



Investor Presentation

**4th Quarter and
Year-End 2018**

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 most recent Quarterly Report on Form 10-Q.



✓ **Overview**

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

Business Overview

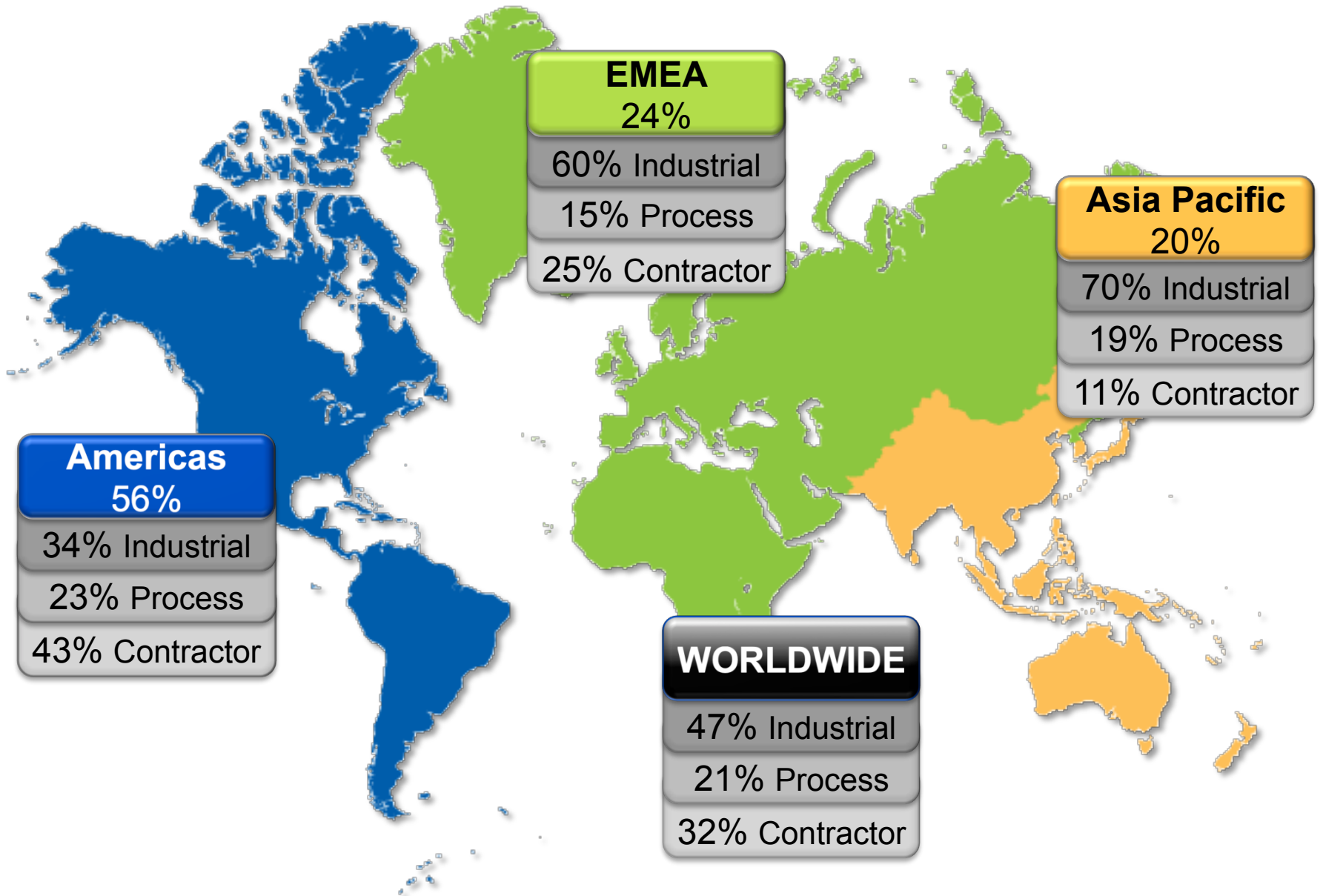


- ▶ Graco manufactures premium equipment to pump, move, meter, mix and dispense a wide variety of fluids and coatings
 - Difficult to handle materials with high viscosities
 - Abrasive and corrosive properties
 - Multiple component materials that require precise ratio control
 - Serving a broad number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

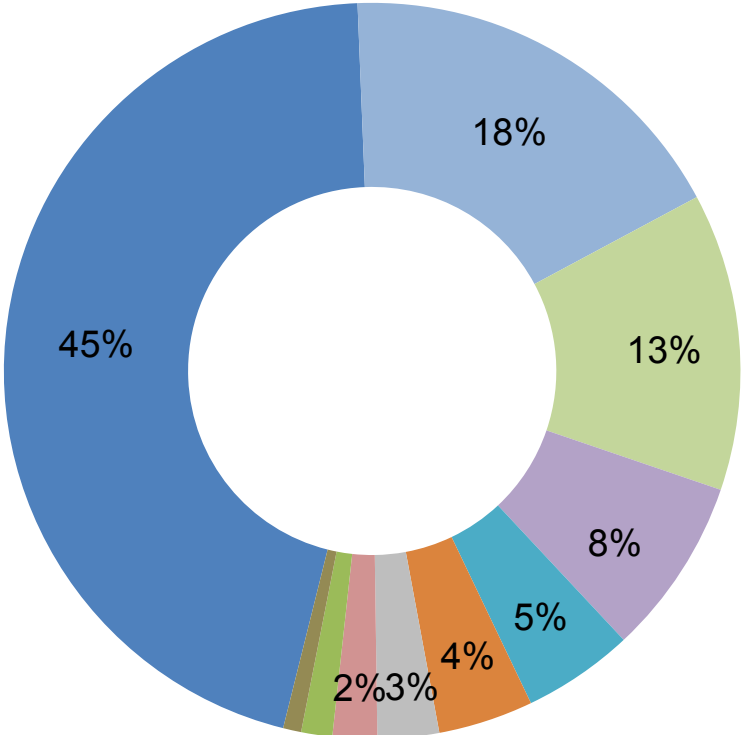
- ▶ A strong business formula for sustained margin generation
 - High customer value through product differentiation
 - Manufacturing and engineering drive cost savings, reliability and quality



Year-To-Date December 2018 Sales – \$1,653 Million



2017 Sales by End Market



- ▶ Residential & Non-Residential Construction – 45%
- ▶ Industrial & Machinery – 18%
- ▶ Automotive – 13%
- ▶ Other – 8%
- ▶ Oil and Natural Gas – 5%
- ▶ Public Works – 4%
- ▶ Vehicle Services – 3%
- ▶ Mining – 2%
- ▶ White Goods – 1%
- ▶ Wood – 1%

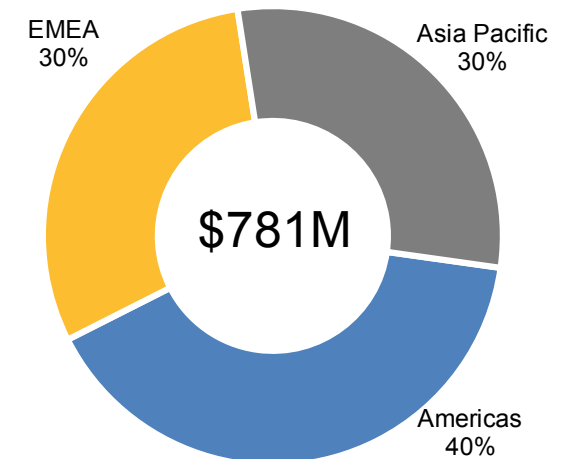
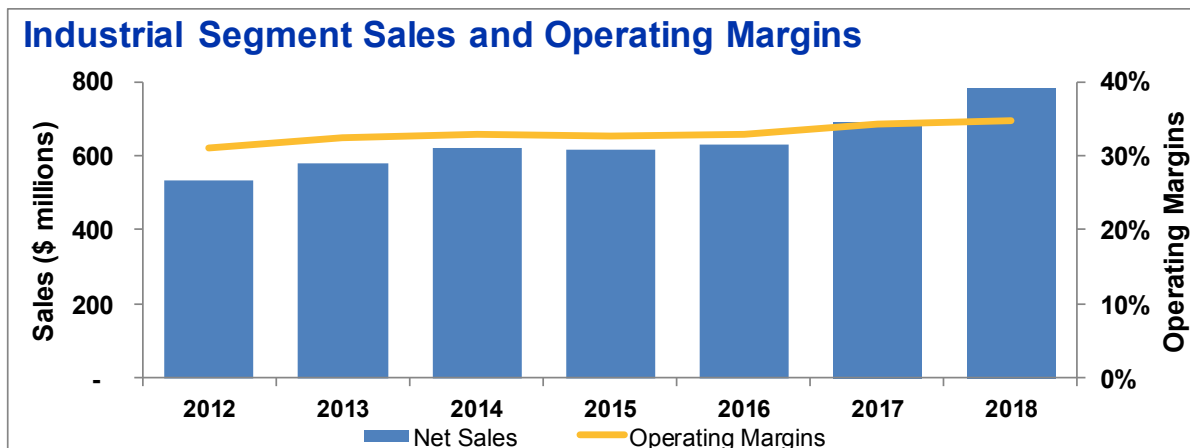
Industrial Equipment Segment



- ▶ 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



2018 Sales



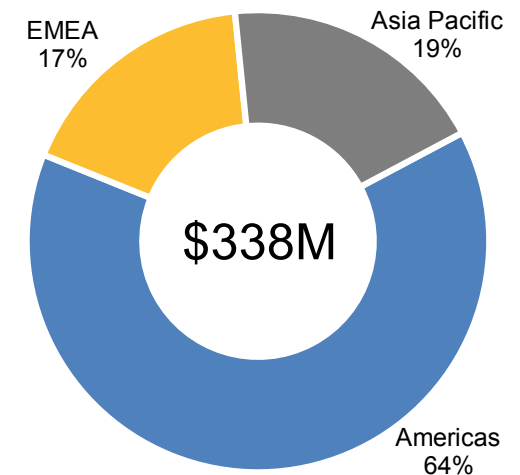
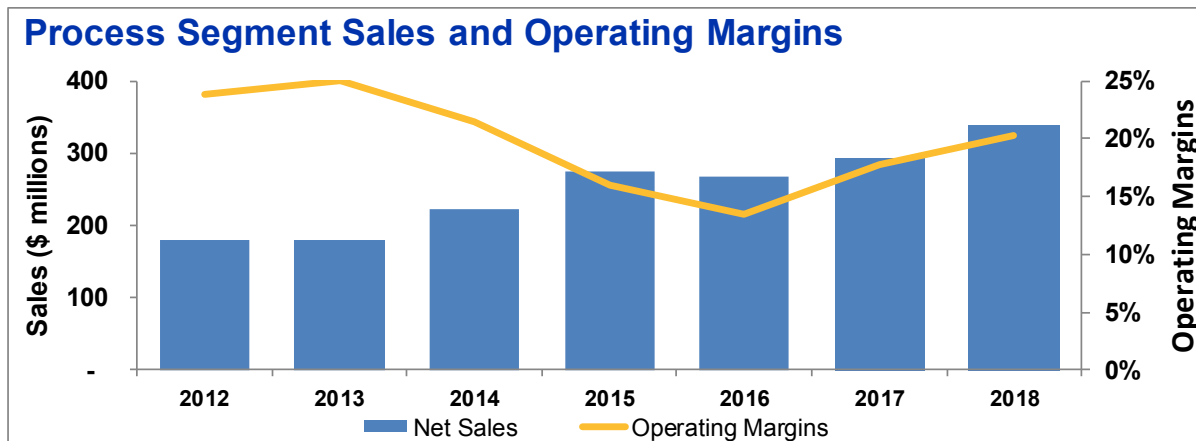
Process Equipment Segment



- ▶ 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



2018 Sales



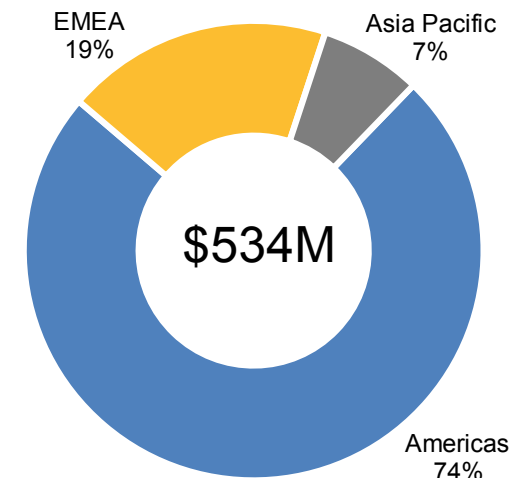
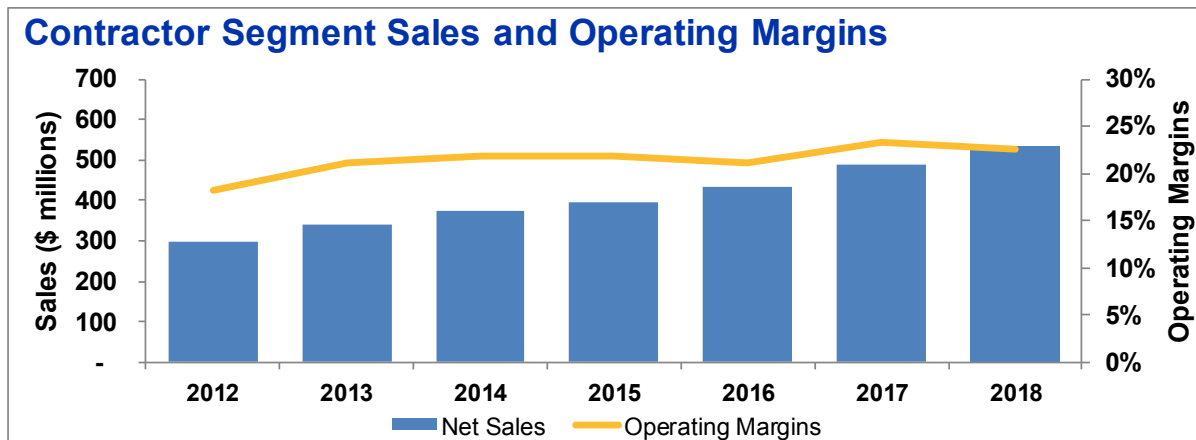
Contractor Equipment Segment



- ▶ Growth Drivers and Trends
 - Conversion of end users from manual application methods to equipment
 - Application of texture and cementitious materials
 - Entry level product and channel expansion
 - Expanding pavement maintenance product line and channel
- ▶ Other Representative Industry Participants
 - Wagner, Titan, Campbell Hausfeld, Bedford, QTech and regional players



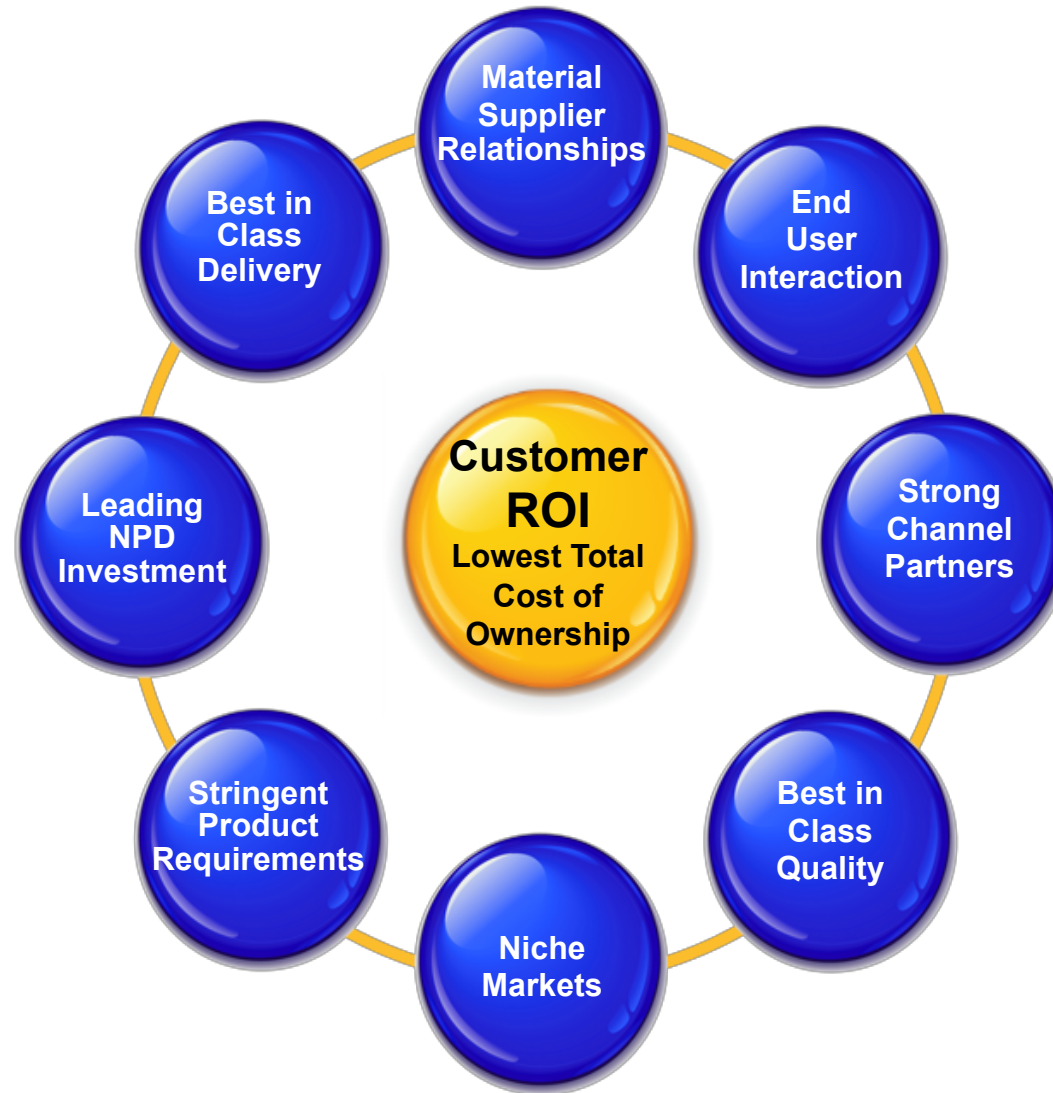
2018 Sales





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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		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	



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Growth Plans and Earnings Drivers



3% - 5%

**Industrial
Production
Average
Growth
Rate**

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

12%+

**Graco
Targeted
Earnings
CAGR**



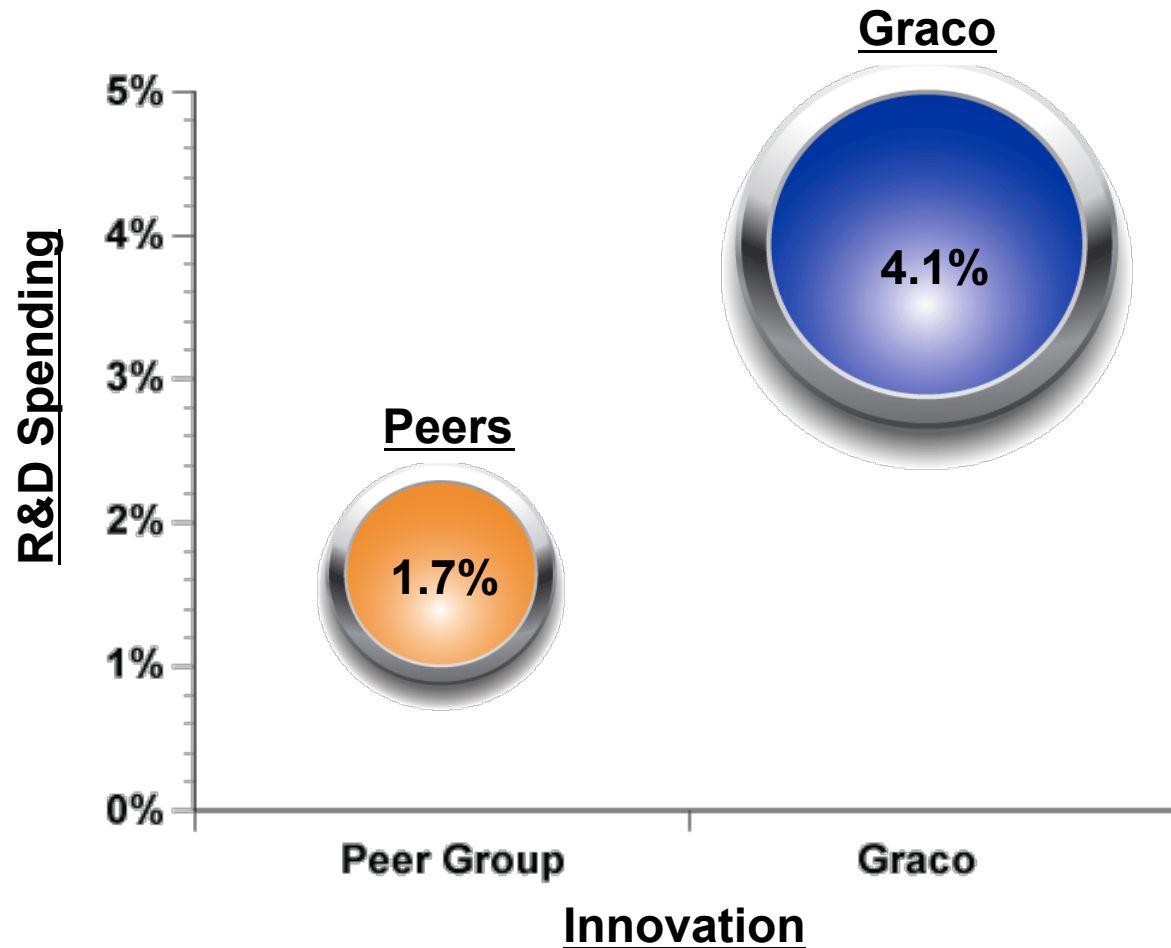


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Targeting Growth Through New Products & Markets



New Product Development Expense as a Percentage of Revenues – 2018*



* Peer average R&D spending as a percentage of revenues based on 2017 data

Industrial – King[®] Sprayer Packages



New King pneumatic airless sprayers – powerful machines for the toughest protective coatings

- ▶ New air motor exceeds the performance of the industry-standard legacy King platform
- ▶ Designed for waterproofing, fireproofing and protective coating applications, even in harsh conditions
- ▶ Easily operates multiple guns from one sprayer, increasing productivity



Industrial – Reactor 2™ Mobile App



Real-time status and remote control capability in the palm of the spray foam insulation contractor's hand

- ▶ Easy, efficient method to remotely monitor and adjust machine performance
- ▶ Key features
 - Turn machine and pump on/off remotely
 - Adjust temperatures and pressure (Electric Reactor)
 - Select between spray/park/jog modes
 - View material drum levels
 - Reset cycle count and material usage
 - Calculate chemical yield
 - Switch control between multiple systems
 - Plus view events and connect directly to help.graco.com



Industrial – ToughTek® F800e



A powerful pump for any size fireproofing job

- ▶ Small, lightweight design allows contractor to move quickly between floors
- ▶ Ideal for applications where portability is needed
- ▶ For coating structural steel with cementitious fireproofing materials
- ▶ Improves productivity by spraying up to 40 bags per hour
- ▶ Plugs into standard 240V, 30A outlet



Industrial – OptiStar[®] 4.0



The new standard for powder gun control

- ▶ Control crucial coating parameters
- ▶ Obtain excellent results and measurable system optimization
 - Accurate powder output control
 - Eliminate overcharging of sensitive powders
 - 250 customized programs available
- ▶ Web-connectivity with new Electrostatic App (E-App)
 - Access relevant coating data via mobile device



Contractor – TexSpray™ FastFinish™



Fastest hopper gun texture spray system on the market

- ▶ Small-to-medium residential & non-residential applications
- ▶ Finish jobs 6X faster than traditional gravity-fed hopper gun systems
- ▶ Compact and portable system reduces operator fatigue
- ▶ Delivers the performance of a large spray rig in the palm of your hand



Contractor – DutyMax™ GH™ 675DI



Maximum power in a small package

- ▶ Commercial roofing applications
- ▶ Ideal for small-to-medium coating jobs traditionally completed by hand
- ▶ High-pressure sprayer delivers 6,750 psi in a small, compact and highly-portable package
- ▶ Perfect for hard-to-spray materials such as silicone, waterproofing and protective coatings



Contractor – RoadLazer™ RoadPak™ HD



High-productivity striping machine

- ▶ Truck-mounted line striping system delivers 2X higher paint output than previous models
- ▶ 5-gun capability – completes airport striping jobs in a single pass
- ▶ Pre-programmed for airport stripe patterns for faster set up
- ▶ Rear operator seat and joystick carriage control



Process – Husky™ and SaniForce® 2150e



Electric diaphragm pumps configurable for many applications

- ▶ Expanding Graco's presence in the electric pump market with larger size offerings
- ▶ Helps customers lower energy consumption, increase control, and decrease ownership and operation costs
- ▶ Reduces energy consumption up to 80% compared to air-operated pumps
- ▶ Alternative to other pump technologies (i.e., rotary lobe, progressive cavity, centrifugal, peristaltic)



Aluminum | Cast Iron



Stainless Steel



Polypropylene | Conductive Poly | PVDF



FDA Stainless Steel

Process – Pulse™ Pro Fluid Management



The Next Generation in Fluid Management

- ▶ Monitor every drop, every time – automatically
- ▶ Built on the legacy of Matrix and designed for the modern workshop
 - Wireless dispense meter puts control at technician's fingertips
 - Quick user identification with NFC tag
 - Hub replaces computer, software and wireless transceiver
- ▶ Simplicity
 - No software to install, simply use any computer, tablet or phone with a web browser
 - User friendly software provides powerful data with advanced reporting, notifications and diagnostic tools
 - Easy setup and expansion of wireless components



Process – Electric Grease Jockey®



On-road and mobile automatic lubrication system

- ▶ Increases fleet revenue
 - Lubricates while vehicle is moving
 - Eliminates need to wait for shop time to manually lubricate
- ▶ Decreases operating costs
 - Extends component life by 4X
 - Saves on grease usage
- ▶ Easy-to-order and use
 - OEM install option
 - System easily adapts to different vehicles
 - Alerts when out of lubricant
- ▶ Reliable construction
 - Protects itself from motor burnout
 - CE rated, UV, chemical and impact-resistant construction





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Recent Acquisitions by Segment



Industrial

- ▶  **EQ EcoQuip**
VAPOR ABRASIVE™ BLAST EQUIPMENT
- ▶  **GEO-BLASTER**
WET-ABRASIVE BLASTING EQUIPMENT
- ▶  **MULTIMAQ**
sprayway™
- ▶  **machine**
TECHNOLOGIES
- ▶  **hildebrand**
TECHNOLOGY
- ▶  **SAT**
SurfaceAluminiumTech

Process

- ▶  **QED**™
Environmental Systems
- ▶  **ALCO**™
VALVES GROUP
- ▶  **WHITE KNIGHT**™
.....simply driven™
- ▶  **HiP**™
High Pressure
Equipment Company
- ▶  **EPS**
Environmental
Pump Solutions
- ▶  **Geotech**™ & **LANJTEC**®
A subsidiary of LANJTEC
- ▶  **ATZ** | **APPLIED**
TECHNOLOGIES
- ▶ *PROHYDRO, INC.* ▽

Contractor



ProHydro – Acquired March 2018



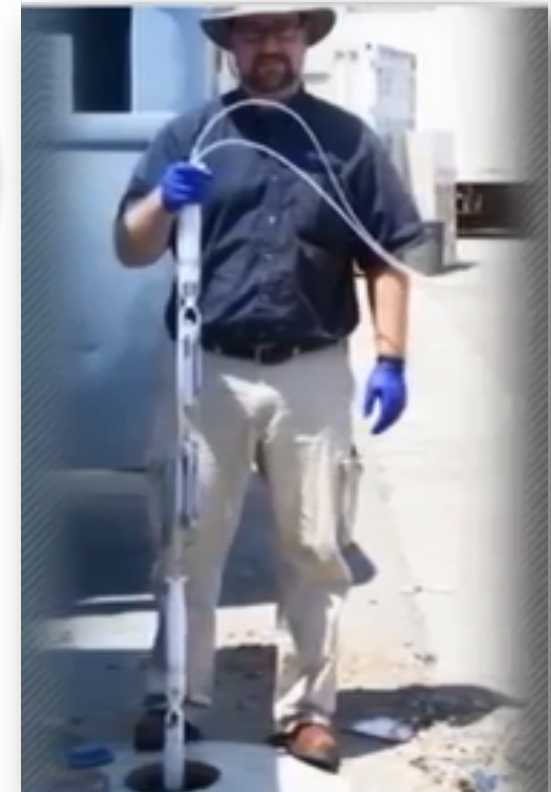
QED Environmental Systems acquired the assets of **ProHydro**, the developer and manufacturer of the **Snap Sampler**[®] passive groundwater sampling system

PROHYDRO, INC.

CONSULTING HYDROGEOLOGY

SAMPLING EQUIPMENT DEVELOPMENT

- ▶ Samples without purging for significant labor savings
- ▶ Designed for high sample accuracy and precision
- ▶ Eliminates collection, handling, disposal of purge water
- ▶ Preferred method for sampling low-yield wells
- ▶ Easy deployment in remote locations





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Financial Results



Statement of Earnings	Fourth Quarter			Year-to-Date		
	2018	2017	Change	2018	2017	Change
\$ in millions except per share amounts						
Sales	\$ 406	\$ 375	8 %	\$ 1,653	\$ 1,475	12 %
Gross Profit	209	201	4 %	883	795	11 %
% of Sales	51.4 %	53.6 %	(2.2) pts	53.4 %	53.9 %	(0.5) pts
Operating Earnings	97	89	8 %	436	379	15 %
% of Sales	23.8 %	23.9 %	(0.1) pts	26.4 %	25.7 %	0.7 pts
Net Earnings	\$ 74	\$ 36	103 %	\$ 341	\$ 252	35 %
% of Sales	18.1 %	9.7 %	8.4 pts	20.6 %	17.1 %	3.5 pts
Diluted Earnings Per Share	\$ 0.43	\$ 0.21	105 %	\$ 1.97	\$ 1.45	36 %
<i>Diluted Shares in Millions</i>	170.9	175.7		173.2	174.3	
<i>Net Earnings, Adjusted (1)</i>	\$ 73	\$ 59	24 %	\$ 326	\$ 249	31 %
<i>Diluted Earnings Per Share, Adjusted (1)</i>	\$ 0.43	\$ 0.34	26 %	\$ 1.88	\$ 1.43	31 %

(1) Net earnings and diluted earnings per share for 2018 and 2017 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



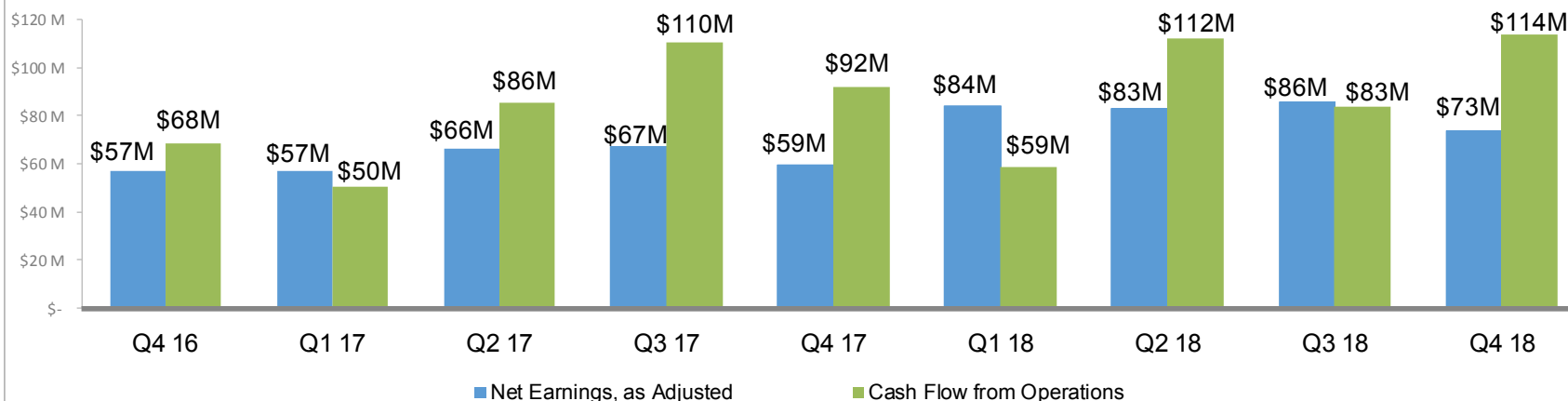
Certain items have caused fluctuation in the Company's financial results. Excluding the impact of these items presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements follows:

Non-GAAP Reconciliation \$ in millions except per share amounts	Fourth Quarter			Year-to-Date		
	2018	2017	Change	2018	2017	Change
Earnings before taxes	\$ 90.0	\$ 73.5	22 %	\$ 410.8	\$ 347.1	18 %
Pension settlement loss	-	12.1		-	12.1	
Earnings before taxes, adjusted	<u>\$ 90.0</u>	<u>\$ 85.6</u>	5 %	<u>\$ 410.8</u>	<u>\$ 359.2</u>	14 %
Income taxes, as reported	\$ 16.3	\$ 37.1	(56)%	\$ 69.7	\$ 94.7	(26)%
Tax effect of pension settlement	-	4.4		-	4.4	
Excess tax benefit from option exercises	0.2	15.8		10.0	36.3	
Income tax reform	-	(35.6)		-	(35.6)	
Other non-recurring tax changes	-	4.5		5.0	10.0	
Income taxes, adjusted	<u>\$ 16.5</u>	<u>\$ 26.2</u>	(37)%	<u>\$ 84.7</u>	<u>\$ 109.8</u>	(23)%
Effective income tax rate						
As reported	18%	51%		17%	27%	
Adjusted	18%	31%		21%	31%	
Net earnings (loss), as reported	\$ 73.7	\$ 36.4	103 %	\$ 341.1	\$ 252.4	35 %
Pension settlement loss, net	-	7.7		-	7.7	
Excess tax benefit from option exercises	(0.2)	(15.8)		(10.0)	(36.3)	
Income tax reform	-	35.6		-	35.6	
Other non-recurring tax changes	-	(4.5)		(5.0)	(10.0)	
Net earnings, adjusted	<u>\$ 73.5</u>	<u>\$ 59.4</u>	24 %	<u>\$ 326.1</u>	<u>\$ 249.4</u>	31 %
Weighted Average Diluted Shares, in millions	170.9	175.7		173.2	174.3	
Diluted Earnings per Share						
As reported	\$ 0.43	\$ 0.21	105 %	\$ 1.97	\$ 1.45	36 %
Adjusted	\$ 0.43	\$ 0.34	26 %	\$ 1.88	\$ 1.43	31 %

Cash Flow and Liquidity

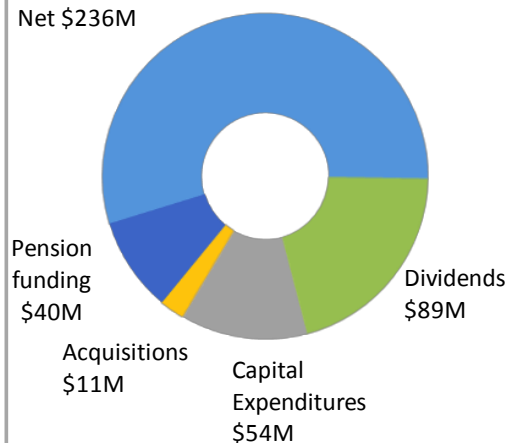


Net Earnings, as Adjusted, and Cash from Operations



2018 Significant Uses of Cash

Share Repurchases, Net \$236M



- ▶ Net cash provided by operating activities was \$368 million in 2018 vs. \$338 million in 2017
- ▶ The Company made a \$40 million voluntary contribution to a U.S. pension plan during third quarter 2018 compared to a \$20 million pension contribution in third quarter 2017
- ▶ Debt, including notes payable, was \$277 million - up \$45 million from December 2017
 - Interest expense down \$1.8 million from 2017
- ▶ 2018 share repurchases, net of shares issued, totaled \$236 million

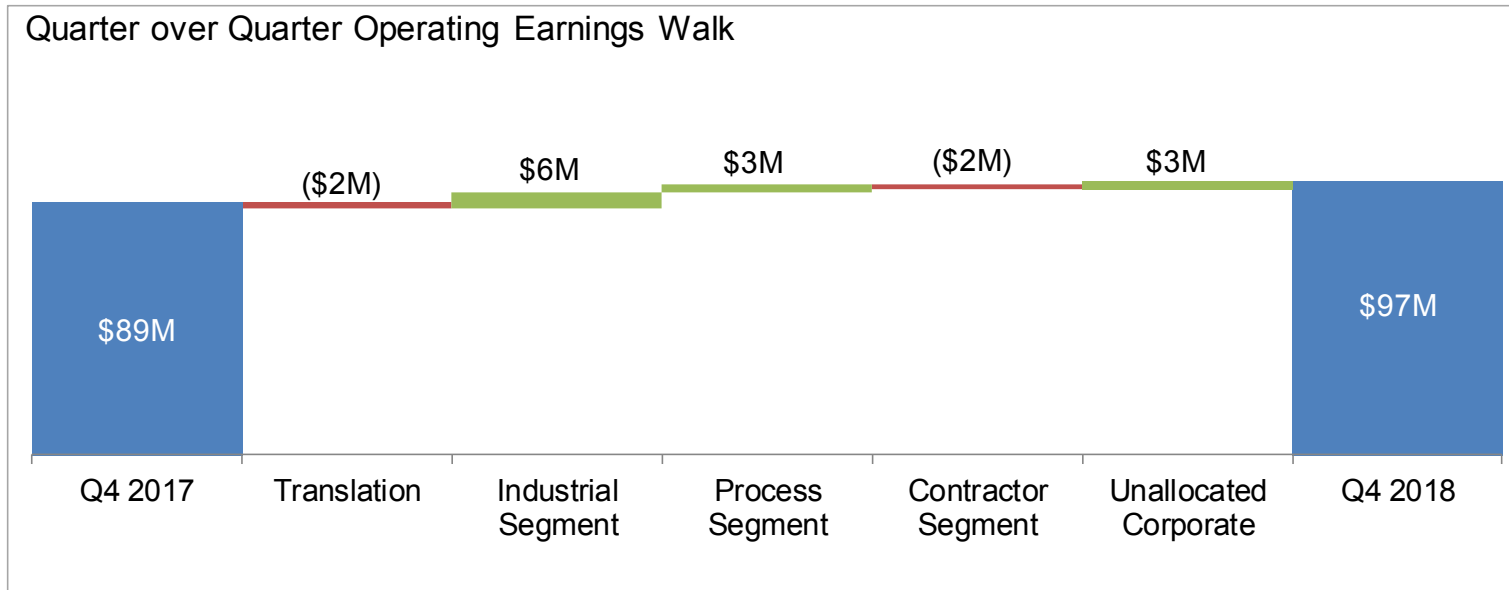
Operating Earnings



Change in Operating Earnings

	Fourth Quarter		Year-to-Date	
2017 Operating Earnings (\$M and % of sales)	\$ 89	24 %	\$ 379	26 %
Translation effect	(2)	(1)	9	0
Volume, product and channel mix, price and cost	8	(2)	65	0
Effect of acquired business operations and acquisition costs, net	2	0	6	0
Unallocated corporate expenses	3	1	0	0
Increase in sales and earnings-based costs	(2)	0	(8)	(1)
Volume effect on expense leverage	(1)	2	(15)	1
2018 Operating Earnings (\$M and % of sales)	<u>\$ 97</u>	<u>24 %</u>	<u>\$ 436</u>	<u>26 %</u>

Quarter over Quarter Operating Earnings Walk



Notable Info from Q4 2018 Earnings Release & Call



- ▶ Capital expenditure expectations of approximately \$40 million in 2019, excluding bricks and mortar. Current estimate of 2019 building projects to increase production and distribution capacity is approximately \$100-\$110 million
 - Additional building project investments of approximately \$35 million anticipated in 2020
- ▶ Unallocated corporate expenses in 2019 are expected to be approximately \$30 million
- ▶ During 2018, we repurchased 5.7 million shares of stock and may make opportunistic repurchases going forward
- ▶ 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 on 2019 of approximately 1% on sales and 3% on earnings, with the greatest headwind in the first two quarters
 - First quarter 2019 headwind could be as much as 3% on sales and 6% on earnings
- ▶ The effective tax rate for 2019 is expected to be approximately 21%, excluding any impact from excess tax benefits related to stock option exercises or other significant tax projects
- ▶ We expect that pricing in 2019 will offset the dollar value of tariffs and higher material costs. Gross margin rates, as a percentage of sales, could be lower and the effect will vary by segment
 - Incremental tariffs and material costs are expected to be approximately \$25 million in 2019

Full Year 2018 Results












- ▶ Sales increase of 12% (11% at consistent currency)
 - Acquired businesses sales of \$43 million account for 3 percentage points of growth
- ▶ Gross margin down 0.5 percentage point from 2017
 - Effect of lower average gross margin rates of acquired operations (including purchase accounting related to inventory valuation), unfavorable product and channel mix and higher product costs more than offset realized pricing and the favorable effect of currency translation
- ▶ Operating earnings are up \$57 million, or 15%, from 2017
 - Higher sales volume, positive impact of currency translation, acquired operations and a reduction in acquisition costs drove increase
 - Higher sales and earnings-based costs reduced operating earnings by \$8 million
 - Volume effect on expense leverage increased operating earnings as a percentage of sales by 1 percentage point
- ▶ Other expense, excluding 2017 pension settlement charge of \$12 million, increased \$8 million due primarily to exchange losses on net assets of foreign operations of \$5 million and higher market-based pension costs \$2 million
- ▶ The effective tax rate for 2018 was 17% down 10 percentage points from last year
 - Adjusted to exclude the impacts of excess tax benefits related to stock option exercises, 2017 provisions related to tax reform legislation, the benefit from a \$40 million contribution to a pension plan in 2018 and benefits from other tax planning activities, the 2018 tax rate was 21% and the 2017 rate was 31%
 - 2018 adjusted rate is lower than 2017 due to the net effects of U.S. federal income tax legislation passed at the end of 2017
 - Excess tax benefits from stock option exercises decreased \$26 million in 2018 compared to 2017

2019 Environment and Outlook



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

	Americas	EMEA	Asia Pacific	Total
Current Environment	Sales Growth Q4 2018 6% 2018 8%	Sales Growth Q4 2018 8% 2018 4%	Sales Growth Q4 2018 12% 2018 13%	Sales Growth Q4 2018 8% 2018 8%
Industrial Segment	Unchanged  Sales Growth Q4 2018 4% 2018 5%	Unchanged  Sales Growth Q4 2018 5% 2018 3%	Downgraded  Sales Growth Q4 2018 13% 2018 12%	Sales Growth Q4 2018 7% 2018 6%
Process Segment	Unchanged  Sales Growth Q4 2018 17% 2018 14%	Improved  Sales Growth Q4 2018 5% 2018 1%	Unchanged  Sales Growth Q4 2018 20% 2018 23%	Sales Growth Q4 2018 15% 2018 13%
Contractor Segment	Downgraded  Sales Growth Q4 2018 1% 2018 7%	Unchanged  Sales Growth Q4 2018 17% 2018 9%	Unchanged  Sales Growth Q4 2018 (5%) 2018 4%	Sales Growth Q4 2018 4% 2018 8%
Full Year 2019 Outlook	Outlook Lowered Mid-single-digit	Outlook Unchanged Mid-single-digit	Outlook Lowered Mid-single-digit	Outlook Lowered Mid-single-digit

We are initiating a revenue growth outlook for the full-year 2019 of mid-single-digit on an organic, constant currency basis, with growth expected in every region and reportable segment.

Long-Term Cash Deployment Priorities



Organic Growth

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

Acquisitions

- ▶ Supplement to Organic Growth
- ▶ Leverage Our Strengths

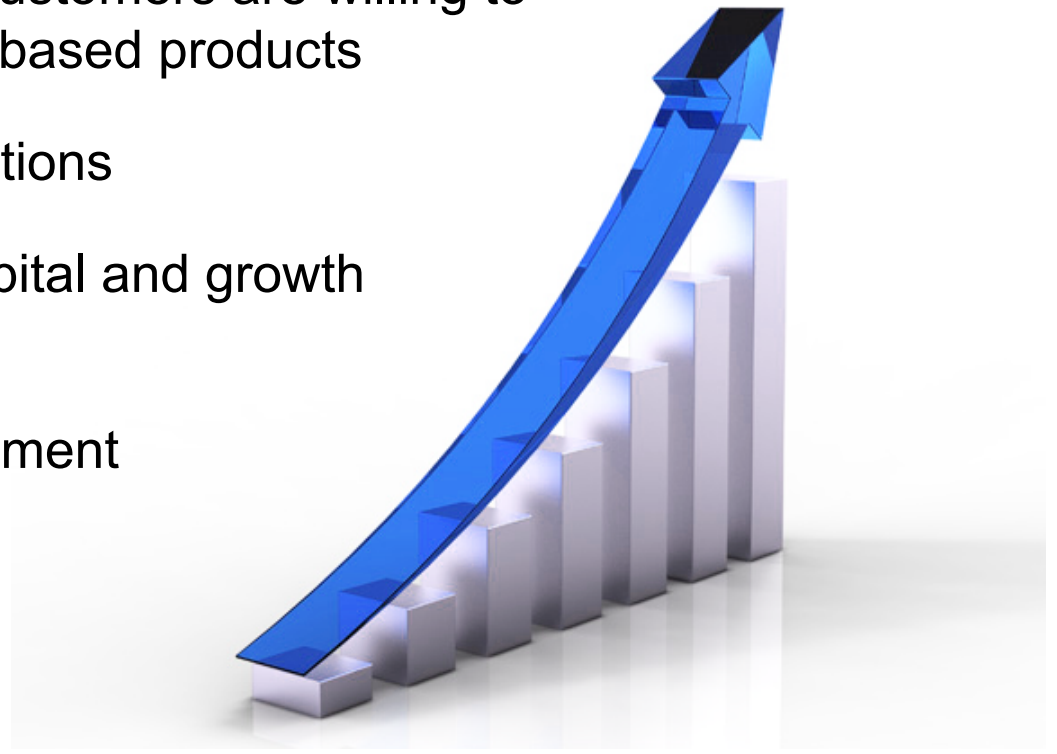
Shareholder Return

- ▶ Solid Dividend History
- ▶ Approximately 21 Million Shares Remaining on Repurchase Authorization

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
- ▶ Serve 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 2018

Appendix

Financial Results – Fourth Quarter



Statement of Earnings	Fourth Quarter		
\$ in millions except per share amounts	2018	2017	Change
Sales	\$ 406	\$ 375	8 %
Gross Profit	209	201	4 %
% of Sales	51.4 %	53.6 %	(2.2) pts
Operating Earnings	97	89	8 %
% of Sales	23.8 %	23.9 %	(0.1) pts
Net Earnings	\$ 74	\$ 36	103 %
% of Sales	18.1 %	9.7 %	8.4 pts
Diluted Earnings Per Share	\$ 0.43	\$ 0.21	105 %
<i>Diluted Shares in Millions</i>	170.9	175.7	
<i>Net Earnings, Adjusted (1)</i>	\$ 73	\$ 59	24 %
<i>Diluted Earnings Per Share, Adjusted (1)</i>	\$ 0.43	\$ 0.34	26 %

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Non-GAAP Reconciliation		Fourth Quarter		
\$ in millions except per share amounts		2018	2017	Change
Earnings before taxes		\$ 90.0	\$ 73.5	22 %
Pension settlement loss		-	12.1	
Earnings before taxes, adjusted		<u>\$ 90.0</u>	<u>\$ 85.6</u>	5 %
Income taxes, as reported		\$ 16.3	\$ 37.1	(56)%
Tax effect of pension settlement		-	4.4	
Excess tax benefit from option exercises		0.2	15.8	
Income tax reform		-	(35.6)	
Other non-recurring tax changes		-	4.5	
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Weighted Average Diluted Shares, in millions		170.9	175.7	
Diluted Earnings per Share				
As reported		\$ 0.43	\$ 0.21	105 %
Adjusted		\$ 0.43	\$ 0.34	26 %

Fourth Quarter 2018 Results



- ▶ Sales increase of 8% (at consistent currency translation rates up 10%)
 - Acquired businesses sales of \$9 million account for 2 percentage points of growth
- ▶ Gross margin rate down 2.2 percentage points from fourth quarter 2017
 - Unfavorable product and channel mix, unfavorable effect of currency translation, higher costs including tariffs and higher material costs and factory spending plus lower average gross margin rates of acquired operations more than offset realized pricing
- ▶ Operating earnings are up \$7 million, or 8%, from fourth quarter 2017
 - Higher sales volume and acquisitions driving increase
 - Currency translation rates decreased operating earnings by approximately \$2 million
 - Higher sales and earnings-based costs reduced operating earnings by \$2 million
 - Volume effect on expense leverage increased operating earnings as a percentage of sales by 2 percentage points
- ▶ Other expense, excluding 2017 pension settlement charge of \$12 million, increased \$3 million due primarily to higher market-based pension costs of \$2 million and lower exchange gains on net assets of foreign operations
- ▶ The effective tax rate for the quarter was 18% down 32 percentage points from fourth quarter last year
 - Adjusted to exclude the impacts of excess tax benefits related to stock option exercises, 2017 provisions related to tax reform legislation and benefits from other tax planning activities, the 2017 rate was 31%
 - 2018 rate is lower than the 2017 rate due to the net effects of U.S. federal income tax legislation passed at the end of 2017
 - Excess tax benefits from stock option exercises decreased \$16 million in fourth quarter 2018 compared to prior year



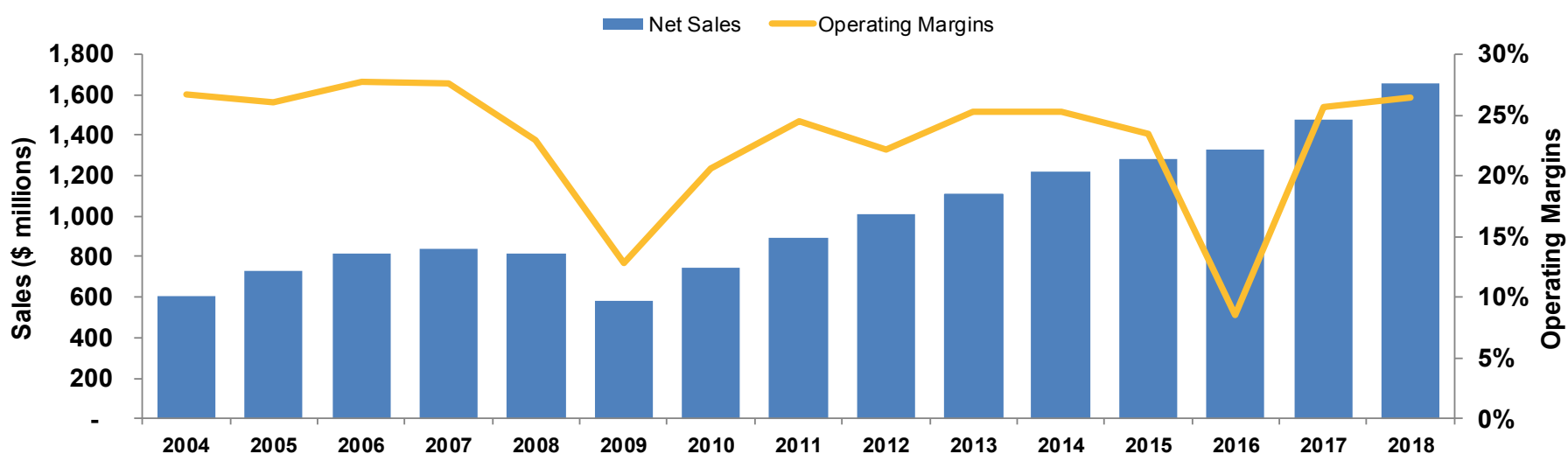
Financial Summary 2018

Appendix

Financial Performance – Historical



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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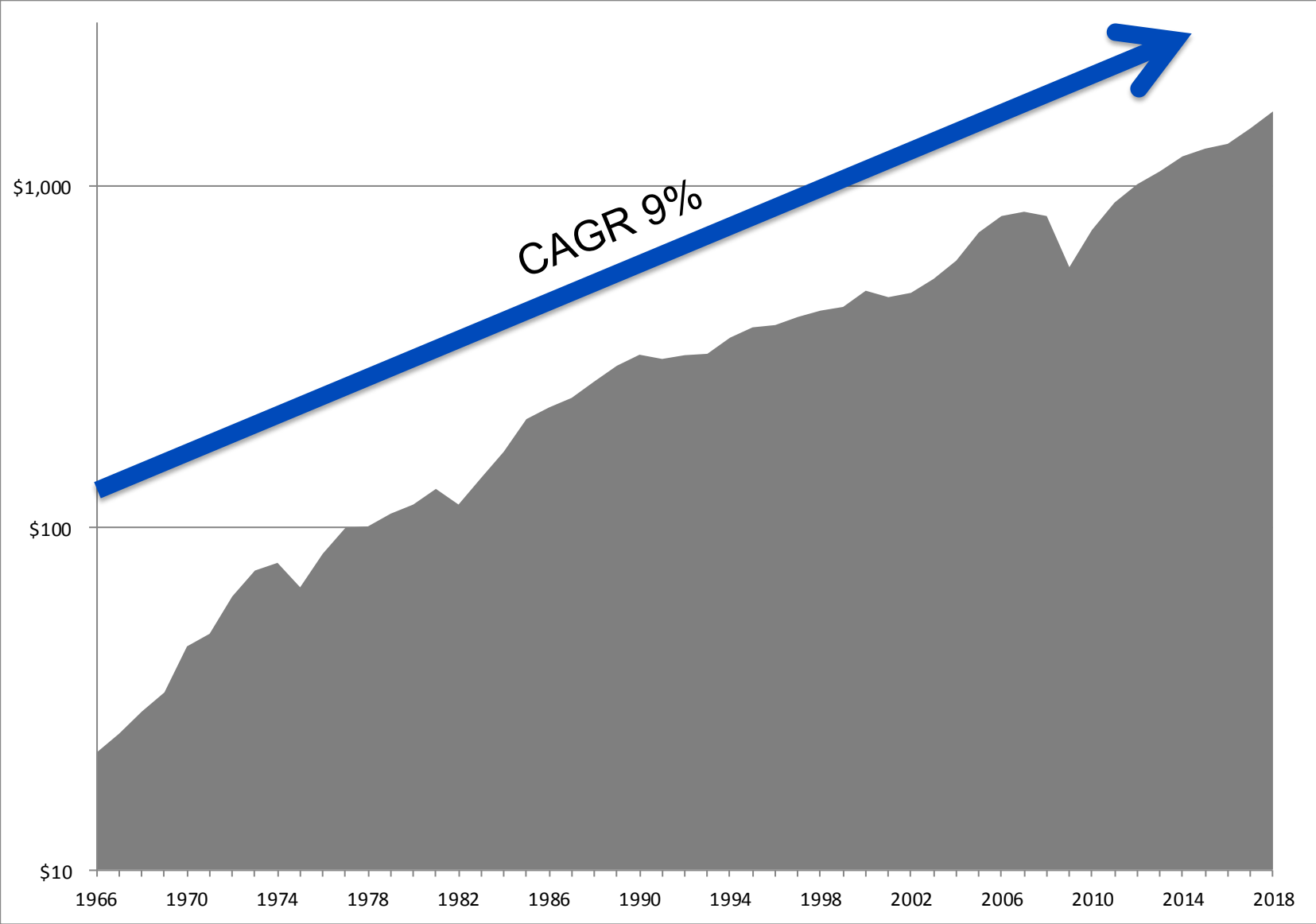
Diluted EPS adjusted for 2017 3-for-1 stock split

2018- Benefits from tax planning and excess tax benefits related to stock option exercises increased net earnings by \$15 million or \$0.09 per diluted share

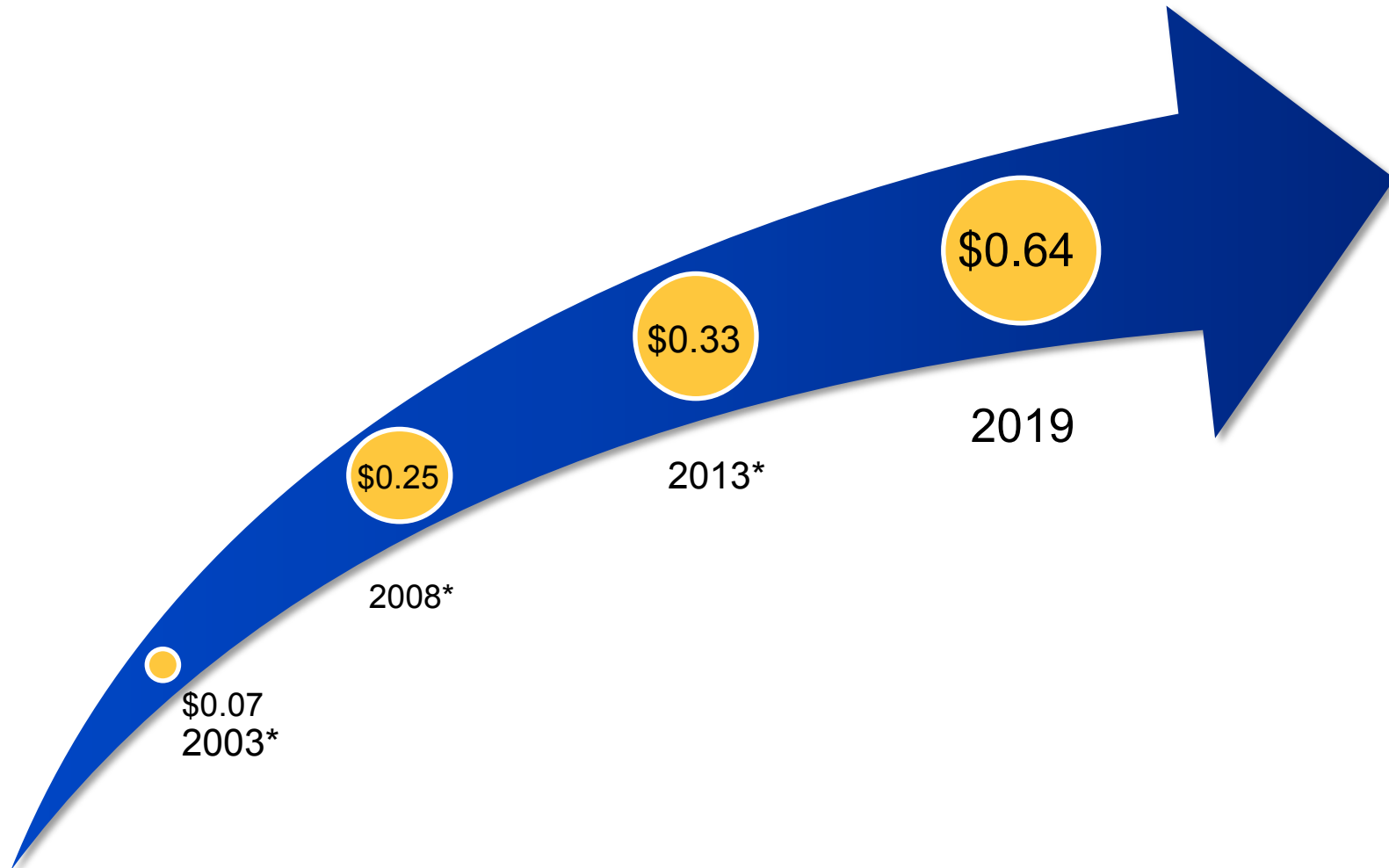
2017 – Pension loss settlement reduced operating earnings \$12 million and net earnings by \$8 million or \$0.04 per diluted share. A change in accounting for excess tax benefits related to stock option exercises, U.S. tax reform and tax planning benefits combined increased net earnings \$11 million or \$0.06 per diluted share

2016 – Impairment of intangible assets decreased operating earnings \$192 million and net earnings by \$161 million or \$0.94 per diluted share

Historic Sales (\$ Millions)



Stock Dividend Growth



*Dividends adjusted for 2017 3-for-1 stock split

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

2017 – Operating cash flows adjusted in 2017 to reflect change in accounting for excess tax benefits related to stock option exercises

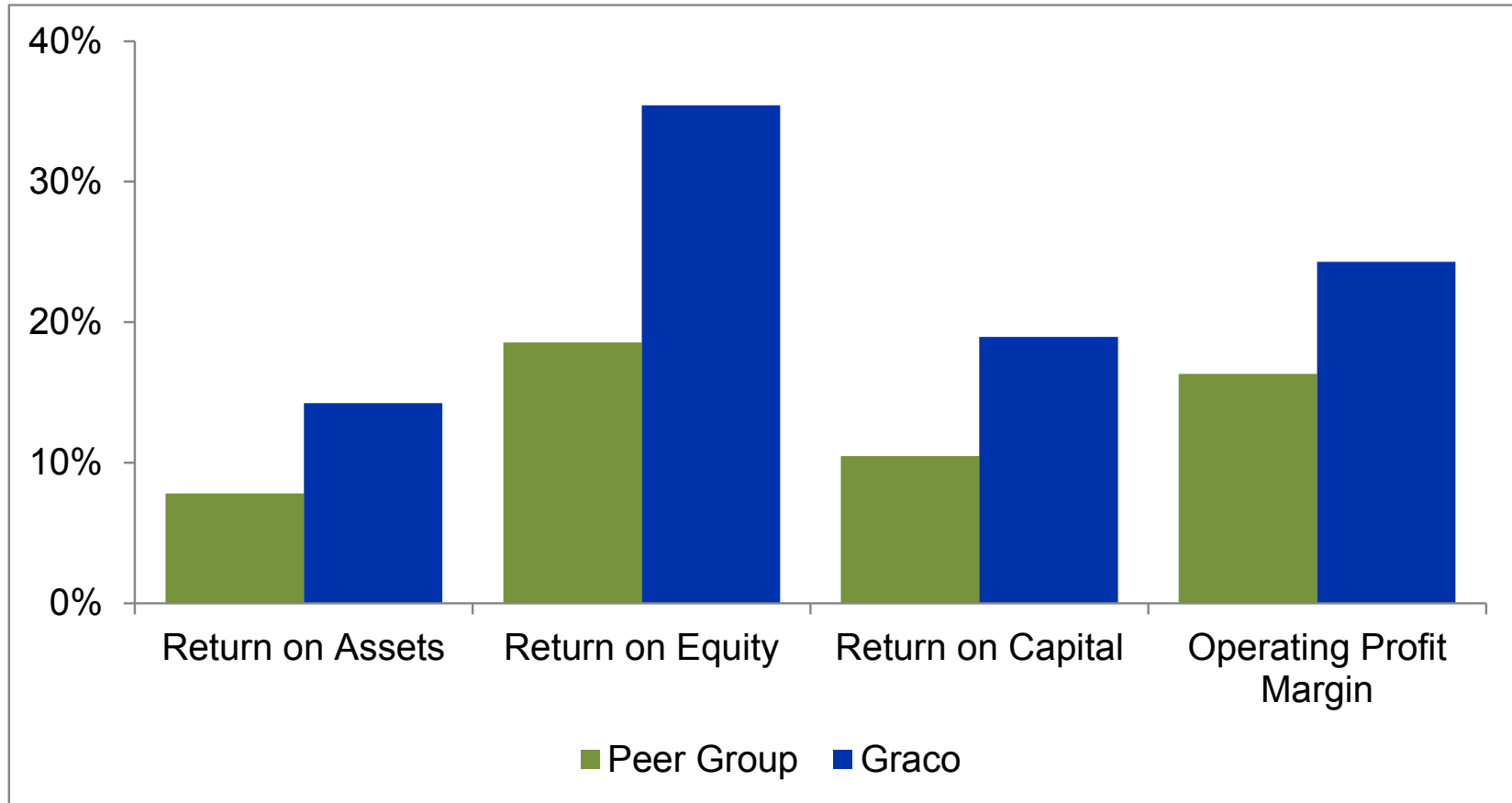
2016 – Impairment of Intangibles, net of tax, charge of \$161 million was reflected in net income, \$191 million and related change in deferred taxes (\$31) million included in adjustments to reconcile net earnings

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



Note: Based on 2012 - 2017 data . The 5 year average includes adjustments for the 2016 for impairment

Source: S&P Capital IQ



move

measure

mix

control

dispense

spray

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