶ Energy-efficiency upgrades
- ▶ Asset life maintenance
- ▶ Commodities extraction
- ▶ Environmental regulations

Select Representative Industry Participants:

Public: IDEX, Dover, Ingersoll Rand

Private: Lincoln, Vogel, Bijur, Hannay, Coxreels and many other regional players



Process



September 2019, Nine Months

\$256M

▲ Segment Revenue

3%

▲ Organic

22.1%

▲ Operating Margin
+100 basis points

New



Pulse FC™ Fluid Control

- ▶ Wire-free fluid control
- ▶ Simple to use PC software with programmable cards for system set up & operation
- ▶ Allows facility owners to authorize all dispenses and collect fluid totals

Process

New



SaniForce® 2.0 – Unloaders

- ▶ Saves time and money by pumping difficult materials quickly and safely
- ▶ Range handles low to high viscosity materials
- ▶ Featuring both manual and automatic controls

Process

Contractor

Key End Markets

- ▶ Res & non-res construction
- ▶ Res & non-res remodeling
- ▶ Transportation Infrastructure

Growth Drivers & Trends

- ▶ End user conversion from brush and roll
- ▶ Product innovation & channel expansion
- ▶ Housing & new construction
- ▶ Infrastructure spending
- ▶ Regional labor rates
- ▶ New markets
- ▶ Material changes

Select Representative Industry Participants:

Private: Wagner/Titan, Campbell Hausfeld, Bedford, China copiers and other regional players



Contractor



September 2019, Nine Months

\$425M



Segment Revenue

4%



Organic

23.7%



Operating Margin
- 100 basis points

New BLUE-LINK



PAINTERS ARE ABLE TO MAXIMIZE UPTIME



NEW CONSTRUCTION



HOME REMODEL



HOSPITAL EXPANSION



MANAGERS ARE ABLE TO UNDERSTAND JOB PROGRESS



Live

sprayer performance

Track

Every sprayer

Job

progress & productivity

Maximize

Spray time

New



Small to Large Electric Sprayer Upgrade

- ▶ Upgraded to include the new Contractor PC™ spray gun
- ▶ BlueLink™ system on board most models
- ▶ Some models upgraded to include new Vortex™ MaxLife® pumps



Contractor

New

**All Day
Striping on a
Single Charge**



LineLazer® & LineDriver® ES

- ▶ No engine noise or exhaust fumes
- ▶ No engine vibration for crisper lines
- ▶ Can be used indoors and outdoors
- ▶ Stripe up to 60 gallons on a single charge
- ▶ Automatic parking lot layout and skip line patterns





Capital Allocation



Long-Term Cash Deployment Priorities



Organic Growth

- ▶ International footprint
- ▶ Product development
- ▶ Production capacity and capabilities

Acquisitions

- ▶ Supplement to organic growth
- ▶ Leverage our strengths

Shareholder Return

- ▶ Solid dividend history
- ▶ Approximately 21 million shares remaining on repurchase authorization



- ▶ Drive long-term, above-market growth
- ▶ Premium products that deliver strong ROI for end users
- ▶ Leading industry positions
- ▶ Serve niche markets where customers are willing to purchase quality, technology-based products
- ▶ Products perform critical functions
- ▶ High margin, high recurring revenue
- ▶ Consistent investments in capital and growth initiatives
- ▶ Shareholder-minded management
- ▶ Financial strength



Key Investment Attributes



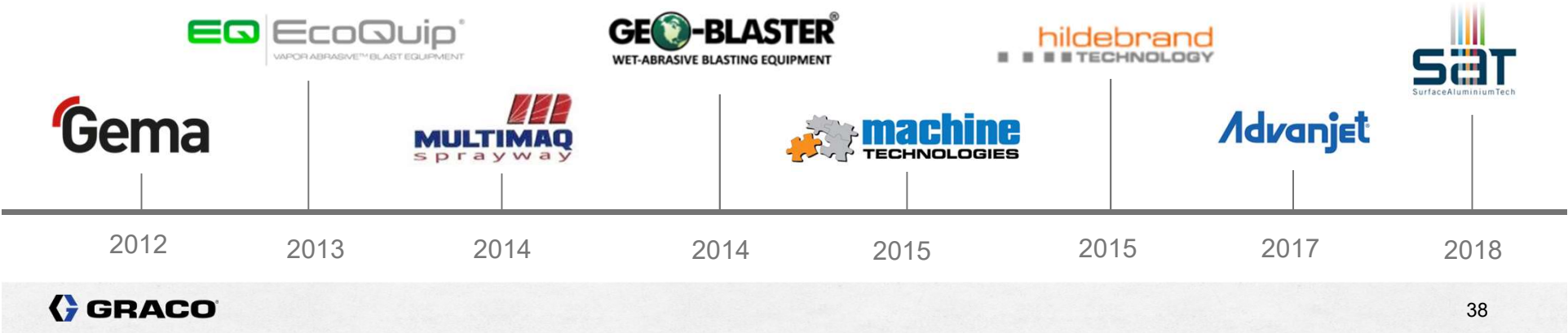
Acquisitions





Acquisition

▶ Industrial





Acquisition

▶ Process



2013



2014



2015



2015



2016



Financial Results





Minneapolis, MN

Financial Performance Sept. YTD

-1%

Revenue

52.7%

Gross Margin

-2%

EPS

-3%

Net Income

(As Reported)

Financial Results

Statement of Earnings	Third Quarter			Year-to-Date		
	2019	2018	Change	2019	2018	Change
\$ in millions except per share amounts						
Sales	\$ 401	\$ 416	(4)%	\$ 1,234	\$ 1,247	(1)%
Gross Profit	207	221	(6)%	650	674	(3)%
% of Sales	51.8 %	53.2 %	(1.4) pts	52.7 %	54.0 %	(1.3) pts
Operating Earnings	103	115	(10)%	320	340	(6)%
% of Sales	25.8 %	27.6 %	(1.8) pts	26.0 %	27.3 %	(1.3) pts
Net Earnings	\$ 84	\$ 93	(9)%	\$ 259	\$ 267	(3)%
% of Sales	21.0 %	22.3 %	(1.3) pts	21.0 %	21.4 %	(0.4) pts
Diluted Earnings Per Share	\$ 0.49	\$ 0.54	(9)%	\$ 1.51	\$ 1.54	(2)%
<i>Diluted Shares in Millions</i>	171.8	173.0		171.6	174.0	
<i>Net Earnings, Adjusted (1)</i>	\$ 77	\$ 86	(10)%	\$ 243	\$ 253	(4)%
<i>Diluted Earnings Per Share, Adjusted (1)</i>	\$ 0.45	\$ 0.50	(10)%	\$ 1.42	\$ 1.45	(2)%

(1) Net earnings and diluted earnings per share for 2019 and 2018 have been adjusted to provide a more consistent basis of comparison of on-going results. See following page for a reconciliation of the adjusted non-GAAP financial measures to GAAP.

Financial Results Adjusted for Comparability

Excess tax benefit related to stock option exercises and certain tax provision adjustments reduced the Company's income taxes. Excluding the impact of these items presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements of adjusted income taxes, effective tax rates, net earnings and diluted earnings per share follows:

Non-GAAP Reconciliation \$ in millions except per share amounts	Third Quarter			Year-to-Date		
	2019	2018	Change	2019	2018	Change
Income taxes, as reported	\$ 12.7	\$ 15.4	(18)%	\$ 46.3	\$ 53.4	(13)%
Excess tax benefit from option exercises	0.7	1.9		8.1	9.8	
Other non-recurring tax benefit	6.0	5.0		7.5	5.0	
Income taxes, adjusted	<u>\$ 19.4</u>	<u>\$ 22.3</u>	(13)%	<u>\$ 61.9</u>	<u>\$ 68.2</u>	(9)%
Effective income tax rate						
As reported	13.1%	14.2%		15.2%	16.6%	
Adjusted	20.0%	20.6%		20.3%	21.2%	
Net earnings, as reported	\$ 84.1	\$ 92.7	(9)%	\$ 259.0	\$ 267.3	(3)%
Excess tax benefit from option exercises	(0.7)	(1.9)		(8.1)	(9.8)	
Other non-recurring tax benefit	(6.0)	(5.0)		(7.5)	(5.0)	
Net earnings, adjusted	<u>\$ 77.4</u>	<u>\$ 85.8</u>	(10)%	<u>\$ 243.4</u>	<u>\$ 252.5</u>	(4)%
Weighted Average Diluted Shares, in millions	171.8	173.0		171.6	174.0	
Diluted Earnings per Share						
As reported	\$ 0.49	\$ 0.54	(9)%	\$ 1.51	\$ 1.54	(2)%
Adjusted	<u>\$ 0.45</u>	<u>\$ 0.50</u>	(10)%	<u>\$ 1.42</u>	<u>\$ 1.45</u>	(2)%

Third Quarter 2019 Results

Sales	<ul style="list-style-type: none"> ▶ Sales decrease of 4% in the quarter, down 2% at consistent currency rates <ul style="list-style-type: none"> ▪ Acquired businesses sales of \$2 million account for 1 percentage point of growth
Gross Margin	<ul style="list-style-type: none"> ▶ Rate down 1.4 percentage points from third quarter 2018 <ul style="list-style-type: none"> ▪ Unfavorable factory volumes as well as unfavorable channel and product mix impacting gross margin rate ▪ Unfavorable effect of currency translation ▪ Realized pricing offset the dollar value of adverse impact of higher material costs
Operating Earnings	<ul style="list-style-type: none"> ▶ Decreased \$11 million, or 10%, from third quarter 2018 <ul style="list-style-type: none"> ▪ Currency translation rates decreased operating earnings by approximately \$3 million ▪ Lower gross margin rates partially offset by expense leverage and lower stock compensation
Other Expense	<ul style="list-style-type: none"> ▶ Comparable to 2018 <ul style="list-style-type: none"> ▪ Lower exchange losses on net assets of foreign operations offset by higher pension costs
Taxes	<ul style="list-style-type: none"> ▶ The effective tax rate for the quarter was 13%, down 1 percentage point from third quarter last year <ul style="list-style-type: none"> ▪ Decrease due primarily to a tax rate change in a foreign subsidiary and related revaluation of deferred taxes

Nine Months 2019 Results

Sales	<ul style="list-style-type: none"> ▶ Modest underlying growth was offset by currency translation rates compared to last year. Sales up 1 percent at consistent currency rates <ul style="list-style-type: none"> ▪ Acquired businesses had no significant impact
Gross Margin	<ul style="list-style-type: none"> ▶ Rate down 1.3 percentage points from 2018 <ul style="list-style-type: none"> ▪ Unfavorable factory volumes as well as unfavorable channel and product mix impacting gross margin rate ▪ Unfavorable effect of currency translation driving nearly a third of the decrease ▪ Realized pricing offset the dollar value of adverse impact of higher material costs
Operating Earnings	<ul style="list-style-type: none"> ▶ Decreased \$20 million, or 6%, from 2018 <ul style="list-style-type: none"> ▪ Currency translation rates decreased operating earnings by approximately \$14 million ▪ Lower gross margin rates and higher stock compensation
Other Expense	<ul style="list-style-type: none"> ▶ Decreased \$4 million <ul style="list-style-type: none"> ▪ Primarily lower exchange losses on net assets of foreign operations
Taxes	<ul style="list-style-type: none"> ▶ The effective tax rate for the year to date was 15%, down 1 percentage point from the comparable period last year <ul style="list-style-type: none"> ▪ Decrease due to a tax rate change in a foreign subsidiary and related revaluation of deferred taxes as well as additional net benefit from U.S. tax reform related provisions

Financial Results

Components of Net Sales Change

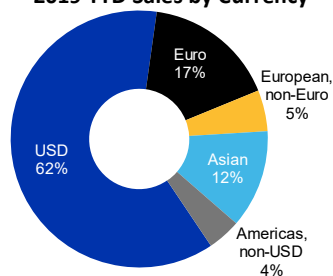
Third Quarter September 2019

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	(9)%	(2)%	5 %	3 %	2 %	(25)%	(3)%
Acquisitions	0 %	2 %	0 %	0 %	2 %	1 %	1 %
Currency	(2)%	(1)%	(1)%	0 %	(4)%	(2)%	(2)%
Total	(11)%	(1)%	4 %	3 %	(0)%	(26)%	(4)%

Year-to-Date September 2019

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	(2)%	3 %	4 %	4 %	5 %	(13)%	1 %
Acquisitions	0 %	1 %	0 %	0 %	1 %	0 %	0 %
Currency	(3)%	(1)%	(2)%	0 %	(5)%	(3)%	(2)%
Total	(5)%	3 %	2 %	4 %	1 %	(16)%	(1)%










2019 YTD Sales by Currency



Asian currencies include:
AUD, CNY, KRW, JPY
European, non-Euro currencies include: CHF, GBP, RON
Americas, non-USD currencies include:
BRL, CAD, MXN

Current Environment and Outlook

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

	Americas	EMEA	Asia Pacific	Total
Current Environment	Sales Q3 2019 3% YTD 2019 4%	Sales Q3 2019 2% YTD 2019 5%	Sales Q3 2019 (25%) YTD 2019 (13%)	Sales Q3 2019 (3%) YTD 2019 1%
Industrial Segment	Environment Downgraded  Sales Q3 2019 (1%) YTD 2019 3%	Environment Unchanged  Sales Q3 2019 (1%) YTD 2019 4%	Environment Downgraded  Sales Q3 2019 (28%) YTD 2019 (16%)	Sales Q3 2019 (9%) YTD 2019 (2%)
Process Segment	Environment Downgraded  Sales Q3 2019 2% YTD 2019 5%	Environment Unchanged  Sales Q3 2019 6% YTD 2019 6%	Environment Downgraded  Sales Q3 2019 (24%) YTD 2019 (6%)	Sales Q3 2019 (2%) YTD 2019 3%
Contractor Segment	Environment Unchanged  Sales Q3 2019 6% YTD 2019 4%	Environment Unchanged  Sales Q3 2019 8% YTD 2019 8%	Environment Downgraded  Sales Q3 2019 (10%) YTD 2019 (7%)	Sales Q3 2019 5% YTD 2019 4%
Full Year 2019 Outlook	Outlook Lowered Flat to low single-digit	Outlook Unchanged Mid-single-digit	Outlook Lowered Double-digit decline	Outlook Lowered Flat

Given the sharp decline in Asia Pacific and slowing in our Industrial and Process businesses in the Americas, we are lowering our full-year 2019 worldwide outlook to flat revenue on a constant currency organic basis.

Q3 2019 Other Items

Cap Ex	<ul style="list-style-type: none"> ▶ Capital expenditure expectations of approximately \$35 million in 2019, excluding brick and mortar. Current estimate of 2019 building projects to increase production and distribution capacity is approximately \$100-\$105 million <ul style="list-style-type: none"> ▪ Additional building project investments of approximately \$60 million anticipated between 2020 and 2022
Expenses	<ul style="list-style-type: none"> ▶ Unallocated corporate expenses in 2019 are expected to be approximately \$30 million
Factory Volume	<ul style="list-style-type: none"> ▶ At current production levels, unfavorable factory volume in the fourth quarter could negatively impact gross margin rates by 75-80 basis points
Shares	<ul style="list-style-type: none"> ▶ During third quarter, we repurchased approximately 60,000 shares. We may make opportunistic repurchases going forward
Currency	<ul style="list-style-type: none"> ▶ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2018, the unfavorable movement in foreign currencies would be a headwind of approximately 2% on sales and 4% on earnings in 2019
Taxes	<ul style="list-style-type: none"> ▶ Excluding any impact from excess tax benefits related to stock option exercises and any one time items, the effective tax rate is expected to be between 20% and 21% for the fourth quarter and for the full year



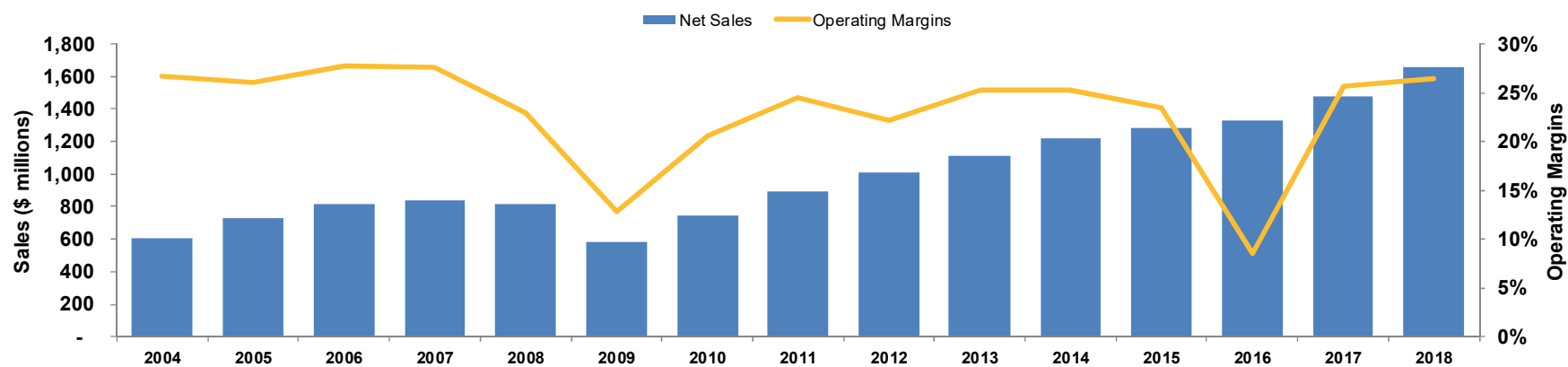
Financial Summary

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- ▶ 2018 Appendix

Financial Performance

Sales and Operating Margin, as Reported



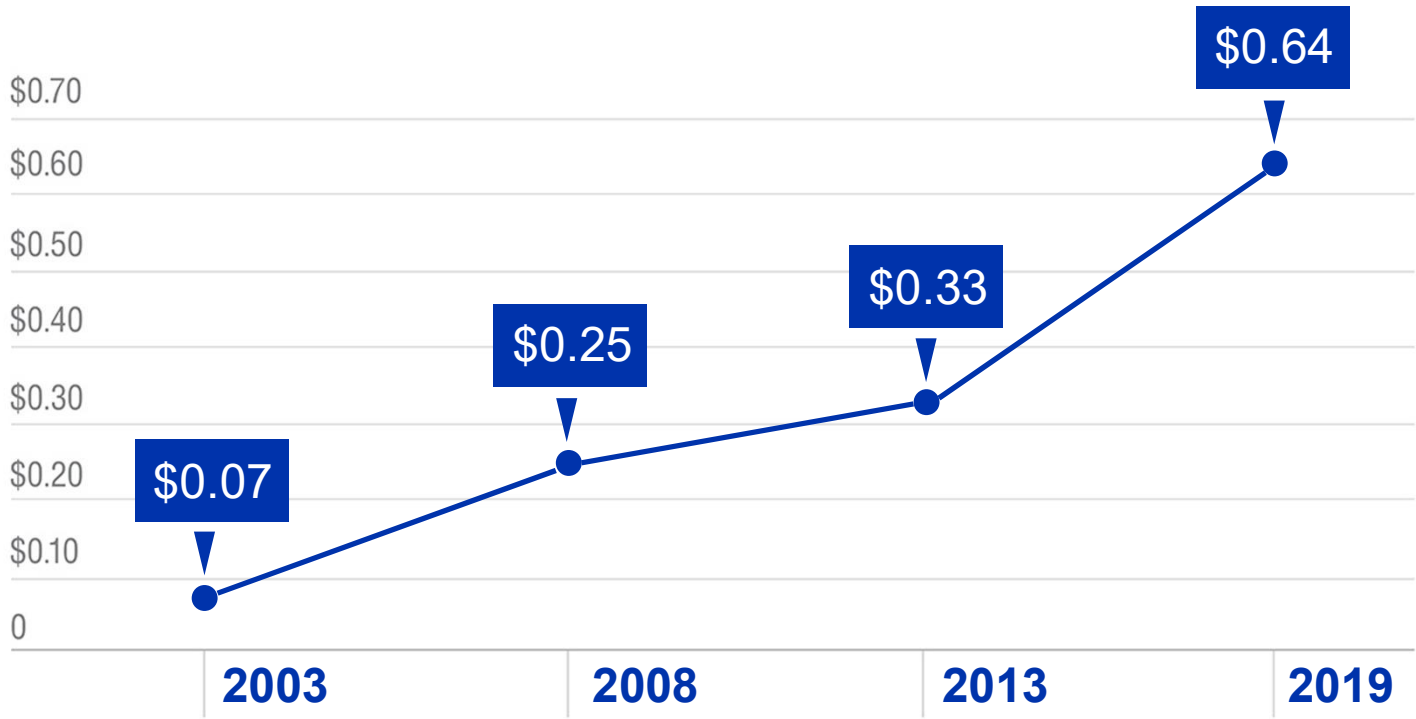
Diluted EPS	\$0.52	\$0.60	\$0.72	\$0.77	\$0.66	\$0.27	\$0.56	\$0.77	\$0.81	\$1.12	\$1.22	\$1.95	\$0.24	\$1.45	\$1.97
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As Adjusted

Diluted EPS	\$0.52	\$0.60	\$0.72	\$0.77	\$0.66	\$0.27	\$0.56	\$0.77	\$0.81	\$1.12	\$1.22	\$1.15	\$1.18	\$1.43	\$1.88
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Stock Dividend Growth

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Dividends
adjusted for
stock splits

Strong Cash Generation

(\$ Millions)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Cash Flows	\$ 368	\$ 338	\$ 276	\$ 190	\$ 241	\$ 243	\$ 190	\$ 162	\$ 101	\$ 147
% of Net Income	108%	134%	679%	55%	107%	115%	127%	114%	98%	300%
Capital Expenditures	54	40	42	42	31	23	18	24	17	11
Free Cash Flow	\$ 314	\$ 298	\$ 234	\$ 148	\$ 210	\$ 220	\$ 172	\$ 138	\$ 84	\$ 136

2016 – Impairment of Intangibles, net of tax, charge of \$161 million was reflected in net income. \$191 million and related change in deferred taxes (\$31) million included in adjustments to reconcile net earnings

2015 – Divestiture of Liquid Finishing Held Separate assets net gain \$141 million reflected in net income; effect of taxes on the gain, transaction costs and Foundation contribution are included in operating cash flows

(\$ Millions)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Dividends	\$ 89	\$ 80	\$ 73	\$ 69	\$ 66	\$ 61	\$ 54	\$ 51	\$ 48	\$ 45
Acquisitions	11	28	49	189	185	12	667	2	-	-
Share Repurchases *	236	54	18	256	165	26	(29)	21	11	(6)
	\$ 336	\$ 162	\$ 140	\$ 514	\$ 416	\$ 99	\$ 692	\$ 74	\$ 59	\$ 39

* Net of shares issued

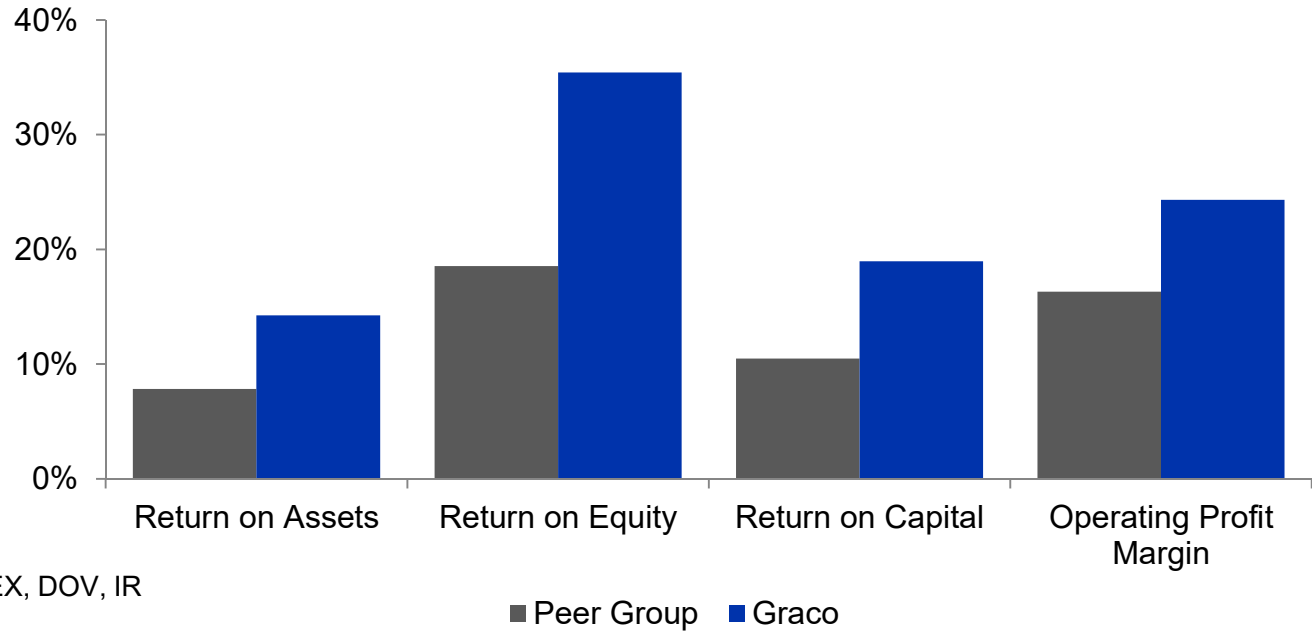
Capital Efficiency – 5 Year Average

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Note: 5-year average includes adjustment for 2016 impairment charge

Source: S&P Capital IQ

Peer Group: CSL, NDSN, IEX, DOV, IR





Move | Measure | Mix | Control | Dispense | Spray

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