



# Investor Presentation

Fourth Quarter and  
Full Year 2022



# 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.

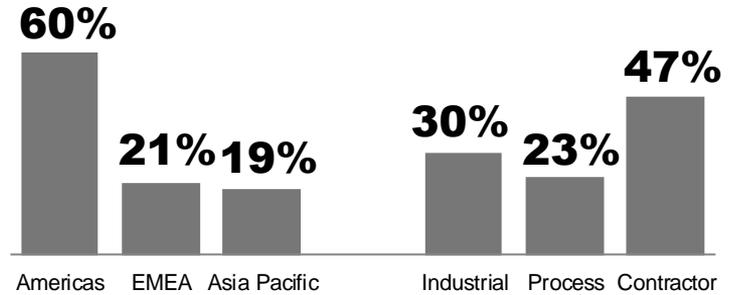
# Distribution of Global Sales



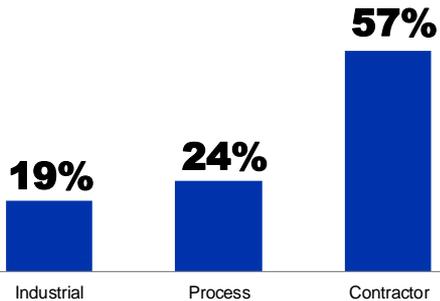
## Worldwide

### \$2,144 M

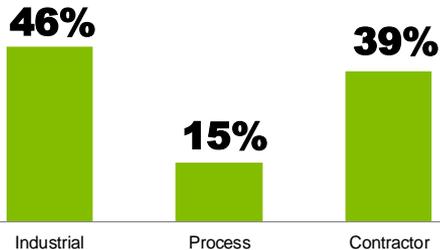
Full Year  
2022



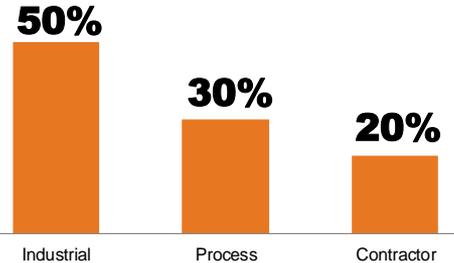
## Americas



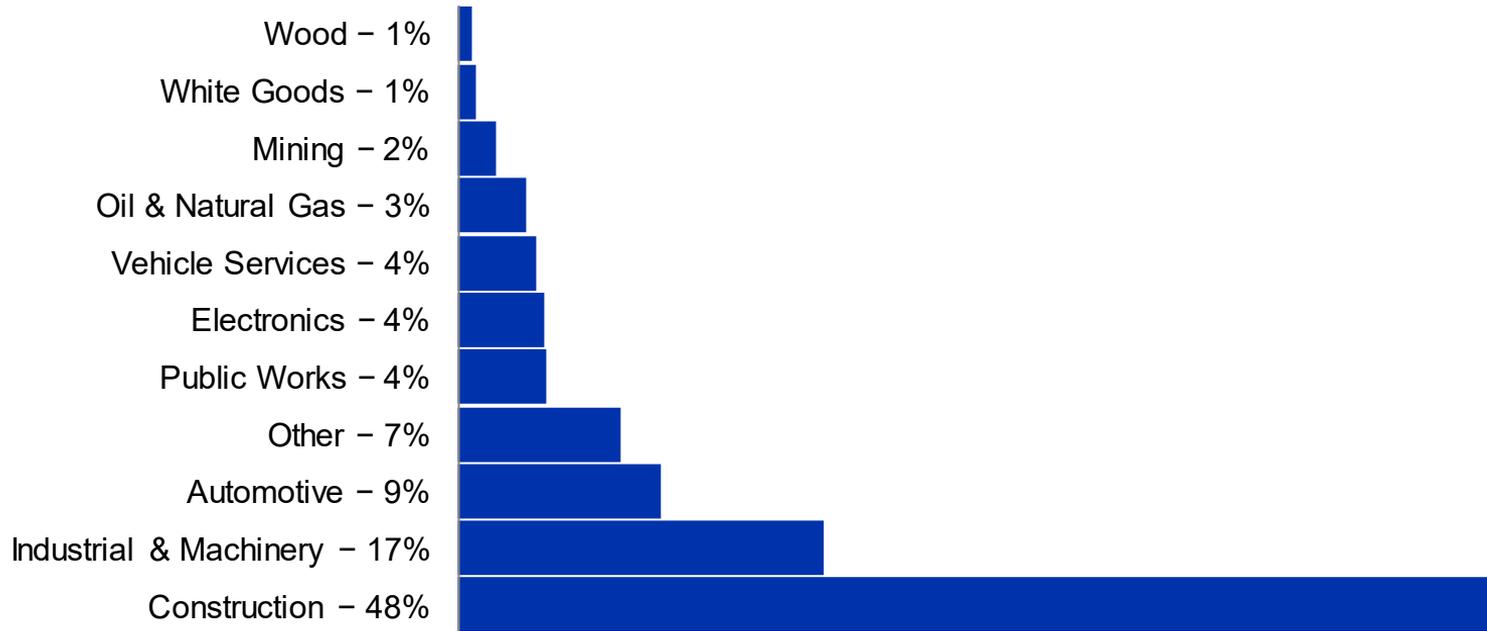
## EMEA



## Asia Pacific



# 2022 Net Sales by End Market





Graco is part of your  
**everyday life.**





Graco is part of your  
**everyday life.**



# Diversified Fluid Handling Business



## Niche

Difficult applications; corrosive,  
viscous, hard-to-move materials

## 6.3%+

Organic Revenue CAGR\*

## ~40%

Of revenue is parts  
& accessories

\*20-year average, constant currency

# High Customer Value, Strong Product Differentiation

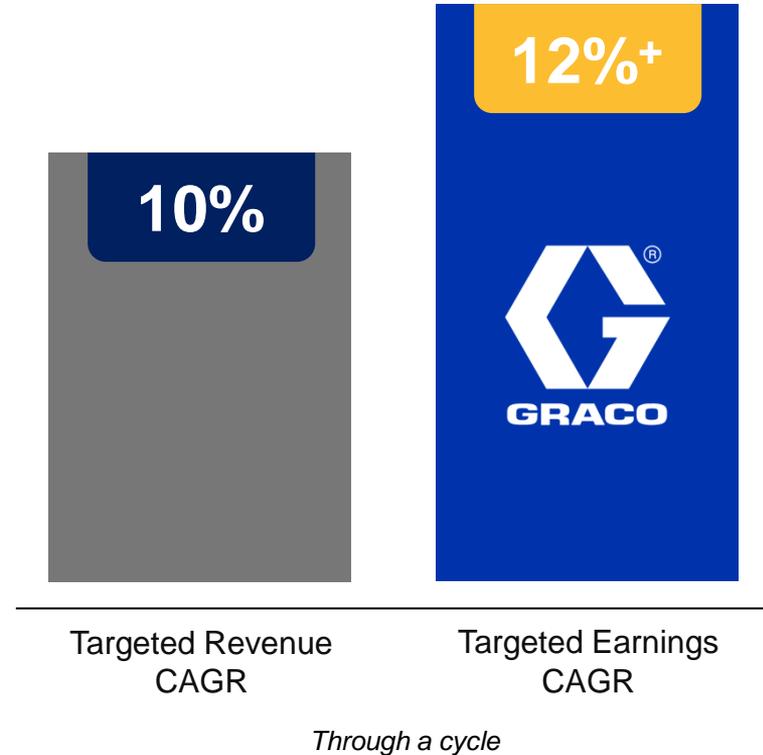


# Growth Plans and Earnings Drivers



## Strategic Initiatives

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



# Low Volume, High Mix Delivers Customer ROI

Average Number of Units Sold Per Day	No. of SKUs		2022 Sales (\$ in millions)	
0 - 1	60,900	93%	\$ 930	43%
2 - 5	2,800	4%	\$ 395	19%
6 - 10	900	1%	\$ 179	8%
11 - 15	300	1%	\$ 80	4%
Greater than 15	800	1%	\$ 560	26%
<b>Graco 2022 Sales</b>	<b>65,700</b>		<b>\$2,144</b>	

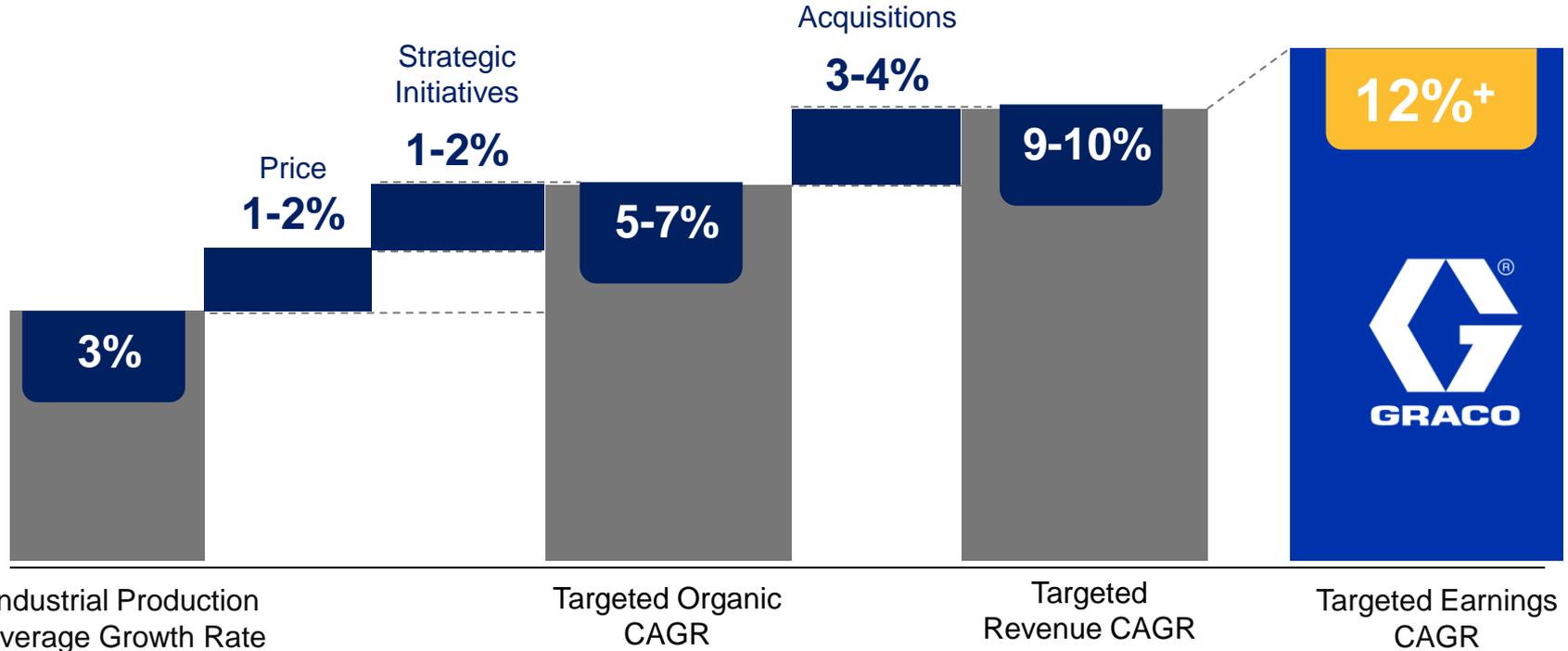
Highly-valued products at low volumes

**43%**

of our revenue comes from products that we sell

**zero to one per day**

# Growth Plans and Earnings Drivers





# Exceptional Returns

**6.3%+**

Organic Revenue CAGR

**27%**

Return on Invested Capital

**40%**

Return on Equity

**18%**

Return on Assets

Based on a 20-year average, constant currency

# Business Model



- ▶ Brand Promise
- ▶ Operational Excellence
- ▶ Engineering & Manufacturing Excellence
- ▶ Extensive Reach



# Our Brand Promise

- ▶ **Innovation** – Leading with technologically-advanced features, pioneering design, high performance and unparalleled reliability
- ▶ **Quality** – Our customers invest in high-quality products built to last for years of reliable service
- ▶ **A+ Service** – We're guided by a mindset of integrity and a customer service view centered on collaboration and relationships, not transactions



## Engineering Excellence

Target  
**Double-Digit  
Returns**  
new product

### Annual R&D Investment

More than  
**1.8x\***  
our peer group

**4.0%\***  
as a percent of sales  
versus peers at 2.2%

\* Peers: ITW, CSL, DOV, ENOV, IEX, NDSN, WTS, FLS, based on a 5-year average, 2018 - 2022.

# Manufacturing Excellence



**> 80%**

Production based in the US

Goal is

**Zero**

cost change  
on the same basket of goods (yoy)

**< 1%**

Warranty costs

# Service Excellence



## Same Day

Orders in by noon,  
ship the same day

## 92%

In-stock service  
level goal



# Extensive Reach

**30,000+**  
Outlets/Distributors

Customers in over

**100**

countries

Facilities in

**12**

countries

Installed base

**~100**

years old

# Company Segments



- ▶ Industrial
- ▶ Process
- ▶ Contractor



# Industrial



December 2022, Twelve Months

**\$649M**

▲ Segment Revenue

**14%**

▲ Organic

**35.6%**

▲ Operating Margin  
+240 basis points

# Industrial

## Key End Markets

- ▶ General industrial
- ▶ Automotive
- ▶ Res & non-res construction
- ▶ Alternative energy & others

## Growth Drivers & Trends

- ▶ Factory movement & upgrades
- ▶ Automation
- ▶ Technology upgrades
- ▶ Energy-efficiency upgrades
- ▶ Material changes

## Select Representative Industry Participants:

**Public** : Nordson, Carlisle, Exel

**Private**: Wagner and many other regional players



# Process



December 2022, Twelve Months

**\$495M**

▲ Segment Revenue

**25%**

▲ Organic

**24.7%**

▲ Operating Margin  
+180 basis points

# Process

## Key End Markets

- ▶ Pharma, food & beverage
- ▶ Vehicle services
- ▶ Oil & natural gas
- ▶ Environmental
- ▶ Semiconductor & others

## Growth Drivers & Trends

- ▶ Factory movements and upgrades
- ▶ Technology upgrades
- ▶ Energy-efficiency upgrades
- ▶ Asset life maintenance
- ▶ Commodities extraction
- ▶ Environmental regulations

## Select Representative Industry Participants:

**Public:** IDEX, Dover, Ingersoll Rand

**Private:** Lincoln, Vogel, Bijur, Hannay, Coxreels and many other regional players



# Contractor



December 2022, Twelve Months

**\$999M**

▲ Segment Revenue

**4%**

▲ Organic

**25.0%**

▼ Operating Margin  
-200 basis points

# Contractor

## Key End Markets

- ▶ Res & non-res construction
- ▶ Res & non-res remodeling
- ▶ Transportation Infrastructure

## Growth Drivers & Trends

- ▶ End user conversion from brush and roll
- ▶ Product innovation & channel expansion
- ▶ Housing & new construction
- ▶ Infrastructure spending
- ▶ Regional labor rates
- ▶ New markets
- ▶ Material changes

## Select Representative Industry Participants:

**Private:** Wagner/Titan, Campbell Hausfeld, Bedford, China copiers and other regional players





# Capital Allocation



# 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 15.0 million shares remaining on repurchase authorization

- ▶ Drive long-term, above-market growth
- ▶ Premium products that deliver 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
- ▶ High margin, high recurring revenue
- ▶ Consistent investments in capital and growth initiatives
- ▶ Shareholder-minded management
- ▶ Financial strength



## Key Investment Attributes



# Acquisitions





# Acquisition

▶ Industrial



2012



2015



2015



2017



2018



2020



# Acquisition

## ► Process





# Financial Results



# Financial Performance 2022

**8%**

Revenue Growth

**49.3%**

Gross Margin

**6%**

EPS Growth

**5%**

Net Income

(As Reported)

# Financial Results

## Statement of Earnings

\$ in millions except per share amounts

	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
<b>Net Sales</b>	\$ 555.0	\$ 539.6	3 %	\$2,143.5	\$1,987.6	8 %
<b>Gross Profit</b>	272.8	274.6	(1)%	1,057.4	1,033.9	2 %
% of Net Sales	49.2%	50.9%	(1.7) pts	49.3%	52.0%	(2.7) pts
<b>Operating Earnings</b>	152.5	144.6	5 %	572.7	531.3	8 %
% of Net Sales	27%	27%	0 pt	27%	27%	0 pt
<b>Net Earnings</b>	\$ 126.2	\$ 120.3	5 %	\$ 460.6	\$ 439.9	5 %
% of Net Sales	23%	22%	1 pt	21%	22%	(1) pt
<b>Diluted Net Earnings Per Share</b>	\$ 0.74	\$ 0.69	7 %	\$ 2.66	\$ 2.52	6 %
Diluted Shares in Millions	171.4	174.9	(2)%	172.9	174.5	(1)%
Net Earnings, Adjusted (1)	\$ 124.3	\$ 115.8	7 %	\$ 455.5	\$ 425.7	7 %
Diluted Net Earnings Per Share, Adjusted (1)	\$ 0.73	\$ 0.66	11 %	\$ 2.63	\$ 2.44	8 %

(1) Net earnings and diluted earnings per share for 2022 and 2021 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

Excluding the impacts of excess tax benefits related to stock option exercises, prior year non-recurring tax provision adjustments and a prior year pension settlement loss presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements earnings before taxes, income taxes, effective income tax rates, net earnings and diluted earnings per share follows:

## Non-GAAP Reconciliation

In millions except per share amounts

### Earnings before taxes, as reported

Pension settlement loss

### Earnings before taxes, adjusted

### Income taxes, as reported

Pension settlement tax effect

Excess tax benefit from option exercises

Other non-recurring tax benefit

### Income taxes, adjusted

### Effective income tax rate

As reported

Adjusted

### Net earnings, as reported

Pension settlement loss, net

Excess tax benefit from option exercises

Other non-recurring tax benefit

### Net earnings, adjusted

Weighted average diluted shares

### Diluted earnings per share

As reported

Adjusted

	Fourth Quarter			Full Year		
	2022	2021	Change	2022	2021	Change
<b>Earnings before taxes, as reported</b>	\$ 154.0	\$ 129.3	19 %	\$ 565.7	\$ 508.5	11 %
Pension settlement loss	-	12.0		-	12.0	
<b>Earnings before taxes, adjusted</b>	<b>\$ 154.0</b>	<b>\$ 141.3</b>	<b>9 %</b>	<b>\$ 565.7</b>	<b>\$ 520.5</b>	<b>9 %</b>
<b>Income taxes, as reported</b>	<b>\$ 27.8</b>	<b>\$ 9.0</b>	<b>209 %</b>	<b>\$ 105.1</b>	<b>\$ 68.6</b>	<b>53 %</b>
Pension settlement tax effect	-	2.5		-	2.5	
Excess tax benefit from option exercises	1.9	2.7		5.1	11.5	
Other non-recurring tax benefit	-	11.3		-	12.2	
<b>Income taxes, adjusted</b>	<b>\$ 29.7</b>	<b>\$ 25.5</b>	<b>16 %</b>	<b>\$ 110.2</b>	<b>\$ 94.8</b>	<b>16 %</b>
<b>Effective income tax rate</b>						
As reported	18%	7%		19%	13%	
Adjusted	19%	18%		19%	18%	
<b>Net earnings, as reported</b>	<b>\$ 126.2</b>	<b>\$ 120.3</b>	<b>5 %</b>	<b>\$ 460.6</b>	<b>\$ 439.9</b>	<b>5 %</b>
Pension settlement loss, net	-	9.5		-	9.5	
Excess tax benefit from option exercises	(1.9)	(2.7)		(5.1)	(11.5)	
Other non-recurring tax benefit	-	(11.3)		-	(12.2)	
<b>Net earnings, adjusted</b>	<b>\$ 124.3</b>	<b>\$ 115.8</b>	<b>7 %</b>	<b>\$ 455.5</b>	<b>\$ 425.7</b>	<b>7 %</b>
<b>Weighted average diluted shares</b>	<b>171.4</b>	<b>174.9</b>		<b>172.9</b>	<b>174.5</b>	
<b>Diluted earnings per share</b>						
As reported	\$ 0.74	\$ 0.69	7 %	\$ 2.66	\$ 2.52	6 %
Adjusted	\$ 0.73	\$ 0.66	11 %	\$ 2.63	\$ 2.44	8 %

# Fourth Quarter 2022 Results

<b>Sales</b>	<ul style="list-style-type: none"><li>▶ Up 3 percent from 2021, up 7 percent at consistent translation rates. Sales from acquired businesses contributed 1 percentage point</li><li>▶ 2021 was a 53 week year with 14 weeks in the fourth quarter compared to 13 weeks in the fourth quarter of 2022</li></ul>
<b>Gross Margin</b>	<ul style="list-style-type: none"><li>▶ Margin rate down 1.7 percentage points from 2021<ul style="list-style-type: none"><li>▪ Unfavorable impact of currency translation rates driving decline in margin rate. Realized pricing more than offset the unfavorable impact of higher product cost</li></ul></li></ul>
<b>Operating Earnings</b>	<ul style="list-style-type: none"><li>▶ Up \$8 million compared to fourth quarter 2021<ul style="list-style-type: none"><li>▪ Realized pricing, increase in sales volume and lower expenses (primarily lower sales and earnings-based cost) offset higher product costs and the unfavorable effect of currency translation</li></ul></li></ul>
<b>Other Expense</b>	<ul style="list-style-type: none"><li>▶ Decreased \$15 million<ul style="list-style-type: none"><li>▪ 2021 included non-cash pension settlement charge of \$12 million</li></ul></li></ul>
<b>Taxes</b>	<ul style="list-style-type: none"><li>▶ Adjusted effective tax rate for the quarter was 19 percent, fourth quarter 2021 adjusted effective tax rate was 18 percent<ul style="list-style-type: none"><li>▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises, non-recurring tax provision adjustments in 2021 and prior year pension settlement loss</li><li>▪ Increase primarily due to unfavorable effects of foreign earnings taxed at higher rates than the U.S.</li></ul></li></ul>

# 2022 Results

<b>Sales</b>	<ul style="list-style-type: none"><li>▶ Up 8 percent from 2021, up 12 percent at consistent translation rates. Sales from acquired businesses contributed 1 percentage point</li></ul>
<b>Gross Margin</b>	<ul style="list-style-type: none"><li>▶ Margin rate down 2.7 percentage points from 2021<ul style="list-style-type: none"><li>▪ Realized pricing not enough to offset the unfavorable impact of higher product costs and unfavorable impact of currency translation rates</li></ul></li><li>▶ Margin dollars up on volume and realized pricing</li></ul>
<b>Operating Earnings</b>	<ul style="list-style-type: none"><li>▶ Up \$41 million compared to 2021<ul style="list-style-type: none"><li>▪ Increase in sales volume, realized pricing and lower expenses were able to offset higher product costs and unfavorable effect of currency translation rates</li></ul></li></ul>
<b>Other Expense</b>	<ul style="list-style-type: none"><li>▶ Decreased \$16 million<ul style="list-style-type: none"><li>▪ 2021 included non-cash pension settlement charge of \$12 million</li></ul></li></ul>
<b>Taxes</b>	<ul style="list-style-type: none"><li>▶ Adjusted effective tax rate for 2022 was 19 percent, the adjusted effective rate in 2021 was 18 percent<ul style="list-style-type: none"><li>▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises, non-recurring tax provision adjustments in 2021 and prior year pension settlement loss</li><li>▪ Increase primarily due to unfavorable effects of foreign earnings taxed at higher rates than the U.S.</li></ul></li></ul>

# Financial Results

## Components of Net Sales Change

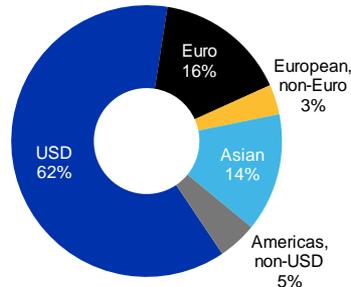
### 2022 Fourth Quarter

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	17 %	16 %	(4)%	4 %	12 %	10 %	6 %
Acquisitions	0 %	3 %	0 %	1 %	0 %	0 %	1 %
Currency	(7)%	(4)%	(3)%	0 %	(11)%	(10)%	(4)%
<b>Total</b>	<b>10 %</b>	<b>15 %</b>	<b>(7)%</b>	<b>5 %</b>	<b>1 %</b>	<b>0 %</b>	<b>3 %</b>

### 2022 Full Year

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	14 %	25 %	4 %	11 %	7 %	16 %	11 %
Acquisitions	0 %	2 %	0 %	1 %	0 %	0 %	1 %
Currency	(6)%	(2)%	(3)%	(1)%	(10)%	(6)%	(4)%
<b>Total</b>	<b>8 %</b>	<b>25 %</b>	<b>1 %</b>	<b>11 %</b>	<b>(3)%</b>	<b>10 %</b>	<b>8 %</b>

### 2022 Net Sales by Currency



Asian currencies include:  
AUD, CNY, KRW, JPY, INR  
European, non-Euro currencies include: CHF, GBP, RON  
Americas, non-USD currencies include:  
BRL, CAD, MXN

# Current 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 2022 4% 2022 Full Year 11%	Sales Growth Q4 2022 12% 2022 Full Year 7%	Sales Growth Q4 2022 10% 2022 Full Year 16%	Sales Growth Q4 2022 7% 2022 Full Year 11%
Industrial Segment	 Sales Growth Q4 2022 5% 2022 Full Year 13%	 Sales Growth Q4 2022 30% 2022 Full Year 15%	 Sales Growth Q4 2022 20% 2022 Full Year 14%	Sales Growth Q4 2022 17% 2022 Full Year 14%
Process Segment	 Sales Growth Q4 2022 17% 2022 Full Year 22%	 Sales Growth Q4 2022 23% 2022 Full Year 22%	 Sales Growth Q4 2022 11% 2022 Full Year 34%	Sales Growth Q4 2022 16% 2022 Full Year 25%
Contractor Segment	 Sales Growth Q4 2022 (1%) 2022 Full Year 7%	 Sales Growth Q4 2022 (10%) 2022 Full Year (6%)	 Sales Growth Q4 2022 (17%) 2022 Full Year 0%	Sales Growth Q4 2022 (4%) 2022 Full Year 4%
Full Year 2023 Outlook				<b>Low Single-digit</b>

We are initiating revenue a outlook, for the full-year 2023, of low single-digit growth on an organic, constant currency basis.

# Other Items

<b>Cap Ex</b>	<ul style="list-style-type: none"><li>▶ Capital expenditure expectations of approximately \$200 million in 2023, including approximately \$130 million in facility expansion projects</li></ul>
<b>Expenses</b>	<ul style="list-style-type: none"><li>▶ Unallocated corporate expenses in 2023 are expected to be approximately \$31 - \$34 million</li></ul>
<b>Shares</b>	<ul style="list-style-type: none"><li>▶ We repurchased 3.5 million shares in 2022. We may make opportunistic purchases in 2023 via open market transactions or short-dated accelerated share repurchase (“ASR”) programs</li></ul>
<b>Currency</b>	<ul style="list-style-type: none"><li>▶ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2022, the movement in foreign currencies would have favorable impact of 1 percent on both net sales and net earnings in 2023</li></ul>
<b>Taxes</b>	<ul style="list-style-type: none"><li>▶ We anticipate the effective tax rate in 2023 to be between 19% - 20%, excluding any impact from excess tax benefits related to stock option exercises and other one time items. Actual results and mix of earnings may materially impact the expected tax rate</li></ul>
<b>Fiscal Year 2022</b>	<ul style="list-style-type: none"><li>▶ There were 53 weeks in fiscal 2021, with 14 weeks in the fourth quarter, compared to 52 weeks in fiscal 2022, with 13 weeks in the fourth quarter</li></ul>

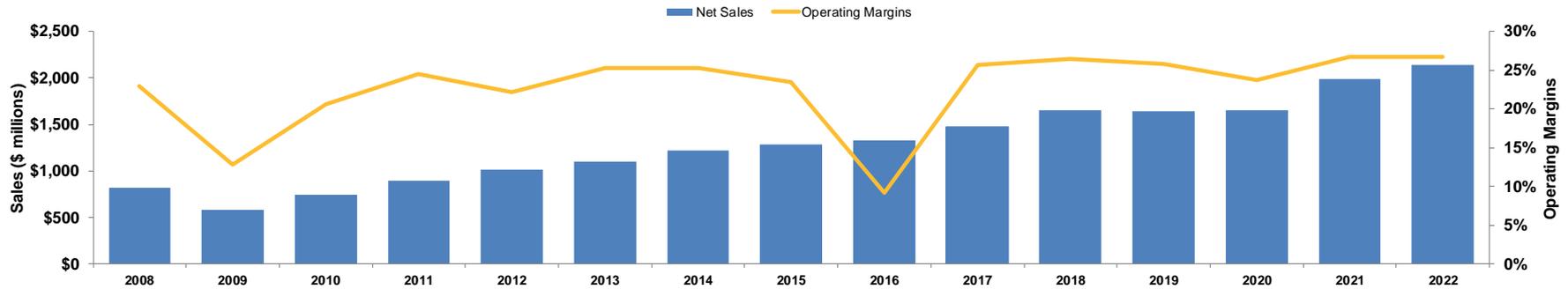
# Financial Summary

////////////////////

- ▶ 2022 Appendix

# Financial Performance

## Sales and Operating Margin, as Reported



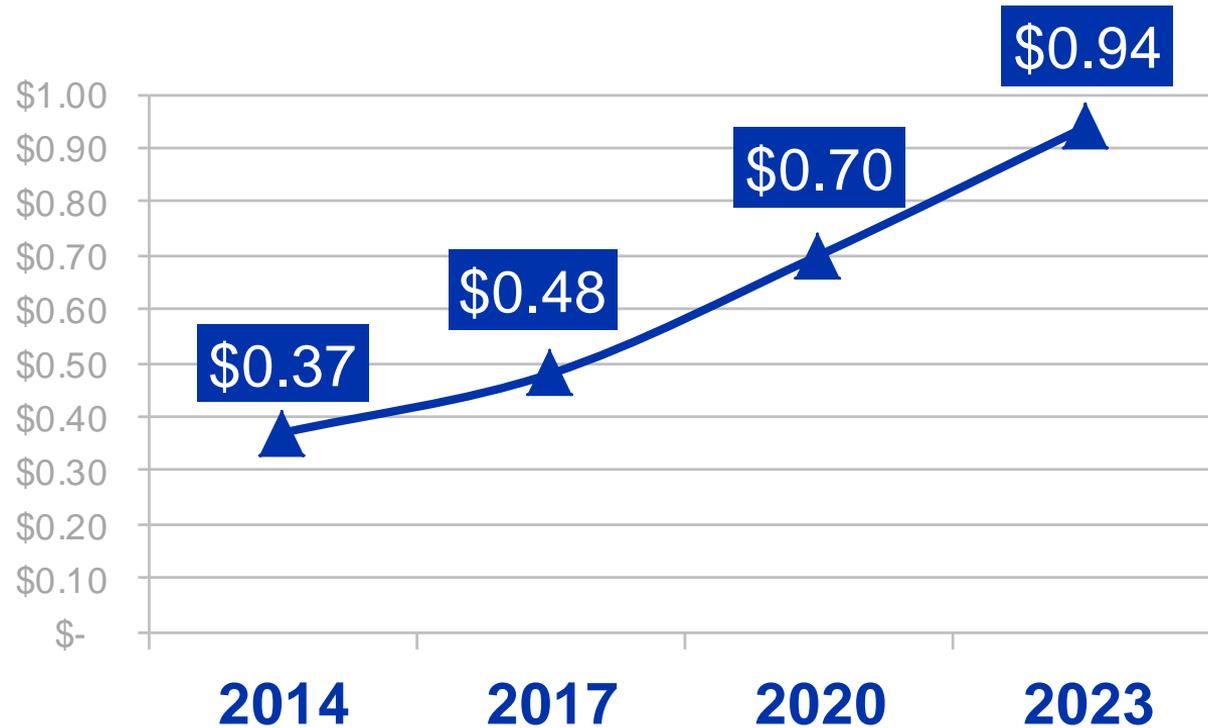
### As Reported

Diluted EPS	\$0.66	\$0.27	\$0.56	\$0.77	\$0.81	\$1.12	\$1.22	\$1.95	\$0.24	\$1.45	\$1.97	\$2.00	\$1.92	\$2.52	\$2.66
-------------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

### As Adjusted

Diluted EPS	\$0.66	\$0.27	\$0.56	\$0.77	\$0.81	\$1.12	\$1.22	\$1.15	\$1.18	\$1.43	\$1.88	\$1.90	\$1.95	\$2.44	\$2.63
-------------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

# Stock Dividend Growth



Dividends  
adjusted for  
stock splits

# Strong Cash Generation

(\$ Millions)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating Cash Flows	\$ 377	\$ 457	\$ 394	\$ 419	\$ 368	\$ 338	\$ 269	\$ 190	\$ 241	\$ 243
% of Net Income	82%	104%	119%	122%	108%	134%	661%	55%	107%	115%
Capital Expenditures	201	134	71	128	54	40	42	42	31	23
Free Cash Flow	\$ 176	\$ 323	\$ 323	\$ 291	\$ 314	\$ 298	\$ 227	\$ 148	\$ 210	\$ 220

2016 – Impairment of Intangibles, net of tax, charge of \$161 million was reflected in net income. \$192 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)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Dividends	\$ 142	\$ 127	\$ 117	\$ 106	\$ 89	\$ 80	\$ 73	\$ 69	\$ 66	\$ 61
Acquisitions	25	19	28	27	11	28	49	189	185	12
Share Repurchases *	198	(51)	21	(38)	236	54	18	256	165	26
	\$ 365	\$ 95	\$ 166	\$ 95	\$ 336	\$ 162	\$ 140	\$ 514	\$ 416	\$ 99

\* Net of shares issued



Move | Measure | Mix | Control | Dispense | Spray

**WORLDWIDE LEADERS IN FLUID HANDLING**

[www.graco.com](http://www.graco.com)