Investor Presentation

Fourth Quarter & Year-End 2019

Safe Harbor

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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.

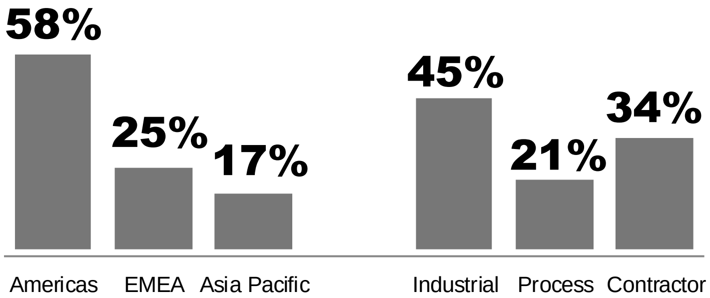
Factors that could cause actual results to differ from anticipated results are identified in Part 1, Item 1A of the Company's Form 10-K, and the current Quarterly Report on Form 10-Q.

Distribution of Global Sales

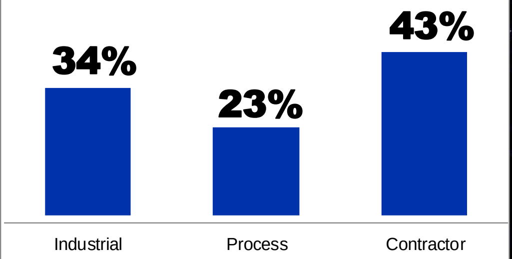
Worldwide

$1,646 M

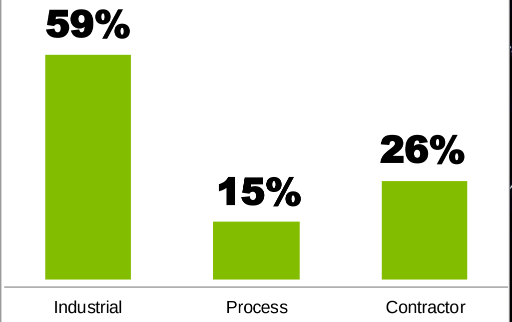
Full Year 2019



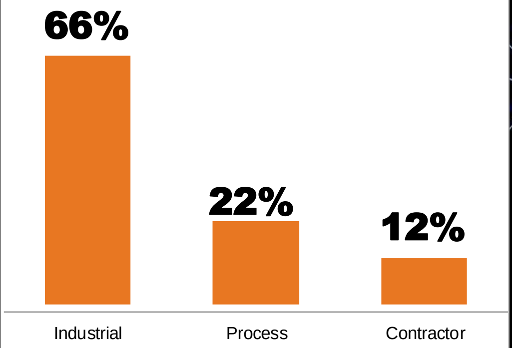
Americas



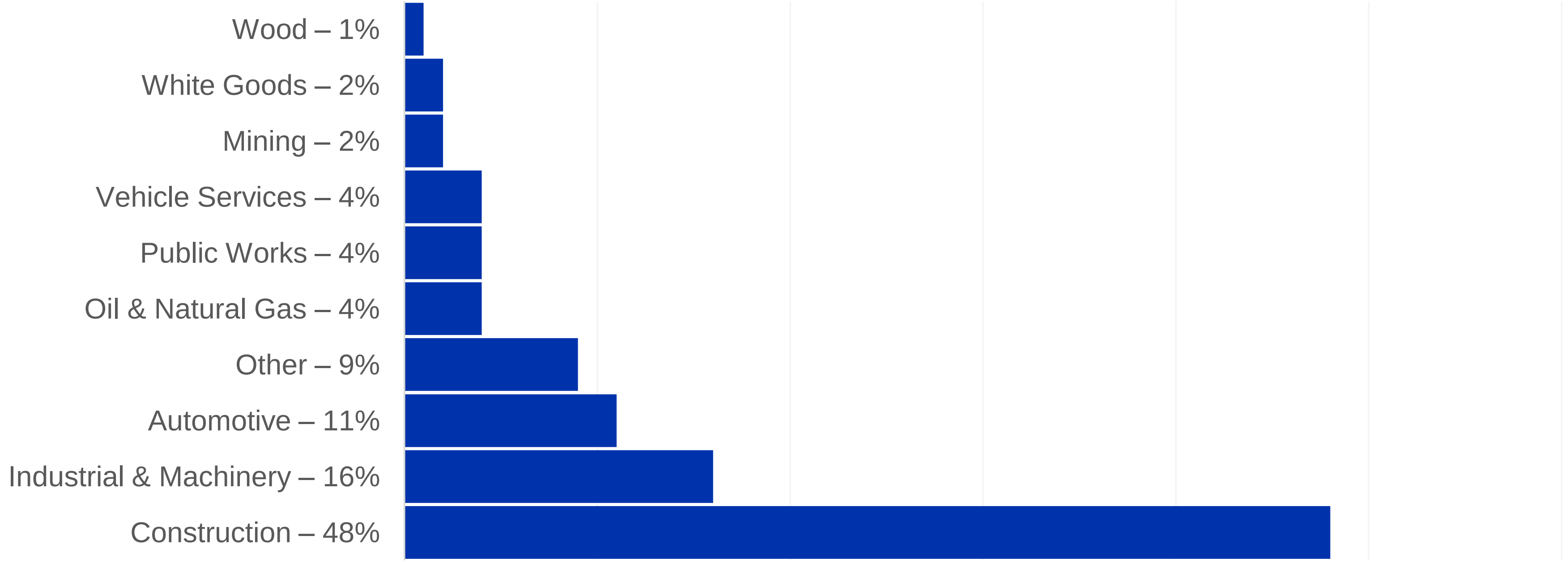
EMEA



Asia Pacific



2019 Sales by End Market



Company Overview

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- Part of Your Everyday Life
- Diversified Fluid Handling Business
- Driving Value, Customer ROI
- Strategic Initiatives
- Organically Driven, with Exceptional Returns

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

5.5%+

Organic Revenue CAGR*

~40%

Of revenue is parts & accessories

*20-year average, constant currency

High Customer Value, Strong Product Differentiation

Low Volume, High Mix Delivers Customer ROI

Average Number of Units Sold Per Day	No. of SKUs		2019 Sales ($ in millions)	
0 - 1	63,700	93%	$ 846	51%
2 - 5	2,800	4%	$ 258	16%
6 - 10	800	1%	$ 126	8%
11 - 15	300	0%	$ 51	3%
Greater than 15	800	1%	$ 365	22%
Graco 2019	**68,400**		**$1,646**	

Highly-valued products at low volumes

51%

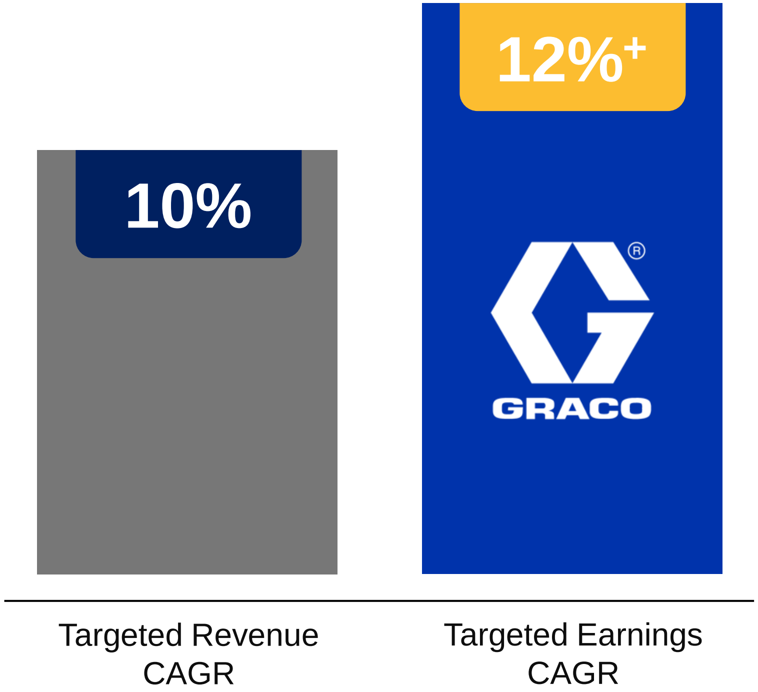
of our revenue comes from products that we sell

zero to one per day

Growth Plans and Earnings Drivers

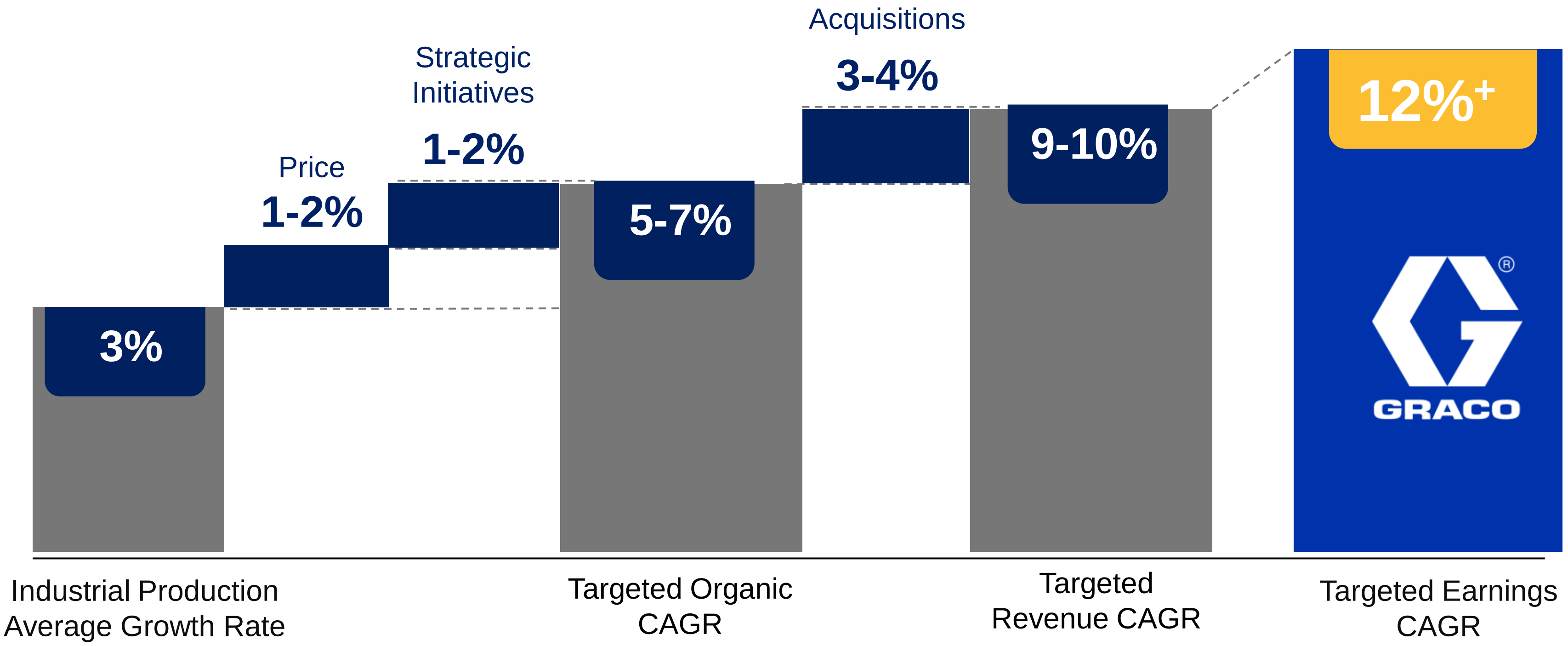
Strategic Initiatives

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



Through a cycle

Growth Plans and Earnings Drivers



Through a cycle

Exceptional Returns

5.5%+
Organic Revenue CAGR

30%
Return on Invested Capital

44%
Return on Equity

20%
Return on Assets

Based on a 20-year average, constant currency

GRACO

Business Model

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

GRACO

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

2.5x*

our peer group

4.3%*

as a percent of sales

versus peers at 1.6%

* Peers: ITW, CSL, DOV, CFX, IEX, NDSN, WTS, FLS, based on a 5-year average, 2014-2018.

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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

96%+

In-stock service level
(goal is > 92%)

A+ SERVICE
to every customer, every time

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

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

Industrial

December 2019, 12 Months

$747M
▼ Segment Revenue

-2%
▼ Organic

33.1%
▼ Operating Margin
- 160 basis points

Intelligent Paint Kitchen – Expanded Offering

- Reduces downtime & cuts energy costs
- Controls both electric and pneumatic systems
- Remote monitoring capability
- Scalable – start with pneumatic, upgrade to electric when ready

Industrial

New

Pro Xp™ Electrostatic Guns

- 50 new gun models to meet customers' spraying needs
- Pro Xp waterborne gun reduces equipment costs and improves transfer efficiency
- Improved durability, ease of adjustments, and spray performance

Industrial

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

Process

December 2019, 12 Months

$345M
Segment Revenue

1%
Organic

22.1%
Operating Margin
+180 basis points

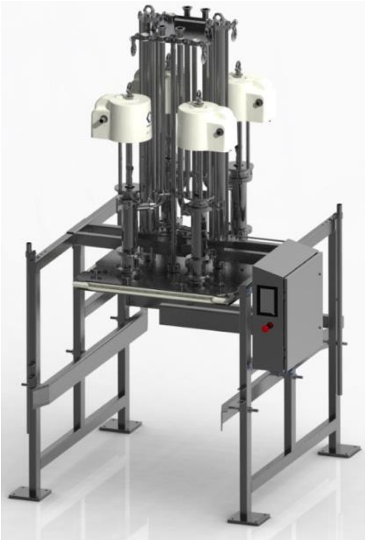
New

Pulse® FC Fluid Control

- Wire-free fluid control
- Simple to use PC software with programmable cards for system set up & operation
- Allows facility owners to authorize all dispenses and collect fluid totals

Process

New



SaniForce® 2.0 – Unloaders

- Saves time and money by pumping difficult materials quickly and safely
- Range handles low to high viscosity materials
- Featuring both manual and automatic controls

Process

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

Contractor

December 2019, 12 Months

$554M
Segment Revenue

5%
Organic

23.2%
Operating Margin
+60 basis points

New

Small to Large Electric Sprayer Upgrade

- Upgraded to include the new Contractor PC™ spray gun
- BlueLink™ system on board most models
- Some models upgraded to include new Vortex™ MaxLife® pumps

Contractor

New

All Day Striping on a Single Charge

LineLazer® & LineDriver® ES

- No engine noise or exhaust fumes
- No engine vibration for crisper lines
- Can be used indoors and outdoors
- Stripe up to 60 gallons on a single charge
- Automatic parking lot layout and skip line patterns

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 21 million shares remaining on repurchase authorization

GRACO

- 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

Gema	EcoQuip	Multimaq Sprayway	Geo-Blaster	Machine Technologies	Hildebrand Technology	Advanjet	SAT SurfaceAluminiumTech
2012	2013	2014	2014	2015	2015	2017	2018

Acquisition

- Process

2013	2014	2015	2015	2016	2019
QED	ALCO VALVES GROUP	WHITE KNIGHT® ....engineer approved™	HiP High Pressure Equipment A GRACO® Company	LANDTEC® Geotech	HEATEFLEX® Ultra-Pure Heating Solutions IMTEC

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Financial Results

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Financial Performance 2019

-0%	52.2%	+2%	+1%
Revenue	Gross Margin	EPS	Net Income

(As Reported)

GRACO

Financial Results

Statement of Earnings	Fourth Quarter			Full Year		
$ in millions except per share amounts	2019	2018	Change	2019	2018	Change
Sales	$ 412	$ 406	1 %	$ 1,646	$ 1,653	0 %
Gross Profit	209	209	0 %	860	883	(3)%
% of Sales	50.8 %	51.4 %	(0.6) pts	52.2 %	53.4 %	(1.2) pts
Operating Earnings	104	97	8 %	424	436	(3)%
% of Sales	25.3 %	23.8 %	1.5 pts	25.8 %	26.4 %	(0.6) pts
Net Earnings	$ 85	$ 74	15 %	$ 344	$ 341	1 %
% of Sales	20.6 %	18.1 %	2.5 pts	20.9 %	20.6 %	0.3 pts
Diluted Earnings Per Share	$ 0.49	$ 0.43	14 %	$ 2.00	$ 1.97	2 %
Diluted Shares in Millions	*171.8*	*170.9*		*171.6*	*173.2*	
Net Earnings, Adjusted (1)	$ 82	$ 73	12 %	$ 325	$ 326	0 %
Diluted Earnings Per Share, Adjusted (1)	$ 0.48	$ 0.43	12 %	$ 1.90	$ 1.88	1 %

(1) Net earnings and diluted earnings per share for 2019 and 2018 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

Excess tax benefit related to stock option exercises and certain tax provision adjustments reduced the Company's income taxes. Excluding the impact of these items presents a more consistent basis for comparison of financial results. A calculation of the non-GAAP measurements of adjusted income taxes, effective tax rates, net earnings and diluted earnings per share follows:

$ in millions except per share amounts	Fourth Quarter 2019	Fourth Quarter 2018	Change	Year-to-Date 2019	Year-to-Date 2018	Change
Income taxes, as reported	$ 15.7	$ 16.3	(4)%	$ 62.0	$ 69.7	(11)%
Excess tax benefit from option exercises	2.3	0.2		10.4	10.0	
Other non-recurring tax benefit	0.5	-		8.1	5.0	
Income taxes, adjusted	$ 18.5	$ 16.5	12 %	$ 80.5	$ 84.7	(5)%
Effective income tax rate						
As reported	15.6%	18.1%		15.3%	17.0%	
Adjusted	18.5%	18.4%		19.8%	20.6%	
Net earnings, as reported	$ 84.8	$ 73.7	15 %	$ 343.9	$ 341.1	1 %
Excess tax benefit from option exercises	(2.3)	(0.2)		(10.4)	(10.0)	
Other non-recurring tax benefit	(0.5)	-		(8.1)	(5.0)	
Net earnings, adjusted	$ 82.0	$ 73.5	12 %	$ 325.4	$ 326.1	0 %
Weighted Average Diluted Shares, in millions	171.8	170.9		171.6	173.2	
Diluted Earnings per Share						
As reported	$ 0.49	$ 0.43	14 %	$ 2.00	$ 1.97	2 %
Adjusted	$ 0.48	$ 0.43	12 %	$ 1.90	$ 1.88	1 %

Fourth Quarter 2019 Results

Sales	▸ Sales increase of 1% in the quarter, up 2% at consistent currency rates ▪ Acquired businesses sales of $4 million account for 1 percentage point of growth
Gross Margin	▸ Rate down 0.6 percentage point from fourth quarter 2018 ▪ Unfavorable factory volume and unfavorable channel and product mix negatively impacting gross margin rate. Realized pricing offset the adverse impact of higher material costs, including tariffs ▪ Unfavorable currency translation rates
Operating Earnings	▸ Increased $7½ million, or 8%, from fourth quarter 2018 ▪ Reductions in volume and earnings-based expenses more than offset increases in product development expenses
Other Expense	▸ Decreased $2 million from fourth quarter 2018 ▪ Gains on investments used to fund certain pension liabilities
Taxes	▸ The effective tax rate for the quarter was 16%, down 2 percentage points from fourth quarter last year ▪ Decrease due primarily to higher excess tax benefits related to stock option exercises

2019 Results

Sales	▸ Sales decreased slightly from 2018, up 1 percent at consistent currency rates ▪ Acquired businesses had no significant impact
Gross Margin	▸ Rate down 1.2 percentage points from 2018 ▪ Unfavorable factory volume and unfavorable channel and product mix negatively impacting gross margin rate. Realized pricing offset the adverse impact of higher material costs, including tariffs ▪ Unfavorable effect of currency translation
Operating Earnings	▸ Decreased $12 million, or 3%, from 2018 ▪ Currency translation rates decreased operating earnings by approximately $15 million ▪ Reductions in volume and earnings-based expenses more than offset increases in operating expenses, primarily product development
Other Expense	▸ Decreased $6 million ▪ Driven by gains on investments used to fund certain pension liabilities and lower exchange losses on net assets of foreign operations
Taxes	▸ The effective tax rate for the year was 15%, down 2 percentage points from last year ▪ Decrease due to a tax rate change in a foreign subsidiary and related revaluation of deferred taxes as well as an increase in non-recurring tax benefits from other tax planning activities

Financial Results

Components of Net Sales Change

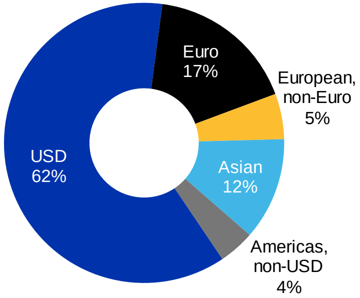
Fourth Quarter December 2019

	Segment			Region			
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	Consolidated
Volume and Price	(1)%	(4)%	9 %	4 %	12 %	(19)%	1 %
Acquisitions	0 %	5 %	0 %	0 %	2 %	3 %	1 %
Currency	(1)%	0 %	(1)%	0 %	(3)%	(1)%	(1)%
Total	(2)%	1 %	8 %	4 %	11 %	(17)%	1 %

Full Year December 2019

	Segment			Region			
	Industrial	Process	Contractor	Americas	EMEA	Asia Pacific	Consolidated
Volume and Price	(2)%	1 %	5 %	4 %	7 %	(15)%	1 %
Acquisitions	0 %	2 %	0 %	0 %	1 %	1 %	0 %
Currency	(2)%	(1)%	(1)%	0 %	(5)%	(3)%	(1)%
Total	(4)%	2 %	4 %	4 %	3 %	(17)%	0 %

2019 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

Current Environment and Outlook

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

	Americas	EMEA	Asia Pacific	Total
Current Environment	Sales Q4 2019 4% Year 2019 4%	Sales Q4 2019 12% Year 2019 7%	Sales Q4 2019 (19%) Year 2019 (15%)	Sales Q4 2019 1% Year 2019 1%
Industrial Segment	Environment Unchanged Sales Q4 2019 3% Year 2019 3%	Environment Unchanged Sales Q4 2019 16% Year 2019 7%	Environment Unchanged Sales Q4 2019 (26%) Year 2019 (19%)	Sales Q4 2019 (1%) Year 2019 (2%)
Process Segment	Environment Unchanged Sales Q4 2019 (4%) Year 2019 3%	Environment Downgraded Sales Q4 2019 (4%) Year 2019 3%	Environment Unchanged Sales Q4 2019 (2%) Year 2019 (5%)	Sales Q4 2019 (4%) Year 2019 1%
Contractor Segment	Environment Unchanged Sales Q4 2019 10% Year 2019 5%	Environment Unchanged Sales Q4 2019 13% Year 2019 9%	Environment Unchanged Sales Q4 2019 (4%) Year 2019 (6%)	Sales Q4 2019 9% Year 2019 5%
Full Year 2020 Outlook	Outlook Raised **Low single-digit**	Outlook Lowered **Low single-digit**	Outlook Raised **Flat**	Outlook Raised **Low single-digit**

Heading into 2020, we expect challenging end market conditions to remain in place for at least the first half of the year in our Industrial and Process segments. Our outlook for the Contractor segment remains positive as favorable conditions continue and demand for our products is solid across major end markets and product categories. Our outlook for 2020 is low single-digit growth on an organic, constant currency basis.

Other Items

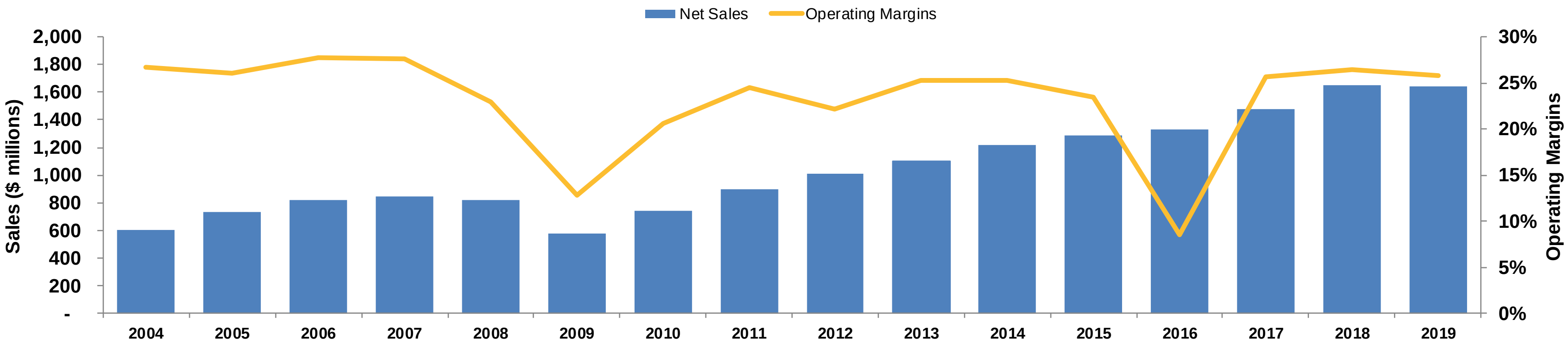
Cap Ex	▸ Capital expenditure expectations of approximately $70 million in 2020, including approximately $30 million brick and mortar
Expenses	▸ Unallocated corporate expenses in 2020 are expected to be approximately $30 million
Shares	▸ During 2019, we repurchased approximately 160,000 shares ▪ We may make share repurchases in 2020 via opportunistic open market transactions or short-dated accelerated share repurchase ("ASR") programs
Currency	▸ At current exchange rates, assuming the same volumes, mix of products and mix of business by currency as in 2019, the movement in foreign currencies would have an immaterial impact on sales and operating earnings in 2020, with a modest unfavorable impact in the first half of the year
Taxes	▸ Excluding any impact from excess tax benefits related to stock option exercises and any one time items, the effective tax rate is expected to be approximately 20% for 2020

Financial Summary

- 2019 Appendix

Financial Performance

Sales and Operating Margin, as Reported



Diluted EPS	$0.52	$0.60	$0.72	$0.77	$0.66	$0.27	$0.56	$0.77	$0.81	$1.12	$1.22	$1.95	$0.24	$1.45	$1.97	$2.00

As Adjusted

Diluted EPS	$0.52	$0.60	$0.72	$0.77	$0.66	$0.27	$0.56	$0.77	$0.81	$1.12	$1.22	$1.15	$1.18	$1.43	$1.88	$1.90

Stock Dividend Growth

Dividends adjusted for stock splits

Strong Cash Generation

($ Millions)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating Cash Flows	$ 419	$ 368	$ 338	$ 276	$ 190	$ 241	$ 243	$ 190	$ 162	$ 101
% of Net Income	122%	108%	134%	679%	55%	107%	115%	127%	114%	98%
Capital Expenditures	128	54	40	42	42	31	23	18	24	17
Free Cash Flow	$ 291	$ 314	$ 298	$ 234	$ 148	$ 210	$ 220	$ 172	$ 138	$ 84

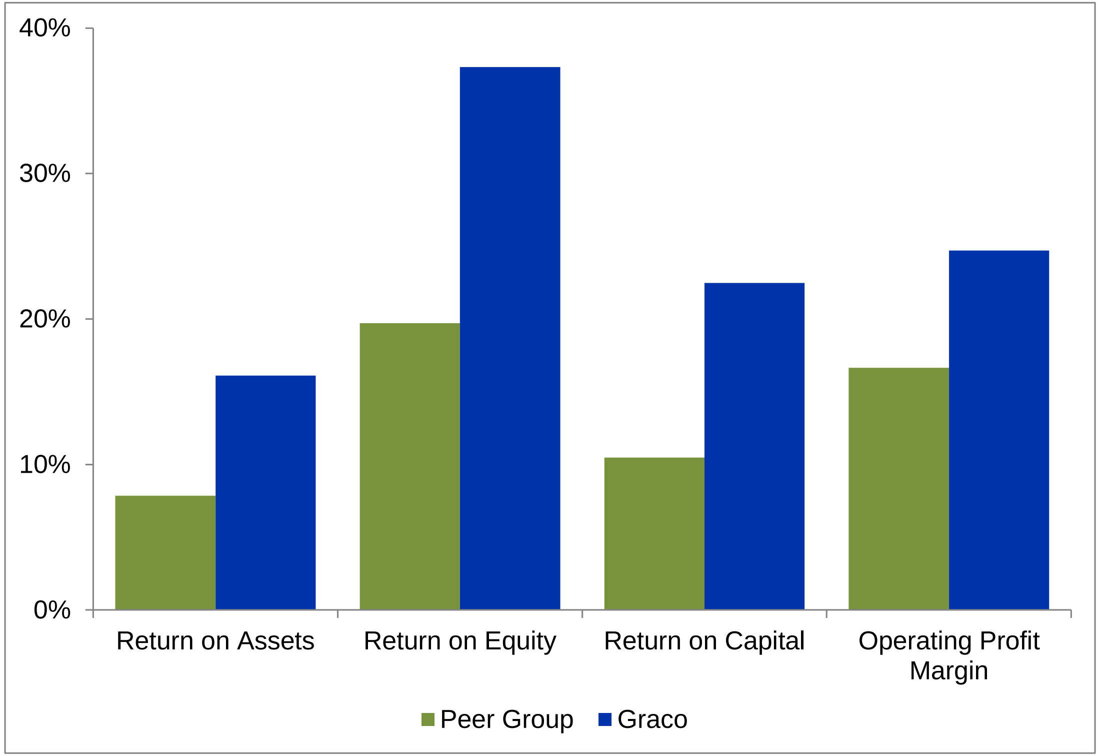
2016 – Impairment of Intangibles, net of tax, charge of $161 million was reflected in net income. $191 million and related change in deferred taxes ($31) million included in adjustments to reconcile net earnings

2015 – Divestiture of Liquid Finishing Held Separate assets net gain $141 million reflected in net income; effect of taxes on the gain, transaction costs and Foundation contribution are included in operating cash flows

($ Millions)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Dividends	$ 106	$ 89	$ 80	$ 73	$ 69	$ 66	$ 61	$ 54	$ 51	$ 48
Acquisitions	27	11	28	49	189	185	12	667	2	-
Share Repurchases *	(38)	236	54	18	256	165	26	(29)	21	11
	$ 95	$ 336	$ 162	$ 140	$ 514	$ 416	$ 99	$ 692	$ 74	$ 59

* Net of shares issued

Capital Efficiency – 5 Year Average



Note: 5-year average includes adjustment for 2016 impairment charge

Source: S&P Capital IQ

Peer Group: CSL, NDSN, IEX, DOV, IR

GRACO

Move | Measure | Mix | Control | Dispense | Spray

WORLDWIDE LEADERS IN FLUID HANDLING

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