

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended **March 29, 2024**

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from to

Commission File Number: 001-09249

**GRACO INC.**

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-0285640

(I.R.S. Employer Identification Number)

88 - 11th Avenue N.E.

Minneapolis, Minnesota

(Address of principal executive offices)

55413

(Zip Code)

(612) 623-6000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$1.00 per share	GGG	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

169,135,876 shares of the Registrant's Common Stock, \$1.00 par value, were outstanding as of April 10, 2024.

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**PART I Item 1.**  
**GRACO INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
(Unaudited) (In thousands except per share amounts)

	Three Months Ended	
	March 29, 2024	March 31, 2023
Net Sales	\$ 492,189	\$ 529,646
Cost of products sold	225,992	244,506
Gross Profit	266,197	285,140
Product development	21,872	20,479
Selling, marketing and distribution	66,631	65,383
General and administrative	44,698	42,610
Operating Earnings	132,996	156,668
Interest expense	744	1,347
Other (income) expense, net	(8,078)	(2,029)
Earnings Before Income Taxes	140,330	157,350
Income taxes	18,131	28,184
Net Earnings	\$ 122,199	\$ 129,166
Net Earnings per Common Share		
Basic	\$ 0.73	\$ 0.77
Diluted	\$ 0.71	\$ 0.75

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited) (In thousands)

	Three Months Ended	
	March 29, 2024	March 31, 2023
Net Earnings	\$ 122,199	\$ 129,166
Components of other comprehensive income (loss)		
Cumulative translation adjustment	(18,706)	4,975
Pension and postretirement medical liability adjustment	918	1,132
Income taxes - pension and postretirement medical liability adjustment	(237)	(244)
Other comprehensive (loss) income	(18,025)	5,863
Comprehensive Income	\$ 104,174	\$ 135,029

See notes to consolidated financial statements.

**GRACO INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited) (In thousands)

	March 29, 2024	December 29, 2023
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 622,728	\$ 537,951
Accounts receivable, less allowances of \$6,100 and \$5,300	321,870	354,439
Inventories	459,118	438,349
Other current assets	40,512	35,070
Total current assets	1,444,228	1,365,809
Property, Plant and Equipment, net	751,174	741,713
Goodwill	363,360	370,228
Other Intangible Assets, net	117,850	126,258
Operating Lease Assets	16,573	18,768
Deferred Income Taxes	54,658	61,381
Other Assets	38,982	37,850
Total Assets	<u>\$ 2,786,825</u>	<u>\$ 2,722,007</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Notes payable to banks	\$ 29,714	\$ 30,036
Trade accounts payable	76,829	72,214
Salaries and incentives	42,020	64,802
Dividends payable	42,942	42,789
Other current liabilities	160,182	185,359
Total current liabilities	351,687	395,200
Retirement Benefits and Deferred Compensation	80,105	80,347
Operating Lease Liabilities	9,458	11,785
Deferred Income Taxes	7,717	8,215
Other Non-current Liabilities	2,209	2,235
Shareholders' Equity		
Common stock	169,125	167,946
Additional paid-in-capital	912,414	863,336
Retained earnings	1,307,130	1,227,938
Accumulated other comprehensive income (loss)	(53,020)	(34,995)
Total shareholders' equity	2,335,649	2,224,225
Total Liabilities and Shareholders' Equity	<u>\$ 2,786,825</u>	<u>\$ 2,722,007</u>

See notes to consolidated financial statements.

**GRACO INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited) (In thousands)

	Three Months Ended	
	March 29, 2024	March 31, 2023
<b>Cash Flows From Operating Activities</b>		
Net Earnings	\$ 122,199	\$ 129,166
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	19,516	17,987
Deferred income taxes	6,041	230
Share-based compensation	10,549	8,914
Change in		
Accounts receivable	28,828	(8,519)
Inventories	(23,242)	(18,959)
Trade accounts payable	8,038	(3,802)
Salaries and incentives	(23,186)	(21,303)
Retirement benefits and deferred compensation	1,813	1,156
Other accrued liabilities	(24,103)	(10,787)
Other	(7,530)	(3,254)
Net cash provided by operating activities	<u>118,923</u>	<u>90,829</u>
<b>Cash Flows From Investing Activities</b>		
Property, plant and equipment additions	(37,192)	(38,290)
Other	5,572	(352)
Net cash used in investing activities	<u>(31,620)</u>	<u>(38,642)</u>
<b>Cash Flows From Financing Activities</b>		
Borrowings on short-term lines of credit, net	233	20,721
Payments of debt issuance costs	—	(6)
Common stock issued	45,368	31,026
Common stock repurchased	—	(7,766)
Taxes paid related to net share settlement of equity awards	(4,611)	(1,225)
Cash dividends paid	(42,854)	(39,431)
Net cash (used in) provided by financing activities	<u>(1,864)</u>	<u>3,319</u>
Effect of exchange rate changes on cash	(662)	611
Net increase in cash and cash equivalents	<u>84,777</u>	<u>56,117</u>
<b>Cash and Cash Equivalents</b>		
Beginning of year	537,951	339,196
End of period	<u>\$ 622,728</u>	<u>\$ 395,313</u>

See notes to consolidated financial statements.

**GRACO INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Unaudited) (In thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Three Months Ended March 29, 2024</b>					
<b>Balance, December 29, 2023</b>	\$ 167,946	\$ 863,336	\$ 1,227,938	\$ (34,995)	\$ 2,224,225
Shares issued	1,179	39,578	—	—	40,757
Stock compensation cost	—	9,500	—	—	9,500
Net earnings	—	—	122,199	—	122,199
Dividends declared (\$0.2550 per share)	—	—	(43,007)	—	(43,007)
Other comprehensive income (loss)	—	—	—	(18,025)	(18,025)
<b>Balance, March 29, 2024</b>	<u>\$ 169,125</u>	<u>\$ 912,414</u>	<u>\$ 1,307,130</u>	<u>\$ (53,020)</u>	<u>\$ 2,335,649</u>

<b>Three Months Ended March 31, 2023</b>					
<b>Balance, December 30, 2022</b>	\$ 167,702	\$ 784,477	\$ 976,851	\$ (69,378)	\$ 1,859,652
Shares issued	721	29,080	—	—	29,801
Shares repurchased	(115)	(539)	(7,112)	—	(7,766)
Stock compensation cost	—	8,552	—	—	8,552
Net earnings	—	—	129,166	—	129,166
Dividends declared (\$0.235 per share)	—	—	(38,925)	—	(38,925)
Other comprehensive income (loss)	—	—	—	5,863	5,863
<b>Balance, March 31, 2023</b>	<u>\$ 168,308</u>	<u>\$ 821,570</u>	<u>\$ 1,059,980</u>	<u>\$ (63,515)</u>	<u>\$ 1,986,343</u>

See notes to consolidated financial statements.

**GRACO INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

1. Basis of Presentation

The consolidated balance sheet of Graco Inc. and subsidiaries (the "Company") as of March 29, 2024 and the related statements of earnings, comprehensive income and shareholders' equity for the three months ended March 29, 2024 and March 31, 2023, and cash flows for the three months ended March 29, 2024 and March 31, 2023 have been prepared by the Company and have not been audited.

In the opinion of management, these consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the Company as of March 29, 2024, and the results of operations and cash flows for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Therefore, these statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2023 Annual Report on Form 10-K.

The results of operations for interim periods are not necessarily indicative of results that will be realized for the full fiscal year.

2. Segment Information

The Company has three reportable segments: Contractor, Industrial and Process. Sales and operating earnings by segment were as follows (in thousands):

	Three Months Ended	
	March 29, 2024	March 31, 2023
<b>Net Sales</b>		
Contractor	\$ 230,042	\$ 245,971
Industrial	141,991	150,190
Process	120,156	133,485
<b>Total</b>	<b>\$ 492,189</b>	<b>\$ 529,646</b>
<b>Operating Earnings</b>		
Contractor	\$ 66,141	\$ 73,772
Industrial	44,801	52,770
Process	35,040	40,565
Unallocated corporate (expense)	(12,986)	(10,439)
<b>Total</b>	<b>\$ 132,996</b>	<b>\$ 156,668</b>

Assets by segment were as follows (in thousands):

	March 29, 2024	December 29, 2023
Contractor	\$ 730,987	\$ 712,224
Industrial	605,991	640,487
Process	553,816	554,753
Unallocated corporate	896,031	814,543
<b>Total</b>	<b>\$ 2,786,825</b>	<b>\$ 2,722,007</b>

Geographic information follows (in thousands):

	Three Months Ended	
	March 29, 2024	March 31, 2023
<b>Net Sales (based on customer location)</b>		
United States	\$ 267,832	\$ 288,989
Other countries	224,357	240,657
<b>Total</b>	<b>\$ 492,189</b>	<b>\$ 529,646</b>
	March 29, 2024	December 29, 2023
<b>Long-lived Assets</b>		
United States	\$ 635,154	\$ 622,430
Other countries	116,020	119,283
<b>Total</b>	<b>\$ 751,174</b>	<b>\$ 741,713</b>

### 3. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended	
	March 29, 2024	March 31, 2023
Net earnings available to common shareholders	\$ 122,199	\$ 129,166
Weighted average shares outstanding for basic earnings per share	168,490	168,018
Dilutive effect of stock options computed using the treasury stock method and the average market price	3,956	3,658
Weighted average shares outstanding for diluted earnings per share	172,446	171,676
Basic earnings per share	\$ 0.73	\$ 0.77
Diluted earnings per share	\$ 0.71	\$ 0.75
Anti-dilutive shares not included in diluted earnings per share computation	940	3,235

### 4. Share-Based Awards

Options on common shares granted and outstanding, as well as the weighted average exercise price, are shown below (in thousands, except exercise prices):

	Option Shares	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Outstanding, December 29, 2023	9,904	\$ 49.09	7,274	\$ 41.46
Granted	918	89.30		
Exercised	(900)	28.58		
Canceled	(20)	72.29		
Outstanding, March 29, 2024	9,902	\$ 54.64	7,096	\$ 45.85

The Company recognized year-to-date share-based compensation of \$10.5 million in 2024 and \$8.9 million in 2023. As of March 29, 2024, there was \$34.5 million of unrecognized compensation cost related to unvested options, expected to be recognized over a weighted average period of 3.0 years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions and results:

	Three Months Ended	
	March 29, 2024	March 31, 2023
Expected life in years	6.6	6.7
Interest rate	4.2 %	4.0 %
Volatility	26.3 %	26.3 %
Dividend yield	1.1 %	1.3 %
Weighted average fair value per share	\$ 28.05	\$ 21.74

Under the Company's Employee Stock Purchase Plan, the Company issued 330,000 shares in 2024 and 323,000 shares in 2023. The fair value of the employees' purchase rights under this plan was estimated on the date of grant. The benefit of the 15 percent discount from the lesser of the fair market value per common share on the first day and the last day of the plan year was added to the fair value of the employees' purchase rights determined using the Black-Scholes option pricing model with the following assumptions and results:

	Three Months Ended	
	March 29, 2024	March 31, 2023
Expected life in years	1.0	1.0
Interest rate	4.9 %	5.1 %
Volatility	24.2 %	26.4 %
Dividend yield	1.1 %	1.4 %
Weighted average fair value per share	\$ 23.16	\$ 18.04

## 5. Retirement Benefits

The components of net periodic benefit cost for retirement benefit plans were as follows (in thousands):

	Three Months Ended	
	March 29, 2024	March 31, 2023
<b>Pension Benefits</b>		
Service cost	\$ 1,467	\$ 1,464
Interest cost	2,430	3,777
Expected return on assets	(2,444)	(3,975)
Amortization and other	936	440
Net periodic benefit cost	\$ 2,389	\$ 1,706
<b>Postretirement Medical</b>		
Service cost	\$ 100	\$ 100
Interest cost	300	210
Amortization	(25)	90
Net periodic benefit cost	\$ 375	\$ 400

## 6. Shareholders' Equity

Changes in components of accumulated other comprehensive income (loss), net of tax were as follows (in thousands):

	Pension and Post-retirement Medical	Cumulative Translation Adjustment	Total
<b>Three Months Ended March 29, 2024</b>			
Balance, December 29, 2023	\$ (31,012)	\$ (3,983)	\$ (34,995)
Other comprehensive income (loss) before reclassifications	—	(18,706)	(18,706)
Reclassified to pension cost and deferred tax	681	—	681
Balance, March 29, 2024	<u>\$ (30,331)</u>	<u>\$ (22,689)</u>	<u>\$ (53,020)</u>
<b>Three Months Ended March 31, 2023</b>			
Balance, December 30, 2022	\$ (39,734)	\$ (29,644)	\$ (69,378)
Other comprehensive income (loss) before reclassifications	—	4,975	4,975
Reclassified to pension cost and deferred tax	888	—	888
Balance, March 31, 2023	<u>\$ (38,846)</u>	<u>\$ (24,669)</u>	<u>\$ (63,515)</u>

Amounts related to pension and post-retirement medical adjustments are reclassified to non-service components of pension cost that are included within other non-operating expenses.

## 7. Receivables and Credit Losses

Accounts receivable include trade receivables of \$311 million and other receivables of \$11 million as of March 29, 2024 and \$343 million and \$11 million of trade receivables and other receivables, respectively, as of December 29, 2023.

### Allowance for Credit Losses

Following is a summary of activity for credit losses (in thousands):

	Three Months Ended	
	March 29, 2024	March 31, 2023
Balance, beginning	\$ 4,655	\$ 6,130
Additions (reversals) charged to costs and expenses	50	(137)
Deductions from reserves <sup>(1)</sup>	(32)	(1,820)
Other (deductions) additions <sup>(2)</sup>	(80)	59
Balance, ending	<u>\$ 4,593</u>	<u>\$ 4,232</u>

(1) Represents amounts determined to be uncollectible and charged against reserves, net of collections on accounts previously charged against reserves.

(2) Includes effects of foreign currency translation.

## 8. Inventories

Major components of inventories were as follows (in thousands):

	March 29, 2024	December 29, 2023
Finished products and components	\$ 245,527	\$ 221,847
Products and components in various stages of completion	132,715	131,906
Raw materials and purchased components	198,698	202,294
Subtotal	576,940	556,047
Reduction to LIFO cost	(117,822)	(117,698)
Total	<u>\$ 459,118</u>	<u>\$ 438,349</u>

## 9. Intangible Assets

Components of other intangible assets were as follows (dollars in thousands):

	Finite Life			Indefinite Life		Total
	Customer Relationships	Patents and Proprietary Technology	Trademarks, Trade Names and Other	Trade Names		
<b>As of March 29, 2024</b>						
Cost	\$ 191,417	\$ 13,832	\$ 1,300	\$ 62,633	\$ 269,182	
Accumulated amortization	(131,933)	(8,640)	(619)	—	(141,192)	
Foreign currency translation	(8,839)	(368)	—	(933)	(10,140)	
Book value	<u>\$ 50,645</u>	<u>\$ 4,824</u>	<u>\$ 681</u>	<u>\$ 61,700</u>	<u>\$ 117,850</u>	
Weighted average life in years	<u>13</u>	<u>9</u>	<u>6</u>	N/A		
<b>As of December 29, 2023</b>						
Cost	\$ 191,417	\$ 14,174	\$ 1,300	\$ 62,633	\$ 269,524	
Accumulated amortization	(128,248)	(8,547)	(561)	—	(137,356)	
Foreign currency translation	(7,591)	(344)	—	2,025	(5,910)	
Book value	<u>\$ 55,578</u>	<u>\$ 5,283</u>	<u>\$ 739</u>	<u>\$ 64,658</u>	<u>\$ 126,258</u>	
Weighted average life in years	<u>13</u>	<u>9</u>	<u>6</u>	N/A		

Amortization of intangibles for the year to date was \$4.2 million in 2024 and \$4.5 million in 2023. Estimated annual amortization expense based on the current carrying amount of other intangible assets is as follows (in thousands):

	2024 (Remainder)	2025	2026	2027	2028	Thereafter
Estimated Amortization Expense	\$ 12,256	\$ 15,939	\$ 9,090	\$ 6,378	\$ 4,229	\$ 8,258

Changes in the carrying amount of goodwill for each reportable segment were as follows (in thousands):

	Contractor	Industrial	Process	Total
Balance, December 29, 2023	\$ 77,542	\$ 143,132	\$ 149,554	\$ 370,228
Foreign currency translation	(333)	(6,331)	(204)	(6,868)
Balance, March 29, 2024	<u>\$ 77,209</u>	<u>\$ 136,801</u>	<u>\$ 149,350</u>	<u>\$ 363,360</u>

## 10. Other Current Liabilities

Components of other current liabilities were as follows (in thousands):

	March 29, 2024	December 29, 2023
Accrued self-insurance retentions	\$ 8,792	\$ 8,654
Accrued warranty and service liabilities	14,756	15,408
Accrued trade promotions	9,161	14,312
Payable for employee stock purchases	1,730	16,639
Customer advances and deferred revenue	48,480	51,578
Income taxes payable	12,121	9,837
Tax payable, other	14,744	12,289
Right of return refund liability	18,081	17,826
Operating lease liabilities, current	7,785	8,242
Other	24,532	30,574
<b>Total</b>	<b>\$ 160,182</b>	<b>\$ 185,359</b>

A liability is established for estimated future warranty and service claims that relate to current and prior period sales. The Company estimates warranty costs based on historical claim experience and other factors, including evaluating specific product warranty issues. Following is a summary of activity in accrued warranty and service liabilities (in thousands):

Balance, December 29, 2023	\$ 15,408
Charged to expense	2,291
Margin on parts sales reversed	872
Reductions for claims settled	(3,815)
<b>Balance, March 29, 2024</b>	<b>\$ 14,756</b>

### Customer Advances and Deferred Revenue

Revenue is deferred when cash payments are received or due in advance of performance, including amounts which are refundable. This is also the case for services associated with certain product sales. During the three months ended March 29, 2024, we recognized \$28.7 million that was included in deferred revenue at December 29, 2023. During the three months ended March 31, 2023, we recognized \$20.6 million that was included in deferred revenue at December 30, 2022.

## 11. Fair Value

Assets and liabilities measured at fair value on a recurring basis and fair value measurement level were as follows (in thousands):

	Level	March 29, 2024	December 29, 2023
<b>Assets</b>			
Cash surrender value of life insurance	2	\$ 23,634	\$ 22,255
Forward exchange contracts	2	349	—
<b>Total assets at fair value</b>		<b>\$ 23,983</b>	<b>\$ 22,255</b>
<b>Liabilities</b>			
Contingent consideration	3	\$ —	\$ 1,375
Deferred compensation	2	7,016	6,445
Forward exchange contracts	2	—	422
<b>Total liabilities at fair value</b>		<b>\$ 7,016</b>	<b>\$ 8,242</b>

Contracts insuring the lives of certain employees who are eligible to participate in certain non-qualified pension and deferred compensation plans are held in trust. Cash surrender value of the contracts is based on performance measurement funds that shadow the deferral investment allocations made by participants in certain deferred compensation plans. The deferred compensation liability balances are valued based on amounts allocated by participants to the underlying performance measurement funds.

Contingent consideration liabilities represent the estimated value (using a probability-weighted expected return approach) of future payments to be made to previous owners of certain acquired businesses based on future revenues.

The fair value of variable rate borrowings approximates carrying value. The Company uses significant other observable inputs to estimate fair value (level 2 of the fair value hierarchy) based on the present value of future cash flows and rates that would be available for issuance of debt with similar terms and remaining maturities.

## Item 2. GRACO INC. AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Overview

The Company supplies technology and expertise for the management of fluids and coatings in both industrial and commercial applications. It designs, manufactures and markets systems and equipment to move, measure, control, dispense and spray fluid and coating materials. Management classifies the Company's business into three reportable segments: Contractor, Industrial and Process. Key strategies include developing and marketing new products, leveraging products and technologies into additional, growing end-user markets, expanding distribution globally and completing strategic acquisitions that provide additional channel and technologies.

The following Management's Discussion and Analysis reviews significant factors affecting the Company's results of operations and financial condition. This discussion should be read in conjunction with the financial statements and the accompanying notes to the financial statements.

#### Consolidated Results

A summary of financial results follows (in millions except per share amounts):

	Three Months Ended		
	Mar 29, 2024	Mar 31, 2023	% Change
Net Sales	\$ 492.2	\$ 529.6	(7)%
Operating Earnings	133.0	156.7	(15)%
Net Earnings	122.2	129.2	(5)%
Net Earnings, adjusted <sup>(1)</sup>	112.6	126.6	(11)%
Diluted Net Earnings per Common Share	\$ 0.71	\$ 0.75	(5)%
Diluted Net Earnings per Common Share, adjusted <sup>(1)</sup>	\$ 0.65	\$ 0.74	(12)%

(1) See below for a reconciliation of adjusted non-GAAP financial measures to GAAP.

Net sales for the quarter decreased 7 percent from the comparable period last year, with decreases in all segments. Regionally, sales decreased in the Americas and Asia Pacific and were up modestly in EMEA.

Operating earnings for the quarter decreased 15 percent compared to last year, as an improved gross profit margin rate was unable to offset lower sales volume and higher operating expenses.

Net earnings decreased 5 percent for the quarter from the comparable period last year, as increased interest income and lower interest expense softened the decrease in operating earnings. On an adjusted basis, net earnings decreased 11 percent.

Excluding the impacts of excess tax benefits from stock option exercises presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP adjusted measurements of income taxes, effective income tax rate, net earnings and diluted earnings per share follows (in millions except per share amounts):

	Three Months Ended	
	March 29, 2024	March 31, 2023
Earnings before income taxes	\$ 140.3	\$ 157.4
Income taxes, as reported	\$ 18.1	\$ 28.2
Excess tax benefit from option exercises	9.6	2.6
Income taxes, adjusted	\$ 27.7	\$ 30.8
Effective income tax rate		
As reported	12.9 %	17.9 %
Adjusted	19.8 %	19.5 %
Net Earnings, as reported	\$ 122.2	\$ 129.2
Excess tax benefit from option exercises	(9.6)	(2.6)
Net Earnings, adjusted	\$ 112.6	\$ 126.6
Weighted Average Diluted Shares	172.4	171.7
Diluted Earnings per Share		
As reported	\$ 0.71	\$ 0.75
Adjusted	\$ 0.65	\$ 0.74

The following table presents an overview of components of net earnings as a percentage of net sales:

	Three Months Ended	
	March 29, 2024	March 31, 2023
Net Sales	100.0 %	100.0 %
Cost of products sold	45.9	46.2
Gross Profit	54.1	53.8
Product development	4.4	3.9
Selling, marketing and distribution	13.5	12.3
General and administrative	9.1	8.0
Operating Earnings	27.1	29.6
Interest expense	0.2	0.3
Other (income) expense, net	(1.6)	(0.4)
Earnings Before Income Taxes	28.5	29.7
Income taxes	3.7	5.3
Net Earnings	24.8 %	24.4 %

### Net Sales

The following table presents net sales by geographic region (in millions):

	Three Months Ended	
	March 29, 2024	March 31, 2023
Americas <sup>(1)</sup>	\$ 306.5	\$ 331.9
EMEA <sup>(2)</sup>	111.1	108.8
Asia Pacific	74.6	88.9
Consolidated	\$ 492.2	\$ 529.6

(1) North, South and Central America, including the United States

(2) Europe, Middle East and Africa

The following table presents the components of net sales change by geographic region:

	Three Months			
	Volume and Price	Acquisitions	Currency	Total
Americas	(8)%	0%	0%	(8)%
EMEA	0%	0%	2%	2%
Asia Pacific	(14)%	0%	(2)%	(16)%
Consolidated	(7)%	0%	0%	(7)%

### Gross Profit

Gross profit margin rate for the quarter improved slightly from the comparable period last year. The favorable effect of realized price increases more than offset unfavorable product and channel mix.

### Operating Expenses

Total operating expenses for the quarter increased \$5 million (4 percent) compared to last year, including approximately \$3 million (2 percentage points) of increased unallocated corporate operating expense (mostly from incremental share-based compensation) and \$1 million (1 percentage point) of increases in product development spending.

### Other (Income) Expense

Other income for the quarter increased \$6 million from the comparable period last year, largely due to increased interest income of approximately \$4 million.

### Income Taxes

The effective income tax rate was 13 percent, down approximately 5 percentage points from last year. The decrease was due primarily to an increase in excess tax benefits related to stock option exercises.

### Segment Results

Certain measurements of segment operations compared to last year are summarized below:

#### Contractor Segment

The following table presents net sales and operating earnings as a percentage of sales for the Contractor segment (dollars in millions):

	Three Months Ended	
	March 29, 2024	March 31, 2023
<b>Net Sales</b>		
Americas	\$ 165.5	\$ 184.1
EMEA	46.4	42.1
Asia Pacific	18.1	19.7
<b>Total</b>	<b>\$ 230.0</b>	<b>\$ 245.9</b>
Operating earnings as a percentage of net sales	29 %	30 %

The following table presents the components of net sales change by geographic region for the Contractor segment:

	Three Months			
	Volume and Price	Acquisitions	Currency	Total
Americas	(10)%	0%	0%	(10)%
EMEA	9%	0%	1%	10%
Asia Pacific	(4)%	0%	(4)%	(8)%
Segment Total	(6)%	0%	0%	(6)%

Continued weakness in North American construction markets led to a 6 percent decrease in sales for the quarter compared to last year. Unfavorable product and channel mix and increased spending related to product development resulted in a 1 percentage point decrease in the operating margin rate for the quarter. Improved price realization and lower product costs were unable to offset the decline in the operating margin rate.

#### Industrial Segment

The following table presents net sales and operating earnings as a percentage of sales for the Industrial segment (dollars in millions):

	Three Months Ended	
	March 29, 2024	March 31, 2023
<b>Net Sales</b>		
Americas	\$ 61.6	\$ 63.3
EMEA	47.2	48.1
Asia Pacific	33.2	38.8
<b>Total</b>	<b>\$ 142.0</b>	<b>\$ 150.2</b>
Operating earnings as a percentage of net sales	32 %	35 %

The following table presents the components of net sales change by geographic region for the Industrial segment:

	Three Months			
	Volume and Price	Acquisitions	Currency	Total
Americas	(3)%	0%	0%	(3)%
EMEA	(4)%	0%	2%	(2)%
Asia Pacific	(12)%	0%	(3)%	(15)%
<b>Segment Total</b>	<b>(5)%</b>	<b>0%</b>	<b>0%</b>	<b>(5)%</b>

Industrial segment sales decreased in all regions for the quarter from the comparable period last year, including a double-digit decrease in Asia Pacific, where economic activity weakened compared to last year. The decline was partially offset by an increase in powder finishing system sales in the Americas. The first quarter operating margin rate for this segment decreased 3 percentage points compared to last year, mainly due to the unfavorable effects of product and channel mix and expense leverage.

#### Process Segment

The following table presents net sales and operating earnings as a percentage of sales for the Process segment (dollars in millions):

	Three Months Ended	
	March 29, 2024	March 31, 2023
<b>Net Sales</b>		
Americas	\$ 79.4	\$ 84.5
EMEA	17.5	18.6
Asia Pacific	23.3	30.4
<b>Total</b>	<b>\$ 120.2</b>	<b>\$ 133.5</b>
Operating earnings as a percentage of net sales	29 %	30 %

The following table presents the components of net sales change by geographic region for the Process segment:

	Three Months			
	Volume and Price	Acquisitions	Currency	Total
Americas	(6)%	0%	0%	(6)%
EMEA	(8)%	0%	2%	(6)%
Asia Pacific	(22)%	0%	(1)%	(23)%
<b>Segment Total</b>	<b>(10)%</b>	<b>0%</b>	<b>0%</b>	<b>(10)%</b>

Process segment sales decreased in all regions for the quarter compared to last year primarily due to weakness in the semiconductor product application. The operating margin rate for this segment decreased approximately 1 percentage point in the quarter from the comparable period last year as price realization was more than offset by unfavorable expense leverage on lower sales volume.

### **Liquidity and Capital Resources**

Net cash provided by operating activities totaled \$119 million in the first quarter of 2024 compared to \$91 million in 2023. Decreases in accounts receivable, reflective of a decline in business activity in 2024, drove most of the increase. Significant uses of cash in the first quarter of 2024 included plant and equipment additions of \$37 million and dividend payments of \$43 million. Net proceeds from shares issued totaled \$41 million.

For the first three months of 2023, significant uses of cash included plant and equipment additions of \$38 million and dividend payments of \$39 million. Net proceeds from shares issued totaled \$30 million, which was partially offset by share repurchases of \$8 million.

As of March 29, 2024, the Company had available liquidity of \$1,398 million, including cash and cash equivalents of \$623 million, of which \$167 million was held outside of the U.S., and available credit under existing committed credit facilities of \$775 million.

Cash balances and unused financing sources are expected to provide the Company with the flexibility to meet its liquidity needs for the next 12 months and beyond, including its capital expenditure plan, planned dividends, share repurchases, acquisitions and operating requirements. Capital expenditures for 2024 are expected to be approximately \$120 million, including \$70 million in facility expansion projects. The Company may make opportunistic share repurchases going forward.

### **Outlook**

The Company continues to target low single-digit sales growth for 2024 on an organic constant-currency basis.

### **Cautionary Statement Regarding Forward-Looking Statements**

The Company desires to take advantage of the “safe harbor” provisions regarding forward-looking statements of the Private Securities Litigation Reform Act of 1995 and is filing this Cautionary Statement in order to do so. From time to time various forms filed by our Company with the Securities and Exchange Commission, including our Form 10-K, Form 10-Qs and Form 8-Ks, and other disclosures, including our 2023 Overview report, press releases, earnings releases, analyst briefings, conference calls and other written documents or oral statements released by our Company, may contain forward-looking statements. Forward-looking statements generally use words such as “expect,” “foresee,” “anticipate,” “believe,” “project,” “should,” “estimate,” “will,” and similar expressions, and reflect our Company’s expectations concerning the future. All forecasts and projections are forward-looking statements. Forward-looking statements are based upon currently available information, but various risks and uncertainties may cause our Company’s actual results to differ materially from those expressed in these statements. The Company undertakes no obligation to update these statements in light of new information or future events.

Future results could differ materially from those expressed, due to the impact of changes in various factors. These risk factors include, but are not limited to, risks relating to the demand for our products and the level of commercial and industrial activity worldwide; changes in currency translation rates; Russia’s invasion of Ukraine and other political instability; interest rate fluctuations and changes in credit markets; global sourcing of materials; interruptions of or intrusions into our information systems; intellectual property rights; the use of generative artificial intelligence; conducting business internationally; catastrophic events; our ability to attract, develop and retain qualified personnel; public health crises; our growth strategies and acquisitions; potential goodwill impairment; our ability to compete effectively; our dependence on a few large customers; our dependence on cyclical industries; changes in laws and regulations; climate-related laws, regulations and accords; environmental, social and governance-related expectations and requirements; compliance with anti-corruption and trade laws; changes in tax rates or the adoption of new tax legislation; and costs associated with legal proceedings. Please refer to Item 1A of our Annual Report on Form 10-K for fiscal year 2023 and Item 1A of this Form 10-Q for a more comprehensive discussion of these and other risk factors. These reports are available on the Company’s website at [www.graco.com](http://www.graco.com) and the Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov). Shareholders, potential investors and other readers are urged to consider these factors in evaluating forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

Investors should realize that factors other than those identified above and in Item 1A might prove important to the Company's future results. It is not possible for management to identify each and every factor that may have an impact on the Company's operations in the future as new factors can develop from time to time.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes related to market risk from the disclosures made in the Company's 2023 Annual Report on Form 10-K.

### **Item 4. Controls and Procedures**

#### **Evaluation of disclosure controls and procedures**

As of the end of the fiscal quarter covered by this report, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures. This evaluation was done under the supervision and with the participation of the Company's President and Chief Executive Officer and the Chief Financial Officer and Treasurer. Based upon that evaluation, the Company's President and Chief Executive Officer and the Chief Financial Officer and Treasurer concluded that the Company's disclosure controls and procedures are effective.

#### **Changes in internal controls**

During the quarter, there was no change in the Company's internal control over financial reporting that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

## **PART II    OTHER INFORMATION**

### **Item 1A.    Risk Factors**

There have been no material changes to the Company's risk factors from those disclosed in the Company's 2023 Annual Report on Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Issuer Purchases of Equity Securities

On December 7, 2018, the Board of Directors authorized the purchase of up to 18 million shares of common stock, primarily through open market transactions. The authorization is for an indefinite period of time or until terminated by the Board.

In addition to shares purchased under the Board authorization, the Company purchases shares of common stock held by employees who wish to tender owned shares to satisfy the exercise price or tax due upon exercise of options or vesting of restricted stock.

Information on issuer purchases of equity securities follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (at end of period)
December 30, 2023 - January 26, 2024	—	\$ —	—	13,549,640
January 27, 2024 - February 23, 2024	—	\$ —	—	13,549,640
February 24, 2024 - March 29, 2024	—	\$ —	—	13,549,640

## **Item 5. Other Information**

During the three months ended March 29, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

## Item 6. Exhibits

- 3.1 Restated Articles of Incorporation as amended December 8, 2017. ([Incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K filed December 8, 2017.](#))
- 3.2 Restated Bylaws as amended February 17, 2023. ([Incorporated by reference to Exhibit 3.2 to the Company's 2022 Annual Report on Form 10-K.](#))
- [31.1](#) Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a).
- [31.2](#) Certification of Chief Financial Officer and Treasurer pursuant to Rule 13a-14(a).
- [32](#) Certification of President and Chief Executive Officer and Chief Financial Officer and Treasurer pursuant to Section 1350 of Title 18, U.S.C.
- [99.1](#) Press Release Reporting First Quarter Earnings dated April 24, 2024.
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T formatted in iXBRL (Inline eXtensible Business Reporting Language).
- 104 Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### GRACO INC.

Date: April 24, 2024 By: /s/ Mark W. Sheahan  
Mark W. Sheahan  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: April 24, 2024 By: /s/ David M. Lowe  
David M. Lowe  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)

Date: April 24, 2024 By: /s/ Christopher D. Knutson  
Christopher D. Knutson  
Executive Vice President, Corporate Controller  
(Principal Accounting Officer)

**CERTIFICATION**

I, Mark W. Sheahan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Graco Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 24, 2024

/s/ Mark W. Sheahan  
Mark W. Sheahan  
President and Chief Executive Officer

**CERTIFICATION**

I, David M. Lowe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Graco Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 24, 2024

/s/ David M. Lowe  
David M. Lowe  
Chief Financial Officer and Treasurer

CERTIFICATION UNDER SECTION 1350

Pursuant to Section 1350 of Title 18 of the United States Code, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Graco Inc.

Date: April 24, 2024

/s/ Mark W. Sheahan  
Mark W. Sheahan  
President and Chief Executive Officer

Date: April 24, 2024

/s/ David M. Lowe  
David M. Lowe  
Chief Financial Officer and Treasurer



# News Release

**FOR IMMEDIATE RELEASE:**

Wednesday, April 24, 2024

**FOR FURTHER INFORMATION:**

Financial Contact: David Lowe, 612-623-6456  
Media Contact: Meredith Sobieck, 612-623-6427  
[Meredith\\_A\\_Sobieck@graco.com](mailto:Meredith_A_Sobieck@graco.com)

## Graco Reports First Quarter Results

**MINNEAPOLIS (April 24, 2024)** – Graco Inc. (NYSE: GGG) today announced results for the first quarter ended March 29, 2024.

### Summary

\$ in millions except per share amounts

	Three Months Ended		
	Mar 29, 2024	Mar 31, 2023	% Change
Net Sales	\$ 492.2	\$ 529.6	(7) %
Operating Earnings	133.0	156.7	(15) %
Net Earnings	122.2	129.2	(5) %
Diluted Net Earnings per Common Share	\$ 0.71	\$ 0.75	(5) %
Adjusted (non-GAAP): <sup>(1)</sup>			
Net Earnings, adjusted	\$ 112.6	\$ 126.6	(11) %
Diluted Net Earnings per Common Share, adjusted	\$ 0.65	\$ 0.74	(12) %

(1) Excludes the impact of excess tax benefits from stock option exercises. See Financial Results Adjusted for Comparability below for a reconciliation of adjusted non-GAAP financial measures to GAAP.

- Net sales decreased 7 percent, with decreases in all segments. Regionally, sales decreased in the Americas and Asia Pacific and were up modestly in EMEA.
- Operating earnings decreased 15 percent, as an improved gross profit margin rate was unable to offset lower sales volume and higher operating expenses.
- Net earnings decreased 5 percent as increased interest income and lower interest expense softened the decrease in operating earnings. On an adjusted basis, net earnings decreased 11 percent.

"Sales were down in all segments and regions for the first quarter, with the exception of EMEA Contractor," said Mark Sheahan, Graco's President and CEO. "The quarter was weaker than expected, which creates a challenging start to the year. Gross margins improved slightly, however lower sales volume negatively impacted operating earnings in the quarter."

### Consolidated Results

Net sales for the first quarter decreased 7 percent from the comparable period last year. Sales decreased 8 percent in the Americas, increased 2 percent in EMEA (sales were flat at consistent translation rates) and decreased 16 percent in Asia Pacific (14 percent at consistent translation rates).

Gross profit margin rate for the quarter improved slightly from the comparable period last year. The favorable effect of realized price increases more than offset unfavorable product and channel mix.

Total operating expenses for the quarter increased \$5 million (4 percent) compared to last year, including approximately \$3 million (2 percentage points) of increased unallocated corporate operating expense (mostly from incremental share-based compensation) and \$1 million (1 percentage point) of increases in product development spending.

Other income for the quarter increased \$6 million from the comparable period last year, largely due to increased interest income of approximately \$4 million.

The effective income tax rate was 13 percent, down approximately 5 percentage points from last year. The decrease was due primarily to an increase in excess tax benefits related to stock option exercises.

### Segment Results

Management assesses performance of segments by reference to operating earnings excluding unallocated corporate expenses. For a reconciliation of segment operating earnings to consolidated operating earnings, refer to the segment information table included in the financial statement section of this release. Certain measurements of segment operations are summarized below:

	Three Months		
	Contractor	Industrial	Process
Net Sales (in millions)	\$ 230.0	\$ 142.0	\$ 120.2
Percentage change from last year			
Sales	(6)%	(5)%	(10)%
Operating earnings	(10)%	(15)%	(14)%
Operating earnings as a percentage of sales			
2024	29 %	32 %	29 %
2023	30 %	35 %	30 %

Components of net sales change by geographic region for the Contractor segment were as follows:

	Three Months			
	Volume and Price	Acquisitions	Currency	Total
Americas	(10)%	0%	0%	(10)%
EMEA	9%	0%	1%	10%
Asia Pacific	(4)%	0%	(4)%	(8)%
Consolidated	(6)%	0%	0%	(6)%

Continued weakness in North American construction markets led to a 6 percent decrease in sales for the quarter. Unfavorable product and channel mix and increased spending related to product development resulted in a 1 percentage point decrease in the operating margin rate for the quarter. Improved price realization and lower product costs were unable to offset the decline in the operating margin rate.

Components of net sales change by geographic region for the Industrial segment were as follows:

	Three Months			
	Volume and Price	Acquisitions	Currency	Total
Americas	(3)%	0%	0%	(3)%
EMEA	(4)%	0%	2%	(2)%
Asia Pacific	(12)%	0%	(3)%	(15)%
Consolidated	(5)%	0%	0%	(5)%

Industrial segment sales decreased in all regions for the quarter, including a double-digit decrease in Asia Pacific, where economic activity weakened compared to last year. The decline was partially offset by an increase in powder finishing system sales in the Americas. The first quarter operating margin rate for this segment decreased 3 percentage points, mainly due to the unfavorable effects of product and channel mix and expense leverage.

Components of net sales change by geographic region for the Process segment were as follows:

	Three Months			
	Volume and Price	Acquisitions	Currency	Total
Americas	(6)%	0%	0%	(6)%
EMEA	(8)%	0%	2%	(6)%
Asia Pacific	(22)%	0%	(1)%	(23)%
Consolidated	(10)%	0%	0%	(10)%

Process segment sales decreased in all regions for the quarter primarily due to weakness in the semiconductor product application. The operating margin rate for this segment decreased approximately 1 percentage point as price realization was more than offset by unfavorable expense leverage on lower sales volume.

## Outlook

"Despite the slow start to the year, incoming order rates gained momentum as the quarter progressed. Improved order rates together with exciting new products scheduled to launch in the second quarter support our outlook for the year," said Sheahan. "We are reaffirming our full-year revenue guidance of low single-digit growth on an organic, constant currency basis."

**Financial Results Adjusted for Comparability**

Excluding the impacts of excess tax benefits from stock option exercises presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP adjusted measurements of income taxes, effective income tax rate, net earnings and diluted earnings per share follows (in millions except per share amounts):

	Three Months Ended	
	Mar 29, 2024	Mar 31, 2023
Earnings before income taxes	\$ 140.3	\$ 157.4
Income taxes, as reported	\$ 18.1	\$ 28.2
Excess tax benefit from option exercises	9.6	2.6
Income taxes, adjusted	\$ 27.7	\$ 30.8
Effective income tax rate		
As reported	12.9 %	17.9 %
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Weighted Average Diluted Shares	172.4	171.7
Diluted Earnings per Share		
As reported	\$ 0.71	\$ 0.75
Adjusted	\$ 0.65	\$ 0.74

## Cautionary Statement Regarding Forward-Looking Statements

The Company desires to take advantage of the “safe harbor” provisions regarding forward-looking statements of the Private Securities Litigation Reform Act of 1995 and is filing this Cautionary Statement in order to do so. From time to time various forms filed by our Company with the Securities and Exchange Commission, including our Form 10-K, Form 10-Qs and Form 8-Ks, and other disclosures, including our 2023 Overview report, press releases, earnings releases, analyst briefings, conference calls and other written documents or oral statements released by our Company, may contain forward-looking statements. Forward-looking statements generally use words such as “expect,” “foresee,” “anticipate,” “believe,” “project,” “should,” “estimate,” “will,” and similar expressions, and reflect our Company’s expectations concerning the future. All forecasts and projections are forward-looking statements. Forward-looking statements are based upon currently available information, but various risks and uncertainties may cause our Company’s actual results to differ materially from those expressed in these statements. The Company undertakes no obligation to update these statements in light of new information or future events.

Future results could differ materially from those expressed, due to the impact of changes in various factors. These risk factors include, but are not limited to, risks relating to the demand for our products and the level of commercial and industrial activity worldwide; changes in currency translation rates; Russia’s invasion of Ukraine and other political instability; interest rate fluctuations and changes in credit markets; global sourcing of materials; interruptions of or intrusions into our information systems; intellectual property rights; the use of generative artificial intelligence; conducting business internationally; catastrophic events; our ability to attract, develop and retain qualified personnel; public health crises; our growth strategies and acquisitions; potential goodwill impairment; our ability to compete effectively; our dependence on a few large customers; our dependence on cyclical industries; changes in laws and regulations; climate-related laws, regulations and accords; environmental, social and governance-related expectations and requirements; compliance with anti-corruption and trade laws; changes in tax rates or the adoption of new tax legislation; and costs associated with legal proceedings. Please refer to Item 1A of our Annual Report on Form 10-K for fiscal year 2023 (and the most recent Form 10-Q) for a more comprehensive discussion of these and other risk factors. These reports are available on the Company’s website at [www.graco.com](http://www.graco.com) and the Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov). Shareholders, potential investors and other readers are urged to consider these factors in evaluating forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

Investors should realize that factors other than those identified above and in Item 1A of our Annual Report on Form 10-K for fiscal year 2023 might prove important to the Company’s future results. It is not possible for management to identify each and every factor that may have an impact on the Company’s operations in the future as new factors can develop from time to time.

## Conference Call

Graco management will hold a conference call, including slides via webcast, with analysts and institutional investors on Thursday, April 25, 2024, at 11 a.m. ET, 10 a.m. CT, to discuss Graco’s first quarter results.

A real-time listen-only webcast of the conference call will be broadcast by Nasdaq. Individuals can access the call and view the slides on the Company’s website at [www.graco.com](http://www.graco.com). Listeners should go to the website at least 15 minutes prior to the live conference call to install any necessary audio software.

## About Graco

Graco Inc. supplies technology and expertise for the management of fluids and coatings in both industrial and commercial applications. It designs, manufactures and markets systems and equipment to move, measure, control, dispense and spray fluid and powder materials. A recognized leader in its specialties, Minneapolis-based Graco serves customers around the world in the manufacturing, processing, construction and maintenance industries. For additional information about Graco Inc., please visit us at [www.graco.com](http://www.graco.com).

**GRACO INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)**  
(In thousands except per share amounts)

	Three Months Ended	
	Mar 29, 2024	Mar 31, 2023
Net Sales	\$ 492,189	\$ 529,646
Cost of products sold	225,992	244,506
Gross Profit	266,197	285,140
Product development	21,872	20,479
Selling, marketing and distribution	66,631	65,383
General and administrative	44,698	42,610
Operating Earnings	132,996	156,668
Interest expense	744	1,347
Other (income) expense, net	(8,078)	(2,029)
Earnings Before Income Taxes	140,330	157,350
Income taxes	18,131	28,184
Net Earnings	\$ 122,199	\$ 129,166
Net Earnings per Common Share		
Basic	\$ 0.73	\$ 0.77
Diluted	\$ 0.71	\$ 0.75
Weighted Average Number of Shares		
Basic	168,490	168,018
Diluted	172,446	171,676

**SEGMENT INFORMATION (Unaudited)**  
(In thousands)

	Three Months Ended	
	Mar 29, 2024	Mar 31, 2023
Net Sales		
Contractor	\$ 230,042	\$ 245,971
Industrial	141,991	150,190
Process	120,156	133,485
Total	\$ 492,189	\$ 529,646
Operating Earnings		
Contractor	\$ 66,141	\$ 73,772
Industrial	44,801	52,770
Process	35,040	40,565
Unallocated corporate (expense)	(12,986)	(10,439)
Total	\$ 132,996	\$ 156,668