

## Investor Presentation — November 2013



### 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 the Company's Form 10-K, and most recent Form 10-Q.



## ✓ Overview

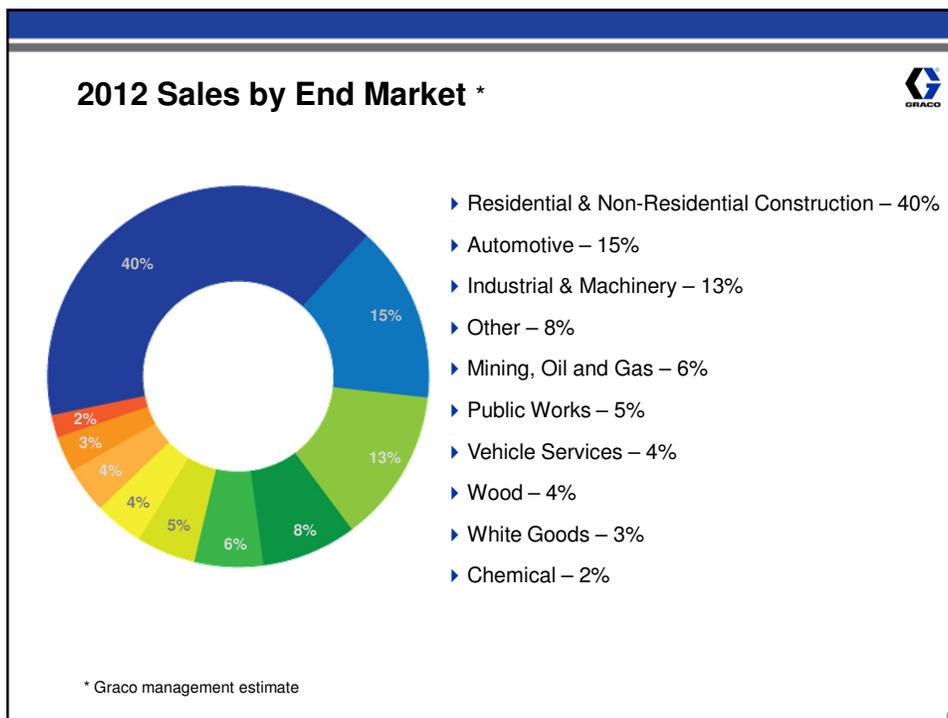
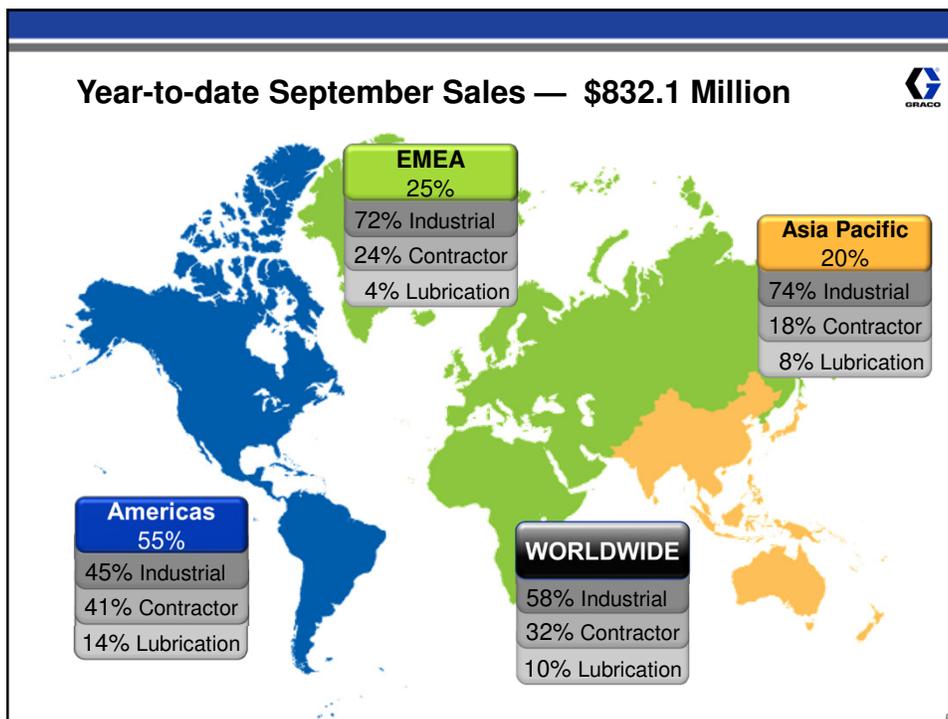
- ◆ Enduring Business Model
- ◆ Strategies for Long-Term Growth
  - Invest in New Products
  - Expand Geographically
  - Target New Markets
  - Make Acquisitions
- ◆ Company Performance

## Business Overview



- Graco manufactures premium equipment to pump, meter, mix and dispense a wide variety of fluids and coatings
  - Difficult to handle materials with high viscosities
  - Abrasive and corrosive properties
  - Multiple component materials that require precise ratio control
  - Serving a broad number of end markets
- A strong business formula for sustained margin generation
  - High customer value through product differentiation
  - Manufacturing and engineering drive cost savings, reliability and quality





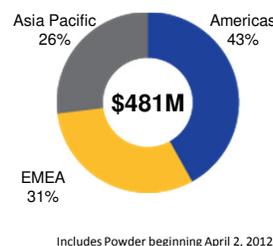
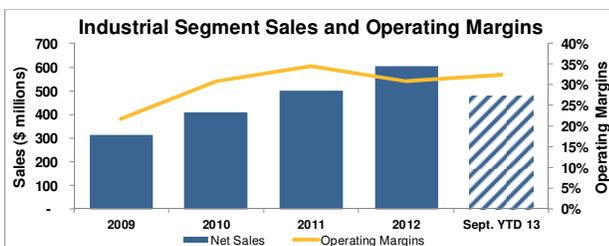
## Industrial Equipment Segment



- Growth Drivers and Trends
  - Factory movements and upgrades
  - Integration of equipment with factory data and control systems
  - Reducing energy consumption
  - Material changes driving demand
- Other Representative Industry Participants
  - Exel, Idex, IR, Dover, Wagner and Finishing Brands



### YTD September 2013 Sales



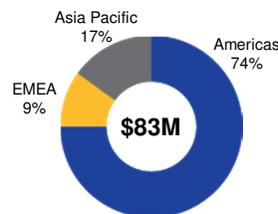
## Lubrication Equipment Segment



- Growth Drivers and Trends
  - Fill product lines for a single source solution
  - Targeting competition in the industrial lubrication market
- Other Representative Industry Participants
  - Lincoln, Vogel, Bijur, Hannay, Coxreels, and regional players



### YTD September 2013 Sales



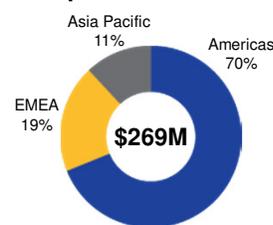
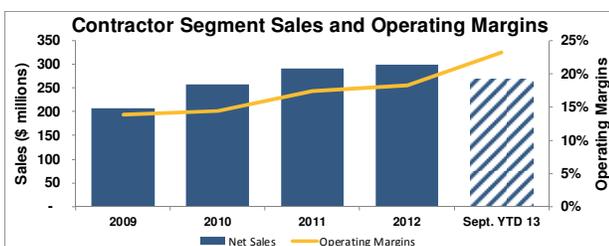
## Contractor Equipment Segment



- Growth Drivers and Trends
  - Conversion of end users from manual application methods to equipment is a major focus outside North America
  - Application of texture & cementitious materials
  - Entry level product & channel expansion
  - Expanding pavement maintenance product line & channel
- Other Representative Industry Participants
  - Wagner, TTI, Campbell Hausfeld, Larius, Bedford, QTech, and regional players



### YTD September 2013 Sales



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- ◆ Overview
- ✓ **Enduring Business Model**
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## Manufacturing and Engineering Excellence

- 80%+ of production is based in the United States
  - High-quality, efficient, engaged labor force
  - Centralization allows for leverage of overheads
- Continuous improvement culture
  - Unique Graco cost-to-produce measurement tool
- Ongoing capital investment
  - Plant efficiency
  - Cost reductions
  - Capacity
- New product development initiatives include value engineering focus
- Low overall warranty costs

Quality

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## Low-Volume, High-Mix Delivers Customer ROI

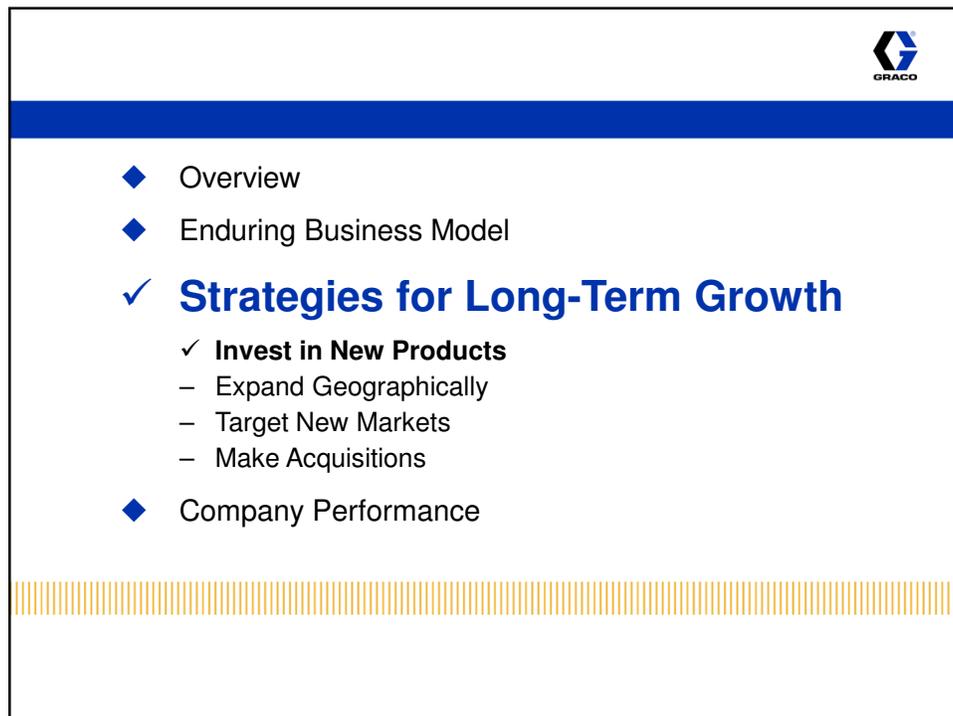


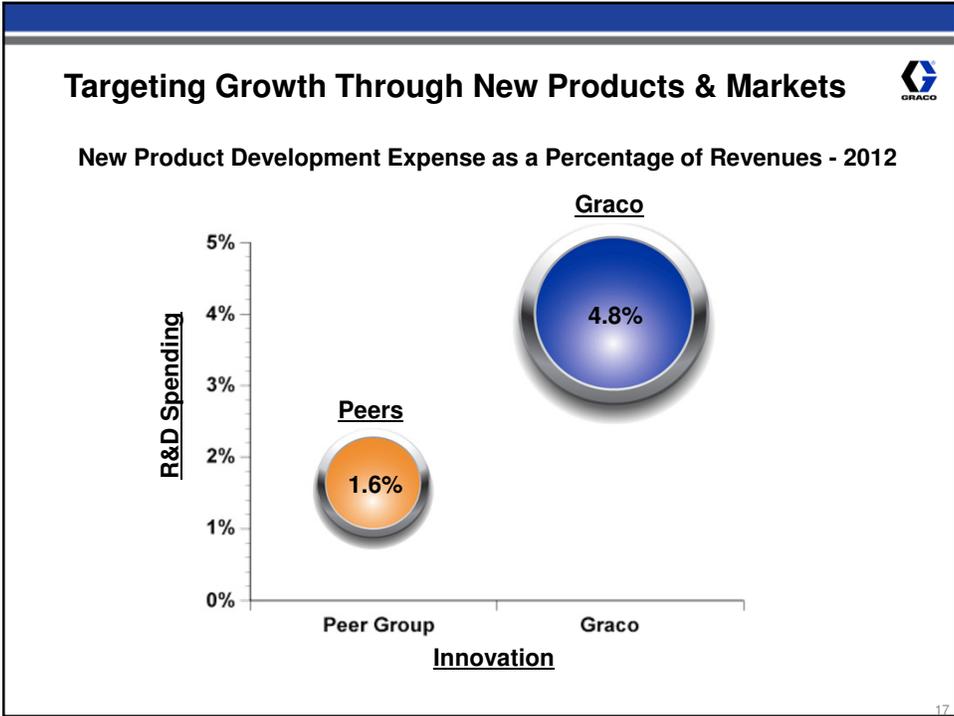
Average Number of Units Sold Per Day	# of SKUs	2012 Sales (\$ in millions)
0 - 1	37,176 (91%)	\$452 (49%)
2 - 5	2,430 (6%)	\$173 (19%)
6 - 10	307 (1%)	\$84 (9%)
11 - 15	211 (1%)	\$40 (4%)
Greater than 15	548 (1%)	\$170 (19%)
<b>Legacy Graco Total</b>	<b>40,972</b>	<b>\$919</b>
Plus: Gema Acquisition		\$93
<b>Graco 2012 Sales</b>		<b>\$1,012</b>

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- ◆ Overview
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### Industrial – Dual Control Electric Piston Pump



- Combines the benefits of a pneumatic motor with the energy efficiency of an electric drive unit
- Strong ROI for End User



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## Industrial – Electrostatic Applicators



- Improved spray performance and transfer efficiency
- Strong ROI when replacing conventional air-assist and HVLP™ guns with Pro Xp™ guns
- Smart Controls analyze performance, adapt to voltage needs and assist in troubleshooting



**Pro Xp Manual Electrostatic Guns**  
Combines material savings and excellent finish quality into a smaller and lighter gun body



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## Industrial – Plural Component Line Expansion



- Added four new sprayers
- Graco XP50™
  - For jobs requiring more volume
  - Allows user to spray with multiple guns
- Graco XP50 Quick-Set
  - For quick-setting hybrid and elastomeric urethane coatings
- Graco XP35™
  - For low-pressure airless spray applications
- Graco XP-h™ Hydraulic
  - Ideal for truck systems with on-board hydraulic power



**Graco XP-h Hydraulic**



**Graco XP50**



**Graco XP35**

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## Lubrication – G1 Electric Lubrication Pump



### Entry Level Electric Lubrication Pump

- **Designed for:**
  - Wind Energy
  - Small Package Cars/Trucks
  - Small Dump Trucks
  - Sea Port Cranes
  - Excavators
  - Machine Tools
  - Packaging Machinery



### **Competitive Targets:**

- Lincoln
- Vogel
- Bijur

### **Benefits:**

- High value solution designed to eliminate manual lubrication
- Entry to new applications

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## Contractor – Handheld Guns



### • Generation II Handheld Airless

- Variable Pressure Control
- Sprays all Directions
- Fully Repairable
- New Corded Pro Model

### • XForce™ HD and ProShot® HD

- Heavy Duty/High Pressure Airless for Protective and Marine Coatings

TrueCoat® II



TrueCoat Plus II

TrueCoat Pro II



ProShot® II



XForce HD



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## Contractor – GH™ Big Rig™ Sprayers



Responded to market need for higher pressure hydraulic sprayer with highest performing, most versatile, gas hydraulic sprayers in the industry



GH 933

GH 5040

GH 833

GH 733

GH 2570

GH 1017



GH Big Rig Family

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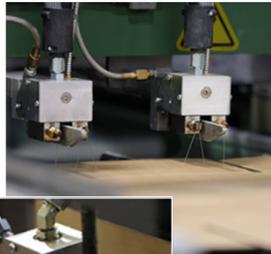


## InvisiPac® Tank-Free Hot Melt Delivery System



Revolutionary hot melt equipment for the packaging industry

- Designed for case and carton sealing



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## G-Flex™ 1500 Flexible Parts Feeding Solution



- A uniquely-designed part feeder for industrial manufacturing applications
- Vibratory table that recirculates parts preventing over-accumulation and part bunch ups
- Highly tolerant of process contamination
- Great value when compared to traditional bowl feeders



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## Remote Reporting Technology – Graco InSite




**Remote. Control.**  
The power to control your business. Wherever you are.











GPS Location, 1 Rig
GPS, All Rigs
Job Log
Daily Use Log

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## Power Rewind Hose Reels



- XD 60, XD 70 and XD 80 -- designed for improved safety and performance
- Innovative direct drive motor is safer for operators and more competitive
- Drive unit requires minimum maintenance and has a longer life
- Durable design suitable for harsher environments and faster operations
- Has fewer pinch points, which reduces the chance of injury
- Easier to stock components due to its modularity








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## ProMix® PD2K Proportioners



- **100% Positive Displacement Technology for accurate mix ratios and consistent performance**

- Mixes the material close to the gun so the flush zone is significantly smaller
- Allows customers to use less paint, spend less on disposal costs and allows for faster color changes
- Ideal for short pot life materials, also compatible with acid-based materials



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## Dyna-Star® Electric Lubrication Pump



- **Electric pumps for heavy-duty automatic lubrication and transfer systems**

- Graco Advantage Drive™ – heavy-duty gear drive
- Tube-in-tube vent and fill path – convert drum to injector system instantly
- Vent valve mounted directly to pump
- Speed and AMP motor control
- Cold weather performance (-40C)



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## Industrial – Passive Fire Protection (PFP)



- Plural-component sprayer
- Sprays intumescent epoxy fire protection coatings
- For structural steel on oil rigs and commercial buildings
  - Helps insulate structural steel from high-temp fires; buys time for people to evacuate
- Data reporting lets contractors verify that materials were sprayed accurately and on-ratio



**Graco XM™ PFP  
Plural-Component Sprayer**

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## Industrial – 3” Diaphragm Pump



### Transferring chemicals where high flow rates are required

- Application
  - Coating thermal and carbonless paper
  - Operation details
    - Filling roll coater
    - 24 hours per day, five days per week
- Solution
  - Stainless Steel Husky™ 3300 (3” AODD pump)
- Keys to success
  - Higher flow rates, up to 300 gpm
  - Ease of service and efficient modular air valve



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## Contractor – Field Striping



- **EZ Bead™**

- Accessory pressurized bead system for the LineLazer® family of strippers
- The solution for airport and municipalities who often require pressurised application of beads



- **FieldLazer™ S90**

- High-pressure airless, battery-powered field marker for lines and logos on sports fields



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## Gema® Acquired April 2012 – Strong Strategic Fit



- Well-established brand name
  - High-quality
  - A technology leader
- Large installed base
- Access to attractive end markets
- Desirable emerging market exposure
- Strong and growing global distribution base
- Scale to drive long-term growth worldwide



OptiFlex® 2

any powder  
any part  
any place





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## Gema® Product Range



**Electrostatic Powder Guns**



**Complete Systems**



**Powder Kitchens**



**Reciprocators**



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## ✓ Company Performance

### Graco Reported Q3 Results on October 23, 2013



\$ millions except EPS	Third Quarter			Year-to-Date		
	2013	2012	Change	2013	2012	Change
Sales	\$ 277.0	\$ 256.5	8 %	\$ 832.1	\$ 758.8	10 %
Gross Profit	150.9	139.9	8 %	460.3	411.6	12 %
% of Sales	54.5 %	54.6 %	(0.1) pts	55.3 %	54.3 %	1.0 pts
Operating Earnings	69.7	56.3	24 %	216.4	166.8	30 %
% of Sales	25.2 %	22.0 %	3.2 pts	26.0 %	22.0 %	4.0 pts
Net Earnings	\$ 56.1	\$ 37.1	51 %	\$ 166.1	\$ 106.9	55 %
% of Sales	20.3 %	14.5 %	5.8 pts	20.0 %	14.1 %	5.9 pts
Diluted Earnings Per Share	\$ 0.89	\$ 0.60	48 %	\$ 2.65	\$ 1.73	53 %
Diluted Shares in Millions	63.0	61.8		62.7	61.6	

Includes dividends (post-tax) from Liquid Finishing businesses held separate:

Dividends	\$ 9	\$ 4	\$ 24	\$ 8
EPS Impact	\$ 0.14	\$ 0.06	\$ 0.38	\$ 0.13

### Current Environment

	Americas	EMEA	Asia Pacific
Industrial Segment	 Stable: General Industrial, Automotive, Construction Challenging: Ag, Heavy Machinery	 Favorable: Emerging EMEA Stable: Western Europe Challenging: Middle East	 Stable: General Industrial Challenging: Project Activity, Ship Building, Mining
Contractor Segment	 Improving: Pro Paint and General Construction, DIY	 Favorable: Emerging EMEA Challenging: Western Europe	 Favorable: Line Striping, Texture Stable: Gen Construction, Emerging Markets Challenging: Equipment Adoption Rates
Lubrication Segment	 Favorable: Vehicle Services Challenging: On & Off Road	 Stable: Western Europe, Industrial Lubrication	 Challenging: Industrial Lubrication, Mining

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### Cash Deployment Priorities

Organic Growth

- ▶ International Footprint
- ▶ Product Development
- ▶ Production Capacity and Capabilities

Acquisitions

- ▶ Supplement to Organic Growth
- ▶ Leverage our Strengths

Shareholder Return

- ▶ Dividend Payout Ratio 25-30%
- ▶ Six million authorized share repurchase - 10% of outstanding shares approved September 2012

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## Key Investment Attributes

- Strategies that will drive long-term, above-market growth
- Premium products that provide a strong ROI for end users
- Leading industry 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



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## Financial Summary Q3 2013 – Appendix



INNOVATION  
IN FLUID HANDLING

design research engineering solutions materials

move measure mix control dispense spray

MANUFACTURING  
EXCELLENCE

## Financial Results – Year-to-Date September



(\$ Millions except EPS)	2013	2012	Change
Sales	\$ 832.1	\$ 758.8	10%
Gross Profit Rate	55.3%	54.3%	
Operating Expenses	243.8	244.9	(0%)
Operating Earnings	216.4	166.8	30%
Net Earnings	\$ 166.1	\$ 106.9	55%
Earnings Per Share	\$ 2.65	\$ 1.73	53%

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## Year-to-Date September 2013 Results



- Sales year-to-date up 10 percent compared to prior year (no net impact from currency translation)
- Year-to-date gross profit margin of 55 percent, up 1 percentage point from last year
  - Non-recurring purchase accounting effects reduced 2012 margin by approximately 1 percentage point
- Operating expenses were down \$1 million
  - Acquisition/divestiture expenses down \$14 million
- Backlog increased \$3 million as compared to prior year-end
- Net earnings increased by 55 percent compared to last year
- Diluted EPS was \$2.65



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## Financial Results – Third Quarter



(\$ Millions except EPS)	2013	2012	Change
Sales	\$ 277.0	\$ 256.5	8%
Gross Profit Rate	54.5%	54.6%	
Operating Expenses	81.1	83.6	(3%)
Operating Earnings	69.7	56.3	24%
Net Earnings	\$ 56.1	\$ 37.1	51%
Earnings Per Share	\$ 0.89	\$ 0.60	48%

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## Third Quarter 2013 Results



- Sales for the quarter up 8 percent compared to third quarter 2012 (no net impact from currency translation)
- Gross profit margin for the quarter of 54½ percent, consistent with third quarter 2012
  - Realized pricing and manufacturing cost improvements partially offset by changes in mix
- Operating expenses were down \$2 million
  - Operating expenses as a percentage of sales 29% for the quarter, down from 32½% in third quarter 2012
  - Acquisition/divestiture expenses down \$3 million
- Net earnings increased by 51 percent compared to third quarter 2012
- Diluted EPS was \$0.89

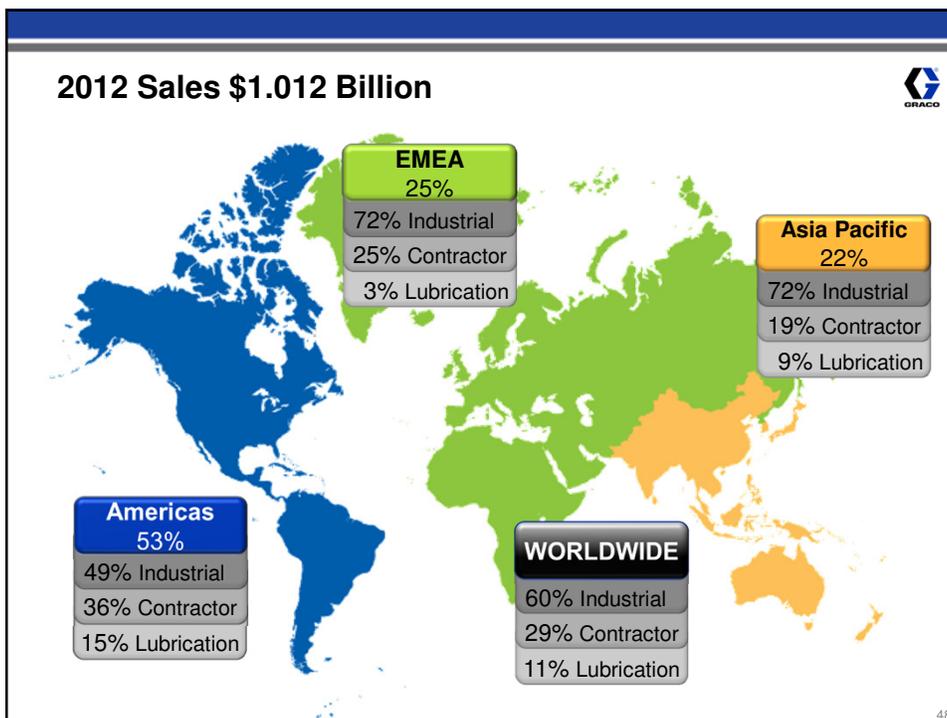


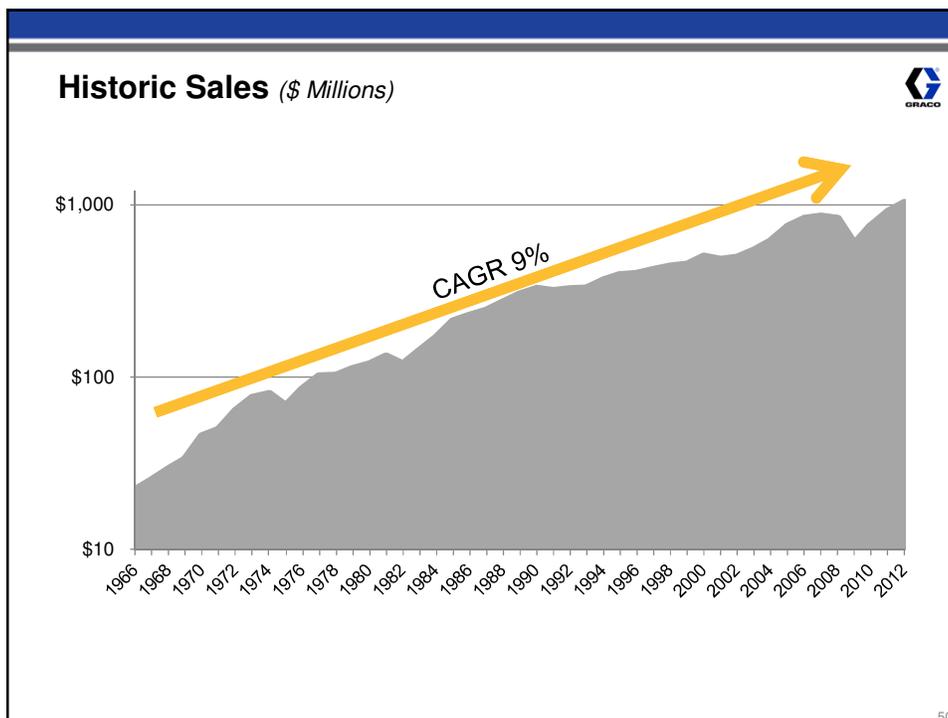
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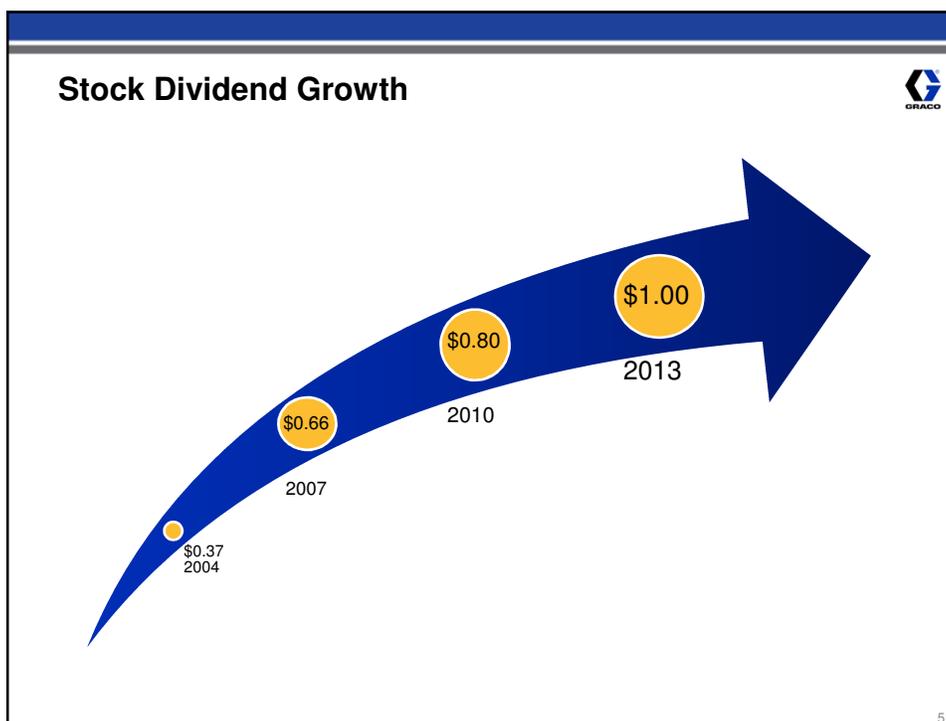
## Financial Summary 2012 – Appendix



## 2012 Sales \$1.012 Billion







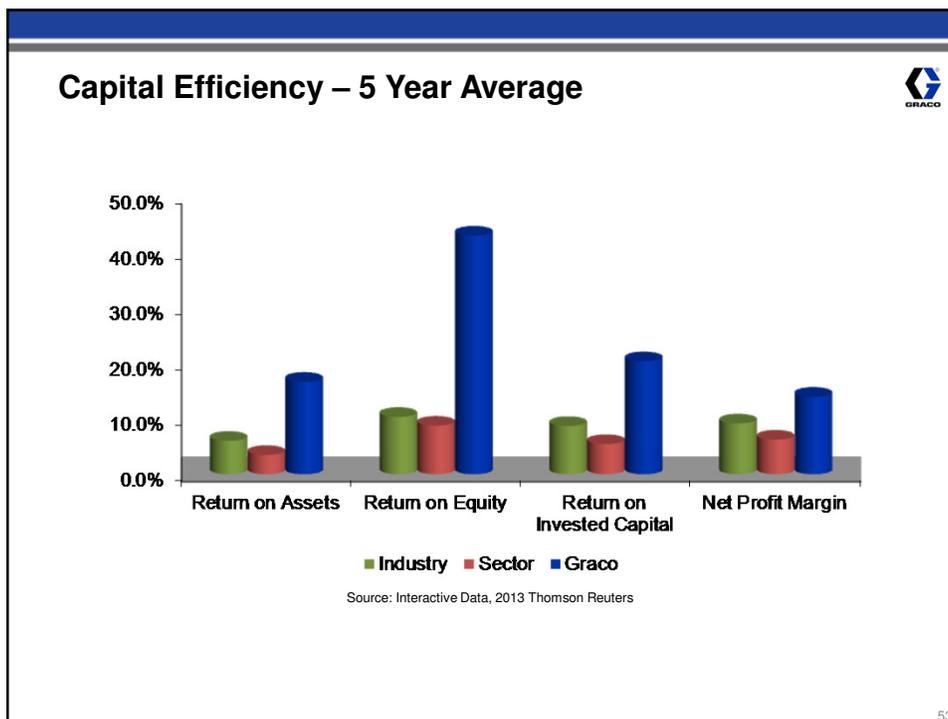
### Strong Cash Generation

(\$ Millions)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Cash Flows	\$ 190	\$ 162	\$ 101	\$ 147	\$ 162	\$ 177	\$ 156	\$ 153	\$ 123
% of Net Income	127%	114%	98%	300%	134%	116%	104%	121%	113%
Capital Expenditures	18	24	17	11	29	37	34	20	17
Free Cash Flow	\$ 172	\$ 138	\$ 84	\$ 136	\$ 133	\$ 140	\$ 122	\$ 133	\$ 106
Dividends	\$ 54	\$ 51	\$ 48	\$ 45	\$ 45	\$ 43	\$ 39	\$ 36	\$ 130
Acquisitions	672	2	-	-	55	-	31	111	-
Share Repurchases *	(29)	21	11	(6)	101	206	76	32	26
	\$ 697	\$ 74	\$ 59	\$ 39	\$ 201	\$ 249	\$ 146	\$ 179	\$ 156

\* Net of shares issued

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## INNOVATION IN FLUID HANDLING

move    measure    mix    control    dispense    spray

# MANUFACTURING EXCELLENCE