

REFINITIV

DELTA REPORT

10-Q

GGG - GRACO INC

10-Q - JUNE 28, 2024 COMPARED TO 10-Q - MARCH 29, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	437
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 CHANGES	60
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 DELETIONS	176
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 ADDITIONS	201
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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, June 28, 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	GGO	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 ☒

169,135,876 168,931,354 shares of the Registrant's Common Stock, \$1.00 par value, were outstanding as of April 10, 2024 July 10, 2024.

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Statements of Earnings	3
Consolidated Statements of Comprehensive Income	3
Consolidated Balance Sheets	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Shareholders' Equity	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	1415
Item 3. Quantitative and Qualitative Disclosures About Market Risk	2021
Item 4. Controls and Procedures	2021
PART II - OTHER INFORMATION	
Item 1A. Risk Factors	2122
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	2223
Item 5. Other Information	2324
Item 6. Exhibits	2425
SIGNATURES	

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 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net Sales				
Net Sales				
Net Sales				
Cost of products sold				
Cost of products sold				
Cost of products sold				
Gross Profit				
Gross Profit				
Gross Profit				
Product development				
Product development				
Product development				
Selling, marketing and distribution				
Selling, marketing and distribution				
Selling, marketing and distribution				
General and administrative				
General and administrative				
General and administrative				
Operating Earnings				
Operating Earnings				
Operating Earnings				
Interest expense				
Interest expense				
Interest expense				
Other (income) expense, net				
Other (income) expense, net				
Other (income) expense, net				
Earnings Before Income Taxes				
Earnings Before Income Taxes				
Earnings Before Income Taxes				
Income taxes				
Income taxes				
Income taxes				
Net Earnings				
Net Earnings				
Net Earnings				
Net Earnings per Common Share				
Net Earnings per Common Share				
Net Earnings per Common Share				
Basic				
Basic				
Basic				

Diluted
Diluted
Diluted

See notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net Earnings				
Net Earnings				
Net Earnings				
Components of other comprehensive income (loss)				
Components of other comprehensive income (loss)				
Components of other comprehensive income (loss)				
Cumulative translation adjustment				
Cumulative translation adjustment				
Cumulative translation adjustment				
Pension and postretirement medical liability adjustment				
Pension and postretirement medical liability adjustment				
Pension and postretirement medical liability adjustment				
Income taxes - pension and postretirement medical liability adjustment				
Income taxes - pension and postretirement medical liability adjustment				
Income taxes - pension and postretirement medical liability adjustment				
Other comprehensive (loss) income				
Other comprehensive (loss) income				
Other comprehensive (loss) income				
Other comprehensive income (loss)				
Comprehensive Income				
Comprehensive Income				
Comprehensive Income				

See notes to consolidated financial statements.

GRACO INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

(Unaudited) (In thousands)

	March 29, 2024	December 29, 2023
	June 28, 2024	December 29, 2023
ASSETS		
Current Assets		
Current Assets		
Current Assets		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Accounts receivable, less allowances of \$6,100 and \$5,300		
Accounts receivable, less allowances of \$5,800 and \$5,300		
Inventories		
Other current assets		
Total current assets		
Property, Plant and Equipment, net		
Property, Plant and Equipment, net		
Property, Plant and Equipment, net		
Goodwill		
Other Intangible Assets, net		
Operating Lease Assets		
Deferred Income Taxes		
Other Assets		
Total Assets		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current Liabilities		
Current Liabilities		
Notes payable to banks		
Notes payable to banks		
Notes payable to banks		
Trade accounts payable		
Trade accounts payable		
Trade accounts payable		
Salaries and incentives		
Dividends payable		
Other current liabilities		
Total current liabilities		
Retirement Benefits and Deferred Compensation		
Retirement Benefits and Deferred Compensation		
Retirement Benefits and Deferred Compensation		
Operating Lease Liabilities		
Deferred Income Taxes		

Other Non-current Liabilities

Shareholders' Equity

Shareholders' Equity

Shareholders' Equity

Common stock

Common stock

Common stock

Additional paid-in-capital

Retained earnings

Accumulated other comprehensive income (loss)

Accumulated other comprehensive loss

Total shareholders' equity

Total Liabilities and Shareholders' Equity

See notes to consolidated financial statements.

GRACO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (In thousands)

	Three Months Ended	Six Months Ended		
	March 29, 2024	March 31, 2023	June 28, 2024	June 30, 2023
Cash Flows From Operating Activities				
Net Earnings				
Net Earnings				
Net Earnings				
Adjustments to reconcile net earnings to net cash provided by operating activities				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization				
Deferred income taxes				
Share-based compensation				
Change in				
Change in				
Change in				
Accounts receivable				
Accounts receivable				
Accounts receivable				
Inventories				
Trade accounts payable				
Salaries and incentives				
Retirement benefits and deferred compensation				
Other accrued liabilities				

Other

Net cash provided by operating activities

Cash Flows From Investing Activities

Property, plant and equipment additions

Property, plant and equipment additions

Property, plant and equipment additions

Other

Other

Other

Net cash used in investing activities

Cash Flows From Financing Activities

Borrowings on short-term lines of credit, net

Borrowings on short-term lines of credit, net

Borrowings on short-term lines of credit, net

Payments of debt issuance costs

Payments of debt issuance costs

Payments of debt issuance costs

Common stock issued

Common stock repurchased

Taxes paid related to net share settlement of equity awards

Cash dividends paid

Net cash (used in) provided by financing activities

Net cash used in financing activities

Effect of exchange rate changes on cash

Net increase in cash and cash equivalents

Cash and Cash Equivalents

Beginning of year

Beginning of year

Beginning of year

End of period

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 March 29, 2024					
Three Months Ended March 29, 2024					
Three Months Ended March 29, 2024					
Balance, December 29, 2023					

Balance, December 29, 2023
Balance, December 29, 2023
Three Months Ended June 28, 2024
Three Months Ended June 28, 2024
Three Months Ended June 28, 2024
Balance, March 29, 2024
Balance, March 29, 2024
Balance, March 29, 2024
Shares issued
Shares issued
Shares issued
Stock compensation cost
Stock compensation cost
Shares repurchased
Stock compensation cost
Net earnings
Net earnings
Net earnings
Dividends declared (\$0.2550 per share)
Dividends declared (\$0.255 per share)
Other comprehensive income (loss)
Other comprehensive income (loss)
Other comprehensive income (loss)
Balance, March 29, 2024
Balance, June 28, 2024

Three Months Ended March 31, 2023										
Balance, December 30, 2022	\$	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
Balance, March 31, 2023	\$	168,308	\$	821,570	\$	1,059,980	\$	(63,515)	\$	1,986,343

Six Months Ended June 28, 2024										
Balance, December 29, 2023	\$	167,946	\$	863,336	\$	1,227,938	\$	(34,995)	\$	2,224,225
Shares issued		1,205		40,985		—		—		42,190
Shares repurchased		(224)		(946)		(16,591)		—		(17,761)
Stock compensation cost		—		18,828		—		—		18,828
Net earnings		—		—		255,177		—		255,177
Dividends declared (\$0.510 per share)		—		—		(86,290)		—		(86,290)
Other comprehensive income (loss)		—		—		—		(17,884)		(17,884)

Balance, June 28, 2024	\$	168,927	\$	922,203	\$	1,380,234	\$	(52,879)	\$	2,418,485
Three Months Ended June 30, 2023										
Balance, March 31, 2023	\$	168,308	\$	821,570	\$	1,059,980	\$	(63,515)	\$	1,986,343
Shares issued		677		20,350		—		—		21,027
Stock compensation cost		—		8,980		—		—		8,980
Net earnings		—		—		134,268		—		134,268
Dividends declared (\$0.235 per share)		—		—		(39,795)		—		(39,795)
Other comprehensive income (loss)		—		—		—		5,484		5,484
Balance, June 30, 2023	\$	168,985	\$	850,900	\$	1,154,453	\$	(58,031)	\$	2,116,307

Six Months Ended June 30, 2023										
Balance, December 30, 2022	\$	167,702	\$	784,477	\$	976,851	\$	(69,378)	\$	1,859,652
Shares issued		1,398		49,430		—		—		50,828
Shares repurchased		(115)		(539)		(7,112)		—		(7,766)
Stock compensation cost		—		17,532		—		—		17,532
Net earnings		—		—		263,434		—		263,434
Dividends declared (\$0.470 per share)		—		—		(78,720)		—		(78,720)
Other comprehensive income (loss)		—		—		—		11,347		11,347
Balance, June 30, 2023	\$	168,985	\$	850,900	\$	1,154,453	\$	(58,031)	\$	2,116,307

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**, **June 28, 2024** and the related statements of earnings, comprehensive income and shareholders' equity for the three and six months ended **March 29, 2024**, **June 28, 2024** and **March 31, 2023**, **June 30, 2023**, and cash flows for the **three six** months ended **March 29, 2024**, **June 28, 2024** and **March 31, 2023**, **June 30, 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**, **June 28, 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**, **10-K for the year ended December 29, 2023 (the "2023 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 has three reportable segments: Contractor, Industrial and Process. Sales and operating earnings by segment were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net Sales				
Net Sales				
Net Sales				
Contractor				
Contractor				
Contractor				
Industrial				
Industrial				
Industrial				
Process				
Process				
Process				
Total				
Total				
Total				
Operating Earnings				
Operating Earnings				
Operating Earnings				
Contractor				
Contractor				
Contractor				
Industrial				
Industrial				
Industrial				
Process				
Process				
Process				
Unallocated corporate (expense)				
Unallocated corporate (expense)				
Unallocated corporate (expense)				
Total				
Total				
Total				
Total				

Assets by segment were as follows (in thousands):

	March 29, 2024	December 29, 2023
	June 28, 2024	December 29, 2023
Contractor		
Industrial		

Process
Unallocated corporate
Total

Geographic information follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net Sales (based on customer location)				
Net Sales (based on customer location)				
Net Sales (based on customer location)				
United States				
United States				
United States				
Other countries				
Other countries				
Other countries				
Total				
Total				
Total				

	March 29, 2024	December 29, 2023	June 28, 2024	December 29, 2023
Long-lived Assets				
United States				
United States				
United States				
Other countries				
Total				

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		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net earnings available to common shareholders				
Net earnings available to common shareholders				
Net earnings available to common shareholders				
Weighted average shares outstanding for basic earnings per share				
Weighted average shares outstanding for basic earnings per share				
Weighted average shares outstanding for basic earnings per share				

Dilutive effect of stock options computed using the treasury stock method and the average market price
Dilutive effect of stock options computed using the treasury stock method and the average market price
Dilutive effect of stock options computed using the treasury stock method and the average market price
Weighted average shares outstanding for diluted earnings per share
Weighted average shares outstanding for diluted earnings per share
Weighted average shares outstanding for diluted earnings per share
Basic earnings per share
Basic earnings per share
Basic earnings per share
Diluted earnings per share
Diluted earnings per share
Diluted earnings per share
Anti-dilutive shares not included in diluted earnings per share computation
Anti-dilutive shares not included in diluted earnings per share computation
Anti-dilutive shares not included in diluted earnings per share computation

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	Option Shares	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Outstanding, December 29, 2023									
Granted									
Exercised									
Exercised									
Exercised									
Canceled									
Canceled									
Canceled									
Outstanding, March 29, 2024									
Outstanding, March 29, 2024									
Outstanding, March 29, 2024									
Outstanding, June 28, 2024									
Outstanding, June 28, 2024									
Outstanding, June 28, 2024									

The Company recognized year-to-date share-based compensation expense of \$10.5 million \$20.1 million in 2024 and \$8.9 million \$18.4 million in 2023. As of March 29, 2024 June 28, 2024, there was \$34.5 million \$26.4 million of unrecognized compensation cost related to unvested options, expected to be

recognized over a weighted average period of 3.02.7 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		Six Months Ended	
		March 29, 2024	March 31, 2023	June 28, 2024	June 30, 2023
Expected life in years	Expected life in years	6.6	6.7	Expected life in years	6.6
Interest rate	Interest rate	4.2 %	4.0 %	Interest rate	4.2 %
Volatility	Volatility	26.3 %	26.3 %	Volatility	26.3 %
Dividend yield	Dividend yield	1.1 %	1.3 %	Dividend yield	1.1 %
Weighted average fair value per share					

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		Six Months Ended	
		March 29, 2024	March 31, 2023	June 28, 2024	June 30, 2023
Expected life in years	Expected life in years	1.0	1.0	Expected life in years	1.0
Interest rate	Interest rate	4.9 %	5.1 %	Interest rate	4.9 %
Volatility	Volatility	24.2 %	26.4 %	Volatility	24.2 %
Dividend yield	Dividend yield	1.1 %	1.4 %	Dividend yield	1.1 %
Weighted average fair value per share					

5. 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 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Pension Benefits	Pension Benefits				
Pension Benefits	Pension Benefits				
Pension Benefits	Pension Benefits				
Service cost	Service cost				
Service cost	Service cost				
Service cost	Service cost				
Interest cost	Interest cost				
Interest cost	Interest cost				
Interest cost	Interest cost				
Expected return on assets	Expected return on assets				
Expected return on assets	Expected return on assets				
Expected return on assets	Expected return on assets				
Amortization and other	Amortization and other				
Amortization and other	Amortization and other				

Amortization and other
Net periodic benefit cost
Net periodic benefit cost
Net periodic benefit cost
Postretirement Medical
Postretirement Medical
Postretirement Medical
Service cost
Service cost
Service cost
Interest cost
Interest cost
Interest cost
Amortization
Amortization
Amortization
Net periodic benefit cost
Net periodic benefit cost
Net periodic benefit cost

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	Pension and Post-retirement Medical	Cumulative Translation Adjustment	Total	Pension and Post-retirement Medical	Cumulative Translation Adjustment	Total
Three Months Ended March 29, 2024							
Balance, December 29, 2023							
Balance, December 29, 2023							
Balance, December 29, 2023							
Three Months Ended June 28, 2024							
Balance, March 29, 2024							
Balance, March 29, 2024							
Balance, March 29, 2024							
Other comprehensive income (loss) before reclassifications							
Reclassified to pension cost and deferred tax							
Balance, March 29, 2024							
Balance, March 29, 2024							
Balance, March 29, 2024							
Balance, June 28, 2024							
Balance, June 28, 2024							
Balance, June 28, 2024							
Six Months Ended June 28, 2024							
Balance, December 29, 2023		\$	(31,012)	\$	(3,983)	\$	(34,995)

Other comprehensive income (loss) before reclassifications	—	(19,517)	(19,517)
Reclassified to pension cost and deferred tax	1,633	—	1,633
Balance, June 28, 2024	<u>\$ (29,379)</u>	<u>\$ (23,500)</u>	<u>\$ (52,879)</u>

Three Months Ended March 31, 2023
Three Months Ended March 31, 2023
Three Months Ended March 31, 2023
Balance, December 30, 2022
Balance, December 30, 2022
Balance, December 30, 2022
Three Months Ended June 30, 2023
Three Months Ended June 30, 2023
Three Months Ended June 30, 2023
Balance, March 31, 2023
Balance, March 31, 2023
Balance, March 31, 2023
Other comprehensive income (loss) before reclassifications
Reclassified to pension cost and deferred tax
Balance, March 31, 2023
Balance, March 31, 2023
Balance, March 31, 2023
Balance, June 30, 2023
Balance, June 30, 2023
Balance, June 30, 2023

Six Months Ended June 30, 2023			
Balance, December 30, 2022	\$	(39,734)	\$ (29,644) \$ (69,378)
Other comprehensive income (loss) before reclassifications		—	9,528 9,528
Reclassified to pension cost and deferred tax		1,819	— 1,819
Balance, June 30, 2023	\$	(37,915)	\$ (20,116) \$ (58,031)

Amounts Amoun

ts 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 \$338.8 million and other receivables of \$11 million \$11.8 million as of March 29, 2024 June 28, 2024 and \$343 million \$343.0 million and \$11 million \$11.4 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	Three Months Ended	Six Months Ended
	Three Months Ended		
	Three Months Ended		
	March 29, 2024		
	March 29, 2024		
	March 29, 2024		
	June 28, 2024	June 30, 2023	June 28, 2024
	June 28, 2024	June 30, 2023	June 28, 2024
	June 28, 2024	June 30, 2023	June 28, 2024
	June 28, 2024	June 30, 2023	June 28, 2024
Balance, beginning			
Balance, beginning			
Balance, beginning			
Additions (reversals) charged to costs and expenses			
Additions (reversals) charged to costs and expenses			
Additions (reversals) charged to costs and expenses			
Deductions from reserves ⁽¹⁾			
Deductions from reserves ⁽¹⁾			
Additions charged to costs and expenses			
Deductions from reserves ⁽¹⁾			
Other (deductions) additions ⁽²⁾			
Other (deductions) additions ⁽²⁾			
Other (deductions) additions ⁽²⁾			
Balance, ending			
Balance, ending			
Balance, ending			

- (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
	June 28, 2024	December 29, 2023
Finished products and components		
Products and components in various stages of completion		
Raw materials and purchased components		
Subtotal		
Reduction to LIFO cost		
Total		

9. Intangible Assets

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

	Finite Life									
	Customer Relationships									
	Customer Relationships									
	Customer Relationships	Patents and Proprietary Technology	Trademarks, Trade Names and Other	Trade Names	Total	Patents and Proprietary Technology	Trademarks, Trade Names and Other	Trade Names	Total	
As of March 29, 2024										
As of June 28, 2024										
Cost										
Cost										
Cost										
Accumulated amortization										
Foreign currency translation										
Book value										
Weighted average life in years										
As of December 29, 2023										
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	\$	55,578	\$	5,283	\$	739	\$	64,658	\$	126,258
Weighted average life in years		13		9		6		N/A		

Amortization of intangibles for the second quarter was \$4.1 million in 2024 and \$4.4 million in 2023, and for the year to date was \$4.2 million \$8.3 million in 2024 and \$4.5 million \$8.9 million in 2023. Estimated annual amortization expense based on the current carrying amount of other intangible assets is as follows (in thousands):

	2024 (Remainder)	2024 (Remainder)	2025	2026	2027	2028	Thereafter	2024 (Remainder)	2025	2026	2027	2028	Thereafter
Estimated Amortization Expense													

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

	Contractor	Contractor	Industrial	Process	Total	Contractor	Industrial	Process	Total
Balance, December 29, 2023									
Foreign currency translation									
Foreign currency translation									
Foreign currency translation									
Balance, March 29, 2024									
Balance, June 28, 2024									

10. Other Current Liabilities

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

	March 29, 2024	December 29, 2023
	June 28, 2024	December 29, 2023
Accrued self-insurance retentions		
Accrued warranty and service liabilities		
Accrued trade promotions		
Payable for employee stock purchases		
Customer advances and deferred revenue		
Income taxes payable		
Tax payable, other		
Right of return refund liability		
Operating lease liabilities, current		
Other		
Other		
Other		
Total		

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 4,620
Margin on parts sales reversed		872 1,649
Reductions for claims settled		(3,815) (7,143)
Balance, March 29, 2024 June 28, 2024	\$	14,756 14,534

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 March 29, 2024 June 28, 2024, we recognized \$28.7 million \$13.4 million and \$42.1 million, respectively, that was included in deferred revenue at December 29, 2023. During the three and six months ended March 31, 2023 June 30, 2023, we recognized \$20.6 million \$16.0 million and \$36.6 million, respectively, that was were 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	Level	March 29, 2024	December 29, 2023	Level	June 28, 2024	December 29, 2023
Assets							
Cash surrender value of life insurance							
Cash surrender value of life insurance							
Cash surrender value of life insurance							
Forward exchange contracts							
Total assets at fair value							

Liabilities
Contingent consideration
Contingent consideration
Contingent consideration
Deferred compensation
Forward exchange contracts
Total liabilities at fair value

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						Six Months Ended					
		Jun 28, 2024		Jun 30, 2023		% Change		Jun 28, 2024		Jun 30, 2023		% Change	
Net Sales	Net Sales	\$553.2	\$	\$ 559.6	(1)	(1)%	\$ 1,045.4	\$	\$1,089.3	(4)	(4)%		
Net Sales													
Net Sales													
Operating Earnings													

Operating Earnings															
Operating Earnings	Operating Earnings	161.4	157.1		157.1	3		3 %	294.4		313.7		313.7	(6)	(6) %
Net Earnings															
Net Earnings															
Net Earnings		133.0	134.3		134.3	(1)	(1)	%	255.2		263.4		263.4	(3)	(3) %
Net Earnings, adjusted ⁽¹⁾	Net Earnings, adjusted ⁽¹⁾	132.2	128.8		128.8	3		3 %	244.8		255.3		255.3	(4)	(4) %
Net Earnings, adjusted ⁽¹⁾															
Net Earnings, adjusted ⁽¹⁾															
Diluted Net Earnings per Common Share															
Diluted Net Earnings per Common Share															
Diluted Net Earnings per Common Share	Diluted Net Earnings per Common Share	\$ 0.77	\$	\$	0.78	(1)	(1)	%	\$ 1.48	\$	\$ 1.53	(3)	(3)	(3) %	
Diluted Net Earnings per Common Share, adjusted ⁽¹⁾	Diluted Net Earnings per Common Share, adjusted ⁽¹⁾	\$ 0.77	\$	\$	0.75	3	3	%	\$ 1.42	\$	\$ 1.48	(4)	(4)	(4) %	
Diluted Net Earnings per Common Share, adjusted ⁽¹⁾															
Diluted Net Earnings per Common Share, adjusted ⁽¹⁾															

Net sales for the second quarter decreased 71 percent from the comparable period last year, with decreases year. Sales growth in all the Contractor segment was unable to offset declines in the Industrial and Process segments. Regionally, sales decreased in the Americas EMEA and Asia Pacific and were up modestly increased in EMEA, the Americas. Changes in currency translation rates decreased worldwide net sales by \$3 million for the quarter and \$4 million for the year to date.

Net earnings decreased 5 percent for the second quarter decreased 1 percent from the comparable period last year as increased interest income higher operating earnings and lower interest expense softened were unable to offset the decrease in operating earnings. impact of a higher effective income tax rate. On an adjusted basis, net earnings decreased 11 increased 3 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			Three Months Ended			Six Months Ended	
	Three Months Ended			Three Months Ended			Six Months Ended	
	Three Months Ended			Three Months Ended			Six Months Ended	
	March 29, 2024			March 29, 2024			March 29, 2024	
	March 29, 2024			March 29, 2024			March 29, 2024	
	March 29, 2024			March 29, 2024			March 29, 2024	
	June 28, 2024			June 30, 2023			June 28, 2024	
	June 28, 2024			June 30, 2023			June 28, 2024	
	June 28, 2024			June 30, 2023			June 28, 2024	
Earnings before income taxes								
Earnings before income taxes								
Earnings before income taxes								
Income taxes, as reported								
Income taxes, as reported								
Income taxes, as reported								
Excess tax benefit from option exercises								
Excess tax benefit from option exercises								
Excess tax benefit from option exercises								
Income taxes, adjusted								
Income taxes, adjusted								
Income taxes, adjusted								
Effective income tax rate								
Effective income tax rate								
Effective income tax rate								
As reported								
As reported								
As reported								
Adjusted	19.5	%	15.9	%	16.5	%	16.9	%
Adjusted	20.0	%	19.4	%	19.9	%	19.4	%
Adjusted								
Adjusted								
Net Earnings, as reported								
Net Earnings, as reported								
Net Earnings, as reported								
Excess tax benefit from option exercises								
Excess tax benefit from option exercises								
Excess tax benefit from option exercises								
Net Earnings, adjusted								
Net Earnings, adjusted								

Net Earnings, adjusted
Weighted Average Diluted Shares
Weighted Average Diluted Shares
Weighted Average Diluted Shares
Diluted Earnings per Share
Diluted Earnings per Share
Diluted Earnings per Share
As reported
As reported
As reported
Adjusted
Adjusted
Adjusted

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

	Three Months Ended		Three Months Ended	Six Months Ended
	Three Months Ended			
	Three Months Ended			
	March 29, 2024			
	March 29, 2024			
	March 29, 2024			
Net Sales				
Net Sales				
		June 28, 2024	June 30, 2023	June 28, 2024
				June 30, 2023
Net Sales	Net Sales	100.0 %	100.0 %	100.0 %
Cost of products sold				
Cost of products sold				
Cost of products sold				
Gross Profit				
Gross Profit				
Gross Profit				
Product development				
Product development				
Product development				
Selling, marketing and distribution				
Selling, marketing and distribution				
Selling, marketing and distribution				
General and administrative				
General and administrative				

General and administrative

Operating Earnings
Operating Earnings
Operating Earnings

Interest expense
Interest expense
Interest expense
Other (income) expense, net
Other (income) expense, net
Other (income) expense, net

Earnings Before Income Taxes
Earnings Before Income Taxes
Earnings Before Income Taxes
Income taxes
Income taxes
Income taxes

Net Earnings	Net Earnings	24.0	%	24.0	%	24.4	%	24.2	%
Net Earnings									
Net Earnings									

Net Sales

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

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Americas ⁽¹⁾				
Americas ⁽¹⁾				
Americas ⁽¹⁾				
EMEA ⁽²⁾				
EMEA ⁽²⁾				
EMEA ⁽²⁾				
Asia Pacific				
Asia Pacific				
Asia Pacific				
Consolidated				
Consolidated				
Consolidated				

- (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	Three Months	Six Months
Three Months		
Three Months		

	Volume and Price		Volume and Price		Volume and Price		Volume and Price		Volume and Price		Volume and Price		Volume and Price	
	Volume and Price		Volume and Price		Acquisitions		Currency		Total		Volume and Price		Acquisitions	
Americas	Americas	5%			0%		5%		(1)%				0%	
Americas														
Americas														
EMEA														
EMEA														
EMEA	EMEA	(5)%		0%		(1)%		(6)%		(3)%		0%		1%
Asia Pacific	Asia Pacific	(16)%		0%		(2)%		(18)%		(15)%		0%		(2)%
Asia Pacific														
Asia Pacific														
Consolidated	Consolidated	(1)%			0%		(1)%		(4)%				0%	
Consolidated														
Consolidated														

Gross Profit

Gross profit margin rate improved 2 percentage points for the second quarter improved slightly and 1 percentage point for the year to date from the comparable period periods last year. The favorable effect of year mostly due to lower product costs and realized price increases more than offset unfavorable product and channel mix. increases.

Operating Expenses

Total operating expenses for the second quarter were \$5 million (4 percent) higher than the second quarter last year. The increase for the quarter included approximately \$3 million of expenses associated with the relocation to a new distribution center and \$2 million related to product development, growth initiatives and other corporate items. Year-to-date operating expenses increased \$5 million \$10 million (4 percent) compared to the first half last year, including approximately year. The increase included \$5 million related to product development, growth initiatives and other corporate items, \$3 million (2 percentage points) associated with the distribution center relocation, and \$2 million of increased unallocated corporate operating expense (mostly from incremental share-based compensation) compensation. Operating expense rate-related increases of approximately 3 percent for both the quarter and \$1 million (1 percentage point) of increases year to date were mostly offset by reductions in product development spending. sales and earnings-based expenses.

Interest and Other (Income) Expense

Interest expense was \$1 million lower for the second quarter and \$2 million lower for the year to date compared to the same periods last year as private placement debt was repaid in the third quarter of 2023. Other income was flat for the quarter and increased \$6 million year to date from the comparable period periods last year, year. The year-to-date increase was largely due to increased interest income of approximately \$4 million. income.

Income Taxes

The effective income tax rate was 13 percent, down approximately 5 up 4 percentage points to 20 percent for the second quarter and down 1 percentage point to 16 percent for the year to date from the comparable periods last year. The decrease was year due primarily to an increase variations 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		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net Sales				
Net Sales				
Net Sales				
Americas				
Americas				
Americas				
EMEA				
EMEA				
EMEA				
Asia Pacific				
Asia Pacific				
Asia Pacific				
Total				
Total				
Total				
Operating earnings as a percentage of net sales	Operating earnings as a percentage of net sales	31 % 27 %	30 % 28 %	
Operating earnings as a percentage of net sales				
Operating earnings as a percentage of net sales				

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

The following table presents the components of net sales change by geographic region for the Contractor Segment														
		Three Months			Three Months			Six Months						
		Three Months												
		Three Months												
		Volume and Price												
		Volume and Price												
		Volume and Price												
		Volume and Price												
		Volume and Price												
		Volume and Price												
		Volume and Price												
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		Volume and Price												

Operating earnings as a percentage of net sales	Operating earnings as a percentage of net sales	34	%	34	%	33	%	35	%
Operating earnings as a percentage of net sales									
Operating earnings as a percentage of net sales									

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

		Three Months				Three Months				Six Months								
		Three Months																
		Three Months																
		Volume and Price																
		Volume and Price																
		Volume and Price		Volume and Price		Acquisitions		Currency		Total		Volume and Price		Acquisitions		Currency		Total
Americas	Americas	10%				0%		10%		4%				0%			4%	
Americas																		
Americas																		
EMEA																		
EMEA																		
EMEA	EMEA	(2)%		0%		(1)%		(3)%				0%		(3)%				
Asia	Asia																	
Pacific	Pacific	(25)%		0%		(2)%		(27)%		(19)%		0%		(2)%			(21)%	
Asia																		
Pacific																		
Asia																		
Pacific																		
Segment	Segment																	
Total	Total	(4)%		0%		(1)%		(5)%				0%		(5)%				
Segment																		
Total																		
Segment																		
Total																		

Industrial segment net sales decreased 5 percent for the second quarter and year to date, as growth in all regions the Americas was more than offset by double-digit declines in Asia Pacific. The operating margin rate was flat 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 and decreased 2 percentage points compared for the year to last year, mainly due to the unfavorable date. The favorable effects of product and channel mix and expense leverage, was able to offset higher expenses for the quarter, but unable to offset higher expenses for the year to date. Changes in foreign currency translation rates further reduced the operating margin rate for the year to date.

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	Six Months Ended
--	--------------------	------------------

	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net Sales				
Net Sales				
Net Sales				
Americas				
Americas				
Americas				
EMEA				
EMEA				
EMEA				
Asia Pacific				
Asia Pacific				
Asia Pacific				
Total				
Total				
Total				
Operating earnings as a percentage of net sales	Operating earnings as a percentage of net sales		29 %	31 %
Operating earnings as a percentage of net sales			29 %	31 %
Operating earnings as a percentage of net sales			29 %	31 %

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

	Three Months			Three Months			Six Months		
	Three Months			Three Months			Six Months		
	Three Months			Three Months			Six Months		
	Volume and Price			Volume and Price			Volume and Price		
	Volume and Price			Volume and Price			Volume and Price		
	Volume and Price	Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	Americas (5)%		0%	(5)%	(6)%		0%	(6)%	
Americas									
Americas									
EMEA									
EMEA	EMEA (9)%		0%	(9)%	(8)%		0%	(8)%	
Asia Pacific	Asia Pacific (19)%	0%	(1)%		(20)%	0%	(2)%		(22)%
Asia Pacific									

Asia Pacific							
Segment Total	Segment Total	(9)%	0%	(9)%	0%	(9)%	
Segment Total							
Segment Total							

Process segment net sales decreased 9 percent for both the second quarter and year to date, as sales decreased in all regions for the quarter compared to last year primarily due to weakness most product applications. Weakness in the semiconductor and industrial lubrication product application. applications was notable for both the quarter and year to date. The operating margin rate for this segment decreased approximately 12 percentage point in points for the quarter from the comparable period last and year as price realization was more than offset by to date due primarily to unfavorable expense leverage on lower sales volume.

Liquidity and Capital Resources

Net cash provided by operating activities totaled \$119 million \$258 million in the first quarter six months of 2024 compared to \$91 million \$282 million in 2023. Decreases in accounts receivable, reflective of a decline in business activity Lower net earnings and increased inventory purchases in 2024 drove most of the increase. decrease. Inventory levels increased in 2024 primarily due to the effect of new product offerings. Significant uses of cash in the first quarter half of 2024 included plant and equipment additions of \$37 million \$73 million and dividend payments of \$43 million \$86 million. Net proceeds from shares issued totaled \$41 million \$42 million, which were partially offset by share repurchases of \$18 million.

For In the first three months half of 2023, significant uses of cash included plant and equipment additions of \$38 million \$92 million and dividend payments of \$39 million \$79 million. Net proceeds from shares issued totaled \$30 million \$51 million, which was partially offset by share repurchases of \$8 million.

As of March 29, 2024 June 28, 2024, the Company had available liquidity of \$1,398 million \$1,441 million, including cash and cash equivalents of \$623 \$666 million, of which \$167 million \$226 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 Given the slow first half of the year in both the Industrial and Process segments, we lowered our full-year 2024 worldwide outlook to target low single-digit sales growth for 2024 decline on an organic, constant-currency constant currency basis. While overall economic conditions are challenging, particularly in Asia Pacific, we continue to pursue our proven growth strategies and invest in our businesses.

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 international and other domestic 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 2023 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 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 Company's Company's 2023 Annual Report on Form 10-K. Report.

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. Report.

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

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 30, 2023 - April 26, 2024	—	\$ —	—	13,549,640
April 27, 2024 - May 31, 2024	—	\$ —	—	13,549,640
June 1, 2024 - June 28, 2024	223,943	\$ 78.74	—	13,325,697

Item 5. Other Information

During the three months ended **March 29, 2024** **June 28, 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).
- [10.1](#) Graco Inc. Amended and Restated 2019 Stock Incentive Plan ([Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed March 13, 2024.](#))
- [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** **Second** Quarter Earnings dated **April 24, 2024** **July 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:	<u>April July 24, 2024</u>	By:	<u>/s/ Mark W. Sheahan</u> Mark W. Sheahan President and Chief Executive Officer (Principal Executive Officer)
Date:	<u>April July 24, 2024</u>	By:	<u>/s/ David M. Lowe</u> David M. Lowe Chief Financial Officer and Treasurer (Principal Financial Officer)
Date:	<u>April July 24, 2024</u>	By:	<u>/s/ Christopher D. Knutson</u> 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 July 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 July 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 July 24, 2024

/s/ Mark W. Sheahan

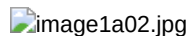
Mark W. Sheahan
President and Chief Executive Officer

Date: April July 24, 2024

/s/ David M. Lowe

David M. Lowe
Chief Financial Officer and Treasurer

Exhibit 99.1



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



FOR IMMEDIATE RELEASE:

Wednesday, April 24, 2024 July 24, 2024

FOR FURTHER INFORMATION:

Financial Contact: David M. Lowe, 612-623-6456
Media Contact: Meredith A. Sobieck, 612-623-6427
Meredith_A_Sobieck@graco.com

Graco Reports First Second Quarter Results

MINNEAPOLIS (April 24, 2024) (7/24/2024) – Graco Inc. (NYSE: GGG) today announced results for the firstsecond quarter ended March 29, 2024June 28, 2024.

Summary

\$ in millions except per share amounts

		Three Months Ended					Three Months Ended					Six Months Ended		
		Mar 29, 2024	Mar 31, 2023	% Change			Jun 28, 2024	Jun 30, 2023	% Change			Jun 28, 2024	Jun 30, 2023	% Change
Net Sales	Net Sales	\$ 492.2	\$ 529.6	(7) %	Net Sales	\$ 553.2	\$ 559.6	(1) %		\$ 1,045.4	\$ 1,089.3	(4) %		
Operating Earnings	Operating Earnings	133.0	156.7	(15) %	Operating Earnings	161.4	157.1	3 %		294.4	313.7	(6) %		
Net Earnings	Net Earnings	122.2	129.2	(5) %	Net Earnings	133.0	134.3	(1) %		255.2	263.4	(3) %		
Diluted Net Earnings per Common Share	Diluted Net Earnings per Common Share	\$ 0.71	\$ 0.75	(5) %	Diluted Net Earnings per Common Share	\$ 0.77	\$ 0.78	(1) %		\$ 1.48	\$ 1.53	(3) %		

Adjusted (non-GAAP): (1)	Adjusted (non-GAAP): (1)					Adjusted (non-GAAP): (1)				
Net Earnings, adjusted	Net Earnings, adjusted	\$ 112.6	\$ 126.6	(11)	%	Net Earnings, adjusted	\$ 132.2	\$ 128.8	3	%
Diluted Net Earnings per Common Share, adjusted	Diluted Net Earnings per Common Share, adjusted	\$ 0.65	\$ 0.74	(12)	%	Diluted Net Earnings per Common Share, adjusted	\$ 0.77	\$ 0.75	3	%
							\$ 244.8	\$ 255.3	(4)	%
							\$ 1.42	\$ 1.48	(4)	%

(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 for the second quarter decreased 7 percent, with decreases 1 percent. Sales growth in all the Contractor segment was unable to offset declines in the Industrial and Process segments. Regionally, sales decreased in the Americas EMEA and Asia Pacific and were up modestly increased in EMEA, the Americas.
- Operating earnings decreased 15 for the second quarter increased 3 percent, as an improved gross profit margin rate was unable to offset lower sales volume and higher operating expenses.
- Net earnings for the second quarter decreased 5 1 percent as increased interest income higher operating earnings and lower interest expense softened were unable to offset the decrease in operating earnings, impact of a higher effective income tax rate. On an adjusted basis, net earnings decreased 11 increased 3 percent.

"Sales were down "Strength in all segments and regions for the first Contractor segment this quarter with the exception of EMEA Contractor, was not enough to offset declines elsewhere, resulting in overall sales performance that was below our expectations," said Mark Sheahan, Graco's President and CEO. "The quarter was weaker than expected, which creates a challenging start "New product introductions in Contractor were well-received and led 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 growth. Declines in Asia Pacific (14 percent at consistent translation rates), were driven largely by the China market, where softening demand is negatively impacting our sealant and adhesives, powder coating equipment and semiconductor businesses. Operating earnings performance was strong for the quarter with an expansion of more than 100 basis points when compared to our second quarter last year."

Page 2 GRACO

Gross profit margin rate

Consolidated Results

Net sales for the second quarter improved slightly decreased 1 percent from the comparable period last year. The favorable effect of Second quarter net sales increased 5 percent in the Americas, decreased 6 percent in EMEA (5 percent at consistent translation rates) and decreased 18 percent in Asia Pacific (16 percent at consistent translation rates). Year-to-date net sales decreased 4 percent from the comparable period last year. Year-to-date net sales decreased 1 percent in the Americas, decreased 2 percent in EMEA (3 percent at consistent translation rates) and decreased 17 percent in Asia Pacific (15 percent at consistent translation rates). Changes in currency translation rates decreased worldwide sales by \$3 million for the quarter and \$4 million for the year to date.

Gross profit margin rate improved 2 percentage points for the second quarter and 1 percentage point for the year to date from the comparable periods last year mostly due to lower product costs and realized price increases more than offset unfavorable product and channel mix, increases.

Total operating expenses for the second quarter were \$5 million (4 percent) higher than the second quarter last year. The increase for the quarter included approximately \$3 million of expenses associated with the relocation to a new distribution center and \$2 million related to product development, growth initiatives and other corporate items. Year-to-date operating expenses increased \$5 million \$10 million (4 percent) compared to the first half last year, including approximately year. The increase included \$5 million related to product development, growth initiatives and other corporate items, \$3 million (2 percentage points) associated with the distribution center relocation, and \$2 million of increased unallocated corporate operating expense (mostly from incremental share-based compensation) compensation. Operating expense rate-related increases of approximately 3 percent for both the quarter and \$1 million (1 percentage point) of increases year to date were mostly offset by reductions in product development spending, sales and earnings-based expenses.

Interest expense was \$1 million lower for the second quarter and \$2 million lower for the year to date compared to the same periods last year as private placement debt was repaid in the third quarter of 2023. Other income was flat for the quarter and increased \$6 million year-to-date from the comparable period periods last year, year. The year-to-date increase was largely due to increased interest income of approximately \$4 million, income.

The effective income tax rate was 13 percent, down approximately 5 up 4 percentage points to 20 percent for the second quarter and down 1 percentage point to 16 percent for the year to date from the comparable periods last year. The decrease was year due primarily to an increase variations 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				Three Months			Six Months		
		Contractor	Industrial	Process		Contractor	Industrial	Process	Contractor	Industrial	Process
Net Sales	Net Sales				Net Sales						
(in millions)	(in millions)	\$ 230.0	\$ 142.0	\$ 120.2	(in millions)	\$ 269.6	\$ 155.7	\$ 127.9	\$ 499.7	\$ 297.7	\$ 248.0
Percentage change from last year	Percentage change from last year				Percentage change from last year						
Sales	Sales	(6) %	(5) %	(10) %	Sales	5 %	(5) %	(9) %	— %	(5) %	(9) %
Operating earnings	Operating earnings	(10) %	(15) %	(14) %	Operating earnings	22 %	(6) %	(15) %	6 %	(10) %	(14) %
Operating earnings as a percentage of sales	Operating earnings as a percentage of sales				Operating earnings as a percentage of sales						
2024	2024	29 %	32 %	29 %	2024	31 %	34 %	29 %	30 %	33 %	29 %
2023	2023	30 %	35 %	30 %	2023	27 %	34 %	31 %	28 %	35 %	31 %

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

		Three Months					Three Months				Six Months			
		Volume and Price	Acquisitions	Currency	Total		Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	Americas	(10)%	0%	0%	(10)%	Americas	9%	0%	0%	9%	(1)%	0%	0%	(1)%
EMEA	EMEA	9%	0%	1%	10%	EMEA	(7)%	0%	(1)%	(8)%	0%	0%	1%	1%
Asia Pacific	Asia Pacific	(4)%	0%	(4)%	(8)%	Asia Pacific	10%	0%	(3)%	7%	3%	0%	(4)%	(1)%
Consolidated	Consolidated	(6)%	0%	0%	(6)%	Consolidated	6%	0%	(1)%	5%	0%	0%	0%	0%

Continued weakness in North American construction markets. Favorable response from new product offerings led to a 5 percent decrease in net sales for the second quarter. Unfavorable Net sales were flat for the year to date as favorable response from new product offerings offset softness in worldwide construction markets. The operating margin rate increased 4 percentage points for the quarter driven by lower product costs and channel mix price realization. For the year to date, lower product costs and increased spending related to price realization were partially offset by higher expenses, particularly in new product development, resulting in a 12 percentage point decrease in increase to 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					Three Months				Six Months			
		Volume and Price	Acquisitions	Currency	Total		Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	Americas	(3)%	0%	0%	(3)%	Americas	10%	0%	0%	10%	4%	0%	0%	4%
EMEA	EMEA	(4)%	0%	2%	(2)%	EMEA	(2)%	0%	(1)%	(3)%	(3)%	0%	0%	(3)%
Asia Pacific	Asia Pacific	(12)%	0%	(3)%	(15)%	Asia Pacific	(25)%	0%	(2)%	(27)%	(19)%	0%	(2)%	(21)%
Consolidated	Consolidated	(5)%	0%	0%	(5)%	Consolidated	(4)%	0%	(1)%	(5)%	(5)%	0%	0%	(5)%

Industrial segment net sales decreased 5 percent for the second quarter and year to date, as growth in all regions the Americas was more than offset by double-digit declines in Asia Pacific. The operating margin rate was flat 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 and decreased 2 percentage points mainly due for the year to the unfavorable date. The favorable effects of product and channel mix and expense leverage was able to offset higher expenses for the quarter, but unable to offset higher expenses for the year to date. Changes in foreign currency translation rates further reduced the operating margin rate for the year to date.

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

		Three Months					Three Months				Six Months			
		Volume and Price	Acquisitions	Currency	Total		Volume and Price	Acquisitions	Currency	Total	Volume and Price	Acquisitions	Currency	Total
Americas	Americas	(6)%	0%	0%	(6)%	Americas	(5)%	0%	0%	(5)%	(6)%	0%	0%	(6)%
EMEA	EMEA	(8)%	0%	2%	(6)%	EMEA	(9)%	0%	0%	(9)%	(8)%	0%	0%	(8)%
Asia Pacific	Asia Pacific	(22)%	0%	(1)%	(23)%	Asia Pacific	(19)%	0%	(1)%	(20)%	(20)%	0%	(2)%	(22)%
Consolidated	Consolidated	(10)%	0%	0%	(10)%	Consolidated	(9)%	0%	0%	(9)%	(9)%	0%	0%	(9)%

Process segment net sales decreased 9 percent for both the second quarter and year to date, as sales decreased in all regions for the quarter primarily due to weakness most product applications. Weakness in the semiconductor and industrial lubrication product application applications was notable for both the quarter and year to date. The operating margin rate for this segment decreased approximately 12 percentage point as price realization was more than offset by points for the quarter and year to date due primarily to 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."

Page 4 GRACO

Financial Results Adjusted for Comparability Outlook

Excluding "Given the impacts of excess tax benefits from stock option exercises presents a more consistent basis for comparison of financial results. A calculation slow first half of the non-GAAP adjusted measurements of income taxes, effective income tax rate, net earnings year in both our Industrial and diluted earnings per share follows (in millions except per share amounts): Process segments, we are lowering our full-year 2024 worldwide outlook to low single-digit sales decline on an organic, constant currency basis," stated Sheahan. "While overall economic conditions are challenging, particularly in Asia Pacific, Graco is well-positioned for the long term as we continue to pursue our proven growth strategies and invest in our businesses."

	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 %
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

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		Six Months Ended	
	Jun 28, 2024	Jun 30, 2023	Jun 28, 2024	Jun 30, 2023
Earnings before income taxes	\$ 165.2	\$ 159.6	\$ 305.5	\$ 317.0
Income taxes, as reported	\$ 32.2	\$ 25.4	\$ 50.3	\$ 53.5
Excess tax benefit from option exercises	0.8	5.5	10.4	8.1
Income taxes, adjusted	\$ 33.0	\$ 30.9	\$ 60.7	\$ 61.6
Effective income tax rate				
As reported	19.5 %	15.9 %	16.5 %	16.9 %
Adjusted	20.0 %	19.4 %	19.9 %	19.4 %
Net Earnings, as reported	\$ 133.0	\$ 134.3	\$ 255.2	\$ 263.4
Excess tax benefit from option exercises	(0.8)	(5.5)	(10.4)	(8.1)
Net Earnings, adjusted	\$ 132.2	\$ 128.8	\$ 244.8	\$ 255.3
Weighted Average Diluted Shares	172.5	172.6	172.5	172.1
Diluted Earnings per Share				
As reported	\$ 0.77	\$ 0.78	\$ 1.48	\$ 1.53
Adjusted	\$ 0.77	\$ 0.75	\$ 1.42	\$ 1.48

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 international and other domestic 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 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 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 July 25, 2024, at 11 a.m. ET, 10 a.m. CT, to discuss Graco's firstsecond 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			Three Months Ended		Six Months Ended	
		Mar 29, 2024	Mar 31, 2023		Jun 28, 2024	Jun 30, 2023	Jun 28, 2024	Jun 30, 2023
Net Sales	Net Sales	\$ 492,189	\$ 529,646	Net Sales	\$ 553,243	\$ 559,644	\$ 1,045,432	\$ 1,089,290
Cost of products sold	Cost of products sold	225,992	244,506	Cost of products sold	252,389	268,229	478,381	512,735
Gross Profit	Gross Profit	266,197	285,140	Gross Profit	300,854	291,415	567,051	576,555
Product development	Product development	21,872	20,479	Product development	21,897	21,286	43,769	41,765

Selling, marketing and distribution	Selling, marketing and distribution	66,631	65,383	Selling, marketing and distribution	69,001	68,380	135,632	133,763
General and administrative	General and administrative	44,698	42,610	General and administrative	48,597	44,697	93,295	87,307
Operating Earnings	Operating Earnings	132,996	156,668	Operating Earnings	161,359	157,052	294,355	313,720
Interest expense	Interest expense	744	1,347	Interest expense	634	1,798	1,378	3,145
Other (income) expense, net	Other (income) expense, net	(8,078)	(2,029)	Other (income) expense, net	(4,453)	(4,365)	(12,531)	(6,394)
Earnings Before Income Taxes	Earnings Before Income Taxes	140,330	157,350	Earnings Before Income Taxes	165,178	159,619	305,508	316,969
Income taxes	Income taxes	18,131	28,184	Income taxes	32,200	25,351	50,331	53,535
Net Earnings	Net Earnings	\$ 122,199	\$ 129,166	Net Earnings	\$ 132,978	\$ 134,268	\$ 255,177	\$ 263,434
Net Earnings per Common Share	Net Earnings per Common Share			Net Earnings per Common Share				
Basic	Basic	\$ 0.73	\$ 0.77	Basic	\$ 0.79	\$ 0.80	\$ 1.51	\$ 1.56
Diluted	Diluted	\$ 0.71	\$ 0.75	Diluted	\$ 0.77	\$ 0.78	\$ 1.48	\$ 1.53
Weighted Average Number of Shares	Weighted Average Number of Shares			Weighted Average Number of Shares				
Basic	Basic	168,490	168,018	Basic	169,100	168,683	168,795	168,351
Diluted	Diluted	172,446	171,676	Diluted	172,486	172,551	172,466	172,114

SEGMENT INFORMATION (Unaudited)

(In thousands)

		Three Months Ended			Three Months Ended		Six Months Ended	
		Mar 29, 2024	Mar 31, 2023		Jun 28, 2024	Jun 30, 2023	Jun 28, 2024	Jun 30, 2023
Net Sales	Net Sales			Net Sales				
Contractor	Contractor	\$ 230,042	\$ 245,971	Contractor	\$ 269,638	\$ 255,648	\$ 499,680	\$ 501,619
Industrial	Industrial	141,991	150,190	Industrial	155,708	163,523	297,699	313,713
Process	Process	120,156	133,485	Process	127,897	140,473	248,053	273,958
Total	Total	\$ 492,189	\$ 529,646	Total	\$ 553,243	\$ 559,644	\$ 1,045,432	\$ 1,089,290
Operating Earnings	Operating Earnings			Operating Earnings				
Contractor	Contractor	\$ 66,141	\$ 73,772	Contractor	\$ 84,362	\$ 68,868	\$ 150,503	\$ 142,640
Industrial	Industrial	44,801	52,770	Industrial	52,720	55,887	97,521	108,657
Process	Process	35,040	40,565	Process	37,279	43,620	72,319	84,185
Unallocated corporate (expense)	Unallocated corporate (expense)	(12,986)	(10,439)	Unallocated corporate (expense)	(13,002)	(11,323)	(25,988)	(21,762)
Total	Total	\$ 132,996	\$ 156,668	Total	\$ 161,359	\$ 157,052	\$ 294,355	\$ 313,720

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