



1st Quarter 2010 Earnings Conference Call
Thursday, April 22, 2010, 10 a.m. CT

PROVEN QUALITY. LEADING TECHNOLOGY.



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 2009 Form 10-K.



Conference Call Logistics

The release, accompanying slides and replay web cast are available online at www.Graco.com (click on “Investors”)

Telephone replay available after 2 p.m. ET, April 22, 2010

- 800-406-7325 – conference ID #4282472
- 303-590-3030 – conference ID #, for International participants



2010 1st Quarter Financial Results

\$ millions except EPS	<u>2010</u>	<u>2009</u>	<u>Change</u>
Sales	\$ 164.7	\$ 137.9	19 %
Gross Profit	89.3	64.3	39 %
Rate	54.2 %	46.7 %	
Operating Expenses	56.6	58.2	(3)%
Operating Earnings	32.7	6.1	430 %
Interest & Other Expenses	1.2	2.0	
Earnings Before Income Taxes	31.5	4.2	650 %
Income Taxes	10.9	1.4	
Net Earnings	\$ 20.6	\$ 2.8	640 %
Diluted Earnings Per Share	\$ 0.34	\$ 0.05	580 %



Q1 Summary

- First quarter sales of \$165 million and earnings of \$21 million
 - Favorable currency translation effect of \$5 million on sales, \$2 million on net earnings
- Sales by geography increased as compared to prior year
 - Americas increased by 8 percent
 - Europe increased by 17 percent (11 percent at consistent exchange rates)
 - Asia Pacific increased by 65 percent (55 percent at consistent exchange rates)
- Gross profit margin as a percentage of sales of 54 percent as compared to 47 percent in the first quarter 2009
 - Currency translation – 1 ½ percentage points
 - 2009 Q1 work force reduction costs - 2 percentage points
 - Higher production volumes - 1 ½ percentage points
 - Lower material and pension costs, mix changes and price increases



Q1 Summary

- Operating expenses were 3 percent lower than the first quarter 2009
 - Effects of cost reduction activities and lower pension expense were partially offset by effects of currency translation and bad debt expense
- Tax rate of 34 1/2 percent
 - R&D tax credit has not been renewed



Cash Flow and Liquidity

- Q1 2010 cash flow from operations of \$16 million versus \$28 million in 2009
 - Cash uses
 - Capital expenditures \$3 M
 - Dividends \$12 M
 - Repayment of long-term debt \$6 M
- Working capital
 - Increase in inventories \$8 M
 - Increase in accounts receivable \$18 M
- Adequate availability of credit
 - Long-term debt of \$80 M
 - Available unused credit lines of \$178 M

Industrial Equipment



\$ millions	First Quarter		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Sales			
Americas	\$ 42	\$ 36	17 %
Europe	28	24	17 %
Asia Pacific	<u>27</u>	<u>15</u>	74 %
Total	\$ 97	\$ 75	29 %
Operating Earnings	\$ 30	\$ 11	
% of sales	31%	15%	

<u>Change in % of sales</u>	<u>First Quarter</u>
2009 Operating Earnings (percentage of sales)	15 %
Translation effect	2 %
Product cost / mix / price	2 %
Unabsorbed manufacturing costs, reduction	2 %
Workforce reduction costs (2009)	3 %
Product development, decrease	1 %
Volume effect on expense leverage	<u>6 %</u>
2010 Operating Earnings (percentage of sales)	<u>31 %</u>

Contractor Equipment



\$ millions	First Quarter		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Sales			
Americas	\$ 32	\$ 31	1 %
Europe	13	11	16 %
Asia Pacific	<u>6</u>	<u>5</u>	30 %
Total	\$ 51	\$ 47	7 %
Operating Earnings	\$ 5	\$ 1	
% of sales	10%	3%	
<u>Change in % of sales</u>			<u>First Quarter</u>
2009 Operating Earnings (percent of sales)			3 %
Translation effect			1 %
Product cost / mix / price			2 %
Unabsorbed manufacturing costs, increase			(1)%
Workforce reduction costs (2009)			2 %
Entry-level unit introduction costs (2009)			3 %
Channel mix			(1)%
Volume effect on expense leverage			<u>1 %</u>
2010 Operating Earnings (percent of sales)			<u><u>10 %</u></u>

Lubrication Equipment



\$ millions	First Quarter		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
Sales			
Americas	\$ 13	\$ 13	1 %
Europe	1	1	33 %
Asia Pacific	<u>3</u>	<u>1</u>	95 %
Total	\$ 17	\$ 15	13 %
Operating Earnings	\$ 2	\$ (1)	
% of sales	10%	(9)%	

<u>Change in % of sales</u>	<u>First Quarter</u>
2009 Operating Earnings (percentage of sales)	(9)%
Translation effect	2 %
Product cost / mix / price	3 %
Unabsorbed manufacturing costs, reduction	2 %
Workforce reduction costs (2009)	4 %
Product development, decrease	2 %
Excess and discontinued inventory, reduction	2 %
Volume effect on expense leverage	<u>4 %</u>
2010 Operating Earnings (percentage of sales)	<u>10 %</u>



Pat McHale - CEO

Move

Measure

Control

Dispense

Spray

