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 **June 26, 2026**
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	41-0285640
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

88 - 11th Avenue N.E. Minneapolis, Minnesota	55413
(Address of principal executive offices)	(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 ☒

161,953,824 shares of the Registrant's Common Stock, $1.00 par value, were outstanding as of July 8, 2026.

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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		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Net Sales	$ 590,552	$ 571,806	$ 1,130,696	$ 1,100,090
Cost of products sold	273,608	272,276	533,111	522,827
Gross Profit	316,944	299,530	597,585	577,263
Product development	19,825	20,731	39,799	40,106
Selling, marketing and distribution	68,564	68,337	138,582	135,548
General and administrative	53,462	52,978	106,335	100,112
Operating Earnings	175,093	157,484	312,869	301,497
Interest expense	835	655	1,671	1,368
Other (income) expense, net	(7,196)	(1,379)	(10,345)	(9,553)
Earnings Before Income Taxes	181,454	158,208	321,543	309,682
Income taxes	36,528	30,585	58,110	57,958
Net Earnings	$ 144,926	$ 127,623	$ 263,433	$ 251,724
Net Earnings per Common Share				
Basic	$ 0.89	$ 0.77	$ 1.60	$ 1.51
Diluted	$ 0.87	$ 0.76	$ 1.58	$ 1.48

See notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Net Earnings	$ 144,926	$ 127,623	$ 263,433	$ 251,724
Components of other comprehensive (loss) income				
Cumulative translation adjustment	(12,869)	56,983	(25,011)	76,886
Pension and postretirement medical liability adjustment	(23)	(358)	153	(274)
Income taxes - pension and postretirement medical liability adjustment	5	78	(28)	57
Other comprehensive (loss) income	(12,887)	56,703	(24,886)	76,669
Comprehensive Income	$ 132,039	$ 184,326	$ 238,547	$ 328,393

See notes to consolidated financial statements.

GRACO INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited) (In thousands)

	June 26, 2026	December 26, 2025
ASSETS		
Current Assets		
Cash and cash equivalents	$ 507,575	$ 624,083
Accounts receivable, less allowances of $7,300 and $6,000	424,220	393,753
Inventories	393,719	401,138
Other current assets	49,036	52,907
Total current assets	1,374,550	1,471,881
Property, Plant and Equipment, net	748,505	755,064
Goodwill	575,675	585,304
Other Intangible Assets, net	283,456	303,851
Operating Lease Assets	22,750	26,073
Deferred Income Taxes	26,849	35,975
Other Assets	98,668	96,122
Total Assets	$ 3,130,453	$ 3,274,270
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable to banks	$ 28,128	$ 23,072
Current portion of long-term debt	1,104	1,624
Trade accounts payable	101,787	78,573
Salaries and incentives	56,660	73,420
Dividends payable	47,820	48,705
Other current liabilities	223,853	241,867
Total current liabilities	459,352	467,261
Retirement Benefits and Deferred Compensation	85,610	87,179
Operating Lease Liabilities	15,998	18,131
Deferred Income Taxes	36,237	36,708
Other Non-current Liabilities	10,568	11,060
Shareholders' Equity		
Common stock	161,948	165,150
Additional paid-in-capital	1,026,376	994,566
Retained earnings	1,321,745	1,456,710
Accumulated other comprehensive income	12,619	37,505
Total shareholders' equity	2,522,688	2,653,931
Total Liabilities and Shareholders' Equity	$ 3,130,453	$ 3,274,270

See notes to consolidated financial statements.

GRACO INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In thousands)

	Six Months Ended	
	June 26, 2026	June 27, 2025
Cash Flows From Operating Activities		
Net Earnings	$ 263,433	$ 251,724
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	51,643	51,844
Deferred income taxes	9,769	7,392
Share-based compensation	15,569	16,594
Gain on sale of building	—	(4,737)
Change in		
Accounts receivable	(35,138)	(9,377)
Inventories	3,652	10,983
Trade accounts payable	19,256	17,480
Salaries and incentives	(16,925)	(3,190)
Retirement benefits and deferred compensation	(665)	(983)
Other accrued liabilities	(7,198)	(36,362)
Other	(5,431)	6,735
Net cash provided by operating activities	297,965	308,103
Cash Flows From Investing Activities		
Property, plant and equipment additions	(28,516)	(30,187)
Proceeds from sale of building	—	10,840
Acquisition of businesses, net of cash acquired	—	(10,454)
Other	(57)	(881)
Net cash used in investing activities	(28,573)	(30,682)
Cash Flows From Financing Activities		
Borrowings (payments) on short-term lines of credit, net	4,344	(930)
Payments on long-term debt and lines of credit	(476)	—
Common stock issued	50,854	29,318
Common stock repurchased	(331,134)	(360,952)
Taxes paid related to net share settlement of equity awards	(7,492)	(3,833)
Cash dividends paid	(97,665)	(92,195)
Net cash used in financing activities	(381,569)	(428,592)
Effect of exchange rate changes on cash	(4,331)	10,756
Net decrease in cash and cash equivalents	(116,508)	(140,415)
Cash and Cash Equivalents		
Beginning of year	624,083	675,336
End of period	$ 507,575	$ 534,921

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
Three Months Ended June 26, 2026					
Balance, March 27, 2026	$ 165,907	$ 1,039,336	$ 1,511,649	$ 25,506	$ 2,742,398
Shares issued	55	4,859	—	—	4,914
Shares repurchased	(4,014)	(24,171)	(286,994)	—	(315,179)
Stock compensation cost	—	7,762	—	—	7,762
Restricted stock issued	—	(1,410)	—	—	(1,410)
Net earnings	—	—	144,926	—	144,926
Dividends declared ($0.295 per share)	—	—	(47,836)	—	(47,836)
Other comprehensive loss	—	—	—	(12,887)	(12,887)
Balance, June 26, 2026	$ 161,948	$ 1,026,376	$ 1,321,745	$ 12,619	$ 2,522,688
Six Months Ended June 26, 2026					
Balance, December 26, 2025	$ 165,150	$ 994,566	$ 1,456,710	$ 37,505	$ 2,653,931
Shares issued	1,001	44,314	—	—	45,315
Shares repurchased	(4,203)	(25,312)	(301,619)	—	(331,134)
Stock compensation cost	—	14,761	—	—	14,761
Restricted stock issued	—	(1,953)	—	—	(1,953)
Net earnings	—	—	263,433	—	263,433
Dividends declared ($0.590 per share)	—	—	(96,779)	—	(96,779)
Other comprehensive loss	—	—	—	(24,886)	(24,886)
Balance, June 26, 2026	$ 161,948	$ 1,026,376	$ 1,321,745	$ 12,619	$ 2,522,688
Three Months Ended June 27, 2025					
Balance, March 28, 2025	$ 167,218	$ 972,655	$ 1,367,455	$ (29,608)	$ 2,477,720
Shares issued	5	(2,187)	—	—	(2,182)
Shares repurchased	(1,586)	(8,940)	(112,337)	—	(122,863)
Stock compensation cost	—	8,804	—	—	8,804
Net earnings	—	—	127,623	—	127,623
Dividends declared ($0.275 per share)	—	—	(44,785)	—	(44,785)
Other comprehensive income	—	—	—	56,703	56,703
Balance, June 27, 2025	$ 165,637	$ 970,332	$ 1,337,956	$ 27,095	$ 2,501,020
Six Months Ended June 27, 2025					
Balance, December 27, 2024	$ 169,394	$ 955,051	$ 1,509,264	$ (49,574)	$ 2,584,135
Shares issued	627	24,858	—	—	25,485
Shares repurchased	(4,384)	(24,714)	(331,854)	—	(360,952)
Stock compensation cost	—	15,137	—	—	15,137
Net earnings	—	—	251,724	—	251,724
Dividends declared ($0.550 per share)	—	—	(91,178)	—	(91,178)
Other comprehensive income	—	—	—	76,669	76,669
Balance, June 27, 2025	$ 165,637	$ 970,332	$ 1,337,956	$ 27,095	$ 2,501,020

See notes to consolidated financial statements.

GRACO INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Preparation

The consolidated balance sheet of Graco Inc. and subsidiaries (the “Company”) as of June 26, 2026 and the related statements of earnings, comprehensive income and shareholders' equity for the three and six months ended June 26, 2026 and June 27, 2025, and cash flows for the six months ended June 26, 2026 and June 27, 2025 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 June 26, 2026, 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 Annual Report on Form 10-K for the year ended December 26, 2025 (the "2025 Annual Report").

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 classifies its business into three reportable segments: Contractor, Industrial and Expansion Markets.

Segment information follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Contractor				
Net Sales	$ 299,421	$ 288,959	$ 559,403	$ 543,991
Cost of products sold	145,817	149,539	279,460	281,422
Gross Profit	153,604	139,420	279,943	262,569
Operating expenses	62,443	63,931	126,547	125,150
Contractor Operating Earnings	$ 91,161	$ 75,489	$ 153,396	$ 137,419
Industrial				
Net Sales	$ 249,237	$ 242,277	$ 489,649	$ 473,930
Cost of products sold	104,775	101,051	209,412	197,875
Gross Profit	144,462	141,226	280,237	276,055
Operating expenses	60,116	58,854	120,084	114,088
Industrial Operating Earnings	$ 84,346	$ 82,372	$ 160,153	$ 161,967

	Three Months Ended June 26, 2026	Three Months Ended June 27, 2025	Six Months Ended June 26, 2026	Six Months Ended June 27, 2025
Expansion Markets				
Net Sales	$ 41,894	$ 40,570	$ 81,644	$ 82,169
Cost of products sold	21,409	19,566	40,581	39,729
Gross Profit	20,485	21,004	41,063	42,440
Operating expenses	10,997	12,175	21,932	23,546
Expansion Markets Operating Earnings	$ 9,488	$ 8,829	$ 19,131	$ 18,894
Reportable Segment Operating Earnings Total	$ 184,995	$ 166,690	$ 332,680	$ 318,280
Unallocated corporate expense	9,902	9,206	19,811	16,783
Operating Earnings	175,093	157,484	312,869	301,497
Interest expense	835	655	1,671	1,368
Other (income) expense, net	(7,196)	(1,379)	(10,345)	(9,553)
Earnings Before Income Taxes	$ 181,454	$ 158,208	$ 321,543	$ 309,682

Geographic information follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Net Sales (based on customer location)				
United States	$ 323,241	$ 305,027	$ 614,438	$ 587,584
Other countries	267,311	266,779	516,258	512,506
Total	$ 590,552	$ 571,806	$ 1,130,696	$ 1,100,090

	June 26, 2026	December 26, 2025
Long-lived Assets		
United States	$ 591,145	$ 600,011
Other countries	157,360	155,053
Total	$ 748,505	$ 755,064

3. Inventories

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

	June 26, 2026	December 26, 2025
Finished products and components	$ 177,656	$ 175,684
Products and components in various stages of completion	116,181	123,866
Raw materials and purchased components	217,796	216,559
Subtotal	511,633	516,109
Reduction to LIFO cost	(117,914)	(114,971)
Total	$ 393,719	$ 401,138

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 26, 2025	9,786	$ 61.38	7,017	$ 52.94
Granted	1,000	92.86		
Exercised	(839)	39.71		
Canceled	(170)	81.40		
Outstanding, June 26, 2026	9,777	$ 66.06	7,066	$ 57.80

The Company recognized year-to-date share-based compensation of $16 million in 2026 and $17 million in 2025. As of June 26, 2026, there was $36 million of unrecognized compensation cost related to unvested options, expected to be recognized over a weighted average period of 2.8 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:

	Six Months Ended	
	June 26, 2026	June 27, 2025
Expected life in years	6.7	6.6
Interest rate	3.9 %	4.4 %
Volatility	24.9 %	26.2 %
Dividend yield	1.3 %	1.3 %
Weighted average fair value per share	$ 27.17	$ 26.80

Under the Company’s Employee Stock Purchase Plan, the Company issued 235,000 shares in 2026 and 246,000 shares in 2025. 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:

	Six Months Ended	
	June 26, 2026	June 27, 2025
Expected life in years	1.0	1.0
Interest rate	3.5 %	4.1 %
Volatility	20.6 %	19.6 %
Dividend yield	1.2 %	1.3 %
Weighted average fair value per share	$ 25.69	$ 19.65

5. 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		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Net earnings available to common shareholders	$ 144,926	$ 127,623	$ 263,433	$ 251,724
Weighted average shares outstanding for basic earnings per share	163,711	165,785	164,671	167,173
Dilutive effect of stock options computed using the treasury stock method and the average market price	2,013	2,776	2,358	2,899
Weighted average shares outstanding for diluted earnings per share	165,724	168,561	167,029	170,072
Basic earnings per share	$ 0.89	$ 0.77	$ 1.60	$ 1.51
Diluted earnings per share	$ 0.87	$ 0.76	$ 1.58	$ 1.48
Anti-dilutive shares not included in diluted earnings per share computation	3,159	1,837	3,050	3,697

6. Retirement Benefits

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

	Three Months Ended		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Pension Benefits				
Service cost	$ 1,166	$ 1,039	$ 2,332	$ 2,292
Interest cost	2,647	2,568	5,295	4,711
Expected return on assets	(3,273)	(2,904)	(6,548)	(5,807)
Amortization and other	(74)	202	(152)	366
Net periodic benefit cost	$ 466	$ 905	$ 927	$ 1,562
Postretirement Medical				
Service cost	$ 75	$ 78	$ 150	$ 153
Interest cost	225	369	450	569
Amortization	—	(136)	—	(136)
Net periodic benefit cost	$ 300	$ 311	$ 600	$ 586

7. Receivables and Credit Losses

Accounts receivable includes trade receivables of $409 million and other receivables of $15 million as of June 26, 2026 and $376 million and $18 million of trade receivables and other receivables, respectively, as of December 26, 2025.

Allowance for Credit Losses

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

	Three Months Ended		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Balance, beginning	$ 5,605	$ 5,360	$ 5,264	$ 4,973
Additions (reversals) charged to costs and expenses	827	(138)	1,471	93
Deductions from reserves (1)	(22)	(3)	(319)	(5)
Other (deductions) additions (2)	(38)	112	(44)	270
Balance, ending	$ 6,372	$ 5,331	$ 6,372	$ 5,331

(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. Intangible Assets

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

	Finite Life			Indefinite Life	
	Customer Relationships	Patents and Proprietary Technology	Trademarks, Trade Names and Other	Trade Names	Total
As of June 26, 2026					
Cost	$ 201,562	$ 40,271	$ 4,786	$ 107,034	$ 353,653
Accumulated amortization	(64,181)	(9,202)	(3,295)	—	(76,678)
Foreign currency translation	326	994	5	5,156	6,481
Book value	$ 137,707	$ 32,063	$ 1,496	$ 112,190	$ 283,456
Weighted average life in years	14	10	3	N/A	
As of December 26, 2025					
Cost	$ 316,962	$ 44,304	$ 4,786	$ 107,034	$ 473,086
Accumulated amortization	(165,150)	(10,649)	(2,027)	—	(177,826)
Foreign currency translation	(877)	1,464	54	7,950	8,591
Book value	$ 150,935	$ 35,119	$ 2,813	$ 114,984	$ 303,851
Weighted average life in years	13	10	2	N/A	

Amortization of acquired and other intangible assets for the year to date was $14 million in 2026 and $13 million in 2025. Estimated annual amortization expense based on the current carrying amount of other intangible assets is as follows (in thousands):

	2026 (Remainder)	2027	2028	2029	2030	Thereafter
Estimated Amortization Expense	$ 11,277	$ 19,473	$ 17,384	$ 16,783	$ 16,010	$ 90,339

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

	Contractor	Industrial	Expansion Markets	Total
Balance, December 26, 2025	$ 238,575	$ 275,263	$ 71,466	$ 585,304
Adjustments from business acquisitions	(397)	254	—	(143)
Foreign currency translation	(4,897)	(4,589)	—	(9,486)
Balance, June 26, 2026	$ 233,281	$ 270,928	$ 71,466	$ 575,675

On May 20, 2026, the Company entered into a definitive agreement to acquire Valco Melton for $447 million, subject to customary adjustments. Valco Melton is a global provider of adhesive application and quality assurance systems. The acquisition is expected to be completed during the third quarter of fiscal 2026 and funded with cash on hand.

9. Other Current Liabilities

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

	June 26, 2026	December 26, 2025
Accrued self-insurance retentions	$ 7,799	$ 8,013
Accrued warranty and service liabilities	20,725	21,103
Accrued trade promotions	8,402	7,511
Payable for employee stock purchases	7,623	15,546
Customer advances and deferred revenue	98,406	93,995
Income taxes payable	13,495	15,493
Tax payable, other	11,774	14,693
Right of return refund liability	13,373	15,055
Operating lease liabilities, current	6,982	8,769
Other	35,274	41,689
Total	$ 223,853	$ 241,867

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 26, 2025	$ 21,103
Charged to expense	5,554
Margin on parts sales reversed	1,927
Reductions for claims settled	(7,859)
Balance, June 26, 2026	$ 20,725

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 and six months ended June 26, 2026, The Company recognized $27 million and $62 million, respectively, that was included in deferred revenue at December 26, 2025. During the three and six months ended June 27, 2025, the Company recognized $17 million and $46 million, respectively, that was included in deferred revenue at December 27, 2024.

10. Fair Value

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

	Level	June 26, 2026	December 26, 2025
Assets			
Cash surrender value of life insurance	2	$ 31,076	$ 28,893
Forward exchange contracts	2	16	—
Total assets at fair value		$ 31,092	$ 28,893
Liabilities			
Contingent consideration	3	$ 1,591	$ 1,649
Deferred compensation	2	8,840	8,336
Forward exchange contracts	2	—	268
Total liabilities at fair value		$ 10,431	$ 10,253

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 Expansion Markets. 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 channels 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 consolidated financial statements and the accompanying notes to the consolidated financial statements.

Tariffs

On February 20, 2026, the U.S. Supreme Court issued a decision invalidating certain tariffs imposed under the International Emergency Economic Powers Act ("IEEPA"). The U.S. Court of International Trade subsequently issued orders directing the U.S. Customs and Border Protection to refund previously collected IEEPA tariffs. The situation continues to evolve, and further legislative, regulatory, or judicial developments may affect the ultimate outcome and the availability or timing of any refunds. Given the significant uncertainty involved, the Company determined to only recognize IEEPA tariff refunds upon receipt. The Company began receiving IEEPA tariff refunds during the second quarter of 2026. Through the three and six months ended June 26, 2026, the Company received $9 million in refunds, net of related surcharges.

Consolidated Results

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

	Three Months Ended			Six Months Ended		
	Jun 26, 2026	Jun 27, 2025	% Change	Jun 26, 2026	Jun 27, 2025	% Change
Net Sales	$ 590.6	$ 571.8	3 %	$ 1,130.7	$ 1,100.1	3 %
Operating Earnings	175.1	157.5	11 %	312.9	301.5	4 %
Operating Earnings, adjusted [(1)]	183.2	164.4	11 %	329.3	315.8	4 %
Net Earnings	144.9	127.6	14 %	263.4	251.7	5 %
Net Earnings, adjusted [(1)]	151.0	131.9	15 %	269.2	258.0	4 %
Diluted Net Earnings per Common Share	$ 0.87	$ 0.76	14 %	$ 1.58	$ 1.48	7 %
Diluted Net Earnings per Common Share, adjusted [(1)]	$ 0.91	$ 0.78	17 %	$ 1.61	$ 1.52	6 %

(1) Adjusted operating earnings, adjusted net earnings and adjusted diluted net earnings per common share reflect the Company's updated non-GAAP methodology. See below for additional information.

Net sales for the second quarter increased 3 percent, with 3 percentage points of sales growth from acquired operations and 1 percentage point of sales growth from the effects of favorable changes in currency translation rates. Sales growth for the quarter was partially offset by a 1 percentage point organic decline related to the timing of finishing system sales and other project activity in the Industrial segment.

Operating earnings increased 11 percent for the second quarter. Adjusted operating earnings increased 11 percent, due primarily to a higher gross margin rate driven by lower operating expenses and the receipt of $9 million in tariff refunds, net of related surcharges.

Net earnings increased 14 percent for the second quarter. Adjusted net earnings increased 15 percent, driven by higher operating earnings and $5 million in lower exchange losses on net assets of foreign operations.

Beginning in the second quarter of 2026, the Company updated its non-GAAP adjusted measurements to exclude acquisition costs and amortization of acquired intangible assets. The Company excludes acquisition costs and amortization of acquired intangible assets to provide a consistent comparison of operating results across reporting periods. While the Company has a history of acquisition activity, the Company's acquisitions do not occur on a predictable cycle, and transactions vary in complexity, timing, size and nature. Acquisition costs include third-party legal, valuation, consulting and other incremental costs incurred in connection with acquisition activities as well as purchase accounting adjustments. Management uses these adjusted measures to evaluate operating performance and, for acquisition costs, in determining incentive compensation. These excluded items to the non-GAAP adjusted measurements provide supplemental information useful in evaluating the Company's underlying operating performance. Prior-period amounts have been recast to conform to the current presentation.

Excluding the impact of acquisition costs, amortization of acquired intangible assets, the related income tax effects of these items and 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 operating earnings, earnings before income taxes, income taxes, effective income tax rate, net earnings and diluted earnings per share follows (in millions except per share amounts):

	Three Months Ended		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Operating earnings	$ 175.1	$ 157.5	$ 312.9	$ 301.5
Acquisition costs	2.5	0.3	3.1	1.0
Amortization of acquired intangible assets	5.6	6.6	13.3	13.3
Operating earnings, adjusted	$ 183.2	$ 164.4	$ 329.3	$ 315.8
Earnings before income taxes, as reported	$ 181.5	$ 158.2	$ 321.5	$ 309.7
Acquisition costs	2.5	0.3	3.1	1.0
Amortization of acquired intangible assets	5.6	6.6	13.3	13.3
Earnings before income taxes, adjusted	$ 189.6	$ 165.1	$ 337.9	$ 324.0
Income taxes, as reported	$ 36.5	$ 30.6	$ 58.1	$ 58.0
Tax impact of acquisition costs	0.5	0.1	0.7	0.2
Tax impact of amortization of acquired intangible assets	1.4	1.8	3.2	3.4
Excess tax benefit from option exercises	0.1	0.7	6.7	4.4
Income taxes, adjusted	$ 38.5	$ 33.2	$ 68.7	$ 66.0
Effective income tax rate				
As reported	20.1 %	19.3 %	18.1 %	18.7 %
Adjusted	20.4 %	20.1 %	20.3 %	20.4 %
Net Earnings, as reported	$ 144.9	$ 127.6	$ 263.4	$ 251.7
Acquisition costs, net of tax	2.0	0.2	2.4	0.8
Amortization of acquired intangible assets, net of tax	4.2	4.8	10.1	9.9
Excess tax benefit from option exercises	(0.1)	(0.7)	(6.7)	(4.4)
Net Earnings, adjusted	$ 151.0	$ 131.9	$ 269.2	$ 258.0
Weighted Average Diluted Shares	165.7	168.6	167.0	170.1
Diluted Earnings per Share				
As reported	$ 0.87	$ 0.76	$ 1.58	$ 1.48
Adjusted	$ 0.91	$ 0.78	$ 1.61	$ 1.52

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

	Three Months Ended		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Net Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of products sold	46.3	47.6	47.1	47.5
Gross Profit	53.7	52.4	52.9	52.5
Product development	3.4	3.6	3.5	3.6
Selling, marketing and distribution	11.6	12.0	12.3	12.3
General and administrative	9.1	9.3	9.4	9.2
Operating Earnings	29.6	27.5	27.7	27.4
Interest expense	0.1	0.1	0.1	0.1
Other (income) expense, net	(1.2)	(0.2)	(0.9)	(0.9)
Earnings Before Income Taxes	30.7	27.6	28.5	28.2
Income taxes	6.2	5.3	5.1	5.3
Net Earnings	24.5 %	22.3 %	23.4 %	22.9 %

Net Sales

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

	Three Months Ended		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Americas[1]	$ 371.4	$ 351.9	$ 705.8	$ 675.1
EMEA[2]	127.8	129.9	253.4	250.9
Asia Pacific	91.4	90.0	171.5	174.1
Consolidated	$ 590.6	$ 571.8	$ 1,130.7	$ 1,100.1

(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				Six Months			
	Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	1%	5%	0%	6%	(1)%	5%	1%	5%
EMEA	(4)%	0%	2%	(2)%	(9)%	5%	5%	1%
Asia Pacific	(2)%	2%	2%	2%	(5)%	1%	2%	(2)%
Consolidated	(1)%	3%	1%	3%	(3)%	4%	2%	3%

Gross Profit

The gross profit margin rate increased approximately 1 percentage point for the second quarter and was flat for the year to date from the comparable periods last year. For the quarter, price realization and the receipt of $9 million in tariff refunds, net of related surcharges, more than offset the unfavorable effects of lower margin rates from acquired operations. For the year to date, price realization and $9 million in tariff refunds, net of related surcharges, more than offset $6 million of incremental tariff costs, unfavorable product and channel mix and lower margin rates of acquired operations.

Operating Expenses

Total operating expenses decreased modestly for the second quarter and increased $9 million (3 percentage points) year to date compared to the same periods last year. Incremental expenses from acquired operations of $5 million for the quarter and $11 million for the year to date were partially offset by decreases in stock compensation, product development spending and selling, marketing and distribution expenses.

Other (Income) Expense

Other non-operating income increased by $6 million in the second quarter and $1 million for the year to date from the comparable periods last year, primarily due to lower foreign exchange losses on net assets of foreign operations of $5 million and $6 million, respectively. The year to date increase in other non-operating income was partially offset by a prior year gain of $5 million from the sale of a former manufacturing and distribution facility in Switzerland that did not repeat.

Income Taxes

The effective income tax rate was 20 percent for the second quarter and 18 percent for the year to date. Adjusted to exclude the impacts of certain non-recurring items (see Consolidated Results for Comparability), the adjusted effective income tax rate of 20 percent for both the quarter and year to date was comparable to the respective periods last year.

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		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Net Sales				
Americas	$ 215.0	$ 201.4	$ 395.9	$ 377.3
EMEA	59.9	61.1	116.1	115.6
Asia Pacific	24.5	26.5	47.4	51.1
Total	$ 299.4	$ 289.0	$ 559.4	$ 544.0
Operating earnings as a percentage of net sales	30 %	26 %	27 %	25 %

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

	Three Months				Six Months			
	Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	3%	4%	0%	7%	1%	4%	0%	5%
EMEA	(4)%	0%	2%	(2)%	(5)%	0%	5%	0%
Asia Pacific	(10)%	0%	2%	(8)%	(10)%	0%	3%	(7)%
Segment Total	0%	3%	1%	4%	(2)%	3%	2%	3%

Contractor segment net sales growth for the second quarter and year to date included $7 million and $14 million, respectively, from acquired operations. Organic sales growth in the Americas for the second quarter and year to date was broad-based, and included growth in protective coating and spray foam product categories as well as within the professional paint and home center channels. The operating margin rate for this segment increased 4 percentage points for the quarter and 2 percentage points for the year to date, primarily due to lower operating expenses and the net impact of tariff refunds and related surcharges of $5 million.

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		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Net Sales				
Americas	$ 131.6	$ 126.8	$ 263.0	$ 248.0
EMEA	62.0	61.1	124.7	120.5
Asia Pacific	55.6	54.3	101.9	105.4
Total	$ 249.2	$ 242.2	$ 489.6	$ 473.9
Operating earnings as a percentage of net sales	34 %	34 %	33 %	34 %

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

	Three Months				Six Months			
	Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	(4)%	7%	1%	4%	(2)%	7%	1%	6%
EMEA	(2)%	1%	2%	1%	(12)%	9%	6%	3%
Asia Pacific	(2)%	2%	2%	2%	(7)%	2%	2%	(3)%
Segment Total	(3)%	5%	1%	3%	(5)%	6%	2%	3%

Industrial segment incremental sales from acquired operations of $11 million in the second quarter and $31 million for the year to date more than offset an organic sales decline, which was primarily attributable to the timing of finishing system sales and other project-related activity compared to the respective periods last year. The operating margin rate for this segment was flat for the second quarter compared to the same period last year as an improved gross margin rate, primarily due to the second quarter net impact of tariff refunds and related surcharges of $4 million, offset the unfavorable effects of lower margin rates of acquired operations. For the year to date, the operating margin rate decreased 1 percentage point as lower operating expenses and the net impact of tariff refunds and related surcharges were unable to offset the unfavorable effects of lower margin rates of acquired operations.

Expansion Markets Segment

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

	Three Months Ended		Six Months Ended	
	June 26, 2026	June 27, 2025	June 26, 2026	June 27, 2025
Net Sales				
Americas	$ 24.8	$ 23.8	$ 46.9	$ 49.8
EMEA	5.8	7.6	12.6	14.7
Asia Pacific	11.4	9.2	22.2	17.7
Total	$ 42.0	$ 40.6	$ 81.7	$ 82.2
Operating earnings as a percentage of net sales	23 %	22 %	23 %	23 %

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

	Three Months				Six Months			
	Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	4%	0%	0%	4%	(6)%	0%	0%	(6)%
EMEA	(24)%	0%	0%	(24)%	(15)%	0%	1%	(14)%
Asia Pacific	23%	0%	0%	23%	25%	0%	0%	25%
Segment Total	3%	0%	0%	3%	(1)%	0%	0%	(1)%

Expansion Markets net sales increased 3% for the second quarter and decreased 1% year to date compared to the same periods last year. Improved order rates in the semiconductor product application drove most of the second quarter sales growth. The segment's operating margin rate increased 1 percentage point for the quarter due primarily to lower expenses. The year to date operating margin rate was flat, as lower expenses offset the impact of lower sales volume.

Liquidity and Capital Resources

Net cash provided by operating activities of $298 million in the first six months of 2026 decreased by $10 million compared to the same period last year. Increases in accounts receivable and accounts payable reflect growth in business activity in the second quarter of 2026. Significant uses of cash in the first half of 2026 included share repurchases of $331 million (partially offset by $43 million of net proceeds from shares issued), dividend payments of $98 million and plant and equipment additions of $29 million.

For the first half of 2025, significant uses of cash included share repurchases of $361 million (partially offset by $25 million from shares issued) and dividend payments of $92 million and plant and equipment additions of $30 million.

As of June 26, 2026, the Company had available liquidity of $1,279 million, including cash and cash equivalents of $508 million, of which $174 million was held outside of the U.S., and available credit under existing committed credit facilities of $771 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, potential future acquisitions and operating requirements. Capital expenditures for 2026 are expected to be approximately $100 million. The Company may make opportunistic share repurchases going forward.

Outlook

Incoming order activity and end market demand trends support the Company's 2026 outlook of low single-digit sales growth on an organic constant-currency basis and mid-single-digit growth including the expected incremental sales from acquisitions. The Company estimates third quarter total company sales of $580 million to $600 million, excluding the impact of the Company's announced acquisition of Valco Melton, which is expected to close in the third quarter.

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 2025 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, industrial and construction activity worldwide; changes in currency translation rates; international and domestic instability; interest rate fluctuations and changes in credit markets; global sourcing of materials; inflationary cost pressures and our ability to raise prices without decreasing demand for our products; interruptions of or intrusions into our information systems; intellectual property rights; the use of generative artificial intelligence and other emerging technologies; 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 or tariff rates or the adoption of new tax or tariff legislation; and costs associated with legal proceedings. Please refer to Item 1A of our 2025 Annual Report on Form 10-K 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 and the Securities and Exchange Commission’s website at 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 2025 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 2025 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. On December 5, 2025, the Board of Directors authorized the Company to purchase up to an additional 15 million shares of its outstanding 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)
March 28, 2026 - April 24, 2026	420,728	$ 82.96	420,728	22,386,790
April 25, 2026 - May 22, 2026	3,369,632	$ 78.25	3,369,632	19,017,158
May 23, 2026 - June 26, 2026	223,269	$ 74.36	223,269	18,793,889

Item 5. Other Information

During the three months ended June 26, 2026, 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 2024 Annual Report on Form 10-K.)
10.1	Form of Executive Officer Restricted Stock Until Agreement. (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed March 2, 2026.)
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 Second Quarter Earnings dated July 22, 2026.
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:	July 22, 2026	By:	/s/ Mark W. Sheahan Mark W. Sheahan President and Chief Executive Officer *(Principal Executive Officer)*
Date:	July 22, 2026	By:	/s/ Sanjiv Gupta Sanjiv Gupta Chief Financial Officer and Treasurer *(Principal Financial Officer)*
Date:	July 22, 2026	By:	/s/ Christopher D. Knutson Christopher D. Knutson Vice President, Controller and Chief Accounting Officer *(Principal Accounting Officer)*

Exhibit 31.1

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: July 22, 2026

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

Exhibit 31.2

CERTIFICATION

I, Sanjiv Gupta, 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: July 22, 2026

/s/ Sanjiv Gupta
Sanjiv Gupta
Chief Financial Officer and Treasurer

Exhibit 32

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:	July 22, 2026	/s/ Mark W. Sheahan Mark W. Sheahan President and Chief Executive Officer
Date:	July 22, 2026	/s/ Sanjiv Gupta Sanjiv Gupta Chief Financial Officer and Treasurer

Exhibit 99.1

News Release

GRACO INC.
P.O. Box 1441
Minneapolis, MN
55440-1441
NYSE: GGG

FOR IMMEDIATE RELEASE:
Wednesday, July 22, 2026

FOR FURTHER INFORMATION:
Investors Contact: John M. Bower, 612-623-6770
Media Contact: Kirstie L. Foster, 612-623-6249
Kirstie_L_Foster@graco.com

Graco Reports Record Second Quarter Sales and Operating Earnings
Growth in All Segments

MINNEAPOLIS (July 22, 2026) – Graco Inc. **(NYSE: GGG)** today announced results for the second quarter ended June 26, 2026.

Summary
$ in millions except per share amounts

	Three Months Ended			Six Months Ended		
	Jun 26, 2026	Jun 27, 2025	% Change	Jun 26, 2026	Jun 27, 2025	% Change
Net Sales	$ 590.6	$ 571.8	3 %	$ 1,130.7	$ 1,100.1	3 %
Operating Earnings	175.1	157.5	11 %	312.9	301.5	4 %
Net Earnings	144.9	127.6	14 %	263.4	251.7	5 %
Diluted Net Earnings per Common Share	$ 0.87	$ 0.76	14 %	$ 1.58	$ 1.48	7 %
Adjusted (non-GAAP): (1)						
Operating Earnings, adjusted	$ 183.2	$ 164.4	11 %	$ 329.3	$ 315.8	4 %
Net Earnings, adjusted	$ 151.0	$ 131.9	15 %	$ 269.2	$ 258.0	4 %
Diluted Net Earnings per Common Share, adjusted	$ 0.91	$ 0.78	17 %	$ 1.61	$ 1.52	6 %

(1) Adjusted operating earnings, adjusted net earnings and adjusted diluted net earnings per common share reflect the Company's updated non-GAAP methodology. See Financial Results Adjusted for Comparability below for additional information.

- Net sales for the second quarter increased 3 percent, primarily driven by acquired operations.
- Operating earnings increased 11 percent for the second quarter, primarily due to a higher gross margin rate benefiting from the receipt of tariff refunds and lower operating expenses.
- Diluted net earnings per share increased 14 percent for the second quarter, reflecting higher operating earnings, lower exchange losses on net assets of foreign operations, and the impact of share repurchases. The Company repurchased $315 million of shares in the second quarter and repurchased $331 million of shares for the year to date.

“Graco delivered record quarterly sales and operating earnings in the second quarter, driven by momentum across all three segments,” said Mark Sheahan, President and Chief Executive Officer. “Contractor had organic sales growth in the Americas in both the professional paint and home center channels for the first time in two years, while investment in data center infrastructure continues to create opportunities across several areas of our portfolio.

“Organic incoming orders increased at a mid-single-digit rate during the second quarter, with orders across all segments up low single digits year to date, reflecting continued improvement in demand trends across the business. Improving market conditions, growing project activity and commercial initiatives give us confidence in the second half of the year to maintain our guidance for low single-digit organic sales growth on a constant-currency basis and mid-single-digit sales growth including acquisitions. We are also initiating third-quarter total company sales guidance of $580 million to $600 million, excluding our announced acquisition of Valco Melton, which is expected to close in the third quarter.”

Consolidated and Segment Results

For a discussion of the Company's consolidated and segment results for the second quarter and year to date ended June 26, 2026, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in its most recent Quarterly Report on Form 10-Q dated July 22, 2026.

Financial Results Adjusted for Comparability

Beginning in the second quarter of 2026, the Company updated its non-GAAP adjusted measurements to exclude acquisition costs and amortization of acquired intangible assets. The Company excludes acquisition costs and amortization of acquired intangible assets to provide a consistent comparison of operating results across reporting periods. While the Company has a history of acquisition activity, the Company's acquisitions do not occur on a predictable cycle, and transactions vary in complexity, timing, size and nature. Acquisition costs include third-party legal, valuation, consulting and other incremental costs incurred in connection with acquisition activities as well as purchase accounting adjustments. Management uses these adjusted measures to evaluate operating performance and, for acquisition costs, in determining incentive compensation. These excluded items to the non-GAAP adjusted measurements provide supplemental information useful in evaluating the Company's underlying operating performance. Prior-period amounts have been recast to conform to the current presentation.

Excluding the impact of acquisition costs, amortization of acquired intangible assets, the related income tax effects of these items and 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 operating earnings, earnings before income taxes, income taxes, effective income tax rate, net earnings and diluted earnings per share follows (in millions except per share amounts):

	Three Months Ended		Six Months Ended	
	Jun 26, 2026	Jun 27, 2025	Jun 26, 2026	Jun 27, 2025
Operating earnings, as reported	$ 175.1	$ 157.5	$ 312.9	$ 301.5
Acquisition costs	2.5	0.3	3.1	1.0
Amortization of acquired intangible assets	5.6	6.6	13.3	13.3
Operating earnings, adjusted	$ 183.2	$ 164.4	$ 329.3	$ 315.8
Earnings before income taxes, as reported	$ 181.5	$ 158.2	$ 321.5	$ 309.7
Acquisition costs	2.5	0.3	3.1	1.0
Amortization of acquired intangible assets	5.6	6.6	13.3	13.3
Earnings before income taxes, adjusted	$ 189.6	$ 165.1	$ 337.9	$ 324.0
Income taxes, as reported	$ 36.5	$ 30.6	$ 58.1	$ 58.0
Tax impact of acquisition costs	0.5	0.1	0.7	0.2
Tax impact of amortization of acquired intangible assets	1.4	1.8	3.2	3.4
Excess tax benefit from option exercises	0.1	0.7	6.7	4.4
Income taxes, adjusted	$ 38.5	$ 33.2	$ 68.7	$ 66.0
Effective income tax rate				
As reported	20.1 %	19.3 %	18.1 %	18.7 %
Adjusted	20.4 %	20.1 %	20.3 %	20.4 %
Net Earnings, as reported	$ 144.9	$ 127.6	$ 263.4	$ 251.7
Acquisition costs, net of tax	2.0	0.2	2.4	0.8
Amortization of acquired intangible assets, net of tax	4.2	4.8	10.1	9.9
Excess tax benefit from option exercises	(0.1)	(0.7)	(6.7)	(4.4)
Net Earnings, adjusted	$ 151.0	$ 131.9	$ 269.2	$ 258.0
Weighted Average Diluted Shares	165.7	168.6	167.0	170.1
Diluted Earnings per Share				
As reported	$ 0.87	$ 0.76	$ 1.58	$ 1.48
Adjusted	$ 0.91	$ 0.78	$ 1.61	$ 1.52

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 2025 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, industrial and construction activity worldwide; changes in currency translation rates; international and domestic instability; interest rate fluctuations and changes in credit markets; global sourcing of materials; inflationary cost pressures and our ability to raise prices without decreasing demand for our products; interruptions of or intrusions into our information systems; intellectual property rights; the use of generative artificial intelligence and other emerging technologies; 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 or tariff rates or the adoption of new tax or tariff legislation; and costs associated with legal proceedings. Please refer to Item 1A of our Annual Report on Form 10-K for fiscal year 2025 (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 and the Securities and Exchange Commission’s website at 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 2025 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, July 23, 2026, at 11 a.m. ET, 10 a.m. CT, to discuss Graco’s second 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. 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.

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

	Three Months Ended		Six Months Ended	
	Jun 26, 2026	Jun 27, 2025	Jun 26, 2026	Jun 27, 2025
Net Sales	$ 590,552	$ 571,806	$ 1,130,696	$ 1,100,090
Cost of products sold	273,608	272,276	533,111	522,827
Gross Profit	316,944	299,530	597,585	577,263
Product development	19,825	20,731	39,799	40,106
Selling, marketing and distribution	68,564	68,337	138,582	135,548
General and administrative	53,462	52,978	106,335	100,112
Operating Earnings	175,093	157,484	312,869	301,497
Interest expense	835	655	1,671	1,368
Other (income) expense, net	(7,196)	(1,379)	(10,345)	(9,553)
Earnings Before Income Taxes	181,454	158,208	321,543	309,682
Income taxes	36,528	30,585	58,110	57,958
Net Earnings	$ 144,926	$ 127,623	$ 263,433	$ 251,724
Net Earnings per Common Share				
Basic	$ 0.89	$ 0.77	$ 1.60	$ 1.51
Diluted	$ 0.87	$ 0.76	$ 1.58	$ 1.48
Weighted Average Number of Shares				
Basic	163,711	165,785	164,671	167,173
Diluted	165,724	168,561	167,029	170,072

SEGMENT INFORMATION (Unaudited)
(In thousands)

	Three Months Ended		Six Months Ended	
	Jun 26, 2026	Jun 27, 2025	Jun 26, 2026	Jun 27, 2025
Net Sales				
Contractor	$ 299,421	$ 288,959	$ 559,403	$ 543,991
Industrial	249,237	242,277	489,649	473,930
Expansion Markets	41,894	40,570	81,644	82,169
Total	$ 590,552	$ 571,806	$ 1,130,696	$ 1,100,090
Operating Earnings				
Contractor	$ 91,161	$ 75,489	$ 153,396	$ 137,419
Industrial	84,346	82,372	160,153	161,967
Expansion Markets	9,488	8,829	19,131	18,894
Unallocated corporate (expense)	(9,902)	(9,206)	(19,811)	(16,783)
Total	$ 175,093	$ 157,484	$ 312,869	$ 301,497