

Investor Presentation — February 2014



INNOVATION
IN FLUID HANDLING

design research technology
engineering solutions materials

move measure mix control dispense spray

MANUFACTURING
EXCELLENCE



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.

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✓ Overview

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



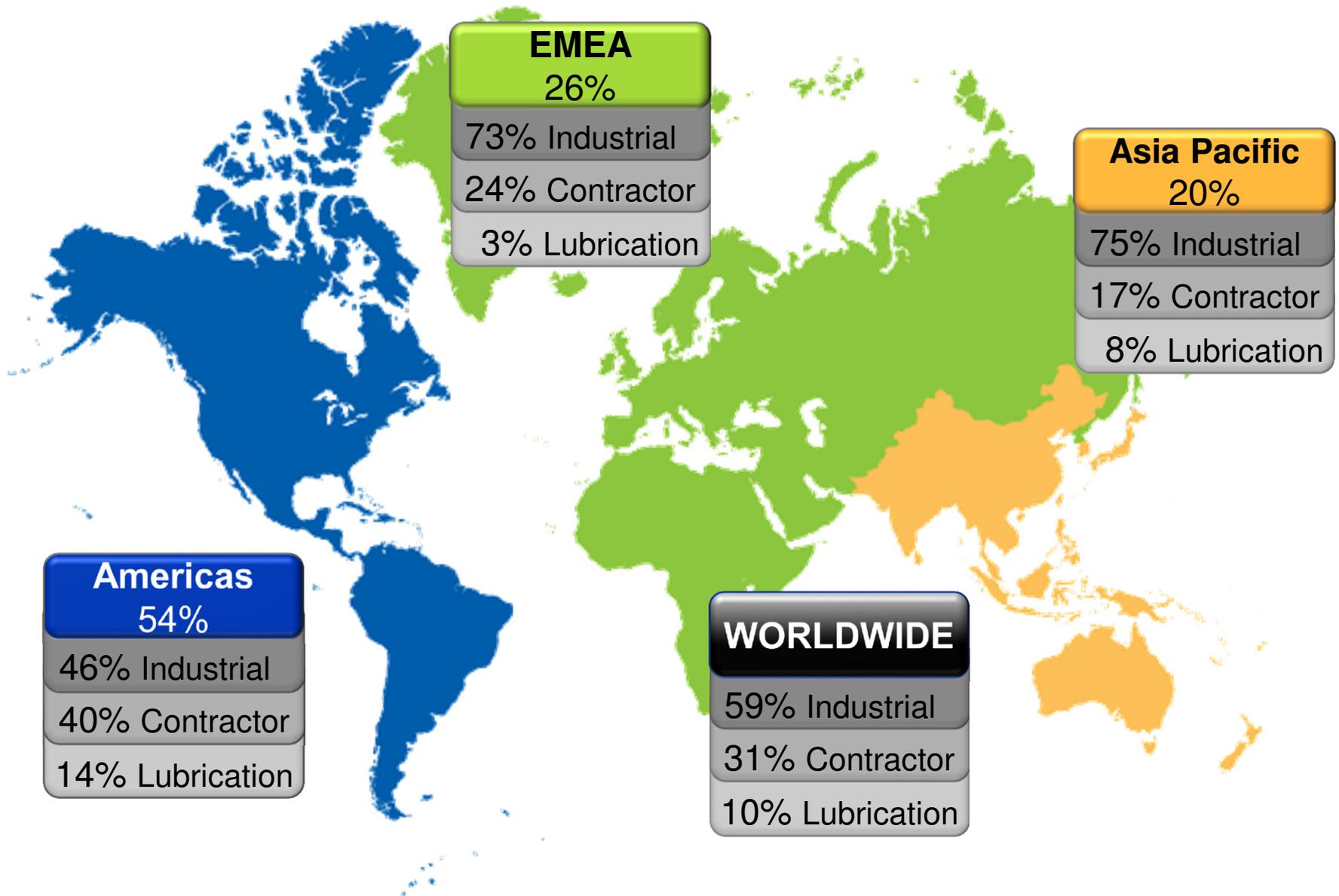


Business Overview

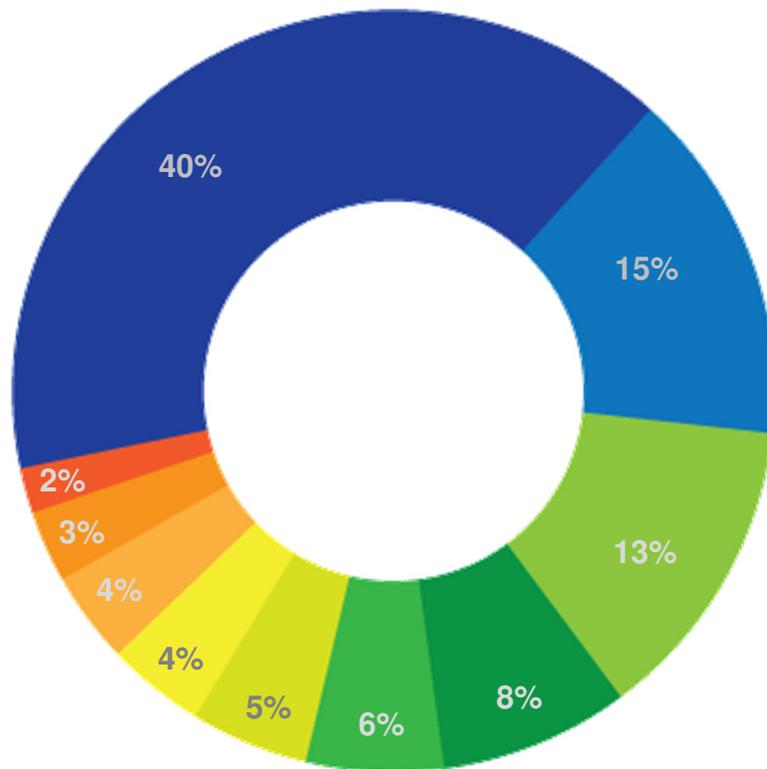
- Graco manufactures premium equipment to pump, meter, mix and dispense a wide variety of fluids and coatings
 - Difficult to handle materials with high viscosities
 - Abrasive and corrosive properties
 - Multiple component materials that require precise ratio control
 - Serving a broad number of end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



2013 Sales — \$1.104 Billion



Sales by End Market *

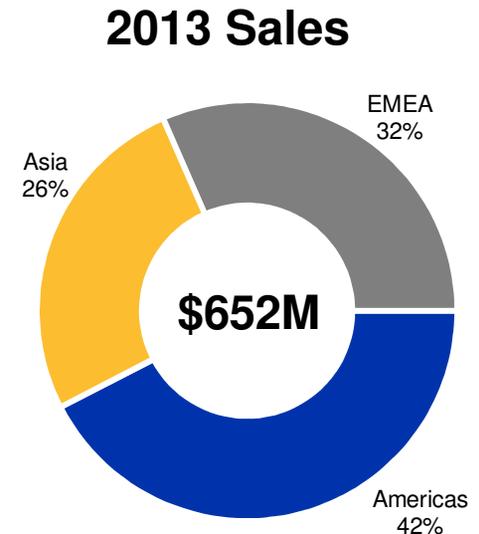
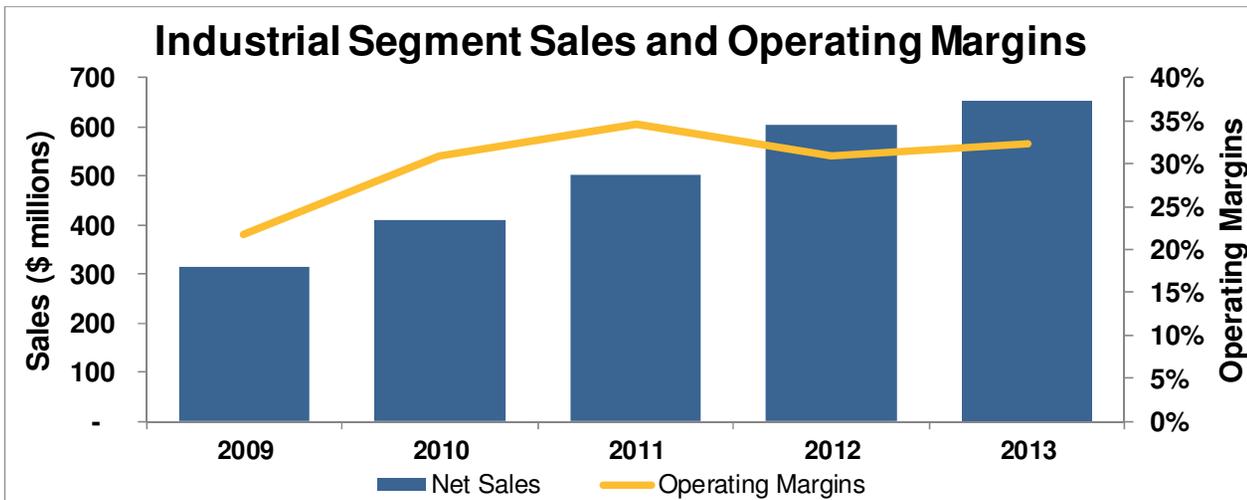


- ▶ Residential and Non-Residential Construction – 40%
- ▶ Automotive – 15%
- ▶ Industrial & Machinery – 13%
- ▶ Other – 8%
- ▶ Mining, Oil and Gas – 6%
- ▶ Public Works – 5%
- ▶ Vehicle Services – 4%
- ▶ Wood – 4%
- ▶ White Goods – 3%
- ▶ Chemical – 2%

* Graco management estimate, 2012

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 and regional players

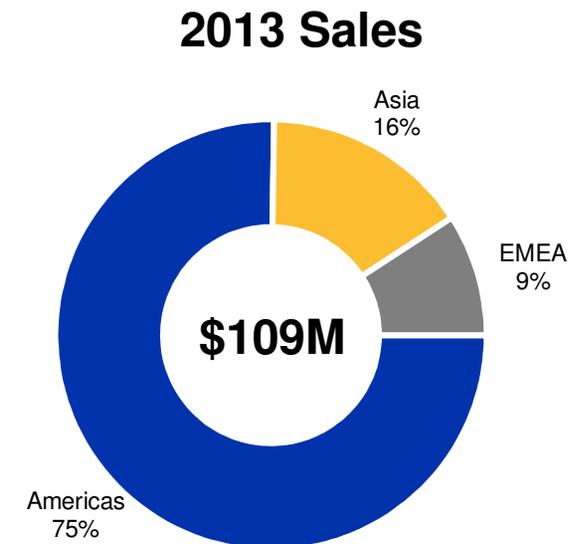
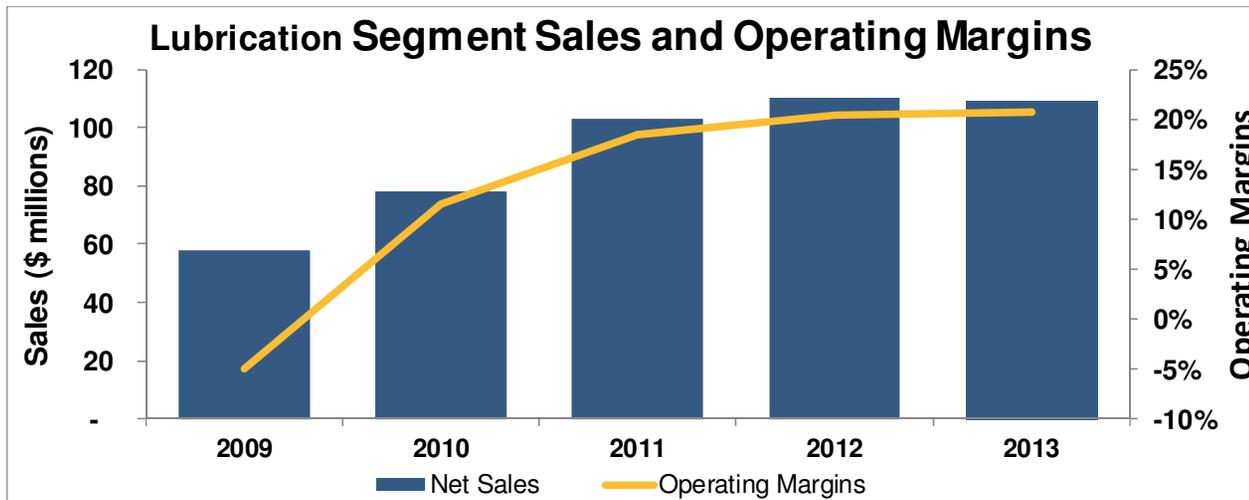


Includes Powder beginning April 2, 2012



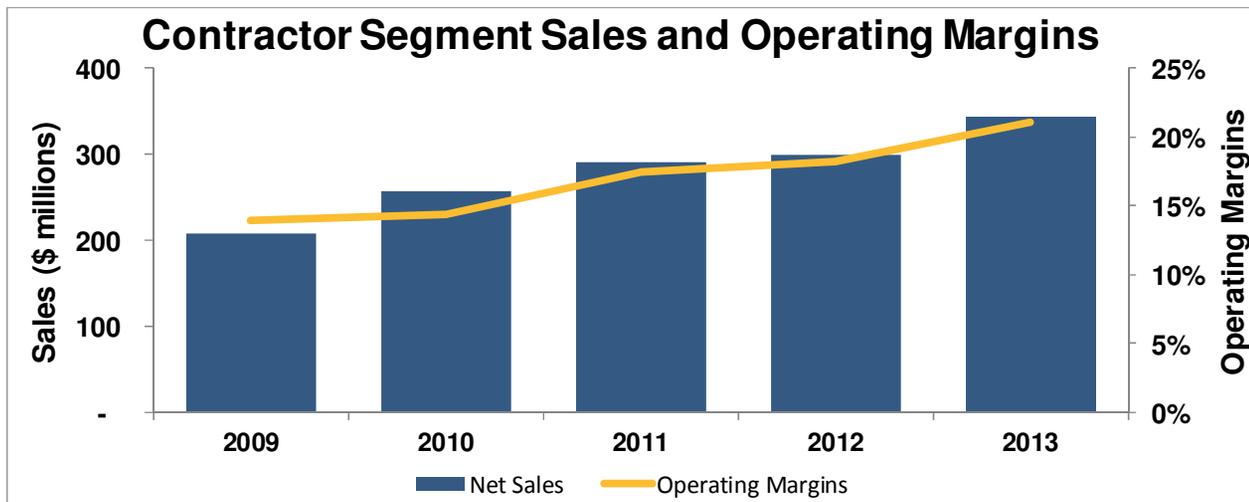
Lubrication Equipment Segment

- 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

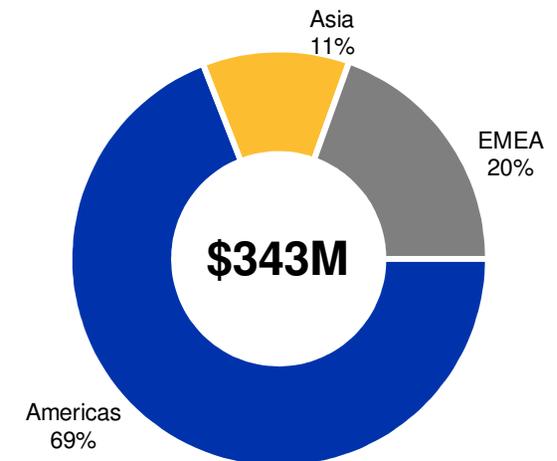


Contractor Equipment Segment

- 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



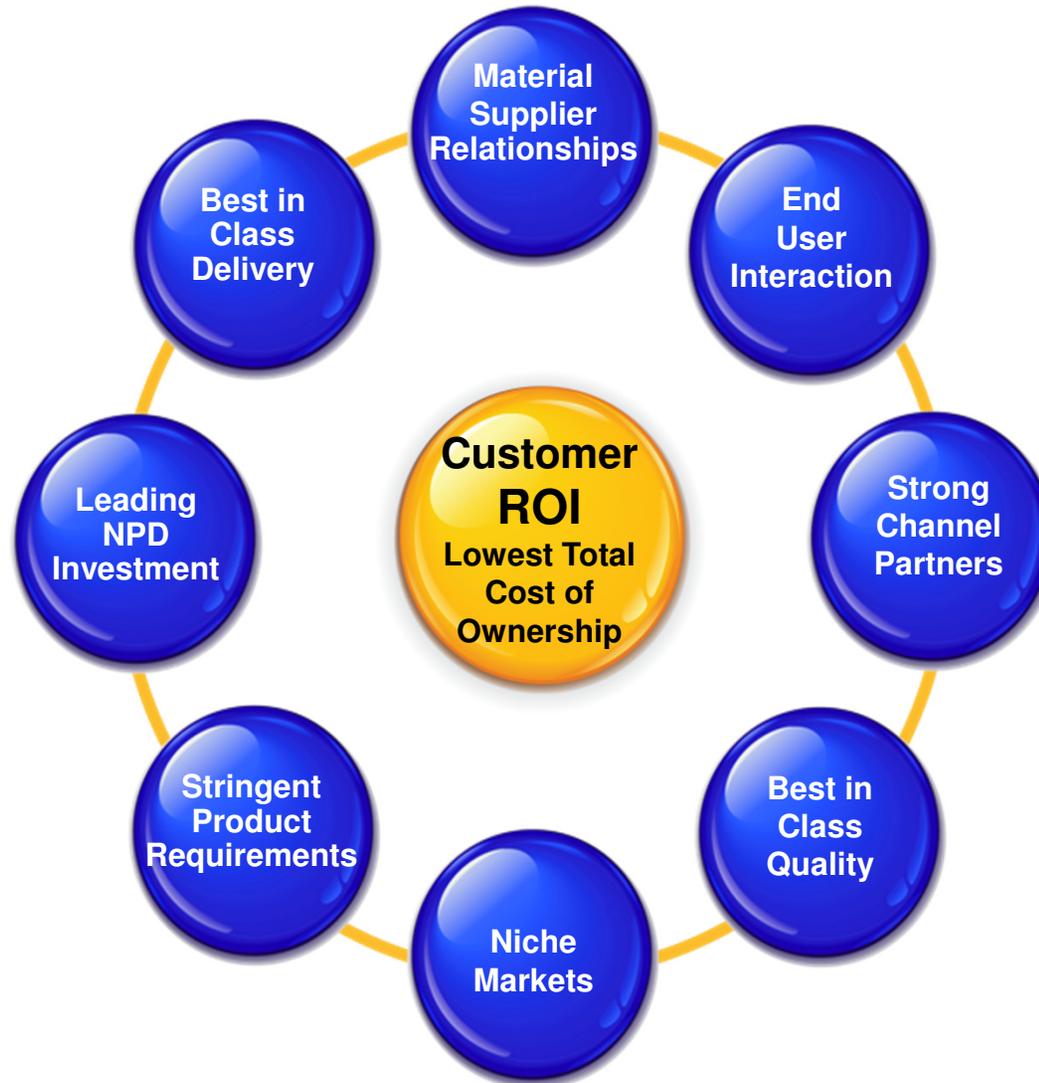
2013 Sales



- ◆ Overview
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High Customer Value, Strong Product Differentiation



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





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%)
Legacy Graco Total	40,972	\$919
Plus: Gema Acquisition		\$93
Graco 2012 Sales		\$1,012

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Graco's Growth Plans and Earnings Drivers

3% - 5%

Industrial
Production
Average
Growth
Rate

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

12%+

Graco
Targeted
Earnings
CAGR



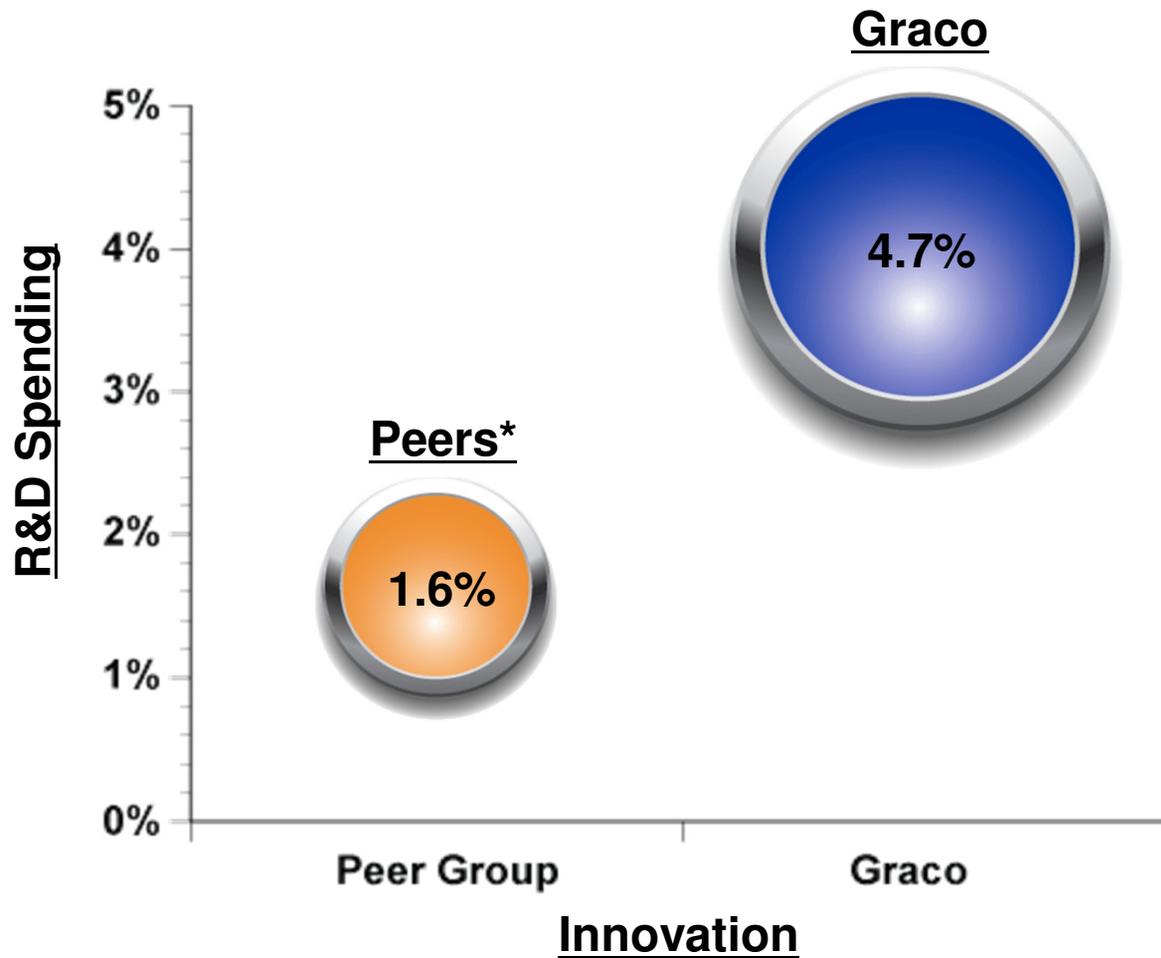
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Targeting Growth Through New Products & Markets



New Product Development Expense as a Percentage of Revenues - 2013



* Peer data as of FY 2012

Contractor – Professional Airless Line Upgrade

- Standard Series Upgrades: enhanced pump and filter technology, brushless DC motor, smart control architecture, innovative cart design
- ProContractor Series Upgrades (including Standard): fast pump connect system, enhanced flushing technology, hose reel upgrade
- IronMan Series Upgrades (including Standard): extreme-duty pump; rugged frame, run-flat tires

Ultra[®] Max II



GMAX[™] II



TexSpray[™] Mark IV/V



TexSpray[™] HD



Industrial – ExactaBlend™ AGP

- Superior mixing and ratio assurance for the glass industry
- Easy to operate
- Optimal mixing and on-ratio proportioning capabilities for quality assurance
- Quick and easy base purge reduces material waste
- Optional data download provides reports on ratio, flow rate and material usage



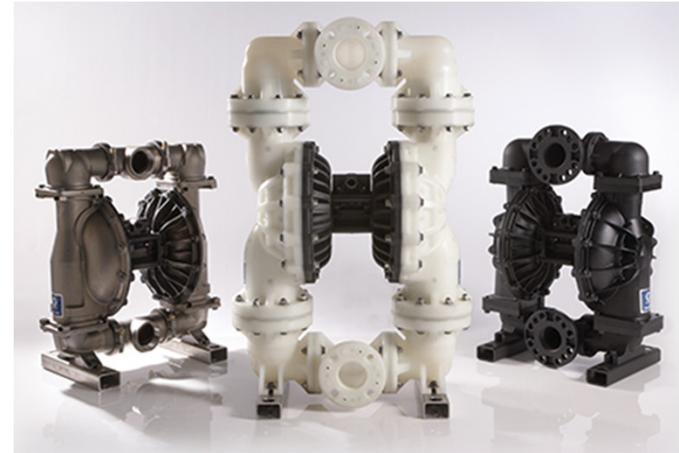
**Graco ExactaBlend AGP
Advanced Glazing Proportioner**



Industrial – 3” Diaphragm Pump

Transferring chemicals where high flow rates are required

- Application
 - Dewatering (acidic water) a coal mine
- Solution
 - Polypropylene Husky™ 3300 (3” AODD pump)
- Keys to success
 - Higher flow rates, up to 260 gpm
 - Higher efficiency
 - Ease of service
 - Lighter weight
 - Smaller envelope



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



Industrial – Fluid Monitoring Controls

- **Graco Informer®**
 - Monitors fluid use data for environmental compliance reports
 - Identifies worn tips on spray guns
 - Quickly and efficient spray gun calibration
- **Graco ProControl™ 1KE**
 - Actively manages fluid and air
 - Maintenance reminders include tank filling
 - Network integration to gather data from office or remote locations



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



Representative Industry Participants:

- Lincoln
- Vogel
- Bijur

Benefits:

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

Lubrication – 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)





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

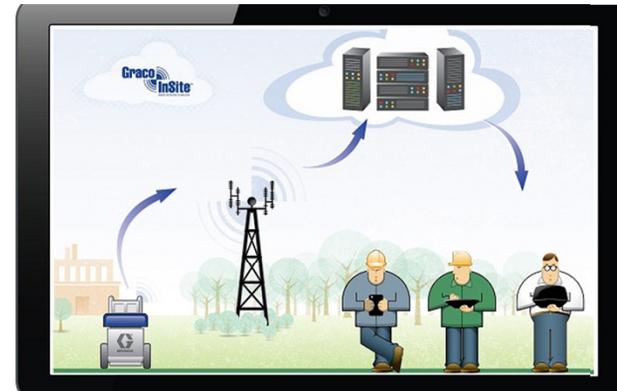
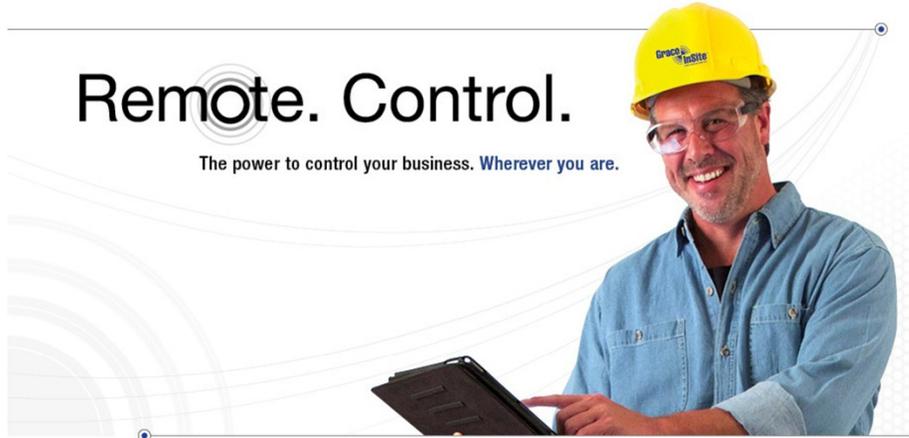


Contractor – Pavement Maintenance

- LineLazer® IV 250DC **Dual Color** Striper for jobs requiring “Highlight” lines
 - Ease of Use - “Fast and easy set ups”
 - High Production - Up to 5 paint and bead guns
 - Technology - Leverage our LL250SPS technology to give striping contractors a new, stand-on solution



Industrial – Remote Reporting Technology



GPS Location, 1 Rig



GPS, All Rigs



Job Log



Daily Use Log

Industrial – 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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South America – Key Initiatives

**Market Education
End-user Conversion**



**Product Training
& Launches**

**Specialized
Sales Team**

Negotiating World Trade Center
Free Zone,
Montevideo, Uruguay
**Develop Local
Support Staff**

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Industrial – Expanding the Process Division Core

50% Increase in New Product Development Team

- Support robust growth in sanitary and cleaning categories with increased product development resource
- Enter targeted oil and gas pumping applications
- Expand offering of highly efficient electric driven pumps
- Leverage “field proven” Graco control architecture into niche Process pumping applications



25% Increase in Commercial Team

- Expand commercial presence in targeted oil and gas applications
- Expand commercial presence in industrial and municipal wastewater

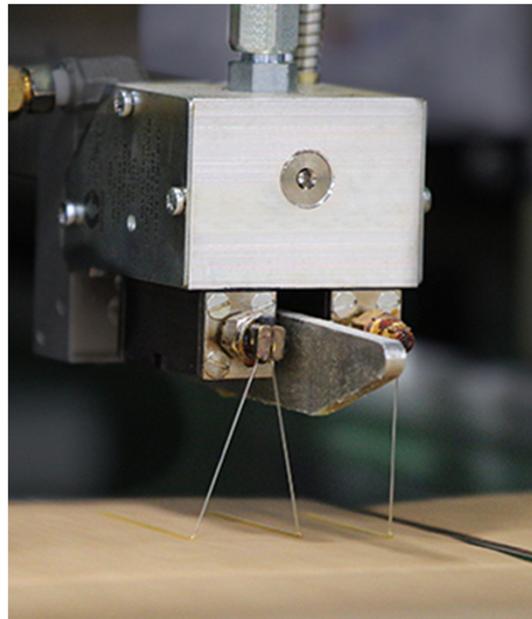


Industrial – InvisiPac® Tank-Free Hot Melt Delivery System



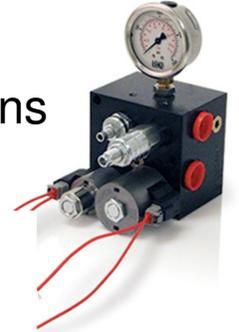
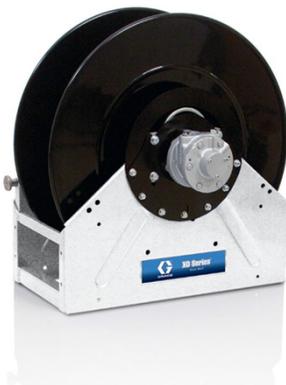
Revolutionary Hot Melt Equipment for the Packaging Industry

- Designed for case and carton sealing
- Ten-minutes startup, no tank char, no nozzle plugging – less maintenance, more uptime



Lubrication – 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 broadens our product offering
- 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



G-Flex™ 1500 Flexible Parts Feeding Solution

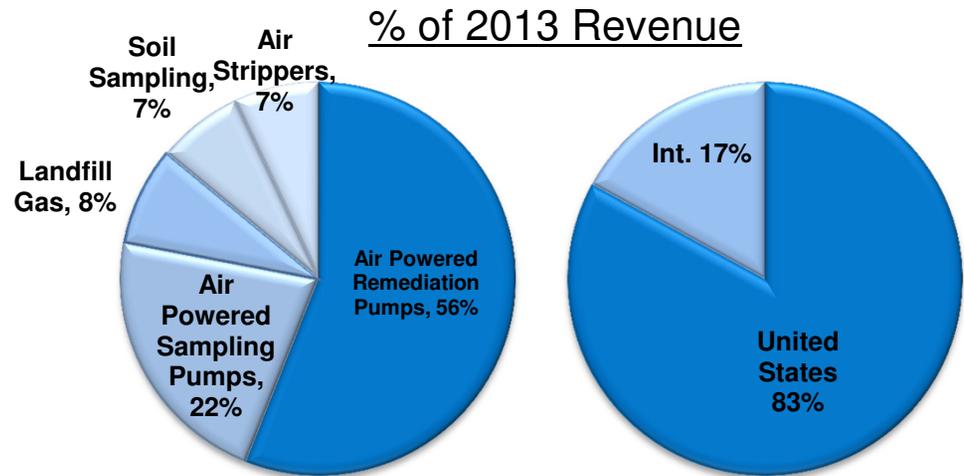
- A uniquely-designed part feeder for industrial manufacturing applications
- Vibratory table that recirculates parts preventing over-accumulation and part bunch ups
- Highly tolerant of process contamination
- Great value when compared to traditional bowl feeders



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Designs, manufactures, and markets proprietary pumping systems, air strippers and gas wellheads for a variety of environmental and industrial applications; primarily remediation and groundwater sampling, as well as the management of landfill liquids and gases



Air-powered Remediation Pumps



Groundwater Sampling Equipment



Landfill Gas Equipment



- Strong fit with Graco's protective coatings equipment
 - Optimized process to use water vapor to assist abrasive blasting process
 - Utilized in industrial, marine, construction, restoration, cleaning industries



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✓ **Company Performance**



Graco Reported Q4 Results on January 27, 2014



\$ millions except EPS	Fourth Quarter			Year-to-Date		
	2013	2012	Change	2013	2012	Change
Sales	\$ 271.9	\$ 253.7	7 %	\$1,104.0	\$1,012.5	9 %
Gross Profit	147.2	138.9	6 %	607.5	550.5	10 %
% of Sales	54.1 %	54.7 %	(0.6) pts	55.0 %	54.4 %	0.6 pts
Operating Earnings	63.3	57.9	9 %	279.8	224.7	25 %
% of Sales	23.3 %	22.8 %	0.5 pts	25.3 %	22.2 %	3.1 pts
Net Earnings	\$ 44.7	\$ 42.3	6 %	\$ 210.8	\$ 149.1	41 %
% of Sales	16.5 %	16.7 %	(0.2) pts	19.1 %	14.7 %	4.4 pts
Diluted Earnings Per Share	\$ 0.71	\$ 0.68	4 %	\$ 3.36	\$ 2.42	39 %
<i>Diluted Shares in Millions</i>	62.9	61.9		62.8	61.7	

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

Dividends	\$ 4	\$ 4		\$ 28	\$ 12	
EPS Impact	\$ 0.07	\$ 0.07		\$ 0.45	\$ 0.19	

Current Environment



	Americas	EMEA	Asia Pacific
Industrial Segment	 Stable: General Industrial, Automotive, Construction Challenging: Ag, Heavy Machinery	 Favorable: Emerging EMEA Stable: Western Europe Challenging: EM Currency	 Stable: General Industrial Challenging: Ship Building, Mining Spotty: Project Activity
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

Cash Deployment Priorities



Organic Growth

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

Acquisitions

- ▶ Supplement to Organic Growth
- ▶ Leverage Our Strengths

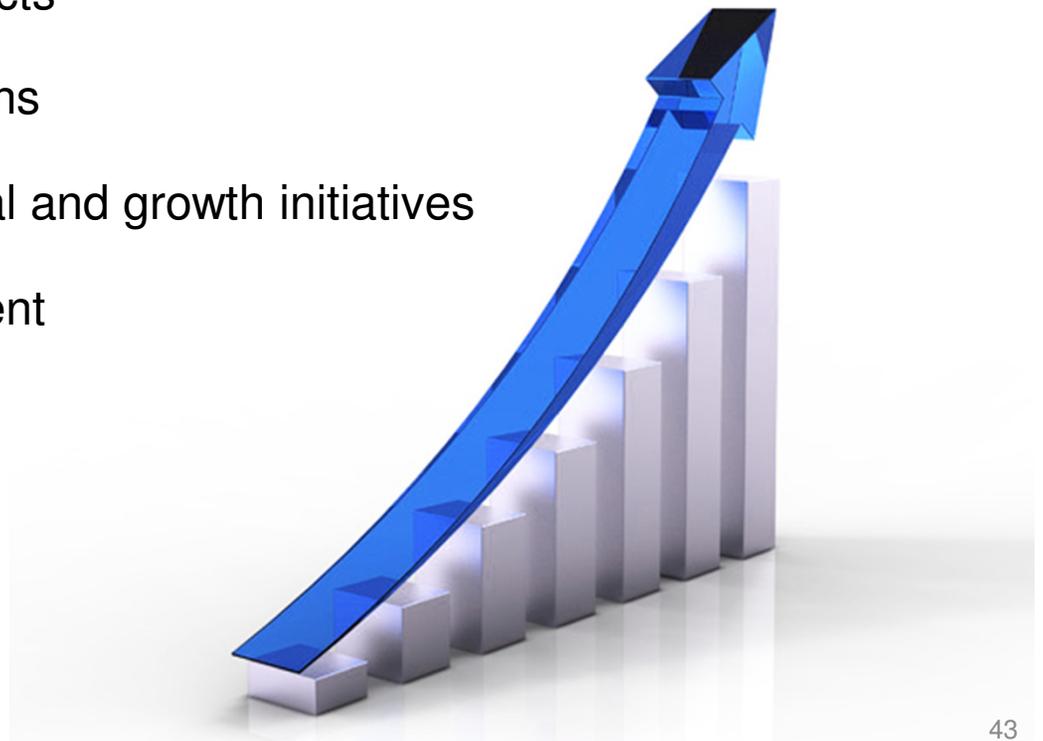
Shareholder Return

- ▶ Dividend Payout Ratio 25-30%
- ▶ Six Million Authorized Share Repurchase
- 10% of Outstanding Shares Approved September 2012

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



Financial Summary Q4 2013 – Appendix



Financial Results – Full Year



(\$ Millions except EPS)	<u>2013</u>	<u>2012</u>	<u>Change</u>
Sales	\$ 1,104.0	\$ 1,012.5	9%
Gross Profit Rate	55.0%	54.4%	
Operating Expenses	327.7	325.9	1%
Operating Earnings	279.8	224.7	25%
Net Earnings	\$ 210.8	\$ 149.1	41%
Earnings Per Share	\$ 3.36	\$ 2.42	39%

2013 Results

- Sales increase 9 percent compared to prior year; with the first quarter impact of the powder finishing operations contributing approximately 3 percentage points (no net impact from currency translation)
- Year-to-date gross profit margin of 55 percent, up ½ percentage point from last year
 - Realized pricing and higher production volumes offset by changes in mix, including effect of increased sales of powder finishing equipment and Contractor
 - Non-recurring purchase accounting effects reduced 2012 margin
- Operating earnings up 3 percentage points
 - Acquisition/divestiture expenses down \$14 million
- Backlog increased \$4 million as compared to prior year-end
- Net earnings increased by 41 percent compared to last year
- Diluted EPS was \$3.36



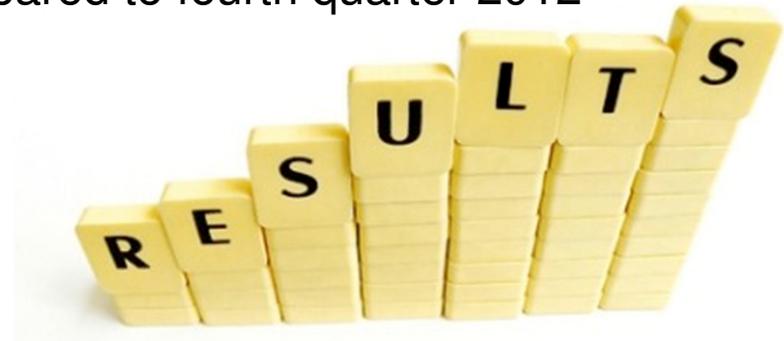
Financial Results – Fourth Quarter



(\$ Millions except EPS)	2013	2012	Change
Sales	\$ 271.9	\$ 253.7	7%
Gross Profit Rate	54.1%	54.7%	
Operating Expenses	83.9	81.0	4%
Operating Earnings	63.3	57.9	9%
Net Earnings	\$ 44.7	\$ 42.3	6%
Earnings Per Share	\$ 0.71	\$ 0.68	4%

Fourth Quarter 2013 Results

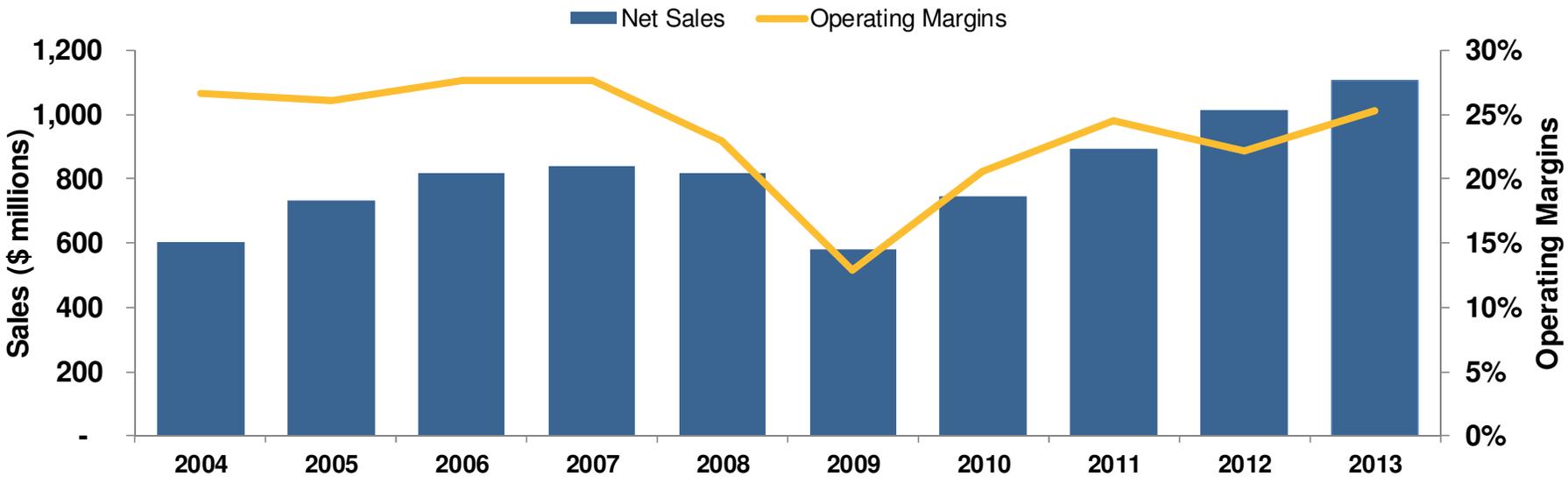
- Sales for the quarter up 7 percent compared to fourth quarter 2012 (no net impact from currency translation)
- Gross profit margin for the quarter of 54 percent, down ½ percentage point from fourth quarter 2012
 - Manufacturing spending increases and changes in mix, including effect of increased sales of powder finishing equipment, offset the favorable effect of realized pricing
- Operating earnings up ½ percentage point from fourth quarter 2012
 - Contractor segment expenses increased \$3 million primarily due to product development and pre-launch activities for new products expected to be released in Q1 2014
 - Unallocated corporate expenses increased \$3 million due to employee share-based compensation
 - Acquisition/divestiture expenses down \$1 million
- Net earnings increased by 6 percent compared to fourth quarter 2012
- Diluted EPS was \$0.71





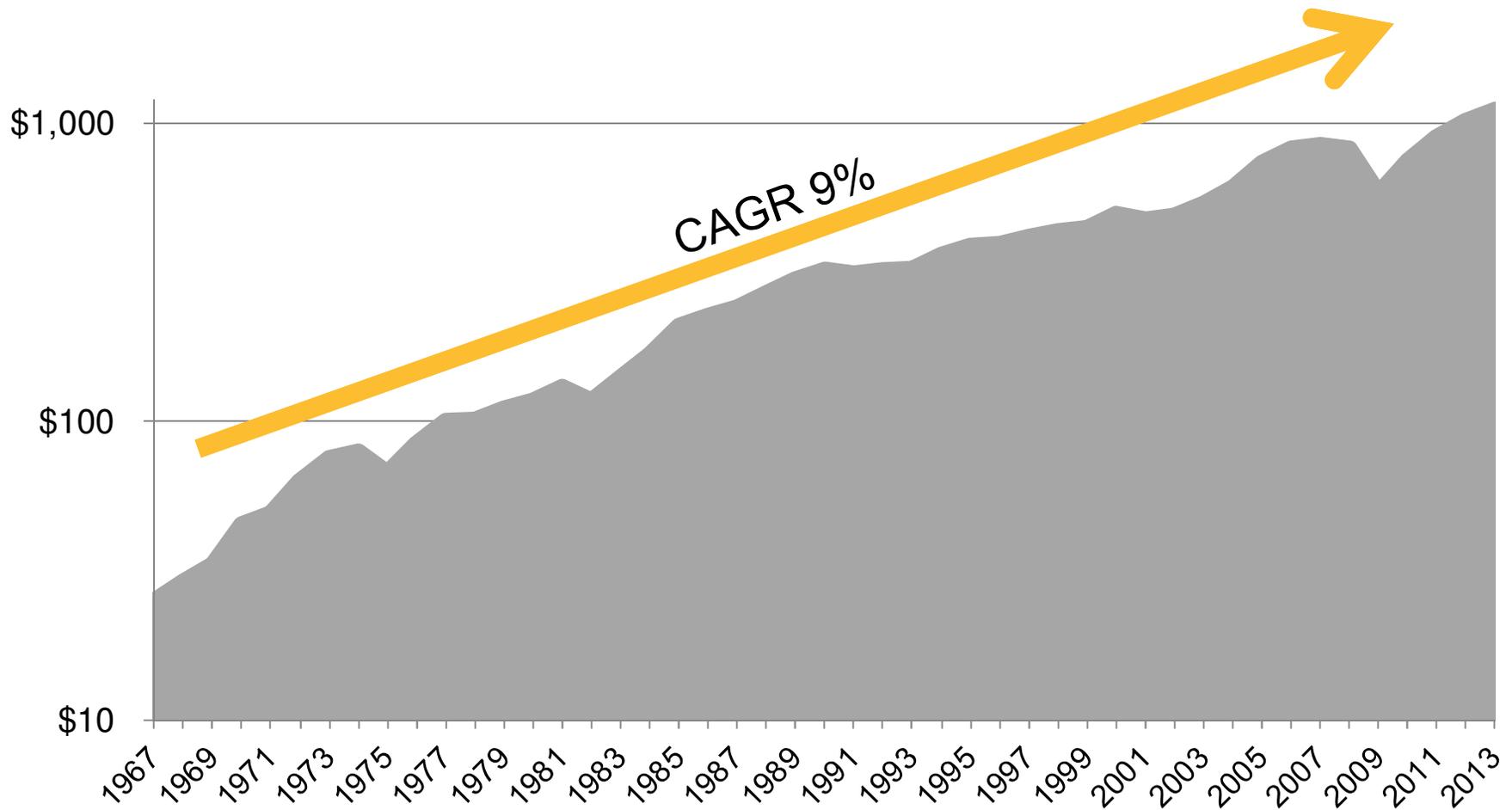
Financial Performance

Sales and Operating Margin

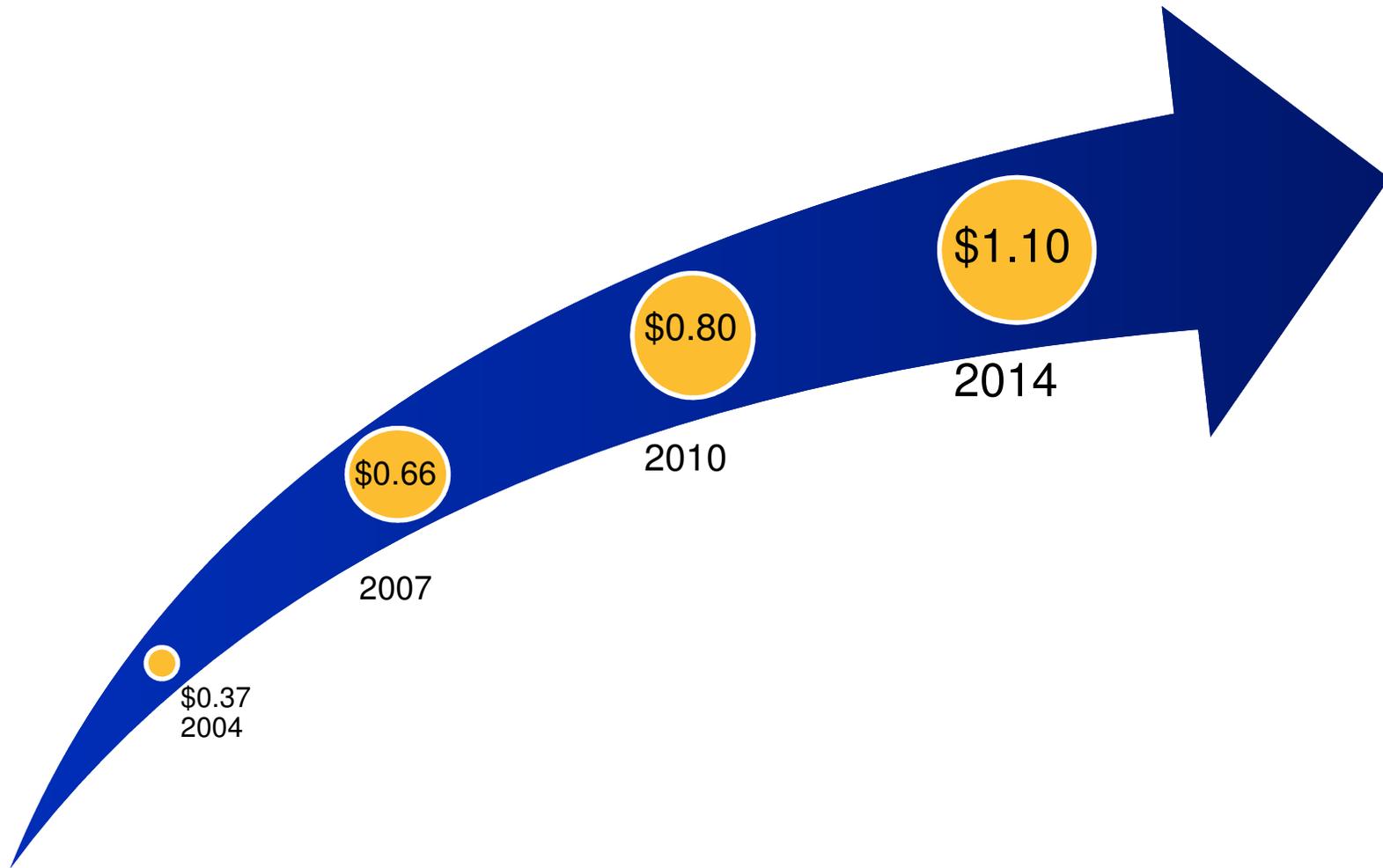


Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EPS	\$1.55	\$1.80	\$2.17	\$2.30	\$1.99	\$0.81	\$1.69	\$2.32	\$2.42	\$3.36

Historic Sales (\$ Millions)



Stock Dividend Growth





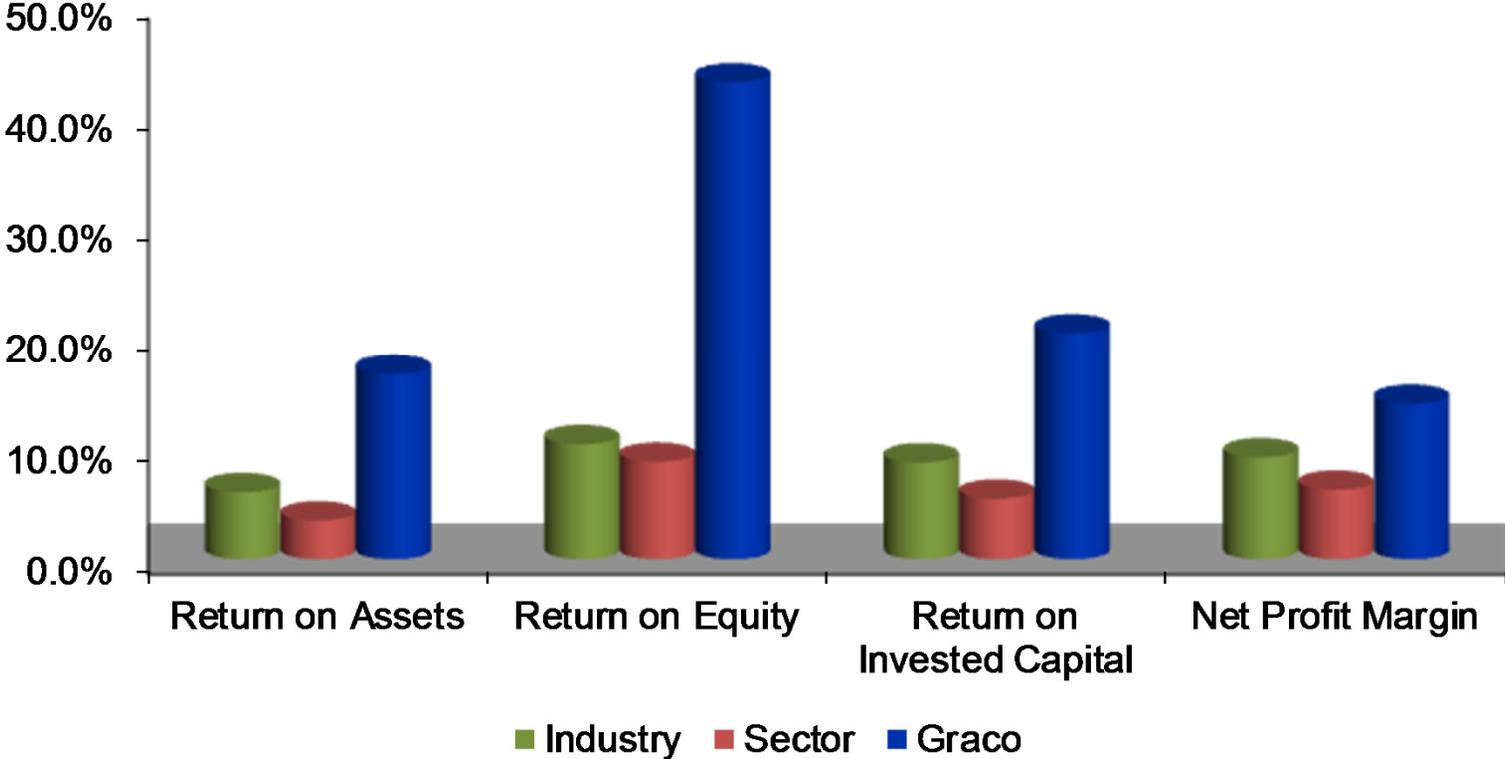
Strong Cash Generation

(\$ Millions)	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Cash Flows	\$ 243	\$ 190	\$ 162	\$ 101	\$ 147	\$ 162	\$ 177	\$ 156	\$ 153
% of Net Income	115%	127%	114%	98%	300%	134%	116%	104%	121%
Capital Expenditures	23	18	24	17	11	29	37	34	20
Free Cash Flow	\$ 220	\$ 172	\$ 138	\$ 84	\$ 136	\$ 133	\$ 140	\$ 122	\$ 133
Dividends	\$ 61	\$ 54	\$ 51	\$ 48	\$ 45	\$ 45	\$ 43	\$ 39	\$ 36
Acquisitions	12	667	2	-	-	55	-	31	111
Share Repurchases *	26	(29)	21	11	(6)	101	206	76	32
	\$ 99	\$ 692	\$ 74	\$ 59	\$ 39	\$ 201	\$ 249	\$ 146	\$ 179

* Net of shares issued



Capital Efficiency – 5 Year Average



Source: Interactive Data, 2013 Thomson Reuters

INNOVATION IN FLUID HANDLING



move

measure

mix

control

dispense

spray

MANUFACTURING EXCELLENCE