



Investor Presentation

Third Quarter 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.

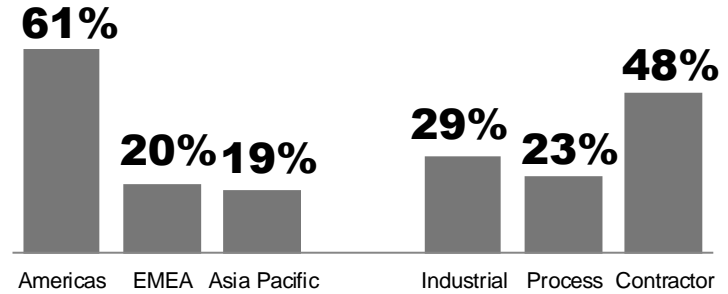
Distribution of Global Sales



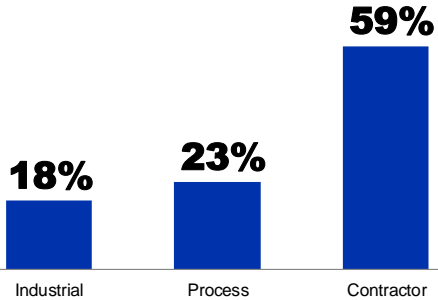
Worldwide

\$1,588 M

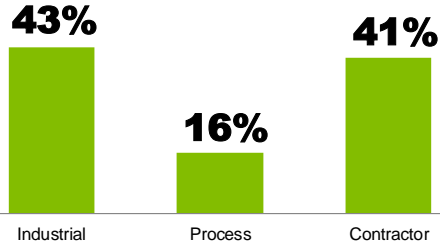
September 2022
Year to Date



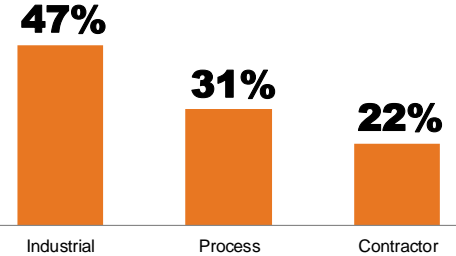
Americas



EMEA

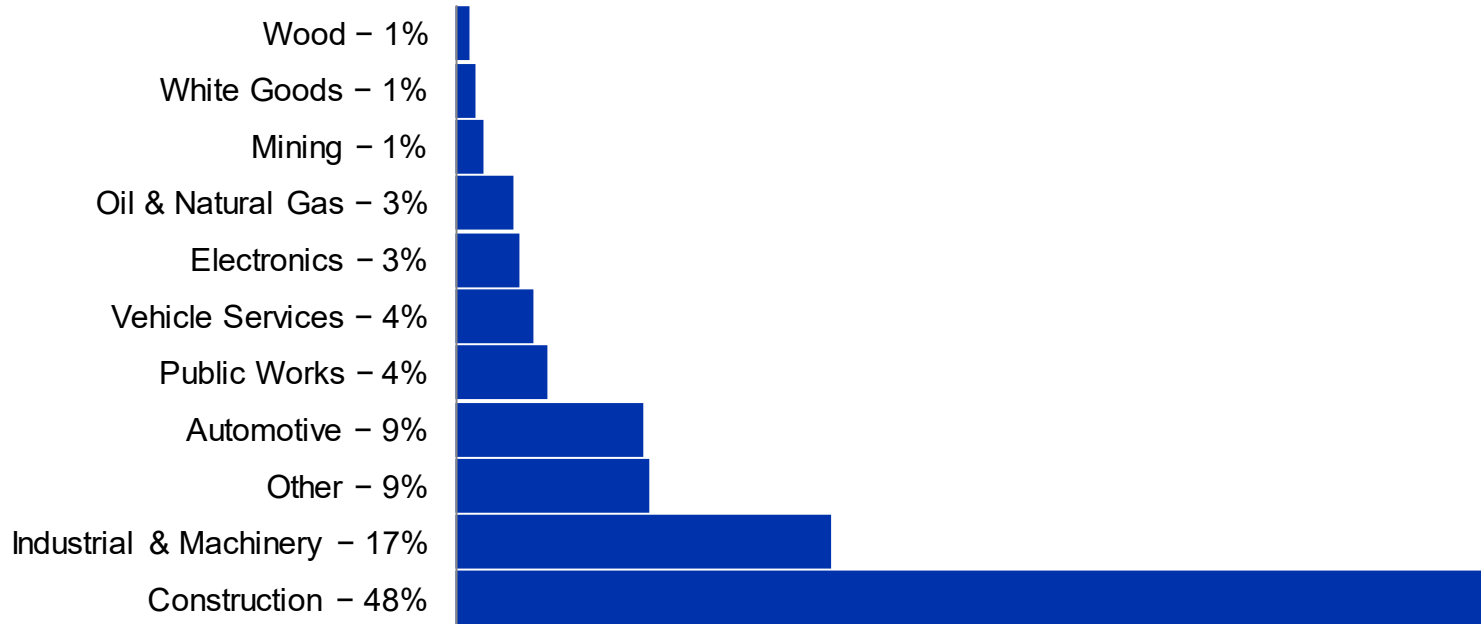


Asia Pacific



2021 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

5.9%+

Organic Revenue CAGR*

~40%

Of revenue is parts
& accessories

*20-year average, constant currency

High Customer Value, Strong Product Differentiation

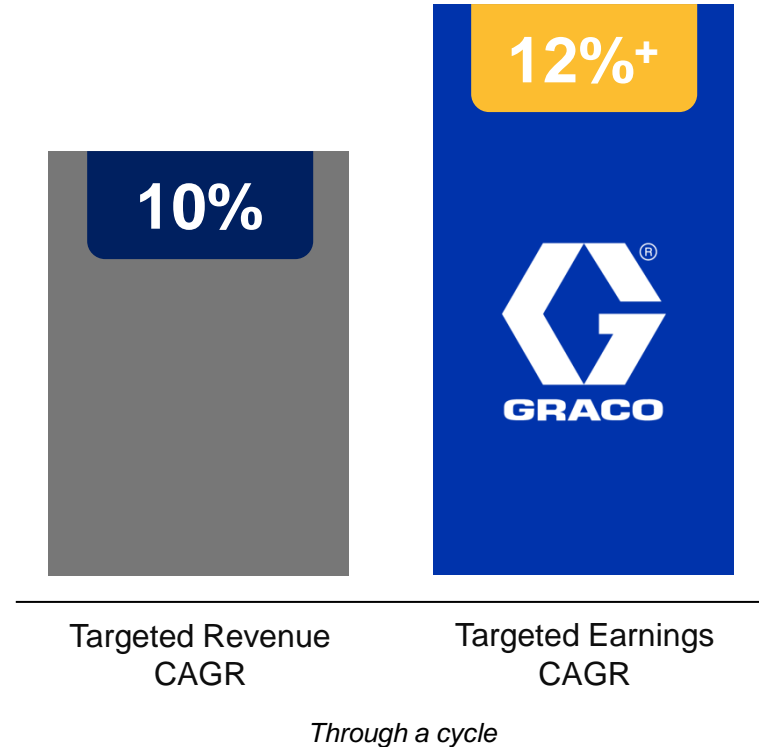


Growth Plans and Earnings Drivers



Strategic Initiatives

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



Low Volume, High Mix Delivers Customer ROI

Average Number of Units Sold Per Day	No. of SKUs		2021 Sales (\$ in millions)	
0 - 1	62,700	93%	\$ 854	43%
2 - 5	2,800	4%	\$ 361	18%
6 - 10	900	1%	\$ 164	8%
11 - 15	300	1%	\$ 77	4%
Greater than 15	800	1%	\$ 532	27%
Graco 2021 Sales	67,500		\$1,988	

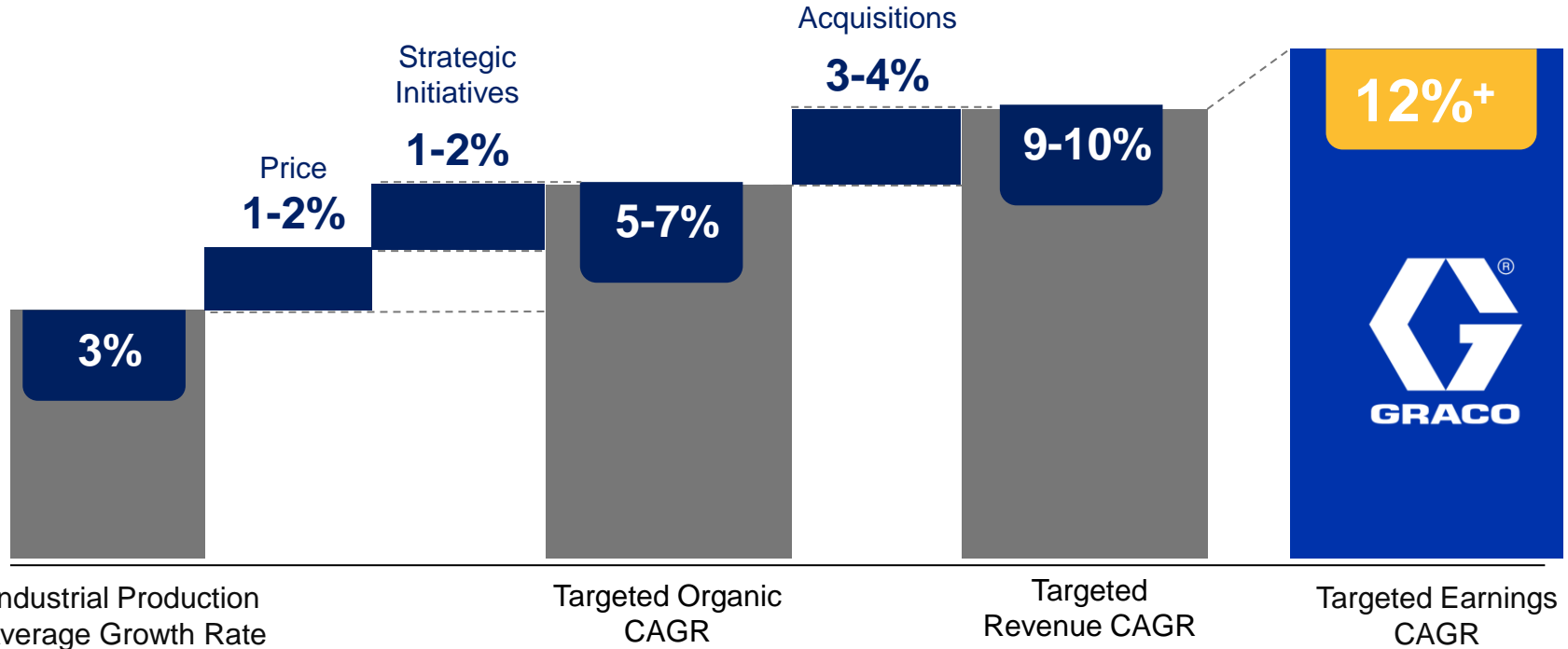
Highly-valued products at low volumes

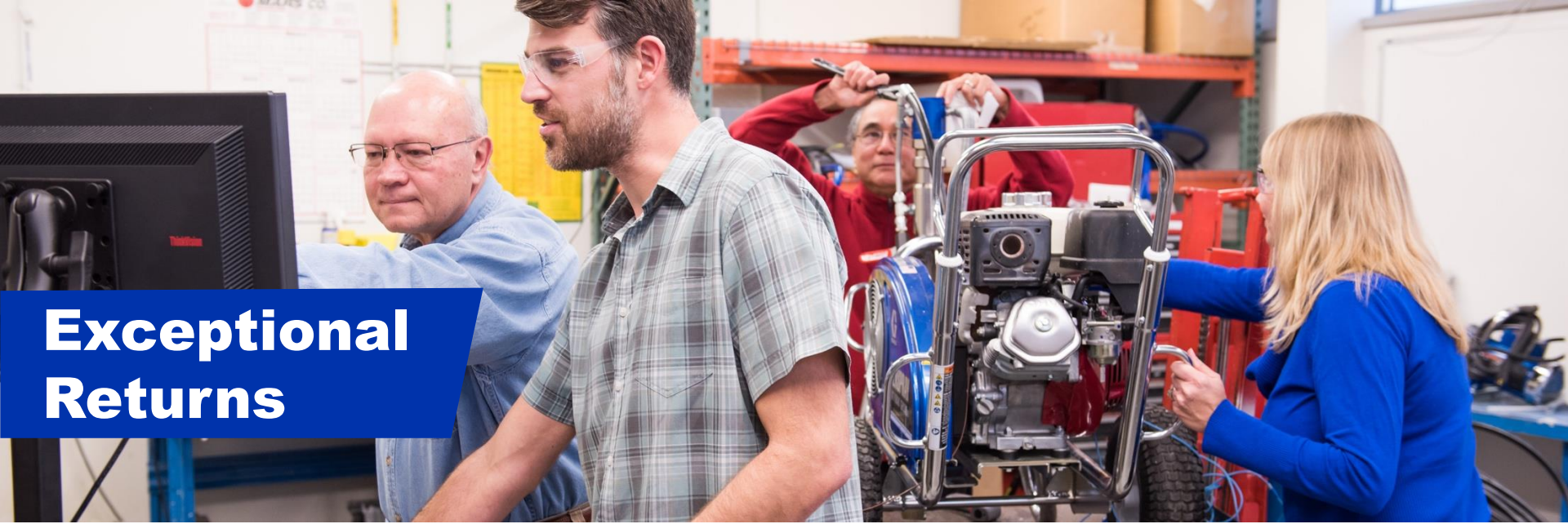
43%

of our revenue comes from products that we sell

zero to one per day

Growth Plans and Earnings Drivers





Exceptional Returns

5.9%+

Organic Revenue CAGR

28%

Return on Invested Capital

41%

Return on Equity

19%

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
2.2x*
our peer group

4.1%*
as a percent of sales
versus peers at 1.8%

* Peers: ITW, CSL, DOV, CFX, IEX, NDSN, WTS, FLS, based on a 5-year average, 2017 - 2021.

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

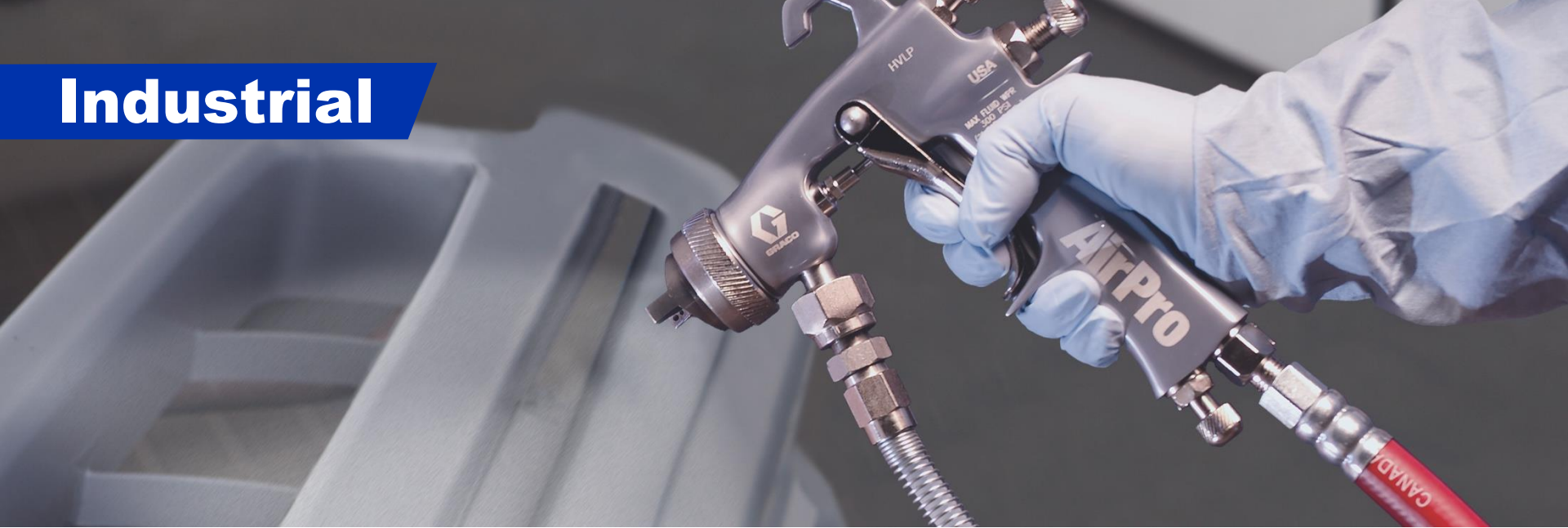
years old

Company Segments



- ▶ Industrial
- ▶ Process
- ▶ Contractor

Industrial



September 2022, Nine Months

\$459M



Segment Revenue

12%



Organic

35.2%



Operating Margin
+280 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



September 2022, Nine Months

\$365M



Segment Revenue

28%



Organic

24.4%



Operating Margin
+160 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



September 2022, Nine Months

\$764M



Segment Revenue

6%



Organic

25.2%



Operating Margin
-250 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 16.8 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

EQ EcoQuip®
VAPOR ABRASIVE™ BLAST EQUIPMENT

GE-BLASTER®
WET-ABRASIVE BLASTING EQUIPMENT

hildebrand
TECHNOLOGY

SAT
SurfaceAluminiumTech

GAMA

Gema

MULTIMAQ
sprayway

machine
TECHNOLOGIES

Advanjet

novag

2012

2013

2014

2014

2015

2015

2017

2018

2020



Acquisition

► Process



.....engineer approved™



IMTEC



2013

2015

2015

2016

2019

2022

Financial Results



Financial Performance September YTD

10%

Revenue

49.4%

Gross Margin

5%

EPS

5%

Net Income

(As Reported)

Financial Results

Statement of Earnings

\$ in millions except per share amounts

Net Sales

	Third Quarter			September Year to Date		
	2022	2021	Change	2022	2021	Change
Net Sales	\$ 545.6	\$ 486.7	12 %	\$1,588.5	\$1,448.0	10 %

Gross Profit

% of Net Sales

Gross Profit	261.1	248.2	5 %	784.6	759.4	3 %
% of Net Sales	47.8%	51.0%	(3.2) pts	49.4%	52.4%	(3.0) pts

Operating Earnings

% of Net Sales

Operating Earnings	143.1	124.6	15 %	420.2	386.7	9 %
% of Net Sales	26%	26%	0 pt	26%	27%	(1) pt

Net Earnings

% of Net Sales

Net Earnings	\$ 116.2	\$ 103.8	12 %	\$ 334.5	\$ 319.6	5 %
% of Net Sales	21%	21%	0 pt	21%	22%	(1) pt

Diluted Net Earnings Per Share

Diluted Shares in Millions

Diluted Net Earnings Per Share	\$ 0.67	\$ 0.59	14 %	\$ 1.93	\$ 1.83	5 %
Diluted Shares in Millions	172.8	174.8	(1)%	173.4	174.4	(1)%

Net Earnings, Adjusted (1)

Diluted Net Earnings Per Share, Adjusted (1)

Net Earnings, Adjusted (1)	\$ 114.8	\$ 100.3	14 %	\$ 331.3	\$ 309.9	7 %
Diluted Net Earnings Per Share, Adjusted (1)	\$ 0.66	\$ 0.57	16 %	\$ 1.91	\$ 1.78	7 %

(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 impact of excess tax benefits related to stock option exercises and non-recurring tax provision adjustments in 2021 presents a more consistent basis for comparison of financial results. A calculation of income taxes, effective income tax rates, net earnings and diluted earnings per share follows:

Non-GAAP Reconciliation

In millions except per share amounts

	Third Quarter			September Year to Date		
	2022	2021	Change	2022	2021	Change
Income taxes, as reported	\$ 26.2	\$ 17.9	46 %	\$ 77.3	\$ 59.6	30 %
Excess tax benefit from option exercises	1.4	2.6		3.2	8.8	
Other non-recurring tax benefit	-	0.9		-	0.9	
Income taxes, adjusted	\$ 27.6	\$ 21.4	29 %	\$ 80.5	\$ 69.3	16 %
Effective income tax rate						
As reported	18%	15%		19%	16%	
Adjusted	19%	18%		20%	18%	
Net earnings, as reported	\$ 116.2	\$ 103.8	12 %	\$ 334.5	\$ 319.6	5 %
Excess tax benefit from option exercises	(1.4)	(2.6)		(3.2)	(8.8)	
Other non-recurring tax benefit	-	(0.9)		-	(0.9)	
Net earnings, adjusted	\$ 114.8	\$ 100.3	14 %	\$ 331.3	\$ 309.9	7 %
Weighted average diluted shares	172.8	174.8		173.4	174.4	
Diluted earnings per share						
As reported	\$ 0.67	\$ 0.59	14 %	\$ 1.93	\$ 1.83	5 %
Adjusted	\$ 0.66	\$ 0.57	16 %	\$ 1.91	\$ 1.78	7 %

Third Quarter 2022 Results

Net Sales	<ul style="list-style-type: none">▶ Up 12 percent from 2021, up 17 percent at consistent translation rates. Sales from acquired businesses contributed 1 percentage point
Gross Margin	<ul style="list-style-type: none">▶ Margin rate down 3 percentage points from 2021<ul style="list-style-type: none">▪ Realized pricing not enough to offset the unfavorable impact of higher product costs and unfavorable impact of currency translation rates▶ Margin dollars up on volume and realized pricing
Operating Earnings	<ul style="list-style-type: none">▶ Up \$19 million compared to third quarter 2021<ul style="list-style-type: none">▪ Realized pricing, increase in sales volume and lower expenses, including lower sales and earnings-based cost, offset higher product cost and the unfavorable effect of currency translation
Interest Expense	<ul style="list-style-type: none">▶ Decreased \$1 million<ul style="list-style-type: none">▪ During first quarter, repaid \$75 million private placement debt
Taxes	<ul style="list-style-type: none">▶ Adjusted effective tax rate for the quarter was 19 percent, third quarter 2021 adjusted effective tax rate was 18 percent<ul style="list-style-type: none">▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises and non-recurring tax provision adjustments in 2021▪ Increase primarily due to unfavorable effects of foreign earnings taxed at higher rates than the U.S.

Nine Months 2022 Results

Net Sales	<ul style="list-style-type: none">▶ Up 10 percent from 2021, up 13 percent at consistent translation rates. Sales from acquired businesses contributed 1 percentage point
Gross Margin	<ul style="list-style-type: none">▶ Margin rate down 3 percentage points from 2021<ul style="list-style-type: none">▪ Realized pricing not enough to offset the unfavorable impact of higher product costs and unfavorable impact of currency translation rates▶ Margin dollars up on volume and realized pricing
Operating Earnings	<ul style="list-style-type: none">▶ Up \$33 million compared to September 2021<ul style="list-style-type: none">▪ Increase in sales volume and lower expenses, partially offset by higher product costs, the unfavorable effect of currency translation and \$3 million of allowances for credit losses on customer receivables in Russia and Belarus taken in first quarter
Interest Expense	<ul style="list-style-type: none">▶ Increased \$1 million<ul style="list-style-type: none">▪ During first quarter, repaid \$75 million private placement debt. \$3.5M prepayment fee recorded as interest expense
Taxes	<ul style="list-style-type: none">▶ Adjusted effective tax rate for the year to date was 20 percent, the adjusted effective rate in 2021 was 18 percent<ul style="list-style-type: none">▪ Effective rate adjusted to exclude the impacts of excess tax benefit from stock option exercises and non-recurring tax provision adjustments in 2021▪ Increase primarily due to unfavorable effects of foreign earnings taxed at higher rates than the U.S.

Financial Results

Components of Net Sales Change

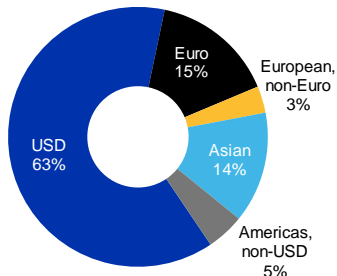
2022 Third Quarter

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	8 %	30 %	16 %	18 %	10 %	17 %	16 %
Acquisitions	0 %	4 %	0 %	1 %	0 %	1 %	1 %
Currency	(7)%	(4)%	(4)%	0 %	(13)%	(8)%	(5)%
Total	1 %	30 %	12 %	19 %	(3)%	10 %	12 %

2022 September Year to Date

	Segment			Region			Consolidated
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	
Volume and Price	12 %	28 %	6 %	13 %	5 %	18 %	12 %
Acquisitions	0 %	2 %	1 %	1 %	1 %	1 %	1 %
Currency	(5)%	(2)%	(3)%	0 %	(10)%	(5)%	(3)%
Total	7 %	28 %	4 %	14 %	(4)%	14 %	10 %

2022 Net Sales by Currency



Asian currencies include:
AUD, CNY, KRW, JPY

European, non-Euro currencies include: CHF, GBP, RON

Americas, non-USD currencies include:
BRL, CAD, MXN

Other Items

Organizational Structure	<ul style="list-style-type: none">▶ Effective January 1, 2022, our high performance coatings and foam product offerings within the Industrial segment were realigned and are now managed under the Contractor segment. Prior year segment information restated to conform to the current organizational structure
Cap Ex	<ul style="list-style-type: none">▶ Capital expenditure expectations of approximately \$230 million in 2022, including approximately \$130 million in facility expansion projects
Expenses	<ul style="list-style-type: none">▶ Unallocated corporate expenses in 2022 are expected to be approximately \$29 - \$31 million
Shares	<ul style="list-style-type: none">▶ 2.5 million shares were repurchased through September 2022. We may make opportunistic purchases going forward
Currency	<ul style="list-style-type: none">▶ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2021, the movement in foreign currencies would have an unfavorable impact of approximately 4 percent on net sales and 8 percent on earnings in 2022
Taxes	<ul style="list-style-type: none">▶ We anticipate the effective tax rate for the fourth quarter and the full year to be between 19 - 20 percent, 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
Russia	<ul style="list-style-type: none">▶ Sales to Russia and Belarus accounted for approximately 1½ percent of total net sales in 2021. During first quarter 2022, we recognized credit loss allowances of \$3 million. We have suspended all new sales into Russia and Belarus
Pricing	<ul style="list-style-type: none">▶ Due to increasing product costs, we have implemented an interim price increase across all segments and regions
Fiscal Year 2022	<ul style="list-style-type: none">▶ There are 52 weeks in fiscal 2022, with 13 weeks in the fourth quarter compared to 53 weeks in fiscal 2021, with 14 weeks in the fourth quarter



Move | Measure | Mix | Control | Dispense | Spray

WORLDWIDE LEADERS IN FLUID HANDLING

www.graco.com