



Investor Presentation

1st Quarter 2017

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 the current Quarterly Report on Form 10-Q.

✓ Overview

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

Business Overview

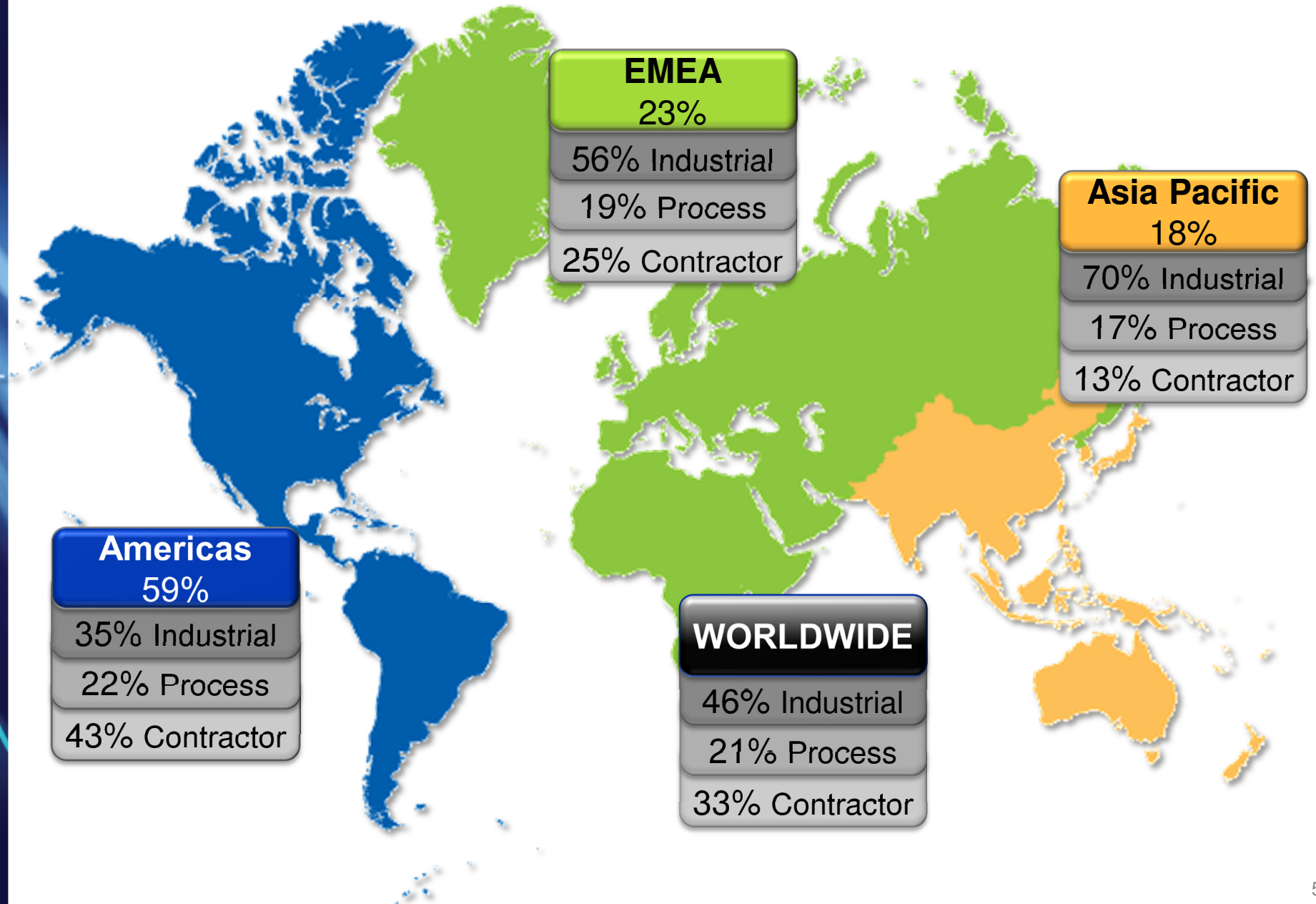


- ▶ Graco manufactures premium equipment to pump, move, meter, mix and dispense a wide variety of fluids and coatings
 - Difficult to handle materials with high viscosities
 - Abrasive and corrosive properties
 - Multiple component materials that require precise ratio control
 - Serving a broad number of end markets

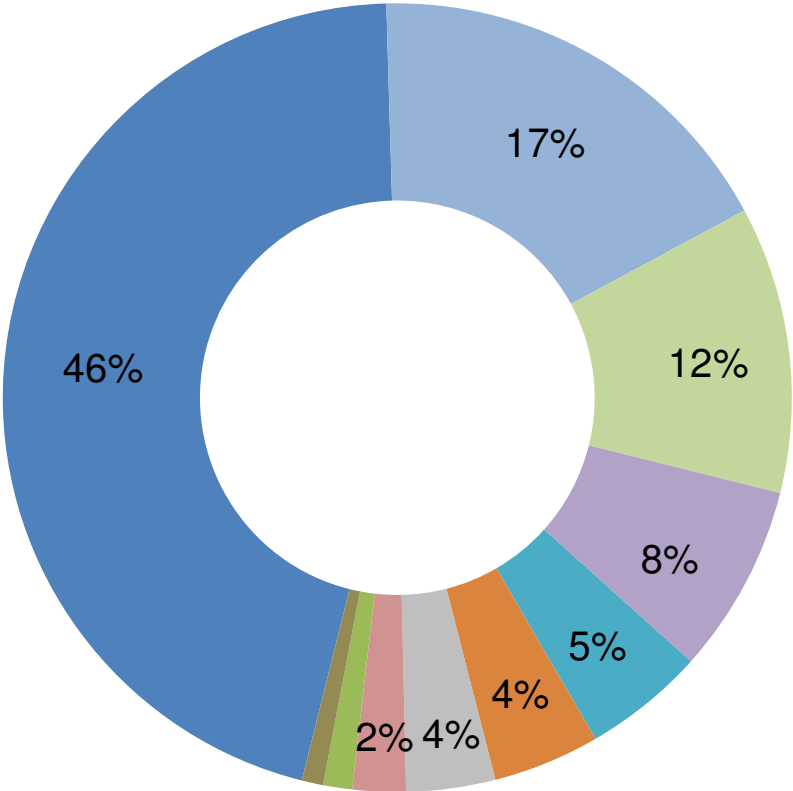
- ▶ A strong business formula for sustained margin generation
 - High customer value through product differentiation
 - Manufacturing and engineering drive cost savings, reliability and quality



Year-To-Date March 2017 Sales – \$341 Million



2016 Sales by End Market



- ▶ Residential & Non-Residential Construction – 46%
- ▶ Industrial & Machinery – 17%
- ▶ Automotive – 12%
- ▶ Other – 8%
- ▶ Oil and Natural Gas – 5%
- ▶ Public Works – 4%
- ▶ Vehicle Services – 4%
- ▶ Mining – 2%
- ▶ Wood – 1%
- ▶ White Goods – 1%

Industrial Equipment Segment



► Growth Drivers and Trends

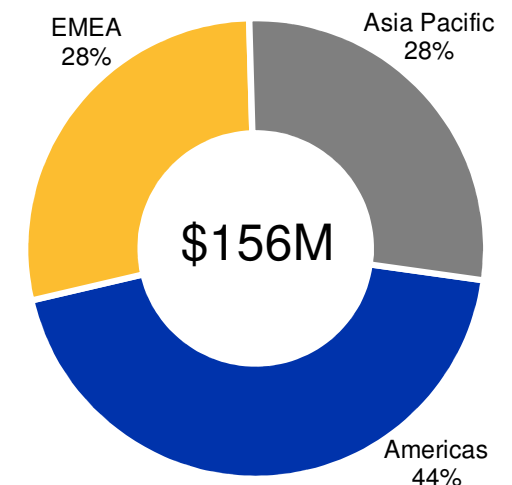
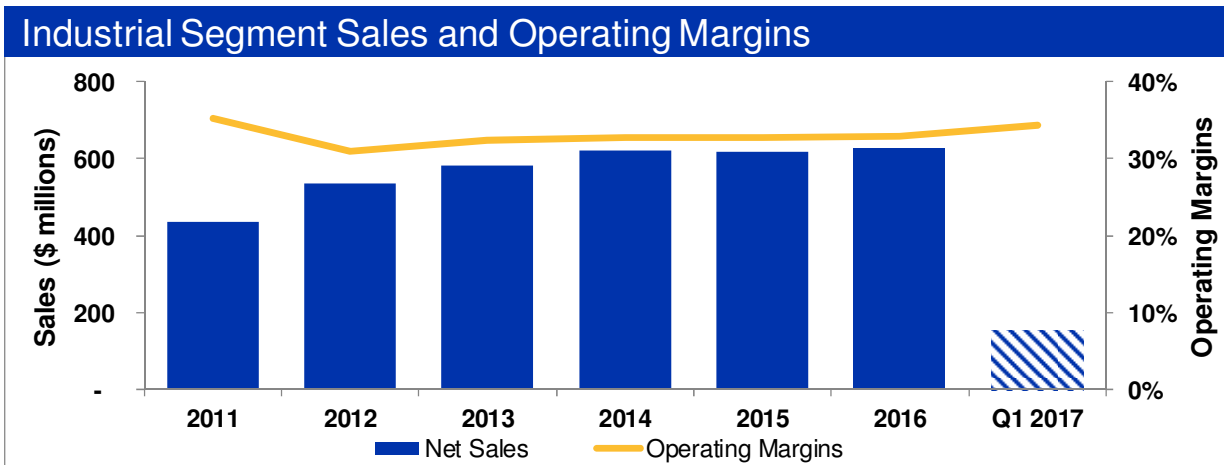
- Factory movements and upgrades
- Integration of equipment with factory data and control systems
- Reducing energy consumption
- Material changes driving demand

► Other Representative Industry Participants

- Exel, Wagner, Carlisle Companies, Nordson and regional players



Q1 2017 Sales



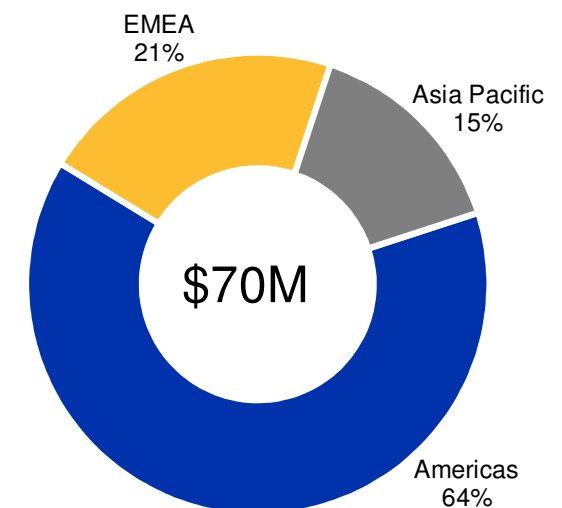
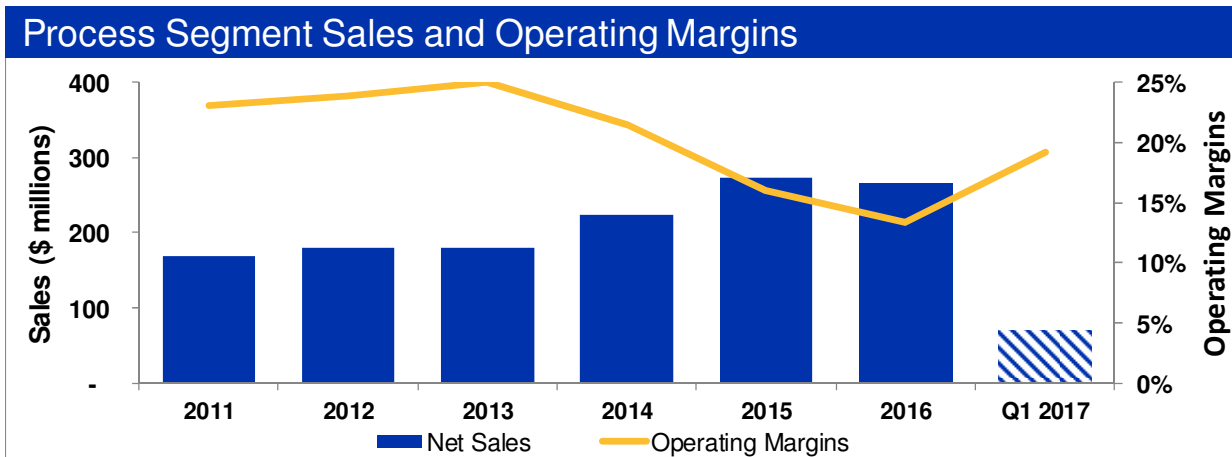
Process Equipment Segment



- ▶ Growth Drivers and Trends
 - Targeting new products and new markets
 - Fill product lines for a single source solution
 - Focus on spec'ing in product at large OEM's
- ▶ Other Representative Industry Participants
 - IDEX, Dover, IR, Lincoln, Vogel, Bijur, Hannay, Coxreels and regional players



Q1 2017 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 and channel

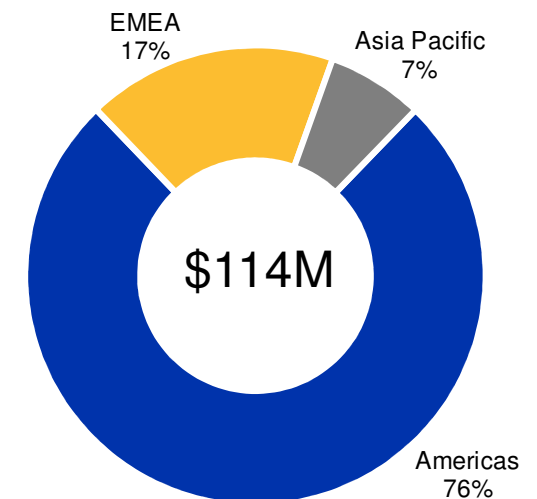
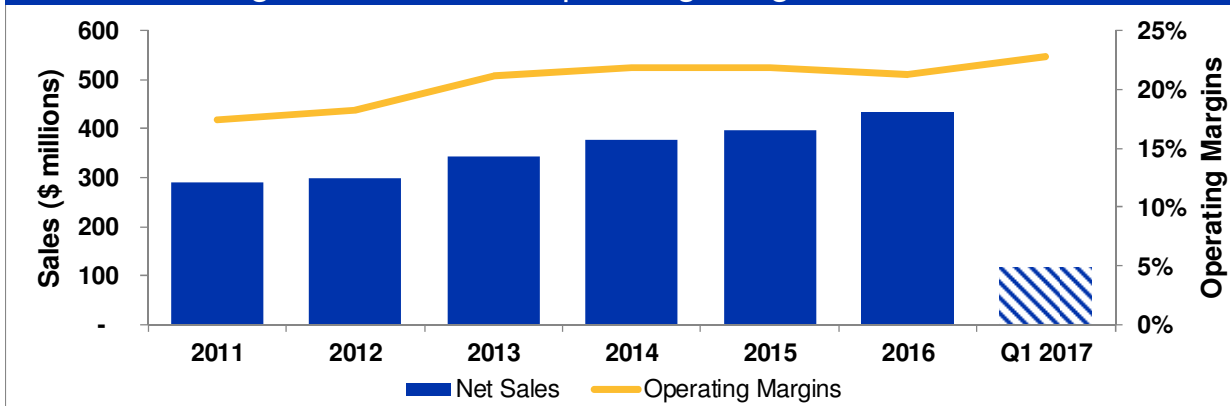
► Other Representative Industry Participants

- Wagner, Titan, Campbell Hausfeld, Bedford, QTech and regional players



Q1 2017 Sales

Contractor Segment Sales and Operating Margins



- ◆ Overview
- ✓ **Enduring Business Model**
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High Customer Value, Strong Product Differentiation



Manufacturing & Engineering Excellence



- ▶ 80%+ of production is based in the United States
 - High-quality, efficient, engaged labor force
 - Centralization allows for leverage of overheads
 - A currency mismatch of sales to COGS exists, however
- ▶ 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		2016 Sales (\$ in millions)	
0 - 1	55,600	90%	\$ 614	46%
2 - 5	4,200	7%	\$ 282	21%
6 - 10	800	1%	\$ 112	8%
11 - 15	300	1%	\$ 49	4%
Greater than 15	700	1%	\$ 272	21%
Graco 2016 Sales			\$1,329	

- ◆ Overview
- ◆ Enduring Business Model
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Growth Plans and Earnings Drivers



3% - 5%

**Industrial
Production
Average
Growth
Rate**

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



12%+

**Graco
Targeted
Earnings
CAGR**

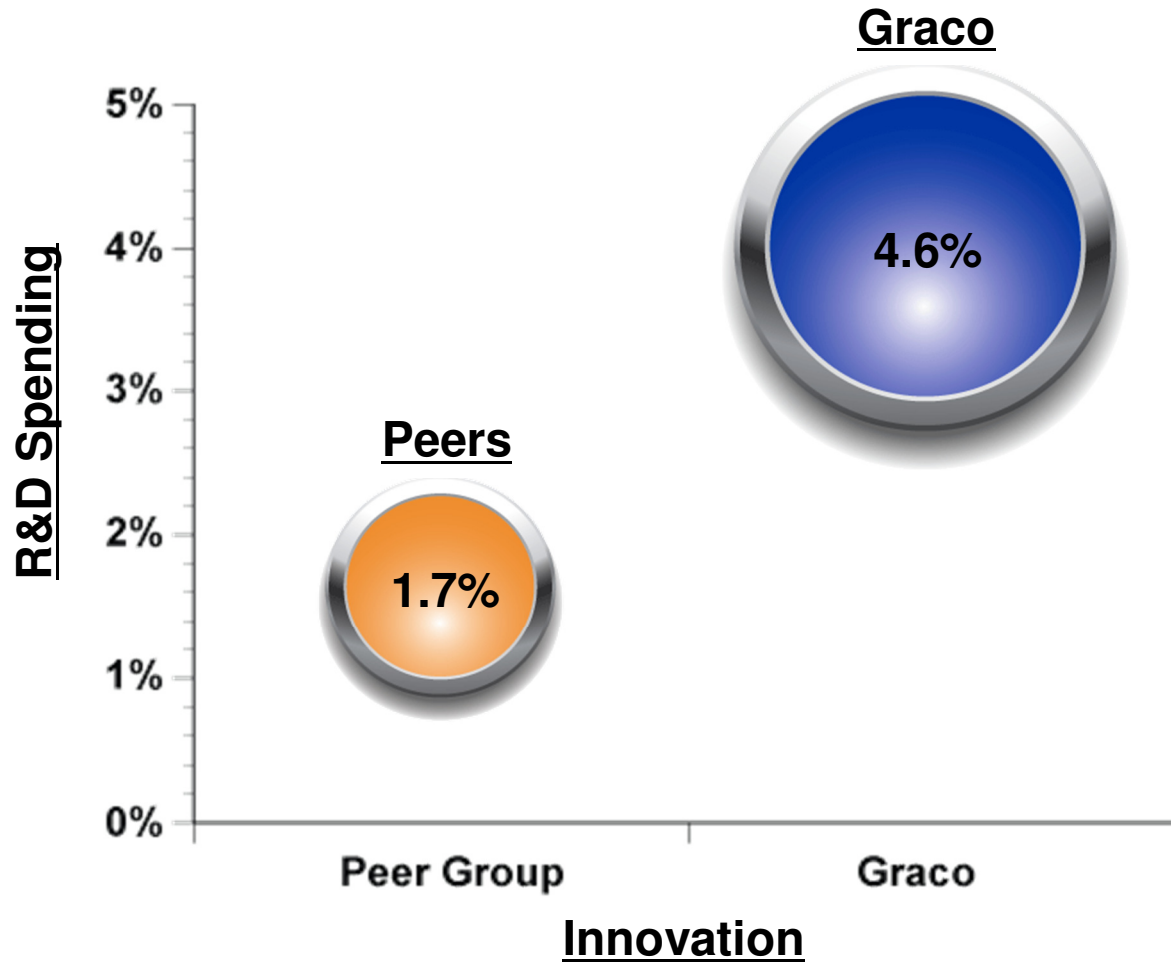
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Targeting Growth Through



New Products & Markets

New Product Development Expense as a Percentage of Revenues – 2016



Process – Power Pro ESP™

Portable Electric Groundwater Sampling Pump

- ▶ Unique, all-in-one design
- ▶ Portable design allows for remote water sampling where power is limited
- ▶ No generator needed – runs on portable 12 volt battery
- ▶ Light-weight – less than 32 lbs

Power Pro ESP™
Electric Sampling Pump



Oil and Gas



Landfill



Mining



Industrial

Process – SST AODD Flange Pumps



- ▶ Stainless Steel Pumps for the chemical and marine industries
- ▶ Rotating flange design allows for connection flexibility and easy install
- ▶ Up to five times longer diaphragm life compared to others in its class
- ▶ Rugged construction with high corrosion and abrasion resistance

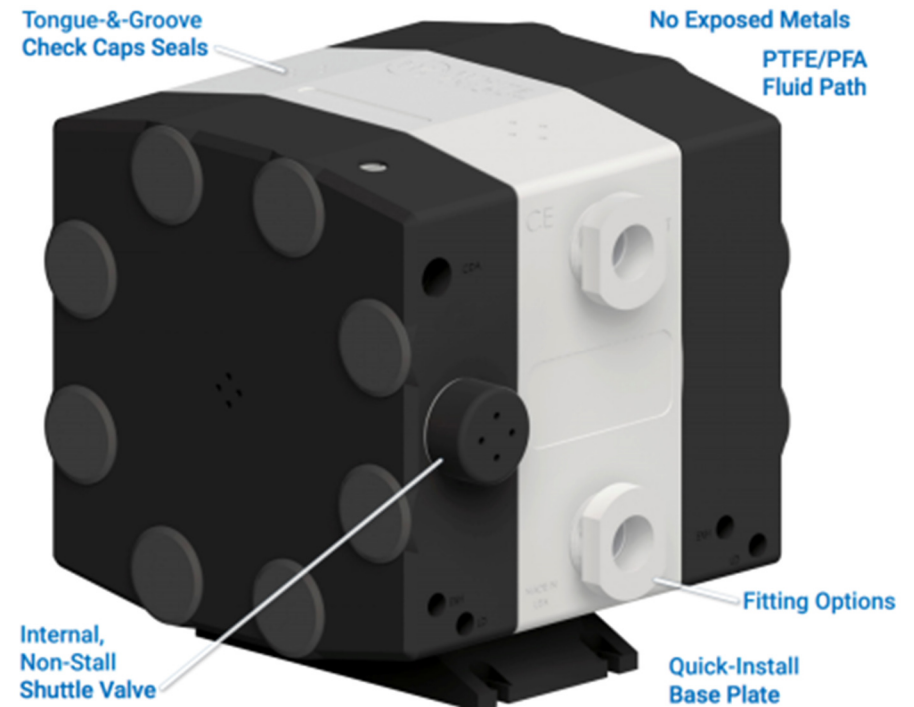


Simplify installation with our new rotating flange design!

The new rotating flange spins at the inlet and outlet for an easy connection and rapid installation.

High-Purity AODD Chemical Pumps

- ▶ Advance pump technologies
- ▶ For high-purity chemical delivery applications in the semi-conductor, aerospace and solar industries



Process – BIOGAS 3000



Fixed Biogas and Landfill Gas Analyzer | Anaerobic Digestion

- ▶ Up to 4 sample points for constant monitoring of the complete gas control process, maximising yield for plant operators
- ▶ Gases Measured: CH₄, CO₂, O₂, H₂S, H₂ & CO
- ▶ Ability to monitor the gas control process before and after desulphurisation, protecting equipment from damaging gases
- ▶ ATEX and IECEx certified enabling use in explosive zones, providing maximum protection for operators
- ▶ Built-in communication protocols for connections to plant control systems
- ▶ ISO / IEC 17025 calibration for optimal accuracy



Modular design with hot-swap module enabling zero operational downtime

GeotechTM

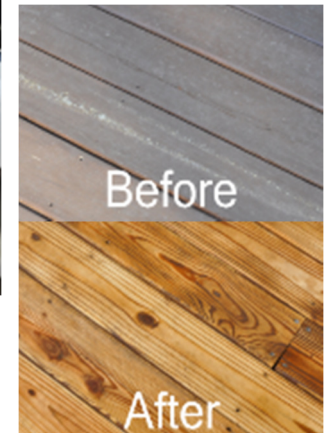


Global leaders in gas analysis technology

Industrial – EcoQuip® 2 EQp



- ▶ EcoQuip 2™ EQp – Powerful, Portable, Professional
 - Affordable vapor abrasive blasting for small jobs
 - Portable cart system – only 220 lbs.
 - Generates up to 92% less dust than dry blasting
- ▶ Expands customer base and applications
 - Graffiti removal
 - Paint & stain removal – Decks, siding, log cabins
 - Wood, concrete, steel cleaning
 - Brick and patio cleaning
 - Iron fence and railing preparation
 - Stone and stucco stain removal
 - Auto restoration



Industrial – Spray Automation



Improving End-User Profitability and Efficiency

- ▶ Delivering finishing equipment that is easy to integrate into automation
 - Simple integration into existing automation
 - Reduces end-user integration costs
 - Serves a wide range of end-user technical needs and markets
 - Improves end-user throughput and quality



Industrial – Intelligent Paint Kitchen



Complete, integrated Graco solution for the Paint Kitchen

- ▶ Inexpensive option to advanced monitoring systems
- ▶ Easily connects paint monitoring and control systems
- ▶ Provides real-time data and critical control functions
- ▶ Reduces installation costs in hazardous location applications



Contractor – 2017 New Products



Handheld Airless Sprayers

- ▶ Breakthrough performance, reliability, finish
 - Fastest way to finish small jobs
 - Perfect Airless Finish™ at any hand speed
 - Reliability delivered—every job, every time
- ▶ Powered by same DEWALT® battery used on other power tools
- ▶ Patented technology



Low Pressure Spray Tips

- ▶ SmartTip™ technology delivers the industry's best finish at the lowest Airless Spray pressure
 - Sprays at up to 50% lower pressure
 - Less overspray
 - Easiest pattern overlap
 - Up to 2X life
- ▶ Patented technology



Contractor – 2017 New Products



Battery Powered Line Striper

- ▶ Industry's first professional electric striper
- ▶ Featuring e-power™ technology
 - No engine noise, vibration or fumes
- ▶ Perfect for nighttime and indoor applications
- ▶ Patented and patent-pending technology

High Volume Low Pressure

- ▶ The most advanced portable HVLP technology available
 - SmartStart™ system reduces heat
 - TurboControl system reduces noise
 - FlexLiner™ bag system allows for spraying in any direction
- ▶ Patented and patent-pending technology

6 Models



LineLazer® Electric Series

18 Models



FinishPro™ HVLP Series

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Recent Acquisitions

- ▶  **QED**TM
Environmental Systems
- ▶  **EcoQuip**[®]
VAPOR ABRASIVETM BLAST EQUIPMENT
- ▶  **Alco Valves Group**TM
- ▶  **GEO-BLASTER**[®]
WET-ABRASIVE BLASTING EQUIPMENT
- ▶  **MULTIMAQ**TM
sprayway
- ▶  **WHITE KNIGHT**[™]
.....simply drives™
- ▶  **HiP**TM High Pressure Equipment Company
- ▶  **machine**
TECHNOLOGIES
- ▶  **EPS** Environmental
Pump Solutions
- ▶  **hildebrand**
TECHNOLOGY
- ▶  **Geotech & LANJTEC**[®]
A subsidiary of LANJTEC
- ▶  **ATZ** | **APPLIED**
TECHNOLOGIES

Acquisitions – Environmental Focus



Geotech

Acquired Jan 2016

Geotechnical Instruments – UK manufacturer of portable and fixed landfill gas analyzers and biogas analyzers used for monitoring, compliance, and control of landfill and biogas processes



LANDTEC

Acquired Jan 2016

Landtec[®] – Manufacturer of landfill gas wellheads and accessories and US distributor of Geotech products



ATZ | APPLIED TECHNOLOGIES

Acquired Dec 2016

ATZ – Manufactures electric, solar, and pneumatic leachate extraction pumps, well seals, and remote monitoring solutions for landfill and remediation sites



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- ✓ **Company Performance**

Graco Reported Q1 Results



Statement of Earnings	First Quarter		
\$ in millions except per share amounts	2017	2016	Change
Sales	\$ 340.6	\$ 304.9	12 %
Gross Profit	185.3	161.8	15 %
% of Sales	54.4 %	53.1 %	1.3 pts
Operating Earnings	85.8	60.9	41 %
% of Sales	25.2 %	20.0 %	5.2 pts
Net Earnings	\$ 60.7	\$ 39.6	54 %
% of Sales	17.8 %	13.0 %	4.8 pts
Diluted Earnings Per Share	\$ 1.05	\$ 0.70	50 %
<i>Diluted Shares in Millions</i>	<i>57.7</i>	<i>56.7</i>	

The increase in diluted EPS includes:

- ▶ \$0.05 from a required change in accounting for stock compensation adopted in first quarter 2017
- ▶ \$0.01 from reduced intangible amortization expense resulting from the impairment charge recorded in fourth quarter 2016

Q1 2017 Sales Data



Components of Net Sales Change

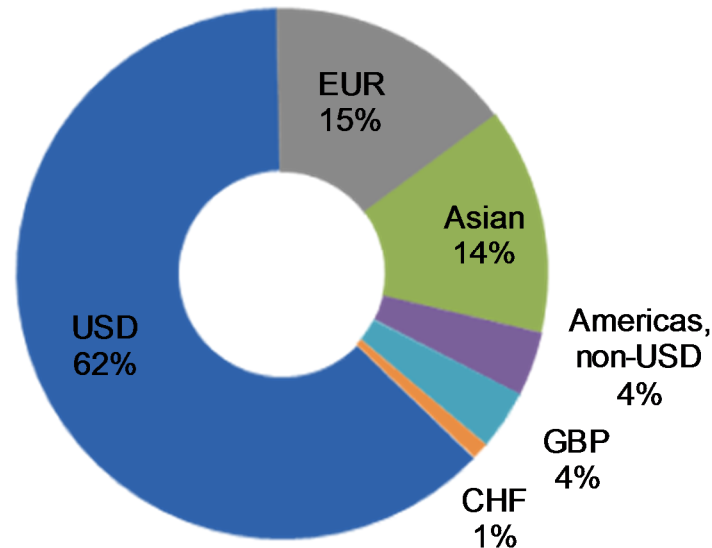
First Quarter March 2017

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	7 %	11 %	23 %	15 %	9 %	11 %	13 %
Acquisitions	1 %	0 %	0 %	0 %	0 %	1 %	0 %
Currency	(2)%	(2)%	(1)%	0 %	(5)%	(2)%	(1)%
Total	6 %	9 %	22 %	15 %	4 %	10 %	12 %

2017 Sales by Currency

Asian currencies include:
AUD, CNY, KRW, JPY

Americas currencies include:
CAD, BRL, MXN



Q1 2017 Operating Earnings



Change in Operating Earnings

2016 Operating Earnings (\$M and % of sales)

Translation effect

Volume, price and cost

Effect of 2016 inventory step-up, acquisitions costs and 2017 acquired business operations, net

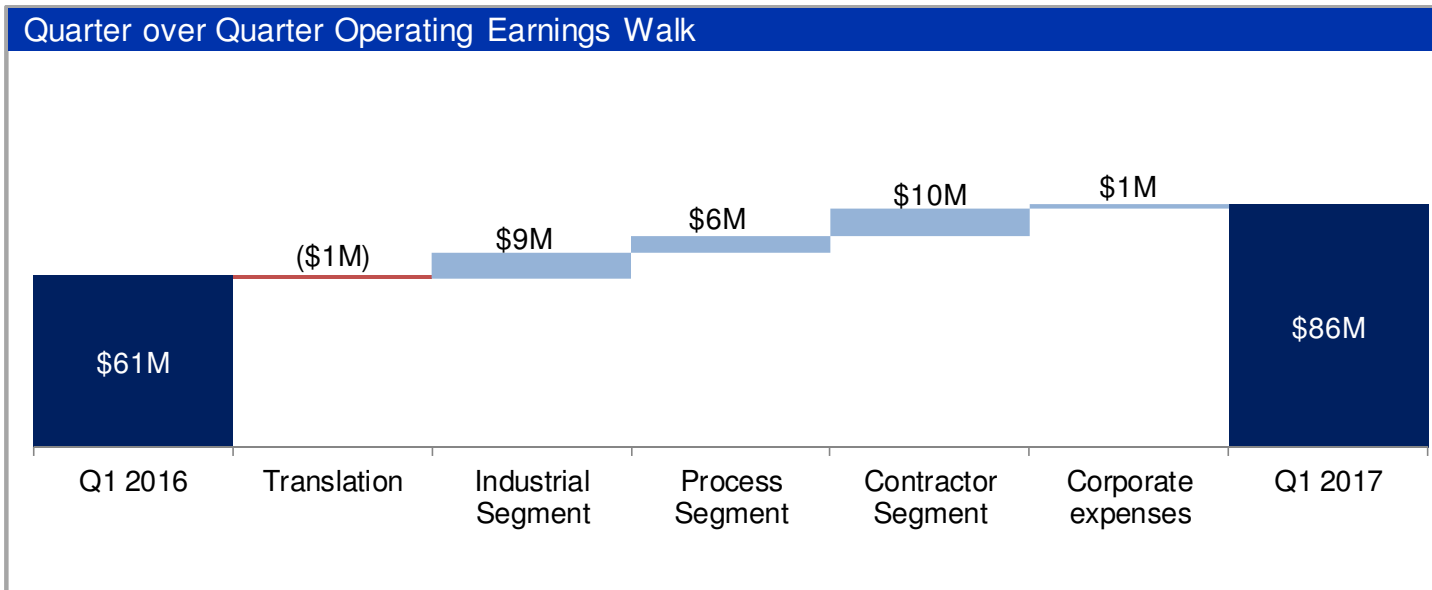
Decrease in intangible amortization related to 2016 Oil and Natural Gas impairment

Unallocated corporate expenses (primarily stock compensation)

Volume effect on expense leverage

2017 Operating Earnings (\$M and % of sales)

	First Quarter	
2016 Operating Earnings (\$M and % of sales)	\$ 61	20 %
Translation effect	(1)	—
Volume, price and cost	25	1
Effect of 2016 inventory step-up, acquisitions costs and 2017 acquired business operations, net	1	—
Decrease in intangible amortization related to 2016 Oil and Natural Gas impairment	1	—
Unallocated corporate expenses (primarily stock compensation)	1	1
Volume effect on expense leverage	(2)	3
2017 Operating Earnings (\$M and % of sales)	\$ 86	25 %



Notable Info from Q1 2017 Earnings Release & Call












- ▶ Capital expenditure expectations of approximately \$40 million in 2017
- ▶ Unallocated corporate expenses in 2017 are expected to be approximately \$31 million
- ▶ Impairment of intangible assets in fourth quarter 2016 is expected to reduce amortization expense by approximately \$1 million in each of the first three quarters of 2017 compared to 2016
- ▶ In the first quarter, we repurchased 850,000 shares under an accelerated share repurchase arrangement and we may make further share repurchases
- ▶ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2016, the unfavorable movement in foreign currencies would be a headwind of approximately 1% on sales and 3% on earnings, with the greatest headwind in the first three quarters
- ▶ The effective tax rate was 26% for the quarter, below the 31% rate in the first quarter of 2016. First quarter 2017 benefited \$4M, 4 percentage points, from the adoption of a change in accounting for stock compensation. Exclusive of the change in accounting, the effective rate for the quarter was 30%. The benefit from foreign earnings taxed at lower rates than the U.S. was higher in 2017 than first quarter 2016
- ▶ The effective tax rate for second quarter and the full year is expected to be approximately 30%, excluding any impact from the change in accounting for stock compensation

Current Environment and Outlook



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

	Americas	EMEA	Asia Pacific	Worldwide
Current Environment	Sales Change Q1 2017 15%	Sales Change Q1 2017 9%	Sales Change Q1 2017 11%	Sales Change Q1 2017 13%
Industrial Segment	 Sales Change Q1 2017 6%	 Sales Change Q1 2017 3%	 Sales Change Q1 2017 16%	Sales Change Q1 2017 7%
Contractor Segment	 Sales Change Q1 2017 26%	 Sales Change Q1 2017 18%	 Sales Change Q1 2017 1%	Sales Change Q1 2017 23%
Process Segment	 Sales Change Q1 2017 11%	 Sales Change Q1 2017 15%	 Sales Change Q1 2017 3%	Sales Change Q1 2017 11%
Full Year 2017 Outlook	Mid Single-digit	Mid Single-digit	Mid Single-digit	Mid Single-digit

Demand in the first quarter was broad-based across products and geographies and exceeded our expectations. We are raising our full-year 2017 outlook to mid single-digit organic sales growth on a constant currency basis worldwide, from a prior outlook of low single-digit growth. We expect to achieve mid single-digit growth in each geographic region in 2017.

Long-Term Cash Deployment Priorities



Organic Growth

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

Acquisitions

- ▶ Supplement to Organic Growth
- ▶ Leverage Our Strengths

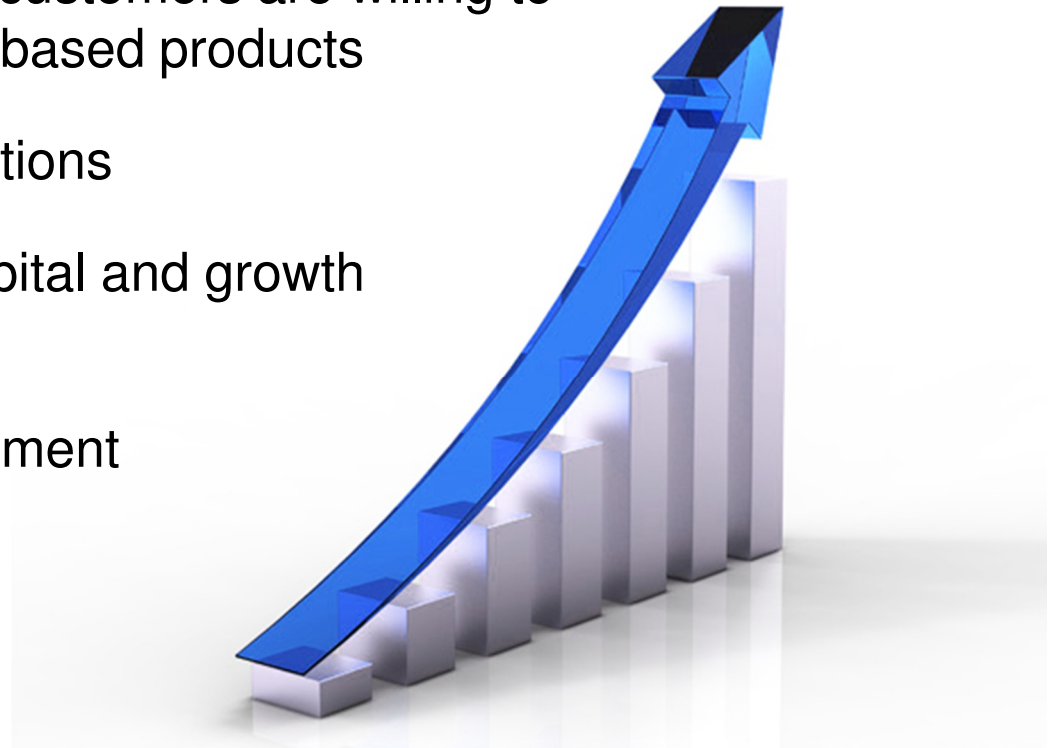
Shareholder Return

- ▶ Dividend Payout Ratio ~30%
- ▶ Approximately 3 Million Shares Remaining on Repurchase Authorization

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 Q1 2017

Appendix

Financial Results – First Quarter



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First Quarter 2017 Results



- ▶ Sales increased 12 percent (at consistent currency translation rates, sales increased 13 percent); acquired businesses had no significant effect on the quarter
- ▶ Gross profit margin rate up 1.3 percentage points compared to first quarter 2016
 - Higher production volume and realized pricing more than offset the unfavorable impact of mix
- ▶ Operating earnings are up \$25 million or 41% from first quarter 2016
 - Higher sales volume
 - Net effect of year over year inventory step-up, acquisition costs and 2017 acquired business operations
 - Lower intangible amortization related to the 2016 Oil and Natural Gas impairment
 - Lower unallocated corporate expenses, primarily stock compensation
- ▶ Diluted earnings per share of \$1.05 included \$0.05 from a required change in accounting for stock compensation and \$0.01 from reduced intangible amortization resulting from the Oil and Natural Gas impairment charge in fourth quarter 2016



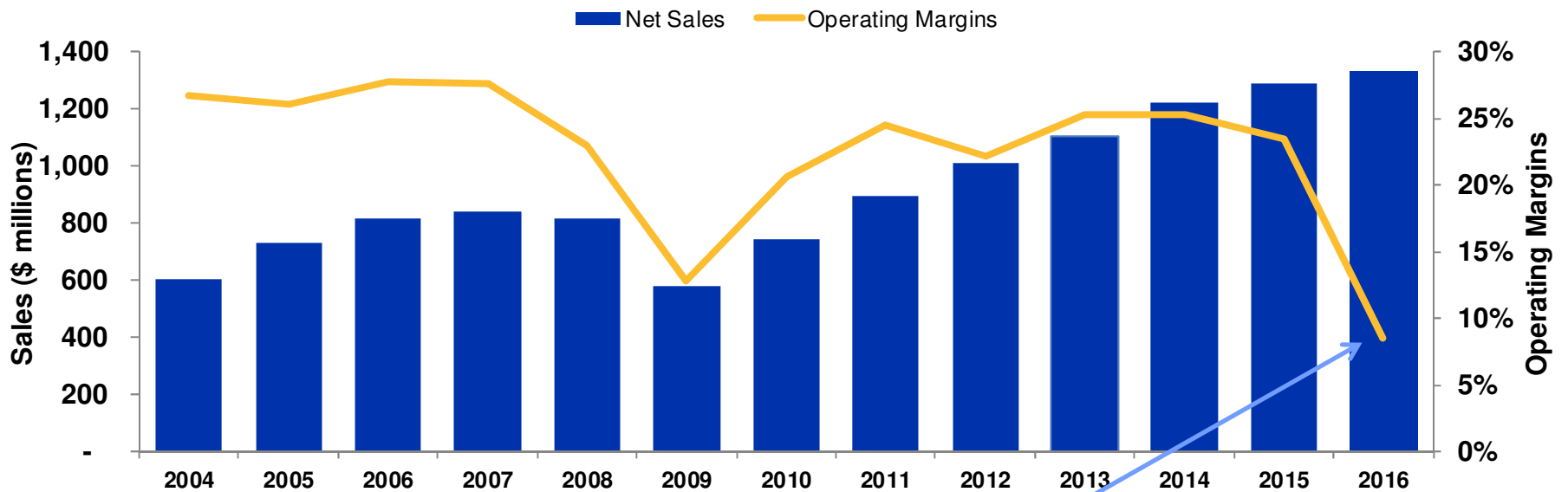
Financial Summary 2016

Appendix

Financial Performance



Sales and Operating Margin

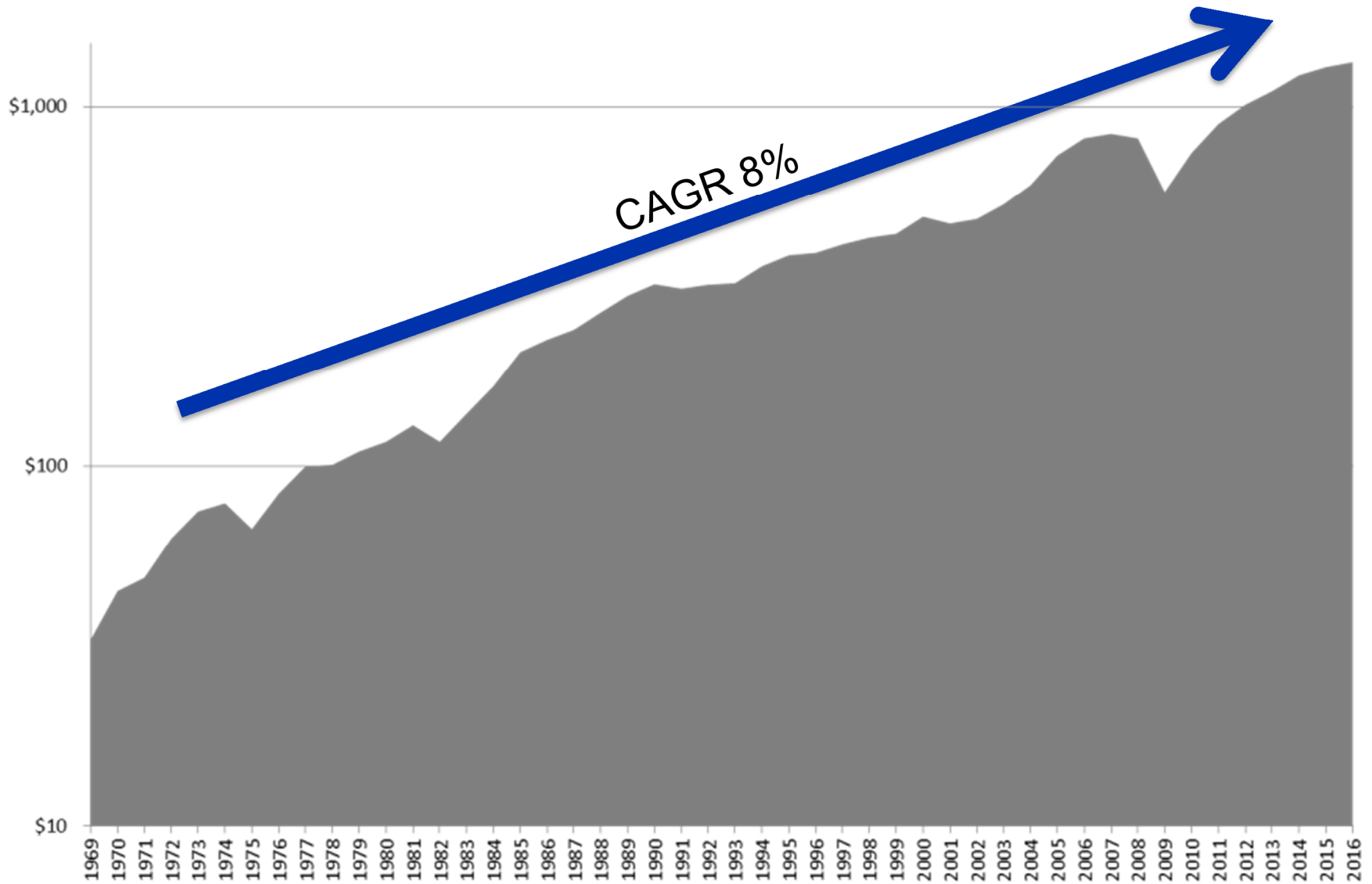


Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Diluted EPS	\$1.55	\$1.80	\$2.17	\$2.32	\$1.99	\$0.81	\$1.69	\$2.32	\$2.42	\$3.36	\$3.65	\$5.86	\$0.71

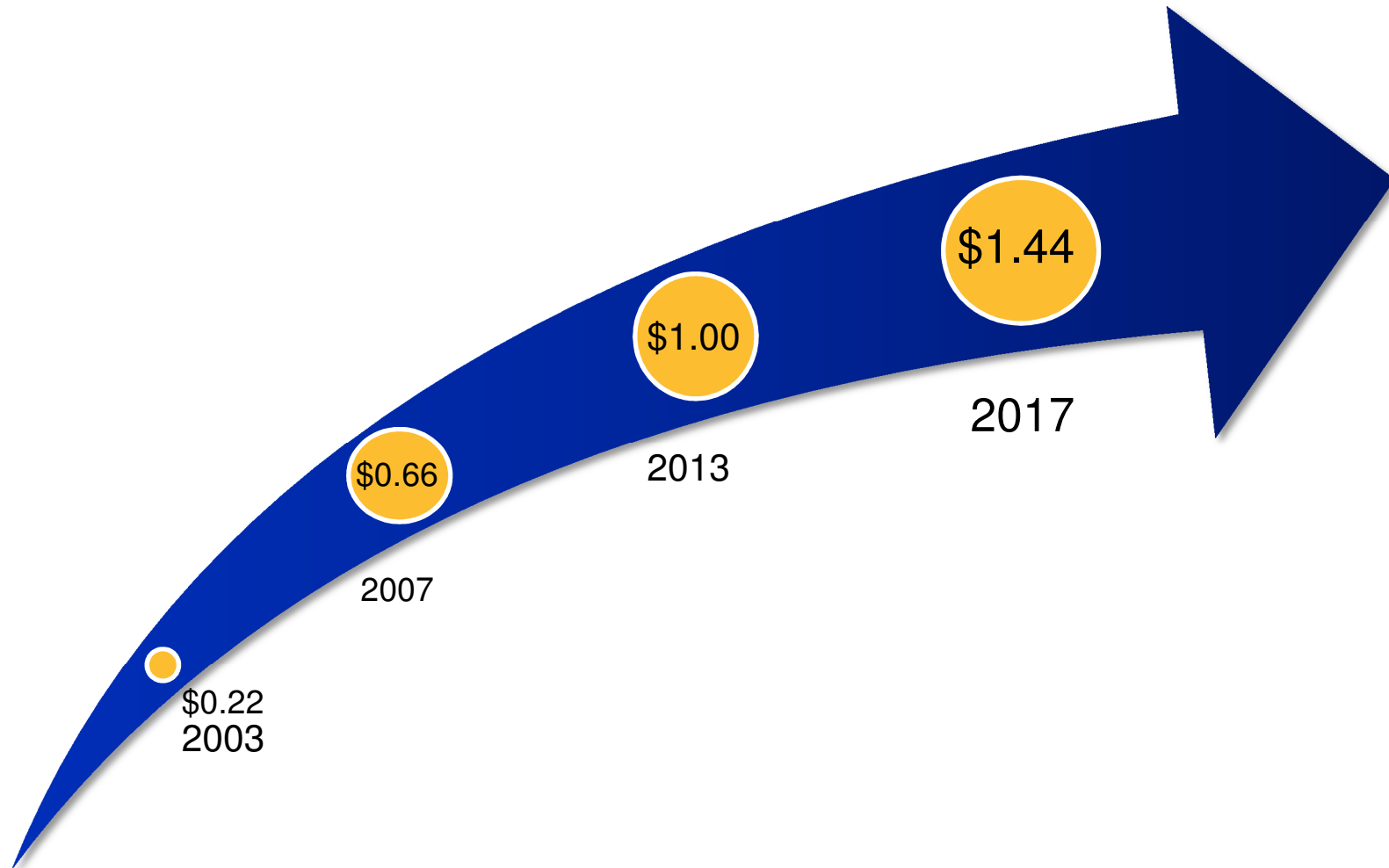
Impairment of intangible assets recorded in Q4 2016

- Decreased operating earnings \$192 million, or 14 percentage points as a percentage of sales
- Decreased net earnings by \$161 million, or \$2.84 per diluted share

Historic Sales (\$ Millions)



Stock Dividend Growth



Strong Cash Generation



(\$ Millions)	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Cash Flows	\$ 269	\$ 190	\$ 241	\$ 243	\$ 190	\$ 162	\$ 101	\$ 147	\$ 162
% of Net Income	661%	55%	107%	115%	127%	114%	98%	300%	134%
Capital Expenditures	42	42	31	23	18	24	17	11	29
Free Cash Flow	\$ 227	\$ 148	\$ 210	\$ 220	\$ 172	\$ 138	\$ 84	\$ 136	\$ 133

2016 – Impairment of Intangibles Q4 2016

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

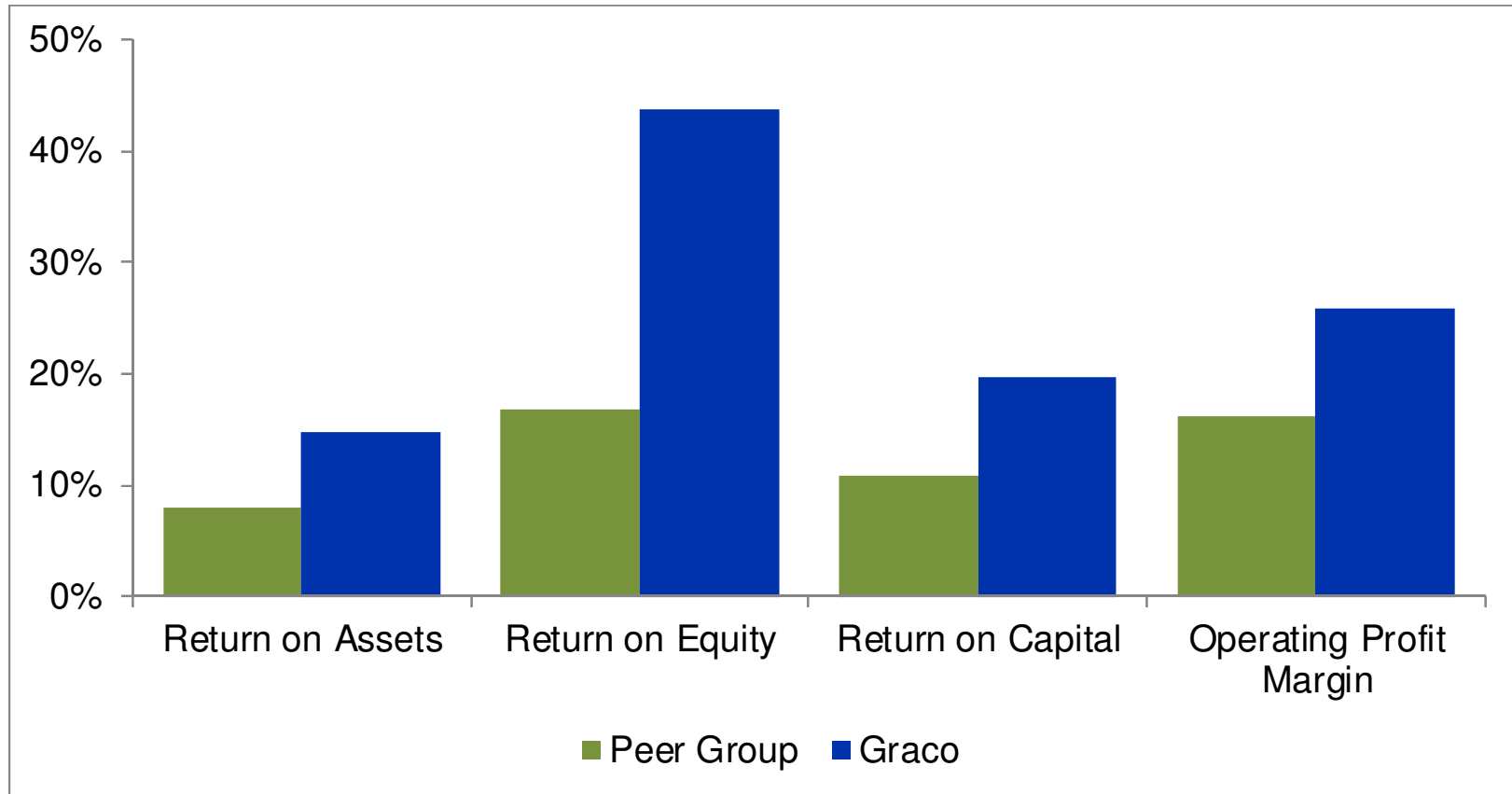
2015 - Divestiture of Liquid Finishing Held Separate assets, sale completed in Q2 2015

- Gain on the sale, net of expenses, was \$141 million and reflected in net income
- Effect of taxes on the gain, transaction costs & foundation contribution are included in operating cash flows: payments total \$67 million in 2015

(\$ Millions)	2016	2015	2014	2013	2012	2011	2010	2009	2008
Dividends	\$ 73	\$ 69	\$ 66	\$ 61	\$ 54	\$ 51	\$ 48	\$ 45	\$ 45
Acquisitions	49	189	185	12	667	2	-	-	55
Share Repurchases *	18	256	165	26	(29)	21	11	(6)	101
	\$ 140	\$ 514	\$ 416	\$ 99	\$ 692	\$ 74	\$ 59	\$ 39	\$ 201

* Net of shares issued

Capital Efficiency – 5 Year Average



Source: S&P Capital IQ



move

measure

mix

control

dispense

spray

Worldwide Leaders in Fluid Handling

www.graco.com